



ANNUAL BUDGET OF

ABAQULUSI MUNICIPALITY

2014/15 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE

FORECASTS

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 - *Website: www.Abaqulusi.gov.za*

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i. **ABBREVIATIONS AND ACRONYMS**

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting, or affected by, the budget. Examples include tariff policy, rates policy and credit control and debt policy.

Budget Steering committee – Committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the municipality, and the month end balances of cash and short-term investments.

CPI – Headline Consumer Price Index

DMTN – Domestic Medium Term Note

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DORb – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Executive Management Team – A team comprising the Municipal Manager and the Executive Directors. It reports to the Municipal Manager.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted at assisting municipalities with the costs of free basic services.

GDFI - Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

MFMA - Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.

MYPD – Multi Year Price Determination

NT – National Treasury

Operating Expenditure – The day-to-day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Portfolio Committee – In line with Section 79 of the Structures Act, the Municipality's Portfolio Committees process policies and bylaws relating to the functional areas within their terms of reference, and are responsible for implementation monitoring of these, as well as oversight of the functional areas. Portfolio Committees are also responsible for assessing and monitoring services delivery, ensuring that annual budgets are spent wisely, and that there is no wastage or corruption.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SCM - Supply Chain Management

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

SFA – Strategic Focus Areas. The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these Strategic Focus Areas.

Vote – One of the main segments into which a budget is divided, usually at directorate level.

Part 1 – Annual Budget

1.1 Mayor's Report

During the State of the National Address the President remarked that the National Planning Commission had handed over the National Development Plan during 2013 and the vision of the country for the next 20 years. This plan contains proposals for tackling the problems of poverty, inequality and unemployment. It is a roadmap to where all will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment. The achievement of these goals has proven difficult due to the global economic recession.

The President further stated that government is cracking down on corruption, tender fraud and price fixing in the infrastructure program. Government will be working together to find a solution to youth unemployment by making use of the Expanded Public Works Programme and the Community Work Programme to absorb young people.

We must ensure that the public services we provide our community today can continue to be provided to our people tomorrow. This requires that we have suitable tax policies in place to generate sufficient revenue to pay for these services.

Whilst rural development remain a priority of government, it is crucial that a national integrated urban development framework is developed to assist municipalities to effectively manage rapid urbanisation.

“Green” growth policies promote economic advancement in an environmentally sustainable manner. The shift towards a more resource efficient, low-carbon economy will lead to new sources of growth and complement economic reforms.

Management within local government has a significant role to play in strengthening the link between the community and governments overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Abaqulusi Municipality.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities.

The challenge is to do more with the limited resources available. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

Twenty years of democracy have brought enduring achievements but there is no room for complacency. We need to work together for a common vision that connects the past to the present to make a better future possible. Change is not just a challenge to government but affects all of society. The budget policy framework of government for the next three years is designed to manage risk in a constrained fiscal environment while building a foundation for economic growth supported by the implementation of the National Development Plan.

The following points are relevant to our budget:

- There are signs of improvement in the world economy, though the outlook remains troubled.
- South Africa's economy has continued to grow, but at a slower rate.
- The 2013 budget takes the National Development Plan as its point of departure. The strategic plans of government and the medium-term expenditure plans will be aligned to realise our objectives.
- Government remains committed to a large scale infrastructure investment program.
- The NDP identifies there is a need to reduce the cost of living for poor households and the costs of doing business, support for small, medium and micro enterprises (SMME's), entrepreneurs and business start-ups, a greener and more sustainable economy, support for local production and employment through government procurement and broadening and strengthening industrial development.
- Municipalities have to revise spending plans and reprioritise funds to ensure key objectives are achieved and well-performing programmes are supported.
- Expenditure plans need to reflect both the medium-term investment plans and long-term goals identified in the NCP and municipal IDP.

Some of the foundations of faster growth are in place. Strong capital investment by the public sector, the addition of electricity generating capacity, relatively stable inflation and low interest rates will support improved growth over the medium term. This however is not enough and much more is needed by every sector to play its part in expanding trade, investment and job creation.

We need to invest in infrastructure, raise productivity, create jobs and raise living standards.

We have to adapt to a low-carbon economy, including mobilisation of our renewable energy potential.

While building on our strengths we have to tackle our weaknesses aggressively by professionalising our services and strengthening our accountability. Improving management and enforcing systems to fight corruption. Improved planning and management of strategic infrastructure projects. By implementing this we can assist in reducing poverty and inequality and this in turn will raise employment and investment into Abaqulusi.

Development within the area must be coupled with fiscal sustainability, which ensures that progress made will not be interrupted or reversed.

As mentioned above a new formula for the local government equitable share was introduced in 2013/14 that recognises the need to better differentiate assistance to different municipalities, including those in rural areas. Municipal infrastructure grants will also be re-aligned and go hand in hand with more integrated planning of new developments, so that we can make meaningful strides in overcoming the spatial inequalities of the past. This is to ensure progress continues to extending access to housing, electricity, water, sanitation and refuse removal services. The new formula will provide a subsidy of R275 for every household with a monthly income of less than R 2,300 per household. The equitable division of revenue takes into account the 2011 Census which shows substantial shifts in the distribution and age structure of the population. These changes will be phased in to avoid disruption of services.

Government continues to direct spending towards environmental programmes, such as installing solar water geysers, procuring renewable energy, cleaning up derelict mines, addressing acid mine drainage, supporting our national parks and saving our rhino population who remain under threat.

The integrated national electrification grant is allocated additional funding to increase the number of new electricity connections over the next three years. The solar water geyser program will also continue until 2015/16.

A new grant which will be administered by the Department of Water Affairs, providing for water treatment, distribution, demand management and support for rural municipalities.

Money has been taken away from programmes that are not performing or are not aligned to government's core priorities and given to programmes that are delivering as planned.

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 sustainable municipal services are provided economically and equitable to all communities. We must ensure value for money with the greatest possible vigour to ensure rate payers money is well used and not wasted. We need to do more with less. The efficiencies that are achieved will protect municipal finances and enable the municipality to accelerate development when economic conditions improve. The municipality must in terms of MFMA Circular 72 ensure that efficiency gains, eradication relating to core infrastructure continue to inform the planning framework of the municipality.

On tabling the KZN Provincial Budget in 2014, MEC for Finance Ms Ina Cronje mentioned a budget is not just about numbers it also expresses our values and aspirations. Balancing the long and short term is what management is about being able to curtail deficits yet encouraging economic expansion and ensuring sustainable service delivery to all our citizens. The drafting of a budget is an act of humans based on economic projections and predictions requiring careful calculations.

The Provincial priorities are that all new spending is funded through reprioritisation of funds by departments and identification of savings. To ensure sustainability and the promotion of growth the composition of spending has shifted in favour of greater spending on infrastructure and away from consumption spending. To this the MEC announced the following ways of cutting down on wasteful expenditure:

- A review of all organigram, a head count exercise and a moratorium on the filling of non-critical posts.
- Officials to travel together unless absolutely unavoidable. Where there are same day meetings and where possible officials travel there and back in one day to cut down unnecessary overnight accommodation.
- Meetings to be carefully planned and the number of meetings rationalised, saving both time and money and strategic planning sessions, workshops be held in departmental offices instead of private venues. At these meetings no catering or bottled water may be procured.
- Essential training to be done in-house.
- No team building exercises or year-end/Christmas functions.
- No leave conversion payments to be made

- Overtime to be strictly controlled and only used when absolutely essential.

In conclusion the MEC emphasised we need discipline to spend on budgets, obtain clean audits, eliminate unnecessary costs and wastage, get value for money: doing more with less, deal with corruption and deliberate wrong-doing, eliminate unauthorised and irregular expenditure.

One of the priorities is to invest into our infrastructure which is ageing and needs to be updated and maintained. To achieve this we have to improve and encourage investment into the area. We also have to support job creation with focus on unemployed youth who are the future of Abaqulusi, to this funding will be allocated by National Treasury to the Expanded Works Program. The municipality will further try and reduce unemployment and poverty with policy reforms and partnerships with local businesses and labour to reduce the cost of doing business, raise productivity, tap new markets for investment and take advantage of opportunities presented by enhanced regional integration.

One of the focus points of the budget this year is to improve the efficiency of the municipality by redirecting spending to priority areas. Department's budgets have been cut in selected areas and funds shifted towards the key priorities.

1.2 Council Resolutions

On 29 May 2014 the Council of Abaqulusi Municipality Local Municipality met in the Council Chambers of Abaqulusi Municipality to consider the draft annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following draft resolutions:

1. The Council of Abaqulusi Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 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) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Abaqulusi Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 - 2.1. the tariffs for property rates – as set out in Annexure A, this resolution must be promulgated in the provincial gazette upon ratification of the budget decision. Failure to comply with this promulgation process may render the cent in the Rand unenforceable for a particular financial year; and consequently uncollectable.
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure E
 - 2.5. the tariffs for solid waste services – as set out in Annexure F
 3. The Council of Abaqulusi Municipality 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 Annexure G1 to G21 respectively.
 4. To give proper effect to the municipality's annual budget, the Council of Abaqulusi Municipality Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions 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.
 5. The Council of Abaqulusi Municipality Local Municipality approves and adopts with effect from 1 July 2013 all budget related policies.

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 service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate funds will be transferred from low- to high priority programmes so as to maintain sound financial stewardship. A critical review will also be undertaken of expenditure on non-essential and 'nice-to-have' items. 2014/15 MTREF was

drafted in context of an economy that is projected to grow supported by expanding public sector investment in infrastructure and the activation of new electricity-generating capacity.

The budget for the 2014/15 MTREF period was based on the realisation that revenues and cash flows are expected to remain under pressure in 2014/2015 and the municipality must adopt a conservative approach when projecting expected revenues and cash receipts. The municipality must further in terms of MFMA Circular 70 carefully consider the affordability of tariff increases especially in relation to domestic consumers which makes up the bulk of the municipality's revenue base whilst considering the level and quality of services versus the associated cost.

The budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community. Public perception shows high levels of unhappiness with service delivery and perceived corruption at municipalities and sound leadership is required as well as measures put in place to address mismanagement by implementing effective systems to measure, monitor and evaluate performance.

The budget supports the provision of basic services to the communities, facilitating social and economic development, promoting a safe and healthy environment in a sustainable manner.

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

- Ensuring the timely delivery of capital programmes (eliminate under-spending of capital budgets) and to review all by-laws and development approval processes with a view of removing any bottlenecks to investment and job creation.
- Under spending on repairs and maintenance – often seen as a way to reduce short term spending which shortens the life of assets, increases long term maintenance and refurbishment costs and causes a deterioration in the reliability of our infrastructure
- Spending on non-priorities – including unnecessary travel, luxury furnishings, excessive catering and the use of consultants to perform routine tasks.
- The increased cost of bulk electricity due to tariff increases from ESKOM. This is placing pressure on the budget as the tariff the municipality has been allowed to charge is less than the bulk cost meaning there are less funds available for maintenance. Continuous high increases are not sustainable as it gets to a point where services are no longer affordable.
- Not just employing more people without any reference to the level of staffing required delivering effective services. The municipality must through fully participating in the Expanded Public Works Program focus on maximizing its contribution to job creation by ensuring that service delivery and capital projects use labour intensive methods wherever appropriate and implement interns programmes to provide young people with on-the-job training.
- Collecting outstanding debts – this requires political commitment, sufficient administration capacity and pricing policies that ensure that bills are accurate and affordable.

- Pricing services correctly – the full cost of services must be reflected in the tariffs charged to consumers who can afford to pay. Overly generous subsidies and rebates that result in services running at a loss cannot be entertained.

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

- The 2013/14 Adjustment Budget priorities and targets, as well as the base line allocations contained in the Adjustment Budget.
- Service level standards were used to inform the measurable objectives, targets and backlog eradication goals.
- Tariff and property rate increases should be affordable and try not to exceed inflation as measured by the CPI, except where the price increases in the services that are beyond the control of the municipality, i.e. ESKOM.
- No budget has been allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the Division of Revenue Act gazette.

National Treasury has issued a Circular (MFMA Circular No 64) giving guidance to municipalities of what should be done to maximise the revenue generating potential of existing sources of revenue such as property rates and trading services. Further Circulars will be issued by National Treasury to guide municipalities in developing credible revenue frameworks by reaffirming the fundamental principles of costing, revenue management and revenue enhancement.

Revenue management is described as a fundamental and routine financial management function of the municipality's revenue generating business that includes billing and collection activities in respect of trading services and property rates.

Revenue enhancement is about improving by making more, in the case of municipal revenue it is associated with increasing the value of revenue generated. Revenue enhancement can be broken into two components. The first being national policy developments that give rise to additional sources of revenue from government (grant funding) and the second component is the ability of the municipality to grow its own revenue base.

MFMA Circular No 58 advises that the municipality must ensure that the billing systems are accurate; accounts are sent out to residents on a monthly basis and follow-up to collect revenue owed to the municipality.

In terms of MFMA Circular No 64 the main responsibility of the municipality is to deliver services. In terms of Section 75A of the Municipal Systems Act the municipality is allowed to levy and recover fees, charges or tariffs in respect of municipal service delivery functions and recover collection charges and interest on outstanding amounts. The municipality must adopt by-laws to give effect to the implementation and enforcement of the tariff policies.

Revenue generation is everyone's responsibility, not just that of the revenue section. The municipality must effectively manage all functions that impact protecting and growing the revenue base. The implementation of internal controls along the revenue value chain will aid effective data handovers; utilising system data validation mechanisms and ensuring that service level standards are fundamental

to ensuring the integrity of the billing data but are advised to stay away from costly data cleansing exercises.

The following are fundamental to maximising the existing revenue:

- Billing system that correctly reflects all billing and customer information required to issue accurate accounts to consumers.
- All property within the municipal jurisdiction must be correctly valued and the billing system must be updated with any change in property ownership. This is necessary to protect and grow the property rates base.
- Effective business processes to ensure new property development as well as improvements to existing properties are valued as required.
- Correct categorisation of properties.
- Water and electricity meter numbers must be recorded correctly and linked to corresponding property.
- Continual maintenance of water and electricity meters to minimise losses due to leakages or incorrectly metered consumption.
- Accurate meter reading and minimising the amount of meter reading estimates.
- Refuse and sanitation service charges must be included in all billing records and the municipality must ensure these services are not run at a loss.
- Billing queries to be resolved within reasonable timeframes.
- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements and how to deliver on it.

The Circular further advises municipalities to table 'surplus' budgets. To achieve this the municipality must ensure cost reflective tariffs; operation efficiencies; maximising revenue regenerating potential of own revenue sources and a productive workforce and sound decision making to ensure that the limited financial resources are spent wisely so that value for money is achieved.

National Treasury's MFMA Circular No. 66, 67, 70 and 72 was used to guide the compilation of the 2014/15 MTREF.

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

	Adjustment Budget 2013 / 2014	Budget Year 2014 / 2015	Budget Year + 2015 / 2016	Budget Year +2 2016 / 2017
	R Thousand	R Thousand	R Thousand	R Thousand
Total Operating Revenue	406,071	420,009	445,073	466,792
Total Operating Expenditure	483,660	450,334	808,844	850,734
<i>(Surplus) / Deficit for the Year</i>	77,589	30,325	363,771	383,941
Total Capital Expenditure	38,982	43,158	44,883	46,373

Total operating revenue has increased by R 13,9 million for the 2014/15 financial year when compared to the 2013/14 Adjustment Budget. For the two outer years, operational revenue will increase, equating to a total revenue growth of R 60,7 million over the MTREF when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R450 million and translates into a budgeted operating deficit of R 30 million. When compared to the 2013/14 Adjustment Budget, operational expenditure has reduced by 6, 8% in the 2014/15 budget and increases for each of the respective outer years of the MTREF.

The capital budget of R 43,1 million for 2014/15 is 9% more when compared to the 2013/14 Adjustment Budget. The increase is due to more grant funding from MIG and an increase in funding from revenue for projects that were shelved in the previous financial year due to affordability constraints now being urgently required and although more was requested could not be allocated due to current economic circumstances. The capital program increases to R 44,8 million in the 2015/16 financial year due and then increases in 2016/17 due to an increase in MIG. A portion of the capital budget will be funded from internally generated funds in each of the financial years of the MTREF. Capital from government grants and transfers amounts to R 43,1 million which is R 4,1 million MORE than the 2013/14 financial year. MIG amounting to R 34,1 million and DoE of R 9 million with capital from own funds of R 11 million

1.3 Operating Revenue Framework

For Abaqulusi 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 municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 92 % annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

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

Table 2 Summary of revenue classified by main revenue source
Table A4 Financial Performance (Revenue & Expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	31 492	35 095	41 249	50 350	48 000	23 789	42 233	55 650	56 839	59 908
Property rates - penalties & collection charges		723	881	851	853	1 300	589	1 173	1 400	1 587	1 673
Service charges - electricity revenue	2	105 090	116 770	126 394	146 745	143 581	69 812	116 900	161 919	162 302	171 066
Service charges - water revenue	2	20 609	23 241	30 842	34 688	34 430	34 429	34 429	39 759	45 387	49 929
Service charges - sanitation revenue	2	13 853	14 809	16 411	18 719	19 266	9 368	16 067	22 170	23 370	24 632
Service charges - refuse revenue	2	10 808	11 496	12 232	14 031	14 031	7 017	11 628	16 136	16 913	17 826
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		518	651	800	823	1 303	473	1 038	1 305	1 396	1 471
Interest earned - external investments		3 467	3 522	3 970	2 766	3 750	541	3 413	4 254	4 585	4 833
Interest earned - outstanding debtors		614	17	9	11	–	–	3	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 552	1 497	1 845	2 094	2 011	387	1 544	2 240	2 062	2 173
Licences and permits		4 451	6 207	5 216	5 073	4 793	2 483	3 622	5 428	4 827	5 088
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		72 328	91 192	94 003	92 080	123 721	199 116	111 526	106 545	120 021	122 100
Other revenue	2	1 694	1 264	4 404	1 271	1 036	3 093	950	3 203	5 784	6 092
Gains on disposal of PPE		–	956	382	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		267 196	307 600	338 608	369 504	397 221	351 097	344 525	420 009	445 073	466 792

Table 3 % growth in revenue by main revenue source***Not applicable***

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

Revenue generated from rates and services charges forms a significant % of the revenue basket for the Municipality.

Service charge revenues comprise more than 58, 8% of the total revenue mix. In the 2014/15 financial year, revenue from services charges is expected to total R 246, 9 million. This increases to R254, 9 million and R 270, 4 million in the respective financial years of the MTREF. This can be mainly attributed to the increased cost of bulk electricity due to rapid increases in the Eskom tariffs for bulk electricity and consumers using less electricity due to the cost. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 KZN263 SA1 (see page 99).

Property rates is the second largest revenue source totalling 13, 2 % or R 55, 7 million rand and increases to R 60, 2 million by 2016/17.

The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. The anticipated revenue from other revenue is R 9, 7 million.

Operating grants and transfers totals R 123,5 million in the 2013/14 financial year and reduces to R 105,1 million for 2014/15. Note that the year-on-year growth is 5,4% and 5,4% in the two outer years.

The municipality hopes to receive additional funding which will be applied to address:

- Compensation for rising costs of providing free basic water and electricity to poor households.
- Accelerate provision of access to clean water through bulk and reticulation projects.
- Accelerate provision of access to electricity and improving the sustainability of access through the refurbishment of key infrastructure.
- Expand the collection and use of data on the condition of municipal roads.
- Increase the number of interns with infrastructure-related skills.

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

Table 4 Operating Transfers and Grant Receipts – Table SA18 – Transfer & Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		60,015	89,495	86,185	89,005	98,005	98,005	99,344	116,482	118,158
Local Government Equitable Share		57,815	69,224	79,053	85,565	94,565	94,565	95,434	113,865	115,440
EPWP Incentive		–	–	851	1,000	1,000	1,000	1,376	–	–
Finance Management		1,200	1,450	1,500	1,550	1,550	1,550	1,600	1,650	1,700
Municipal Systems Improvement		1,000	1,000	800	890	890	890	934	967	1,018
Integrated National Electrification Programme		–	17,821	3,980	–	–	–	–	–	–
Provincial Government:		3,309	1,597	7,718	2,975	3,125	3,125	7,101	3,439	3,842
Housing		2,414	–	–	–	–	–	–	–	–
Sport and Recreation		–	–	–	–	150	150	2,250	–	–
Small Town Rehabilitation Grant		–	–	836	–	–	–	–	–	–
Massification: Water Infrastructure Grant		–	–	5,240	–	–	–	–	–	–
Provincial Housing		277	–	–	–	–	–	–	–	–
Community Library Services Grant		–	186	197	240	240	240	252	265	499
Provincialisation of Libraries Grant		–	1,175	1,234	2,592	2,592	2,592	2,700	2,860	3,012
Museum		73	125	134	143	143	143	299	314	331
MAP Grant		457	–	77	–	–	–	–	–	–
EDI Grant		10	84	–	–	–	–	–	–	–
Performance Management System		23	–	–	–	–	–	–	–	–
Land use Management		56	–	–	–	–	–	–	–	–
Upgrade Billing Emondlo		–	26	–	–	–	–	–	–	–
Thusong Operational Support Grant		–	–	–	–	–	–	1,250	–	–
Schemes Support Programme Grant		–	–	–	–	–	–	350	–	–
District Municipality:		80	100	100	100	100	100	100	100	100
<i>ZDM Grant Tourism</i>		80	100	100	100	100	100	100	100	100
Other grant providers:		–	–	–	–	–	–	–	–	–

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Transfers and Grants	5	63,405	91,192	94,003	92,080	101,230	101,230	106,545	120,021	122,100

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. The municipality must however take into account the labour and other input costs of services, the need to ensure financial sustainability, local economic conditions, the affordability of services, the indigent policy. An appropriate balance between the interests of poor households, other consumers and financial sustainability needs to be maintained as excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of ESKOM bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability. Based on NERSA's approval of an 8,0% increase to Eskom municipalities are advised in MFMA Circular 70 and 72 to formulate electricity tariff structures based on an increase of 7,39%.

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

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The percentage increase for property rates is 7%. All households receive a rebate on the first R 15,000 and indigent residents a further R 65,000.

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 % rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 % (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the

amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 % grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 7 % increase from 1 July 2014 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2014/15 financial year

Category	Current Tariff (1 July 2013)	Proposed tariff (from 1 July 2014)
	C	C
Residential properties	0,0061798	0,0066124
State owned properties	0,0154495	0,0165309
Business & Commercial	0,0154495	0,0165309
Agricultural	0,0015450	0,0016532
Vacant land	0,0154495	0,0165309
Municipal rateable – Residential	0,0061798	0,0066124
Industrial	0,0154495	0,0165309
Non-permitted use/Illegal usage	0,0154495	0,0165309
Public benefit organisation properties	0,0015450	0,0016532
Special consent	0,0154495	0,0165309

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

To mitigate the need for water tariff increases, municipalities are encouraged to put in place appropriate strategies to limit water losses to acceptable levels. Water losses have decreased from 67, 57% in 2011/12 to 54, and 8% in 2012/13 but increased to 55% in 2013/14.

Zululand District Municipality as well as Abaqulusi municipality has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that the current infrastructure is unlikely to sustain its long-term ability to supply water and the District Municipality will have no other choice but to provide funding for infrastructure upgrades.

A tariff increase of 10 % from 1 July 2014 for water is proposed. In addition 6 kl water per 30-day period will again be granted free of charge to all indigent community members.

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

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kl	Rand per kl
RESIDENTIAL		
(i) 0 to 6 kl per 30-day period	7.13	7.84
(ii) 6.01 to 30 kl per 30-day period	7.13	7.84
(iii) 30.01 to 99 kl per 30-day period	7.71	8.48
(iv) More than 99.01 per 30-day period	8.86	9.75
BUSINESS		
(i) 0 to 6 kl per 30-day period	7.13	7.84
(ii) 6.01 to 30 kl per 30-day period	7.13	7.84
(iii) 30.01 to 99 kl per 30-day period	7.71	8.48
(iv) More than 99.01 per 30-day period	8.86	9.75

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

Table 7 Comparison between current water charges and increases (Domestic)

Monthly consumption	Current amount payable	Proposed amount payable	Difference (Increase)	percentage change
kℓ	R	R	R	
20	141.68	155.85	14.17	10%
30	212.52	233.77	21.25	10%
40	289.68	318.65	28.97	10%
50	366.85	403.54	36.69	10%
80	598.35	658.19	59.84	10%
100	753.81	829.19	75.38	10%

The tariff structure of the 2013/14 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R8.29 per kilolitre for consumption in excess of 99kℓ per 30 day period.

1.3.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. Eskom has submitted a request for an 8, 06 % increase in the ESKOM bulk electricity tariff to municipalities will be effective from 1 July 2014 but NERSA only approved a 7, 39% increase.

NERSA for the past 4 years in a row that Eskom allowed to increases its tariff to municipalities higher than what municipalities could charge their consumers and this continues to have a negative impact on the municipality's revenue from electricity and is starting to impact on the maintenance of the electrical infrastructure. An analysis of the municipality's consumption patterns is being done to calculate more accurate tariffs and submitted to NERSA for approval. The tariff increase is 10% to ensure the section is ring fenced.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

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

Table 8 Comparison between current electricity charges and increases (Domestic) `

DESCRIPTION	APPROVED TARIFFS	PROPOSED TARIFFS	PROPOSED TARIFFS	PROPOSED TARIFFS
	2013/2014	2014/2015	2015/2016	2016/2017
		10.00%	10.0%	5.4%
<u>Domestic (Conventional)</u>				
Basic charge	R 50.98	R 56.08	R 61.69	R 65.02
Demand side management levy				
Network charge				
Cost per unit kWh - 0-50kwh - step tariff 8%	R 0.71	R 0.78	R 0.86	R 0.91
Cost per unit kWh - 051-350kwh -step tariff 15%	R 0.90	R 0.99	R 1.09	R 1.15
Cost per unit kWh - 351-600kwh - step tariff 18%	R 1.18	R 1.30	R 1.43	R 1.50
Cost per unit kWh - >600kwh - step tariff 25%	R 1.40	R 1.54	R 1.69	R 1.79

The step tariff advised by NERSA and implemented since July 2011 results that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Electricity losses have increased from 20, 9% in 2011/12 to 24.84% in 2012/13 and for 2013/2014 the estimated loss is 22%.

The approved budget for the Electricity Section can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R11 million per year for five years will be necessary to steer the Municipality out of this predicament. It must be noted that ESKOM will receive an amount of R14, 6 million to perform electrification and this will then have to be maintained by the municipality.

In addition the section must raise awareness and promote behaviour change through communication and education to ensure the 10% reduction in energy consumption is achieved. A renewable and cleaner energy plan has to be developed, monitored, evaluated and updated annually. To upgrade street lights to LED fittings and other energy efficiency projects is a costly exercise for which funding must be sourced.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

1.3.3 Sanitation and Impact of Tariff Increases

A tariff increase of 15 % for sanitation from 1 July 2014 is proposed. This section is currently operating at a deficit and it is generally accepted that all service departments should at least break even. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 10% of waste water treatment input costs, therefore the higher than CPI increase of 15 % for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 % of 6 kl water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R21, 1 million for the 2014/15 financial year.

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF 2013/14		PROPOSED TARIFF 2014/15	
	% DISCHARGED	TARIFF PER kl	% DISCHARGED	TARIFF PER kl
		R		R
0 – 30 kl per 30-day period	75	5.29	75	6.08
30.01 – 99 kl per 30-day period	75	6.10	75	7.02
99.01 and above kl per 30-day period	75	6.56	75	7.54

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

Table 10 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly sanitation consumption kl	Current amount Payable R	Proposed amount Payable R	Difference (15% increase) R
30	213.33	245.33	32.00
30.01 to 99	420.56	483.64	63.08
99.01 and above	420.56	483.64	63.08

1.3.4 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The service of refuse collection is outsourced which is the main contributor of expenditure as well as the cost of remuneration. R 2 million has also been allocated to this section for the lease of equipment for the refuse sites. This section is budgeted to have a deficit. It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 15 % increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 10 % can be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2014:

Table 11 Comparison between current waste removal fees and increases

	WASTE REMOVAL 2013/14	WASTE REMOVAL 2014/15
Tariff per container/household per month or part of a month: Areas serviced by means of: (Tariff is multiplied by the number of service rounds per week and the number of containers/households.)	Per month (R)	
Residential	62.90	72.34
Businesses per container	194.50	223.68
Businesses bulk container	1949.80	2242.27

1.3.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7 and 15 %, with the increase for indigent households closer to 10 %.

In terms of Section 64 2(g) of the MFMA a Municipality must for the purposed of the subsection take reasonable steps to ensure

- (g) *that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework;*

Table 12 KZN263 Table SA14 – Household bills

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent											
<u>Monthly Account for Household - 'Middle Income Range'</u>	1										
Rates and services charges:											
Property rates		364.16	386.00	424.60	450.08	450.08	450.08	7.0%	475.28	500.95	528.00
Electricity: Basic levy		32.34	34.28	43.20	50.98	50.98	50.98	10.0%	56.08	61.68	67.85
Electricity: Consumption		791.50	952.81	1,057.90	1,248.32	1,248.32	1,248.32	10.0%	1,373.15	1,510.47	1,661.51
Water: Basic levy				26.30	30.20	30.20	30.20	10.0%	33.22	36.54	40.19
Water: Consumption		159.00	168.54	185.39	213.20	213.20	213.20	10.0%	234.52	257.97	283.77
Sanitation		65.30	69.22	76.10	87.52	87.52	87.52	15.0%	96.27	105.90	116.49
Refuse removal		48.65	51.57	54.70	62.91	62.91	62.91	15.0%	69.20	76.12	83.73
Other											
sub-total		1,460.95	1,662.42	1,868.19	2,143.21	2,143.21	2,143.21	9.1%	2,337.72	2,549.63	2,781.54
VAT on Services		204.53	232.74	261.55	300.05	300.05	300.05	14.0%	327.28	356.95	389.41
Total large household bill:		1,665.48	1,895.16	2,129.74	2,443.26	2,443.26	2,443.26	9.1%	2,665.00	2,906.58	3,170.95
% increase/-decrease			13.8%	12.4%	14.7%	-	-	9.1%	9.1%	9.1%	9.1%
<u>Monthly Account for Household - 'Affordable Range'</u>	2										
Rates and services charges:											
Property rates		202.08	214.20	235.62	249.76	249.76	249.76	7.0%	263.75	278.52	294.11
Electricity: Basic levy		32.34	34.28	43.20	50.98	50.98	50.98	10.0%	56.08	61.68	67.85
Electricity: Consumption		338.92	407.99	452.99	534.53	534.53	534.53	10.0%	587.98	646.78	711.45
Water: Basic levy				26.30	30.20	30.20	30.20	10.0%	33.22	36.54	40.19
Water: Consumption		132.50	140.45	154.50	177.68	177.68	177.68	10.0%	195.45	215.00	236.50
Sanitation		31.27	33.15	36.10	42.52	42.52	42.52	15.0%	48.27	52.90	57.49
Refuse removal		48.65	51.57	54.70	62.91	62.91	62.91	15.0%	69.20	76.12	83.73
Other											
sub-total		785.76	881.64	1,043.41	1,193.58	1,193.58	1,193.58	9.1%	1,301.95	1,420.54	1,550.32

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent											
VAT on Services		110.01	123.43	146.08	167.10	167.10	167.10	14.0%	182.27	198.88	217.05
Total small household bill:		895.77	1,005.07	1,189.49	1,360.68	1,360.68	1,360.68	9.1%	1,484.22	1,619.42	1,767.37
% increase/-decrease			12.2%	18.3%	14.4%	-	-		9.1%	9.1%	9.1%
				0.50	-0.22	-1.00	-				
<u>Monthly Account for Household - 'Indigent'</u> <u>Household receiving free basic services</u>	3										
Rates and services charges:											
Property rates		32.34	34.28	37.71	39.97	39.97	39.97	7.0%	42.21	44.57	47.07
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy		31.80	33.71	26.30	30.20	30.20	30.20	10.0%	33.22	36.54	40.19
Water: Consumption		65.30	69.22	76.14	87.56	87.56	87.56	10.0%	96.32	105.95	116.54
Sanitation		48.65	51.57	76.10	87.52	87.52	87.52	15.0%	96.27	105.90	116.49
Refuse removal				54.70	62.91	62.91	62.91	15.0%	69.20	76.12	83.73
Other											
sub-total		178.09	188.78	270.95	308.16	308.16	308.16	9.4%	337.22	369.08	404.02
VAT on Services		24.93	26.43	37.93	43.14	43.14	43.14	14.0%	47.21	51.67	56.56
Total small household bill:		203.02	215.21	308.88	351.30	351.30	351.30	9.4%	384.43	420.75	460.58
% increase/-decrease			6.0%	43.5%	13.7%	-	-		9.4%	9.4%	9.5%

1.4 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherences to the principle of ***no project plan no budget***. If there is no business plan no funding allocation can be made; and
- Creation of job opportunities by the municipality thus an increase in staff costs.

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

Table 13 Summary of operating expenditure Table A4 by standard classification item

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type	-										
Employee related costs	2	83 263	88 369	101 302	118 775	108 489	46 973	86 869	110 424	213 883	227 566
Remuneration of councillors		9 992	11 264	12 093	14 348	13 417	5 913	11 649	15 495	15 246	16 222
Debt impairment	3	3 352	5 649	7 351	1 500	1 500	-	1 125	1 602	1 670	1 760
Depreciation & asset impairment	2	16 848	69 785	71 760	19 411	75 511	9 706	42 608	20 770	86 544	92 231
Finance charges		125	126	2 325	-	-	-	-	-	-	-
Bulk purchases	2	79 980	101 328	112 200	119 285	125 890	452	102 328	144 157	182 731	197 259
Other materials	8	-	-	-	-	-	-	-	28 803	90 845	95 595
Contracted services		25 965	22 886	26 703	29 594	31 427	14 095	-	32 443	48 882	51 624
Transfers and grants		14 871	27 871	19 155	12 195	14 533	-	-	12 726	15 177	15 916
Other expenditure	4, 5	41 935	61 191	59 961	72 533	73 502	79 584	-	83 915	153 867	152 562
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		276 331	388 471	412 849	387 642	444 269	156 722	244 579	450 334	808 845	850 735

Table 14 Summary of operating expenditure Table A4 by standard classification item

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	31 492	35 095	41 249	50 350	48 000	23 789	42 233	55 650	56 839	59 908
Property rates - penalties & collection charges		723	881	851	853	1 300	589	1 173	1 400	1 587	1 673
Service charges - electricity revenue	2	105 090	116 770	126 394	146 745	143 581	69 812	116 900	161 919	162 302	171 066
Service charges - water revenue	2	20 609	23 241	30 842	34 688	34 430	34 429	34 429	39 759	45 387	49 929
Service charges - sanitation revenue	2	13 853	14 809	16 411	18 719	19 266	9 368	16 067	22 170	23 370	24 632
Service charges - refuse revenue	2	10 808	11 496	12 232	14 031	14 031	7 017	11 628	16 136	16 913	17 826
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		518	651	800	823	1 303	473	1 038	1 305	1 396	1 471
Interest earned - external investments		3 467	3 522	3 970	2 766	3 750	541	3 413	4 254	4 585	4 833
Interest earned - outstanding debtors		614	17	9	11	–	–	3	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 552	1 497	1 845	2 094	2 011	387	1 544	2 240	2 062	2 173
Licences and permits		4 451	6 207	5 216	5 073	4 793	2 483	3 622	5 428	4 827	5 088
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		72 328	91 192	94 003	92 080	123 721	199 116	111 526	106 545	120 021	122 100
Other revenue	2	1 694	1 264	4 404	1 271	1 036	3 093	950	3 203	5 784	6 092
Gains on disposal of PPE		–	956	382	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		267 196	307 600	338 608	369 504	397 221	351 097	344 525	420 009	445 073	466 792
Expenditure By Type											
Employee related costs	- 2	83 263	88 369	101 302	118 775	108 489	46 973	86 869	110 424	213 883	227 566
Remuneration of councillors		9 992	11 264	12 093	14 348	13 417	5 913	11 649	15 495	15 246	16 222
Debt impairment	3	3 352	5 649	7 351	1 500	1 500	–	1 125	1 602	1 670	1 760
Depreciation & asset impairment	2	16 848	69 785	71 760	19 411	75 511	9 706	42 608	20 770	86 544	92 231
Finance charges		125	126	2 325	–	–	–	–	–	–	–
Bulk purchases	2	79 980	101 328	112 200	119 285	125 890	452	102 328	144 157	182 731	197 259
Other materials	8	–	–	–	–	–	–	–	28 803	90 845	95 595
Contracted services		25 965	22 886	26 703	29 594	31 427	14 095	–	32 443	48 882	51 624
Transfers and grants		14 871	27 871	19 155	12 195	14 533	–	–	12 726	15 177	15 916

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Other expenditure	4, 5	41 935	61 191	59 961	72 533	73 502	79 584	—	83 915	153 867	152 562
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—
Total Expenditure		276 331	388 471	412 849	387 642	444 269	156 722	244 579	450 334	808 845	850 735
Surplus/(Deficit)	6	(9 134)	(80 871)	(74 242)	(18 139)	(47 047)	194 375	99 946	(30 325)	(363 771)	(383 943)
Transfers recognised - capital		9 919	16 494	22 801	38 982	38 982	38 982	38 982	49 182	44 883	46 373
Contributions recognised - capital		5	—	—	500	200	—	71	750	825	908
Contributed assets		—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Taxation	7	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after taxation		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Attributable to minorities		—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) attributable to municipality	7	(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)

The budgeted allocation for employee related costs for the 2014/15 financial year totals R113 million, which equals 25 % of the total operating expenditure. The multi-year Salary and Wage Collective Agreement for the 1 July 2012 to 30 June 2015 has been taken into account for the 2014/15 financial year. An annual increase of 5.6 % for the 2014/15 financial year and the two outer years 5.4% has been utilized. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Finance Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of critical and strategically important vacancies. Excessive overtime has been observed by National Treasury during their analysis of municipal budgets and although it is considered acceptable as long as it related to essential services an excessively high allocation could be an indication of performance inefficiencies as it is an expensive form of remuneration easily abused. If National Treasury finds excessive overtime to be legitimate it will be an indication that the organisational structure is insufficiently funded and funds being rather appropriated against vacancies. The maximum percentage allowable for overtime is of total remuneration.

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 92 % and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R 3,4 million and an amount of R 3,6 million which escalates to R3,7 million by 2016/17. 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 R 21 million for the 2014/15 financial and equates to 4% 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.

Bulk purchases are directly informed by the purchase of electricity from ESKOM. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. ESKOM increase has been budgeted for at 8%.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2014/15 the percentage of this against the group of expenditure is 20,7% (R 28, 8 million) and continues to grow for the two outer years of which budget allocation is in excess of R7 million by 2016/17.

Contracted services have increased for the Municipality for the 2014/15 financial year. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2014/15 financial year, this group of expenditure

totals R 32,4 million and has escalated overall by just 9 %, clearly demonstrating the need to investigate these contracts before the 2015/16 financial year to try and apply cost efficiencies. For the two outer years growth has been limited to 5.4%. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2014/15 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. The reason for the escalation is the additional refuse services for the small towns where refuse was in the past not being collected and the additional security costs as more security guards had to be employed due to theft and damage of infrastructure. Further details relating to contracted services can be seen in Table 64 KZN263 SA1 (see page 100).

Other expenditure comprises of various line items such as insurances, telephone costs, bank charges, Subsistence and travelling, leasing of office equipment, vehicle leases and other costs relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.6% for 2014/15 and curbed at 5.4% for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 KZN263 SA1 (see page 100).

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.

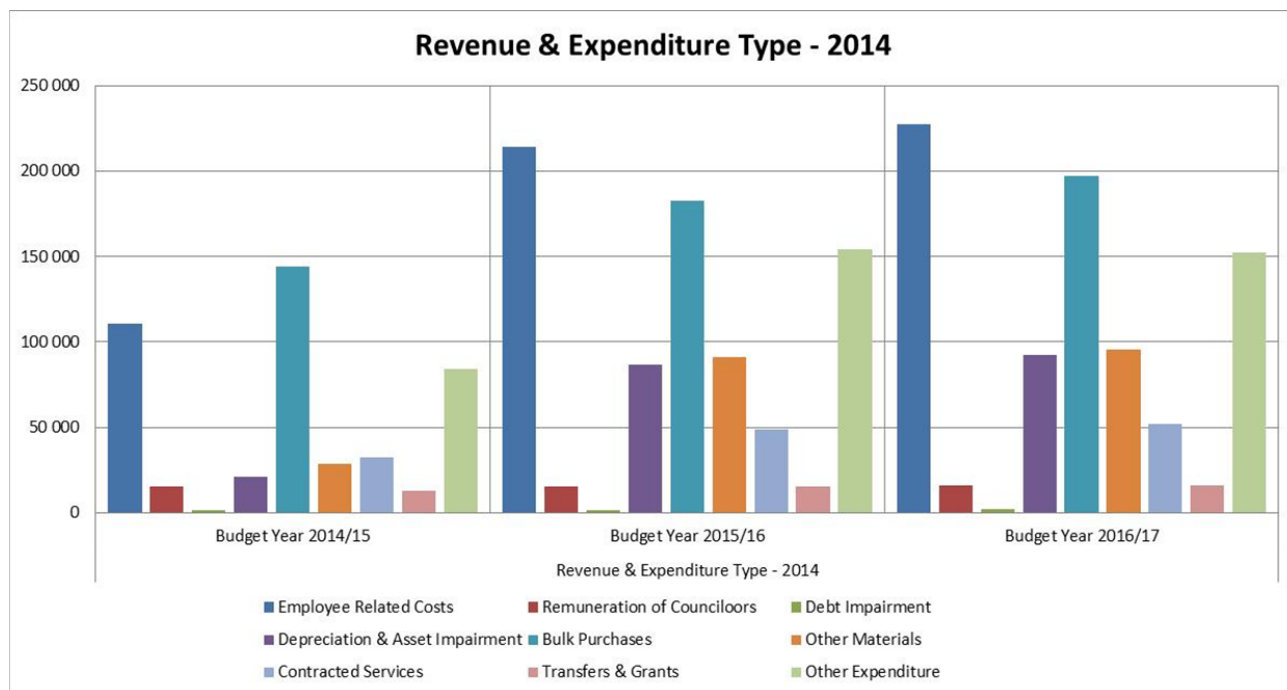


Figure 1 Main operational expenditure categories for the 2014/15 financial year

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 MFMA Circulars 55, 66, 67, 70 and 72 and the outcome of the 2012/2013 audit qualification the municipality must budget for 10% of its expenditure budget to be allocated to repairs and maintenance and the on-going health of the municipality's infrastructure must be supported by an asset management plan. A further 40% of the municipal budget must be allocated to Capital for the renewal of existing assets and provide a detailed explanation and assurance that the budgeted amount is adequate to secure the on-going health of the municipality's infrastructure supported by reference to its asset management plan. The municipality in the state of local government finances and financial management has been accused of persistent under spending on capital and that the municipality is too reliant on capital grants. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 15 Operational Repairs and Maintenance Schedule SA1

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		12 916	15 661	15 921	20 263	18 828	18 511		28 803	90 845	95 595
Total Repairs and Maintenance Expenditure	9	12 916	15 661	15 921	20 263	18 828	18 511	–	28 803	90 845	95 595

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 7% in the 2013/14 financial year, from R15, 9 million to R20, 2 million. During the 2013 Adjustment Budget this allocation was reduced to R19, 8 million owing to the challenges faced by the Municipality. Notwithstanding, as part of the 2014/15 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/15 equates to R29 million in relations to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 5.4% for the respective financial years of the MTREF.

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

Table 16 Repairs and maintenance per asset class – Schedule A9

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		16,848	69,785	71,856	19,411	75,511	19,411	20,770	86,544	92,231
<u>Repairs and Maintenance by Asset Class</u>	3	12,916	15,661	15,921	20,263	18,828	18,511	28,803	90,845	95,595
Infrastructure - Road transport		3,491	5,094	5,379	4,835	5,000	4,985	11,820	17,358	11,820
Infrastructure - Electricity		3,851	5,215	5,945	8,405	7,130	6,986	8,025	11,652	12,281
Infrastructure - Water		2,853	3,300	2,390	2,272	2,890	2,813	2,930	7,167	7,883
Infrastructure - Sanitation		477	670	1,437	1,025	1,000	1,000	1,220	1,428	1,505
Infrastructure - Other		665	–	–	215	50	50	1,210	6,767	7,132
Infrastructure		11,337	14,279	15,150	16,752	16,070	15,834	25,205	44,372	40,622
Community		1,300	1,162	442	1,601	1,453	1,441	1,798	40,466	48,641
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	279	220	329	1,910	1,305	1,237	1,800	6,008	6,332
TOTAL EXPENDITURE OTHER ITEMS		29,765	85,446	87,777	39,674	94,339	37,923	49,573	177,389	187,826

For the 2014/15 financial year, R24 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling R8 million, road infrastructure of R11 million, water R2, 3 million and sanitation and refuse R1, 2 million each.

1.4.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy on an annual basis. The applications are strictly reviewed annually and this year tighter controls were implemented to ensure this service is given to only the poorest of the poor. Detail relating to free services, cost of free basis services, revenue foregone owing to free basic services as well as basic service delivery measurement is contained in Table 27 KZN263 A10 (Basic Service Delivery Measurement) on page 38.

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

The municipality's cost for the Free Basic Services is R12, 2 million.

1.5 Capital Expenditure

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

Table 17 2013/14 Medium-Term Capital Budget per Vote – Schedule SA6

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Sustainable Services	Electricity	A		10,040	17,821	8,000	20,100	12,100	9,100	13,540	11,375	11,608	
	Water	B		40	–	23	80	80	80	2,086	8,711	8,482	
	Waste Water	C		1,000	–	33	50	12	11	2,054	–	–	
	Waste	D		165	–	108	300	200	200	304	843	889	
	Community	E		12,517	343	265	3,450	1,437	1,438	1,160	20,870	11,460	
Infrastructure	Roads	F		15,468	16,494	26,509	30,312	30,292	30,280	34,494	36,286	37,773	
Good Governance	Planning & Development	G		50	–	23	500	315	315	40	1,271	1,339	
	Support Services & Fleet	H		65	132	508	174	525	416	497	848	862	
	Executive & Council	I		10	–	–	–	–	–	-	74	78	
	Financial Management	J		45	25	33	300	100	100	240	848	894	
Allocations to other priorities				3									
Total Capital Expenditure				1	39,400	34,815	35,502	55,266	45,061	41,940	54,415	81,126	73,385

For 2014/15 an amount of R11 million has been appropriated for the development of infrastructure from internal funding and R43,1 million from grant funding. In the outer years this amount totals R36 million and R27 million from internal funding and R44,8 and R46,3 from grant funding respectively for each of the financial years. Roads, storm water, bus route and other rural projects receives the highest allocation of R34 million in 2014/15 which equates to 77,3% followed by electricity infrastructure at 16,7%, R9 million and the R11 million or 6%.

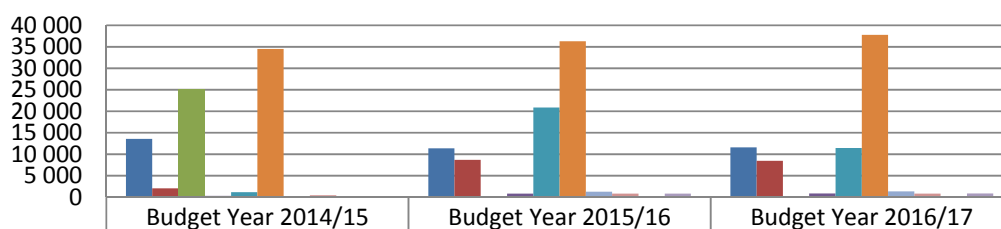
Total net assets represent 61 % or R78 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26, A9 (Asset Management) on page 36. In addition to the Table A9, KZN263 Tables SA34a, b, c and d provides a detailed breakdown of the capital programme relating to new asset construction; capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Cemetery development;
- Parks, recreational facilities and swimming pools;
- Fire fighting and security equipment;
- Customer care offices;
- Electricity for all (backlog eradication) – from ESKOM and the Municipality;
- Refurbishment and renewal electrical network;
- New electricity infrastructure;
- Public lighting;
- Waste water treatment works;
- Upgrading and renewal of sewers;
- Bulk supply and backlog eradication of water;
- Refurbishment and renewal of water network;
- Backlog eradication of roads;
- Backlog eradication of storm water drainage;
- Rehabilitation of roads; and
- Extension of main entry roads.

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

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

Medium Term Revenue & Expenditure Framework 2014



Medium Term Revenue & Expenditure Framework 2014			
	Budget Year 2014/15	Budget Year 2015/16	Budget Year 2016/17
Electricity	13 540	11 375	11 608
Water	2 086	8 711	8 482
Waste Water	25 054	0	0
Waste	304	843	889
Community	1 160	20 870	11 460
Roads	34 494	36 286	37 773
Planning & Development	40	1 271	1 339
Support Services & Fleet	497	848	862
Executive & Council	0	74	78
Financial Management	240	848	894

Figure 2 Capital Infrastructure Programme

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 A5. It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.6 Annual Budget Tables

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

Table 18 KZN263 Table SA1 - Budget Summary

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		31 492	35 095	41 249	50 350	48 000	23 789	42 233	55 650	56 839	59 908
<i>less Revenue Foregone</i>											
Net Property Rates		31 492	35 095	41 249	50 350	48 000	23 789	42 233	55 650	56 839	59 908
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		105 090	116 770	126 394	146 745	143 581	69 812	116 900	161 919	162 302	171 066
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		105 090	116 770	126 394	146 745	143 581	69 812	116 900	161 919	162 302	171 066
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		20 609	23 241	30 842	34 688	34 430	34 429	34 429	39 759	45 387	49 929
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		20 609	23 241	30 842	34 688	34 430	34 429	34 429	39 759	45 387	49 929
<u>Service charges - sanitation revenue</u>											
Total Service charges - sanitation revenue		13 853	14 809	16 411	18 719	19 266	9 368	16 067	22 170	23 370	24 632
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		13 853	14 809	16 411	18 719	19 266	9 368	16 067	22 170	23 370	24 632
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		10 808	11 496	12 232	14 031	14 031	7 017	11 628	16 136	16 913	17 826
Total landfill revenue		—	—	—	—	—	—	—	—	—	—
<i>less Revenue Foregone</i>		—	—	—	—	—	—	—	—	—	—
Net Service charges - refuse revenue		10 808	11 496	12 232	14 031	14 031	7 017	11 628	16 136	16 913	17 826
<u>Other Revenue by source</u>											
<i>List other revenue by source</i>		—	—	—	—	—	—	—	—	—	—
<i>Burial fees</i>		—	162	156	168	168	167	—	180	174	183
<i>Encroachment fees</i>		—	25	27	35	61	60	—	37	40	42
Photostat copies		—	32	30	30	26	26	—	31	26	27
Special Conccent		—	60	29	—	—	—	—	1 109	2 347	2 474
Klipfotein gate fees		—	62	62	69	69	68	—	74	88	93
Building Plan fees		—	62	81	90	52	52	—	131	138	145

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
SETA			511	516	620	165	163		663	690	727
Tender Deposits			54	146	–	–	–		–	–	–
Rates Clearances			48	55	57	61	61		69	72	76
Monument erection			35	22	24	26	26		28	29	31
Other income	3	1 694	213	3 280	178	408	2 470	950	881	2 179	2 292
Total 'Other' Revenue	1	1 694	1 264	4 404	1 271	1 036	3 093	950	3 203	5 784	6 092
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
Basic Salaries and Wages	2	49 397	52 428	57 446	73 680	65 565	31 347	52 015	63 768	135 668	144 351
Pension and UIF Contributions		9 422	9 822	12 162	16 255	13 140	6 357	10 408	15 886	33 039	35 149
Medical Aid Contributions		2 872	3 357	4 080	5 936	4 990	2 184	3 794	6 120	9 335	9 931
Overtime		7 859	9 825	10 403	3 110	8 338	3 100	7 271	5 994	9 497	10 105
Performance Bonus		4 273	2 466	4 315	5 328	4 649	18	4 568	5 957	10 725	11 410
Motor Vehicle Allowance		5 430	6 313	6 261	8 220	5 915	2 822	4 487	6 470	8 198	8 719
Cell phone Allowance		576	594	579	762	614	248	460	705	1 053	1 120
Housing Allowances		401	434	342	305	276	131	229	309	328	348
Other benefits and allowances		1 501	1 705	1 944	2 546	2 374	752	1 663	2 431	3 000	3 193
Payments in lieu of leave		–	–	–	–	–	–	–	–	–	–
Long service awards		25	26	28	33	29	14	24	34	33	35
Post-retirement benefit obligations	4	1 507	1 400	3 743	2 600	2 600	–	1 950	2 752	3 008	3 206
sub-total	5	83 263	88 369	101 302	118 775	108 489	46 973	86 869	110 424	213 883	227 566
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	83 263	88 369	101 302	118 775	108 489	46 973	86 869	110 424	213 883	227 566
<u>Contributions recognised - capital</u>											
<u>List contributions by contract</u>		–	–	–	–	–	–	–	–	–	–
Total Contributions recognised - capital		5	–	–	500	200	–	71	750	825	908
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		16 848	69 785	71 760	19 411	75 511	9 706	42 608	20 770	86 544	92 231
Lease amortisation		–	–	–	–	–	–	–	–	–	–
Capital asset impairment		–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	10	–	–	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	1	16 848	69 785	71 760	19 411	75 511	9 706	42 608	20 770	86 544	92 231
<u>Bulk purchases</u>											
Electricity Bulk Purchases		79 980	101 328	112 200	119 285	125 890	452	102 328	144 157	182 731	197 259
Water Bulk Purchases											
Total bulk purchases	1	79 980	101 328	112 200	119 285	125 890	452	102 328	144 157	182 731	197 259

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Transfers and grants											
Cash transfers and grants		14 871	27 871	19 155	12 195	14 533	–	–	12 726	15 177	15 916
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Total transfers and grants	1	14 871	27 871	19 155	12 195	14 533	–	–	12 726	15 177	15 916
Contracted services											
List services provided by contract		–	–	–	–	–	13 378	–	–	–	–
Internal Audit		600	–	–	–	–	–	–	–	–	–
Meter Reading		867	2 067	2 132	2 400	3 070	–	–	2 463	4 094	4 406
Computer Services		1 020	1 323	1 743	100	395	–	–	1 500	1 581	1 666
Other Contracts Financial services		1 412	704	362	–	–	–	–	–	–	–
Parks		5 315	5 479	5 552	6 000	6 000	–	–	6 000	6 324	6 666
Security		4 795	6 024	10 049	8 311	–	–	–	11 500	17 000	18 000
Refuse Removal		5 934	5 962	5 755	9 007	9 035	–	–	8 000	15 810	16 664
Steiner		196	515	82	191	–	–	–	157	165	174
Digging of Graves		79	78	60	63	48	–	–	100	105	111
Electricity-Engineer		501	305	187	750	560	–	–	400	422	444
Water Purification		266	250	500	577	180	–	–	1 300	1 430	1 573
Public Safety		–	–	–	–	–	–	–	–	–	–
Contact Payments technical services		–	67	–	–	–	–	–	–	–	–
Contact Payments community services		–	53	–	–	–	–	–	–	–	–
Contact Payments planning		–	60	–	–	–	–	–	–	–	–
Nurses working with traffic		–	–	37	39	49	–	–	52	54	57
Mikros traffic		–	–	60	–	–	–	–	–	–	–
Brandfin Trade cc		–	–	125	132	136	–	–	144	152	160
Total client services		–	–	56	59	100	–	–	28	111	117
Commission on vendor sales		–	–	3	473	720	717	–	800	791	833
Photocopiers & faxes		652	–	–	–	–	–	–	–	–	–
Lease of vehicles		4 327	–	–	–	–	–	–	–	–	–
Other contract payments		–	–	–	1 492	11 134	–	–	–	843	752
sub-total	1	25 965	22 886	26 703	29 594	31 427	14 095	–	32 443	48 882	51 624
Allocations to organs of state:											
Electricity		–	–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–	–
Sanitation		–	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–	–
Total contracted services		25 965	22 886	26 703	29 594	31 427	14 095	–	32 443	48 882	51 624
Other Expenditure By Type											
Collection costs		–	–	–	–	–	–	–	–	–	–

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Contributions to 'other' provisions	3	5 793	7 911	6 654	3 212	3 212	–	–	3 430	3 575	3 768
Consultant fees		–	–	–	–	–	–	–	–	–	–
Audit fees		1 700	1 561	1 283	2 400	3 200	391	–	2 563	4 005	4 221
General expenses		–	–	–	–	–	–	–	–	–	–
<i>List Other Expenditure by Type</i>		–	–	–	–	–	–	–	–	–	–
<i>Chemicals</i>		808	1 104	1 097	2 020	1 770	1 679	–	2 205	3 877	4 178
<i>Auditors Remuneration</i>		1 700	–	–	–	–	–	–	–	–	–
<i>Ward Committee Members</i>		874	1 346	2 158	2 663	2 600	2 598	–	2 600	2 894	3 050
<i>Newsletter & Radio Slots</i>		143	95	37	300	200	200	–	300	316	333
<i>Advertisements & Notices</i>		440	568	293	626	650	955	–	1 000	1 054	1 100
<i>Allow & Contr Pensioners</i>		1 101	1 143	1 312	1 069	710	706	–	745	790	833
<i>Banking Charges & Services</i>		897	1 025	1 135	1 200	830	823	–	1 300	1 528	1 611
<i>Cleaning Materials</i>		172	165	232	379	304	264	–	379	683	721
<i>Fuel & Lubricants</i>		2 613	3 672	3 911	2 995	2 855	2 830	–	3 154	3 712	3 938
<i>Electricity & Water Services</i>		4 957	5 418	1 051	6 519	5 799	5 749	–	6 529	7 839	8 388
<i>Sports & Comm Serv functions</i>		1 162	949	1 165	1 000	1 000	1 000	–	1 400	1 476	1 555
<i>Legal Fees</i>		1 217	4 734	532	650	620	817	–	692	3 162	3 333
<i>Telephone & fax</i>		1 219	1 220	1 391	1 358	1 265	1 256	–	1 306	1 582	1 667
<i>Postage</i>		608	627	839	675	585	561	–	631	738	778
<i>Printing & Stationery</i>		792	761	773	1 237	1 012	989	–	1 109	1 663	1 753
<i>Pension for Retrenched Employees</i>		904	501	384	533	300	293	–	321	474	500
<i>Skills Levy</i>		734	837	937	1 009	1 000	967	–	1 028	1 113	1 173
<i>Training</i>		347	182	406	675	383	351	–	900	2 332	2 458
<i>Valuation Roll Expenditure</i>		284	265	1 232	600	200	27	–	200	211	222
<i>Subsistence & Travelling</i>		1 340	1 694	1 596	2 779	1 747	1 647	–	1 913	3 458	3 645
<i>Other Expenses</i>		12 130	25 416	31 541	38 634	43 261	55 479	–	50 209	107 386	103 337
Total 'Other' Expenditure	1	41 935	61 191	59 961	72 533	73 502	79 584	–	83 915	153 867	152 562
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		12 916	15 661	15 921	20 263	18 828	18 511	–	28 803	90 845	95 595
Total Repairs and Maintenance Expenditure	9	12 916	15 661	15 921	20 263	18 828	18 511	–	28 803	90 845	95 595

Explanatory notes to KZN263 Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a) The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b) Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognised is reflected on the Financial Performance Budget;
 - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a smaller deficit is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2016/17 the water backlog will have been very nearly eliminated.

Table 19 KZN263 Table SA2 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 -	Total
R thousand	1								
Revenue By Source									
Property rates		-	55 650	-	-	-	-	-	55 650
Property rates - penalties & collection charges		-	1 400	-	-	-	-	-	1 400
Service charges - electricity revenue		-	-	-	-	-	161 919	-	161 919
Service charges - water revenue		-	-	-	-	-	39 759	-	39 759
Service charges - sanitation revenue		-	-	-	-	-	22 170	-	22 170
Service charges - refuse revenue		-	-	-	-	-	16 136	-	16 136
Service charges - other		-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	830	135	191	149	-	-	1 305
Interest earned - external investments		-	4 254	-	-	-	-	-	4 254
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-
Fines		-	-	-	2 240	-	-	-	2 240
Licences and permits		-	-	-	3 081	2 347	-	-	5 428
Agency services		-	-	-	-	-	-	-	-
Other revenue		-	1 178	663	1 130	232	-	-	3 203
Transfers recognised - operational		8 517	82 451	-	7 101	1 376	7 000	100	106 545
Gains on disposal of PPE		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		8 517	145 763	799	13 743	4 104	246 984	100	420 010
Expenditure By Type									
Employee related costs		5 437	14 921	10 401	19 279	15 004	45 071	311	110 424
Remuneration of councillors		15 495	-	-	-	-	-	-	15 495
Debt impairment		1 602	-	-	-	-	-	-	1 602
Depreciation & asset impairment		172	231	1 638	828	5 916	11 985	-	20 770
Finance charges		-	-	-	-	-	-	-	-
Bulk purchases		-	-	-	-	-	144 157	-	144 157
Other materials		-	-	-	-	-	-	-	-
Contracted services		-	400	2 280	17 882	50	11 830	-	32 443
Transfers and grants		134	1 356	-	-	-	11 236	-	12 726
Other expenditure		22 493	7 538	6 305	14 328	24 707	37 176	172	112 719
Loss on disposal of PPE		-	-	-	-	-	-	-	-
Total Expenditure		45 333	24 446	20 624	52 317	45 677	261 454	483	450 334
Surplus/(Deficit)		(36 816)	121 317	(19 825)	(38 574)	(41 573)	(14 470)	(383)	(30 324)
Transfers recognised - capital		-	-	-	-	40 182	9 000	-	49 182
Contributions recognised - capital		-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(36 816)	121 317	(19 825)	(38 574)	(1 391)	(5 470)	(383)	18 858

Explanatory notes to KZN263 Table A2 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

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

Table 20 KZN263 Table SA3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		2,928	31,250	49,859	5,000	–	–	–	–	–	–
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits	2	2,928	31,250	49,859	5,000	–	–	–	–	–	–
<u>Consumer debtors</u>											
Consumer debtors		41,392	37,164	41,263	55,000	14,599	45,000	–	45,000	45,000	45,000
Less: Provision for debt impairment		(16,045)	(21,694)	(27,885)	–	–	(29,000)	–	(29,000)	(29,000)	(29,000)
Total Consumer debtors	2	25,347	15,470	13,378	55,000	14,599	16,000	–	16,000	16,000	16,000
<u>Debt impairment provision</u>											
Balance at the beginning of the year											
Contributions to the provision		(16,045)	(21,694)	(27,885)	–	–	(29,000)		(29,000)	(29,000)	(29,000)
Bad debts written off											
Balance at end of year		(16,045)	(21,694)	(27,885)	–	–	(29,000)	–	(29,000)	(29,000)	(29,000)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		394,189	2,721,063	2,734,042	300,000	2,734,042	2,998,302	–	3,000,000	3,200,000	3,600,000
Leases recognised as PPE	3	–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation		155,602	1,699,638	1,770,932	–	1,770,932	1,892,393	–	2,000,000	2,200,000	2,400,000
Total Property, plant and equipment (PPE)	2	238,588	1,021,425	963,110	300,000	963,109	1,105,909	–	1,000,000	1,000,000	1,200,000
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		–	1,856	–	–	–	–	–	–	–	–
Current portion of long-term liabilities		–	–	–	–	–	–	–	–	–	–
Total Current liabilities - Borrowing		–	1,856	–	–	–	–	–	–	–	–
<u>Trade and other payables</u>											
Trade and other creditors		22,176	29,644	29,609	30,000	29,609	25,000	–	20,000	20,000	20,000
Unspent conditional transfers		9,403	19,193	35,971	–	35,971	20,000	–	15,000	10,000	8,000
VAT		–	–	–	–	–	–	–	–	–	–
Total Trade and other payables	2	31,579	48,837	65,580	30,000	65,580	45,000	–	35,000	30,000	28,000

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Non current liabilities - Borrowing	4										
Borrowing		1,856	-	-	-	-	-	-	-	-	-
Finance leases (including PPP asset element)		-	-	-	-	-	-	-	-	-	-
Total Non current liabilities - Borrowing		1,856	-	-	-	-	-	-	-	-	-
Provisions - non-current											
Retirement benefits		32,677	40,587	47,173	45,000	47,173	48,500	-	50,000	50,000	50,000
List other major provision items											
Refuse landfill site rehabilitation	4	-	47,214	49,919	-	49,919	51,000	-	55,000	58,000	59,000
Other		-	-	-	-	-	-	-	-	-	-
Total Provisions - non-current		32,677	87,801	97,092	45,000	97,092	99,500	-	105,000	108,000	109,000
CHANGES IN NET ASSETS	1										
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		253,484	1,057,390	1,765,709	329,788	930,110	2,127,019	-	2,127,019	2,127,019	2,127,019
GRAP adjustments											
Restated balance		253,484	1,057,390	1,765,709	329,788	930,110	2,127,019	-	2,127,019	2,127,019	2,127,019
Surplus/(Deficit)		(5,228)	(64,208)	(21,492)	19,158	(45,713)	200,267	45,618	(368,138)	(322,886)	(347,224)
Appropriations to Reserves		1,294	(2,771)	-	-	-	-	-	-	-	-
Transfers from Reserves		-	-	-	-	-	-	-	-	-	-
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)		249,550	990,411	1,744,217	19,158	(45,713)	2,327,286	961,385	(368,138)	(322,886)	(347,224)
Reserves											
Housing Development Fund		-	-	-	-	-	-	-	-	-	-
Capital replacement		-	-	-	-	-	-	-	-	-	-
Self-insurance		-	-	-	-	-	-	-	-	-	-
Other reserves		777	-	-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-	-	-
Total Reserves	2	777	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	250,327	990,411	1,744,217	19,158	(45,713)	2,327,286	961,385	(368,138)	(322,886)	(347,224)

Explanatory notes to KZN263 Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

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

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

None

2. The electricity trading is showing no sign of improvement over the 2014/15 MTREF from a deficit in the adjustment budget for 2013/14 of approximately R22,6 million to a deficit of R18,3 in 2014/15 and increases in the outer two years. This is primarily as a result of the high increases in ESKOM bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers as well as additional requirements from the section to upgrade the ageing infrastructure.
3. The deficit on the water account remains relatively constant over the MTREF translating into a deficit of R34 million and R35 million for each of the respective outer financial years, however in the 2014/2015 a surplus of R10 million is forecast. This is mainly attributed to funding being received from COGTA for the upgrade of the infrastructure and the municipality not having to budget as much for repairs and maintenance.
4. Note that there is no longer surpluses on these trading accounts that can be utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 22 KZN263 Table A4 - Budgeted Financial Performance (Revenue and Expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	31 492	35 095	41 249	50 350	48 000	23 789	42 233	55 650	56 839	59 908
Property rates - penalties & collection charges		723	881	851	853	1 300	589	1 173	1 400	1 587	1 673
Service charges - electricity revenue	2	105 090	116 770	126 394	146 745	143 581	69 812	116 900	161 919	162 302	171 066
Service charges - water revenue	2	20 609	23 241	30 842	34 688	34 430	34 429	34 429	39 759	45 387	49 929
Service charges - sanitation revenue	2	13 853	14 809	16 411	18 719	19 266	9 368	16 067	22 170	23 370	24 632
Service charges - refuse revenue	2	10 808	11 496	12 232	14 031	14 031	7 017	11 628	16 136	16 913	17 826
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		518	651	800	823	1 303	473	1 038	1 305	1 396	1 471
Interest earned - external investments		3 467	3 522	3 970	2 766	3 750	541	3 413	4 254	4 585	4 833
Interest earned - outstanding debtors		614	17	9	11	–	–	3	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 552	1 497	1 845	2 094	2 011	387	1 544	2 240	2 062	2 173
Licences and permits		4 451	6 207	5 216	5 073	4 793	2 483	3 622	5 428	4 827	5 088
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		72 328	91 192	94 003	92 080	123 721	199 116	111 526	106 545	120 021	122 100
Other revenue	2	1 694	1 264	4 404	1 271	1 036	3 093	950	3 203	5 784	6 092
Gains on disposal of PPE		–	956	382	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		267 196	307 600	338 608	369 504	397 221	351 097	344 525	420 009	445 073	466 792
Expenditure By Type											
Employee related costs	2	83 263	88 369	101 302	118 775	108 489	46 973	86 869	110 424	213 883	227 566
Remuneration of councillors		9 992	11 264	12 093	14 348	13 417	5 913	11 649	15 495	15 246	16 222
Debt impairment	3	3 352	5 649	7 351	1 500	1 500	–	1 125	1 602	1 670	1 760
Depreciation & asset impairment	2	16 848	69 785	71 760	19 411	75 511	9 706	42 608	20 770	86 544	92 231
Finance charges		125	126	2 325	–	–	–	–	–	–	–
Bulk purchases	2	79 980	101 328	112 200	119 285	125 890	452	102 328	144 157	182 731	197 259
Other materials	8	–	–	–	–	–	–	–	28 803	90 845	95 595
Contracted services		25 965	22 886	26 703	29 594	31 427	14 095	–	32 443	48 882	51 624
Transfers and grants		14 871	27 871	19 155	12 195	14 533	–	–	12 726	15 177	15 916
Other expenditure	4, 5	41 935	61 191	59 961	72 533	73 502	79 584	–	83 915	153 867	152 562

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		276 331	388 471	412 849	387 642	444 269	156 722	244 579	450 334	808 845	850 735
Surplus/(Deficit)	6	(9 134)	(80 871)	(74 242)	(18 139)	(47 047)	194 375	99 946	(30 325)	(363 771)	(383 943)
Transfers recognised - capital		9 919	16 494	22 801	38 982	38 982	38 982	38 982	49 182	44 883	46 373
Contributions recognised - capital		5	–	–	500	200	–	71	750	825	908
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	7	(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(5 228)	(64 208)	(21 492)	19 158	(45 713)	200 267	45 618	(368 138)	(322 886)	(347 224)

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

1. Total revenue is R420 million in 2014/15 and escalates to R466 million by 2016/17. This represents a year-on-year increase of 5.6% for the 2014/15 financial year and 5.4% for the 2016/17 financial year.
2. Revenue to be generated from property rates is R55,7 million in the 2014/15 financial year and increases to R60,2 million by 2016/17 which represents 13,2% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5, 6%, 5.4% and 5.4% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R239,9 million for the 2014/15 financial year and increasing to R263,4 million by 2016/17. A notable trend is there is no growth in the total percentage revenue generated from services charges which remains constant at 5.4% in 2014/15, 2015/16 and 2016/17. This can be mainly attributed to the cost of bulk electricity increase in the Eskom tariffs for bulk electricity remaining at 10% in the outer two years.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by and 5, 4% for the two outer years. The percentage share of this revenue source increases due to the new formula being implemented for the Equitable Share allocation in 2016/17.
5. The following graph illustrates the major expenditure items per type.

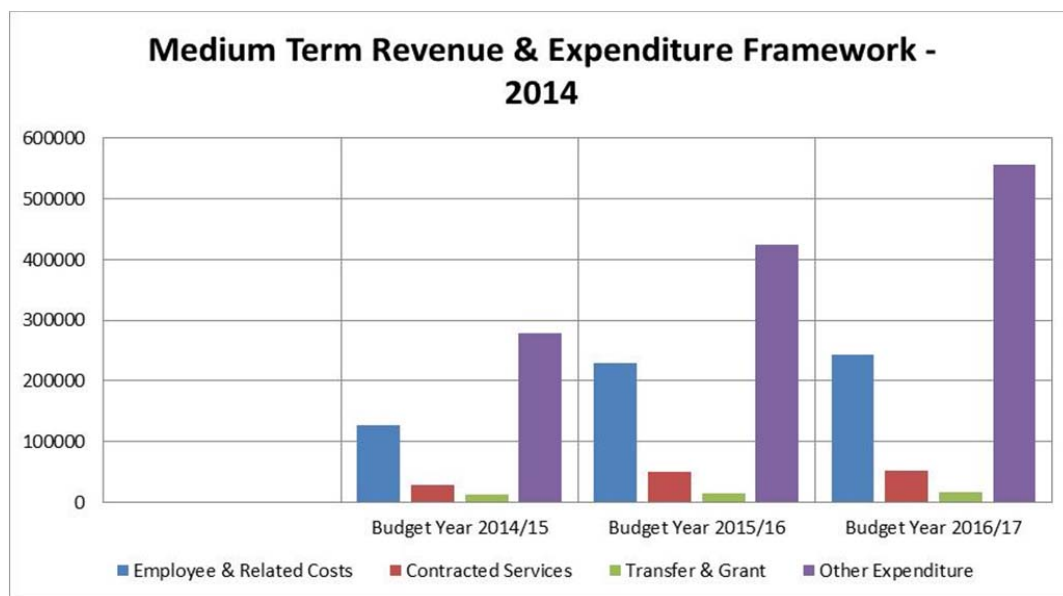


Figure 3 Expenditure by Major Type

6. Bulk purchases have significantly increased over the 2010/11 to 2016/17 period escalating from R79 million to R144 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from ESKOM.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 23 KZN263 Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Municipal Vote	2										
Single-year expenditure appropriation											
Vote 1 - Municipal Governance & Administration		-	-	13	-	-	-	-	-	74	78
1.1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	74	78
1.2 - COUNCIL & EXECUTIVE		-		13					-	-	-
Vote 2 - Budget & Treasury		-	503	49	300	100	100	100	240	848	894
2.1 - FINANCIAL SERVICES			503	49	300	100	100	100	240	848	894
Vote 3 - Corporate Services		314	9	54	560	525	416	416	497	848	862
3.1 - MANAGER CORPORATE SERVICES		278		54	100	100	100	100	50	248	262
3.2 - INFORMATION TECHNOLOGY		30	9	-	400	400	291	291	427	600	600
3.3 - HUMAN RESOURCES		6		-	60	25	25	25	20	-	-
Vote 4 - Community & Public Safety		109	283	122	3,134	1,437	1,437	1,437	1,160	20,870	11,460
4.1 - LIBRARY									-	53	56
4.2 - MUSEUM				-					-	-	-
4.3 - COMMUNITY DEVELOPMENT				108	50	20	20	20	20	1,584	1,673
4.4 - CEMETERIES				-	1,350	1,300	1,300	1,300	1,020	7,441	7,843
4.5 - SAFETY & SECURITY		9	283	14	1,550	50	50	50	120	11,792	1,889
4.6 - HOUSING SERVICES				-					-	-	-
4.7 - HEALTH AND CLINICS				-					-	-	-
4.8 - PARKS AND GARDENS		100		-	184	67	67	67	-	-	-
Vote 5 - Economic & Environmental Services		32	7	33	680	625	613	613	376	1,673	1,739
5.1 - PLANNING & DEVELOPMENT		32		-	350	315	315	315	40	1,271	1,339
5.2 - ROADS				-	270	270	270	270	255	323	340
5.3 - TECHNICAL ADMIN			7	33	40	20	8	8	35	40	40

Vote Description R thousand	Ref 1	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
5.4 - VEHICLE LICENSING					20	20	20	20	21	-	-
5.5 - BUILDINGS									25	40	20
Vote 6 - Trading Services		32	-	27	530	3,392	391	391	8,983	11,929	11,978
6.1 - SANITATION		9		-	50	12	11	11	2,054	-	-
6.2 - WATER SERVICES				-	80	80	80	80	2,086	8,711	8,482
6.3 - ELECTRICITY SERVICES		23		27	100	3,100	100	100	4,540	2,375	2,608
6.4 - SOLID WASTE				-	300	200	200	200	304	843	889
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-
7.1 - TOURISM SERVICES									-	-	-
Capital single-year expenditure sub-total		487	802	298	5,204	6,079	2,958	2,958	11,256	36,242	27,011
Total Capital Expenditure		19,431	13,360	16,947	44,186	45,061	41,940	41,940	54,414	81,125	73,384

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R43, 1 million has been allocated of the total R54, 3 million capital budgets, which total 79, 3%. This allocation decreases to R44, 8 million in 2015/16 and then increases to R46, 3 million in 2016/17 owing primarily to the fact that various projects reach completion in 2014/15 hence the reduction in expenditure in year two.
3. Single-year capital expenditure has been appropriated at R 11,2 million for the 2014/15 financial year and increases over the MTREF at levels of R 36,2 million and R 27 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R 43, 1 million and increases to R 46,3 million by 2016/17. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 24 KZN263 Table A6 - Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		1,010	4,508	5,126	2,000	54,985	60,000	–	40,000	40,000	40,000
Call investment deposits	1	2,928	31,250	49,859	5,000	–	–	–	–	–	–
Consumer debtors	1	25,347	15,470	13,378	55,000	14,599	16,000	–	16,000	16,000	16,000
Other debtors		6,793	28,061	29,667	9,500	28,445	20,000	–	25,000	25,000	25,000
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	6,717	7,260	7,621	10,000	7,621	7,200	–	7,200	7,200	7,200
Total current assets		42,795	86,549	105,651	81,500	105,650	103,200	–	88,200	88,200	88,200
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		45,979	26,910	28,225	40,365	–	28,225	–	30,000	32,000	34,000
Investment property		–	4,883	4,883	4,883	4,883	4,883	–	4,883	4,883	4,883
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	238,588	1,021,425	963,110	300,000	963,109	1,105,909	–	1,000,000	1,000,000	1,200,000
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		74	516	258	20	258	330	–	230	230	230
Other non-current assets		–	–	2,942	–	31,167	–	–	31,167	31,167	31,167
Total non current assets		284,642	1,053,734	999,418	345,268	999,417	1,139,347	–	1,066,280	1,068,280	1,270,280
TOTAL ASSETS		327,437	1,140,283	1,105,069	426,768	1,105,067	1,242,547	–	1,154,480	1,156,480	1,358,480
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	1,856	–	–	–	–	–	–	–	–
Consumer deposits		10,899	11,378	12,286	12,000	12,286	12,900	–	13,000	13,000	13,000
Trade and other payables	4	31,579	48,837	65,580	30,000	65,580	45,000	–	35,000	30,000	28,000
Provisions		–	0	0	–	–	0	0	–	–	–
Total current liabilities		42,478	62,071	77,866	42,000	77,866	57,900	0	48,000	43,000	41,000
Non current liabilities											
Borrowing		1,856	–	–	–	–	–	–	–	–	–

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Provisions		32,677	87,801	97,092	45,000	97,092	99,500	–	105,000	108,000	109,000
Total non current liabilities		34,533	87,801	97,092	45,000	97,092	99,500	–	105,000	108,000	109,000
TOTAL LIABILITIES		77,010	149,872	174,958	87,000	174,958	157,400	0	153,000	151,000	150,000
NET ASSETS	5	250,427	990,411	930,110	339,768	930,110	1,085,147	(0)	1,001,480	1,005,480	1,208,480
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		249,433	990,411	930,110	334,885	930,110	2,354,074	–	1,001,480	1,005,480	1,208,480
Reserves	4	777	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	250,210	990,411	930,110	334,885	930,110	2,354,074	–	1,001,480	1,005,480	1,208,480

Explanatory notes to Table A6 - Budgeted Financial Position

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

Table 25 KZN263 Table A7 - Budgeted Cash Flow Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		207 450	201 858	181 255	276 569	269 235	269 235	177 474	315 234	320 467	339 859
Government - operating	1	72 328	101 115	110 837	92 080	101 230	101 230	101 230	106 545	120 021	122 100
Government - capital	1	9 919	16 494	22 801	38 982	29 982	29 982	29 982	43 158	44 883	46 373
Interest		3 467	3 522	3 970	2 767	3 750	3 750	2 349	4 254	4 585	4 833
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(260 424)	(269 060)	(258 885)	(353 052)	(350 727)	(350 727)	(199 539)	(415 236)	(705 454)	(740 828)
Finance charges		(125)	(126)	(2 325)	-	-	-	-	-	-	-
Transfers and Grants	1	(14 871)	(27 871)	(19 155)	(12 195)	(29 232)	(29 232)	(16 586)	(12 726)	(15 177)	(15 916)
NET CASH FROM/(USED) OPERATING ACTIVITIES		17 743	25 931	38 498	45 150	24 238	24 238	94 910	41 229	(230 675)	(243 579)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	956	847	-	847	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	(1 316)	-	-	-	-	-
Decrease (increase) in non-current investments		(7 482)	18 293	(1 316)	(10 000)	-	-	(690)	10 000	-	-
Payments											
Capital assets		(19 431)	(13 360)	(16 947)	(44 266)	(35 266)	(35 266)	(19 674)	(49 182)	(44 883)	(46 373)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(26 914)	5 889	(17 415)	(54 266)	(35 735)	(35 266)	(20 364)	(39 182)	(44 883)	(46 373)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		2 896	-	-	1 000	1 000	135 583	470	480	480	480
Payments											
Repayment of borrowing		-	-	(1 856)	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		2 896	-	(1 856)	1 000	1 000	135 583	470	480	480	480
NET INCREASE/ (DECREASE) IN CASH HELD		(6 274)	31 820	19 227	(8 116)	(10 497)	124 555	75 017	2 527	(275 078)	(289 472)
Cash/cash equivalents at the year begin:	2	10 212	3 938	35 758	16 081	16 081	54 985	16 081	54 895	57 423	(217 655)
Cash/cash equivalents at the year end:	2	3 938	35 758	54 984	7 965	5 584	179 540	91 098	57 423	(217 655)	(507 127)

Table 26 KZN263 Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	3,938	35,758	54,984	7,965	5,584	179,540	91,098	(12,768)	(291,515)	(597,755)
Other current investments > 90 days		0	0	1	(965)	49,401	(119,540)	(91,098)	52,768	331,515	637,755
Non current assets - Investments	1	45,979	26,910	28,225	40,365	–	28,225	–	30,000	32,000	34,000
Cash and investments available:		49,917	62,668	83,211	47,365	54,985	88,225	–	70,000	72,000	74,000
<u>Application of cash and investments</u>											
Unspent conditional transfers		9,403	19,193	35,971	–	35,971	20,000	–	15,000	10,000	8,000
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(12,700)	(11,811)	(2,821)	(34,949)	(11,966)	(11,014)	–	(15,342)	(17,324)	(11,108)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	777							80,125	85,334	90,911
Total Application of cash and investments:		(2,520)	7,382	33,150	(34,949)	24,005	8,986	–	79,783	78,010	81,803
Surplus(shortfall)		52,437	55,285	50,061	82,314	30,980	79,239	–	(9,783)	(6,010)	(7,803)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increased significantly over the 2011/12 to 2012/13 period owing directly to a net increase in cash for the 2012/13 financial year of R 54,9 million.
4. The approved 2013/14 MTREF provided for a net decrease in cash of R8,1 million for the 2013/14 financial year, during the Adjustment Budget the resulting changed to an overall projected cash position of R 5,5 million at year end.
5. As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R 12,7 million deficit as at the end of the 2014/15 financial year and escalates to R 597,7 million deficit by 2016/17.

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2010/11 to 2013/14 the surplus has improved from R48, 3 million to R82 million.

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.
7. As can be seen the draft budget has been modelled to a deficit of R 7,7 million in 2014/15 to deficit of R 7,9 million by 2016/17. These figures will be revisited before the tabling of the final budget in May 2014.

Table 27 KZN263 Table A9 - Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	29,627	24,148	35,500	44,186	45,061	41,939	127,947	82,974	74,821
Infrastructure - Road transport		3,491	5,094	26,508	29,982	29,982	29,982	48,748	37,065	37,083
Infrastructure - Electricity		3,851	5,215	8,000	9,100	12,100	9,100	30,013	12,375	12,808
Infrastructure - Water		2,853	3,300	23	80	80	80	7,010	7,711	8,482
Infrastructure - Sanitation		-	-	33	50	12	11	6,000	-	-
Infrastructure - Other		18,945	9,621	108	300	200	200	9,300	843	889
Infrastructure		29,140	23,230	34,672	39,512	42,374	39,373	101,071	57,994	59,262
Community		100	116	400	2,350	1,350	1,050	22,070	20,403	10,965
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	387	802	428	2,324	1,337	1,516	4,806	4,577	4,594
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		3,491	5,094	26,508	29,982	29,982	29,982	48,748	37,065	37,083
Infrastructure - Electricity		3,851	5,215	8,000	9,100	12,100	9,100	30,013	12,375	12,808

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<i>Infrastructure - Water</i>		2,853	3,300	23	80	80	80	7,010	7,711	8,482
<i>Infrastructure - Sanitation</i>		–	–	33	50	12	11	6,000	–	–
<i>Infrastructure - Other</i>		18,945	9,621	108	300	200	200	9,300	843	889
Infrastructure		29,140	23,230	34,672	39,512	42,374	39,373	101,071	57,994	59,262
Community		100	116	400	2,350	1,350	1,050	22,070	20,403	10,965
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		387	802	428	2,324	1,337	1,516	4,806	4,577	4,594
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	29,627	24,148	35,500	44,186	45,061	41,939	127,947	82,974	74,821
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Infrastructure - Road transport</i>		34,097	230,430	211,086	134,714	134,715	164,696	164,696	194,696	214,696
<i>Infrastructure - Electricity</i>		58,334	192,157	180,039	536,055	536,055	538,055	538,055	547,055	556,055
<i>Infrastructure - Water</i>		63,239	315,812	350,636	91,822	91,822	91,822	93,822	95,822	97,822
<i>Infrastructure - Sanitation</i>		28,855	166,700	111,995	82,078	82,078	82,078	90,078	90,078	90,078
<i>Infrastructure - Other</i>		248	–	–	97,214	97,214	97,214	98,214	113,214	115,214
Infrastructure		184,773	905,099	853,756	941,882	941,883	973,864	984,864	1,040,864	1,073,864
Community		17,965	16,882	16,086	16,086	16,086	16,086	18,586	18,586	19,500
Heritage assets		2,320	2,942	2,942	–	–	–	–	–	–
Investment properties		–	4,883	4,883	4,883	4,883	4,883	4,883	4,883	4,883
Other assets		47,587	96,197	92,941						
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		74	516	258	20	258	330	230	230	230
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	252,721	1,026,520	970,866	962,871	963,110	995,163	1,008,563	1,064,563	1,098,477
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		16,848	69,785	71,856	19,411	75,511	19,411	20,770	86,544	92,231
<u>Repairs and Maintenance by Asset Class</u>		12,916	15,661	15,921	20,263	18,828	18,511	28,803	90,845	95,595
<i>Infrastructure - Road transport</i>		3,491	5,094	5,379	4,835	5,000	4,985	11,820	17,358	11,820
<i>Infrastructure - Electricity</i>		3,851	5,215	5,945	8,405	7,130	6,986	8,025	11,652	12,281
<i>Infrastructure - Water</i>		2,853	3,300	2,390	2,272	2,890	2,813	2,930	7,167	7,883
<i>Infrastructure - Sanitation</i>		477	670	1,437	1,025	1,000	1,000	1,220	1,428	1,505

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<i>Infrastructure - Other</i>		665	–	–	215	50	50	1,210	6,767	7,132
Infrastructure		11,337	14,279	15,150	16,752	16,070	15,834	25,205	44,372	40,622
Community		1,300	1,162	442	1,601	1,453	1,441	1,798	40,466	48,641
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	279	220	329	1,910	1,305	1,237	1,800	6,008	6,332
TOTAL EXPENDITURE OTHER ITEMS		29,765	85,446	87,777	39,674	94,339	37,923	49,573	177,389	187,826

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 % of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The Municipality is not able to meet 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.

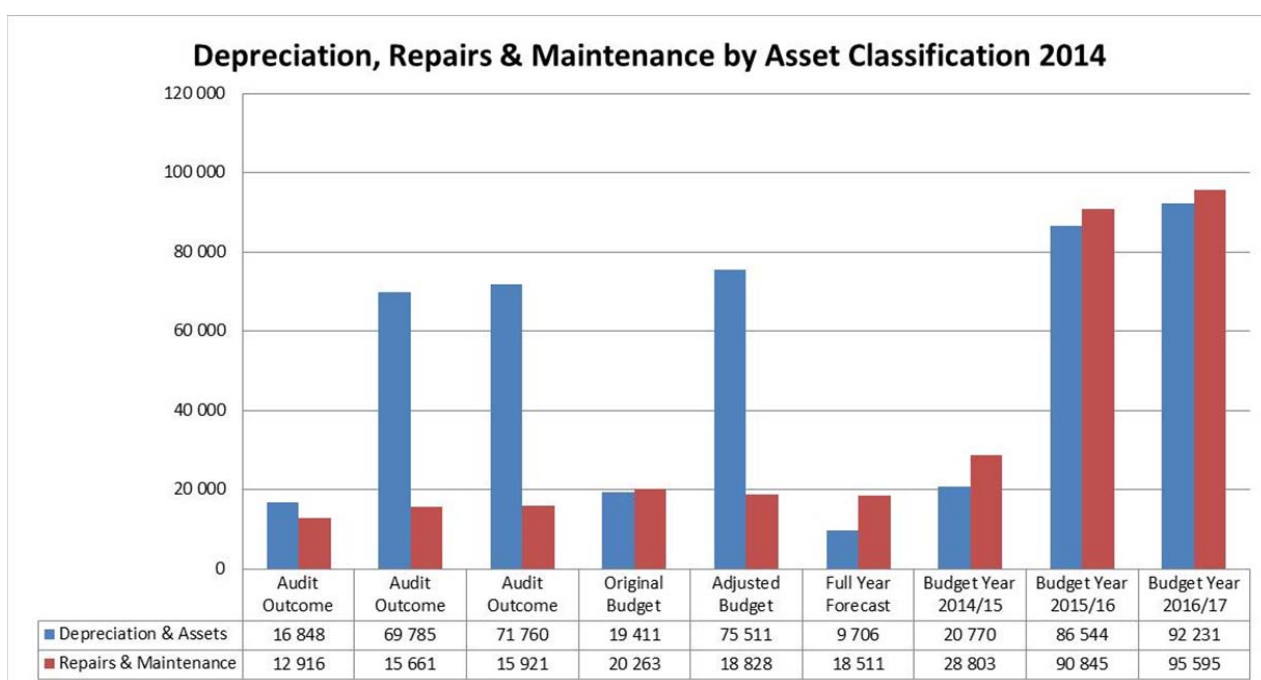


Figure 4 Depreciation in relation to repairs and maintenance over the MTREF

Table 28 KZN263 Table A10 - Basic Service Delivery Measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling		17 237	17 237	17 237	67 076	67 076	67 076	67 076	67 076	67 076
Piped water inside yard (but not in dwelling)		14 020	14 020	14 020	64 999	64 999	64 999	64 999	64 999	64 999
Using public tap (at least min. service level)	2				14 024	14 024	14 024	14 024	14 024	14 024
Other water supply (at least min. service level)	4	12 204	12 204	12 204	7 396	7 396	7 396	7 396	7 396	7 396
<i>Minimum Service Level and Above sub-total</i>		43 461	43 461	43 461	153 495	153 495	153 495	153 495	153 495	153 495
Using public tap (< min. service level)	3			3 207	3 207	3 207	3 207	3 207	3 207	3 207
Other water supply (< min. service level)	4			1 919	1 919	1 919	1 919	1 919	1 919	1 919
No water supply				40 232	40 232	40 232	40 232	40 232	40 232	40 232
<i>Below Minimum Service Level sub-total</i>		–	–	45 358	45 358	45 358	45 358	45 358	45 358	45 358
Total number of households	5	43 461	43 461	88 819	198 853	198 853	198 853	198 853	198 853	198 853
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		17 723	17 723	17 723	68 157	68 157	68 157	68 157	68 157	68 157
Flush toilet (with septic tank)		1 226	1 226	1 226	4 506	4 506	4 506	4 506	4 506	4 506
Chemical toilet		2 241	2 241	2 241	11 208	11 208	11 208	11 208	11 208	11 208
Pit toilet (ventilated)		4 399	4 399	4 399	22 379	22 379	22 379	22 379	22 379	22 379
Other toilet provisions (> min. service level)										
<i>Minimum Service Level and Above sub-total</i>		25 589	25 589	25 589	106 250	106 250	106 250	106 250	106 250	106 250
Bucket toilet		200	200	200	919	919	919	919	919	919
Other toilet provisions (< min. service level)		10 219	10 219	10 219	53 786	53 786	53 786	53 786	53 786	53 786
No toilet provisions		5 512	5 512	5 512	28 842	28 842	28 842	28 842	28 842	28 842
<i>Below Minimum Service Level sub-total</i>		15 931	15 931	15 931	83 547	83 547	83 547	83 547	83 547	83 547
Total number of households	5	41 520	41 520	41 520	189 797	189 797	189 797	189 797	189 797	189 797
<u>Energy:</u>										
Electricity (at least min. service level)		31 223	31 223	31 223	19 781	19 781	19 781	19 781	19 781	19 781
Electricity - prepaid (min. service level)										
<i>Minimum Service Level and Above sub-total</i>		31 223	31 223	31 223	19 781	19 781	19 781	19 781	19 781	19 781
Electricity (< min. service level)										
Electricity - prepaid (< min. service level)										
Other energy sources		11 886	11 886	11 886	3 243	3 243	3 243	3 243	3 243	3 243
<i>Below Minimum Service Level sub-total</i>		11 886	11 886	11 886	3 243	3 243	3 243	3 243	3 243	3 243
Total number of households	5	43 109	43 109	43 109	23 024	23 024	23 024	23 024	23 024	23 024
<u>Refuse:</u>										

Removed at least once a week		17 985	17 985	17 985	11 257	11 257	11 257	11 257	11 257	11 257
<i>Minimum Service Level and Above sub-total</i>		17 985	17 985	17 985	11 257	11 257	11 257	11 257	11 257	11 257
Removed less frequently than once a week		434	434	434	1 270	1 270	1 270	1 270	1 270	1 270
Using communal refuse dump		511	511	511	1 763	1 763	1 763	1 763	1 763	1 763
Using own refuse dump		20 764	20 764	20 764	105 738	105 738	105 738	105 738	105 738	105 738
Other rubbish disposal		868	868	868	3 816	3 816	3 816	3 816	3 816	3 816
No rubbish disposal		2 728	2 728	2 728	15 010	15 010	15 010	15 010	15 010	15 010
<i>Below Minimum Service Level sub-total</i>		25 305	25 305	25 305	127 597	161 597	127 597	127 597	161 597	127 597
Total number of households	5	43 290	43 290	43 290	138 854	172 854	138 854	138 854	172 854	138 854
<u>Households receiving Free Basic Service</u>	7									
Water (6 kilolitres per household per month)		2 582	1 163	3 124	3 500	3 500	3 500	3 500	3 500	3 500
Sanitation (free minimum level service)		5 723	2 186	3 320	3 300	3 500	3 500	3 500	3 500	3 500
Electricity/other energy (50kwh per household per month)		1 949	19 999	2 978	2 700	2 700	2 700	2 700	2 700	2 700
Refuse (removed at least once a week)		6 000	2 446	3 594	4 000	4 000	4 000	4 000	4 000	4 000
<u>Cost of Free Basic Services provided (R'000)</u>	8									
Water (6 kilolitres per household per month)				1 132	1 031	1 808	1 807	1 989	2 188	2 406
Sanitation (free sanitation service)				2 030	1 999	3 455	3 452	3 801	4 006	4 222
Electricity/other energy (50kwh per household per month)				2 374	3 500	3 000	2 928	3 500	3 500	3 500
Refuse (removed once a week)				1 532	2 000	2 575	2 572	2 833	2 985	3 147
Total cost of FBS provided (minimum social package)		-	-	7 068	8 530	10 838	10 759	12 122	12 679	13 275
<u>Highest level of free service provided</u>										
Property rates (R value threshold)		80 000	80 000	80 000	80 000	80 000	80 000	80 000	80 000	80 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)										
<u>Revenue cost of free services provided (R'000)</u>	9									
Property rates (R15 000 threshold rebate)		3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
Property rates (other exemptions, reductions and rebates)										
Water										
Sanitation										
Electricity/other energy		3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Refuse		3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – backlog will remain the same in 2014/15 as in 2013/14. These households are largely found in ‘rural areas’ and will need to be moved to formal areas so that they can receive services.
 - b. Sanitation services – backlog will remain the same over the MTREF
 - c. Electricity services – backlogs will be reduced in ESKOM supplied areas
 - d. Refuse services – backlog will be reduced in 2014/15, and in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for all households applying as indigent in 2014/15 to be registered and on approval from EXCO be entitled to receive Free Basic Services. The number is set to increase given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R12, 2 million in 2014/15, increasing to R13, 4 million in 2016/17. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also ‘gives’ households R12,2 million in free services in 2014/15. This ‘tax expenditure’ needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the ‘free services’ represent about 3% of total operating revenue.

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 Exco and Mancom of the municipality meeting under the chairpersonship of the Finance Portfolio.

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

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

The above process was followed during the preparation of the budget.

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 27 August 2013. Key dates applicable to the process were:

- **August 2013:**
- Planning meeting and establishment of Budget Committee including review of IDP and budget policies as per Gazette 32141

- **October 2013:**
- **Budget Framework**
- Meeting the HOD's to discuss budget process. Preparation of budget framework to provide parameters and request budget and tariff inputs for 2014/15
- **January 2014**
- **Presentation of Departmental and Capital Budgets**
- Departments to present budget requirements to Finance, including tariff proposals. Suggested amendments to Budget related Policies
- **25 March 2014 Draft Budget**
- Submit Draft budget, tariffs, SDBIP's to Exco for recommendation to Council Submit Draft IDP to Exco for recommendation to Council
- **5 April – 13 April 2014** – Public consultation;
- **18 April 2014** - Closing date for written comments;
- **29 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

1.7.2 IDP and Service Delivery and Budget Implementation Plan

The Abaqulusi Municipality implemented a new five-year IDP for the period July 2012 to June 2017 to inform and guide the current elected public representatives in their term of office. This document outlines the Municipality's intent in terms of the agreed six strategic focus areas that are required to overcome Abaqulusi challenges, achieve its vision, and give effect to its other strategic considerations

It started in October 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.

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 2014/15 MTREF, based on the approved 2013/14 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 2014/15 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 2013/14 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

Full compliance was done by the municipality during 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
- Economic climate and trends (i.e. inflation, ESKOM increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 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 66, 67, 70 and 72 has been taken into consideration in the planning and prioritisation process.

1.7.4 Community Consultation

The draft 2014/15 MTREF was tabled before Council on 27 March 2014 for community consultation and was published on the municipality's website, and hard copies made available at customer care offices, municipal notice boards and various libraries. The final tabled before Council on the 29th of May 2014.

All documents in the appropriate format (electronic and printed) will be 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 will be utilised to facilitate the community consultation process on the 20th of May 2014, and include public briefing sessions. The applicable date and venue was published in all the local newspapers and an average attendance of 3,000 members of the community was catered for. Other stakeholders involved in the consultation include churches, non-governmental institutions, community-based organisations and taxi associations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received will be available on request. The following are some of the issues and concerns raised as well as comments received during last year's 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 waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

The changes affecting the final 2014/15 MTREF will be compared to the draft 2014/15 MTREF that will be tabled for community consultation will be included.

1.8 Overview of alignment of annual budget with IDP

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

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

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

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

The aim of this cycle is 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 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 29 IDP Strategic Objectives

2013/14 Financial Year	2014/15 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation	2. Economic growth and development that leads to sustainable job creation
3.1 Fight poverty and build clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
3.2 Integrated Social Services for empowered and sustainable communities	3.2 Integrated Social Services for empowered and sustainable communities
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1 Promote sound governance	5.1 Promote sound governance
5.2 Ensure financial sustainability	5.2 Ensure financial sustainability
5.3 Optimal institutional transformation to ensure capacity to achieve set objectives	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- Low economic growth and unemployment
- Poor access to basic household services
- High levels of poverty
- Low levels of literacy and skills development
- The issue of HIV / AIDS and other diseases
- Exposure to unacceptably high level of crime and risk
- Unsustainable development practices
- Ineffective, inefficient, inward looking local government

LOCAL PRIORITIES

- To build a functionally efficient and local government structure
 - To maintain financial stability and sustainability
 - To create an integrated and efficient spatial structure
 - To promote equitable access to infrastructure and basic services
 - To improve the standard of living for the entire community of Abaqulusi municipality
 - To facilitate economic development and growth
2. Provision of quality basic services and infrastructure which includes, amongst others:
- Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
3. Economic growth and development that leads to sustainable job creation by:
- Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

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

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

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

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

The 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.

Table 30 KZN263 Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Re f	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Sustainable Services	Electricity		2	118,036	137,183	134,392	150,245	156,081	141,973	165,419	165,802	174,566	
	Water			21,985	23,241	36,082	34,739	34,430	38,045	39,759	45,390	49,929	
	Sanitation			15,853	14,809	16,411	18,719	19,266	19,383	22,170	23,370	24,632	
	Waste Management			13,508	14,396	15,732	17,531	17,531	13,962	19,636	20,413	21,326	
Infrastructure	Roads Transport			10	16,628	26,119	1,160	1,214	2,323	3,892	2,679	2,824	
	Cemeteries			218	198	178	192	194	182	205	203	214	
	Housing			2,414	–		–						
	Community			600	1,957	2,034	3,702	3,684	4,640	10,576	8,190	8,850	
Good Governance	Support Services & Fleet			258	755	697	730	306	769	804	847	893	
	Planning & Development			185	184	995	208	22,163		582	490	500	
	Financial Management			84,667	103,583	115,747	129,909	128,848	148,758	142,291	163,733	168,427	
	Executive & Council			3,185	3,731	6,161	6,897	6,901	403	8,517	8,888	9,296	
Safety & Security	Public Safety			4,147	5,696	5,210	4,961	4,875	–	6,058	4,967	5,235	
Social Development	Culture & Sport			80	100	100	100	100		100	100	100	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	265,146	322,461	359,858	369,092	395,593	370,438	420,009	445,072	466,794

Table 31 KZN263 Table SA5 - Reconciliation between the IDP Strategic Objectives and Budgeted Operating Expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Sustainable Services	Electricity		1	101,707	141,502	149,768	152,800	175,651	161,910	183,737	248,342	266,570
	Water			19,584	40,966	40,966	25,182	46,752	34,674	29,030	79,708	85,600
	Waste Water Management			20,291	22,271	23,200	24,439	27,321	268,787	29,963	36,581	38,912
	Waste Management			12,687	11,983	12,251	17,844	18,014	17,123	19,073	40,152	42,412
	Health			486	370	129	1	1	1	1	2	2
	Community			12,969	11,304	13,081	18,175	15,352	12,301	7,894	13,173	13,951
Infrastructure	Roads Transport			23,822	62,840	32,781	32,781	65,722	45,433	42,030	124,058	133,378
	Cemeteries			1,617	1,237	1,350	4,510	2,762	1,300	3,039	16,824	17,810
	Housing			2,040	880	1,348	2,185	1,385	1,090	1,707	1,910	2,031
Good Governance	Planning & Development			5,136	3,326	3,667	5,144	26,551	16,207	4,789	14,397	15,221
	Financial Management			17,921	17,123	22,327	24,301	3,156	21,075	24,446	33,232	35,175
	Support Services & Fleet			13,888	19,397	18,723	28,146	27,403	26,072	19,995	36,636	35,175
	Executive & Council			35,193	39,238	47,255	39,773	41,596	35,811	45,332	57,328	60,551
Social Development	Culture & Sport			3,359	2,792	2,895	3,836	3,608	357	12,261	48,585	51,247
Safety & Security	Public Safety			12,669	15,638	14,003	16,289	11,903	10,645	27,037	57,917	50,700
Allocations to other priorities												
Total Expenditure				283,369	390,867	383,744	395,406	467,177	652,786	450,334	808,845	850,735

Table 32 KZN263 Table SA6 - Reconciliation between the IDP Strategic Objectives and Budgeted Capital Expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Sustainable Services	Electricity	A		10,040	17,821	8,000	20,100	12,100	9,100	13,540	11,375	11,608	
	Water	B		40	–	23	80	80	80	2,086	8,711	8,482	
	Waste Water	C		1,000	–	33	50	12	11	2,054	–	–	
	Waste	D		165	–	108	300	200	200	304	843	889	
	Community	E		12,517	343	265	3,450	1,437	1,438	1,160	20,870	11,460	
Infrastructure	Roads	F		15,468	16,494	26,509	30,312	30,292	30,280	34,494	36,286	37,773	
Good Governance	Planning & Development	G		50	–	23	500	315	315	40	1,271	1,339	
	Support Services & Fleet	H		65	132	508	174	525	416	497	848	862	
	Executive & Council	I		10	–	–	–	–	–	-	74	78	
	Financial Management	J		45	25	33	300	100	100	240	848	894	
Allocations to other priorities				3									
Total Capital Expenditure				1	39,400	34,815	35,502	55,266	45,061	41,940	54,415	81,126	73,385

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, assess and reviews organisational performance which in turn is directly linked to individual performance.

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



Figure 5 Planning, budgeting and reporting cycle

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

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

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

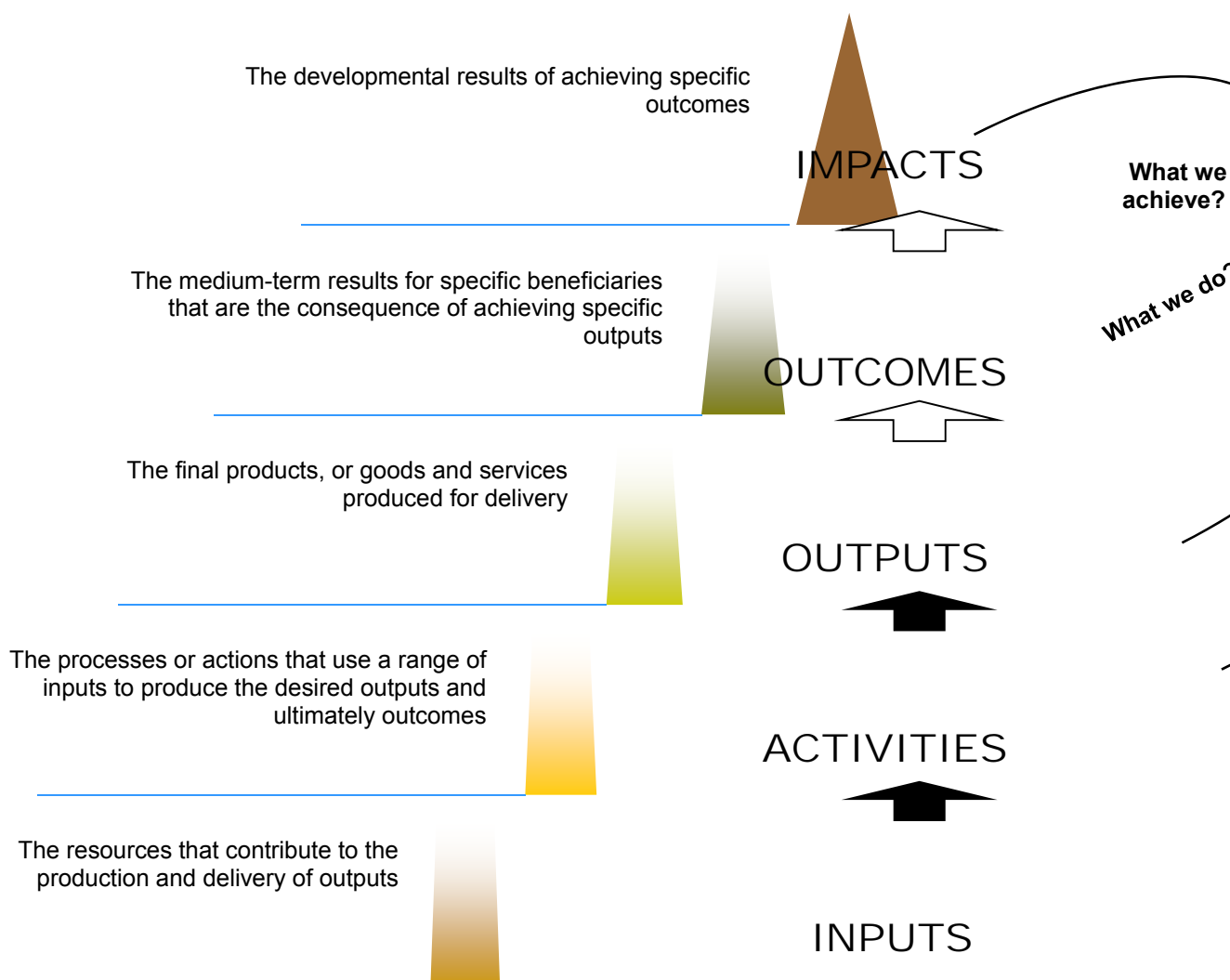


Figure 6 Definition of performance information concepts

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

Table 33 KZN263 Table SA7 - Measurable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 3 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
And so on for the rest of the Votes										

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 34 KZN263 Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.1%	0.1%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	238.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.0	1.4	1.4	1.9	1.4	1.8	–	1.8	2.1	2.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.0	1.4	1.4	1.9	1.4	1.8	–	1.8	2.1	2.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.6	0.7	0.2	0.7	1.0	–	0.8	0.9	1.0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		108.5%	95.2%	75.3%	100.7%	96.1%	100.0%	77.3%	86.2%	91.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		108.5%	95.2%	75.3%	100.7%	96.6%	100.0%	66.4%	86.2%	91.0%	90.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	12.0%	14.1%	12.7%	17.5%	10.6%	9.6%	0.0%	9.8%	9.3%	8.9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		563.1%	82.9%	53.8%	376.6%	530.2%	13.9%	0.0%	-156.6%	-6.9%	-3.3%
<u>Other Indicators</u>											
	Total Volume Losses (kW)	32,437,111	36,252,442	39,785,433	30,000,000	30,000,000	30,000,000		25,000,000	20,000,000	20,000,000
	Total Cost of Losses (Rand '000)	21,219	31,902	35,807	30,000	30,000	30,000		20,000	20,000	20,000
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	20.9%	22.6%	24.8%	20.0%	20.0%	22.0%	22.0%	15.0%	15.0%	15.0%
	Total Volume Losses (kℓ)	5,715,377	6,595,867	4,410,202	4,000,000	4,000,000	4,000,000		3,500,000	3,500,000	3,000,000
	Total Cost of Losses (Rand '000)	13,031	15,434	15,700	15,000	15,000	15,000		12,000	12,000	10,000
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	66.5%	67.6%	54.8%	59.3%	59.3%	55.0%	55.0%	50.0%	50.0%	45.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	33.4%	28.7%	29.9%	32.1%	26.7%	12.6%	18.9%	26.3%	48.8%	49.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.9%	32.4%	33.4%	36.0%	30.0%	32.5%		30.0%	52.2%	53.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.8%	5.1%	4.7%	5.5%	4.6%	4.9%		6.9%	20.7%	20.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	6.4%	22.7%	21.9%	5.3%	18.6%	5.2%	5.2%	4.9%	19.7%	20.0%
<u>IDP regulation financial viability indicators</u>	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	55.3	37.1	88.5	74.0	74.0	74.0	68.5	76.1	72.1	76.4

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	17.6%	21.4%	18.8%	24.2%	15.9%	13.9%	0.0%	13.8%	13.5%	12.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.2	1.5	2.2	0.3	0.2	9.1	5.1	(0.4)	(6.1)	(11.8)

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, Abaqulusi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 0% and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has remained steady from 0 % in 2009/10 to 2013/14. It is estimated that the cost of borrowing as a percentage of the operating expenditure will remain at 0 % in 2014/15 and will then remain at 0 % at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 % which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

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, and overdraft and tax provisions as a percentage of funds and reserves. 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 objective, hence the ratio remains at 0%.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio remains at 0%.

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. For the 2014/15 MTREF the current ratio is 0 in the 2014/15 financial year and remains at 0 for the two outer years of the MTREF. Going forward the municipality will have to maintain the ratio above 1.

- *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 2013/14 financial year the ratio was 1.9. and as part of the financial planning strategy it has been decreased to 1.8. in the 2014/15 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

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, and 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 % 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 electricity distribution losses have decreased from 24.84% to 22%. The initiatives to ensure these targets are controlled and lowered during the 2014/15 financial year include managing illegal connections and theft of electricity by auditing all systems, including prepaid meters.
- The water distribution losses continue to increase from 54.79% in 2012/13 to 55% in 2013/14. The municipality will have to introduce a water leakage report and action centre. Also areas currently not metered will have to have meters installed to ensure residents pay for water consumed. It is planned to further try and reduce distribution losses from 55% in 2013/14 to 45% by 2016/17.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- 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.

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

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services and all indigents must apply annually and these applications will be scrutinized to ensure they are genuine.

For the 2014/15 financial year registered indigents have been provided for in the budget with this figured increasing by 2016/17. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, 6 kl sanitation and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

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

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

1.9.3 Providing clean water and managing waste water

The Municipality is in the process of applying to the Department of Water Affairs to become the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The water is generated from the Municipality's own water sources, such as boreholes and small dams.

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

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

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that need to be undertaken to address these challenges:

- Infrastructure shortcomings will be addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Section will embark on an in-house training programme, especially for operational personnel;
- The section is working in consultation with the Department of Water Affairs to address catchment management.

1.10 Overview of budget related-policies

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

1.10.1 Review of credit control and debt collection procedures/policies

The policy adopted last year is credible, sustainable, manageable and informed by affordability and value for money. During the 2014/15 financial year there will be a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, an Integrated Indigent Exit Programme will have to be developed to link the registered indigent households to development, skills and job opportunities. The programme will further seek to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 92 % on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

1.10.2 Asset Management, Infrastructure Investment and Funding Policy

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

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

1.10.3 Budget Adjustment Policy

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

1.10.4 Supply Chain Management Policy

The amended Supply Chain Management Policy was adopted by Council in March 2014. The amendments have been extensively consulted on.

1.10.5 Budget and Virements Policy

The Budget and Virements Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virements Policy was approved by Council in May 2011 in respect of both Operating and Capital Budget Fund Transfers.

1.10.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy were approved by Council in January 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

1.10.7 Tariff Policies

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

1.10.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy will be compiled during the 2013/14 MTREF with the emphasis on affordability and long-term sustainability. The policy will dictate the approach to longer term financial modelling. The outcomes will then be filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy will be the emphasis on financial sustainability. Amongst others, the following will be modelled as part of the financial modelling and scenario planning process:

- Approved 2013/14 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above existing policies are available on the Municipality's website, and all new policies will be placed on the website once adopted by Council. These include the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and

- Basic Social Services Package (Indigent Policy).

1.11 Overview of budget assumptions

1.11.1 External factors

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

1.11.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 25% of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget

1.11.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions.

1.11.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than 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 (92 %) of annual billings. Cash flow is assumed to be 92 % 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.

1.11.5 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.

1.11.6 Salary increases

The multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015 provides for a salary increase based on the average CIP for the period 1 February 2013 until 31 January 2014, plus 1.25% for the 2014/15 financial year as advised by National Treasury in MFMA Circular 70.

1.11.7 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.

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

It is estimated that a spending rate of at least 97 % is achieved on operating expenditure and 98 % on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

1.12 Overview of budget funding

1.12.1 Medium-term outlook: operating revenue

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

Table 35 Breakdown of the Operating Revenue over the Medium-Term Revenue & Expenditure Framework

Description	2013/2014 Medium Term Revenue & Expenditure Framework					
R thousands	Budget Year 2013/14	%	Budget Year 2014/15	%	Budget Year 2015/16	%
<u>Financial Performance</u>						
Property rates	51 563 840	14%	54 915 480	13%	58 484 990	13%
Service charges	214 234 130	58%	239 032 020	58%	266 815 870	58%
Investment revenue	2 765 640	1%	2 945 410	1%	3 136 860	1%
Transfers recognised - operational	92 080 000	25%	101 462 000	25%	121 337 000	26%
Other own revenue	10 771 150	3%	10 406 540	3%	11 081 830	2%
Total Revenue (excluding capital transfers and contributions)	371 414 760	100%	408 761 450	100%	460 856 550	100%
Total Operating Expenditure	390 592 860		424 735 197		461 550 422	
Surplus/(Deficit)	-19 178 100		-15 973 747		-693 872	
Surplus/(Deficit) for the year	-24 462 100		-21 552 747		-6 678 872	

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.

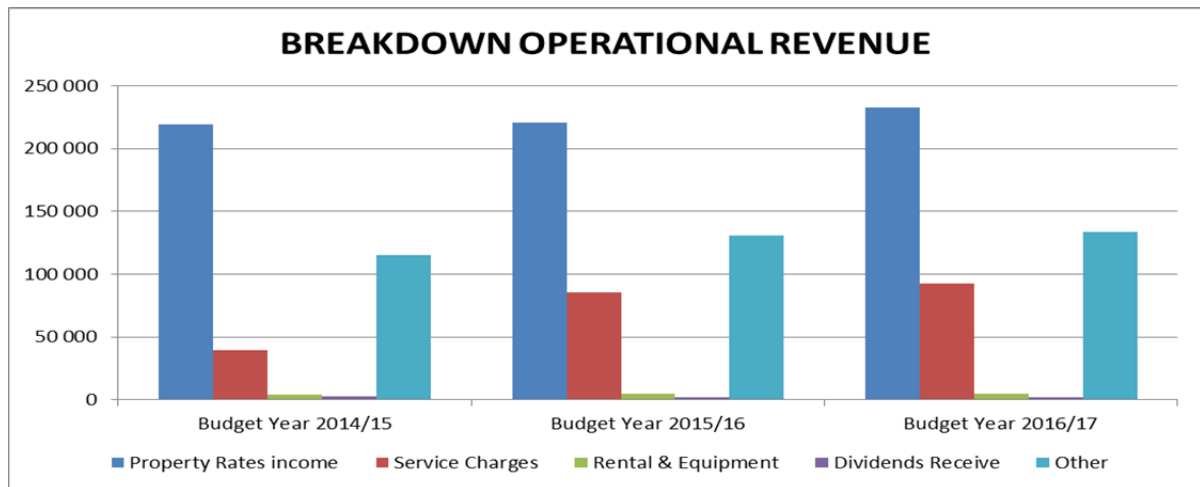


Figure 7 Breakdown of operating revenue over the 2014/15 MTREF

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 92 % annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

What we aim to change?				301 084 000		
		R thousand	Budget	Budget	Forecast	outcome
2013/14	Plan, budget, implement and monitor	2013/14	2013/14	2013/14	2013/14	2013/14
Budget Year	Budget Year	Budget Year	Budget Year	Budget Year	Budget Year	Budget Year
59 908 000	Electricity	143 363 000	134 570 000	134 570 000	126 873 000	161 919 000
152 362 000	Water	32 878 000	32 878 000	30 497 000	37 873 000	41 660 000
45 826 000	Sewerage	15 745 000	16 175 000	16 175 000	22 170 000	23 370 000
24 632 000	Roads	12 274 000	12 204 000	12 204 000	16 136 000	16 913 000
17 826 000	Total	238 783 220	235 647 000	236 752 000	226 674 000	293 748 000

The Municipality is still in a process of further data verification and validation relating to the valuation roll. As the levying of property rates is considered strategic revenue source further supplementary valuation processes will be undertaken during the 2014/15 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Operational grants and subsidies amount to R105,1 million, R120 million and R122,1 million for each of the respective financial years of the MTREF, or 25,8% , 27,3% and 26,6% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

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

Table 37 KZN263 SA15 – Detail Investment Particulars by type

Investment type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		38,497	49,580	74,678	75,000	75,000	75,000	75,000	75,000	75,000
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	38,497	49,580	74,678	75,000	75,000	75,000	75,000	75,000	75,000
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		38,497	49,580	74,678	75,000	75,000	75,000	75,000	75,000	75,000

Table 38 KZN263 SA16 – Investment Particulars by Maturity

Investments by Maturity Name of institution & investment ID	Ref 1	Period of Investment Yrs/Months	Type of Investment	Opening balance	Interest to be realised	Closing Balance
<u>Parent municipality</u>	1					
ABSA (Notice Deposit)			Call	915	46	960
ABSA (Guarantee ESKOM)			Call	1,490	74	1,564
ABSA (Call)			Call	64	3	67
ABSA (Call)			Call	15,227	761	15,989
ABSA (Call)			Call	724	36	760
ABSA (Call)			Call	2,128	106	2,234
SIMS			Call	21,356	1,068	22,424
FIRST NATIONAL			Call	5,393	270	5,663
INVESTEC BANK			Call	11,162	558	11,720
STANDARD BANK			Call	10,905	545	11,450
STANDARD BANK			Call	5,749	287	6,037
						-
						-
Municipality sub-total				75,114	3,756	78,870
<u>Entities</u>	1					
						-
						-
Entities sub-total	1			-		-
TOTAL INVESTMENTS AND INTEREST				75,114		78,870

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The draft MTREF therefore provides for a budgeted deficit of R30, 3 million and then R363 million and R383 in each of the financial years. The municipality is seriously busy with an exercise of remodelling the tariffs for electricity in the 2014/15 financial year as the ESKOM increases of the past years which have been significantly more than the percentage the municipality was allowed to increase the tariffs is having a negative impact on the cash flow

1.12.2 Medium-term outlook: capital revenue

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

Table 39 Sources of Capital Revenue over the MTREF – Medium Term Revenue & Expenditure Framework A5 Capital

Description	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Pre-audit outcome	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
Funded by:										
National Government	26 944 000		26 944 000		38 982 000		49 182 000		46 663 000	
Provincial Government										
District Municipality										
Transfers recognised - capital	26 944 000	90%	26 944 000	90%	38 982 000	88%	49 182 000	89.81%	46 663 000	88.63%
Public contributions & donations		0%		0%		0%		0.00%		0.00%
Borrowing		0%		0%		0%		0.00%		0.00%
Internally generated funds	2 890 000	10%	2 890 000	10%	5 284 000	12%	5 579 720	10.19%	5 985 710	11.37%
Total Capital Funding	29 834 000	100%	29 834 000	100%	44 266 000	100%	54 761 720	100.00%	52 648 710	100.00%

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

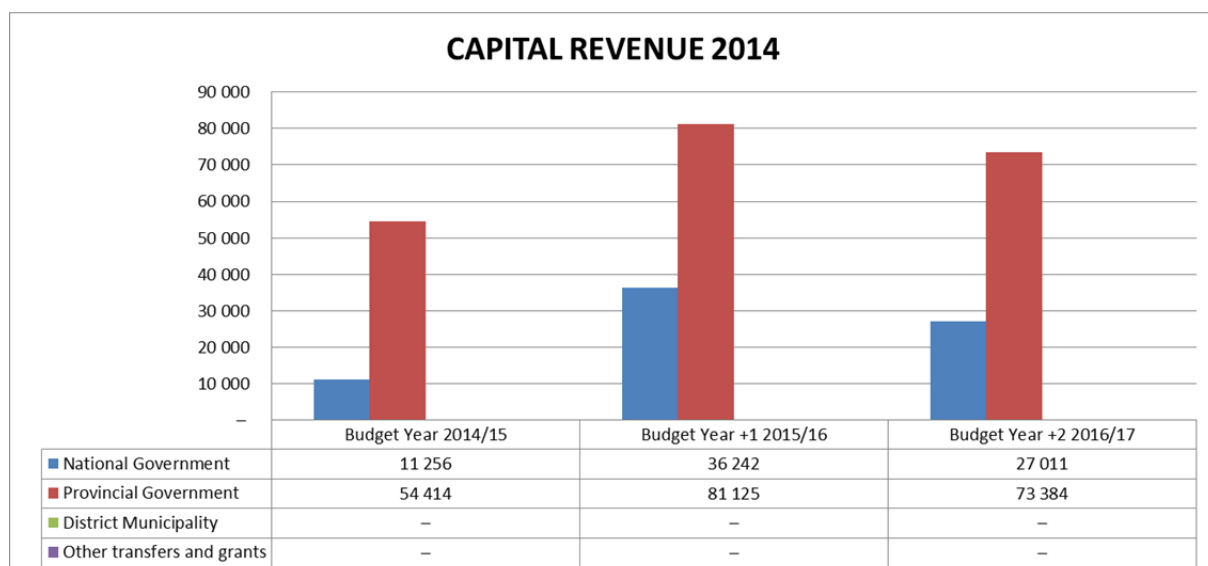


Figure 8 Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts represents R11, 2 million from own funding and R43, 1 from grant funding for the 2014/15 financial year.

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

Table 40 KZN263 Table SA 17 - Detail of Borrowings Categorised by Type

Borrowing - Categorised by type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<u>Parent municipality</u>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	-	-	-	-	-	-	-	-	-
<u>Entities</u>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)		1,856								
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										

Borrowing - Categorised by type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Entities sub-total	1	1,856	-	-	-	-	-	-	-	-
Total Borrowing	1	1,856	-	-	-	-	-	-	-	-

Unspent Borrowing - Categorised by type										
<u>Parent municipality</u>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	-	-	-	-	-	-	-	-	-
<u>Entities</u>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										

Borrowing - Categorised by type R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Unspent Borrowing	1	-	-	-	-	-	-	-	-	-

Figure 9 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 41 KZN263 Table SA 18 - Capital transfers and Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
RECEIPTS:	1, 2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		60,015	89,495	86,185	89,005	98,005	98,005	99,344	116,482	118,158
Local Government Equitable Share		57,815	69,224	79,053	85,565	94,565	94,565	95,434	113,865	115,440
EPWP Incentive		-	-	851	1,000	1,000	1,000	1,376	-	-
Finance Management		1,200	1,450	1,500	1,550	1,550	1,550	1,600	1,650	1,700
Municipal Systems Improvement		1,000	1,000	800	890	890	890	934	967	1,018
Integrated National Electrification Programme		-	17,821	3,980	-	-	-	-	-	-
Provincial Government:		3,309	1,597	7,718	2,975	3,125	3,125	7,101	3,439	3,842
Housing		2,414	-	-	-	-	-	-	-	-
Sport and Recreation				-		150	150	2,250		
Small Town Rehabilitation Grant				836						
Massification: Water Infrastructure Grant				5,240						
Provincial Housing		277						-		
Community Library Services Grant		-	186	197	240	240	240	252	265	499
Provincialisation of Libraries Grant		-	1,175	1,234	2,592	2,592	2,592	2,700	2,860	3,012
Museum		73	125	134	143	143	143	299	314	331
MAP Grant		457	-	77	-	-	-	-	-	-
EDI Grant		10	84	-	-	-	-	-	-	-
Performance Management System		23								
Land use Management		56								
Upgrade Billing Emondlo			26							
Thusong Operational Support Grant		-	-	-	-	-	-	1,250	-	-
Schemes Support Programme Grant		-	-	-	-	-	-	350	-	-
District Municipality:		80	100	100	100	100	100	100	100	100
<i>[insert description]</i>		-	-	-	-	-	-	-	-	-
<i>ZDM Grant Tourism</i>		80	100	100	100	100	100	100	100	100
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	63,405	91,192	94,003	92,080	101,230	101,230	106,545	120,021	122,100

1.12.3 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 understanding ability 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 provided 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 42 KZN263 Table A7 - Budget Cash Flow from Operating Activities Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		207,450	201,858	181,255	276,569	269,235	269,235	177,474	269,996	284,576	299,943
Government - operating	1	72,328	101,115	110,837	92,080	101,230	101,230	101,230	106,545	120,021	122,100
Government - capital	1	9,919	16,494	22,801	38,982	29,982	29,982	29,982	43,158	44,883	46,373
Interest		3,467	3,522	3,970	2,767	3,750	3,750	2,349	3,960	4,174	4,399
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(260,424)	(269,060)	(258,885)	(353,052)	(350,727)	(350,727)	(199,539)	(440,329)	(675,136)	(719,690)
Finance charges		(125)	(126)	(2,325)	-	-	-	-	-	-	-
Transfers and Grants	1	(14,871)	(27,871)	(19,155)	(12,195)	(29,232)	(29,232)	(16,586)	(12,291)	(12,862)	(13,472)
NET CASH FROM/(USED) OPERATING ACTIVITIES		17,743	25,931	38,498	45,150	24,238	24,238	94,910	(28,961)	(234,344)	(260,347)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	956	847	-	847	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	(1,316)	-	-	-	-	-
Decrease (increase) in non-current investments		(7,482)	18,293	(1,316)	(10,000)	-	-	(690)	10,000	-	-
Payments											
Capital assets		(19,431)	(13,360)	(16,947)	(44,266)	(35,266)	(35,266)	(19,674)	(49,182)	(44,883)	(46,373)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(26,914)	5,889	(17,415)	(54,266)	(35,735)	(35,266)	(20,364)	(39,182)	(44,883)	(46,373)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		2,896	-	-	1,000	1,000	135,583	470	480	480	480
Payments											
Repayment of borrowing		-	-	(1,856)	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		2,896	-	(1,856)	1,000	1,000	135,583	470	480	480	480
NET INCREASE/ (DECREASE) IN CASH HELD		(6,274)	31,820	19,227	(8,116)	(10,497)	124,555	75,017	(67,663)	(278,747)	(306,240)

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash/cash equivalents at the year begin:	2	10,212	3,938	35,758	16,081	16,081	54,985	16,081	54,895	(12,768)	(291,515)
Cash/cash equivalents at the year end:	2	3,938	35,758	54,984	7,965	5,584	179,540	91,098	(12,768)	(291,515)	(597,755)

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2010/11 and 2013/14 financial year moving from a positive cash balance of R3,9 million to a balance of R54 million with the approved 2013/14 MTREF. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality will have to undertake an extensive debt collection process to boost cash levels in the 2014/15 financial year. These initiatives and interventions still translate into a negative cash position for the Municipality and it is projected that cash and cash equivalents on hand will decrease 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 anticipated to increase in 2014/15 and steadily increase by 2016/17. This schedule will be revisited before the final draft is presented in May 2014.

1.12.4 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 43 KZN263 Table A8 - Cash backed reserves / accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	3,938	35,758	54,984	7,965	5,584	179,540	91,098	(12,768)	(291,515)	(597,755)
Other current investments > 90 days		0	0	1	(965)	49,401	(119,540)	(91,098)	52,768	331,515	637,755
Non current assets - Investments	1	45,979	26,910	28,225	40,365	–	28,225	–	30,000	32,000	34,000
Cash and investments available:		49,917	62,668	83,211	47,365	54,985	88,225	–	70,000	72,000	74,000
Application of cash and investments											
Unspent conditional transfers		9,403	19,193	35,971	–	35,971	20,000	–	15,000	10,000	8,000
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(12,700)	(11,811)	(2,821)	(34,949)	(11,966)	(11,014)	–	(15,342)	(17,324)	(17,108)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	777							80,125	85,334	90,911
Total Application of cash and investments:		(2,520)	7,382	33,150	(34,949)	24,005	8,986	–	79,783	78,010	81,803
Surplus(shortfall)		52,437	55,285	50,061	82,314	30,980	79,239	–	(9,783)	(6,010)	(7,803)

From the above table it can be seen that the cash and investments available total R75 million in the 2014/15 financial year and remains at R75 million by 2016/17, 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 2013/14 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. For the 2014/15 financial year no provision has been made for this liability as the total unspent conditional grant liability has been factored into the 2014/15 capital programme of the Municipality. The Municipality will apply for the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants needs to 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.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations. The municipality will not have a liability as VAT is normally claimed from SARS.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2013/14 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure 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.

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 not funded as expenditure is more than the anticipated revenue. 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.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

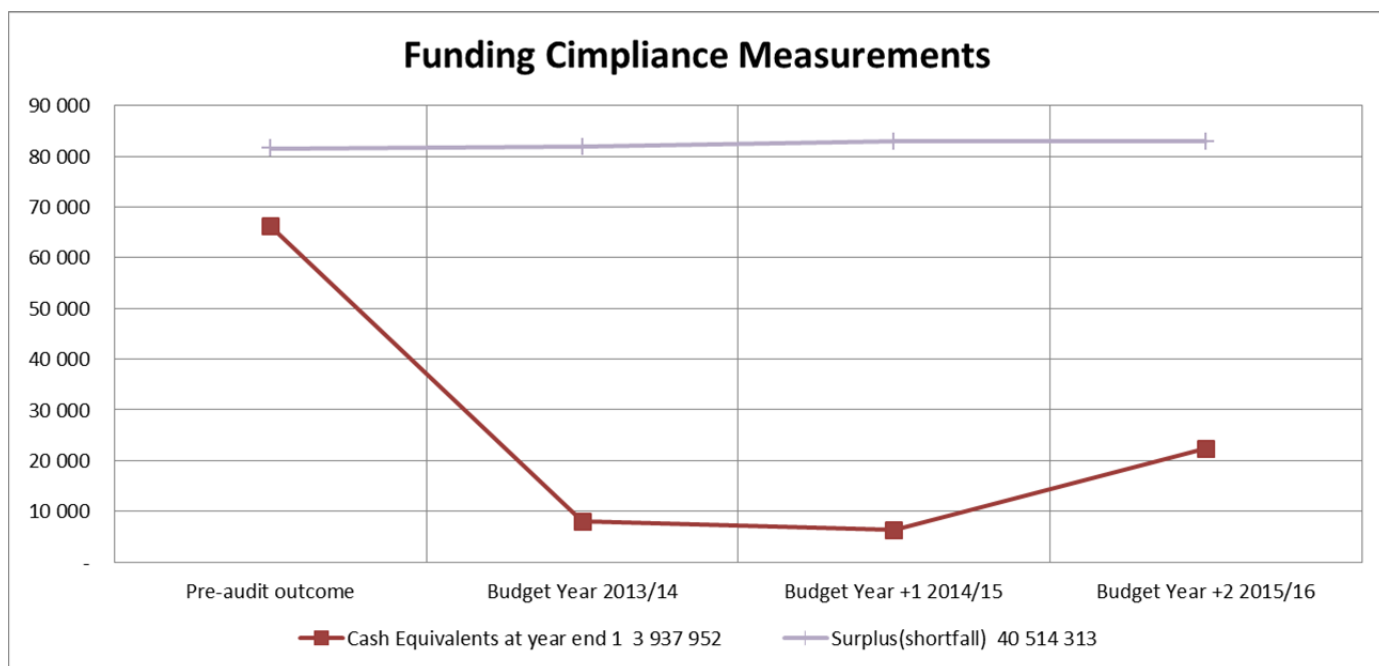


Figure 10 Cash and cash equivalents / Cash backed reserves and accumulated funds
1.12.5 Funding compliance measurement

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

Table 44 KZN263 SA10 – Funding compliance measurement

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	3,938	35,758	54,984	7,965	5,584	179,540	91,098	(12,768)	(291,515)	(597,755)
Cash + investments at the yr end less applications - R'000	18(1)b	2	52,437	55,285	50,061	82,314	30,980	79,239	–	(9,783)	(6,010)	(7,803)
Cash year end/monthly employee/supplier payments	18(1)b	3	0.2	1.5	2.2	0.3	0.2	9.1	5.1	(0.4)	(6.1)	(11.8)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(5,228)	(64,208)	(21,492)	19,158	(45,713)	200,267	45,618	(368,138)	(322,886)	(347,224)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	5.0%	6.8%	10.2%	(4.4%)	(9.9%)	(6.0%)	7.3%	(3.5%)	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	108.5%	95.2%	75.3%	100.7%	96.6%	100.0%	66.4%	86.2%	91.0%	90.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	1.8%	2.8%	3.2%	1.2%	1.2%	1.2%	1.2%	0.5%	0.5%	0.5%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.2%	78.3%	84.1%	46.9%	90.4%	55.3%	63.2%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	35.4%	(1.1%)	49.8%	(33.3%)	(16.4%)	(100.0%)	(4.7%)	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	5.4%	1.5%	1.7%	6.8%	2.0%	1.7%	0.0%	2.9%	9.1%	8.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

1.12.5.1 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 a deficit of R12,7 million, R291,5 million and R597,7 million for each respective financial year.

1.12.5.2 Cash plus investments less application of funds

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

1.12.5.3 Monthly average payments covered by cash or cash equivalents

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

1.12.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a deficit of R 398,1 million, R322,8 million and R347,2 million.

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

1.12.5.5 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 5.6% – 5.4 %). The result is intended to be an approximation of the real increase in revenue. 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.

1.12.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100 % for each of the respective financial years. Given that the assumed collection rate was based on a 91 % performance target, the cash flow statement has been conservatively determined. 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.

1.12.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 0.6 % over the MTREF. 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.

1.12.5.8 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. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 % of own funded capital. Further details relating to the borrowing strategy of the Municipality can be found on 66.

1.12.5.10 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 % 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.

1.12.5.11 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 debtors' accounts within 30 days.

1.12.5.12 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 are contained in Table 60 KZN263 SA34C on page 90.

1.12.5.13 Asset renewal/rehabilitation expenditure level

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

1.13 Expenditure on grants and reconciliations of unspent funds

Table 45 KZN263 SA19 – Expenditure on Transfers and Grant Programmes

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		60,015	89,495	86,185	89,005	98,005	98,005	99,344	116,482	118,158
Local Government Equitable Share		57,815	69,224	79,053	85,565	94,565	94,565	95,434	113,865	115,440
EPWP Incentive				851	1,000	1,000	1,000	1,376	–	–
Finance Management		1,200	1,450	1,500	1,550	1,550	1,550	1,600	1,650	1,700
Municipal Systems Improvement		1,000	1,000	800	890	890	890	934	967	1,018
Integrated National Electrification Programme			17,821	3,980						
Provincial Government:		3,310	1,597	7,718	2,975	3,125	3,125	14,101	3,439	3,842
Housing		2,414				150	150	2,250		
Sport and Recreation				836	–	–		7,000		
Small Town Rehabilitation Grant			–	5,240		–				
Massification: Water Infrastructure Grant			–			–				
Provincial Housing		277								
Community Library Services Grant		–	186	197	240	240	240	252	265	499
Provincialisation of Libraries Grant		–	1,175	1,234	2,592	2,592	2,592	2,700	2,860	3,012
Museum		73	125	134	143	143	143	299	314	331
MAP Grant		458	–	77						
EDI Grant		10	84							
Performance Management System		23								
Land use Management		56								
Upgrade Billing Emondlo			26							
Thusong Operational Support Grant		–	–	–	–	–	–	1,250	–	–
Schemes Support Programme Grant		–	–	–	–	–	–	350	–	–
District Municipality:		80	100	100	100	100	100	100	100	100
<i>[insert description]</i>										
ZDM Grant Tourism		80	100	100	100	100	100	100	100	100

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Other grant providers:		-	-	-	-	-	-	-	-	-
0										
Total operating expenditure of Transfers and Grants:		63,406	91,192	94,003	92,080	101,230	101,230	113,545	120,021	122,100
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		18,843	16,494	22,801	38,982	38,982	38,982	43,158	44,883	46,373
INEG		8,923			9,000	9,000	9,000	9,000	9,000	9,000
Municipal Infrastructure Grant		9,920	16,494	22,801	29,982	29,982	29,982	34,158	35,883	37,373
Provincial Government:		-	132	81	-	-	-	5,000	-	-
Other capital transfers/grants [insert description]										
COGTA:Thusong Centre			132	81				5,000		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		18,843	16,626	22,882	38,982	38,982	38,982	48,158	44,883	46,373
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		82,249	107,819	116,885	131,062	140,212	140,212	161,703	164,904	168,473

Table 45 KZN263 SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		–	4,291	243						
Current year receipts		60,015	89,495	86,185	89,005	98,005	98,005	99,344	116,482	118,158
Conditions met - transferred to revenue		60,015	93,543	82,017	89,005	98,005	98,005	99,344	116,482	118,158
Conditions still to be met - transferred to liabilities			243	4,411						
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts		3,309	1,597	7,718	2,975	3,125	3,125	3,137	3,291	3,291
Conditions met - transferred to revenue		3,309	1,597	7,718	2,975	3,125	3,125	3,137	3,291	3,291
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts		80	100	100	100	100	100	100	100	100
Conditions met - transferred to revenue		80	100	100	100	100	100	100	100	100
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts		–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		63,404	95,240	89,835	92,080	101,230	101,230	102,581	119,873	121,549
Total operating transfers and grants - CTBM	2	–	243	4,411	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		2,464	3,855	8,336	7,125	–	–	–	–	–
Current year receipts		11,340	20,975	21,589	38,982	38,982	38,982	43,158	44,883	46,373
Conditions met - transferred to revenue		9,919	16,494	22,801	46,107	38,982	38,982	43,158	44,883	46,373
Conditions still to be met - transferred to liabilities		3,885	8,336	7,125						
Provincial Government:										
Balance unspent at beginning of the year		–	–	5,868	5,786					
Current year receipts		–	6,000	–						
Conditions met - transferred to revenue		–	132	81	5,786	–	–	–	–	–
Conditions still to be met - transferred to liabilities		–	5,868	5,786						
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		9,919	16,626	22,882	51,893	38,982	38,982	43,158	44,883	46,373
Total capital transfers and grants - CTBM	2	3,885	14,204	12,911	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE		73,323	111,866	112,717	143,973	140,212	140,212	145,739	164,756	167,922
TOTAL TRANSFERS AND GRANTS - CTBM		3,885	14,447	17,322	–	–	–	–	–	–

1.14 Councillor and employee benefits

Table 46 KZN263 SA22 - Summary of Councillor and Staff Benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
-	1	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>										
Basic Salaries and Wages		8,678	10,578	11,650	13,875	12,900	12,900	14,294	14,659	15,597
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		941	282	48	51	90	24	96	102	109
Cell phone Allowance		373	404	396	423	427	194	1,105	485	516
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-
Sub Total - Councillors		9,992	11,264	12,093	14,348	13,417	13,118	15,495	15,246	16,222
% increase	4		12.7%	7.4%	18.6%	(6.5%)	(2.2%)	18.1%	(1.6)%	6.4%
<u>Senior Managers of the Municipality</u>	2									
Basic Salaries and Wages		3,828	3,286	3,949	4,821	5,904	5,904	5,376	6,942	7,387
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	746	772	326	700	-	-	-	-	-
Cell phone Allowance	3	120	109	88	120	97	97	128	136	145
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		4,694	4,167	4,363	5,641	6,001	6,001	5,504	7,079	7,532
% increase	4		(11.2%)	4.7%	29.3%	6.4%	-	8.3%	28.6%	6.4%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages		45,569	49,142	53,496	68,859	59,661	59,661	58,392	128,725	136,964
Pension and UIF Contributions		9,422	9,822	12,162	16,255	13,140	13,140	15,886	33,039	35,149
Medical Aid Contributions		2,872	3,357	4,080	5,936	4,990	4,990	6,120	9,335	9,931
Overtime		7,859	9,825	10,403	3,110	8,338	8,338	5,994	9,497	10,105
Performance Bonus		4,273	2,466	4,315	5,328	4,649	4,649	5,957	10,725	11,410

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Motor Vehicle Allowance	3	4,684	5,542	5,934	7,520	5,915	5,915	6,470	8,198	8,719
Cell phone Allowance	3	456	485	491	642	517	517	585	923	979
Housing Allowances	3	401	434	342	305	276	276	309	328	348
Other benefits and allowances	3	1,501	1,705	1,944	2,546	2,374	2,374	2,431	3,000	3,193
Payments in lieu of leave		–	–	–	–	–	–	2,752	3,008	3,206
Long service awards		1,507	1,400	3,743	2,600	2,600	2,600	34	33	35
Post-retirement benefit obligations	6	25	26	28	33	29	29	-	-	-
Sub Total - Other Municipal Staff		78,569	84,202	96,938	113,134	102,488	102,488	104,928	206,808	220,038
% increase	4		7.2%	15.1%	16.7%	(9.4%)	-	133.8%	97.1%	6.4%
Total Parent Municipality		93,255	99,634	113,395	133,123	121,906	121,607	125,927	229,132	243,792
Board Members of Entities			6.8%	13.8%	17.4%	(8.4%)	(0.2%)	96.7%	82.0%	6.4%
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cell phone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		93,255	99,634	113,395	133,123	121,906	121,607	215,348	229,124	243,778
% increase	4		6.8%	13.8%	17.4%	(8.4%)	(0.2%)	77.1%	6.4%	6.4%
TOTAL MANAGERS AND STAFF	5,7	83,263	88,369	101,302	118,775	108,489	108,489	201,019	213,878	227,557

Table 47 KZN263 SA23 – Disclosure - Salaries, allowances and benefits (Political Office Bearers / Councillors / Senior Managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors	3							
Speaker	4		608,760					608,760
Chief Whip			540,675					540,675
Executive Mayor			758,820					758,820
Deputy Executive Mayor			608,760					608,760
Executive Committee			3,784,725					3,784,725
Total for all other councillors			8,027,620					8,027,620
Total Councillors	8	–	14,329,360	–	–			14,329,360
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1,320,050	–	25,000	–		1,345,050
Chief Finance Officer			1,256,600	–	15,000	–		1,271,600
Director Technical Services			969,210		15,000			984,210
Director Corporate Services			1,020,750		15,000			1,035,750
Director Community Services			975,900		15,000			990,900
Director Development Planning			982,310		12,000			994,310
<i>List of each official with packages >= senior manager</i>								
								–
								–
								–
Total Senior Managers of the Municipality	8,10	–	6,524,820	–	97,000	–		6,621,820
A Heading for Each Entity	6,7							
List each member of board by designation								
								–
Total for municipal entities	8,10	–	–	–	–	–		–
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	20,854,180	–	97,000	–		20,951,180

Table 48 KZN263 SA24 – Summary of personnel numbers

Summary of Personnel Numbers Number	Ref 1,2	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)										
Board Members of municipal entities	4	44	44		44	44		44	44	
Municipal employees	5									
Municipal Manager and Senior Managers	3	6	–	6	6	6	–	6	6	–
Other Managers	7	19	18		20	20	–	20	20	–
Professionals		207	207	–	82	82	–	82	82	–
<i>Finance</i>		66	66	–	66	66	–	66	66	–
<i>Spatial/town planning</i>		8	8	–	8	8	–	8	8	–
<i>Information Technology</i>		4	4	–	4	4	–	4	4	–
<i>Roads</i>		4	4	–	4	4	–	4	4	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Water</i>		–	–	–	–	–	–	–	–	–
<i>Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Refuse</i>		–	–	–	–	–	–	–	–	–
<i>Other</i>		125	125	–	–	–	–	–	–	–
Technicians		142	142	–	151	151	–	151	151	–
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		–	–	–	–	–	–	–	–	–
<i>Roads</i>		21	21	–	29	29	–	29	29	–
<i>Electricity</i>		40	40	–	40	40	–	40	40	–
<i>Water</i>		40	40	–	40	40	–	40	40	–
<i>Sanitation</i>		40	40	–	40	40	–	40	40	–
<i>Refuse</i>		1	1	–	2	2	–	2	2	–
<i>Other</i>		–	–	–	–	–	–	–	–	–
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		21	21	–	21	21	–	21	21	–

Summary of Personnel Numbers Number	Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Elementary Occupations	9	251	251	–	295	295	–	295	295	–
TOTAL PERSONNEL NUMBERS		690	683	6	619	619	–	619	619	–
% increase					(10.3%)	(9.4%)	(100.0%)	–	–	–
Total municipal employees headcount	6, 10	483	476	7						
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

1.15 Monthly targets for revenue, expenditure and cash flow

Table 49 KZN263 SA25 - Budgeted monthly Revenue and Expenditure

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
R thousand																
Revenue By Source	-															
Property rates		4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	6 846	55 650	56 839	59 908
Property rates - penalties & collection charges		114	114	114	114	114	114	114	114	114	114	114	142	1 400	1 587	1 673
Service charges - electricity revenue		13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	17 845	161 919	162 302	171 066
Service charges - water revenue		3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	39 759	45 387	49 929
Service charges - sanitation revenue		1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	2 744	22 170	23 370	24 632
Service charges - refuse revenue		1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 988	16 136	16 913	17 826
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		115	115	115	115	115	115	115	115	115	115	115	44	1 305	1 396	1 471
Interest earned - external investments		330	330	330	330	330	330	330	330	330	330	330	624	4 254	4 585	4 833
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		177	177	177	177	177	177	177	177	177	177	177	294	2 240	2 062	2 173
Licences and permits		422	422	422	422	422	422	422	422	422	422	422	788	5 428	4 827	5 088
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		31 811	2 534	8 577	-	31 811	-	-	-	31 811	-	-	0	106 545	120 021	122 100
Other revenue		267	267	267	267	267	267	267	267	267	267	267	267	3 203	5 784	6 092
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		57 136	27 859	33 902	25 325	57 136	25 325	25 325	25 325	57 136	25 325	25 325	34 895	420 009	445 073	466 792
Expenditure By Type	-															
Employee related costs		8 494	8 494	8 494	8 494	16 988	8 494	8 494	8 494	8 494	8 494	8 494	8 494	110 424	213 883	227 566
Remuneration of councillors		1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	2 360	15 495	15 246	16 222
Debt impairment		132	132	132	132	132	132	132	132	132	132	132	150	1 602	1 670	1 760
Depreciation & asset impairment		1 731	1 731	1 731	1 731	1 731	1 731	1 731	1 731	1 731	1 731	1 731	1 730	20 770	86 544	92 231
Finance charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases		23 500	23 500	8 184	8 184	8 184	8 184	8 184	8 184	8 184	8 184	8 184	23 500	144 157	182 731	197 259
Other materials		2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	28 803	90 845	95 595
Contracted services		2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	32 443	48 882	51 624

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
R thousand																
Transfers and grants		1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 459	12 726	15 177	15 916
Other expenditure		3 815	3 517	3 517	3 517	3 517	3 517	3 517	3 517	3 517	3 517	3 517	44 928	83 915	153 867	152 562
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure		44 994	44 696	29 380	29 380	37 875	29 380	29 380	29 380	29 380	29 380	29 380	87 726	450 334	808 845	850 735
Surplus/(Deficit)		12 142	(16 838)	4 521	(4 056)	19 261	(4 056)	(4 056)	(4 056)	27 755	(4 056)	(4 056)	(52 831)	(30 325)	(363 771)	(383 943)
Transfers recognised - capital		11 386	5 000	–	–	11 386	4 000	–	–	11 386	–	–	6 024	49 182	44 883	46 373
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–	–	750	750	825	908
Contributed assets		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		23 528	(11 838)	4 521	(4 056)	30 647	(56)	(4 056)	(4 056)	39 141	(4 056)	(4 056)	8 395	(368 138)	(322 886)	(347 224)
Taxation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1	23 528	(11 838)	4 521	(4 056)	30 647	(56)	(4 056)	(4 056)	39 141	(4 056)	(4 056)	8 395	(368 138)	(322 886)	(347 224)

Table 50 KZN263 SA26 - 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
Revenue by Vote	-															
Vote 1 - Municipal Governance & Administration		2,839	-	-	-	2,839	-	-	-	2,839	-	-	-	8,517	8,888	9,296
Vote 2 - Budget & Treasury		11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	16,622	146,989	168,497	173,416
Vote 3 - Corporate Services		67	67	67	67	67	67	67	67	67	67	67	62	799	824	868
Vote 4 - Community & Public Safety		1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,014	12,177	9,017	9,722
Vote 5 - Economic & Environmental Services		373	373	373	373	373	373	373	373	373	373	373	373	4,474	2,802	2,938
Vote 6 - Trading Services		20,582	20,582	20,582	20,582	20,582	20,582	20,582	20,582	20,582	20,582	20,582	20,582	246,984	254,975	270,454
Vote 7 -		-	-	-	-	50	-	-	-	50	-	-	-	100	100	100
Vote 8 - Other													-	-	-	-
Vote 9 -													-	-	-	-
Total Revenue by Vote		36,727	33,888	33,888	33,888	36,777	33,888	33,888	33,888	36,777	33,888	33,888	38,653	420,039	445,104	466,794
Expenditure by Vote to be appropriated	-															
Vote 1 - Municipal Governance & Administration		3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	45,332	57,238	60,551
Vote 2 - Budget & Treasury		2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	24,446	33,232	35,175
Vote 3 - Corporate Services		1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,667	19,995	36,636	39,480
Vote 4 - Community & Public Safety		4,328	4,328	4,328	4,328	4,328	4,328	4,328	4,328	4,328	4,328	4,328	4,328	51,935	135,727	132,923
Vote 5 - Economic & Environmental Services		3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	46,819	139,910	148,460
Vote 6 - Trading Services		21,817	21,817	21,817	21,817	21,817	21,817	21,817	21,817	21,817	21,817	21,817	21,817	261,803	404,783	433,494
Vote 7 -		40	40	40	40	40	40	40	40	40	40	40	40	483	629	652
Vote 8 - Other													-	-	-	-
Vote 9 -													-	-	-	-
Total Expenditure by Vote		37,568	37,568	37,568	37,568	37,568	37,568	37,568	37,568	37,568	37,568	37,568	37,568	450,813	808,155	850,735
Surplus/(Deficit) before assoc.		(841)	(3,680)	(3,680)	(3,680)	(791)	(3,680)	(3,680)	(3,680)	(791)	(3,680)	(3,680)	1,085	(30,774)	(363,051)	(383,941)
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	(841)	(3,680)	(3,680)	(3,680)	(791)	(3,680)	(3,680)	(3,680)	(791)	(3,680)	(3,680)	1,085	(30,774)	(363,051)	(383,941)

Table 51 KZN263 SA27 - Budgeted monthly Revenue and Expenditure (Standard Classification)

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
Revenue - Standard	-															
<i>Governance and administration</i>		12,629	12,629	12,629	12,629	12,629	12,629	12,629	12,629	12,629	12,629	12,629	17,388	156,305	178,209	183,581
Executive and council		710	710	710	710	710	710	710	710	710	710	710	704	8,517	8,888	9,296
Budget and treasury office		11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	11,852	16,622	146,989	168,497	173,416
Corporate services		67	67	67	67	67	67	67	67	67	67	67	62	799	824	868
<i>Community and public safety</i>		813	813	813	813	3,313	813	813	813	813	813	813	755	12,197	9,058	9,764
Community and social services		308	308	308	308	2,808	308	308	308	308	308	308	200	6,088	4,049	4,485
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	51	51	41	44
Public safety		505	505	505	505	505	505	505	505	505	505	505	505	6,058	4,967	5,235
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		373	373	221	221	221	221	221	221	221	221	221	373	4,474	2,802	2,938
Planning and development		49	49	9	9	9	9	9	9	9	9	9	49	582	490	500
Road transport		324	324	212	212	212	212	212	212	212	212	212	324	3,892	2,312	2,437
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		20,186	20,186	20,186	20,186	20,186	20,186	20,186	20,186	20,186	20,186	20,186	24,934	246,984	254,975	270,454
Electricity		13,389	13,389	13,389	13,389	13,389	13,389	13,389	13,389	13,389	13,389	13,389	18,137	165,419	165,802	174,566
Water		3,313	3,313	3,313	3,313	3,313	3,313	3,313	3,313	3,313	3,313	3,313	3,313	39,759	45,390	49,929
Waste water management		1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	22,170	23,370	24,6321
Waste management		1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	1,636	19,636	20,413	21,326
<i>Other</i>		8	8	8	8	8	8	8	8	8	8	8	8	100	100	100
Total Revenue - Standard		34,009	34,009	34,009	34,009	36,509	34,009	34,009	34,009	34,009	34,009	34,009	43,458	420,060	445,145	466,836
			47,867	47,867	47,867	52,867	47,867	47,867	47,867	47,867	47,867	47,867				
Expenditure - Standard	-															
<i>Governance and administration</i>		7,536	7,536	7,536	7,536	7,536	7,536	7,536	7,536	7,536	7,536	7,536	7,536	90,437	127,796	135,206
Executive and council		3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	3,778	45,332	57,238	60,551
Budget and treasury office		2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	24,446	33,232	35,175
Corporate services		1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,721	20,659	37,326	39,480
<i>Community and public safety</i>		4,648	4,648	4,648	4,648	4,648	4,648	4,648	4,648	4,648	4,648	4,648	4,648	55,775	140,210	137,682
Community and social services		1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	23,189	75,898	80,190
Sport and recreation		320	320	320	320	320	320	320	320	320	320	320	320	3,840	4,483	4,759
Public safety		2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	27,037	57,917	50,700
Housing		142	142	142	142	142	142	142	142	142	142	142	142	1,707	1,910	2,031
Health		0	0	0	0	0	0	0	0	0	0	0	0	1	2	2
<i>Economic and environmental services</i>		3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	3,902	46,819	139,910	148,460

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
Planning and development		399	399	399	399	399	399	399	399	399	399	399	399	4,789	14,397	15,221
Road transport		3,503	3,503	3,503	3,503	3,503	3,503	3,503	3,503	3,503	3,503	3,503	3,502	42,030	125,513	133,239
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<i>Trading services</i>		21,667	21,667	21,667	21,667	21,667	21,667	21,667	21,667	21,667	21,667	21,667	21,666	259,999	404,783	433,404
Electricity		15,311	15,311	15,311	15,311	15,311	15,311	15,311	15,311	15,311	15,311	15,311	15,312	183,737	248,342	266,570
Water		2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	29,030	79,708	85,600
Waste water management		2,326	2,326	2,326	2,326	2,326	2,326	2,326	2,326	2,326	2,326	2,326	2,326	27,910	36,581	38,822
Waste management		1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	1,610	19,323	40,152	42,412
<i>Other</i>		40	40	40	40	40	40	40	40	40	40	40	40	483	629	652
Total Expenditure - Standard		37,793	37,793	37,793	37,793	37,793	37,793	37,793	37,793	37,793	37,793	37,793	37,792	453,513	813,328	855,403
Surplus/(Deficit) before assoc.		(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	5,666	(33,453)	(368,183)	(388,567)
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	(3,784)	5,666	(33,453)	(368,183)	(388,567)

Table 52 KZN263 SA28 - Budgeted monthly Capital Expenditure (Municipal Vote)

Description R thousand	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure to be appropriated	1															
Vote 1 - Municipal Governance & Administration													-	-	-	-
Vote 2 - Budget & Treasury													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Community & Public Safety													-	-	-	-
Vote 5 - Economic & Environmental Services		1 800	2 200	2 200	1 900	2 000	2 200	2 200	2 500	2 400	2 500	2 300	9 958	34 158	35 883	37 373
Vote 6 - Trading Services		-	-	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	-	9 000	9 000	9 000
Vote 7 - Other													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
Capital multi-year expenditure sub-total	2	1 800	2 200	3 200	2 900	3 000	3 200	3 200	3 500	3 400	3 500	3 300	9 958	43 158	44 883	46 373
Single-year expenditure to be appropriated																
Vote 1 - Municipal Governance & Administration													-	-	74	78
Vote 2 - Budget & Treasury		20	20	20	20	20	20	20	20	20	20	20	20	240	848	894
Vote 3 - Corporate Services		41	41	41	41	41	41	41	41	41	41	41	46	497	848	862
Vote 4 - Community & Public Safety		96	96	96	96	96	96	96	96	96	96	96	104	1 160	20 870	11 460
Vote 5 - Economic & Environmental Services		31	31	31	31	31	31	31	31	31	31	31	35	376	1 673	1 739
Vote 6 - Trading Services		748	748	748	748	748	748	748	748	748	748	748	755	8 983	11 929	11 978
Vote 7 - Other													-	-	-	-
0													-	-	-	-
0													-	-	-	-
0													-	-	-	-
Capital single-year expenditure sub-total	2	936	936	936	936	936	936	936	936	936	936	936	960	11 256	36 242	27 011
Total Capital Expenditure	2	2 736	3 136	4 136	3 836	3 936	4 136	4 136	4 436	4 336	4 436	4 236	10 918	54 414	81 125	73 384

Table 53 KZN263 SA29 - Budgeted monthly Capital Expenditure (Standard Classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard	1															
<i>Governance and administration</i>		61	61	61	61	61	61	61	61	61	61	61	66	737	1 770	1 833
Executive and council		–	–	–	–	–	–	–	–	–	–	–	–	–	74	78
Budget and treasury office		20	20	20	20	20	20	20	20	20	20	20	20	240	848	894
Corporate services		41	41	41	41	41	41	41	41	41	41	41	46	497	848	862
<i>Community and public safety</i>		96	96	96	96	96	96	96	96	96	96	96	104	1 160	20 870	11 460
Community and social services		86	86	86	86	86	86	86	86	86	86	86	94	1 040	9 078	9 571
Sport and recreation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety		10	10	10	10	10	10	10	10	10	10	10	10	120	11 792	1 889
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 920	34 534	37 557	39 112
Planning and development		–	–	–	–	–	–	–	–	–	–	–	40	40	1 271	1 339
Road transport		2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 874	2 880	34 494	36 286	37 773
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<i>Trading services</i>		1 490	1 490	1 490	1 490	1 490	1 490	1 490	1 490	1 490	1 490	1 490	1 593	17 983	20 929	20 978
Electricity		1 128	1 128	1 128	1 128	1 128	1 128	1 128	1 128	1 128	1 128	1 128	1 132	13 540	11 375	11 608
Water		174	174	174	174	174	174	174	174	174	174	174	172	2 086	8 711	8 482
Waste water management		171	171	171	171	171	171	171	171	171	171	171	173	2 054	–	–
Waste management		17	17	17	17	17	17	17	17	17	17	17	117	304	843	889
<i>Other</i>		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	2	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 683	54 414	81 125	73 384
Funded by:																
National Government		3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 602	43 158	44 883	46 373
Provincial Government		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital		3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 596	3 602	43 158	44 883	46 373
Public contributions & donations		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Borrowing													–	–	–	–
Internally generated funds		925	925	925	925	925	925	925	925	925	925	925	1 081	11 256	36 242	27 011
Total Capital Funding		4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 521	4 683	54 414	81 125	73 384

Table 54 KZN263 SA30 - Budgeted Monthly Cash Flow

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	R thousand	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
Cash Receipts By Source														1		
Property rates	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	4 437	6 846	55 650	56 839	59 908
Property rates - penalties & collection charges	114	114	114	114	114	114	114	114	114	114	114	114	142	1 400	1 587	1 673
Service charges - electricity revenue	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	13 098	17 845	161 919	162 302	171 066
Service charges - water revenue	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	3 313	39 759	45 390	49 929
Service charges - sanitation revenue	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	1 766	2 743	22 170	23 370	24 632
Service charges - refuse revenue	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 286	1 988	16 136	16 913	17 826
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	115	115	115	115	115	115	115	115	115	115	115	115	44	1 305	1 396	1 471
Interest earned - external investments	330	330	330	330	330	330	330	330	330	330	330	330	624	4 254	4 585	4 833
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	177	177	177	177	177	177	177	177	177	177	177	177	294	2 240	2 062	2 173
Licences and permits	422	422	422	422	422	422	422	422	422	422	422	422	788	5 428	4 827	5 088
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	31 811	2 534	8 577	-	31 811	-	-	-	-	31 811	-	-	0	106 545	120 021	122 100
Other revenue	267	267	267	267	267	267	267	267	267	267	267	267	267	3 203	5 784	6 092
Cash Receipts by Source	57 136	27 859	33 902	25 325	57 136	25 325	25 325	25 325	25 325	57 136	25 325	25 325	34 894	420 009	445 076	466 791
Other Cash Flows by Source																
Transfer receipts - capital	16 394	-	-	-	-	16 394	-	-	-	16 394	-	-	-	49 182	44 883	46 373
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	73 530	27 859	33 902	25 325	73 530	25 325	25 325	25 325	25 325	73 530	25 325	25 325	34 894	469 191	489 959	513 164
Cash Payments by Type																

MONTHLY CASH FLOWS		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
R thousand																
Employee related costs		8 494	8 494	8 494	8 494	16 988	8 494	8 494	8 494	8 494	8 494	8 494	8 494	110 424	213 883	227 566
Remuneration of councillors		1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	1 194	2 360	15 495	15 246	16 222
Finance charges		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bulk purchases - Electricity		23 500	23 500	8 184	8 184	8 184	8 184	8 184	8 184	8 184	8 184	8 184	23 500	144 157	182 731	197 259
Bulk purchases - Water & Sewer													–	–	–	–
Other materials		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contracted services		2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	2 704	32 443	48 882	51 624
Transfers and grants - other municipalities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other		1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	1 024	12 291	12 862	13 472
Other expenditure		10 934	10 934	10 934	10 934	10 934	10 934	10 934	10 934	10 934	10 934	10 934	10 934	131 205	332 980	342 076
Cash Payments by Type		47 850	47 850	32 534	32 534	41 028	32 534	32 534	32 534	32 534	32 534	32 534	49 016	446 015	806 584	848 219
Other Cash Flows/Payments by Type																
Capital assets		4 099	4 099	4 099	4 099	4 099	4 099	4 099	4 099	4 099	4 099	4 099	4 099	49 182	44 883	46 373
Repayment of borrowing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Cash Flows/Payments													–			
Total Cash Payments by Type		51 948	51 948	36 632	36 632	45 127	36 632	36 632	36 632	36 632	36 632	36 632	53 114	495 197	851 467	894 592
NET INCREASE/(DECREASE) IN CASH HELD		21 582	(24 090)	(2 731)	(11 308)	28 403	(11 308)	(11 308)	(11 308)	36 897	(11 308)	(11 308)	(18 221)	(26 006)	(361 508)	(381 427)
Cash/cash equivalents at the month/year begin:		54 895	76 477	52 387	49 656	38 348	66 751	55 443	44 136	32 828	69 725	58 417	47 109	54 895	28 889	(332 619)
Cash/cash equivalents at the month/year end:		76 477	52 387	49 656	38 348	66 751	55 443	44 136	32 828	69 725	58 417	47 109	28 889	28 889	(332 619)	(714 046)

1.16 Annual budgets and SDBIPs – internal departments

1.16.1 Water Services Department

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

Table 55 SA2 - Water Services Department - Operating Revenue by source, Expenditure by type and total Capital Expenditure

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 -	Total
R thousand	1								
Revenue By Source									
Property rates		-	55 650	-	-	-	-	-	55 650
Property rates - penalties & collection charges		-	1 400	-	-	-	-	-	1 400
Service charges - electricity revenue		-	-	-	-	-	161 919	-	161 919
Service charges - water revenue		-	-	-	-	-	39 759	-	39 759
Service charges - sanitation revenue		-	-	-	-	-	22 170	-	22 170
Service charges - refuse revenue		-	-	-	-	-	16 136	-	16 136
Service charges - other		-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	830	135	191	149	-	-	1 305
Interest earned - external investments		-	4 254	-	-	-	-	-	4 254
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-
Fines		-	-	-	2 240	-	-	-	2 240
Licences and permits		-	-	-	3 081	2 347	-	-	5 428
Agency services		-	-	-	-	-	-	-	-
Other revenue		-	1 178	663	1 130	232	-	-	3 203
Transfers recognised - operational		8 517	82 451	-	7 101	1 376	7 000	100	106 545
Gains on disposal of PPE		-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		8 517	145 763	799	13 743	4 104	246 984	100	420 010
Expenditure By Type	-								
Employee related costs		5 437	14 921	10 401	19 279	15 004	45 071	311	110 424
Remuneration of councillors		15 495	-	-	-	-	-	-	15 495
Debt impairment		1 602	-	-	-	-	-	-	1 602
Depreciation & asset impairment		172	231	1 638	828	5 916	11 985	-	20 770
Finance charges		-	-	-	-	-	-	-	-
Bulk purchases		-	-	-	-	-	144 157	-	144 157
Other materials		-	-	-	-	-	-	-	-
Contracted services		-	400	2 280	17 882	50	11 830	-	32 443
Transfers and grants		134	1 356	-	-	-	11 236	-	12 726
Other expenditure		22 493	7 538	6 305	14 328	24 707	37 176	172	112 719
Loss on disposal of PPE		-	-	-	-	-	-	-	-
Total Expenditure		45 333	24 446	20 624	52 317	45 677	261 454	483	450 334

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 -	Total
R thousand	1								
Surplus/(Deficit)		(36 816)	121 317	(19 825)	(38 574)	(41 573)	(14 470)	(383)	(30 324)
Transfers recognised - capital		-	-	-	-	40 182	9 000	-	49 182
Contributions recognised - capital		-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(36 816)	121 317	(19 825)	(38 574)	(1 391)	(5 470)	(383)	18 858

Table 56 Water Services Department – Performance objectives and indicators

None

There are currently unfilled positions in the structure of the Water Services Section. The top management structure consists of the Acting Director Technical Services (currently vacant) and Manager Water. As part of the performance objectives for the 2014/15 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organigram and the subsequent filling of vacancies.

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

- Replacement and upgrading of deficient reticulation infrastructure; and
- Purification plant upgrades.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R2, 9 million, R7, 1 million and R7, 8 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2014/15 financial year is R39, 7 million and increases to R45, 8 million by 2016/17 and has been informed by a collection rate of 92 % and distribution losses of 50 %, as well as ensuring that all areas currently not metered have water meters installed this will increase the collection rate, reduce the losses and allow for more funds to be allocated to repairing the infrastructure.

The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for a 1 % efficiency gain per annum. In relation to this target, past performance has been irregular with a total distribution loss of 54.79 % in 2012/13; increasing to 59.26% in the 2013/14 budget year but in the Adjustment budget estimated to be 59.26% and budgeted for 2014/15 at 50 % for the year.

1.17 Contracts having future budgetary implications

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

1.18 Capital expenditure details

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

Table 57 KZN263 SA 34a - Capital Expenditure on new Assets by Asset Class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		29,140	23,230	34,672	39,512	42,374	39,373	43,1411	47,812	49,352
Infrastructure - Road transport		3,491	5,094	26,508	29,982	29,982	29,982	34,158	35,883	37,373
<i>Roads, Pavements & Bridges</i>		3,491	5,094	26,508	29,982	29,982	29,982	34,158	35,883	37,373
<i>Storm water</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		3,851	5,215	8,000	9,100	12,100	9,100	4,540	2,375	2,608
<i>Generation</i>		-	-	-	-	-	-	-	-	-
<i>Transmission & Reticulation</i>		3,506	4,722	8,000	9,100	12,100	9,100	4,540	2,375	2,608
<i>Street Lighting</i>		346	493	-	-	-	-	-	-	-
Infrastructure - Water		2,853	3,300	23	80	80	80	2,086	8,711	8,482
<i>Dams & Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		2,853	3,300	23	80	80	80	2,086	8,711	8,482
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	33	50	12	11	2,054	-	-
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
<i>Sewerage purification</i>		-	-	33	50	12	11	2,054	-	-
Infrastructure - Other		18,945	9,621	108	300	200	200	304	843	889
<i>Waste Management</i>		-	-	108	300	200	200	304	843	889
<i>Transportation</i>	2	-	-	-	-	-	-	-	-	-
<i>Gas</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	3	18,945	9,621	-	-	-	-	-	-	-
Community		100	116	400	2,350	1,350	1,050	1,928	20,105	10,651
Parks & gardens		-	-	-	-	-	-	-	-	-
Sports fields & stadia		-	-	-	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	788	820	864
Libraries		-	-	-	-	-	-	-	53	56
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	116	1,000	50	50	120	11,792	1,889
Security and policing		-	-	-	-	-	-	-	-	-
Buses	7	-	-	-	-	-	-	-	-	-

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Clinics	8	-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	97	1,350	1,300	1,000	1,020	7,441	7,843
Social rental housing		-	-	-	-	-	-	-	-	-
Other		100	116	187	-	-	-	-	-	-
<u>Heritage assets</u>	9	-	-	-	-	-	-	-	-	-
Buildings										
Other										
<u>Investment properties</u>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<u>Other assets</u>	10	387	802	428	2,324	1,337	1,516	9,345	13,208	13,381
General vehicles										
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	4,527	8,482	8,667
Computers - hardware/equipment		-	-	49	185	125	120	427	600	600
Furniture and other office equipment		-	-	58	1,000	590	675	1,170	874	922
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		253	-	58	1,000	590	675	1,170	874	922
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		133	802	263	139	32	47	2,052	2,377	2,270
<u>Agricultural assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Biological assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Intangibles</u>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on new assets	1	29,627	24,148	35,500	44,186	45,061	41,939	54,414	81,125	73,384

Table 58 KZN263 SA34b - Capital Expenditure on the Renewal of existing Assets by Asset Class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
<i>Roads, Pavements & Bridges</i>										
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission & Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams & Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3									
<u>Community</u>		-	-	-	-	-	-	-	-	-
Parks & gardens										
Sports fields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Fire, safety & emergency	7									
Security and policing										
Buses										
Clinics										
Museums & Art Galleries	8									
Cemeteries										
Social rental housing										
Other										
<u>Heritage assets</u>	9	-	-	-	-	-	-	-	-	-
Buildings										
Other										
<u>Investment properties</u>		-	-	-	-	-	-	-	-	-
Housing development	10									
Other										
<u>Other assets</u>		-	-	-	-	-	-	-	-	-
General vehicles										
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<u>Agricultural assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Biological assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
<u>Intangibles</u>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on renewal of existing assets	1	-	-	-	-	-	-	-	-	-
<u>Specialised vehicles</u>		-	-	-	-	-	-	-	-	-
Refuse										
Fire										
Conservancy										
Ambulances										
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 59 KZN263 SA34c - Repairs and Maintenance Expenditure by Asset Class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		11,337	14,279	15,150	16,752	16,070	15,834	25,205	44,372	40,622
Infrastructure - Road transport		3,491	5,094	5,379	4,835	5,000	4,985	11,820	17,358	11,820
<i>Roads, Pavements & Bridges</i>		3,491	5,094	5,379	4,835	5,000	4,985	11,820	17,358	11,820
<i>Storm water</i>										
Infrastructure - Electricity		3,851	5,215	5,945	8,405	7,130	6,986	8,025	11,652	12,281
<i>Generation</i>		-	-							
<i>Transmission & Reticulation</i>		3,506	4,722	5,278	7,405	6,130	5,986	7,025	10,071	10,615
<i>Street Lighting</i>		346	493	667	1,000	1,000	1,000	1,000	1,581	1,666
Infrastructure - Water		2,853	3,300	2,390	2,272	2,890	2,813	2,930	7,167	7,883
<i>Dams & Reservoirs</i>		-	-							
<i>Water purification</i>		2,853	3,300	2,390	2,272	2,890	2,813	2,930	7,167	7,883
<i>Reticulation</i>		-	-							
Infrastructure - Sanitation		477	670	1,437	1,025	1,000	1,000	1,220	1,428	1,505
<i>Reticulation</i>		477	670	1,437	1,025	1,000	1,000	1,220	1,428	1,505
<i>Sewerage purification</i>		-	-							
Infrastructure - Other		665	-	-	215	50	50	1,210	6,767	7,132
<i>Waste Management</i>		665	-	-	215	50	50	1,210	6,767	7,132
<i>Transportation</i>	2	-	-							
<i>Gas</i>		-	-							
<i>Other</i>	3	-	-							
Community		1,300	1,162	442	1,601	1,453	1,441	1,798	40,466	48,641
Parks & gardens		101	42	42	120	100	100	100	105	111
Sports fields & stadia		-	-							
Swimming pools		-	-							
Community halls		-	-							
Libraries		101	135	30	200	200	200	150	527	555
Recreational facilities		-	28	110	203	170	168	500	34,519	36,383
Fire, safety & emergency		-	-							
Security and policing		248	897	234	905	780	771	795	2,038	2,148
Buses	7	-	-							

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Clinics	8	-	-							
Museums & Art Galleries		73	1	4	90	90	90	96	527	2,099
Cemeteries		305	1	2	50	50	50	50	949	1,000
Social rental housing		-	-							
Other		471	59	19	33	63	62	107	1,801	6,345
<u>Heritage assets</u>	9	-	-	-	-	-	-	-	-	-
Buildings										
Other										
<u>Investment properties</u>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<u>Other assets</u>	10	279	220	329	1,910	1,305	1,237	1,800	6,008	6,332
General vehicles										
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-							
Computers - hardware/equipment		73	114	191	400	300	232	300	738	778
Furniture and other office equipment		-	-							
Abattoirs		-	-							
Markets		-	-							
Civic Land and Buildings		-	-							
Other Buildings		206	106	138	1,510	1,005	1,005	1,500	5,270	5,555
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<u>Agricultural assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Biological assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Intangibles</u>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Repairs and Maintenance Expenditure	1	12,916	15,661	15,921	20,263	18,828	18,511	28,803	90,845	95,595

Table 60 KZN263 SA34d - Future Financial Implications of the Capital Budget (Depreciation by Asset Class)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
<u>Depreciation by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		14,455	14,207	67,775	16,700	72,800	16,700	17,889	83,528	89,053
Infrastructure - Road transport		4,889	4,944	31,169	5,500	36,500	5,500	5,885	40,625	42,819
<i>Roads, Pavements & Bridges</i>		4,889	4,944	31,169	5,500	36,500	5,500	5,885	40,625	42,819
<i>Storm water</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		3,377	3,278	12,117	3,993	12,993	3,993	4,272	15,064	15,877
<i>Generation</i>		-	-	-	-	-	-	-	-	-
<i>Transmission & Reticulation</i>		3,377	3,278	12,117	3,993	12,993	3,993	4,272	15,064	15,877
<i>Street Lighting</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Water		2,066	1,967	19,882	2,421	17,421	2,421	2,590	22,037	24,241
<i>Dams & Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		2,066	1,967	19,882	2,421	17,421	2,421	2,590	22,037	24,241
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		4,086	3,987	4,607	4,787	5,887	4,787	5,122	5,802	6,116
<i>Reticulation</i>		4,086	3,987	4,607	4,787	5,887	4,787	5,122	5,802	6,116
<i>Sewerage purification</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Other		36	31	-	-	-	-	-	-	-
<i>Waste Management</i>		36	31	-	-	-	-	-	-	-
<i>Transportation</i>	2	-	-	-	-	-	-	-	-	-
<i>Gas</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	3	-	-	-	-	-	-	-	-	-
<u>Community</u>		792	848	1,654	965	965	965	1,032	1,072	1,130
Parks & gardens		-	-	-	-	-	-	-	-	-
Sports fields & stadia		-	-	-	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		607	368	1,440	736	736	736	788	820	864
Fire, safety & emergency		-	-	-	-	-	-	-	-	-

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Security and policing	7	33	63	35	37	37	37	40	41	44
Buses		-	-							
Clinics		-	-							
Museums & Art Galleries	8	-	-							
Cemeteries		-	-							
Social rental housing		-	-							
Other		152	417	179	191	191	191	204	211	222
<u>Heritage assets</u>	9	-	-	-	-	-	-	-	-	-
Buildings										
Other										
<u>Investment properties</u>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<u>Other assets</u>	10	1,556	1,544	1,863	1,747	1,747	1,747	1,869	1,944	2,049
General vehicles										
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-							
Computers - hardware/equipment		193	197	426	216	216	216	231	241	254
Furniture and other office equipment		-	-							
Abattoirs		-	-							
Markets		-	-							
Civic Land and Buildings		1,363	1,348	1,437	1,530	1,530	1,530	1,638	1,703	1,795
Other Buildings		-	-							
Other Land		-	-							
Surplus Assets - (Investment or Inventory)		-	-							
Other		-	-							
<u>Agricultural assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										
<u>Biological assets</u>		-	-	-	-	-	-	-	-	-
List sub-class										

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
<u>Intangibles</u>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (<i>list sub-class</i>)										
Total Depreciation	1	16,803	16,599	71,292	19,411	75,511	19,411	20,770	86,544	92,231

Table 61 KZN263 SA35 - Future Financial Implications of the Capital Budget

Vote Description R thousand	Ref	2014/15 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Present value
Capital expenditure	1							
Vote 1 - Municipal Governance & Administration		–	74	78				
Vote 2 - Budget & Treasury		240	848	894				
Vote 3 - Corporate Services		497	848	862				
Vote 4 - Community & Public Safety		1,160	20,870	11,460				
Vote 5 - Economic & Environmental Services		34,534	37,556	39,112				
Vote 6 - Trading Services		17,983	20,929	20,978				
Vote 7 - Other		–	–	–				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		54,414	81,125	73,384	–	–	–	–
Future operational costs by vote	2							
Vote 1 - Municipal Governance & Administration								
Vote 2 - Budget & Treasury								
Vote 3 - Corporate Services								
Vote 4 - Community & Public Safety								
Vote 5 - Economic & Environmental Services								
Vote 6 - Trading Services								
Vote 7 - Other								
<i>List entity summary if applicable</i>								
Total future operational costs		–	–	–	–	–	–	–
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		–	–	–	–	–	–	–
Net Financial Implications		54,414	81,125	73,384	–	–	–	–

Table 62 KZN263 SA36 - Detailed Capital Budget per Municipal Vote

Municipal Vote/Capital project R thousand	Ref 4	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No) 6	Asset Class 3	Asset Sub- Class 3	GPS co- ordinates 5	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework		
										Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>														
Parent Capital expenditure	1											-	-	-
Entities: <i>List all capital projects grouped by Entity</i>														
Entity A Water project A														
Entity B Electricity project B														
Entity Capital expenditure										-	-	-	-	-
Total Capital expenditure										-	-	-	-	-

Table 63 KZN263 SA37 - Projects delayed from previous financial year

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co-ordinates 4	Previous target year to complete	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand							Year					
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>				<i>Examples</i>	<i>Examples</i>							
Entities: <i>List all capital projects grouped by Municipal Entity</i>												
<i>Entity Name</i> <i>Project name</i>												

1.19 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 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 five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained interns through this programme and a majority of them were appointed either in the Municipality or other municipalities.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in June 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 for the Municipality's internal employees and training is on-going.

Policies

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

1.20 Other supporting documents

Table 64 KZN263 Table SA1 - Supporting detail to Budgeted Financial Performance

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		31,266	35,131	41,574	50,350	48,000	47,463	47,463	55,650	56,839	59,908
<i>less Revenue Foregone</i>											
Net Property Rates		31,266	35,131	41,574	50,350	48,000	47,463	47,463	55,650	56,839	59,908
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		105,090	116,770	126,394	146,745	152,581	142,707	142,707	161,919	162,302	171,066
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		105,090	116,770	126,394	146,745	152,581	142,707	142,707	161,919	162,302	171,066
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		20,609	23,241	30,842	34,688	34,430	34,429	34,429	39,759	41,660	45,826
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		20,609	23,241	30,842	34,688	34,430	34,429	34,429	39,759	41,660	45,826
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		13,853	14,809	16,411	18,719	19,266	19,264	19,264	22,170	23,370	24,632
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		13,853	14,809	16,411	18,719	19,266	19,264	19,264	22,170	23,370	24,632
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		10,808	11,496	12,232	14,031	14,031	13,974	13,974	16,136	16,913	17,826
Total landfill revenue		–	–	–	–	–	–	–	–	–	–
<i>less Revenue Foregone</i>		–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue		10,808	11,496	12,232	14,031	14,031	13,974	13,974	16,136	16,913	17,826
<u>Other Revenue by source</u>											
<i>List other revenue by source</i>		–	–	–	–	–	–	–	–	–	–
<i>Burial fees</i>		–	162	156	168	168	167	–	180	186	196

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
<i>Encroachment fees</i>		–	25	27	35	61	60	–	37	67	71
Photostat copies		–	32	30	30	26	26	–	31	28	30
Special Concernt		–	60	29	–	–	–	–	1,109	–	–
Klipfotein gate fees		–	62	62	69	69	68	–	74	76	80
Building Plan fees		–	62	81	90	52	52	–	131	55	58
SETA			511	516	620	165	163		663	690	727
Tender Deposits			54	146	–	–	–		–	–	–
Rates Clearances			48	55	57	61	61		69	68	72
Monument erection			35	22	24	26	26		28	29	31
Other income	3	1,694	213	3,280	178	408	2,470	950	881	449	473
Total 'Other' Revenue	1	1,694	1,264	4,404	1,271	1,036	3,093	950	3,203	1,648	1,737
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
Basic Salaries and Wages	2	49,397	52,428	57,446	73,680	65,565	31,347	41,708	63,768	135,668	144,351
Pension and UIF Contributions		9,422	9,822	12,162	16,255	13,140	6,357	8,352	15,886	33,039	35,149
Medical Aid Contributions		2,872	3,357	4,080	5,936	4,990	2,184	2,983	6,120	9,335	9,931
Overtime		7,859	9,825	10,403	3,110	8,338	3,100	5,935	5,994	9,497	10,105
Performance Bonus		4,273	2,466	4,315	5,328	4,649	18	4,568	5,957	10,725	11,410
Motor Vehicle Allowance		5,430	6,330	6,261	8,220	5,915	2,822	3,636	6,470	8,198	8,719
Cell phone Allowance		576	576	579	762	614	248	371	705	1,053	1,124
Housing Allowances		401	434	342	305	276	131	176	309	328	348
Other benefits and allowances		1,501	1,705	1,944	2,546	2,374	752	1,274	2,431	3,000	3,216
Payments in lieu of leave		1,507	–	–	–	–	–	–	–	–	–
Long service awards		25	1,400	3,743	2,600	2,600	–	1,300	34	33	3,169
Post-retirement benefit obligations	4	5,793	26	28	33	29	14	17	2,752	3,008	35
<i>sub-total</i>	5	89,055	88,369	101,302	118,775	108,489	46,973	70,318	110,424	213,883	227,566
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	89,055	88,369	101,302	118,775	108,489	46,973	70,318	110,424	213,883	227,566
<u>Contributions recognised - capital</u>											
<i>List contributions by contract</i>		–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–
Total Contributions recognised - capital	5	–	–	–	500	200	–	71	750	825	908

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		16,848	69,785	71,856	19,411	75,511	19,411	19,411	20,770	86,544	92,231
Lease amortisation		–	–	–	–	–	–	–	–	–	–
Capital asset impairment		–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE		–	–	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	10	16,848	69,785	71,856	19,411	75,511	19,411	19,411	20,770	86,544	92,231
<u>Bulk purchases</u>											
Electricity Bulk Purchases		79,985	101,328	112,200	119,285	125,890	125,890	125,890	144,157	182,731	197,259
Water Bulk Purchases											
Total bulk purchases	1	79,985	101,328	112,200	119,285	125,890	125,890	125,890	144,157	182,731	197,259
<u>Transfers and grants</u>											
Cash transfers and grants		14,871	27,871	19,155	12,195	14,533	–	–	12,291	12,862	13,472
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Total transfers and grants	1	14,871	27,871	19,155	12,195	14,533	–	–	12,291	12,862	13,472
<u>Contracted services</u>											
List services provided by contract		–	–	–	–	–	13,378	–	–	–	–
Internal Audit		600	–	–							
Meter Reading		867	2,067	2,132	2,400	3,070			3,727	4,008	4,312
Computer Services		1,020	1,323	1,743	100	395	–		1,500	1,581	1,666
Other Contracts Financial services		1,412	704	362							
Parks		5,315	5,479	5,552	6,000	6,000			6,000	6,324	6,666
Security		4,795	6,024	10,049	8,311				11,500	17,000	18,000
Refuse Removal		5,934	5,962	5,755	9,007	9,035			8,000	15,810	16,664
Steiner		196	515	82	191				157	165	174
Digging of Graves		79	78	60	63	48			100	105	111
Electricity-Engineer		501	305	187	750	560	–		400	422	444
Water Purification		266	250	500	577	180			1,300	1,430	1,573
Public Safety									–	–	–
Contact Payments technical services			67	–					–	–	–
Contact Payments community services			53	–					–	–	–
Contact Payments planning			60	–					–	–	–
Nurses working with traffic			–	37	39	49			52	54	57

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
<i>Mikros traffic</i>			-	60					-	-	-
<i>Brandfin Trade cc</i>			-	125	132	136			144	152	160
<i>Total client services</i>			-	56	59	100			106	111	117
<i>Commission on vendor sales</i>			-	3	473	720	717		750	791	833
<i>Photocopiers & faxes</i>		652									
<i>Lease of vehicles</i>		4,327									
<i>Other contract payments</i>		-	-	-	1,492	11,134	-	-	3,027	3,190	3,363
<i>sub-total</i>	1	25,965	22,886	26,703	29,594	31,427	14,095	-	36,762	51,143	54,140
Allocations to organs of state:											
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Sanitation		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total contracted services		25,965	22,886	26,703	29,594	31,427	14,095	-	36,762	51,143	54,140
Other Expenditure By Type	-										
Collection costs		-	-	-	-	-	-	-	-	-	-
Contributions to 'other' provisions		5,793	7,911	6,654	3,212	3,212	-	-	3,392	3,575	3,768
Consultant fees		-	-	-	-	-	-	-	-	-	-
Audit fees		1,700	1,561	1,283	2,400	3,200	391	-	3,800	4,005	4,221
General expenses	3	-	-	-	-	-	-	-	-	-	-
<i>List Other Expenditure by Type</i>											
<i>Chemicals</i>		808	1,104	1,097	2,020	1,770	1,679		3,600	3,877	4,178
<i>Auditors Remuneration</i>		1,700	-	-	-	-	-	-	-	-	-
<i>Ward Committee Members</i>		874	1,346	2,158	2,663	2,600	2,598		2,746	2,894	3,050
<i>Newsletter & Radio Slots</i>		143	95	37	300	200	200		300	316	333
<i>Advertisements & Notices</i>		440	568	293	626	650	955	-	1,000	1,054	1,100
<i>Allow& Contr Pensioners</i>		1,101	1,143	1,312	1,069	710	706		750	790	833
<i>Banking Charges & Services</i>		897	1,025	1,135	1,200	830	823		1,000	1,054	111
<i>Cleaning Materials</i>		172	165	232	379	304	264		650	683	721
Fuel & Lubricants		2,613	3,672	3,911	2,995	2,855	2,830		3,500	3,712	3,938
<i>Electricity & Water Services</i>		4,957	5,418	1,051	6,519	5,799	5,749		7,208	7,707	8,244
<i>Sports & Comm Serv functions</i>		1,162	949	1,165	1,000	1,000	1,000		1,400	1,476	1,555
<i>Legal Fees</i>		1,217	4,734	532	650	620	817		1,600	1,686	1,777

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Telephone & fax		1,219	1,220	1,391	1,358	1,265	1,256		1,500	1,582	1,667
Postage		608	627	839	675	585	561		700	738	778
Printing & Stationery		792	761	773	1,237	1,012	989		1,603	1,663	1,753
Pension for Retrenched Employees		904	501	384	533	300	293		450	474	500
Skills Levy		734	837	937	1,009	1,000	967		1,056	1,113	1,173
Training		347	182	406	675	383	351		2,312	2,437	2,569
Valuation Roll Expenditure		284	265	1,232	600	200	27		400	422	444
Subsistence & Travelling		1,340	1,694	1,596	2,779	1,747	1,647		3,240	3,416	3,607
Other Expenses		12,130	25,416	31,541	38,634	43,261	55,479		37,825	109,247	106,169
Total 'Other' Expenditure	1	41,935	61,191	59,961	72,533	73,502	79,584	–	80,031	153,921	152,489
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		12,916	15,661	15,921	20,263	18,828	18,511		98,118	95,126	100,592
Total Repairs and Maintenance Expenditure	9	12,916	15,661	15,921	20,263	18,828	18,511	–	98,118	95,126	100,592

Table 65 KZN263 Table SA2 – Matrix Financial Performance Budget (Revenue Source / Expenditure type and Department)

Description	Ref	Vote 1 - Municipal Governance & Administration	Vote 2 - Budget & Treasury	Vote 3 - Corporate Services	Vote 4 - Community & Public Safety	Vote 5 - Economic & Environmental Services	Vote 6 - Trading Services	Vote 7 -	Vote 8 - Other	Vote 9 -	Vote 10 -	Vote 11 -	Vote 12 -	Vote 13 -	Vote 14 -	Vote 15 -	Total
R thousand	1																
Revenue By Source																	
Property rates		-	55,850	-	-	-	-	-									55,650
Property rates - penalties & collection charges		-	1,400	-	-	-	-	-									1,400
Service charges - electricity revenue		-	-	-	-	-	161,919	-									161,919
Service charges - water revenue		-	-	-	-	-	39,759	-									39,759
Service charges - sanitation revenue		-	-	-	-	-	22,170	-									22,170
Service charges - refuse revenue		-	-	-	-	-	16,136	-									16,136
Service charges - other		-	-	-	-	-	-	-									-
Rental of facilities and equipment		-	830	135	191	149	-	-									1,305
Interest earned - external investments		-	4,254	-	-	-	-	-									4,254
Interest earned - outstanding debtors		-	-	-	-	-	-	-									-
Dividends received		-	-	-	-	-	-	-									-
Fines		-	-	-	2,240	-	-	-									2,240
Licences and permits		-	-	-	3,081	2,347	-	-									5,428
Agency services		-	-	-	-	-	-	-									-
Other revenue		-	2,404	663	1,535	213	-	-									4,816
Transfers recognised - operational		8,517	82,451	-	5,488	1,376	7,000	100									104,932
Gains on disposal of PPE		-	-	-	-	-	-	-									-
Total Revenue (excluding capital transfers and contributions)		8,517	146,989	799	12,535	4,085	246,984	100	-	-	-	-	-	-	-	-	420,009
Expenditure By Type																	
Employee related costs		7,039	14,921	10,401	19,279	10,054	45,619	332									107,645
Remuneration of councillors		15,495	-	-	-	-	-	-									15,495
Debt impairment		1,602	-	-	-	-	-	-									1,602
Depreciation & asset impairment		172	231	1,638	828	5,916	11,985	-									20,770
Finance charges		-	-	-	-	-	-	-									-
Bulk purchases		-	-	-	-	-	144,157	-									144,157
Other materials		-	-	-	-	-	-	-									-
Contracted services		-	400	2,280	17,882	50	11,630	-									32,243
Transfers and grants		134	1,806	-	22,500	-	11,236	100									35,776
Other expenditure		20,890	6,991	6,305	6,935	15,993	35,373	161									92,647
Loss on disposal of PPE		-	-	-	-	-	-	-									-
Total Expenditure		45,332	24,349	20,624	67,424	32,013	259,999	593	-	-	-	-	-	-	-	-	450,334

Description	Re f	Vote 1 - Municipal Governance & Administratio n	Vote 2 - Budget & Treasur y	Vote 3 - Corporat e Services	Vote 4 - Communit y & Public Safety	Vote 5 - Economic & Environmenta l Services	Vote 6 - Trading Service s	Vote 7 -	Vote 8 - Othe r	Vot e 9 -	Vot e 10 -	Vot e 11 -	Vot e 12 -	Vot e 13 -	Vot e 14 -	Vot e 15 -	Total
R thousand	1																
Surplus/(Deficit)		(36,815)	122,640	(19,825)	(54,889)	(27,928)	(13,015)	(493)	-	-	-	-	-	-	-	-	(30,324)
Transfers recognised - capital		-	-	-	-	27,483	9,000	-	-	-	-	-	-	-	-	-	36,483
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(36,815)	122,640	(19,825)	(54,889)	(445)	(4,015)	(493)	-	-	-	-	-	-	-	-	6,159

Table 66 KZN263 Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		2,928	31,250	49,859	5,000	–	–	–	–	–	–
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits	2	2,928	31,250	49,859	5,000	–	–	–	–	–	–
<u>Consumer debtors</u>											
Consumer debtors		41,392	37,164	41,263	55,000	14,599	45,000	–	45,000	45,000	45,000
Less: Provision for debt impairment		(16,045)	(21,694)	(27,885)	–	–	(29,000)	–	(29,000)	(29,000)	(29,000)
Total Consumer debtors	2	25,347	15,470	13,378	55,000	14,599	16,000	–	16,000	16,000	16,000
<u>Debt impairment provision</u>											
Balance at the beginning of the year											
Contributions to the provision		(16,045)	(21,694)	(27,885)	–	–	(29,000)		(29,000)	(29,000)	(29,000)
Bad debts written off											
Balance at end of year		(16,045)	(21,694)	(27,885)	–	–	(29,000)	–	(29,000)	(29,000)	(29,000)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		394,189	2,721,063	2,734,042	300,000	2,734,042	2,998,302	–	3,000,000	3,200,000	3,600,000
Leases recognised as PPE		–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation		155,602	1,699,638	1,770,932	–	1,770,932	1,892,393	–	2,000,000	2,200,000	2,400,000
Total Property, plant and equipment (PPE)	2	238,588	1,021,425	963,110	300,000	963,109	1,105,909	–	1,000,000	1,000,000	1,200,000
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		–	1,856	–	–	–	–	–	–	–	–
Current portion of long-term liabilities		–	–	–	–	–	–	–	–	–	–
Total Current liabilities - Borrowing		–	1,856	–	–	–	–	–	–	–	–
<u>Trade and other payables</u>											
Trade and other creditors		22,176	29,644	29,609	30,000	29,609	25,000	–	20,000	20,000	20,000
Unspent conditional transfers		9,403	19,193	35,971	–	35,971	20,000	–	15,000	10,000	8,000
VAT		–	–	–	–	–	–	–	–	–	–

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Total Trade and other payables	2	31,579	48,837	65,580	30,000	65,580	45,000	-	35,000	30,000	28,000
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	1,856	-	-	-	-	-	-	-	-	-
Finance leases (including PPP asset element)		-	-	-	-	-	-	-	-	-	-
Total Non current liabilities - Borrowing		1,856	-	-	-	-	-	-	-	-	-
<u>Provisions - non-current</u>											
Retirement benefits		32,677	40,587	47,173	45,000	47,173	48,500	-	50,000	50,000	50,000
List other major provision items											
Refuse landfill site rehabilitation		-	47,214	49,919	-	49,919	51,000	-	55,000	58,000	59,000
Other		-	-	-	-	-	-	-	-	-	-
Total Provisions - non-current		32,677	87,801	97,092	45,000	97,092	99,500	-	105,000	108,000	109,000
CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		253,484	1,057,390	1,765,709	329,788	930,110	2,127,019	-	2,127,019	2,127,019	2,127,019
GRAP adjustments											
Restated balance		253,484	1,057,390	1,765,709	329,788	930,110	2,127,019	-	2,127,019	2,127,019	2,127,019
Surplus/(Deficit)		(5,228)	(64,208)	(21,492)	19,158	(45,713)	200,267	45,618	(368,138)	(322,886)	(347,224)
Appropriations to Reserves		1,294	(2,771)	-	-	-	-	-	-	-	-
Transfers from Reserves		-	-	-	-	-	-	-	-	-	-
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	249,550	990,411	1,744,217	19,158	(45,713)	2,327,286	961,385	(368,138)	(322,886)	(347,224)
<u>Reserves</u>											
Housing Development Fund	-	-	-	-	-	-	-	-	-	-	-
Capital replacement		-	-	-	-	-	-	-	-	-	-
Self-insurance		-	-	-	-	-	-	-	-	-	-
Other reserves		777	-	-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-	-	-
Total Reserves	2	777	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	250,327	990,411	1,744,217	19,158	(45,713)	2,327,286	961,385	(368,138)	(322,886)	(347,224)

Table 67 KZN263 Table SA9 – Social, Economic and Demographic Statistics and Assumptions

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population				232		248	211		211			
Females aged 5 - 14												
Males aged 5 - 14				111		120	100		100			
Females aged 15 - 34				122		128	111		111			
Males aged 15 - 34												
Unemployment				12		12	6		7			
Monthly household income (no. of households)	1, 12	-										
No income				11,886		11,886	6,386		6,500			
R1 - R1 600												
R1 601 - R3 200												
R3 201 - R6 400												
R6 401 - R12 800												
R12 801 - R25 600												
R25 601 - R51 200												
R52 201 - R102 400												
R102 401 - R204 800												
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												

Table 68 KZN263 SA32 – List of External Mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
Pure Magic			Refuse Removal		6,812
ADM Security			Security		5,919
RIS Motors			Car Rental		4,062
BPG Mass Appraisals			Valuation Roll		360
Quantum Leap Investments			Grass cutting & cleaning		6,019
Shalom Security			Caretakers at dam		89
Itec			Office Machine Rental		344
Upward Spiral			Office Machine Rental		148
Yuretec			Office Machine Rental		162
G4S Cash Solutions			Cash Collection		313
Munsoft			IT Rental		673
Payday			Payroll Support		82
Total Client Services			Traffic Summons System		698
Fleet Africa			Car Rental		1,365
Link Up Security			After Hours Monitoring		415
KD Electrical			Meter Reading		295
Municipal Incorp			Meter Reading		770
KEV			Meter Reading		820
Izingcweti Zomzansi Consultants			Responsible Electrical Person		950
Wesbank Vehicle Hire			Car Rental		
Brandfin			Speed Fine Machine Rental		155



19 258 000



2013/14 Medium Term Revenue &

QUALITY CERTIFICATE

I, **LZ MGUDLWA**, Acting Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that: (mark as appropriate)

- ☐ The monthly budget statement
- ☐ Quarterly report on the implementation of the budget and financial state of affairs to the municipality
- ☐ Mid-year budget and performance assessment
- ☒ Draft Medium Term Budget

For the Draft Medium Term Budget for 2014/2015 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

LZ MGUDLWA
ACTING MUNICIPAL MANAGER
ABAQULUSI MUNICIPALITY
KZN263

SIGNATURE: _____

DATE: _____