

**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 | Year | Budget Year + 1 2013/14 | Budget Year +2 2014/15 |
|---------------------------------------|----------------------------------|-------------------|---------|----------------------------|---------------------------|
| | R'000 | 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 | 50345, | |
| 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 | 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 |
| 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 |
| 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.

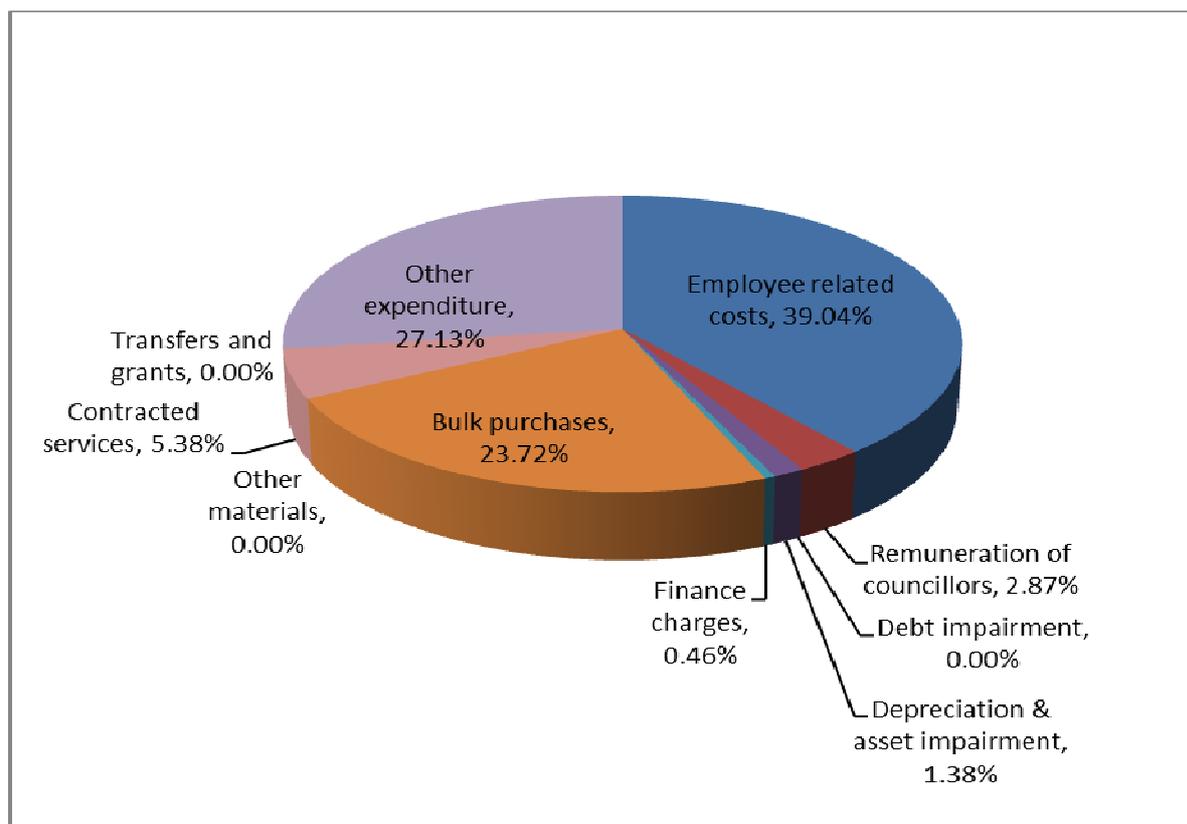


Figure 1 Main operational expenditure categories for the 2012/13 financial year

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 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 |
| 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.

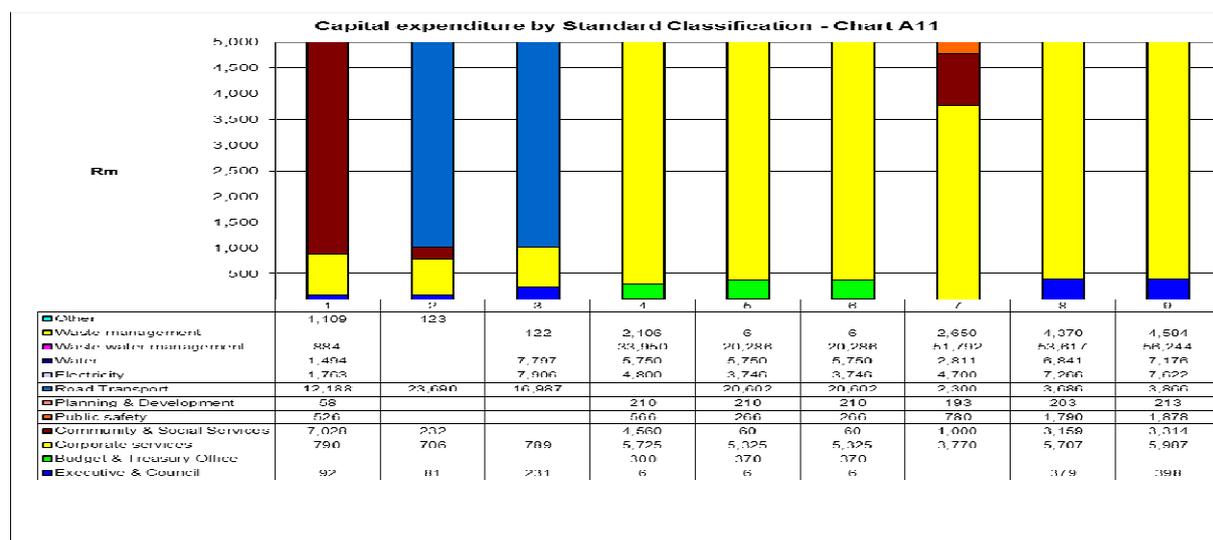


Figure 2 Capital Infrastructure Programme

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 | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | 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 thousands | | | | | | | | | |
| 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 | | | | | | | | | |
| 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/sewerage: | 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 | | | | | | | | | |
| <i>Municipal governance and administration</i> | 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 |
| <i>Mayor and Council</i> | 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 |
| <i>Human Resources</i> | - | 602 | 152 | 249 | 249 | 249 | 1,800 | 1,584 | 1,670 |
| <i>Legal services</i> | 590 | 528 | 464 | 401 | 401 | 401 | 422 | 446 | 470 |
| <i>Other Admin</i> | - | 621 | 719 | 203 | 204 | 204 | 215 | 227 | 239 |
| <i>Community and public safety</i> | 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 |
| <i>Community and development</i> | 30 | 75 | 54 | 68 | 98 | 98 | 48 | 114 | 120 |
| <i>Cemeteries & Crematoriums</i> | 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 |
| <i>Police and licencing</i> | 1,713 | 2,459 | 4,675 | 7,128 | 3,702 | 3,702 | 4,097 | 4,327 | 4,560 |
| <i>Fire fighting</i> | 183 | 310 | 474 | 1,021 | 1,021 | 1,021 | 2,133 | 2,252 | 2,374 |
| <i>Economic and environmental services</i> | - | - | 265 | 482 | 868 | 868 | 1,495 | 1,473 | 1,615 |
| Planning and development | - | 426 | 265 | 482 | 808 | 808 | 1,495 | 1,405 | 1,615 |
| <i>Economic Development/Planning</i> | - | 426 | - | - | - | - | - | - | - |
| <i>Town planning</i> | - | 426 | 265 | 422 | 808 | 808 | 1,432 | 1,405 | 1,544 |
| <i>Game reserve</i> | - | - | - | 60 | 60 | 60 | 64 | 67 | 71 |
| <i>Trading services</i> | 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 |
| Water | 20,958 | 28,891 | 37,731 | 48,341 | 39,973 | 39,973 | 49,928 | 52,744 | 55,628 |
| <i>Water Storage</i> | 15,187 | 20,944 | 29,569 | 31,285 | 31,343 | 31,343 | 51,171 | 54,099 | 57,130 |
| Waste water management | 15,187 | 20,944 | 29,569 | 31,285 | 31,343 | 31,343 | 51,171 | 54,099 | 57,130 |
| <i>Sewerage</i> | 5,462 | 9,210 | 8,358 | 8,919 | 8,919 | 8,919 | 10,182 | 10,753 | 11,333 |
| Waste management | 5,462 | 9,210 | 8,358 | 8,919 | 8,919 | 8,919 | 10,182 | 10,753 | 11,333 |
| <i>Solid Waste</i> | 4,521 | 7,506 | 6,584 | 10,294 | 7,941 | 7,941 | 12,619 | 13,442 | 14,712 |
| <i>Solid Waste</i> | 4,521 | 7,506 | 6,584 | 10,294 | 7,941 | 7,941 | 12,619 | 13,442 | 14,712 |
| <i>Other</i> | 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 | | | | | | | | | |
| <i>Municipal governance and administration</i> | 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 |
| <i>Mayor and Council</i> | 2,362 | 4,871 | 9,122 | 17,742 | 22,640 | 22,640 | 13,308 | 14,014 | 14,700 |
| <i>Executive and council</i> | - | - | 2,246 | - | - | - | 1,867 | 1,966 | 2,062 |
| <i>Internal audit</i> | - | - | 1,335 | - | - | - | 1,496 | 1,576 | 1,653 |
| <i>Public relations</i> | - | - | 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 |
| <i>Human Resources</i> | - | 1,227 | 1,794 | 5,002 | 5,064 | 5,064 | 6,044 | 6,365 | 6,677 |
| #REF! | - | 1,745 | - | - | 2,851 | - | - | - | - |
| <i>Administration and council</i> | 439 | 864 | 2,292 | 3,085 | 2,851 | 2,851 | 3,182 | 3,351 | 3,515 |
| <i>Legal services</i> | 4,608 | 3,077 | 865 | 2,759 | 3,623 | 3,623 | 5,279 | 5,559 | 5,831 |
| <i>Office of the Corporate manager</i> | 11,628 | 12,190 | 15,148 | 9,258 | 8,442 | 8,442 | 7,265 | 7,650 | 8,025 |
| <i>Community and public safety</i> | 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 |
| <i>Community and development</i> | 365 | 1,936 | 2,012 | 2,550 | 2,433 | 2,433 | 2,566 | 2,703 | 2,835 |
| <i>Cemeteries & Crematoriums</i> | 451 | 736 | 661 | 610 | 659 | 659 | 693 | 729 | 765 |
| <i>Office of the manager</i> | 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 |
| <i>Police and licencing</i> | 4,482 | 5,087 | 7,536 | 7,307 | 7,746 | 7,746 | 8,273 | 8,712 | 9,139 |
| <i>Fire fighting</i> | 50 | 362 | 624 | 1,447 | 1,419 | 1,419 | 1,803 | 1,899 | 1,992 |
| <i>Economic and environmental services</i> | 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 |
| <i>Office of the manager</i> | - | 1,831 | 1,288 | 844 | 1,009 | 1,009 | 876 | 922 | 967 |
| <i>Town planning</i> | 27 | 1,157 | 1,618 | 3,086 | 3,062 | 3,062 | 3,394 | 3,574 | 3,749 |
| <i>Local Economic Development</i> | 3,760 | 756 | 754 | 1,513 | 1,037 | 1,037 | 1,389 | 1,463 | 1,535 |
| <i>Game reserve</i> | - | 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 |
| <i>Roads</i> | - | 13,424 | 22,281 | 26,556 | 26,915 | 26,915 | 29,354 | 30,910 | 32,425 |
| <i>Mechanical workshop</i> | 1,071 | 3,491 | 658 | 730 | 748 | 748 | 874 | 920 | 965 |
| <i>Office of the manager</i> | - | - | 2,647 | 1,503 | 1,754 | 1,754 | 1,508 | 1,588 | 1,666 |
| <i>Other</i> | 16,186 | 2,865 | - | - | - | - | - | - | - |
| Environmental protection | - | - | - | - | - | - | - | - | - |
| <i>Pollution Control</i> | 10,503 | 15,991 | - | - | - | - | - | - | - |
| <i>Biodiversity & Landscape</i> | 10,503 | 15,991 | - | - | - | - | - | - | - |
| <i>Trading services</i> | 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 |
| <i>Electricity Distribution</i> | 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 |
| <i>Water Distribution</i> | 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 |
| <i>Sewerage</i> | 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 |
| <i>Solid Waste</i> | 3,397 | 3,079 | 16,925 | 8,343 | 9,071 | 9,071 | 9,697 | 10,211 | 10,711 |
| <i>Other</i> | 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 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 |
| 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 |
| 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)

- 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.
- 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.
- 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.
- 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.

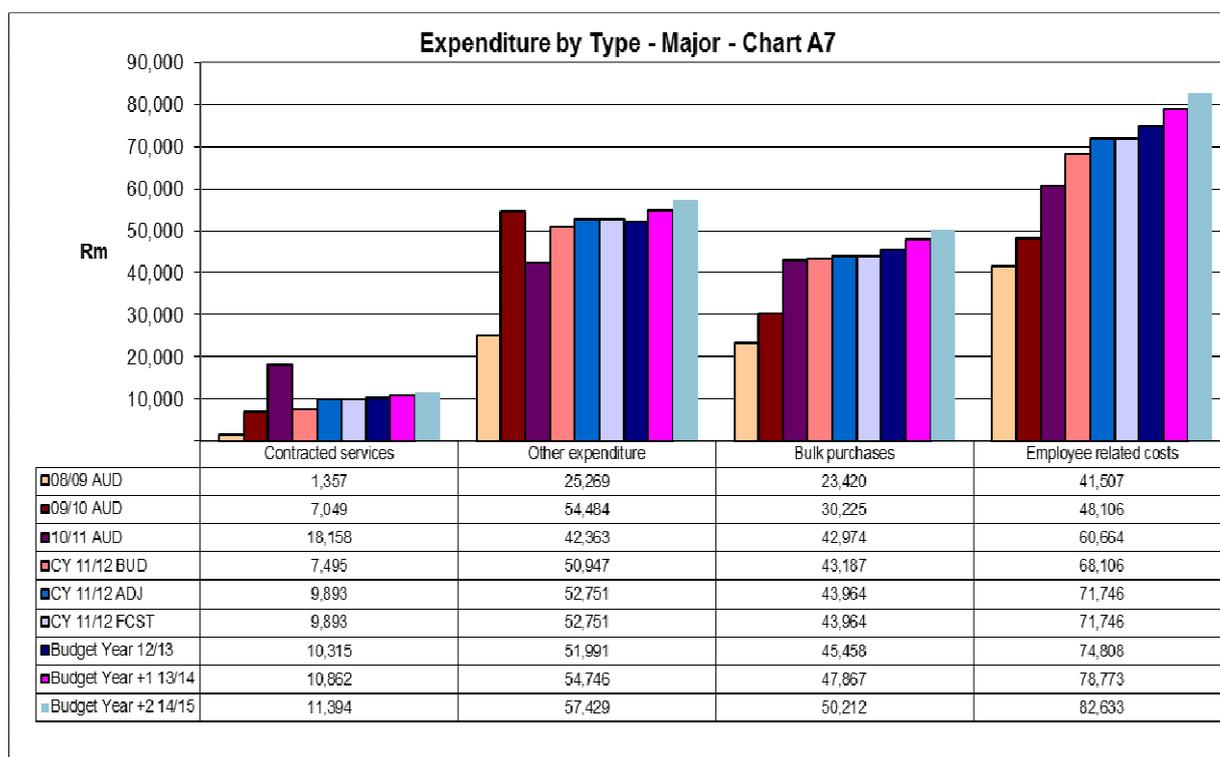


Figure 3 Expenditure by major type

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 | 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 | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | 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 | - | - | - | - | - | - | 4,700 | 7,266 | 7,622 |
| Infrastructure - Electricity | - | - | 7,906 | 4,800 | 3,746 | 3,746 | 2,811 | 6,841 | 7,176 |
| Infrastructure - Water | 6,092 | - | 7,797 | 2,350 | 5,750 | 5,750 | 51,792 | 60,387 | 63,346 |
| Infrastructure - Sanitation | - | - | - | 37,350 | 20,286 | 20,286 | 500 | 527 | 552 |
| Infrastructure - Other | - | - | - | - | - | - | 62,103 | 78,706 | 82,583 |
| Infrastructure | 17,770 | 23,690 | 32,690 | 44,500 | 50,384 | 50,384 | 500 | 527 | 552 |
| Community | 3,818 | - | - | 4,500 | - | - | - | - | - |
| Heritage assets | - | - | - | - | - | - | 91 | 95 | 100 |
| Investment properties | - | - | - | - | - | - | - | - | - |
| 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 |
| <i>Minimum Service Level and Above sub-total</i> | 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 |
| <i>Below Minimum Service Level sub-total</i> | 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 |
| <i>Minimum Service Level and Above sub-total</i> | 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 |
| <i>Below Minimum Service Level sub-total</i> | 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 |
| <i>Minimum Service Level and Above sub-total</i> | 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 |
| <i>Below Minimum Service Level sub-total</i> | 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 |
| <i>Minimum Service Level and Above sub-total</i> | 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 |
| <i>Below Minimum Service Level sub-total</i> | 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 package) | 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 | <100% billing | <100% billing | <100% billing | <100% billing | <100% billing | <100% billing | <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:

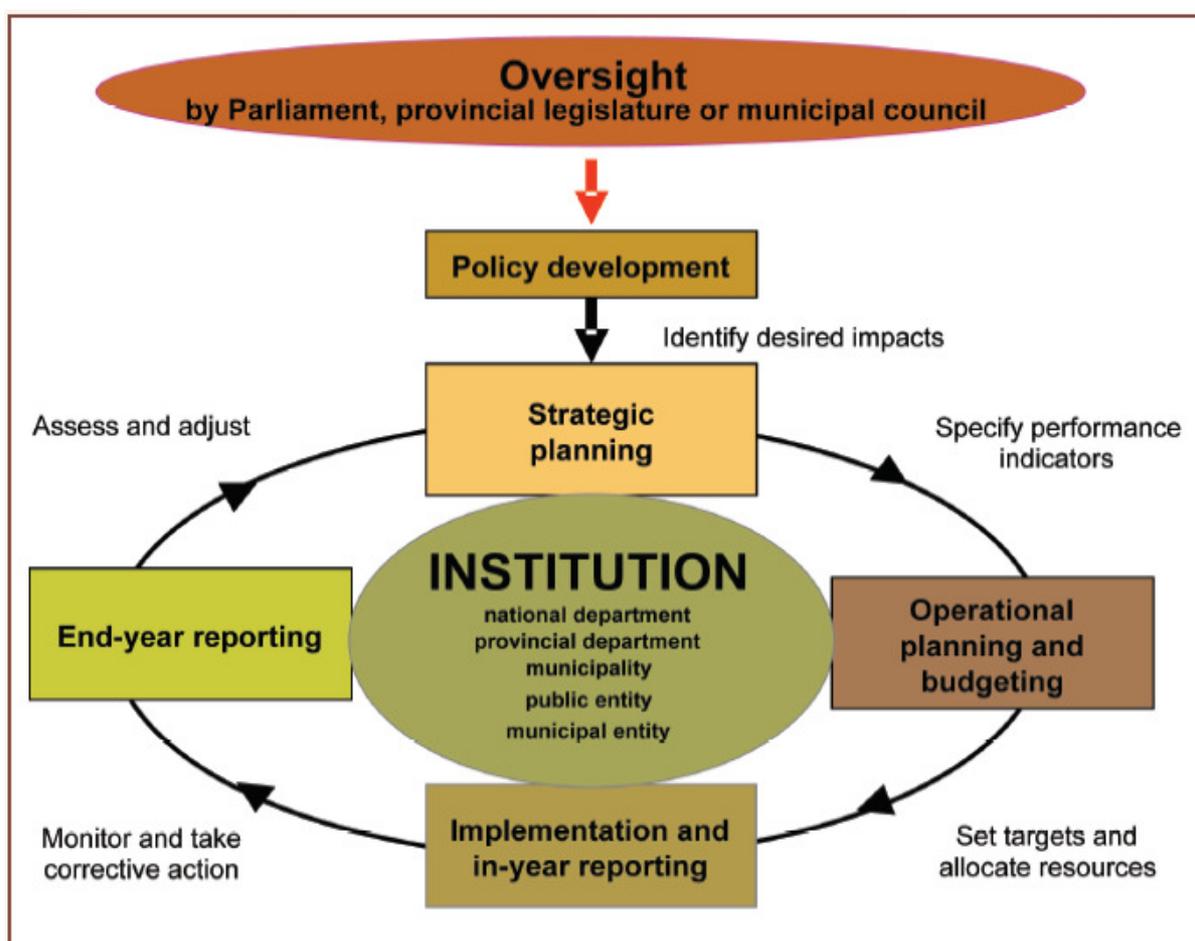


Figure 4 Planning, Budgeting and reporting cycle

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

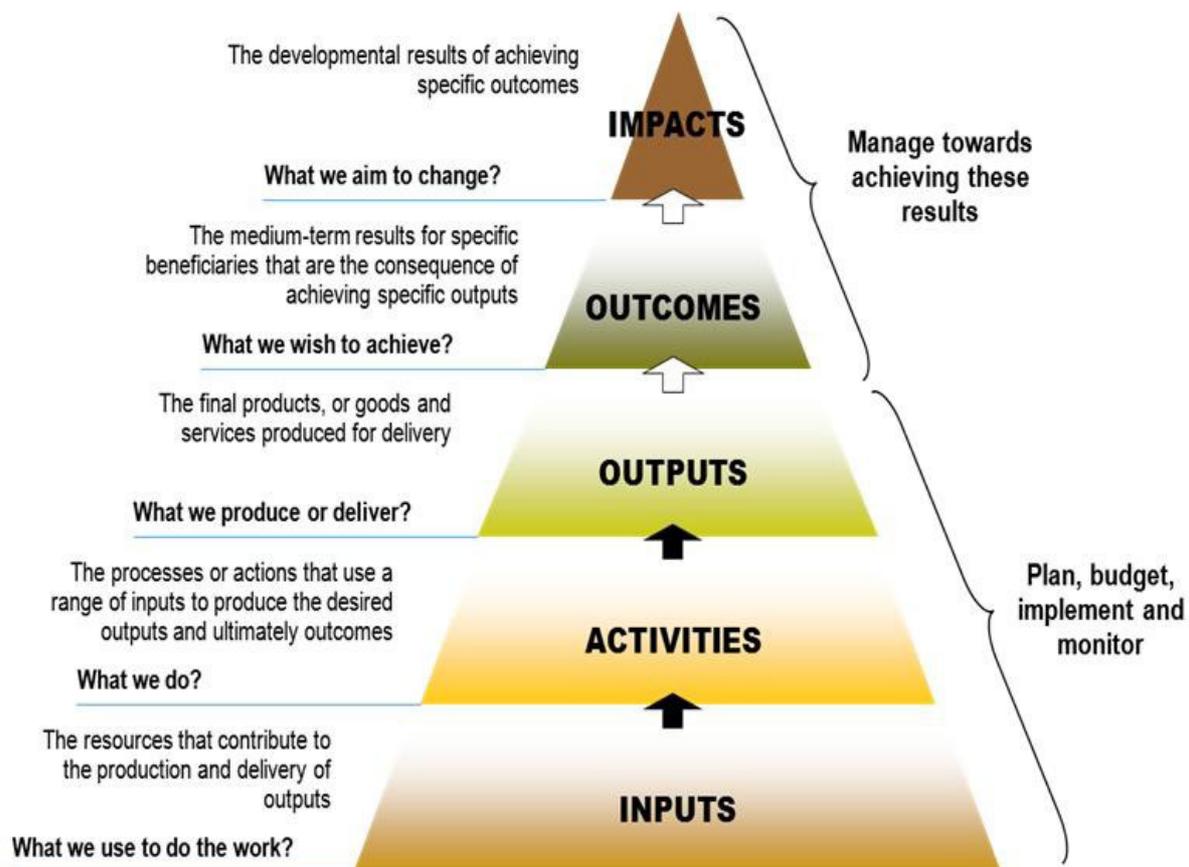


Figure 5 Definition of performance information concepts

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 |
| Borrowing Management | | | | | | | | | | |
| 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% |
| Safety of Capital | | | | | | | | | | |
| Gearing | Long Term Borrowing/ Funds & Reserves | 76.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Liquidity | | | | | | | | | | |
| 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 |
| Revenue Management | | | | | | | | | | |
| 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% |
| Creditors Management | | | | | | | | | | |
| 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% |
| Other Indicators | | | | | | | | | | |
| 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% |
| IDP regulation financial viability indicators | | | | | | | | | | |
| 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

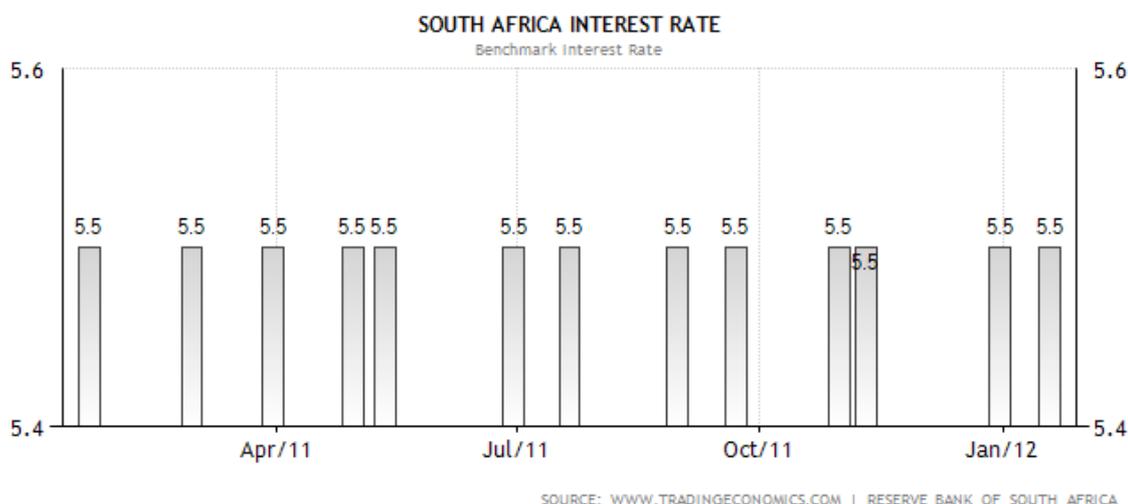


Table 30 Credit rating outlook

| 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 | 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.

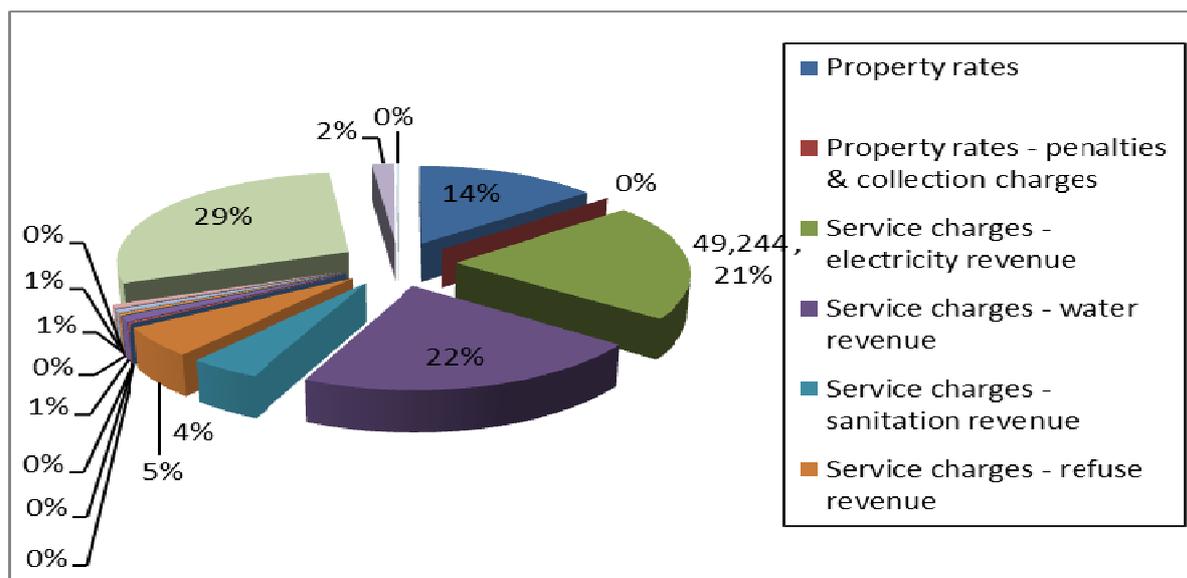


Figure 6 Breakdown of operating revenue over the 2011/12 MTREF

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 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) |

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)(v)i | 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)(v)i | 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 | 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 |
| 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 | 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 | 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 | - |
| <i>Finance</i> | 28 | 28 | - | 41 | 41 | - | 44 | 44 | - |
| <i>Spatial/town planning</i> | - | - | - | 5 | 5 | - | 6 | 6 | - |
| <i>Information Technology</i> | 1 | 1 | - | 3 | 3 | - | 3 | 3 | - |
| <i>Roads</i> | - | - | - | - | - | - | - | - | - |
| <i>Electricity</i> | 1 | 1 | - | 3 | 3 | - | 3 | 3 | - |
| <i>Water</i> | 3 | 1 | - | 2 | 2 | - | 3 | 3 | - |
| <i>Sanitation</i> | - | - | - | - | - | - | - | - | - |
| <i>Refuse</i> | 2 | 2 | - | 2 | 1 | - | 2 | 2 | - |
| Technicians | 94 | 94 | - | 107 | 105 | - | 105 | 105 | - |
| <i>Electricity</i> | 19 | 19 | - | 22 | 22 | - | 22 | 22 | - |
| <i>Water</i> | 25 | 25 | - | 28 | 28 | - | 28 | 28 | - |
| <i>Sanitation</i> | 18 | 18 | - | 20 | 20 | - | 20 | 20 | - |
| <i>Refuse</i> | 16 | 16 | - | 18 | 18 | - | 18 | 18 | - |
| <i>Other</i> | 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 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 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 |
| <i>Storm water</i> | - | - | 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 |
| <i>Street Lighting</i> | - | - | 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 |
| <i>Reticulation</i> | - | - | 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 |
| <i>Sewerage purification</i> | - | - | 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 | leupoort new ww tw | Infrastructure | Sewerage | - | 8,103,375 | 10,000,000 | Ward 4 | New |
| Waste water | construction of leupoort 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 | leupoort 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 schemes | 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 | zandrivierspoort 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-phases | 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 raphuul 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 _____