

**DRAFT ANNUAL BUDGET OF
THABAZIMBI LOCAL MUNICIPALITY**



2012/13 TO 2014/15

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

Not available at this time

1.2 Council resolutions

On 31 March 2012 the Council of Thabazimbi Local Municipality met in the Council Chambers to consider the draft annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of Thabazimbi 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 2012/13 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 15 on page 26;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 on page 27;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 on page 29; and

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source in Table 19 on page 31.

1.2. The Financial Position, cash flow budget, cash-backed reserves/accumulated surplus, asset management and basic services delivery targets are approved as set out in the following tables:

1.2.1 Budgeted Financial Position as contained in Table 20 on page 33;

1.2.2 Budgeted Cash flows as contained in Table 21 on page 35;

1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 on page 36;

1.2.4 Asset management as contained in Table 23 on page 37; and

1.2.5 Basic service delivery measurement as contained in Table 24 on page 38.

2 The Council of Thabazimbi 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 2012:

2.1 the tariffs for property rates – as set out in Annexure 2'

3 The Council of Thabazimbi 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 2012 the tariffs of other services, as set out in Annexures 1 schedules 1 to 14.

4 To give proper effect to the municipality's draft annual budget, the council of Thabazimbi Local Municipality approves:

4.1 that cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

4.2 that the municipality be permitted to enter into long-term loans for the funding of the vehicle funding programme in respect of the 2012/13 financial year of the MTREF in terms Section 46 of the Municipal Finance Management Act.

4.3 that the Acting Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive summary

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

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low-to-high priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice-to-have' items. Key areas where savings were realised were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The municipality has embarked on implementing a range of range collection strategies to optimise the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people led government.

National treasury's MFMA Circulars No. 58 & 59 were used to guide in the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and inadequately maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within existing resource constraints given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water (due to above inflation increases from Kumba Resources and Magalies Water Board (9%) as well as Eskom (13.5%)), which is placing pressure on service tariffs to residents. Continuously high tariff increases are not sustainable – as there will be a point where services will no longer be affordable;
- The need to fill critical vacancies on the municipal organogram;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior years' capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of the services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructural backlogs;
- An upper limit of R5million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special projects
 - Consultant fees
 - Furniture and office equipment
 - Special events
 - Refreshments and entertainment
 - Ad-hoc travelling; and
 - Subsistence, travelling and conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium Term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Adjustments Budget 2011/12	Budget 2012/13	Budget Year + 1 2013/14	Budget Year +2 2014/15
	R'000	R'000	R'000	R'000
Total Operating Revenue	184,627	234,814	246,905	261,475
Total Operating Expenditure	188,791	191,606	201,497	211,130
<i>Surplus/(Deficit) for the year</i>	(4,164)	43,208	45,408	50,345
Total Capital Expenditure	56,627	69,996	87,018	97,382

Total operating revenue has grown by 27 per cent or R50million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 1 per cent in the 2012/03/12 budget and by 5.3 per cent and 4.9 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years increases to R43 million up from a deficit of R4 million and then rises by 24 per cent and 12 per cent per annum, respectively. The surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R83million for the 2012/13 financial is 24% per cent higher than 2011/12 Adjustments Budget. The increase is due various efforts to revive aging infrastructure as well as to introduce new infrastructure to afford speedy service delivery to the Thabazimbi Community. The capital programme increases to R66million in the 2013/14 financial year and then evens out in 2013/14 to R68million. A substantial portion of the capital budget will be funded from MIG over the MTREF. No borrowings are anticipated to contribute to the funding of capital expenditure in each of the MTREF years. The balance will be funded from internally generated surpluses. The municipality intends to limit its exposure to borrowing and therefore would increase the level to

any amount above the anticipated R3.5 million still be obtained as approved by Council in the 2011/12 budget. The amount referred to above is to be utilised to replace most of the worn out municipal vehicles under vehicle finance.

1.4 Operating Revenue framework

Thabazimbi Local Municipality intends to continue improving the quality of services provided to its community and therefore 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 expenditure against realistically anticipated revenues. We have tried, in the MTREF, to maximise revenue generation while limiting non-essential expenditure.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure an 82 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in the relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigents Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2012/2013 MTREF revenue (classified by main revenue source):

Table 2 Summary of revenue classified by revenue source

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expendi		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source								
Property rates	17,393	8,895	15,834	29,928	29,928	33,121	34,876	36,585
Property rates - penalties & collection charges	3,465	396	–	546	(2)	3	3	3
Service charges - electricity revenue	18,608	27,431	32,324	45,659	37,787	49,244	51,854	54,394
Service charges - water revenue	9,294	20,883	29,493	31,062	31,212	50,986	53,688	56,319
Service charges - sanitation revenue	6,462	9,210	8,358	8,919	8,919	10,182	10,722	11,247
Service charges - refuse revenue	4,651	8,698	6,488	10,220	7,881	12,556	13,222	13,870
Rental of facilities and equipment	1,682	592	499	433	450	475	500	524
Interest earned - external investments	2,801	1,488	75	804	30	31	33	35
Interest earned - outstanding debtors	4,050	5,114	3,953	4,800	4,012	2,410	2,537	2,662
Fines	166	145	509	652	674	706	744	780
Licences and permits	1,545	1,403	1,340	5,791	1,308	1,448	1,525	1,599
Agency services	286	637	2,122	350	1,454	1,609	1,694	1,777
Transfers recognised - operational	28,575	35,286	51,172	57,176	57,176	67,835	71,075	77,029
Other revenue	9,746	3,984	6,337	2,947	3,598	3,999	4,211	4,417
Gains on disposal of PPE	–	–	716	199	200	211	222	233
Total Revenue (excluding capital transfers and contributions)	108,724	124,162	159,220	199,485	184,627	234,814	246,905	261,475

Table 3 Percentage growth of revenue by main revenue source

Description R thousand	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	% change	Budget Year 2012/13	% change	Budget Year +1 2013/14	% change	Budget Year +2 2014/15	% change
Revenue By Source								
Property rates	29,928	89.02%	33,121	10.67%	34,876	5.30%	36,585	4.90%
Property rates - penalties & collection charges	(2)	0.00%	3	-205.42%	3	5.62%	3	5.39%
Service charges - electricity revenue	37,787	16.90%	49,244	30.32%	51,854	5.30%	54,394	4.90%
Service charges - water revenue	31,212	5.83%	50,986	63.36%	53,688	5.30%	56,319	4.90%
Service charges - sanitation revenue	8,919	6.71%	10,182	14.16%	10,722	5.30%	11,247	4.90%
Service charges - refuse revenue	7,881	21.47%	12,556	59.31%	13,222	5.30%	13,870	4.90%
Rental of facilities and equipment	450	-9.68%	475	5.40%	500	5.30%	524	4.90%
Interest earned - external investments	30	-60.19%	31	5.40%	33	5.30%	35	4.90%
Interest earned - outstanding debtors	4,012	1.49%	2,410	-39.94%	2,537	5.30%	2,662	4.90%
Fines	674	32.45%	706	4.72%	744	5.30%	780	4.90%
Licences and permits	1,308	-2.37%	1,448	10.67%	1,525	5.30%	1,599	4.90%
Agency services	1,454	-31.50%	1,609	10.67%	1,694	5.30%	1,777	4.90%
Transfers recognised - operational	57,176	11.73%	67,835	18.64%	71,075	4.78%	77,029	8.38%
Other revenue	3,598	-43.22%	3,999	11.13%	4,211	5.30%	4,417	4.90%
Gains on disposal of PPE	200	-72.06%	211	5.40%	222	5.30%	233	4.90%
Total Revenue (excluding capital transfers and contributions)	184,627	100.00%	234,814	100.00%	246,905	100.00%	261,475	100.00%
Total Revenue from rates and services	127,451	69.03%	166,980	71.11%	175,830	71.21%	184,445	70.54%

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 operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and services charge revenues comprise more than two thirds of the total revenue mix. In the 2011/2012 financial year, revenue from rates and services charges totalled R128 million or 69 per cent. This increases to R167million, R 176million and R185million in the respective financial years of the MTREF. The growth rate in the revenue generated from rates and services charges remains stable over the MTREF. Revenue particularly from property rates has steeply increased by 89% from 2010/11 mainly due to rezoning of mining properties that has taken place. The municipality had previously lost significant amounts of revenue due to incorrect billing of such properties for rates and taxes. The growth has since then stabilised. Water and refuse collection revenue has also seen significantly high increases, from 2011/12. The restructuring of landfill site fees to allow rising block tariff will increase forecast revenue by 59% from 2011/12 Adjusted budget. The water department plans to reduce water losses from the current levels to about 10%. The process will involve tight monitoring of the water distribution network as well as eliminating failures in water distribution equipment. More water will also be tapped from the municipal boreholes to ease water deficiencies in various parts of Thabazimbi Municipal area. Details of revenue forecasts are contained in Table 49 MBRR SA1 (see page 79)

Water is the second largest revenue source totalling 22per cent or R51million and increases to R56million by 2014/15. The third largest source is the electricity revenue which constitutes 21% and will increase to R54million by 2014/15. Other revenue contributes only 2% and consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport 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.

Operating grants and transfers totals R68million in the 2012/13 financial year and steadily increases to R77million by 2014/15. Note that the year-on-year growth for 2012/13 financial year is 19 per cent and then flattens out to 5per cent and 8 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

Table 4 Operating Transfers and Grants Receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
Operating Transfers and Grants									
National Government:	22,655	27,751	50,546	55,921	55,921	55,921	63,918	66,951	72,703
Local Government Equitable Share	21,420	26,516	48,296	53,095	53,095	53,095	60,104	64,551	70,003
Municipal Systems Improvement	735	735	750	790	790	790	800	900	950
Finance Management	500	500	1,500	1,500	1,500	1,500	1,500	1,500	1,750
EPWP Incentive	-	-	-	536	536	536	1,514	-	-
Provincial Government:	-	464	152	241	249	249	1,800	1,895	1,988
Local Government SETA	-	464	152	241	249	249	1,800	1,895	1,988
District Municipality:	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Fire Reimbursement Subsidy	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Other grant providers:	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	22,876	28,575	51,172	57,176	57,176	57,176	67,835	71,075	77,029

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.7 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Magalies Water Board 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 increases in lower consumer tariffs will erode the municipality's future financial position and viability.

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

1.4.1 Property Rates

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

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15, 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).;
- 40per cent rebate will be granted on all residential properties (including state owned residential properties)
- Additional 20% shall be granted to townships with limited services such as Leeuport.
- Privately developed estates will be granted an additional 30 %.
- Agricultural property rebate shall amount 75%, which will only apply to owners of agricultural properties used for farming purposes.
- Public service infrastructure shall be granted 75% as they provide essential services to the community.
- 100per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, an additional rebate of 20 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certificate by 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 exemptions on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The exemption referred to above will be granted after an application has been considered by the municipal valuer and approved by the PED Manager and the CFO.

Should the use or ownership or circumstances used to approve exemption from payment of assessment rates change, such exemptions will immediately lapse from date of change.

The categories of rate-able properties for the purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 9% per cent increase from 1 July 2012 is contained below:

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

Category	Current Tariff (1 July 2011)	Proposed Tariff (from 1 July 2012)
	R	R
Residential properties	0.00597	0.006314
State owned properties	0.00149	0.001578
Business & Commercial	0.00508	0.005371
Agriculture	0.00149	0.001578
Vacant land	0.00597	0.006314
Municipal rateable	0.00597	0.006314
Mining	0.00688	0.007268
Non-permitted use	0.00597	0.006314
Public benefit organisation properties	0.00597	0.006314

1.4.2 Sale of Water and Impact of Tariff Increases

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

- Water tariffs are fully cost-reflective-including the cost of maintenance and renewal of purification plants, water networks and 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 tariff are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in the future to ensure sustainability. Magalies Water has increased its bulk tariffs with 9 per cent from 1 July 2012, which increase contributes to approximately 90 per cent of the municipality's water input cost.

A tariff increase of 10 per cent from 1 July 2012 for water is proposed. This is based on input cost assumptions of 10 per cent increase in the cost of bulk water (Magalies Water), the cost of other inputs increasing by 5.7 per cent and a surplus generated on the water service of a minimum 20 per cent. In addition 6kl water per 30-day period will again be granted free of charge to all residents.

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

Table 6 proposed Water Tariffs

RESIDENTIAL	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2012/13
	Rand per kl	Rand per kl
1-10kl per month	8.07	9.35
10-30kl per month	9.88	10.87
30-51kl per month	11.63	12.29
51-80kl per month	13.18	14.50
80kl and above per month	16.75	18.43
NON-RESIDENTIAL		
Purified water to trade and industry	9.141	10.06
Schools and hostels	8.07	9.35
Government departments	8.07	9.35

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 only)

Monthly Consumption kl	Current amount Payable R	Propose Amount Payable R	Difference R	Percentage Change
20	206.33	226.85	20.52	10%
30	309.49	340.27	30.78	10%
40	412.65	453.69	41.04	10%
50	515.82	567.11	51.30	10%
80	825.31	907.38	82.07	10%

The tariff structure of the 2011/12 financial year has not yet been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R18.43 per kilolitre for consumption in excess of 80 kl per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increase

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will still be granted 50kWh 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)

Monthly Consumption kWh	Current amount Payable R	Proposed amount Payable R	Difference (increases) R	Percentage change
50	47.23	53.45	6.22	11.03%
350	330.63	374.15	43.52	11.03%
600	566.79	641.40	74.61	11.03%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the municipality already. Until the discussions are concluded, the municipality will maintain the current stepped structure of its electricity.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most 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.

The approved budget for the Electricity Division 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 R4.7million per year for five years will be necessary to steer the municipality out of this predicament.

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. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 10 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 93 per cent of waste water treatment input costs, therefore the higher than CPI increase of 10 per cent 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 per cent of 6 kl water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R10million for the 2012/13 financial year.

At the moment only a basic charge is levied per erf for sanitation services rendered by the municipality. Details of the charges are given in Schedule 2 of Annexure A of this document. Plans are, however, in place to ensure sanitation revenue is based on monthly usage.

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can run in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, an investigation into the tariff structure of solid waste function has been undertaken. The result was that the municipal rates for dumping at landfill sites have been significantly low and vague. The structure shall therefore be restructured to align with other municipalities of a similar size. The revenue impact can be seen in the form of a 21% rise in refuse removal revenue from 2010/11 financial year. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5.7 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 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 5.7 Per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debts.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 9 Comparison between current waste removal fees and increases

Detail	Tariff 1 July 2011	Tariff 1 July 2012
Removal of domestic refuse, once per week per dwelling or availability levy	R62.93	R66.27
Removal of domestic refuse or availability levy-Rooiberg, Northam	R49.98	R52.63
Removal of domestic refuse liable from water connection date for depositing on an arranged point	R24.06	R25.34
Removal of domestic refuse once per week per dwelling at informal settlements	R24.06	R25.34
Sport clubs once per month or part thereof	R62.93	R66.27
Private users i.e. Guest farms etc) per dumping	R43.73	R46.05
Removal of refuse from business, public hospitals, schools, hostels, etc	R159.96	R168.44

1.4.6 Overall impact of tariff increases on households

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 4.9 and 11.03 Per cent, with the increase for indigent households closer to 11.7 per cent.

Table 10 MBRR table SA14- Household bills

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13 % incr.	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent							
Monthly Account for Household - 'Middle Income Range'							
Rates and services charges:							
Property rates	348.25	348.25	348.25	5.8%	368.32	387.84	406.84
Electricity: Basic levy	24.29	24.29	24.29	11.0%	26.97	28.40	29.79
Electricity: Consumption	895.05	895.05	895.05	12.7%	1,009.00	1,062.48	1,114.54
Water: Basic levy	19.45	19.45	19.45	10.0%	21.40	22.53	23.64
Water: Consumption	278.30	278.30	278.30	11.7%	310.90	327.38	343.42
Sanitation	104.33	104.33	104.33	5.3%	109.86	115.68	121.35
Refuse removal	251.72	251.72	251.72	5.3%	265.08	279.13	292.81
sub-total	1,921.39	1,921.39	1,921.39		2,111.53	2,223.44	2,332.39
VAT on Services	220.24	220.24	220.24	0.08	244.05	256.98	269.58
Total large household bill:	2,141.63	2,141.63	2,141.63		2,355.58	2,480.42	2,601.96
% increase/-decrease	-	-	-		10.0%	5.3%	4.9%
Monthly Account for Household - 'Affordable Range'							
Rates and services charges:							
Property rates	248.75	248.75	248.75	5.8%	263.08	277.03	290.60
Electricity: Basic levy	24.29	24.29	24.29	11.0%	26.97	28.40	29.79
Electricity: Consumption	476.55	476.55	476.55	13.3%	540.00	568.62	596.48
Water: Basic levy	19.45	19.45	19.45	10.0%	21.40	22.53	23.64
Water: Consumption	130.10	130.10	130.10	13.6%	147.85	155.69	163.31
Sanitation	104.33	104.33	104.33	5.3%	109.86	115.68	121.35
Refuse removal	251.72	251.72	251.72	5.3%	265.08	279.13	292.81
sub-total	1,255.19	1,255.19	1,255.19		1,374.24	1,447.08	1,517.99
VAT on Services	140.90	140.90	140.90	-	155.56	163.81	171.83
Total small household bill:	1,396.09	1,396.09	1,396.09		1,529.81	1,610.89	1,689.82
% increase/-decrease	-	-	-		9.6%	5.3%	4.9%
Monthly Account for Household - 'Indigent' Household receiving free basic services							
Rates and services charges:							
Property rates	-	-	-	-	-	-	-
Electricity: Basic levy	24.29	24.29	24.29	11.0%	26.97	28.40	29.79
Electricity: Consumption	353.55	353.55	353.55	11.0%	392.55	413.35	433.61
Water: Basic levy	19.45	19.45	19.45	10.0%	21.40	22.53	23.64
Water: Consumption	120.22	120.22	120.22	13.9%	136.98	144.24	151.31
Sanitation	-	-	-	-	-	-	-
Refuse removal	-	-	-	-	-	-	-
sub-total	517.51	517.51	517.51		577.90	608.53	638.34
VAT on Services	72.45	72.45	72.45	-	80.91	85.19	89.37
Total small household bill:	589.96	589.96	589.96		658.80	693.72	727.71
% increase/-decrease	-	-	-		11.7%	5.3%	4.9%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The assets renewal strategy and 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 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 service; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure)

Table 11 Summary of operating expenditure by standard classification item

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expendi		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand								
Expenditure By Type								
Employee related costs	41,507	48,106	60,664	68,106	71,746	74,808	78,773	82,633
Remuneration of councillors	4,645	5,757	6,074	4,800	6,861	5,505	5,797	6,081
Debt impairment	–	4,508	12,914	–	–	–	–	–
Depreciation & asset impairment	–	–	–	2,638	2,638	2,640	2,640	2,640
Finance charges	2,187	2,022	2,025	960	939	889	811	740
Bulk purchases	23,420	30,225	42,974	43,187	43,964	45,458	47,867	50,212
Contracted services	1,357	7,049	18,158	7,495	9,893	10,315	10,862	11,394
Other expenditure	25,269	54,484	42,363	50,947	52,751	51,991	54,746	57,429
Loss on disposal of PPE								
Total Expenditure	98,385	152,151	185,172	178,133	188,791	191,606	201,497	211,130

The budget allocation for employee related costs for the 2012/13 financial year totals R75million, which equals 39 per cent of the total operating expenditure. Three year collective SALGBC agreement has expired and therefore salary increases have been determined by guidelines contained in National Treasury Circulars 58 & 59. An annual increase of 5% per cent has been applied in the 2012/13 financial year while CPI indices of 5.7% and 4.9% were included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalised downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was a saving of R2.9million.

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 82 per cent and the Debt Write-off Policy of the municipality. For the 2012/13 financial year this amount equates to R72million and remains constant as we believe the current amount is sufficient. There might actually be need to review the provision downwards as payment forecasts by consumers look bright. 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 R2.6million for the 2012/13 financial and equates to 1.4 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. The process however is still unfolding with the valuation of most infrastructural assets still to be completed in the current year. This has, to some extent, limited our scope in computing the full depreciation cost.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.5 per cent (R0.9million) of operating expenditure excluding annual redemption for 2012/13 and decreases to R 0.7million, by 17% 2014/15. As previously noted, the municipality intends to the old municipal vehicle fleet by means of obtaining vehicle finance for an amount of R3.5 million. This process is still to unfold and will be finalised by the end of the current financial year.

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

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 2012/13 the appropriation against this group of expenditure has grown by 16 per cent (R2.6million) and continues to grow at 5.7 and 4.9 per cent for the outer years of which budget allocation is in excess of R20million by 2013/14.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2011/12 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2011/12 financial year, this group of expenditure totals R10million and has escalated by just 4 per cent, clearly demonstrating the application of cost efficiencies. The municipality is currently considering ways of avoiding the use of consultants by capacitating internal personnel in areas such as meter reading, debt collection as well as project management. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 49 MBRR SA1 (see page 79).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.7per cent for 2011/12 and curbed at 5.3 per cent and 4.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 49 SA1 (see page 79).

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

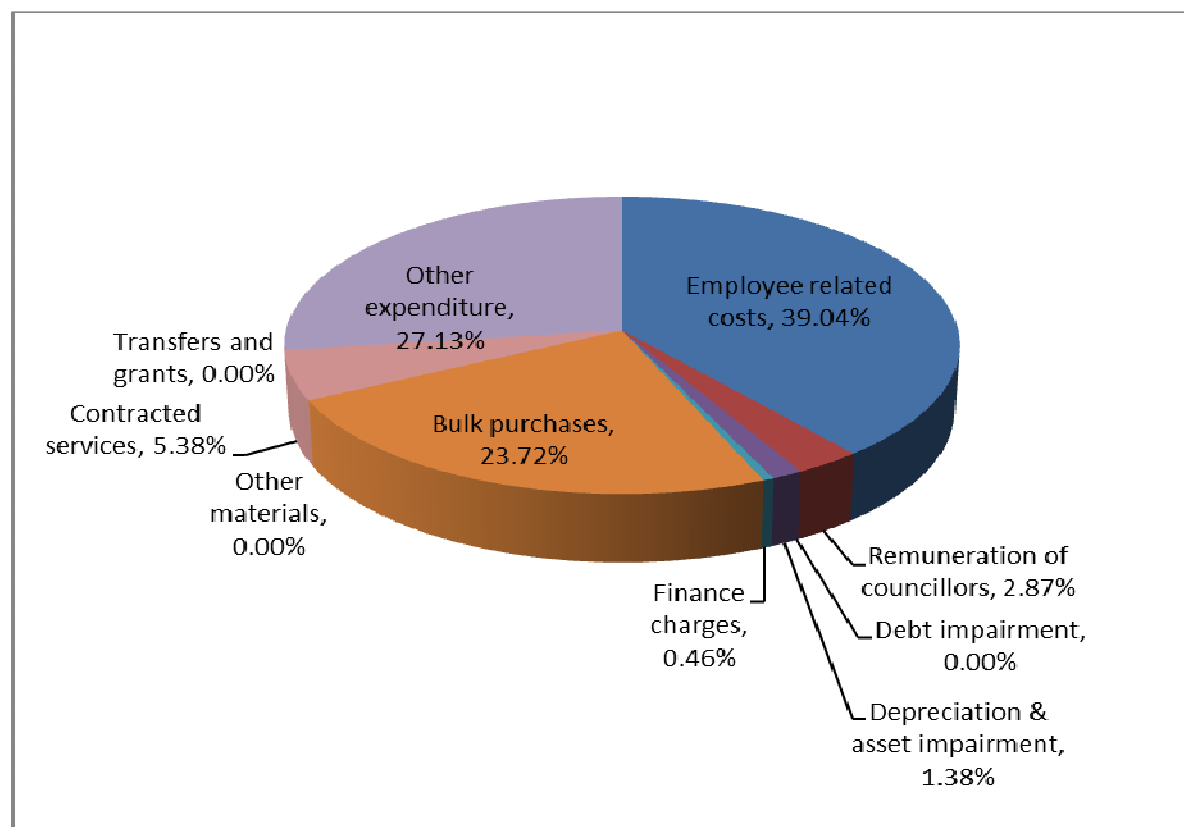


Figure 1 Main operational expenditure categories for the 2012/13 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of material and contracted services.

During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 36per cent in the 2012/13 financial year, from R14million to R19million. During the 2011/12 Adjustment Budget this allocation was adjusted slightly downwards by 15% owing to the cash flow challenges faced by the municipality. Notwithstanding this reduction, as part of the 2011/12 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2012/13 equates to R19million, a growth of 36per cent in relation to the Adjustment Budget and continues to grow at 5.3 and 4.9per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 9 per cent and 10per cent for each of the outer years of the MTREF.

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

Table 12 Repairs and maintenance per asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	-	-	26,100	14,794	12,002	12,002	17,505	18,486	19,484
Infrastructure - Road transport	-	-	13,422	7,608	1,838	1,838	8,010	8,459	8,916
Storm water	-	-	13,422	7,608	1,838	1,838	8,010	8,459	8,916
Infrastructure - Electricity	-	-	2,333	1,323	6,421	6,421	1,454	1,535	1,618
Street Lighting	-	-	2,333	1,323	6,421	6,421	1,454	1,535	1,618
Infrastructure - Water	-	-	6,754	3,828	2,843	2,843	4,369	4,613	4,863
Reticulation	-	-	6,754	3,828	2,843	2,843	4,369	4,613	4,863
Infrastructure - Sanitation	-	-	3,591	2,035	900	900	3,673	3,879	4,088
Sewerage purification	-	-	3,591	2,035	900	900	3,673	3,879	4,088
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Community	542	1,623	-	-	653	653	1,065	1,124	1,185
Parks & gardens	-	-	-	-	-	-	-	-	-
Sportsfields & stadia	542	1,623	-	-	653	653	713	753	794
Swimming pools	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	1	1	1
Recreational facilities	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	10	10	11
Buses	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-
Museums & Art Galleries	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	341	360	379
Social rental housing	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	5,089	9,766	2,071	1,174	980	980	11	11	12
General vehicles	4,439	7,814	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	108	326	1,332	755	196	196	-	-	-
Computers - hardware/equipment	-	-	-	-	131	131	-	-	-
Furniture and other office equipment	541	1,626	208	118	653	653	11	11	12
Other	-	-	531	301	-	-	-	-	-
Agricultural assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681

For the 2012/13 financial year, 94per cent or R17.5million of total repairs and maintenance will spent on infrastructure assets. Storm water infrastructure has received a significant proportion of this allocation totalling 46per cent (R8million), followed by water infrastructure at 25per cent (R4million), waste water infrastructure at 21per cent (R3.7million) and electricity infrastructure at 8per cent (R1.5million). Community assets have been allocated R1million of total repairs and maintenance equating to 6per cent.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigents Policy. The target is to register 1543 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurements) on page 38.

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

1.6 Capital expenditure

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

Table 13 2012/13 Medium-term capital budget per vote

Vote Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - Political Office Bearers	-	-	-	-	-	-	-	11	11
Vote 2 - Municipal Manager's office	-	-	-	-	-	-	-	369	387
Vote 4 - Corporate services	-	-	-	-	-	-	3,770	5,707	5,987
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	193	203	213
Vote 6 - Community and Social Services	-	-	-	-	-	-	4,430	9,319	9,776
Vote 7 - Technical Services	-	-	-	-	-	-	61,603	71,409	74,908
Capital multi-year expenditure sub-total	-	-	-	-	-	-	69,996	87,018	91,281
Single-year expenditure to be appropriated									
Vote 1 - Political Office Bearers	-	-	231	-	-	-	-	-	-
Vote 2 - Municipal Manager's office	92	81	-	6	6	6	-	-	-
Vote 3 - Budget and Treasury	-	-	-	300	370	370	-	-	-
Vote 4 - Corporate services	790	706	789	5,725	5,325	5,325	-	-	-
Vote 5 - Planning and Economic Development	58	-	-	210	210	210	-	-	-
Vote 6 - Community and Social Services	7,554	232	122	7,232	332	332	-	-	-
Vote 7 - Technical Services	17,438	23,812	32,690	44,500	50,384	50,384	-	-	-
Capital single-year expenditure sub-total	25,932	24,831	33,832	57,973	56,627	56,627	-	-	-
Total Capital Expenditure - Vote	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Capital Expenditure - Standard									
Governance and administration	882	787	1,020	6,031	5,701	5,701	3,770	6,086	6,385
Executive and council	92	81	231	6	6	6	-	379	398
Budget and treasury office	-	-	-	300	370	370	-	-	-
Corporate services	790	706	789	5,725	5,325	5,325	3,770	5,707	5,987
Community and public safety	7,554	232	-	5,126	326	326	1,780	4,949	5,192
Community and social services	7,028	232	-	4,560	60	60	1,000	3,159	3,314
Public safety	526	-	-	566	266	266	780	1,790	1,878
Economic and environmental services	12,246	23,690	16,987	210	20,812	20,812	2,493	3,889	4,079
Planning and development	58	-	-	210	210	210	193	203	213
Road transport	12,188	23,690	16,987	-	20,602	20,602	2,300	3,686	3,866
Trading services	4,141	-	15,825	46,606	29,788	29,788	61,953	72,093	75,626
Electricity	1,763	-	7,906	4,800	3,746	3,746	4,700	7,266	7,622
Water	1,494	-	7,797	5,750	5,750	5,750	2,811	6,841	7,176
Waste water management	884	-	-	33,950	20,286	20,286	51,792	53,617	56,244
Waste management	-	-	122	2,106	6	6	2,650	4,370	4,584
Other	1,109	123	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	25,932	24,832	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Funded by:									
National Government	20,464	24,483	28,925	36,350	36,350	36,350	40,045	42,243	44,685
Other transfers and grants	2,650	-	-	-	-	-	-	-	-
Transfers recognised - capital	23,114	24,483	28,925	36,350	36,350	36,350	40,045	42,243	44,685
Borrowing	-	-	-	3,950	3,950	3,950	-	-	-
Internally generated funds	2,818	348	4,906	17,673	16,327	16,327	29,951	44,775	46,596
Total Capital Funding	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281

For 2012/13 an amount of R62million has been appropriated for the development of infrastructure which represents 89per cent of the total capital budget. In the outer years this amount totals R65million, 88per cent and R69million respectively for each of the financial years. Waste water management services receives the highest allocation of R51million in 2012/13 which equates to 84per cent followed by electricity infrastructure at 8per cent, R4.7million and then water at 5per cent, R2.8million.

Total new assets represent 54per cent or R33million of the total capital budget while asset renewal equates to 46per cent or R36million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 23 MBRR A9 (Asset Management) on page 37. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset

renewal as well as operational repairs and maintenance by asset class (refer to page 75). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Thabazimbi & Rooiberg upgrading of Waste water treatment works- R20.5million
- Northam construction new waste water treatment works- R29million
- Raphuti construction of new water and sewer reticulation works- R1.7million
- New residential water meters- R0.8million
- New sewer network equipment- R0.2million
- Northam & Thabazimbi water network and boreholes- R2.4million
- Upgrading of Thabazimbi electrical substation –R1.5million
- Smart metering in Thabazimbi- R1.4million
- Upgrading of electrical load management system- R1.8million
- Feasibility studies for new Landfill site and Cemeteries-R1.0million
- Landfill site equipment-R2.6million
- Traffic patrol vehicles-R0.7million
- IT Equipment-R2.2million
- Subdivision of buildings-R1.5million

Furthermore, page Table 48 contains a detail breakdown of the capital budget per project over the medium-term.

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

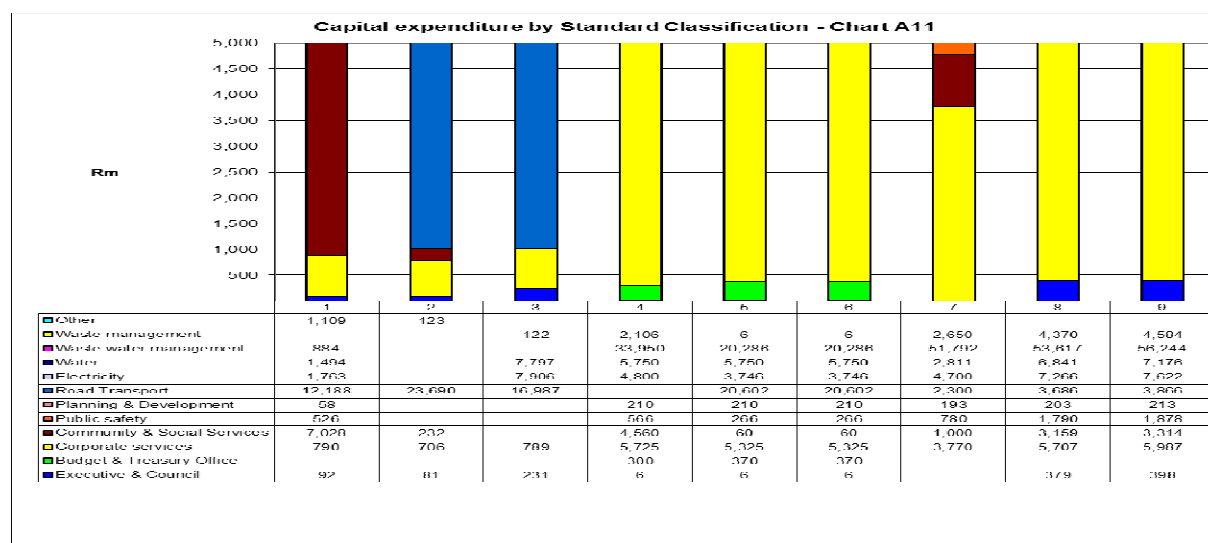


Figure 2 Capital Infrastructure Programme

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by council. Each table is accompanied by explanatory notes on the facing page.

Table 14 MBRR Table A1- Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance									
Property rates	20,858	9,291	15,834	30,474	29,926	29,926	33,123	34,879	36,588
Service charges	39,015	66,222	76,664	95,860	85,798	85,798	122,968	129,486	135,830
Investment revenue	2,801	1,488	75	804	30	30	31	33	35
Transfers recognised - operational	28,575	35,286	51,172	57,176	57,176	57,176	67,835	71,075	77,029
Other own revenue	17,475	11,875	15,475	15,172	11,697	11,697	10,857	11,432	11,992
Total Revenue (excluding capital transfers and contributions)	108,724	124,162	159,220	199,485	184,627	184,627	234,814	246,905	261,475
Employee costs	41,507	48,106	60,664	68,106	71,746	71,746	74,808	78,773	82,633
Remuneration of councillors	4,645	5,757	6,074	4,800	6,861	6,861	5,505	5,797	6,081
Depreciation & asset impairment	-	-	12,914	2,638	2,638	2,638	2,640	2,640	2,640
Finance charges	2,187	2,022	2,025	960	939	939	889	811	740
Materials and bulk purchases	23,420	30,225	42,974	43,187	43,964	43,964	45,458	47,867	50,212
Other expenditure	26,626	66,041	60,521	58,442	62,644	62,644	62,306	65,608	68,823
Total Expenditure	98,385	152,151	185,172	178,133	188,791	188,791	191,606	201,497	211,130
Surplus/(Deficit)	10,339	(27,989)	(25,952)	21,352	(4,164)	(4,164)	43,208	45,408	50,345
Transfers recognised - capital	-	25,843	31,409	36,350	36,350	36,350	42,153	44,466	47,037
Surplus/(Deficit) for the year	10,339	(2,146)	5,456	57,702	32,186	32,186	85,361	89,874	97,382
Capital expenditure & funds sources									
Capital expenditure	25,932	24,832	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Transfers recognised - capital	15,448	20,691	33,832	36,350	36,350	36,350	40,045	42,243	44,685
Borrowing	-	-	-	3,950	3,950	3,950	-	-	-
Internally generated funds	10,484	4,140	-	17,673	16,327	16,327	29,951	44,775	46,596
Total sources of capital funds	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Financial position									
Total current assets	70,621	32,501	29,750	30,344	22,666	22,666	41,088	49,675	55,741
Total non current assets	12,782	55,780	82,800	102,115	132,831	132,831	200,189	222,020	308,987
Total current liabilities	26,746	57,819	73,945	51,118	93,750	93,750	79,716	106,958	116,373
Total non current liabilities	8,408	24,249	29,004	13,824	17,894	17,894	32,345	32,735	33,243
Community wealth/Equity	48,249	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111
Cash flows									
Net cash from (used) operating	4,470	24,061	39,853	56,138	37,004	37,004	81,833	85,207	89,207
Net cash from (used) investing	(15,990)	(18,075)	(27,123)	(53,823)	(36,150)	(36,150)	(79,847)	(84,132)	(88,302)
Net cash from (used) financing	(8,279)	(7,468)	(756)	(977)	(1,298)	(1,298)	(1,008)	(955)	(905)
Cash/cash equivalents at the year end	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112
Cash backing/surplus reconciliation									
Cash and investments available	14,860	(4,602)	7,532	2,208	4,014	4,014	4,992	5,113	5,113
Application of cash and investments	(20,785)	12,887	38,610	27,508	50,641	50,641	6,032	39,406	35,360
Balance - surplus (shortfall)	35,645	(17,489)	(31,078)	(25,300)	(46,627)	(46,627)	(1,040)	(34,294)	(30,248)
Asset management									
Asset register summary (WDV)	8,408	55,780	82,800	102,115	132,831	132,831	200,189	222,020	308,987
Depreciation & asset impairment	-	-	12,914	2,638	2,638	2,638	2,640	2,640	2,640
Renewal of Existing Assets	-	-	-	-	-	-	32,682	40,611	42,601
Repairs and Maintenance	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681
Free services									
Cost of Free Basic Services provided	7,232	7,734	8,252	9,424	9,424	9,424	9,961	10,489	11,003
Revenue cost of free services provided	-	-	-	24,247	24,247	24,247	25,629	26,988	28,310
Households below minimum service level									
Water:	8	8	8	8	8	8	8	8	8
Sanitation/sewage:	8	8	8	8	8	8	8	8	8
Energy:	1	1	1	1	1	1	1	1	1
Refuse:	12	12	12	12	12	12	12	12	12

Explanatory notes to MBRR Table A1-Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspective (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 MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognised is reflected on the Financial Performance Budget;
 - II. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - III. Internally generated funds 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 deliberately 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 2013/14, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of service to the poor. The section of Free Service shows that the amount spent on Free Basic Service 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 2013/14 the water backlog will have been very nearly eliminated.

Table 15 MBRR Table A2- Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Revenue - Standard									
Municipal governance and administration	54,104	52,977	76,309	92,390	91,613	91,613	101,352	107,690	113,991
Executive and council	44,597	43,292	66,380	85,312	85,313	85,313	95,047	101,349	107,308
Mayor and Council	44,597	43,292	66,380	85,312	85,313	85,313	95,047	101,349	107,308
Budget and treasury office	8,917	7,934	8,593	6,225	5,447	5,447	3,868	4,084	4,305
Corporate services	590	1,751	1,336	853	853	853	2,437	2,257	2,378
Human Resources	-	602	152	249	249	249	1,800	1,584	1,670
Legal services	590	528	464	401	401	401	422	446	470
Other Admin	-	621	719	203	204	204	215	227	239
Community and public safety	2,101	3,051	5,392	8,413	5,018	5,018	6,537	6,693	7,055
Community and social services	190	282	242	264	294	294	306	114	120
Community and development	30	75	54	68	98	98	48	114	120
Cemeteries & Crematoriums	160	207	188	196	196	196	258	271	285
Parks, Sport and recreation	-	-	0	-	-	-	1	1	1
Public safety	1,896	2,769	5,149	8,149	4,723	4,723	6,230	6,579	6,934
Police and licencing	1,713	2,459	4,675	7,128	3,702	3,702	4,097	4,327	4,560
Fire fighting	183	310	474	1,021	1,021	1,021	2,133	2,252	2,374
Economic and environmental services	-	-	265	482	868	868	1,495	1,473	1,615
Planning and development	-	426	265	482	808	808	1,495	1,405	1,615
Economic Development/Planning	-	426	-	-	-	-	-	-	-
Town planning	-	426	265	422	808	808	1,432	1,405	1,544
Game reserve	-	-	-	60	60	60	64	67	71
Trading services	46,128	66,551	82,242	98,839	88,176	88,176	123,900	131,038	138,803
Electricity	20,958	28,891	37,731	48,341	39,973	39,973	49,928	52,744	55,628
	20,958	28,891	37,731	48,341	39,973	39,973	49,928	52,744	55,628
Water	15,187	20,944	29,569	31,285	31,343	31,343	51,171	54,099	57,130
Water Storage	15,187	20,944	29,569	31,285	31,343	31,343	51,171	54,099	57,130
Waste water management	5,462	9,210	8,358	8,919	8,919	8,919	10,182	10,753	11,333
Sewerage	5,462	9,210	8,358	8,919	8,919	8,919	10,182	10,753	11,333
Waste management	4,521	7,506	6,584	10,294	7,941	7,941	12,619	13,442	14,712
Solid Waste	4,521	7,506	6,584	10,294	7,941	7,941	12,619	13,442	14,712
Other	6,391	27,000	26,421	35,711	35,301	35,301	43,684	44,477	47,048
Capital transfers	6,391	27,000	26,421	35,711	35,301	35,301	43,684	44,477	47,048
Total Revenue - Standard	108,724	150,005	190,629	235,835	220,977	220,977	276,967	291,371	308,512
Expenditure - Standard									
Municipal governance and administration	21,054	27,535	60,679	58,109	65,125	65,365	59,938	62,850	59,877
Executive and council	18,692	22,664	16,043	17,742	22,640	22,640	18,502	19,483	20,437
Mayor and Council	2,362	4,871	9,122	17,742	22,640	22,640	13,308	14,014	14,700
Executive and council	-	-	2,246	-	-	-	1,867	1,966	2,062
Internal audit	-	-	1,335	-	-	-	1,496	1,576	1,653
Public relations	-	-	3,340	-	-	-	1,831	1,928	2,022
Budget and treasury office	4,355	33,797	24,537	20,263	22,745	22,745	19,665	20,443	15,391
Corporate services	5,047	6,913	20,099	20,104	19,740	19,980	21,771	22,925	24,048
Human Resources	-	1,227	1,794	5,002	5,064	5,064	6,044	6,365	6,677
#REF!	-	1,745	-	-	2,851	-	-	-	-
Administration and council	439	864	2,292	3,085	2,851	2,851	3,182	3,351	3,515
Legal services	4,608	3,077	865	2,759	3,623	3,623	5,279	5,559	5,831
Office of the Corporate manager	11,628	12,190	15,148	9,258	8,442	8,442	7,265	7,650	8,025
Community and public safety	11,628	12,190	16,724	16,912	17,614	17,614	18,724	19,716	26,495
Community and social services	7,096	6,741	3,667	8,158	4,037	4,037	8,647	9,105	10,279
Community and development	365	1,936	2,012	2,550	2,433	2,433	2,566	2,703	2,835
Cemeteries & Crematoriums	451	736	661	610	659	659	693	729	765
Office of the manager	2,410	1,007	994	646	945	945	784	825	866
Parks, Sport and recreation	3,870	3,062	4,897	4,352	4,413	4,413	4,604	4,848	5,086
Public safety	4,532	5,449	8,160	8,754	9,164	9,164	10,077	10,611	11,131
Police and licencing	4,482	5,087	7,536	7,307	7,746	7,746	8,273	8,712	9,139
Fire fighting	50	362	624	1,447	1,419	1,419	1,803	1,899	1,992
Economic and environmental services	21,044	23,670	29,497	34,861	35,059	35,059	38,129	40,149	42,117
Planning and development	3,787	3,890	3,911	6,072	5,641	5,641	6,392	6,731	7,061
Office of the manager	-	1,831	1,288	844	1,009	1,009	876	922	967
Town planning	27	1,157	1,618	3,086	3,062	3,062	3,394	3,574	3,749
Local Economic Development	3,760	756	754	1,513	1,037	1,037	1,389	1,463	1,535
Game reserve	-	146	252	629	533	533	734	773	810
Road transport	17,257	19,780	25,586	28,789	29,418	29,418	31,736	33,418	35,056
Roads	-	13,424	22,281	26,556	26,915	26,915	29,354	30,910	32,425
Mechanical workshop	1,071	3,491	658	730	748	748	874	920	965
Office of the manager	-	-	2,647	1,503	1,754	1,754	1,508	1,588	1,666
Other	16,186	2,865	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Pollution Control	10,503	15,991	-	-	-	-	-	-	-
Biodiversity & Landscape	10,503	15,991	-	-	-	-	-	-	-
Trading services	35,257	48,046	78,273	68,251	70,992	70,992	74,816	78,781	82,641
Electricity	2,499	2,719	37,981	34,624	36,960	36,960	26,917	28,344	29,733
Electricity Distribution	18,858	26,257	37,981	34,624	36,960	36,960	26,917	28,344	29,733
Water	3,397	3,079	18,731	21,451	20,556	20,556	32,544	34,269	35,948
Water Distribution	10,503	15,991	18,731	21,451	20,556	20,556	32,544	34,269	35,948
Waste water management	-	-	4,635	3,833	4,405	4,405	5,657	5,957	6,249
Sewerage	2,499	2,719	4,635	3,833	4,405	4,405	5,657	5,957	6,249
Waste management	-	-	16,925	8,343	9,071	9,071	9,697	10,211	10,711
Solid Waste	3,397	3,079	16,925	8,343	9,071	9,071	9,697	10,211	10,711
Other	10,339	(2,146)	-	-	-	-	-	-	-
Total Expenditure - Standard	98,385	152,151	185,172	178,133	188,791	188,791	191,606	201,497	211,130
Surplus/(Deficit) for the year	10,339	(2,146)	5,456	57,702	32,186	32,186	85,361	89,874	97,382

Explanatory notes to MBRR A2- Budget Financial Performance (revenue and expenditure by standard 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 on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 16 MBRR Table A3- Budget Financial Performance (revenue and expenditure by municipal vote)

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source								
Property rates	17,393	8,895	15,834	29,928	29,928	33,121	34,876	36,585
Property rates - penalties & collection charges	3,465	396	—	546	(2)	3	3	3
Service charges - electricity revenue	18,608	27,431	32,324	45,659	37,787	49,244	51,854	54,394
Service charges - water revenue	9,294	20,883	29,493	31,062	31,212	50,986	53,688	56,319
Service charges - sanitation revenue	6,462	9,210	8,358	8,919	8,919	10,182	10,722	11,247
Service charges - refuse revenue	4,651	8,698	6,488	10,220	7,881	12,556	13,222	13,870
Rental of facilities and equipment	1,682	592	499	433	450	475	500	524
Interest earned - external investments	2,801	1,488	75	804	30	31	33	35
Interest earned - outstanding debtors	4,050	5,114	3,953	4,800	4,012	2,410	2,537	2,662
Fines	166	145	509	652	674	706	744	780
Licences and permits	1,545	1,403	1,340	5,791	1,308	1,448	1,525	1,599
Agency services	286	637	2,122	350	1,454	1,609	1,694	1,777
Transfers recognised - operational	28,575	35,286	51,172	57,176	57,176	67,835	71,075	77,029
Other revenue	9,746	3,984	6,337	2,947	3,598	3,999	4,211	4,417
Gains on disposal of PPE	—	—	716	199	200	211	222	233
Total Revenue (excluding capital transfers and contributions)	108,724	124,162	159,220	199,485	184,627	234,814	246,905	261,475
Expenditure By Type								
Employee related costs	41,507	48,106	60,664	68,106	71,746	74,808	78,773	82,633
Remuneration of councillors	4,645	5,757	6,074	4,800	6,861	5,505	5,797	6,081
Debt impairment	—	4,508	12,914	—	—	—	—	—
Depreciation & asset impairment	—	—	—	2,638	2,638	2,640	2,640	2,640
Finance charges	2,187	2,022	2,025	960	939	889	811	740
Bulk purchases	23,420	30,225	42,974	43,187	43,964	45,458	47,867	50,212
Contracted services	1,357	7,049	18,158	7,495	9,893	10,315	10,862	11,394
Other expenditure	25,269	54,484	42,363	50,947	52,751	51,991	54,746	57,429
Total Expenditure	98,385	152,151	185,172	178,133	188,791	191,606	201,497	211,130
Surplus/(Deficit)	10,339	(27,989)	(25,952)	21,352	(4,164)	43,208	45,408	50,345
Transfers recognised - capital		25,843	31,409	36,350	36,350	42,153	44,466	47,037
Surplus/(Deficit) for the year	10,339	(2,146)	5,456	57,702	32,186	85,361	89,874	97,382

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

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

Table 17 Surplus/ (Deficit) calculations for the trading services

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Electricity									
Revenue including capital grants	20,958	28,891	37,731	48,341	39,973	39,973	49,928	52,744	55,628
Operating expenses	2,499	2,719	37,981	34,624	36,960	36,960	26,917	28,344	29,733
Surplus/(Deficit) for the year	18,459	26,172	(250)	13,717	—	3,013	23,011	24,400	25,895
Percentage surplus	88.08%	90.59%	-0.66%	28.38%	0.00%	7.54%	46.09%	46.26%	46.55%
Water									
Revenue including capital grants	15,187	20,944	29,569	31,285	31,343	31,343	51,171	54,099	57,130
Operating expenses	10,503	15,991	18,731	21,451	20,556	20,556	32,544	34,269	35,948
Surplus/(Deficit) for the year	4,684	4,953	10,838	9,834	10,787	10,787	18,627	19,830	21,182
Percentage surplus	30.84%	23.65%	36.65%	31.43%	34.42%	34.42%	36.40%	36.66%	37.08%
Waste water management									
Revenue including capital grants	5,462	9,210	8,358	8,919	8,919	8,919	10,182	10,753	11,333
Operating expenses	2,499	2,719	4,635	3,833	4,405	4,405	5,657	5,957	6,249
Surplus/(Deficit) for the year	2,963	6,491	3,723	5,086	4,514	4,514	4,525	4,796	5,084
Percentage surplus	54.25%	70.48%	44.54%	57.02%	50.61%	50.61%	44.44%	44.60%	44.86%
Waste management									
Revenue including capital grants	4,521	7,506	6,584	10,294	7,941	7,941	12,619	13,442	14,712
Operating expenses	3,397	3,079	16,925	8,343	9,071	9,071	9,697	10,211	10,711
Surplus/(Deficit) for the year	1,124	4,427	(10,342)	1,951	(1,130)	(1,130)	2,922	3,231	4,000
Percentage surplus	24.85%	58.98%	-157.08%	18.95%	-14.23%	-14.23%	23.15%	24.04%	27.19%

2. The electricity trading surplus is recovering slowly in the current year from a deficit of 0.66% to a small surplus of 7.4%. The surplus is expected to be steady at around 46% during the MTREF. The expected rise in surplus is mainly attributable to a shift of funds from repairs and maintenance towards developing new infrastructure in the department. It emanates from plans to reduce losses from the current 35% to a minimal level.
3. The surplus on the water account remains relatively constant over the MTREF translating into a surplus of around 36% over the MTREF.
4. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for assets renewal, refurbishment and the development of new asset infrastructure, and are not used to cross-subsidise other municipal services.

Table 18 MBRR A4- Budgeted Financial Performance (revenue and expenditure)

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expendi		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand								
Revenue By Source								
Property rates	17,393	8,895	15,834	29,928	29,928	33,121	34,876	36,585
Property rates - penalties & collection charges	3,465	396	–	546	(2)	3	3	3
Service charges - electricity revenue	18,608	27,431	32,324	45,659	37,787	49,244	51,854	54,394
Service charges - water revenue	9,294	20,883	29,493	31,062	31,212	50,986	53,688	56,319
Service charges - sanitation revenue	6,462	9,210	8,358	8,919	8,919	10,182	10,722	11,247
Service charges - refuse revenue	4,651	8,698	6,488	10,220	7,881	12,556	13,222	13,870
Rental of facilities and equipment	1,682	592	499	433	450	475	500	524
Interest earned - external investments	2,801	1,488	75	804	30	31	33	35
Interest earned - outstanding debtors	4,050	5,114	3,953	4,800	4,012	2,410	2,537	2,662
Fines	166	145	509	652	674	706	744	780
Licences and permits	1,545	1,403	1,340	5,791	1,308	1,448	1,525	1,599
Agency services	286	637	2,122	350	1,454	1,609	1,694	1,777
Transfers recognised - operational	28,575	35,286	51,172	57,176	57,176	67,835	71,075	77,029
Other revenue	9,746	3,984	6,337	2,947	3,598	3,999	4,211	4,417
Gains on disposal of PPE	–	–	716	199	200	211	222	233
Total Revenue (excluding capital transfers and contributions)	108,724	124,162	159,220	199,485	184,627	234,814	246,905	261,475
Expenditure By Type								
Employee related costs	41,507	48,106	60,664	68,106	71,746	74,808	78,773	82,633
Remuneration of councillors	4,645	5,757	6,074	4,800	6,861	5,505	5,797	6,081
Debt impairment	–	4,508	12,914	–	–	–	–	–
Depreciation & asset impairment	–	–	–	2,638	2,638	2,640	2,640	2,640
Finance charges	2,187	2,022	2,025	960	939	889	811	740
Bulk purchases	23,420	30,225	42,974	43,187	43,964	45,458	47,867	50,212
Contracted services	1,357	7,049	18,158	7,495	9,893	10,315	10,862	11,394
Other expenditure	25,269	54,484	42,363	50,947	52,751	51,991	54,746	57,429
Total Expenditure	98,385	152,151	185,172	178,133	188,791	191,606	201,497	211,130
Surplus/(Deficit)	10,339	(27,989)	(25,952)	21,352	(4,164)	43,208	45,408	50,345
Transfers recognised - capital		25,843	31,409	36,350	36,350	42,153	44,466	47,037
Surplus/(Deficit) for the year	10,339	(2,146)	5,456	57,702	32,186	85,361	89,874	97,382

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

1. Total operating revenue is R235 million in 2012/13 and escalates to R262million by 2014/15. This represents a year-on-year increase of 27per cent for the 2012/13 financial year and 6per cent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R33million in the 2012/13 financial year and increases to R37million by 2013/14 which represents 10per cent of the operating revenue base off 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 5.7per cent, 5.3per cent and 4.9per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R123 million for the 2012/13 financial year and increasing to R134million by 2014/15. For the 2012/13 financial year services charges amount to 43per cent of the total revenue base and grows by 11per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised- operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government will grow over the MTREF by 5per cent and 8per cent for the two outer years. The percentage share of this revenue source remains relatively constant at about 29% over the MTREF.

5. The following graph illustrates the major expenditure items per type.

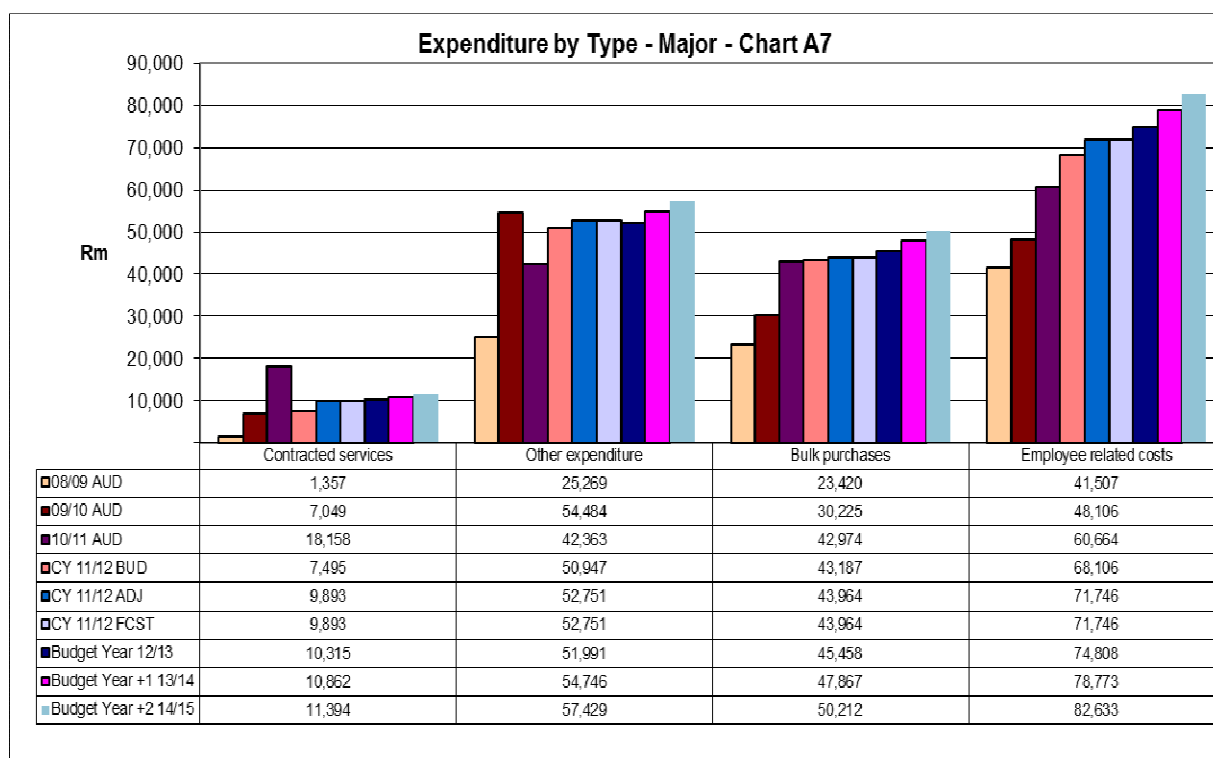


Figure 3 Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2014/15 period escalating from R23million to R50million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Magalies Water.
7. Employee related costs and bulk purchases are 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 19 MBRR Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - Political Office Bearers	–	–	–	–	–	–	–	11	11
Vote 2 - Municipal Manager's office	–	–	–	–	–	–	–	369	387
Vote 3 - Budget and Treasury	–	–	–	–	–	–	–	–	–
Vote 4 - Corporate services	–	–	–	–	–	–	3,770	5,707	5,987
Vote 5 - Planning and Economic Development	–	–	–	–	–	–	193	203	213
Vote 6 - Community and Social Services	–	–	–	–	–	–	4,430	9,319	9,776
Vote 7 - Technical Services	–	–	–	–	–	–	61,603	71,409	74,908
Capital multi-year expenditure sub-total	–	–	–	–	–	–	69,996	87,018	91,281
Single-year expenditure to be appropriated									
Vote 1 - Political Office Bearers	–	–	231	–	–	–	–	–	–
Vote 2 - Municipal Manager's office	92	81	–	6	6	6	–	–	–
Vote 3 - Budget and Treasury	–	–	–	300	370	370	–	–	–
Vote 4 - Corporate services	790	706	789	5,725	5,325	5,325	–	–	–
Vote 5 - Planning and Economic Development	58	–	–	210	210	210	–	–	–
Vote 6 - Community and Social Services	7,554	232	122	7,232	332	332	–	–	–
Vote 7 - Technical Services	17,438	23,812	32,690	44,500	50,384	50,384	–	–	–
Capital single-year expenditure sub-total	25,932	24,831	33,832	57,973	56,627	56,627	–	–	–
Total Capital Expenditure - Vote	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Capital Expenditure - Standard									
Governance and administration	882	787	1,020	6,031	5,701	5,701	3,770	6,086	6,385
Executive and council	92	81	231	6	6	6	–	379	398
Budget and treasury office	–	–	–	300	370	370	–	–	–
Corporate services	790	706	789	5,725	5,325	5,325	3,770	5,707	5,987
Community and public safety	7,554	232	–	5,126	326	326	1,780	4,949	5,192
Community and social services	7,028	232	–	4,560	60	60	1,000	3,159	3,314
Public safety	526	–	–	566	266	266	780	1,790	1,878
Economic and environmental services	12,246	23,690	16,987	210	20,812	20,812	2,493	3,889	4,079
Planning and development	58	–	–	210	210	210	193	203	213
Road transport	12,188	23,690	16,987	–	20,602	20,602	2,300	3,686	3,866
Trading services	4,141	–	15,825	46,606	29,788	29,788	61,953	72,093	75,626
Electricity	1,763	–	7,906	4,800	3,746	3,746	4,700	7,266	7,622
Water	1,494	–	7,797	5,750	5,750	5,750	2,811	6,841	7,176
Waste water management	884	–	–	33,950	20,286	20,286	51,792	53,617	56,244
Waste management	–	–	122	2,106	6	6	2,650	4,370	4,584
Other	1,109	123	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	25,932	24,832	33,832	57,973	56,627	56,627	69,996	87,018	91,281
Funded by:									
National Government	20,464	24,483	28,925	36,350	36,350	36,350	40,045	42,243	44,685
Other transfers and grants	2,650	–	–	–	–	–	–	–	–
Transfers recognised - capital	23,114	24,483	28,925	36,350	36,350	36,350	40,045	42,243	44,685
Borrowing	–	–	–	3,950	3,950	3,950	–	–	–
Internally generated funds	2,818	348	4,906	17,673	16,327	16,327	29,951	44,775	46,596
Total Capital Funding	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281

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

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, 2012/13 R67 million has been allocated of the total R248 million capital budget, which totals 28per cent. This allocation escalates to R87 million in 2013/14 and then flattens out to R91 million in 2014/15 owing primarily to the fact that various projects reach completion in 2014/15 hence the spike in expenditure in year two.
3. 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 specialised 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 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.
4. The capital programme is funded from national grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R42million (57per cent) and escalates to R47million by 2014/15 (52per cent). No borrowing is intended to finance any of the capital budgets during the MTREF, except for that which is anticipated in the current year for the purchase of municipal vehicles. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding)

Table 20 MBRR Table A6- Budgeted Financial Position

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
ASSETS									
Current assets									
Cash	–	14	4,458	1,355	1,390	1,390	2,368	2,488	2,488
Call investment deposits	14,595	2,853	3,075	853	2,625	2,625	2,625	2,625	2,625
Consumer debtors	49,696	13,927	9,096	18,125	10,115	10,115	27,914	33,220	38,385
Other debtors	2,710	13,273	10,619	5,581	5,172	5,172	4,824	7,985	8,886
Inventory	3,620	2,434	2,502	4,430	3,365	3,365	3,357	3,357	3,357
Total current assets	70,621	32,501	29,750	30,344	22,666	22,666	41,088	49,675	55,741
Non current assets									
Investments	4,374	–	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	91	95	100
Property, plant and equipment	8,408	55,676	82,696	102,011	132,728	132,728	199,994	221,816	308,777
Biological	–	0	0	0	0	0	0	0	0
Intangible	–	104	104	104	104	104	104	109	109
Total non current assets	12,782	55,780	82,800	102,115	132,831	132,831	200,189	222,020	308,987
TOTAL ASSETS	83,403	88,281	112,550	132,459	155,497	155,497	241,277	271,695	364,728
LIABILITIES									
Current liabilities									
Bank overdraft	4,109	7,469	–	–	–	–	–	–	–
Borrowing	8,148	2,234	1,183	1,783	1,233	1,233	1,125	1,026	937
Consumer deposits	2,146	3,043	3,105	5,107	3,167	3,167	3,348	3,525	3,698
Trade and other payables	7,286	38,915	58,456	43,211	65,710	65,710	35,549	76,579	84,789
Provisions	5,057	6,158	11,202	1,017	23,639	23,639	39,694	25,827	26,949
Total current liabilities	26,746	57,819	73,945	51,118	93,750	93,750	79,716	106,958	116,373
Non current liabilities									
Borrowing	8,408	7,563	7,796	13,124	11,855	11,855	10,778	9,799	8,909
Provisions	–	16,685	21,208	700	6,039	6,039	21,567	22,936	24,334
Total non current liabilities	8,408	24,249	29,004	13,824	17,894	17,894	32,345	32,735	33,243
TOTAL LIABILITIES	35,154	82,068	102,949	64,942	111,644	111,644	112,061	139,693	149,616
NET ASSETS	48,249	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	37,232	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111
Reserves	11,017	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	48,249	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111

Explanatory notes to Table A6- Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understand-ability for councillor and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which is “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 66 is supported by an extensive table of notes (SA3 which can be found on page....) 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 Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on 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 21 MBRR Table A7- Budgeted Cash Flow Statement

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	41,431	83,620	107,972	93,603	125,412	125,412	150,332	158,395	192,582
Government - operating	30,808	33,892	48,188	56,640	57,176	57,176	67,835	71,075	77,029
Government - capital	21,956	28,431	36,250	36,886	36,350	36,350	42,153	44,466	47,037
Interest	2,801	1,488	269	804	30	30	31	33	35
Payments									
Suppliers and employees	(90,950)	(120,376)	(150,604)	(130,835)	(181,025)	(181,025)	(177,629)	(187,951)	(226,736)
Finance charges	(1,576)	(2,994)	(2,221)	(960)	(939)	(939)	(889)	(811)	(740)
Transfers and Grants	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	4,470	24,061	39,853	56,138	37,004	37,004	81,833	85,207	89,207
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	-	716	200	200	200	211	222	233
Decrease (Increase) in non-current debtors	-	-	(818)	-	-	-	-	-	-
Decrease (increase) in non-current investments	(2,338)	15,756	-	-	-	-	-	-	-
Payments									
Capital assets	(13,652)	(33,832)	(27,020)	(54,023)	(36,350)	(36,350)	(80,058)	(84,354)	(88,534)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(15,990)	(18,075)	(27,123)	(53,823)	(36,150)	(36,150)	(79,847)	(84,132)	(88,302)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase (decrease) in consumer deposits	(503)	-	61	25	(63)	(63)	(66)	(70)	(73)
Payments									
Repayment of borrowing	(7,776)	(7,468)	(818)	(1,002)	(1,235)	(1,235)	(942)	(885)	(832)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8,279)	(7,468)	(756)	(977)	(1,298)	(1,298)	(1,008)	(955)	(905)
NET INCREASE/ (DECREASE) IN CASH HELD	(19,799)	(1,482)	11,974	1,338	(444)	(444)	978	120	0
Cash/cash equivalents at the year begin:	13,826	(5,973)	(7,455)	870	4,458	4,458	4,014	4,992	5,112
Cash/cash equivalents at the year end:	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112

Explanatory notes to Table A7- Budget 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 improved slightly from an overdraft position over the 2008/09 to 2010/11.
4. The approved 2011/12 MTREF provide for balance just enough to cover the monthly salary bill. This is mainly because the cash flow position is under pressure. The balance continues to be conservative over the MTREF.
5. As part of the 2012/13 MTREF this unsustainable cash position has 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, as well as intensive debt collection.
6. Currently the debt collection drive has resulted in improved collection rates amounting to close to 90 per cent as indicated on the table on funding measurement
7. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R4.9million as at the end of the 2012/13 financial year and escalates to R5.1million by 2014/15.

Table 22 MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available									
Cash/cash equivalents at the year end	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112
Other current investments > 90 days	16,459	2,853	3,013	–	(0)	(0)	0	0	0
Non current assets - Investments	4,374	–	–	–	–	–	–	–	–
Cash and investments available:	14,860	(4,602)	7,532	2,208	4,014	4,014	4,992	5,113	5,113
Application of cash and investments									
Unspent conditional transfers	–	–	–	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–
Other working capital requirements	(20,785)	12,887	38,610	27,508	50,641	50,641	6,032	39,406	35,360
Other provisions	–	–	–	–	–	–	–	–	–
Long term investments committed	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	(20,785)	12,887	38,610	27,508	50,641	50,641	6,032	39,406	35,360
Surplus(shortfall)	35,645	(17,489)	(31,078)	(25,300)	(46,627)	(46,627)	(1,040)	(34,294)	(30,248)

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 2008/09 to 2011/12 the surplus deteriorated from R36 million to a deficit of R47million. The deficit is however expected to decrease sharply to just above R1million in 2012/13. Other measures would have to be implemented to prevent worsening the situation again.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 MTREF was not adequately funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 – Asset Management

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
Total New Assets	25,932	24,831	33,832	57,973	56,627	56,627	37,315	46,406	48,680
Infrastructure - Road transport	11,678	23,690	16,987	—	20,602	20,602	2,300	3,686	3,866
Infrastructure - Electricity	—	—	7,906	4,800	3,746	3,746	—	—	—
Infrastructure - Water	6,092	—	7,797	2,350	5,750	5,750	331	348	365
Infrastructure - Sanitation	—	—	—	37,350	20,286	20,286	30,163	37,612	39,455
Infrastructure - Other	—	—	—	—	—	—	500	527	552
Infrastructure	17,770	23,690	32,690	44,500	50,384	50,384	33,294	42,173	44,239
Community	3,818	—	—	4,500	—	—	500	527	552
Heritage assets	—	—	—	—	—	—	—	—	—
Investment properties	—	—	—	—	—	—	91	95	100
Other assets	4,344	1,141	1,142	8,973	6,243	6,243	3,430	3,612	3,789
Agricultural Assets	—	—	—	—	—	—	—	—	—
Biological assets	—	—	—	—	—	—	—	—	—
Intangibles	—	—	—	—	—	—	—	—	—
Total Renewal of Existing Assets	—	—	—	—	—	—	32,682	40,611	42,601
Infrastructure - Road transport	—	—	—	—	—	—	—	—	—
Infrastructure - Electricity	—	—	—	—	—	—	4,700	7,266	7,622
Infrastructure - Water	—	—	—	—	—	—	2,481	6,493	6,811
Infrastructure - Sanitation	—	—	—	—	—	—	21,629	22,775	23,891
Infrastructure - Other	—	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	28,809	36,533	38,324
Community	—	—	—	—	—	—	—	—	—
Heritage assets	—	—	—	—	—	—	—	—	—
Investment properties	—	—	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	3,873	4,078	4,278
Agricultural Assets	—	—	—	—	—	—	—	—	—
Biological assets	—	—	—	—	—	—	—	—	—
Intangibles	—	—	—	—	—	—	—	—	—
Total Capital Expenditure	11,678	23,690	16,987	—	20,602	20,602	2,300	3,686	3,866
Infrastructure - Road transport	—	—	7,906	4,800	3,746	3,746	4,700	7,266	7,622
Infrastructure - Electricity	6,092	—	7,797	2,350	5,750	5,750	2,811	6,841	7,176
Infrastructure - Water	—	—	—	37,350	20,286	20,286	51,792	60,387	63,346
Infrastructure - Sanitation	—	—	—	—	—	—	500	527	552
Infrastructure - Other	—	—	—	—	—	—	—	—	—
Infrastructure	17,770	23,690	32,690	44,500	50,384	50,384	62,103	78,706	82,563
Community	3,818	—	—	4,500	—	—	500	527	552
Heritage assets	—	—	—	—	—	—	—	—	—
Investment properties	—	—	—	—	—	—	91	95	100
Other assets	4,344	1,141	1,142	8,973	6,243	6,243	7,303	7,690	8,066
Agricultural Assets	—	—	—	—	—	—	—	—	—
Biological assets	—	—	—	—	—	—	—	—	—
Intangibles	—	—	—	—	—	—	—	—	—
TOTAL CAPITAL EXPENDITURE - Asset class	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	80,207	11,047	28,033	11,047	35,085	35,085	37,385	41,071	44,937
Infrastructure - Electricity	24,204	1,775	9,681	6,575	7,566	7,566	12,266	19,532	27,153
Infrastructure - Water	18,874	—	7,797	2,350	3,081	3,081	5,892	12,733	19,910
Infrastructure - Sanitation	15,442	—	—	37,350	35,304	35,304	87,096	140,712	196,956
Infrastructure - Other	(164,854)	—	(6,689)	(2,638)	(3,459)	(3,459)	(6,099)	(83,933)	(88,247)
Infrastructure	(26,127)	12,822	38,823	54,684	77,577	77,577	136,540	130,115	200,709
Community	14,897	29,438	29,438	4,499	1,399	1,399	5,830	15,150	24,924
Heritage assets	—	—	—	—	—	—	—	—	—
Investment properties	—	—	—	—	—	—	—	—	—
Other assets	19,638	13,416	14,436	42,828	53,752	53,752	57,715	76,646	83,244
Agricultural Assets	—	—	—	—	—	—	—	—	—
Biological assets	—	0	0	0	0	0	0	0	0
Intangibles	—	104	104	104	104	104	104	109	109
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	8,408	55,780	82,800	102,115	132,831	132,831	200,189	222,020	308,987
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	—	—	12,914	2,638	2,638	2,638	2,640	2,640	2,640
Repairs and Maintenance by Asset Class	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681
Infrastructure - Road transport	—	—	13,422	7,608	1,838	1,838	8,010	8,459	8,916
Infrastructure - Electricity	—	—	2,333	1,323	6,421	6,421	1,454	1,535	1,618
Infrastructure - Water	—	—	6,754	3,828	2,843	2,843	4,369	4,613	4,863
Infrastructure - Sanitation	—	—	3,591	2,035	900	900	3,673	3,879	4,088
Infrastructure - Other	—	—	—	—	—	—	—	—	—
Infrastructure	—	—	26,100	14,794	12,002	12,002	17,505	18,486	19,484
Community	542	1,623	—	—	653	653	1,065	1,124	1,185
Heritage assets	—	—	—	—	—	—	—	—	—
Investment properties	—	—	—	—	—	—	—	—	—
Other assets	5,089	9,766	2,071	1,174	980	980	11	11	12
TOTAL EXPENDITURE OTHER ITEMS	5,630	11,389	41,085	18,607	16,273	16,273	21,221	22,261	23,321
Renewal of Existing Assets as % of total capex	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	46.7%	46.7%	46.7%
Renewal of Existing Assets as % of deprecn	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1237.8%	1538.1%	1613.5%
R&M as a % of PPE	67.0%	20.5%	34.1%	15.7%	10.3%	10.3%	9.3%	8.8%	6.7%
Renewal and R&M as a % of PPE	67.0%	20.0%	34.0%	16.0%	10.0%	10.0%	26.0%	27.0%	20.0%

Explanatory notes to Table A9 – Asset Management

- 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 40per cent of their capital budget to the renewal of existing assets, and allocation to repairs and maintenance should be 8per cent of PPE. The municipality meets both these recommendations.

Table 24 MBRR Table A10 – Basic Service Delivery Measurement

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Household service targets									
Water:									
Piped water inside dwelling	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393
Piped water inside yard (but not in dwelling)	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709
Using public tap (at least min.service level)	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164
Other water supply (at least min.service level)	189	189	189	189	189	189	189	189	189
Minimum Service Level and Above sub-total	15,455	15,455	15,455	15,455	15,455	15,455	15,455	15,455	15,455
Using public tap (< min.service level)	8,331	8,331	8,331	8,331	8	8	8	8	8
Other water supply (< min.service level)	85	85	85	0	85	85	85	85	85
Below Minimum Service Level sub-total	8,416	8,416	8,416	8,416	8,416	8,416	8,416	8,416	8,416
Total number of households	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393
Flush toilet (with septic tank)	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709	2,709
Pit toilet (ventilated)	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164
Other toilet provisions (> min.service level)	189	189	189	189	189	189	189	189	189
Minimum Service Level and Above sub-total	15,455	15,455	15,455	15,455	15,455	15,455	15,455	15,455	15,455
Bucket toilet	85	85	85	85	85	85	85	85	85
Other toilet provisions (< min.service level)	4,265	4,265	4,265	4,265	4,265	4,265	4,265	4,265	4,265
No toilet provisions	4,066	4,066	4,066	4,066	4,066	4,066	4,066	4,066	4,066
Below Minimum Service Level sub-total	8,416	8,416	8,416	8,416	8,416	8,416	8,416	8,416	8,416
Total number of households	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871
Energy:									
Electricity (at least min.service level)	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393
Electricity - prepaid (min.service level)	11,560	11,560	11,560	11,560	11,560	11,560	11,560	11,560	11,560
Minimum Service Level and Above sub-total	22,953	22,953	22,953	22,953	22,953	22,953	22,953	22,953	22,953
Other energy sources	918	918	918	918	918	918	918	918	918
Below Minimum Service Level sub-total	918	918	918	918	918	918	918	918	918
Total number of households	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871
Refuse:									
Removed at least once a week	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393
Minimum Service Level and Above sub-total	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393	11,393
Removed less frequently than once a week	3,166	3,166	3,166	3,166	3,166	3,166	3,166	3,166	3,166
Using communal refuse dump	551	551	551	551	551	551	551	551	551
Using own refuse dump	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532
No rubbish disposal	2,229	2,229	2,229	2,229	2,229	2,229	2,229	2,229	2,229
Below Minimum Service Level sub-total	12,478	12,478	12,478	12,478	12,478	12,478	12,478	12,478	12,478
Total number of households	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871	23,871
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Sanitation (free minimum level service)	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Electricity/other energy (50kwh per household per month)	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Refuse (removed at least once a week)	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	893	955	1,019	1,164	1,164	1,164	1,230	1,296	1,359
Sanitation (free sanitation service)	2,697	2,885	3,078	3,515	3,515	3,515	3,715	3,912	4,104
Electricity/other energy (50kwh per household per month)	1,214	1,298	1,385	1,582	1,582	1,582	1,672	1,761	1,847
Refuse (removed once a week)	2,428	2,596	2,770	3,163	3,163	3,163	3,343	3,520	3,693
Total cost of FBS provided (minimum social p	7,232	7,734	8,252	9,424	9,424	9,424	9,961	10,489	11,003
Highest level of free service provided									
Property rates (R value threshold)	<100% billing(R30000 ratable)	<100% billing	<100% billing	<100% billing	<100% billing	<100% billing	<100% billing(R	<100% billing	<100% billing
Water (kilolitres per household per month)	6	0	0	6	0	0	6	0	0
Sanitation (kilolitres per household per month)	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing
Sanitation (Rand per household per month)	2,500	3	3	2,500	3	3	2,500	3	3
Electricity (kwh per household per month)	50	0	0	50	0	0	50	0	0
Refuse (average litres per week)	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing	<50% billing
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	–	–	–	1,630	1,630	1,630	1,722	1,814	1,903
Water	–	–	–	1,397	1,397	1,397	1,476	1,555	1,631
Sanitation	–	–	–	4,218	4,218	4,218	4,458	4,695	4,925
Electricity/other energy	–	–	–	1,898	1,898	1,898	2,007	2,113	2,216
Refuse	–	–	–	3,796	3,796	3,796	4,012	4,225	4,432
Municipal Housing - rental rebates	–	–	–	11,309	11,309	11,309	11,953	12,587	13,204
Total revenue cost of free services provided (total social package)	–	–	–	24,247	24,247	24,247	25,629	26,988	28,310

Explanatory notes to Table A10 – Basic Services 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
3. The budget provides for 1543 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services.
4. It is anticipated that these Free Basic Services will cost the municipality R9.9 million in 2012/13, increasing to R11 million in 2014/15. 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 R25.6 million in free services in 2012/13, and it increase to R28.3 million 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 13per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality chaired by the Municipal Manager.

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

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

2.1.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 29 August 2011. Key dates applicable to the process were:

- **August 2011** – Approval and adoption of IDP/Budget process plan and holding of first Representatives' forum so as to familiarise the community with the schedule of events towards the 2012/13 planning process. Also review and finalisation of prioritisation criteria by councillors and senior managers.
- **November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2011** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- **January 2011** – Council considers the 2011/12 Mid-year Review
- **February 2011** – Council considers the 2011/12 Mid-year Review. Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments;

- **27 March 2012** – The draft 2012/13 MTREF is revised accordingly.
- **31 March 2012** - Tabling in Council of the draft 2011/12 IDP and 2011/12 MTREF for public consultation;
- **April 2011** – Public consultation;
- **6 May 2011** – Closing date for written comments;
- **6 to 21 May 2011** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2011** – Tabling of the 2012/13 MTREF before Council for consideration and approval.

The strategic session, to determine strategic objectives, that would normally take place in August and September as per Process Plan was significantly delayed. A major session was held on the 13th-14th March 2012, five after the scheduled dates.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the first review of the IDP as adopted by the new Council that was elected in May 2011. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

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

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

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 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 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority

needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 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 2012/13 MTREF:

- Municipal 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 2011/12 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 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF that will be tabled before Council on 31 March 2012 will be availed to for community consultation and will be published on the municipality's website, and hard copies made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National and Limpopo Provincial 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 during April 2012, and will include about twelve public briefing sessions. The applicable dates and venues will be published in the local newspaper. Targeted groups ratepayer associations, organised business, churches, no-governmental institutions and community based organisations. Imbizo's will be held to further ensure transparency and interaction

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 2012/13 MTREF. Feedback and responses to the submissions received will be made available on request.

2.2 Overview of alignment of annual budget with IDP

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

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

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

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

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

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

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

- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 25 IDP Strategic Objectives

2011/12 Financial Year	2012/13 MTREF
1.Development of human capital	1.Attract, develop and retain human capital
2.Effective communication	2.Ensure effective communication
3.Foward planning	3.Foward planning
4.Management of infrastructure and services	4.Resource management, infrastructure and services for accessibility and mobility
5.Integrated management and governance systems	5.Develop and implement integrated management and governance systems
6.Economic growth	6.Promote economic growth
7.Financial viability and accountability	7.Enhance financial viability and accountability
8.Community involvement	8.Promote community involvement
	9.Promote well-being of communities

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

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

1. Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;

- Provides roads and storm water;
 - Provide public transport
 - Provide municipal planning services; and
 - Maintaining the infrastructure of the municipality
2. 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
- a. 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 municipal 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.
- b. 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
3. 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
- a. Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- b. Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

c. 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.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development to path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

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 fourth revised IDP, including:

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

The 2012/13 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 26 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Promote the well being of all communities	–	–	–	–	–	–	–	–	–
Ensure economic growth	–	–	–	–	–	–	–	–	–
Enhance financial and accountability	8,917	7,934	8,593	6,224	5,447	5,447	3,868	4,073	4,272
Resource management and infrastructure and for services for access and mobility	47,998	86,045	102,080	124,254	115,536	115,536	154,965	161,656	169,970
Forward planning	–	–	–	–	–	–	–	–	–
Promote community involvement	44,597	43,292	66,380	85,313	85,313	85,313	95,047	101,331	108,767
Ensure effective communication	–	–	–	–	–	–	–	–	–
Develop & implement integrated management and governance systems	590	1,751	1,336	854	853	853	2,437	2,566	2,692
Attract, develop and retain human capital	6,622	10,557	11,975	18,708	12,959	12,959	19,155	20,171	21,159
Effective communication	–	–	–	–	–	–	–	–	–
Enhance Economic growth	–	426	265	482	868	868	1,495	1,575	1,652
Allocations to other priorities									
Total Revenue (excluding capital transfers and contributions)	108,724	150,005	190,629	235,835	220,977	220,977	276,967	291,371	308,512

Table 27 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Promote the well being of all communities	15,025	15,270	33,649	25,254	26,686	26,686	28,421	29,927	31,393
Ensure economic growth	3,787	3,890	3,911	6,072	5,641	5,641	6,392	6,731	7,061
Enhance financial and accountability	4,355	33,797	24,537	20,263	22,745	22,745	19,665	20,443	21,205
Resource management and infrastructure and for services for access and mobility	49,117	64,746	86,933	88,698	91,339	91,339	96,855	101,988	106,986
Forward planning	3,787	3,890	3,911	6,072	5,641	5,641	6,392	6,731	7,061
Promote community involvement	18,692	24,044	12,461	8,400	13,257	13,257	12,525	13,188	13,835
Ensure effective communication	–	597	318	4,968	5,013	5,013	2,614	2,753	2,888
Develop & implement integrated management and governance systems	3,622	4,690	17,657	13,404	13,406	13,406	12,697	13,370	14,025
Attract, develop and retain human capital	–	1,227	1,794	5,002	5,064	5,064	6,044	6,365	6,677
Total Expenditure	98,385	152,151	185,172	178,133	188,791	188,791	191,606	201,497	211,130

Table 28 MBRR Table SA7 – Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Promote the well being of all communities	7,554	232	122	7,232	332	332	4,430	9,319	9,776
Ensure economic growth	58	–	–	210	210	210	193	203	213
Enhance financial and accountability	–	–	–	300	370	370	–	–	–
Resource management and infrastructure and for services for access and mobility	17,438	23,812	32,690	44,500	50,384	50,384	61,603	71,409	74,908
Forward planning	–	–	–	–	–	–	–	–	–
Promote community involvement	–	–	231	–	–	–	–	11	11
Ensure effective communication	–	–	–	–	–	–	–	–	–
Develop & implement integrated management and governance systems	882	787	789	5,731	5,331	5,331	3,770	6,076	6,374
Attract, develop and retain human capital	–	–	–	–	–	–	–	–	–
Total Capital Expenditure	25,932	24,831	33,832	57,973	56,627	56,627	69,996	87,018	91,281

2.3 Measurable performance objectives and indicators

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

At any 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:

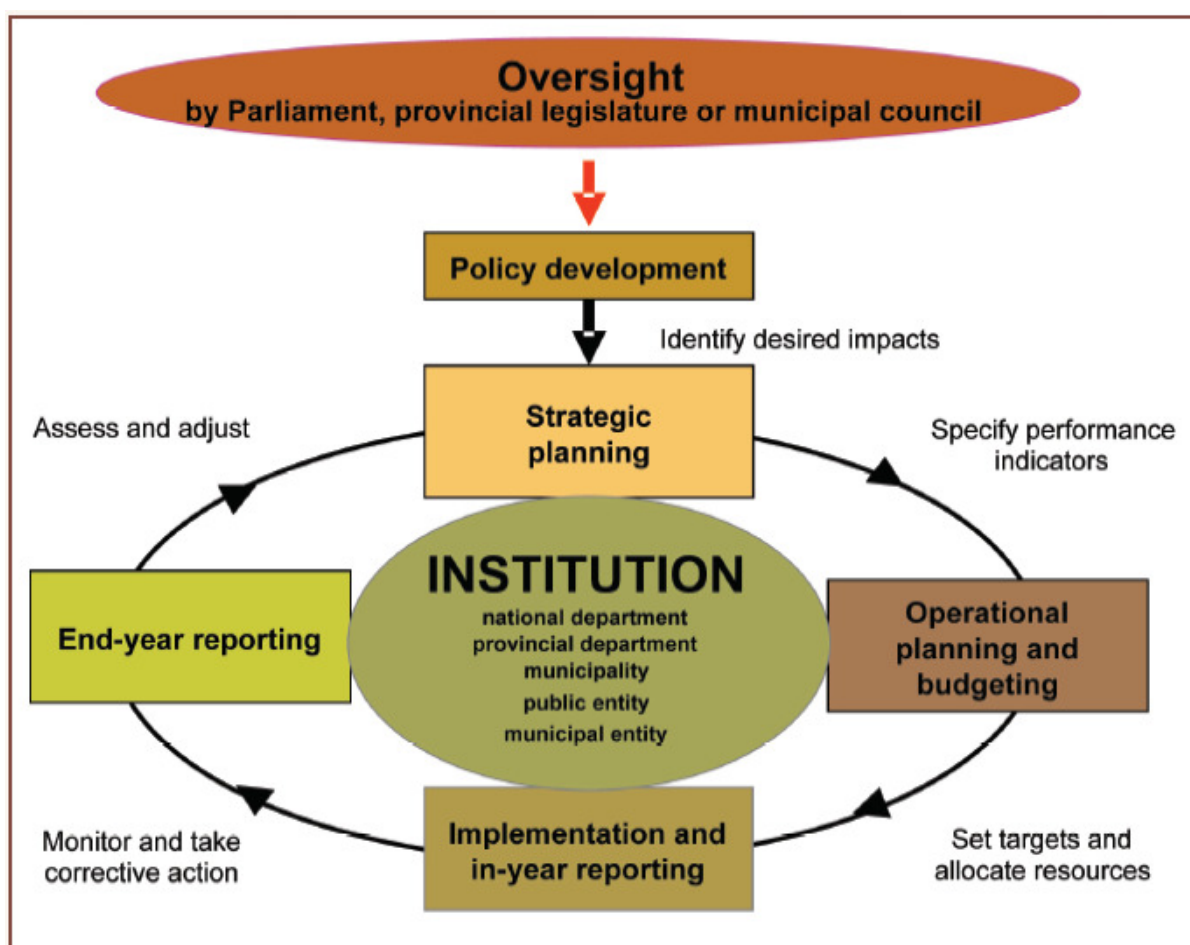


Figure 4 Planning, Budgeting and reporting cycle

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 purposes); 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

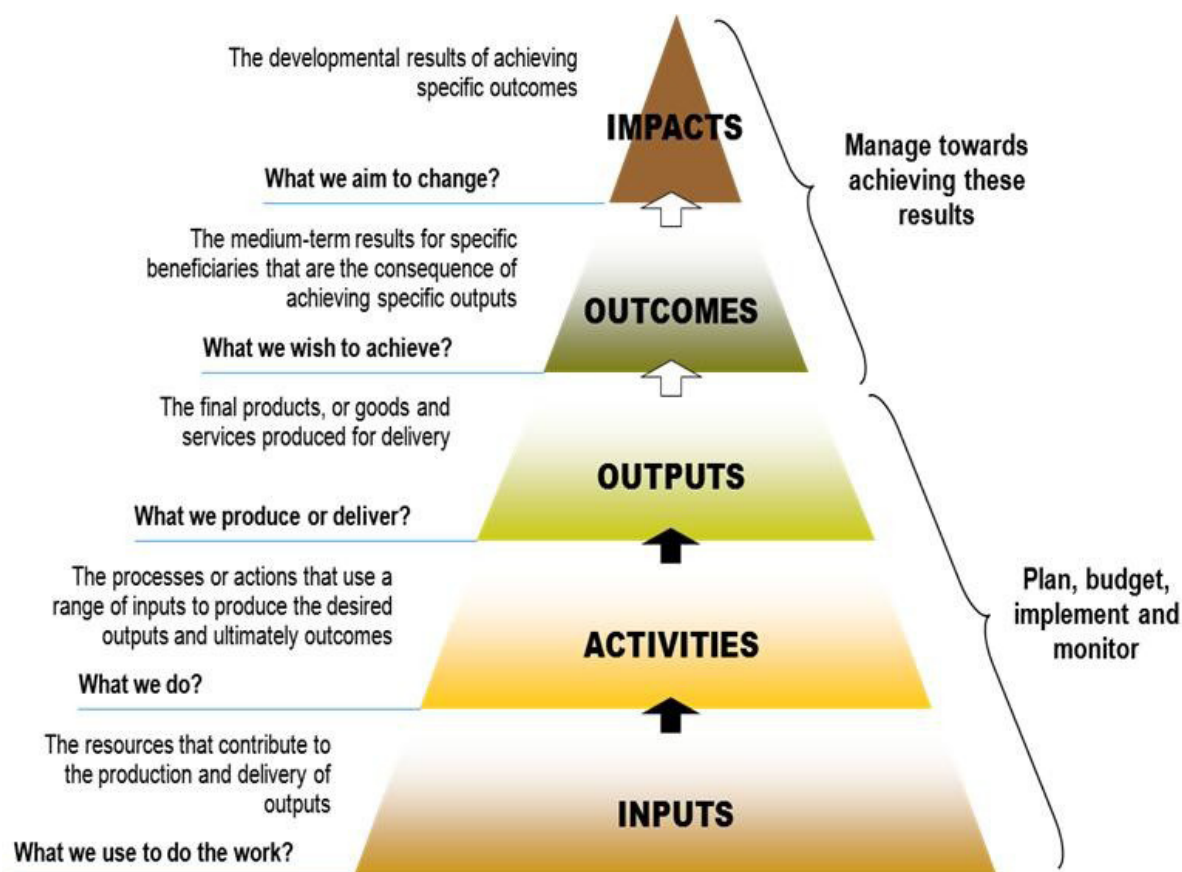


Figure 5 Definition of performance information concepts

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

The following table sets out the municipalities main performance indicators and benchmarks for 2012/13 MTREF.

Table 29 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Borrowing Management</u>										
Credit Rating		TBA	TBA	TBA	TBA	TBA	TBA	TBA	TBA	TBA
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	10.1%	6.2%	1.5%	1.1%	1.2%	1.2%	1.0%	0.8%	0.7%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	12.4%	10.7%	2.6%	1.4%	1.7%	1.7%	1.1%	1.0%	0.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	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	76.3%	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	2.6	0.6	0.4	0.6	0.2	0.2	0.5	0.5	0.5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.6	0.6	0.4	0.6	0.2	0.2	0.5	0.5	0.5
Liquidity Ratio	Monetary Assets/Current Liabilities	0.5	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		53.6%	95.7%	99.9%	66.2%	98.6%	0.0%	90.2%	90.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			53.6%	95.7%	100.7%	66.2%	98.6%	0.0%	90.2%	90.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	48.2%	21.9%	12.4%	11.9%	8.3%	8.3%	13.9%	16.7%	18.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	67.0%	67.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		-122.0%	-522.0%	1293.5%	1957.0%	1637.0%	1637.0%	712.1%	1498.0%	1658.5%
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	10.0%	10.0%	10.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	11.0%	35.0%	36.0%	35.0%	35.0%	35.0%	25.0%	25.0%	25.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	38.2%	38.7%	38.1%	34.1%	38.9%	38.9%	31.9%	31.9%	31.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.5%	33.4%	42.0%	36.5%	41.6%	41.6%	34.2%	34.3%	34.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.2%	9.2%	17.7%	8.0%	7.4%	7.4%	7.9%	7.9%	7.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	2.0%	1.6%	9.4%	1.8%	1.9%	1.9%	1.5%	1.4%	1.3%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	8.9	81.8	59.8	112.5	112.5	112.5	181.8	202.8	212.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	85.1%	35.7%	21.2%	18.7%	13.2%	13.2%	20.9%	25.0%	27.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.9)	(0.8)	0.4	0.2	0.3	0.3	0.4	0.4	0.4

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Thabazimbi Local municipality borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have part of the compilation of the 2012/13 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 remains negligible because of the minimal amount of borrowing the municipality is carrying.
- Capital charges to operating expenditure are a measure of the cost borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 10per cent in 2008/09 to 1.2per cent in 2011/12. This significant decrease is mainly due to the repayment of a R10million loan from INCA in 2010. The slight increase in the current year is due to the planned vehicle finance to be obtained for replacement of the municipal fleet. The cost of borrowing is expected to continue falling to below 1% over the MTREF as loans are repaid.
- 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 .0per cent mainly because of the insignificant amounts of outstanding borrowing.

Note also that current loan balances date back from 1990s and are approaching maturity.

2.3.1.2 Safety of Capital

- The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. The ratio remains negligible as well for the reasons specified above.

2.3.1.3 Liquidity

- Current ratio is a measure of the current assets dividend 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 2011/12 MTREF the current ratio is 0.5 in the 2011/12 financial year and remains 0.5 for the two outer years of the MTREF. Going forward it will be necessary to improve on this rate. This below benchmark ratio is mainly because of the excessive provision for bad debts that we are still going to review.
- 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 2011/12 financial year the ratio was very negligible and as part of the financial planning strategy it has been increased to 0.1 in the 2012/13 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. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

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

2.3.1.5 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity is a concern, by applying daily cash flow management the municipality has managed to ensure a 67per cent compliance rate to this legislative obligation.

2.3.1.6 Other indicators

- The electricity distribution losses have been managed downwards from 14per cent in the 2011/12 financial year to 10per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- The water distribution losses have been significantly reduced from 35per cent in 2010/11 to 25per cent in 2012/13. This has been achieved with the increase in the budget for water network replacements. Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- 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.

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

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

For the 2012/13 financial year 1543 registered indigents have been provided for in the budget. 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 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 service, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 37.

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

2.3.3 Providing clean water and managing waste water

The municipality is the Water Service Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 70per cent of the municipality's bulk water needs are provided directly by Magalies Water in the form of purified water. The remaining 30per cent is generated from the municipality's own water sources, such as boreholes and small dams as well as from Kumba Mine.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Magalies Water and the municipality were awarded Blue Drop status in 2010/11, indicating that the municipality's drinking water is of exceptional quality.

Our WWTW were awarded Green Drop status in 2010/11, indicating that these two plants consistently meet waste water treatment standards of exceptional quality. 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;
- Electricity power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

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

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

2.4 Overview of budget related-policies

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

2.4.1 Review of rates policy

The Rates Policy as approved by Council was reviewed and the draft reviewed policy is attached to this document, as Annexure 2, for approval in council. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to accommodate all stakeholder views. Some of the possible revisions will include the need for full participation of Rate Payers Association when changing rebates on property rates every year. In addition the rebate structure is also likely to change to incorporate the views from the Rate Payers' Association.

2.4.2 Asset Management. Infrastructure Investment and Funding Policy

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

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

2.4.3 Budget Adjustment Policy

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

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2010/11 financial year. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2009/10 and is also under review. A reviewed copy is also attached to this document as Annexure 3 to be approved with the budget.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy, as approved in council is also under review. The aim of the policy is to ensure that the municipality's surplus cash and investments, where applicable, are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

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

2.4.8 Financial Planning Policy

The Financial Planning Policy has directly informed the compilation of the 2012/13 MTREF with the emphasis on affordability and long-term sustainability. Although we are busy reviewing the policy, its contents have been of significance in the preparation of the MTREF. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The financial planning outcomes are taken to Council 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 is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2012/13 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 investments 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.

The above policy together with those listed below will be made available on the municipality's website, as well as:

- Property Rates Policy;
- Funding Reserves Policy;
- Borrowing Policy;
- Budget and virement Policy; and
- Indigents Policy.

2.5 Overview of budget assumptions

2.5.1 External factors

The South African economy has demonstrated resilience despite unsettled international economic conditions. Global developments are likely to hold back higher growth over the short term, resulting in gross domestic product (GDP) growth being expected to slow from 3.1 per cent in 2011 to 2.7 per cent in 2012. However, the domestic outlook remains positive over the medium term. As the world economy strengthens, GDP led by robust household consumption, and stronger public and private sector investment.

The labour market has shown signs of improvement over the past year, with total employment rising by 520 000 new jobs or 2.8 per cent between December 2010 and December 2011. Job creation has been in the formal private sector. The economy is projected to add 850 000 new jobs over the next three years, with 80 per cent of these in the private sector, lowering the unemployment rate to about 23 per cent in 2014. Most of these jobs are likely to be concentrated in services and construction as a result of steady growth in domestic demand and infrastructure expenditure, and a pickup in residential investment expected during the outer years of the forecast.

Consequently, municipal revenues and cash flows are expected to gradually improve during 2012/13. However, given that the likely recovery is not guaranteed and, at best, is likely to be slow, the municipality still had to adopt a conservative approach in projecting expected revenues and cash receipts. This has also applied to managing all revenue and cash streams effectively, as well as evaluation of the spending decision.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 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 of bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 39per cent of total operating expenditure in the 2012/13 MTREF. The increase in employee related costs is at least within inflation levels at 5%. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 has expired and therefore we have applied the guideline increase by National Treasury as contained in Circulars 58 & 59.

2.5.3 Credit rating outlook

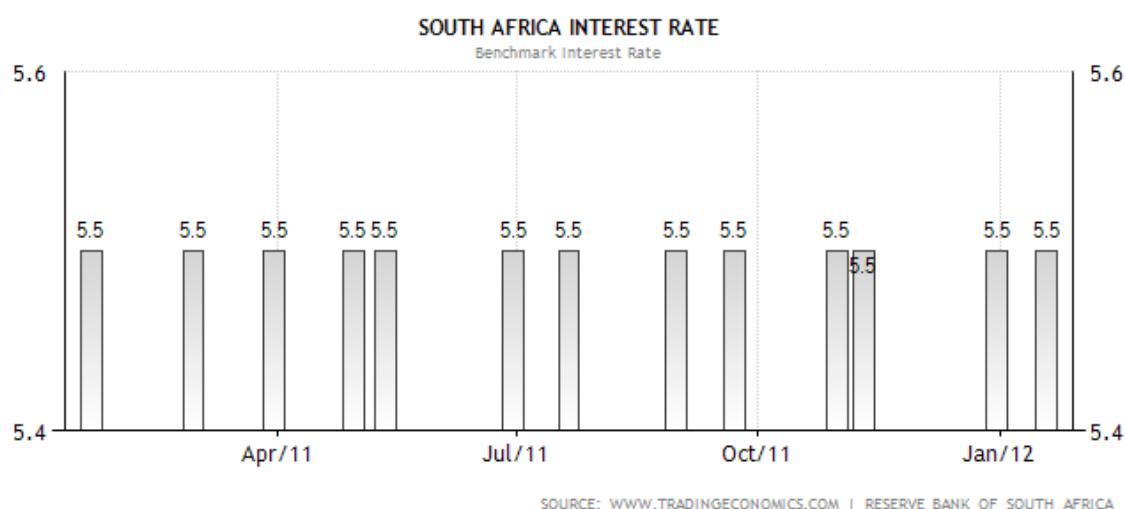


Table 30 Credit rating outlook

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long-term	Rand	Aa3	20 April 2010	Aa3
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)

Prime- 1 (highest quality)

- Long-term : Aa3

Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The current municipal loan book is based on variable interest loans whose rate changes on a periodic basis. However, for simplicity, the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at varying rates at or above the CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecast term.

The rate of revenue collection is currently expressed as a percentage (82per cent) of annual billings

Growth or decline in tax base of the municipality

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

2.5.6 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 has expired and so the National Treasury guide of 5% increment has been applied across the board. CPI rates have been factored in for the two outer years of the MTREF.

2.5.7 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 skills development;
- Improving health service;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

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

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

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

Table 31 Breakdown of the operating revenue over the medium-term

Description R thousand	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	% change	Budget Year 2012/13	% change	Budget Year +1 2013/14	% change	Budget Year +2 2014/15	
Revenue By Source								
Property rates	29,928	89.02%	33,121	10.67%	34,876	5.30%	36,585	4.90%
Property rates - penalties & collection charges	(2)	0.00%	3	-205.42%	3	5.62%	3	5.39%
Service charges - electricity revenue	37,787	16.90%	49,244	30.32%	51,854	5.30%	54,394	4.90%
Service charges - water revenue	31,212	5.83%	50,986	63.36%	53,688	5.30%	56,319	4.90%
Service charges - sanitation revenue	8,919	6.71%	10,182	14.16%	10,722	5.30%	11,247	4.90%
Service charges - refuse revenue	7,881	21.47%	12,556	59.31%	13,222	5.30%	13,870	4.90%
Rental of facilities and equipment	450	-9.68%	475	5.40%	500	5.30%	524	4.90%
Interest earned - external investments	30	-60.19%	31	5.40%	33	5.30%	35	4.90%
Interest earned - outstanding debtors	4,012	1.49%	2,410	-39.94%	2,537	5.30%	2,662	4.90%
Fines	674	32.45%	706	4.72%	744	5.30%	780	4.90%
Licences and permits	1,308	-2.37%	1,448	10.67%	1,525	5.30%	1,599	4.90%
Agency services	1,454	-31.50%	1,609	10.67%	1,694	5.30%	1,777	4.90%
Transfers recognised - operational	57,176	11.73%	67,835	18.64%	71,075	4.78%	77,029	8.38%
Other revenue	3,598	-43.22%	3,999	11.13%	4,211	5.30%	4,417	4.90%
Gains on disposal of PPE	200	-72.06%	211	5.40%	222	5.30%	233	4.90%
Total Revenue (excluding capital transfers and contributions)	184,627	100.00%	234,814	100.00%	246,905	100.00%	261,475	100.00%
Total Revenue from rates and services	127,451	69.03%	166,980	71.11%	175,830	71.21%	184,445	70.54%

The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.

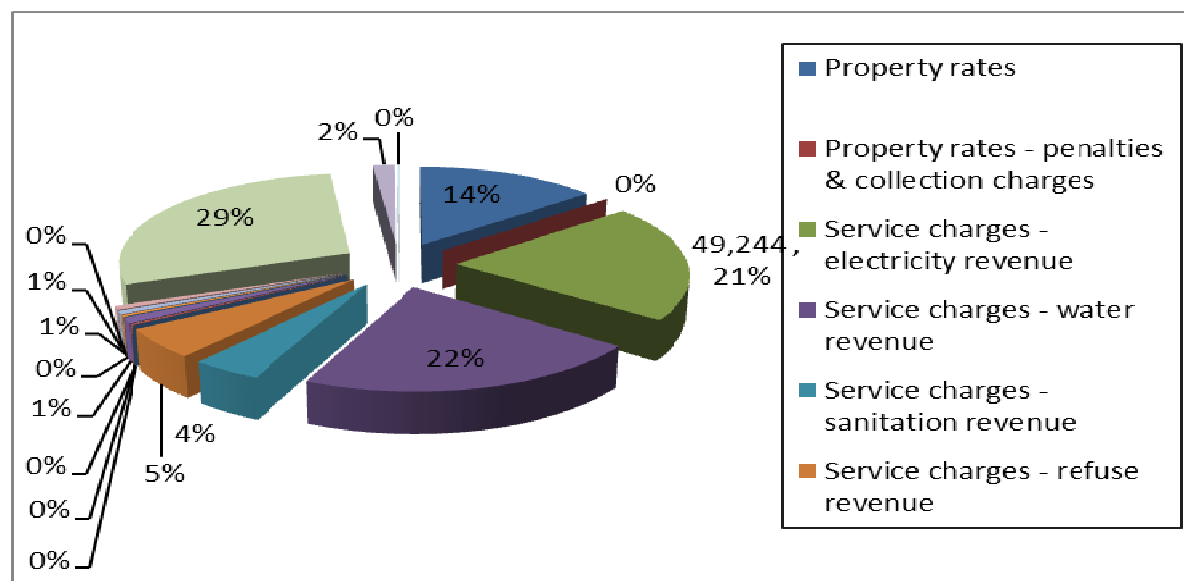


Figure 6 Breakdown of operating revenue over the 2011/12 MTREF

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 82 per cent 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 2012/13 MTREF on the different revenue categories are:

Table 32 Proposed tariff increases over medium-term

Description	2012/13 Proposed tariff increase	2013/14 Proposed tariff increase	2014/15 Proposed tariff increase	2012/13 additional revenue for each 1% tariff increase	2013/14 additional revenue for each 1% tariff increase	2014/15 additional revenue for each 1% tariff increase
	%	%	%	R'000	R'000	R'000
Revenue By Source						
Property rates	5.00%	5.30%	4.90%	3,193	1,755	1,709
Service charges - electricity revenue	11.03%	5.30%	4.90%	11,457	2,610	2,541
Service charges - water revenue	10.00%	5.30%	4.90%	19,775	2,702	2,631
Service charges - sanitation revenue	10.00%	5.30%	4.90%	1,263	540	525
Service charges - refuse revenue	5.70%	5.30%	4.90%	4,675	665	648
Total				40,363	8,273	8,054

Revenue to be generated from property rates is R33million in the 2012/13 financial year and increases to R37 million by 2014/15 which represents 12 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The municipality is still in a process of further data verification and validation relating to the valuation roll. The valuer is currently with the field work. It is anticipated that the process will be concluded by the end of April 2012. The outcome of this initiative will be incorporated in the final budget that will be tabled for approval in May 2012.

Service charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R123 million for the 2012/13 financial year and increasing to R134million by 2014/15. For the 2012/13 financial year services charges amount to 57per cent of the total revenue base and grows by 9per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R68million, R71million and R77million for each of the respective financial years of the MTREF, or 29per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing the MTREF by 4per cent and 8per cent for the two outer years.

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

Table 33 MBRR SA15 – Detail Investment Information

Investment type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Parent municipality									
Securities - National Government	-	-	-	-	-	-	-	-	-
Listed Corporate Bonds	-	-	-	-	-	-	-	-	-
Deposits - Bank	16,925	-	-	-	-	-	-	-	-
Deposits - Public Investment Commissioners	-	-	-	853	2,625	2,625	2,625	2,625	2,625
Deposits - Corporation for Public Deposits	-	-	-	-	-	-	-	-	-
Bankers Acceptance Certificates	-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-	-	-	-	-	-	-
Guaranteed Endowment Policies (sinking)	2,044	2,853	1,706	-	-	-	-	-	-
Repurchase Agreements - Banks	-	-	-	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-	-	-	-
Consolidated total:	18,969	2,853	1,706	853	2,625	2,625	2,625	2,625	2,625

Table 34 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months			Rand thousand	
Municipality					
SANLAM MONEY MARKET	48610327	30 Day Money market	after 32 days	-	-
SANLAM MONEY MARKET	50888081	30 Day Money market	after 32 days	2,529	31
SANLAM MONEY MARKET	U0063338998	Fixed Deposit	after 32 days	-	-
OLD MUTUAL	13543332	30 Day Money market	after 32 days	95	-
TOTAL INVESTMENTS AND INTEREST				2,625	31

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

Table 35 Sources of capital revenue over the MTREF

Vote Description	Current Year 2011		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
R thousand								
Funded by:								
National Government	36,350	26%	40,045	10%	42,243	5%	44,685	6%
Provincial Government	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-100%	-	-	-	-	-	-
Transfers recognised - capital	36,350		40,045		42,243		44,685	
Public contributions & donations	-		-		-		-	
Borrowing	3,950	-	-	-100%	-	0%	-	-
Internally generated funds	16,327	-	29,951	83%	44,775	49%	46,596	4%
Total Capital Funding	56,627		69,996		87,018		91,281	

The above table is graphically represented as follows for the 2012/13 financial year.

Capital grants and receipts equates to 67per cent of the total funding source which represents R41million for the 2012/13 financial year and steadily increase to R45million or 49per cent by 2014/15. Growth relating to grants receipts is 5 and 6per cent over the medium-term.

Borrowing still remains a insignificant funding source for the capital programme over the medium-term with no new borrowing during the MTREF.

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

Table 36 MBRR Table SA 17 – Detail of borrowings

Borrowing - Categorised by type R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Municipality									
Long-Term Loans (annuity/reducing balance)	10,216	9,262	8,979	10,875	9,488	9,488	8,709	7,948	7,253
Long-Term Loans (non-annuity)	6,200	–	–	–	–	–	–	–	–
Local registered stock	–	–	–	–	–	–	–	–	–
Instalment Credit	–	–	–	–	–	–	–	–	–
Financial Leases	140	535	–	4,032	3,500	3,500	3,194	2,915	2,660
PPP liabilities	–	–	–	–	–	–	–	–	–
Finance Granted By Cap Equipment Supplier	–	–	–	–	–	–	–	–	–
Marketable Bonds	–	–	–	–	–	–	–	–	–
Non-Marketable Bonds	–	–	–	–	–	–	–	–	–
Bankers Acceptances	–	–	–	–	–	–	–	–	–
Financial derivatives	–	–	–	–	–	–	–	–	–
Other Securities	–	–	–	–	–	–	–	–	–
Total Borrowing	16,556	9,797	8,979	14,907	12,988	12,988	11,903	10,863	9,913

Table 37 MBRR Table SA 18 – Capital transfers and grants receipts

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
Operating Transfers and Grants									
National Government:	22,655	27,751	50,546	55,921	55,921	55,921	63,918	66,951	72,703
Local Government Equitable Share	21,420	26,516	48,296	53,095	53,095	53,095	60,104	64,551	70,003
Municipal Systems Improvement	735	735	750	790	790	790	800	900	950
Finance Management	500	500	1,500	1,500	1,500	1,500	1,500	1,500	1,750
EPWP Incentive	–	–	–	536	536	536	1,514	–	–
Provincial Government:	–	464	152	241	249	249	1,800	1,895	1,988
Local Government SETA	–	464	152	241	249	249	1,800	1,895	1,988
District Municipality:	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Fire Reimbursement Subsidy	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	22,876	28,575	51,172	57,176	57,176	57,176	67,835	71,075	77,029
Capital Transfers and Grants									
National Government:	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Municipal Infrastructure Grant (MIG)	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Provincial Government:	–	–	–	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	787	2,650	5,000	1,600	1,600	1,600	–	–	–
Department of Mines and Energy	787	2,650	5,000	1,600	1,600	1,600	–	–	–
Total Capital Transfers and Grants	15,448	23,114	33,892	36,350	36,350	36,350	42,153	44,466	47,037
TOTAL RECEIPTS OF TRANSFERS & GRANTS	38,324	51,689	85,064	93,526	93,526	93,526	109,988	115,541	124,066

2.6.3 Cash Flow Management

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

- Clear separation of receipts payments within each cash flow category:
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue., and

- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 38 MBRR Table – Budgeted cash flow statement

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	41,431	83,620	107,972	93,603	125,412	125,412	150,332	158,395	192,582
Government - operating	30,808	33,892	48,188	56,640	57,176	57,176	67,835	71,075	77,029
Government - capital	21,956	28,431	36,250	36,886	36,350	36,350	42,153	44,466	47,037
Interest	2,801	1,488	269	804	30	30	31	33	35
Payments									
Suppliers and employees	(90,950)	(120,376)	(150,604)	(130,835)	(181,025)	(181,025)	(177,629)	(187,951)	(226,736)
Finance charges	(1,576)	(2,994)	(2,221)	(960)	(939)	(939)	(889)	(811)	(740)
NET CASH FROM/(USED) OPERATING ACTIVITIES	4,470	24,061	39,853	56,138	37,004	37,004	81,833	85,207	89,207
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	–	–	716	200	200	200	211	222	233
Decrease (increase) in non-current debtors	–	–	(818)	–	–	–	–	–	–
Decrease (increase) in non-current investments	(2,338)	15,756	–	–	–	–	–	–	–
Payments									
Capital assets	(13,652)	(33,832)	(27,020)	(54,023)	(36,350)	(36,350)	(80,058)	(84,354)	(88,534)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(15,990)	(18,075)	(27,123)	(53,823)	(36,150)	(36,150)	(79,847)	(84,132)	(88,302)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase (decrease) in consumer deposits	(503)	–	61	25	(63)	(63)	(66)	(70)	(73)
Payments									
Repayment of borrowing	(7,776)	(7,468)	(818)	(1,002)	(1,235)	(1,235)	(942)	(885)	(832)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8,279)	(7,468)	(756)	(977)	(1,298)	(1,298)	(1,008)	(955)	(905)
NET INCREASE/ (DECREASE) IN CASH HELD	(19,799)	(1,482)	11,974	1,338	(444)	(444)	978	120	0
Cash/cash equivalents at the year begin:	13,826	(5,973)	(7,455)	870	4,458	4,458	4,014	4,992	5,112
Cash/cash equivalents at the year end:	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112

The above table shows that cash and cash equivalent of the municipality were very low between the 2008/09 and 2011/12 financial year moving from an overdraft of R6 million to positive of only R2 million with the approved 2011/12 MTREF. With the 2010/11 adjustments budget various cost efficiencies savings had to be realised to ensure the municipality could meet its operational expenditure commitments. In addition the municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the municipality and it is projected that cash and cash equivalents on hand will increase to R4 million by the financial year end. For the 2012/13 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R4million by 2014/15.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the

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

Table 39 MBRR Table A8 – cash backed reserves/accumulated surplus reconciliation

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available									
Cash/cash equivalents at the year end	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112
Other current investments > 90 days	16,459	2,853	3,013	–	(0)	(0)	0	0	0
Non current assets - Investments	4,374	–	–	–	–	–	–	–	–
Cash and investments available:	14,860	(4,602)	7,532	2,208	4,014	4,014	4,992	5,113	5,113
Application of cash and investments									
Unspent conditional transfers	–	–	–	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–
Other working capital requirements	(20,785)	12,887	38,610	27,508	50,641	50,641	6,032	39,406	35,360
Other provisions	–	–	–	–	–	–	–	–	–
Long term investments committed	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	(20,785)	12,887	38,610	27,508	50,641	50,641	6,032	39,406	35,360
Surplus(shortfall)	35,645	(17,489)	(31,078)	(25,300)	(46,627)	(46,627)	(1,040)	(34,294)	(30,248)

From the above table it can be seen that the cash and investments availability total R4.9million in the 2012/13 financial year and progressively increase to R5.1million by 2014/15, 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:

- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investment 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 is registered on a cash basis and does not usually carry VAT as a liability and experience has shown that municipal expenses always exceed vat-able revenues leading to refunds. A projected refund for VAT has been included in other debtors.
- 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 receipts delays will have a greater requirement for working capital, as was experienced by the municipality in 2012/13 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 90 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 shortfall of R1m emanates from the excessive provision for bad debts raised during the 2010/11 audit of 89% of gross debtors. This has depleted the consumer receivables significantly and may need to be reviewed as most the debts provided for are paying.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the municipality has a deficit against the cash backed and accumulated surpluses reconciliation. The level of non-cash-backing progressively deteriorated over the period 2008/09 to 2011/12 escalating from R35 million to a deficit of R47 million in 2011/12. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the municipality. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It is aimed that in 2012/13 this deficit would have been significantly reduced translating to only R1 million. It needs to be noted that for all practical purposes the 2011/12 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2012/13 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. However, from a perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.6.5 Funding compliance measurement

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

Table 40 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	(5,973)	(7,455)	4,519	2,208	4,014	4,014	4,992	5,112	5,112
Cash + investments at the yr end less applications - R'000	18(1)b	35,645	(17,489)	(31,078)	(25,300)	(46,627)	(46,627)	(1,040)	(34,294)	(30,248)
Cash year end/monthly employee/supplier payments	18(1)b	(0.9)	(0.8)	0.4	0.2	0.3	0.3	0.4	0.4	0.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	10,339	(2,146)	5,456	57,702	32,186	32,186	85,361	89,874	97,382
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	20.1%	16.5%	30.6%	(14.4%)	(6.0%)	28.9%	(0.7%)	(1.1%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	53.6%	95.7%	100.7%	66.2%	98.6%	98.6%	90.2%	90.2%	104.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c;19	52.6%	136.2%	79.9%	93.2%	64.2%	64.2%	114.4%	96.9%	97.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a							100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	(48.1%)	(27.5%)	20.2%	(35.5%)	0.0%	114.2%	25.9%	14.7%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	67.0%	20.5%	34.1%	15.7%	10.3%	10.3%	9.3%	8.8%	6.7%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	46.7%	46.7%	46.7%

2.6.5.1 Cash/ cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows R4.9million, R5.1million in each of the two outer years.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 22, on page 36. 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. The negative result after application of funds shown in the table above is mainly attributable to the too conservative approach taken in determining consumer receivable. An impairment of R72million was raised in the prior year audit, out of gross debtors of R81million. This represents 89% of all gross debtors as at 30 June 2011. The formula applied by the AG was not applied to specific consumers but was rather a blanket calculation. This is not, however, a true representation of payment patterns. A detailed analysis could have resulted in a lower provision and more representative receivable balance.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been strengthening for the period 2008/09 to 2011/12, moving from (0.9) to 0.3 with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipalities improving cash position causes the ratio to move upwards to 0.4 and then remains relatively constant at that figure. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus of R85 million, R90 million and R97 million.

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

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

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

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 29%, (0.7%) and (1.1%) per cent for the respective financial year of the 2012/13

MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5.7% per cent, with the increase in electricity at 11.03 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayers 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 90 per cent for each of the financial years. Given that the assumed collection rate was based on 82 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 6 per cent timing discount has been factored into the cash position forecasted over the two outer years but because of the huge creditors balance expected at the end of the current year, a rate of 114% has been provided for to account for such invoices. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.8 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 per cent of own funded capital, as there are intentions to obtain any borrowing.

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

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

2.6.5.9 Consumer debtors change (Current and Non-current)

The purposes of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. The table above shows no change in non-current as those older than a year have been impaired. The very high impairment on all debtors in the 2010/11 audited annual financial statements reduced debtors significantly hence the more than 100% jump in consumer debtors' balance in 2012/13.

2.6.5.10 Repairs and Maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicate 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 48 MBRR SA34C on page 76.

2.6.5.11 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 47 MBRR SA34b on page 75.

2.7 Expenditure on grants and reconciliation of unspent funds

Table 41 MBRR SA19 – Expenditure on transfers and grant programmes

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	22,655	27,751	50,546	55,921	55,921	55,921	63,918	66,951	72,703
Local Government Equitable Share	21,420	26,516	48,296	53,095	53,095	53,095	60,104	64,551	70,003
Municipal Systems Improvement	735	735	750	790	790	790	800	900	950
Finance Management	500	500	1,500	1,500	1,500	1,500	1,500	1,500	1,750
EPWP Incentive	–	–	–	536	536	536	1,514	–	–
Provincial Government:	–	464	152	241	249	249	1,800	1,895	1,988
Local Government SETA	–	464	152	241	249	249	1,800	1,895	1,988
District Municipality:	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Fire Reimbursement Subsidy	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Other grant providers:	–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants	22,876	28,575	51,172	57,176	57,176	57,176	67,835	71,075	77,029
Capital expenditure of Transfers and Grants									
National Government:	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Municipal Infrastructure Grant (MIG)	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Provincial Government:	–	–	–	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	787	2,650	5,000	1,600	1,600	1,600	–	–	–
Department of Mines and Energy	787	2,650	5,000	1,600	1,600	1,600	–	–	–
Total capital expenditure of Transfers and Grants	15,448	23,114	33,892	36,350	36,350	36,350	42,153	44,466	47,037
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	38,324	51,689	85,064	93,526	93,526	93,526	109,988	115,541	124,066

Table 42 MBRR SA20 – Reconciliation between of transfers, grant receipts and unspent funds

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	22,655	27,751	50,546	55,921	55,921	55,921	63,918	66,951	72,703
Conditions met - transferred to revenue	22,655	27,751	50,546	55,921	55,921	55,921	63,918	66,951	72,703
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	464	152	241	249	249	1,800	1,895	1,988
Conditions met - transferred to revenue	–	464	152	241	249	249	1,800	1,895	1,988
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
Conditions met - transferred to revenue	221	360	474	1,014	1,006	1,006	2,117	2,229	2,338
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	22,876	28,575	51,172	57,176	57,176	57,176	67,835	71,075	77,029
Total operating transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Conditions met - transferred to revenue	14,661	20,464	28,892	34,750	34,750	34,750	42,153	44,466	47,037
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	–	–	–	–	–	–	–	–
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	787	2,650	4,940	1,600	1,600	1,600	–	–	–
Conditions met - transferred to revenue	787	2,650	4,940	1,600	1,600	1,600	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Total capital transfers and grants revenue	15,448	23,114	33,832	36,350	36,350	36,350	42,153	44,466	47,037
Total capital transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	38,324	51,689	85,004	93,526	93,526	93,526	109,988	115,541	124,066
TOTAL TRANSFERS AND GRANTS - CTBM	–	–	–	–	–	–	–	–	–

2.8 Councillor and employee benefits

Table 43 MBRR SA22 – Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	4,288	4,645	6,045	3,218	4,991	4,991	3,531	3,728	3,930
Pension and UIF Contributions	–	–	–	–	–	–	217	230	242
Medical Aid Contributions	–	–	–	–	–	–	104	109	115
Motor Vehicle Allowance	–	–	–	–	–	–	1,324	1,398	1,474
Cellphone Allowance	–	–	29	1,582	105	105	261	276	291
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	–	–	–	–	–	–	68	72	76
Sub Total - Councillors	4,288	4,645	6,074	4,800	5,096	5,096	5,505	5,814	6,128
% increase		8.3%	30.8%	(21.0%)	6.2%	–	8.0%	5.6%	5.4%
Senior Managers of the Municipality									
Basic Salaries and Wages	2,322	2,490	5,686	3,284	6,356	6,356	4,608	4,866	5,129
Pension and UIF Contributions	–	–	266	–	154	154	–	–	–
Medical Aid Contributions	–	–	80	–	92	92	21	22	23
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	–	–	733	–	–	–	928	980	1,033
Cellphone Allowance	–	–	–	–	–	–	44	47	49
Housing Allowances	–	–	–	–	1	1	–	–	–
Other benefits and allowances	–	–	101	2,065	195	195	41	43	45
Payments in lieu of leave	–	–	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	2,322	2,490	6,865	5,349	6,798	6,798	5,642	5,958	6,280
% increase		7.2%	175.7%	(22.1%)	27.1%	–	(17.0%)	5.6%	5.4%
Other Municipal Staff									
Basic Salaries and Wages	25,346	28,228	35,698	40,343	45,057	45,057	42,812	45,210	47,651
Pension and UIF Contributions	4,063	4,525	7,938	8,713	8,910	8,910	10,222	10,795	11,378
Medical Aid Contributions	1,454	1,619	2,071	1,974	1,853	1,853	2,838	2,997	3,158
Overtime	–	–	3,495	1,422	1,509	1,509	1,668	1,762	1,857
Performance Bonus	–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	–	–	2,821	4,379	3,582	3,582	3,456	3,650	3,847
Cellphone Allowance	–	–	–	–	–	–	240	254	268
Housing Allowances	–	–	84	47	46	46	49	52	55
Other benefits and allowances	–	–	1,889	5,879	3,990	3,990	4,256	4,494	4,737
Payments in lieu of leave	–	–	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	3,623	3,826	4,032
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff	30,863	34,372	53,995	62,757	64,948	64,948	69,166	73,039	76,983
% increase		11.4%	57.1%	16.2%	3.5%	–	6.5%	5.6%	5.4%
Total Municipality	37,473	41,507	66,934	72,906	76,842	76,842	80,314	84,811	89,391
		10.8%	61.3%	8.9%	5.4%	–	4.5%	5.6%	5.4%
TOTAL SALARY, ALLOWANCES & BENEFITS	37,473	41,507	66,934	72,906	76,842	76,842	80,314	84,811	89,391
% increase		10.8%	61.3%	8.9%	5.4%	–	4.5%	5.6%	5.4%
TOTAL MANAGERS AND STAFF	33,185	36,862	60,860	68,106	71,746	71,746	74,808	78,998	83,263

Table 44 MBRR SA23 – Salaries, allowances and benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum						
<u>Councillors</u>						
Speaker	332,468	–	166,151	–	–	498,619
Chief Whip	329,197	–	212,449	–	–	541,646
Mayor	438,930	–	180,557	–	–	619,487
Executive Committee	342,619	–	178,882	–	–	521,502
Total for all other councillors	2,087,446	–	1,236,641	–	–	3,324,088
Total Councillors	3,530,660	–	1,974,681			5,505,342
<u>Senior Managers of the Municipality</u>						
Municipal Manager (MM)	969,360	–	–	–	–	969,360
Chief Finance Officer	793,260	–	–	–	–	793,260
<i>List of each official with packages >= senior manager</i>						
Chief Operating Officer	657,182	–	–	–	–	657,182
Manager - Corporate Services	809,678	–	–	–	–	809,678
Manager- Planning & Development	842,115	–	–	–	–	842,115
Manager - Community Services	690,749	–	–	–	–	690,749
Manager - Technical Services	880,143	–	–	–	–	880,143
Total Senior Managers of the Municipality	5,642,488	–	–	–		5,642,488
TOTAL COST OF COUNCILLOR, SENIOR MANAGEMENT and EXECUTIVE REMUNERATION	9,173,148	–	1,974,681	–	–	11,147,829

Table 45 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers Number	2010/11			Current Year 2011/12			Budget Year 2012/13		
	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)	20	–	20	23	–	23	23	–	23
Board Members of municipal entities	–	–	–	–	–	–	–	–	–
Municipal employees	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	7	–	6	7	–	5	7	–	7
Other Managers	29	7	–	29	15	–	29	29	–
Professionals	35	33	–	56	55	–	61	61	–
Finance	28	28	–	41	41	–	44	44	–
Spatial/town planning	–	–	–	5	5	–	6	6	–
Information Technology	1	1	–	3	3	–	3	3	–
Roads	–	–	–	–	–	–	–	–	–
Electricity	1	1	–	3	3	–	3	3	–
Water	3	1	–	2	2	–	3	3	–
Sanitation	–	–	–	–	–	–	–	–	–
Refuse	2	2	–	2	1	–	2	2	–
Technicians	94	94	–	107	105	–	105	105	–
Electricity	19	19	–	22	22	–	22	22	–
Water	25	25	–	28	28	–	28	28	–
Sanitation	18	18	–	20	20	–	20	20	–
Refuse	16	16	–	18	18	–	18	18	–
Other	16	16	–	19	17	–	17	17	–
Clerks (Clerical and administrative)	54	54	–	56	56	–	56	56	–
TOTAL PERSONNEL NUMBERS	239	188	26	278	231	28	281	251	30
% increase				16.3%	22.9%	7.7%	1.1%	8.7%	7.1%

2.9 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 Budget and Treasury Office.

2.10 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 46 MBRR SA 34a – Capital expenditure on new assets by asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	17,770	23,690	32,690	44,500	50,384	50,384	33,294	42,173	44,239
Infrastructure - Road transport	11,678	23,690	16,987	–	20,602	20,602	2,300	3,686	3,866
<i>Roads, Pavements & Bridges</i>	11,678	23,690	16,987	–	20,602	20,602	2,300	3,686	3,866
Infrastructure - Electricity	–	–	7,906	4,800	3,746	3,746	–	–	–
<i>Street Lighting</i>	–	–	7,906	4,800	3,746	3,746	–	–	–
Infrastructure - Water	6,092	–	7,797	2,350	5,750	5,750	331	348	365
<i>Water purification</i>	6,092	–	7,797	2,350	5,750	5,750	331	348	365
Infrastructure - Sanitation	–	–	–	37,350	20,286	20,286	30,163	37,612	39,455
<i>Reticulation</i>	–	–	–	37,350	20,286	20,286	30,163	37,612	39,455
Infrastructure - Other	–	–	–	–	–	–	500	527	552
<i>Waste Management</i>	–	–	–	–	–	–	500	527	552
Community	3,818	–	–	4,500	–	–	500	527	552
Cemeteries	3,818	–	–	4,500	–	–	500	527	552
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	91	95	100
Other	–	–	–	–	–	–	91	95	100
Other assets	4,344	1,141	1,142	8,973	6,243	6,243	3,430	3,612	3,789
General vehicles	–	–	–	3,950	3,500	3,500	720	758	795
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	–	122	122	2,416	166	166	2,710	2,854	2,993
Computers - hardware/equipment	–	556	789	1,375	975	975	–	–	–
Furniture and other office equipment	4,344	232	231	232	602	602	–	–	–
Other Buildings	–	–	–	1,000	1,000	1,000	–	–	–
Other	–	231	–	–	–	–	–	–	–
Agricultural assets	–	–	–	–	–	–	–	–	–
<i>List sub-class</i>	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
<i>Animals in Game Park</i>	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming	–	–	–	–	–	–	–	–	–
Total Capital Expenditure on new assets	25,932	24,831	33,832	57,973	56,627	56,627	37,315	46,406	48,680

Table 47 MBRR SA34b – capital expenditure on the renewal of existing assets by asset class

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	-	-	-	-	-	-	28,809	36,533	38,324
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	4,700	7,266	7,622
<i>Transmission & Reticulation</i>	-	-	-	-	-	-	4,700	7,266	7,622
Infrastructure - Water	-	-	-	-	-	-	2,481	6,493	6,811
<i>Water purification</i>	-	-	-	-	-	-	2,481	6,493	6,811
Infrastructure - Sanitation	-	-	-	-	-	-	21,629	22,775	23,891
<i>Sewerage purification</i>	-	-	-	-	-	-	21,629	22,775	23,891
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	3,873	4,078	4,278
Specialised vehicles	-	-	-	-	-	-	-	-	-
Computers - hardware/equipment	-	-	-	-	-	-	1,720	1,811	1,900
Civic Land and Buildings	-	-	-	-	-	-	2,050	2,159	2,264
Other Buildings	-	-	-	-	-	-	103	108	113
Agricultural assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Capital Expenditure on renewal of existing	-	-	-	-	-	-	32,682	40,611	42,601

Table 48 MBRR SA34c – Repairs and maintenance expenditure by asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	–	–	26,100	14,794	12,002	12,002	17,505	18,486	19,484
Infrastructure - Road transport	–	–	13,422	7,608	1,838	1,838	8,010	8,459	8,916
Storm water	–	–	13,422	7,608	1,838	1,838	8,010	8,459	8,916
Infrastructure - Electricity	–	–	2,333	1,323	6,421	6,421	1,454	1,535	1,618
Street Lighting	–	–	2,333	1,323	6,421	6,421	1,454	1,535	1,618
Infrastructure - Water	–	–	6,754	3,828	2,843	2,843	4,369	4,613	4,863
Reticulation	–	–	6,754	3,828	2,843	2,843	4,369	4,613	4,863
Infrastructure - Sanitation	–	–	3,591	2,035	900	900	3,673	3,879	4,088
Sewerage purification	–	–	3,591	2,035	900	900	3,673	3,879	4,088
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Community	542	1,623	–	–	653	653	1,065	1,124	1,185
Sportsfields & stadia	542	1,623	–	–	653	653	713	753	794
Libraries	–	–	–	–	–	–	1	1	1
Security and policing	–	–	–	–	–	–	10	10	11
Cemeteries	–	–	–	–	–	–	341	360	379
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	5,089	9,766	2,071	1,174	980	980	11	11	12
General vehicles	4,439	7,814	–	–	–	–	–	–	–
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	108	326	1,332	755	196	196	–	–	–
Computers - hardware/equipment	–	–	–	–	131	131	–	–	–
Furniture and other office equipment	541	1,626	208	118	653	653	11	11	12
Other	–	–	531	301	–	–	–	–	–
Agricultural assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681
Specialised vehicles	–	–	–	–	–	–	–	–	–
R&M as a % of PPE	67.0%	20.5%	34.1%	15.7%	10.3%	10.3%	9.3%	8.8%	6.7%
R&M as % Operating Expenditure	5.7%	7.5%	15.2%	9.0%	7.2%	7.2%	9.7%	9.7%	9.8%

Table 49 MBRR SA36 – Detailed capital budget per municipal vote

Municipal Vote/Capital project	Program/Project description	Asset Class	Asset Sub-Class	2012/13 Medium Term Revenue & Expenditure Framework			Project information	
				Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
Parent municipality:								
Spatial Development								
Town Planning	Land and Development	Property and equipment	Land	90,551	–	–	All wards	New
Subtotal spatial development				90,551	–	–		
Basic Services delivery and Infrastructure Development								
Waste water	thabazimbi upgrading of ww/tw	Infrastructure	Sewerage	16,028,811	19,015,189	19,285,170	Wards 2, 9, 11, 12	Renewal
Waste water	thabazimbi upgrading of ww/tw	Infrastructure	Sewerage	4,000,000	6,000,000	–	Wards 2, 9, 11, 12	Renewal
Waste water	northam construction of ww/tw	Infrastructure	Sewerage	24,438,069	23,672,171	25,870,350	Ward 8	New
Waste water	northam construction of ww/tw	Infrastructure	Sewerage	4,000,000	10,000,000	–	Ward 8	New
Water	replace residential water meters	Infrastructure	Water	874,007	917,707	1,500,000	All wards	Renewal
Waste water	sewer network equipment	Infrastructure	Sewerage	225,737	237,024	600,000	All wards	New
Waste water	regorogile apiesdoorn sanitation	Infrastructure	Sewerage	–	–	3,500,000	All wards	New
Waste water	vip sanitation for schilpadnest	Property and equipment		–	11,025,000	12,000,000	Ward 3	New
Waste water	development of new water master plan	Infrastructure	Water	500,000	3,472,875	8,000,000	All wards	New
Waste water	reticulation	Infrastructure	Sewerage	1,725,285	–	–	All wards	New
Waste water	leupoot new ww/tw	Infrastructure	Sewerage	–	8,103,375	10,000,000	Ward 4	New
Waste water	construction of leupoot sewer reticulation	Infrastructure	Sewerage	–	5,788,125	10,000,000	Ward 4	New
Waste water	rehabilitation of northam oxidation ponds	Infrastructure	Sewerage	–	1,447,031	6,000,000	Ward 8	Renewal
Waste water	schilpadnest sanitation services	Infrastructure	Sewerage	–	–	13,000,000	Ward 3	New
Water	thabazimbi/marekele bulk water pipeline	Infrastructure	Water	–	–	5,500,000	Wards 2, 9, 11, 12	New
Water	leupoot bulk water pipeline	Infrastructure	Water	–	11,933,234	2,500,000	Ward 4	New
Water	northam upgrading of water network	Infrastructure	Water	1,653,750	3,472,875	4,500,000	Ward 8	Renewal
Water	thabazimbi upgrading of borehole scheme	Infrastructure	Water	826,875	1,736,437	2,500,000	Wards 2, 9, 11, 12	Renewal
Water	water quality and hydrological	Infrastructure	Water	–	6,090,062	850,000	All wards	New
Water	upgrading of bulk water pipeline (feasibility)	Infrastructure	Water	–	46,305,000	47,000,000	All wards	Renewal
Water	zandvierspoort to thabazimbi bulk water pipeline	Infrastructure	Water	–	22,050,000	27,000,000	Wards 2, 9, 11, 12	New
Water	development of new water master plan	Infrastructure	Water	330,750	694,575	830,000	All wards	New
Civil and roads	northam paving of internal streets	Infrastructure	Roads	2,300,000	14,000,000	18,000,000	Ward 8	New
Civil and roads	northam construction of sidewalks	Infrastructure	Roads	–	5,000,000	5,000,000	Ward 8	New
Civil and roads	ipelegeng paving of main access roads	Infrastructure	Roads	–	16,000,000	20,000,000	Ward 9	New
Civil and roads	ipelegeng construction of sidewalks	Infrastructure	Roads	–	2,500,000	2,000,000	Ward 9	New
Civil and roads	regorogile paving of internal streets-phase 1	Infrastructure	Roads	–	14,000,000	18,000,000	Ward 12	New
Civil and roads	regorogile construction of side walks	Infrastructure	Roads	–	4,000,000	4,000,000	Ward 12	New
Electro Technical	upgrading of existing thabazimbi substations	Infrastructure	Electricity	1,500,000	–	–	All wards	Renewal
Electro Technical	TBZ conversion of prepaid meters to smart meters	Infrastructure	Electricity	1,400,000	–	–	Ward 2	New
Electro Technical	upgrading of load management system	Infrastructure	Electricity	1,800,000	–	–	All wards	Renewal
Waste	22 cubic meters compactor truck	Property and equipment	Equipment	2,000,000	–	–	All wards	New
Waste	new land-fill site 2 cemeteries (feasibility)	Infrastructure	Cemeteries	1,000,000	–	–	All wards	New
Waste	weighbridge for refuse	Property and equipment	Equipment	500,000	500,000	–	All wards	New
Waste	10 bulk containers	Property and equipment	Equipment	150,000	–	–	All wards	New
Cemeteries	construction of raphuti cemetery	Infrastructure	Cemeteries	–	7,500,000	–	Ward 4	New
Cemeteries	construction of northam and thabazimbi cemeteries	Infrastructure	Cemeteries	–	2,000,000	–	Wards 2, 8, 9, 11, 12	New
Protection Services	purchase of fire-arm	Property and equipment	Equipment	60,000	–	–	All wards	New
Protection Services	6 patrol vehicles	Property and equipment	Vehicles	720,000	–	–	All wards	New
Subtotal basic service delivery				66,033,284	247,460,680	267,435,520		
Local Economic Development (Reduced to R1m in total)								
LED	upgrading of strydom house	Community assets	buildings	102,564	1,500,000	1,000,000	Ward 4	Renewal
Subtotal LED				102,564	1,500,000	1,000,000		
Municipal Transformation and Institutional Development								
Administration	Upgrading of municipal chamber	Community Assets	buildings	250,000	–	–	All wards	Renewal
Administration	Upgrading of municipal chamber	Community Assets	buildings	300,000	–	–	All wards	Renewal
Administration	Electronic Control system for vehicles	Property and equipment	vehicles	250,000	–	–	All wards	New
Administration	Purchases of desktops and laptops	Property and equipment	IT Equipment	300,000	200,000	250,000	All wards	New
Administration	Network management system	Property and equipment	IT Equipment	200,000	–	–	All wards	New
Administration	Voice over IP (VOIP)	Property and equipment	IT Equipment	400,000	–	–	All wards	New
Administration	Intranet	Property and equipment	IT Equipment	120,000	–	–	All wards	New
Administration	Computer Security locks	Property and equipment	IT Equipment	100,000	–	–	All wards	New
Administration	Server for PayDay and Orbit	Property and equipment	IT Equipment	350,000	–	–	All wards	New
Human Resources	Upgrading of Main Building	Community Assets	buildings	1,500,000	–	–	All wards	Renewal
Subtotal municipal transformation				3,770,000	200,000	250,000		
Total Capital expenditure				69,996,399	249,160,680	268,685,520		

2.11 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 quarterly 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 Budget and Treasury Office. Two interns in the previous group have been appointed permanently from January 2011. The other interns who have completed their training have been appointed elsewhere in the institutions such as Department of Justice and SAPS. The current group of five will complete their training in December 2013.
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 finalized after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the municipality and training is going.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with. The municipality's Property Rates Policy has also been reviewed to take into account views from Thabazimbi Rate Payers Association and other similar Forums. A draft has been attached as Annexure 2 to this document.

Other budget related policies in existence include the following:

- Tariff policy
- Credit control policy
- Cash management and investment policy
- Asset management policy
- Budget virement policy

2.12 Other supporting documents

Table 50 MBRR SA1 – Supporting detail to budgeted financial performance

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
REVENUE ITEMS:									
Property rates									
Total Property Rates	17,393	8,895	15,834	29,928	29,928	29,928	33,121	34,876	36,585
Net Property Rates	17,393	8,895	15,834	29,928	29,928	29,928	33,121	34,876	36,585
Service charges - electricity revenue									
Total Service charges - electricity revenue	18,608	27,431	32,324	45,659	37,787	37,787	49,244	51,854	54,394
Net Service charges - electricity revenue	18,608	27,431	32,324	45,659	37,787	37,787	49,244	51,854	54,394
Service charges - water revenue									
Total Service charges - water revenue	9,294	20,883	29,493	31,062	31,212	31,212	50,986	53,688	56,319
Net Service charges - water revenue	9,294	20,883	29,493	31,062	31,212	31,212	50,986	53,688	56,319
Service charges - sanitation revenue									
Total Service charges - sanitation revenue	6,462	9,210	8,358	8,919	8,919	8,919	10,182	10,722	11,247
Net Service charges - sanitation revenue	6,462	9,210	8,358	8,919	8,919	8,919	10,182	10,722	11,247
Service charges - refuse revenue									
Total refuse removal revenue	4,651	7,398	6,488	10,220	7,881	7,881	12,556	13,222	13,870
Net Service charges - refuse revenue	4,651	7,398	6,488	10,220	7,881	7,881	12,556	13,222	13,870
Other Revenue by source									
List other revenue by source	9,746	3,984	6,337	2,947	3,598	3,598	-	-	-
Service connection fees	-	-	-	-	-	-	759	799	838
Fees for graves	-	-	-	-	-	-	258	271	285
Building plan fees	-	-	-	-	-	-	1,255	1,321	1,386
Advertising fees	-	-	-	-	-	-	177	186	195
Meter reading fees	-	-	-	-	-	-	158	166	174
Tender fees	-	-	-	-	-	-	831	875	918
Game farm admission fees	-	-	-	-	-	-	64	67	70
Library fees	-	-	-	-	-	-	1	1	2
Hawkers and other fees	-	-	-	-	-	-	356	375	394
Fire services fees	-	-	-	-	-	-	70	74	77
Sale of refuse bins	-	-	-	-	-	-	70	73	77
Total 'Other' Revenue	9,746	3,984	6,337	2,947	3,598	3,598	3,999	4,211	4,417
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	29,193	30,789	34,730	43,481	47,783	47,783	48,081	50,629	53,110
Pension and UIF Contributions	7,542	7,665	8,204	9,055	9,063	9,063	10,923	11,502	12,066
Medical Aid Contributions	2,560	5,841	4,214	2,053	1,942	1,942	2,858	3,010	3,157
Overtime	132	1,918	1,422	1,422	1,509	1,509	3,199	3,368	3,533
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	37	-	5,344	5,344	3,420	3,420	4,385	4,617	4,843
Cellphone Allowance	-	-	481	481	224	224	285	300	315
Housing Allowances	559	-	47	47	47	47	49	52	54
Other benefits and allowances	1,484	1,893	6,224	6,224	7,757	7,757	5,028	5,295	5,554
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
sub-total	41,507	48,106	60,664	68,106	71,746	71,746	74,808	78,773	82,633
Less: Employees costs capitalised to PPE	-	-	-	-	-	-	-	-	-
Total Employee related costs	41,507	48,106	60,664	68,106	71,746	71,746	74,808	78,773	82,633
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	-	-	12,914	2,638	2,638	2,638	2,640	2,640	2,640
Total Depreciation & asset impairment	-	-	12,914	2,638	2,638	2,638	2,640	2,640	2,640
Bulk purchases									
Electricity Bulk Purchases	15,060	19,436	30,913	29,187	29,964	29,964	20,903	22,011	23,090
Water Bulk Purchases	8,360	10,789	12,061	14,000	14,000	14,000	24,554	25,856	27,122
Total bulk purchases	23,420	30,225	42,974	43,187	43,964	43,964	45,458	47,867	50,212
Transfers and grants									
Cash transfers and grants	-	-	-	-	-	-	-	-	-
Non-cash transfers and grants	-	-	-	-	-	-	-	-	-
Total transfers and grants	-	-	-	-	-	-	-	-	-
Other Expenditure By Type									
Collection costs	-	-	-	15,968	-	-	-	-	-
Contributions to 'other' provisions	10	-	-	-	-	-	-	-	-
Consultant fees	-	-	-	-	-	-	4,308	4,536	4,758
Audit fees	855	1,710	-	884	-	-	2,179	2,179	2,179
General expenses	24,404	52,774	42,363	34,095	52,751	52,751	45,505	48,032	50,492
Total 'Other' Expenditure	25,269	54,484	42,363	50,947	52,751	52,751	51,991	54,746	57,429
Repairs and Maintenance									
Other Expenditure	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681
Total Repairs and Maintenance Expenditure	5,630	11,389	28,171	15,968	13,635	13,635	18,581	19,621	20,681

Table 51 MBRR SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Vote 1 - Political Office Bearers	Vote 2 - Municipal Manager's office	Vote 3 - Budget and Treasury	Vote 4 - Corporate services	Vote 5 - Planning and Economic Development	Vote 6 - Community and Social Services	Vote 7 - Technical Services	Total
R thousand								
Revenue By Source								
Property rates	32,641	–	–	–	–	–	–	32,641
Property rates - penalties & collection charges	3	–	–	–	–	–	–	3
Service charges - electricity revenue	–	–	–	–	–	–	49,244	49,244
Service charges - water revenue	–	–	–	–	–	–	50,986	50,986
Service charges - sanitation revenue	–	–	–	–	–	–	10,182	10,182
Service charges - refuse revenue	–	–	–	–	–	12,556	–	12,556
Rental of facilities and equipment	–	–	–	422	–	46	6	475
Interest earned - external investments	–	–	31	–	–	–	–	31
Interest earned - outstanding debtors	–	–	2,410	–	–	–	–	2,410
Fines	–	–	17	–	–	680	–	697
Licences and permits	–	–	–	–	–	1,448	–	1,448
Agency services	–	–	–	–	–	1,609	–	1,609
Other revenue	–	–	1,409	4	1,495	700	880	4,488
Transfers recognised - operational	62,404	–	–	1,800	–	2,117	1,514	67,835
Gains on disposal of PPE	–	–	–	211	–	–	–	211
Total Revenue (excluding capital transfers and	95,048	–	3,868	2,437	1,495	19,155	112,812	234,815
Expenditure By Type								
Employee related costs	2,381	4,768	10,522	8,057	4,692	19,389	24,999	74,808
Remuneration of councillors	5,505	–	–	–	–	–	–	5,505
Depreciation & asset impairment	13	1	9	262	8	227	2,120	2,640
Finance charges	148	–	–	–	–	–	740	889
Bulk purchases	–	–	–	–	–	–	45,458	45,458
Contracted services	546	–	2,525	2,686	–	4,505	53	10,315
Other expenditure	4,715	425	6,610	10,765	1,692	4,299	23,486	51,992
Total Expenditure	13,308	5,194	19,665	21,771	6,392	28,421	96,855	191,607
Surplus/(Deficit)	81,740	(5,194)	(15,798)	(19,334)	(4,897)	(9,265)	15,957	43,208
Transfers recognised - capital	–	–	–	–	–	–	42,153	42,153
Surplus/(Deficit) after capital transfers & contributions	81,740	(5,194)	(15,798)	(19,334)	(4,897)	(9,265)	58,110	85,361

Table 52 MBRR SA3 – Supporting detail to statement of financial position

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
ASSETS									
Call investment deposits									
Call deposits < 90 days	14,595	2,853	3,075	853	2,625	2,625	2,625	2,625	2,625
Other current investments > 90 days	–	–	–	–	–	–	–	–	–
Total Call investment deposits	14,595	2,853	3,075	853	2,625	2,625	2,625	2,625	2,625
Consumer debtors									
Consumer debtors	65,129	73,209	81,291	25,677	82,310	82,310	100,110	105,415	110,581
Less: Provision for debt impairment	(15,433)	(59,282)	(72,195)	(7,552)	(72,195)	(72,195)	(72,195)	(72,195)	(72,195)
Total Consumer debtors	49,696	13,927	9,096	18,125	10,115	10,115	27,914	33,220	38,385
Debt impairment provision									
Balance at the beginning of the year	–	54,773	59,282	27,500	7,552	7,552	72,195	72,195	72,195
Contributions to the provision	–	4,508	12,914	(19,948)	64,643	64,643	–	–	–
Bad debts written off	–	–	–	–	–	–	–	–	–
Balance at end of year	–	59,282	72,195	7,552	72,195	72,195	72,195	72,195	72,195
Property, plant and equipment (PPE)									
PPE at cost/valuation (excl. finance leases)	169,988	55,676	82,696	100,700	131,416	131,416	201,414	225,880	315,487
Leases recognised as PPE	3,274	–	–	3,950	3,950	3,950	3,950	3,950	3,950
Less: Accumulated depreciation	164,854	–	–	2,638	2,638	2,638	5,279	7,919	10,559
Total Property, plant and equipment (PPE)	8,408	55,676	82,696	102,011	132,728	132,728	200,085	221,911	308,877
LIABILITIES									
Current liabilities - Borrowing									
Short term loans (other than bank overdraft)	–	–	–	–	–	–	–	–	–
Current portion of long-term liabilities	8,148	2,234	1,183	1,783	1,233	1,233	1,125	1,026	937
Total Current liabilities - Borrowing	8,148	2,234	1,183	1,783	1,233	1,233	1,125	1,026	937
Trade and other payables									
Trade and other creditors	7,286	38,915	58,456	43,211	65,710	65,710	35,549	76,579	84,789
Unspent conditional transfers	–	–	–	–	–	–	–	–	–
VAT	–	–	–	–	–	–	–	–	–
Total Trade and other payables	7,286	38,915	58,456	43,211	65,710	65,710	35,549	76,579	84,789
Non current liabilities - Borrowing									
Borrowing	8,276	7,563	7,796	8,589	8,245	8,245	7,421	6,678	6,011
Finance leases (including PPP asset element)	132	–	–	4,536	3,610	3,610	3,357	3,120	2,899
Total Non current liabilities - Borrowing	8,408	7,563	7,796	13,124	11,855	11,855	10,778	9,799	8,909
Provisions - non-current									
Retirement benefits	–	10,253	14,653	–	–	–	15,000	15,795	16,569
List other major provision items	–	–	–	–	–	–	–	–	–
Refuse landfill site rehabilitation	–	6,433	6,555	700	6,039	6,039	6,567	7,141	7,765
Retirement benefits obligation	–	–	–	–	–	–	–	–	–
Total Provisions - non-current	–	16,685	21,208	700	6,039	6,039	21,567	22,936	24,334
CHANGES IN NET ASSETS									
Accumulated Surplus/(Deficit)									
Accumulated Surplus/(Deficit) - opening balance	26,893	8,360	4,144	9,815	35,332	35,332	43,853	129,216	132,002
GRAP adjustments	–	–	–	–	–	–	–	–	–
Restated balance	26,893	8,360	4,144	9,815	35,332	35,332	43,853	129,216	132,002
Surplus/(Deficit)	10,339	(2,146)	5,456	57,702	32,186	32,186	85,361	89,874	97,382
Appropriations to Reserves	–	–	–	–	–	–	–	–	–
Transfers from Reserves	–	–	–	–	–	–	–	–	–
Depreciation offsets	–	–	–	–	–	–	–	–	–
Other adjustments	–	–	–	–	(23,665)	(23,665)	2	(87,088)	(14,272)
Accumulated Surplus/(Deficit)	37,232	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111
Reserves									
Housing Development Fund	–	–	–	–	–	–	–	–	–
Capital replacement	–	–	–	–	–	–	–	–	–
Self-insurance	–	–	–	–	–	–	–	–	–
Other reserves	11,017	–	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–	–	–
Total Reserves	11,017	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	48,249	6,214	9,600	67,517	43,853	43,853	129,216	132,002	215,111

Table 53 MBRR SA32 – list of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
UMS	Mths	1	Debt collection	month-on-month	1,000
MunSoft	Yrs	3	Operation Clean Audit	31 December 2012	1,200
Baepereki Consultants	Yrs	1	Project Management Unit	31 December 2012	1,560
COGSTAH	Mths	1	Performance Management System	30 June 2013	–

2.13 Municipal manager's quality certificate

I, municipal manager of Thabazimbi Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Acting Municipal manager of Thabazimbi Local Municipality (LIM361)

Signature _____

Date _____