

## 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.

#### 1.1.1 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 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session with Council and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2013** - Council considers the 2012/13 Mid-year Review
- **20 February 2013** – Council considers Adjustments Budget 2012/2013;
- **26 March 2013** - Tabling in Council of the draft 2013/14 IDP and 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **15 May 2013** - Closing date for written comments;
- **31 May 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

#### 1.1.2 IDP and Service Delivery and Budget Implementation Plan

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 2013/14 MTREF, based on the approved 2012/13 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 2013/14 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.

### **1.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2013/14 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 2013/14 MTREF:

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

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 58, 59 and 66 has been taken into consideration in the planning and prioritisation process.

### **1.1.4 Community Consultation**

The draft 2013/14 MTREF will tabled before Council on the 26<sup>th</sup> of March 2013. Thereafter, the draft budget was made available on the municipal website, municipal offices and libraries in order to invite the public to submit their comments on the proposed budget. Community meetings will be held to obtain comments from the public.

## 1.2 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 Municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

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

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

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 19 IDP Strategic Objectives**

2012/13 Financial Year	2013/14 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capability of Municipality to achieve set objectives

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

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

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide Municipality 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.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure that the Municipality achieves 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 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 2013/14 MTREF has therefore been directly informed by the IDP revision process.

**Table 20 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue Enhancement Strategies	Collection of Property Rates			34,172	39,978	40,795	57,839	41,050	41,050	43,102	45,258	47,521
Revenue Enhancement Strategies	Billing and Collection Of Service charges			101,724	126,513	149,276	172,328	175,674	175,674	186,137	202,607	220,545
Financial Management	Transfers Recognised			43,949	45,048	59,310	61,028	72,828	72,828	82,021	77,842	89,071
Revenue Enhancement Strategies	Other Own Revenue			7,807	8,386	7,315	7,603	8,464	8,464	15,235	15,084	19,084
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	187,652	219,925	256,696	298,888	298,016	298,016	326,495	341,691	376,221

**Table 21 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Human Resources Development	Employment of Staff			47,352	50,340	56,157	59,526	59,526	59,526	64,015	67,856	71,926
Community Awareness	Remunerate Council			3,843	3,673	4,691	4,926	4,926	4,926	5,268	5,531	5,808
Asset Management	Debt and asset impairment			18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	35,000
Debt Management	Finance Charges			915	1,012	2,050	2,153	3,153	3,153	3,494	3,400	3,300
Expenditure Control	Payment of bulk purchases of electricity			74,023	95,724	121,948	139,619	132,315	132,315	139,875	152,464	166,185
Expenditure Control	Payment of general expenses			40,694	25,731	48,334	38,368	52,870	52,870	59,206	66,748	72,053
Expenditure Control	Free basic service-indigent support						22,669	6,669	6,669	7,069	7,776	8,553
Allocations to other priorities												
<b>Total Expenditure</b>				<b>185,403</b>	<b>215,157</b>	<b>264,866</b>	<b>302,261</b>	<b>294,459</b>	<b>294,459</b>	<b>313,927</b>	<b>338,775</b>	<b>362,825</b>

**Table 22 MBRR Table SA6 – Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

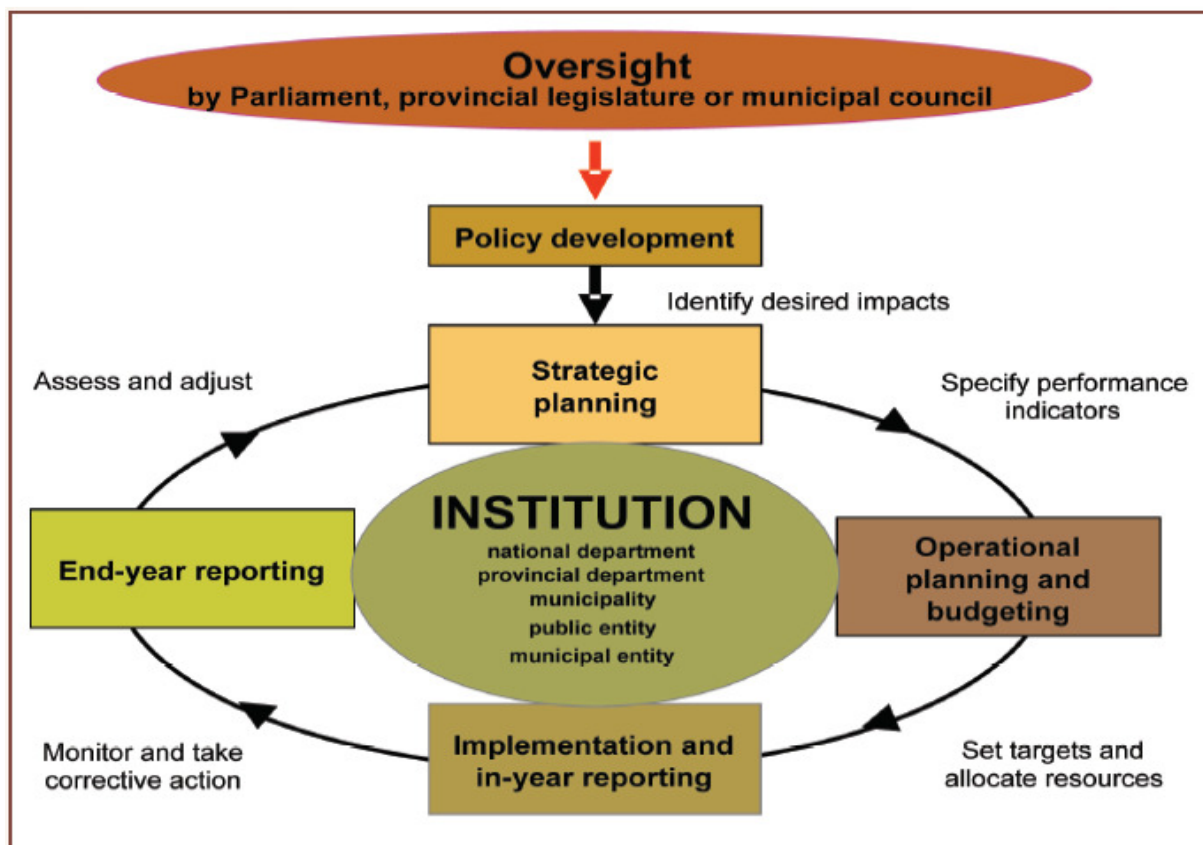
Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Basic Services Delivery - access to Electricity	Provide access of electricity to all in Umtshezi in the financial year	A		1,524	2,775	10,456	7,200	7,791	7,791	12,300	2,660	2,320
Basic Services Delivery - access to Roads	Provide access to roads	B		11,565	9,528	8,279	13,049	13,618	13,618	12,847	17,494	18,814
Basic Services Delivery - access to Housing	Provide housing in the Kwezi Hostel area	C		15,667	-	(20,000)	3,960	-	-	-	-	-
Local economic Development	economic growth and poverty alleviation	D		-	18,794	7,600	200	20,976	20,976	6,064	2,669	2,176
Municipal Transformation and Institutional Development	Purchase of Equipment	E		1,309	1,288	32,776	-	1,542	1,542	12,460	-	-
Allocations to other priorities												
<b>Total Capital Expenditure</b>				<b>30,065</b>	<b>32,385</b>	<b>39,111</b>	<b>24,409</b>	<b>43,927</b>	<b>43,927</b>	<b>43,671</b>	<b>22,823</b>	<b>23,310</b>

### 1.3 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 is constantly refined as the

integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

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



**Figure 1 Planning, budgeting and reporting cycle**

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

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



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

**Table 23 MBRR Table SA8 – Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.5%	1.0%	1.1%	2.4%	2.9%	2.9%	2.9%	3.9%	3.6%	3.3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.6%	1.2%	1.4%	3.1%	3.7%	3.7%	3.7%	5.0%	4.6%	4.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	10.1%	34.8%	54.3%	93.5%	74.6%	74.6%	74.6%	75.5%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	511.4%	742.9%	1311.1%	1506.8%	1534.2%	1534.2%	1534.2%	2812.5%	2381.6%	1768.1%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.5	1.9	1.0	0.9	0.9	0.9	0.9	1.3	1.8	2.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.5	1.9	1.0	0.9	0.9	0.9	0.9	1.3	1.8	2.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.4	0.3	0.1	0.1	0.1	0.1	0.3	0.5	0.7
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Lev el %)	Last 12 Mths Receipts/Last 12 Mths Billing		98.1%	101.2%	104.1%	87.7%	92.6%	92.6%	92.6%	99.9%	99.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			97.9%	101.6%	103.3%	87.6%	92.5%	92.5%	92.5%	99.9%	99.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	34.1%	28.0%	16.9%	14.1%	14.7%	14.7%	14.7%	17.2%	16.3%	15.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		-356.5%	238.2%	257.8%	1245.4%	1264.9%	1264.9%	1264.9%	178.2%	89.5%	62.4%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.8%	25.2%	24.8%	22.0%	22.9%	22.9%	22.9%	22.6%	22.0%	21.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.8%	19.9%	14.9%	13.7%	14.7%	14.7%	14.7%	13.6%	14.1%	14.1%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	67.5	70.1	36.1	43.2	43.2	43.2	23.7	25.7	27.6	30.1
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	40.4%	32.7%	19.7%	16.3%	17.3%	17.3%	17.3%	20.5%	19.7%	18.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.4)	0.7	0.7	0.1	0.1	0.1	0.1	0.8	0.9	1.1

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

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

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

The Debt Collection Policy as approved by Council has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

### **1.4.2 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 renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

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

### **1.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in May 2012. No further amendments have been made to the policy.

### **1.4.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the

legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was last reviewed by Council in May 2012 in respect of both Operating and Capital Budget Fund Transfers. No changes have been made to this policy.

#### **1.4.5 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was reviewed by Council in May 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

#### **1.4.6 Tariff Policies**

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

### **1.5 Overview of budget assumptions**

#### **1.5.1 External factors**

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

#### **1.5.2 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 2013/14 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

#### **1.5.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing

arrangements to minimise its interest rate costs and risk. However, the 2013/14 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. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

#### **1.5.4 Collection rate for revenue services**

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

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **1.5.5 Growth or decline in tax base of the municipality**

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

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

#### **1.5.6 Salary increases**

Salary increases were budgeted at 6.95%.

#### **1.5.7 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 skill development;
- Improving Health services;
- Rural development and agriculture; and

- Fighting crime and corruption.

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

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

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2013/14 MTREF of which performance has been factored into the cash flow budget.

## 1.6 Overview of budget funding

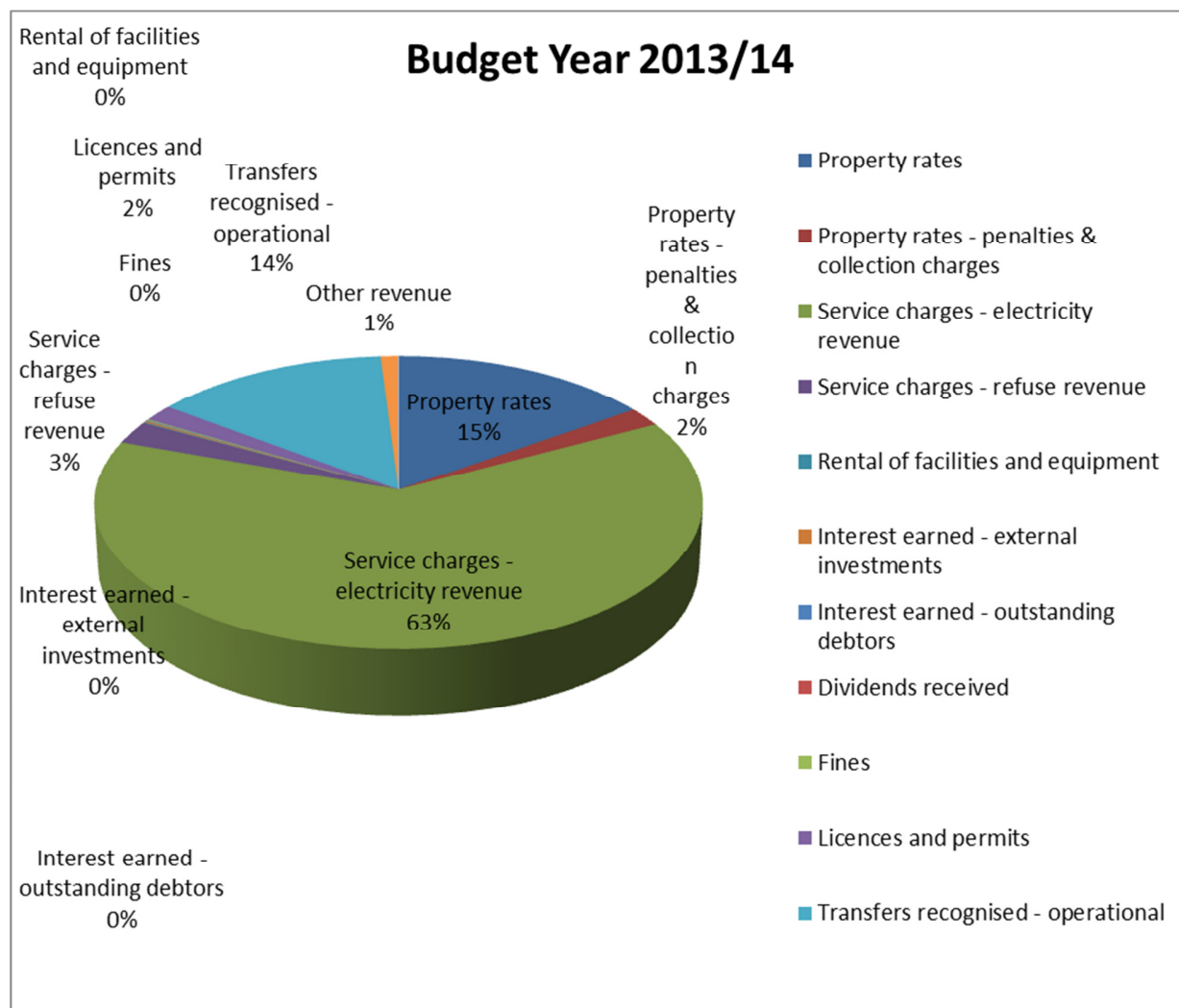
### 1.6.1 Medium-term outlook: operating revenue

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

**Table 248 Breakdown of the operating revenue over the medium-term**

Description	2013/14 Medium Term Revenue and Expenditure Framework		
	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>			
<b>Revenue By Source</b>			
Property rates	43,102	45,258	47,521
Property rates - penalties & collection charges	5,847	5,905	5,964
Service charges - electricity revenue	179,083	195,200	212,768
Service charges - refuse revenue	7,054	7,407	7,777
Rental of facilities and equipment	233	245	2,567
Interest earned - external investments	500	525	552
Interest earned - outstanding debtors	277	280	283
Dividends received			
Fines	317	332	349
Licences and permits	5,132	5,389	5,658
Transfers recognised - operational	39,040	44,472	55,816
Other revenue	2,928	3,309	3,711
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>283,514</b>	<b>308,321</b>	<b>342,966</b>

The following graph is a breakdown of the operational revenue per main category for the 2013/14 financial year.

**Figure 2 Breakdown of operating revenue over the 2013/14 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 electricity and solid waste removal as well as property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- 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 2013/14 MTREF on the different revenue categories are:

**Table 25: Proposed Tariff Increases for the 2013/14 MTREF**

Description	Percentage
Electricity	9%
Refuse	5%
Other	5%

### 1.6.2 Cash Flow Management

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

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

**Table 26 MBRR Table A7 – Budget cash flow statement**

Description	Ref	2009/10			2010/11			2011/12			Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>																
<b>Receipts</b>																
Ratepayers and other		140,697	177,739	203,983	208,280	208,280	208,280	208,280	243,696	263,045	286,315					
Government - operating	1	20,894	24,727	30,327	33,078	34,519	34,519	34,519	39,040	44,472	55,816					
Government - capital	1	23,055	20,322	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420					
Interest		333	1,069	1,729	264	264	264	264	777	805	835					
Dividends		-	-	-	-	-	-	-	-	-	-					
<b>Payments</b>																
Suppliers and employees		(167,518)	(172,280)	(226,289)	(233,949)	(235,390)	(235,390)	(235,390)	(285,135)	(288,377)	(320,718)					
Finance charges		(917)	(1,012)	(963)	(2,153)	(2,153)	(2,153)	(2,153)	(3,494)	(3,400)	(3,300)					
Transfers and Grants	1															
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>16,544</b>	<b>50,565</b>	<b>38,627</b>	<b>22,229</b>	<b>39,257</b>	<b>39,257</b>	<b>39,257</b>	<b>42,045</b>	<b>35,844</b>	<b>37,368</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>																
<b>Receipts</b>																
Proceeds on disposal of PPE		9,227	-	252												
Decrease (Increase) in non-current debtors		333	-	-	296	296	296	296								
Decrease (Increase) other non-current receivables		(80)	(837)	1,552												
Decrease (Increase) in non-current investments		(9,815)	(5,443)	(16,746)	200	200	200	200								
<b>Payments</b>																
Capital assets		(24,904)	(32,385)	(24,537)	(24,409)	(41,837)	(41,837)	(41,837)	(43,671)	(22,823)	(23,310)					
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(25,239)</b>	<b>(38,665)</b>	<b>(39,479)</b>	<b>(23,913)</b>	<b>(41,341)</b>	<b>(41,341)</b>	<b>(41,341)</b>	<b>(43,671)</b>	<b>(22,823)</b>	<b>(23,310)</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>																
<b>Receipts</b>																
Short term loans		239														
Borrowing long term/refinancing		7	4,248	5,041	7,200	7,600	7,600	7,600	12,460	-	-					
Increase (decrease) in consumer deposits		156														
<b>Payments</b>																
Repayment of borrowing		-	(1,061)	(764)	(5,200)	(5,240)	(5,240)	(5,240)	(8,718)	(8,718)	(8,718)					
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>402</b>	<b>3,187</b>	<b>4,277</b>	<b>2,000</b>	<b>2,360</b>	<b>2,360</b>	<b>2,360</b>	<b>3,742</b>	<b>(8,718)</b>	<b>(8,718)</b>					
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(8,293)</b>	<b>15,088</b>	<b>3,425</b>	<b>316</b>	<b>276</b>	<b>276</b>	<b>276</b>	<b>2,116</b>	<b>4,303</b>	<b>5,340</b>					
Cash/cash equivalents at the year begin:	2	3,147	(5,146)	9,942	2,271	2,271	2,271	2,271	13,366	15,482	19,785					
Cash/cash equivalents at the year end:	2	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125					

### 1.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

The 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'. 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 27 MBRR Table A8 – Cash backed reserves / accumulated surplus reconciliation**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Other current investments > 90 days		156	5,599	6,630	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Non current assets - Investments	1	98	98	250	50	50	50	50	96	96	96
<b>Cash and investments available:</b>		<b>(4,892)</b>	<b>15,639</b>	<b>20,246</b>	<b>3,687</b>	<b>3,647</b>	<b>3,647</b>	<b>3,647</b>	<b>16,778</b>	<b>21,181</b>	<b>26,721</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		2,879	-	16,225	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(36,529)	(32,932)	(5,051)	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>(33,650)</b>	<b>(32,932)</b>	<b>11,174</b>	<b>(1,173)</b>	<b>(3,052)</b>	<b>(3,052)</b>	<b>(3,052)</b>	<b>(21,032)</b>	<b>(32,579)</b>	<b>(36,086)</b>
<b>Surplus(shortfall)</b>		<b>28,758</b>	<b>48,571</b>	<b>9,072</b>	<b>4,860</b>	<b>6,699</b>	<b>6,699</b>	<b>6,699</b>	<b>37,810</b>	<b>53,760</b>	<b>62,807</b>



### 1.6.4 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 28 MBRR Table SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Cash + investments at the yr end less applications - R'000	18(1)b	2	28,758	48,571	9,072	4,860	6,699	6,699	6,699	37,810	53,760	62,807
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.4)	0.7	0.7	0.1	0.1	0.1	0.1	0.8	0.9	1.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	16.5%	8.2%	15.1%	(11.8%)	(6.0%)	(6.0%)	2.5%	1.9%	2.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	97.9%	101.6%	103.3%	87.6%	92.5%	92.5%	92.5%	99.9%	99.9%	99.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	7.7%	1.7%	6.7%	4.3%	4.6%	4.6%	4.6%	5.1%	4.7%	4.3%
Capital payments % of capital expenditure	18(1)c;19	8	82.8%	100.0%	62.7%	100.0%	95.2%	95.2%	95.2%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.3%	34.8%	54.3%	93.5%	74.6%	74.6%	74.6%	75.5%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(1.3%)	(31.3%)	0.5%	0.0%	0.0%	0.0%	28.2%	3.7%	3.6%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	76.3%	(43.3%)	(36.7%)	0.0%	0.0%	0.0%	(11.8%)	(32.2%)	(100.0%)
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

#### 1.6.4.1 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.

#### 1.6.4.2 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 16, on page 32. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### 1.6.4.3 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.

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

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

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

#### *1.6.4.5 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.

#### *1.6.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

#### *1.6.4.7 Debt impairment expense as a percentage of billable revenue*

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

#### *1.6.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position.

#### *1.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance

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

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could

indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

*1.6.4.11 Consumer debtors change (Current and Non-current)*

The purpose 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.

*1.6.4.12 Repairs and maintenance expenditure level*

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

*1.6.4.13 Asset renewal/rehabilitation expenditure level*

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

## 1.7 Expenditure on grants and reconciliations of unspent funds

**Table 29 Expenditure on grant transfers and grant programmes**

DETAILS	FUNDING	2013/2014	2014/2015	2015/2016
R				
<b>CAPITAL GRANTS</b>				
NDPG	National Government	2,000,000	2,000,000	0
Municipal Infrastructure Grant	National Government	15,161,000	17,299,000	18,420,000
INEP	National Government	10,000,000	0	0
<b>TOTAL CAPITAL GRANTS</b>		<b>27,161,000</b>	<b>19,299,000</b>	<b>18,420,000</b>
<b>OPERATING GRANTS</b>				
Equitable Share	National Government	30,845,000	36,441,000	47,171,000
Councillor and Ward Committee Allowance	National Government	2,351,000	2,962,000	3,074,000
Finance Management Grant	National Government	1,550,000	1,600,000	1,650,000
Municipal Systems Infrastructure Grant	National Government	890,000	934,000	967,000
Extended Public Works Programme	National Government	1,000,000	0	0
Community Participation in IDP's	Provincial Government	0	0	300,000
Community Library Services	Provincial Government	240,000	252,000	265,000
Museum	Provincial Government	286,000	302,000	317,000
Provincialisation of Libraries	Provincial Government	1,878,000	1,981,000	2,072,000
<b>TOTAL OPERATING GRANT</b>		<b>39,040,000.00</b>	<b>44,472,000.00</b>	<b>55,816,000.00</b>
<b>ALLOCATIONS IN KIND</b>				
INEP	National Government	14,820,000.00	13,071,000.00	13,835,000.00
NDPG	National Government	1,000,000.00	1,000,000.00	1,000,000.00
<b>TOTAL CAPITAL FUNDED</b>		<b>15,820,000.00</b>	<b>14,071,000.00</b>	<b>14,835,000.00</b>

## 2.8 Councillor and Employee Benefits

**Table 30 MBRR Table SA22 – Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	Ref	2009/10			2010/11			2011/12			Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16						
R thousand		A	B	C	D	E	F	G	H	I						
<b>Councillors (Political Office Bearers plus Other)</b>	1															
Basic Salaries and Wages		2,545	2,353	2,920	3,118	3,118	3,118	3,370	3,539	3,716						
Pension and UIF Contributions		287	336	422	425	425	425	446	468	492						
Medical Aid Contributions		10	12	-	-	-	-	-	-	-						
Motor Vehicle Allowance		689	805	1,129	1,142	1,142	1,142	1,199	1,259	1,322						
Cellphone Allowance		139	167	220	241	241	241	253	265	278						
Housing Allowances																
Other benefits and allowances		173														
<b>Sub Total - Councillors</b>		<b>3,843</b>	<b>3,673</b>	<b>4,691</b>	<b>4,926</b>	<b>4,926</b>	<b>4,926</b>	<b>5,268</b>	<b>5,531</b>	<b>5,808</b>						
<b>% increase</b>	4		<b>(4.4%)</b>	<b>27.7%</b>	<b>5.0%</b>	<b>-</b>	<b>-</b>	<b>6.9%</b>	<b>5.0%</b>	<b>5.0%</b>						

## 2.9 Monthly targets for revenue, expenditure and cash flow

KZN234 Umtshezi - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>																
Property rates		3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	43,102	45,258	47,521
Property rates - penalties & collection charges		487	487	487	487	487	487	487	487	487	487	487	487	5,847	5,905	5,964
Service charges - electricity revenue		17,908	21,130	14,327	12,536	11,640	11,640	11,640	11,640	12,536	14,327	17,908	21,850	179,083	195,200	212,768
Service charges - water revenue																
Service charges - sanitation revenue																
Service charges - refuse revenue		587	587	587	587	587	587	587	587	587	587	587	587	7,054	7,407	7,777
Service charges - other																
Rental of facilities and equipment		19	19	19	19	19	19	19	19	19	19	19	24	233	245	2,587
Interest earned - external investments		41	41	41	41	41	41	41	41	41	41	41	49	500	525	552
Interest earned - outstanding debtors		23	23	23	23	23	23	23	23	23	23	23	24	277	280	283
Dividends received																
Fines		26	26	26	26	26	26	26	26	26	26	26	31	317	332	349
Licences and permits		428	428	428	428	428	428	428	428	428	428	428	424	5,132	5,389	5,658
Agency services																
Transfers recognised - operational		10,282	1,550	890	2,404	11,282				12,632			0	39,400	44,472	55,816
Other revenue		244	244	244	244	244	244	244	244	244	244	244	244	2,928	3,309	3,711
Gains on disposal of PPE																
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>33,637</b>	<b>28,127</b>	<b>20,664</b>	<b>20,387</b>	<b>28,369</b>	<b>17,087</b>	<b>17,087</b>	<b>17,087</b>	<b>30,615</b>	<b>19,774</b>	<b>23,355</b>	<b>27,326</b>	<b>283,914</b>	<b>308,321</b>	<b>342,966</b>
<b>Expenditure By Type</b>																
Employee related costs		5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,330	64,015	67,856	71,926
Remuneration of councillors		439	439	439	439	439	439	439	439	439	439	439	439	5,268	5,531	5,808
Debt impairment		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	12,000	12,000
Depreciation & asset impairment		2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	35,000	40,000	45,000
Finance charges		291	291	291	291	291	291	291	291	291	291	291	293	3,484	3,400	3,300
Bulk purchases		13,988	16,785	11,190	9,791	9,092	9,092	9,092	9,092	9,791	11,190	13,988	16,785	139,875	152,464	166,185
Other materials		952	952	952	952	952	952	952	952	952	952	956	11,428	11,999	12,599	
Contracted services		733	733	733	733	733	733	733	733	733	733	737	8,800	9,683	8,030	
Transfers and grants		589	589	589	589	589	589	589	589	589	589	590	7,069	7,776	8,553	
Other expenditure		2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	26,977	28,065	29,424	
Loss on disposal of PPE																
<b>Total Expenditure</b>		<b>28,489</b>	<b>31,286</b>	<b>25,691</b>	<b>24,292</b>	<b>23,993</b>	<b>23,993</b>	<b>23,993</b>	<b>23,993</b>	<b>24,292</b>	<b>25,691</b>	<b>28,489</b>	<b>31,326</b>	<b>313,927</b>	<b>338,775</b>	<b>362,825</b>
<b>Surplus/(Deficit)</b>		<b>5,148</b>	<b>(3,159)</b>	<b>(5,027)</b>	<b>(3,905)</b>	<b>4,377</b>	<b>(6,906)</b>	<b>(6,906)</b>	<b>(6,906)</b>	<b>6,323</b>	<b>(5,917)</b>	<b>(5,133)</b>	<b>(4,001)</b>	<b>(30,412)</b>	<b>(30,453)</b>	<b>(19,860)</b>
Transfers recognised - capital			2,000	7,581	5,000		5,000	7,581							27,161	19,289
Contributions recognised - capital																
Contributed assets									3,955		3,955	3,955	3,955	15,920	14,071	14,835
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>5,148</b>	<b>(1,159)</b>	<b>2,553</b>	<b>1,095</b>	<b>4,377</b>	<b>(1,905)</b>	<b>1,075</b>	<b>(2,950)</b>	<b>6,323</b>	<b>(1,962)</b>	<b>(1,178)</b>	<b>(46)</b>	<b>12,969</b>	<b>2,917</b>	<b>13,395</b>
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>5,148</b>	<b>(1,159)</b>	<b>2,553</b>	<b>1,095</b>	<b>4,377</b>	<b>(1,905)</b>	<b>1,075</b>	<b>(2,950)</b>	<b>6,323</b>	<b>(1,962)</b>	<b>(1,178)</b>	<b>(46)</b>	<b>12,969</b>	<b>2,917</b>	<b>13,395</b>

KZN234 Umtshezi - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue by Vote</b>																
Vote 1 - Corporate Service		891	891	891	891	891	891	891	891	891	891	891	902	10,703	11,742	12,286
Vote 2 - Municipal Manager																
Vote 3 - Finance and budget		14,571	7,839	5,179	6,693	15,571	4,289	4,290	4,789	16,921	4,789	4,789	3,808	93,528	101,170	118,691
Vote 4 - Civil Services				7,581				7,580						15,161	17,299	18,420
Vote 5 - Planning, Economic, and Community Services		267	267	267	267	267	267	267	267	267	267	267	263	3,200	3,208	221
Vote 6 - Electrical Service		17,908	21,130	14,327	12,536	11,640	11,640	11,640	15,095	12,536	17,782	21,363	26,306	203,903	208,271	226,603
<b>Total Revenue by Vote</b>		<b>33,637</b>	<b>30,127</b>	<b>28,245</b>	<b>25,387</b>	<b>28,369</b>	<b>22,087</b>	<b>24,668</b>	<b>21,042</b>	<b>30,615</b>	<b>23,729</b>	<b>27,310</b>	<b>31,279</b>	<b>326,495</b>	<b>341,691</b>	<b>376,221</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Corporate Service		1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	23,537	25,251	24,477
Vote 2 - Municipal Manager		112	112	112	112	112	112	112	112	112	112	112	112	1,349	1,430	1,515
Vote 3 - Finance and budget		4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,758	56,623	62,357	68,471
Vote 4 - Civil Services		2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	25,966	27,524	29,174
Vote 5 - Planning, Economic, and Community Services		3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	37,740	40,004	42,403
Vote 6 - Electrical Service		16,391	19,188	13,593	12,194	11,495	11,495	11,495	11,495	12,194	13,593	16,391	19,187	168,712	182,209	196,786
<b>Total Expenditure by Vote</b>		<b>28,489</b>	<b>31,286</b>	<b>25,691</b>	<b>24,292</b>	<b>23,993</b>	<b>23,993</b>	<b>23,993</b>	<b>23,993</b>	<b>24,292</b>	<b>25,691</b>	<b>28,489</b>	<b>31,327</b>	<b>313,927</b>	<b>338,775</b>	<b>362,825</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>5,148</b>	<b>(1,159)</b>	<b>2,554</b>	<b>1,095</b>	<b>4,376</b>	<b>(1,908)</b>	<b>1,075</b>	<b>(2,951)</b>	<b>6,323</b>	<b>(1,962)</b>	<b>(1,179)</b>	<b>(48)</b>	<b>12,969</b>	<b>2,917</b>	<b>13,395</b>
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>5,148</b>	<b>(1,159)</b>	<b>2,554</b>	<b>1,095</b>	<b>4,376</b>	<b>(1,908)</b>	<b>1,075</b>	<b>(2,951)</b>	<b>6,323</b>	<b>(1,962)</b>	<b>(1,179)</b>	<b>(48)</b>	<b>12,969</b>	<b>2,917</b>	<b>13,395</b>

KZN234 Umtshezi - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
<b>R thousand</b>																	
<b>Multi-year expenditure to be appropriated</b>	1																
Vote 1 - Corporate Service																	
Vote 2 - Municipal Manager																	
Vote 3 - Finance and budget																	
Vote 4 - Civil Services																	
Vote 5 - Planning, Economic, and Community Service																	
Vote 6 - Electrical Service																	
<b>Capital multi-year expenditure sub-total</b>	2																
<b>Single-year expenditure to be appropriated</b>																	
Vote 1 - Corporate Service																	
Vote 2 - Municipal Manager			150			150			48						348	124	321
Vote 3 - Finance and budget				55											55	65	85
Vote 4 - Civil Services		2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	25,307	17,494	18,814
Vote 5 - Planning, Economic, and Community Service		472	472	472	472	472	472	472	472	472	472	472	472	472	5,861	2,480	1,770
Vote 6 - Electrical Service		1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	12,300	2,660	2,320
<b>Capital single-year expenditure sub-total</b>	2	<b>3,606</b>	<b>3,756</b>	<b>3,661</b>	<b>3,606</b>	<b>3,756</b>	<b>3,606</b>	<b>3,606</b>	<b>3,654</b>	<b>3,606</b>	<b>3,606</b>	<b>3,606</b>	<b>3,606</b>	<b>43,671</b>	<b>22,823</b>	<b>23,310</b>	
<b>Total Capital Expenditure</b>	2	<b>3,606</b>	<b>3,756</b>	<b>3,661</b>	<b>3,606</b>	<b>3,756</b>	<b>3,606</b>	<b>3,606</b>	<b>3,654</b>	<b>3,606</b>	<b>3,606</b>	<b>3,606</b>	<b>3,606</b>	<b>43,671</b>	<b>22,823</b>	<b>23,310</b>	

## 2.10 Annual budgets and SDBIPs

The service delivery and budget implementation plans have been drafted and are aligned to the IDP, Balanced Scorecard, Performance Agreements and Budget. This will be finalized by June 2013.

## 2.11 Contracts having future budgetary implications

There are no contracts having future budgetary implications.

## 2.12 Capital Expenditure Details

**Table 36 MBRR SA36 – Detailed capital budget per municipal vote**

Capital Expenditure For the financial year 2013/14	FUNDING	2013/14	2014/15	2015/16
		R	R	R
<b>CORPORATE SERVICE DEPARTMENT</b>				
Steel Filing Cabinet( 8)	CNL	0	20,000	10,000
Airconditioners (2)	CNL	0	12,000	0
Printers x1 HR	CNL	1,000	3,000	1,000
Office Chair with swivel & Tilt	CNL	0	2,000	0
Scanner,Printer,Copier	CNL	0	4,000	0
Voice Recorder CLO	CNL	0	2,000	0
Standard desk CLO	CNL	2,500	0	0
Office chairs x6 (CLO,RECORDS,P.A,NEW OFFICES)	CNL	1,000	0	0
DESKS X3 (NEW OFFICES)	CNL	7,500	0	0

Visitors Chairs (x8) (Director ,ABM)	CNL	0	6,000	5,000
Laptop and Printer(ABM)	CNL	0	7,500	0
Digital Camera x2 (ABM/CLO)	CNL	0	5,000	0
Upgrade Switchboard	CNL	50,000	0	0
Vaccum Cleaner (Town Hall)	CNL	4,000	0	0
Airconditioner Town Library	CNL	25,000	0	0
Airconditioner and Air Curtain (Wembezi Library)	CNL	20,000	0	0
Chairs x50/ study tables x3(Wembezi & Town library)	CNL	20,000	20,000	30,000
Study Cubicles & Chairs x10	CNL	10,000	5,000	5,000
Computers x4 /Printer x1	CNL	21,500	0	0
Re-carpetting of town library	CNL	25,000	0	0
Blinds for Weenen library	CNL	5,000	0	0
T.V Stands for all libraries	CNL	1,500	0	0
Carpetting for weenen library	CNL	10,000	0	0
New Fridge for wembezi & town library	CNL	5,000	0	0
Vaccum cleaner	CNL	0	4,000	0
Cupboards against the wall at wembezi library	CNL	0	25,000	0
Book shelves at Estcourt Library	CNL	20,000	0	20,000
Digicam speed timing device & Accessories	CNL	100,000	0	250,000
Airconditioners 24 000 BTU	CNL	12,000	0	0
Fully Equiped trojan GYM set for traffic	CNL	0	8,000	0
Air conditioner for weenen boardroom 24 000 BTU	CNL	7,000	0	0
TOTAL		348,000	123,500	321,000
CIVIL DEPARTMENT				
Purchase of plant and Equipment				
Grader x1	EXT LOAN	2,300,000	0	0
Tipper truck x3	EXT LOAN	2,500,000	0	0
Excavator x1	EXT LOAN	1,200,000	0	0
Lowbed x1	EXT LOAN	800,000	0	0
T.L.B x1	EXT LOAN	950,000	0	0
Roller 10 tonne x1	EXT LOAN	650,000	0	0
Horse for Lowbed x1	EXT LOAN	800,000	0	0
Tipper Trailer x1	EXT LOAN	190,000	0	0
Jack Hammers x3	CNL	0	50,000	0
Generators x2	CNL	0	0	24,000
Rammers Compactors x3	CNL	75,000	0	0
Pedestrian Roller x2	EXT LOAN	120,000	0	0
Sit on Roller	EXT LOAN	350,000	0	0

Conveyors for Premix Machine	CNL	65,000	0	0
New Gravel Roads				
Computers Laptop x3	CNL		30,000	0
Printers	CNL	1,000	5,000	0
A plotter/printer	CNL	0	0	250,000
Upgrading offices Minerva Road	CNL	100,000	100,000	100,000
MIG Projects	MIG	15,161,000	17,299,000	18,420,000
Upgrading of pavements	CNL			
TOTAL		25,307,000	17,494,000	18,814,000
PECS				
YOUTH CENTER	CNL	100,000	50,000	60,000
HEALTH & SAFETY EQUIPM- BUILDING	CNL	50,000	20,000	30,000
Office Furniture & Equipment	CNL	0	25,000	30,000
Ground Marking Machine	CNL	10,000	0	0
Soccer Net	CNL	3,000	0	0
Sport Equipment	CNL	0	10,000	15,000
Cricket Screen	CNL	5,000	0	5,000
1X Cementary(new development)	CNL	100,000	0	0
Furniture and Equipment	CNL	10,000	0	15,000
Berttucker pool - Upgrade	CNL	100,000	150,000	0
Hildene swimming pool upgrade	CNL	100,000	0	250,000
double diff trolley	CNL	0	25,000	0
Clocking Machine	CNL	10,000	0	0
Tractors	CNL	0	120,000	0
Laptop computers x 4	CNL	20,000	0	25,000
Gyromower roller	CNL	25,000	0	30,000
Chainsaw-estcourt	CNL	20,000	0	0
Brush cutters	CNL	85,000	0	50,000
slashers	CNL	50,000	0	0
Brush cutters-Weenen	CNL	35,000	0	0
Purchase of ploughing equipment	CNL	0	0	100,000
Upgrade of Stores and workshop	CNL	100,000	0	0
borehole	CNL	40,000	0	0
water pump	CNL	50,000	0	0
Weigh bridge	CNL	320,000	0	0
tools	CNL	10,000	0	0
Heavy duty grease gun	CNL	2,000	0	0
bulk skip containers	CNL	30,000	40,000	50,000
refuse bins concrete c&d section	CNL	20,000	0	0
refuse bins concrete all sections	CNL	0	30,000	40,000



Machines sewing weenen centre	CNL	0	0	50,000
Plant and Equipment	CNL			
Refuse truck	CNL	0	0	1,000,000
Tipper trucks x3	EXT LOAN	2,000,000	0	0
Trailer x1	CNL	50,000	0	0
Purchase of fire Equipment	CNL	50,000	0	0
Pecs Housing Camera	CNL	1,000	0	0
Bulk Service upgrade	CNL			
Chairs x3	CNL	0	3,000	0
Laptop	CNL	0	7,000	0
Pc and Laptop x1	CNL	5,000	0	0
Building Control				
NDPG Projects	NDPG	2,000,000	2,000,000	0
Office Furniture & Equipment	CNL	5,000	0	0
Total		5,661,000	2,480,000	1,770,000
ELECTRICITY DEPARTMENT				
BATTERY CHARGER UNITS	CNL	100,000	150,000	200,000
QUANTUM - TESTING VEHICLE	CNL			
STREET LIGHT	CNL	200,000	250,000	300,000
PROTECTION UPGRADE FOR SUBSTATION	CNL	200,000	250,000	300,000
VEHICLE REPLACEMENT (BUCKET TRUCK)	EXT LOAN	600,000	0	0
UNDERTAKE STREET LIGHTS IMPROVEMENTS	CNL	300,000	350,000	400,000
SCADA SYSTEM	CNL	500,000	500,000	550,000
STREET LIGHTS WEMBEZI A& C	CNL			
PROTECTION UPGRADE FOR SUBSTATION	CNL	50,000	100,000	150,000
UNDER TAKE STREETLIGHT IMPROVEMENTS	CNL			
ELECTRIFICATION PROJECT	INEP	10,000,000	0	0
20 ton crane truck	CNL	0	600,000	0
TOTAL		12,300,000	2,660,000	2,320,000
FINANCE				
Desktops x 5 and Software		40,000	50,000	60,000
Desks and chairs		15,000	15,000	25,000
TOTAL		55,000	65,000	85,000
Corporate Sevices		348,000	123,500	321,000
Civil Department		25,307,000	17,494,000	18,814,000
PECS Department		5,661,000	2,480,000	1,770,000
Electricity Department		12,300,000	2,660,000	2,320,000
Finance Department		55,000	65,000	85,000

Total Capital Expenditure		<u>43,671,000</u>	<u>22,822,500</u>	<u>23,310,000</u>
FUNDING SOURCE:				
External Loan		12,460,000	0	0
Council		4,050,000	3,523,500	4,890,000
MIG		15,161,000	17,299,000	18,420,000
INEP		10,000,000	0	0
NDPG		2,000,000	2,000,000	0
		43,671,000	22,822,500	23,310,000

## 2.12 Legislative 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.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. .
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 detailed SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 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 has been completed by municipal staff.
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.

## 2.13 Other Supporting Documentation

**Table 38 MBRR Table SA1 – Supporting detail to budgeted financial performance**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>											
Total Property Rates	0	29,104	33,739	02,078	07,092	08,092	08,092	08,092	72,127	75,733	79,520
less Revenue Foregone				27,015	15,042	27,042	27,042	27,042	20,024	30,475	31,000
Net Property Rates		29,184	33,739	38,093	82,060	41,060	41,060	41,060	43,102	48,268	47,821
<b>Service charges - electricity revenue</b>											
Total Service charges - electricity revenue	0	06,000	121,105	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
less Revenue Foregone											
Net Service charges - electricity revenue		66,889	121,165	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
<b>Service charges - water revenue</b>											
Total Service charges - water revenue											
less Revenue Foregone											
Net Service charges - water revenue											
<b>Service charges - sanitation revenue</b>											
Total Service charges - sanitation revenue											
less Revenue Foregone											
Net Service charges - sanitation revenue											
<b>Service charges - refuse revenue</b>											
Total refuse removal revenue	0	5,058	5,348	5,538	8,718	8,718	8,718	8,718	7,054	7,407	7,777
Total landfill revenue											
less Revenue Foregone											
Net Service charges - refuse revenue		6,066	6,348	6,836	8,718	8,718	8,718	8,718	7,064	7,407	7,777
<b>Other Revenue by source</b>											
Other revenue		2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
<b>Total Other Revenue</b>											
	1	2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
<b>EXPENDITURE ITEMS:</b>											
<b>Employee related costs</b>											
Basic Salaries and Wages	2	30,078	34,011	37,530	38,798	38,798	38,798	38,798	41,080	44,187	46,838
Pension and UIF Contributions		3,100	559	8,150	9,300	9,300	9,300	9,300	6,725	7,120	7,550
Medical Aid Contributions			2,544						2,445	2,592	2,747
Overtime		1,581	1,477	1,837	1,753	1,753	1,753	1,753	2,106	2,232	2,366
Performance Bonus		2,050	3,181	3,221	3,850	3,850	3,850	3,850	3,873	4,105	4,352
Motor Vehicle Allowance		1,075	1,087	2,102	1,358	1,358	1,358	1,358	1,556	1,649	1,748
Cellphone Allowance				304	1,206	1,206	1,206	1,206	350	371	393
Housing Allowances			326						346	367	359
Other benefits and allowances			523						1,400	1,484	1,573
Payments in lieu of leave		2,404	173	2,844	3,165	3,165	3,165	3,165	3,517	3,728	3,952
Long service awards									11	12	12
Postretirement benefit obligations	4	4,808	5,859								
sub-total	5	47,362	60,340	68,167	69,628	69,628	69,628	69,628	64,016	67,868	71,928
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	47,362	60,340	68,167	69,628	69,628	69,628	69,628	64,016	67,868	71,928
<b>Contributions recognised - capital</b>											
List contributions by contract											
Total Contributions recognised - capital											
<b>Depreciation &amp; asset impairment</b>											
Depreciation of Property, Plant & Equipment		18,576	38,077	31,886	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	18,576	38,077	31,886	35,000	35,000	35,000	35,000	35,000	40,000	45,000
<b>Bulk purchases</b>											
Electricity Bulk Purchases		74,023	92,592	121,048	132,315	132,315	132,315	132,315	139,875	152,464	160,185
Water Bulk Purchases											
Total bulk purchases	1	74,023	92,592	121,048	132,315	132,315	132,315	132,315	139,875	152,464	160,185
<b>Transfers and grants</b>											
Cash transfers and grants					22,689	8,889	8,889	8,889	7,089	7,778	8,683
Non-cash transfers and grants											
Total transfers and grants	1				22,689	8,889	8,889	8,889	7,089	7,778	8,683
<b>Contracted services</b>											
Grass cutting				25	28				20	25	30
Security		2,477	2,987	5,900	6,490	7,990	7,990	7,990	8,780	9,658	8,000
sub-total	1	2,477	2,987	5,925	6,518	7,990	7,990	7,990	8,800	9,683	8,030
<b>Allocations to organs of state:</b>											
Electricity											
Water											
Sanitation											
sub-total	1	2,477	2,987	5,925	6,518	7,990	7,990	7,990	8,800	9,683	8,030
<b>Other Expenditure By Type</b>											
Collection costs				3,100	500	500	500	500	1,000	1,100	1,500
Contributions to other provisions					450	1,407	1,407	1,407	1,331	1,000	650
Audit fees		1,954	1,471	1,000	1,000	1,000	1,000	1,000	1,000	1,124	1,101
General expenses		23,982	16,702	15,781	19,000	22,938	22,938	22,938	21,051	22,705	23,903
Grant expenditure											
Public and Util									1,905	2,076	2,180
Repairs and maintenance				8,138							

**Table 35 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days		156	5,599	17,725	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Other current investments > 90 days											
<b>Total Call investment deposits</b>	2	<b>156</b>	<b>5,599</b>	<b>17,725</b>	<b>1,050</b>	<b>1,050</b>	<b>1,050</b>	<b>1,050</b>	<b>1,200</b>	<b>1,300</b>	<b>1,500</b>
<b>Consumer debtors</b>											
Consumer debtors		77,321	45,501	33,923	36,123	36,123	36,123	36,123	47,929	49,826	51,817
Less: Provision for debt impairment		(27,888)									
<b>Total Consumer debtors</b>	2	<b>49,433</b>	<b>45,501</b>	<b>33,923</b>	<b>36,123</b>	<b>36,123</b>	<b>36,123</b>	<b>36,123</b>	<b>47,929</b>	<b>49,826</b>	<b>51,817</b>
<b>Debt impairment provision</b>											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
<b>Balance at end of year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance leases)		722,028	639,573	661,079	650,069	650,469	650,469	650,469	659,140	641,963	640,273
Leases recognised as PPE	3	6,477									
Less: Accumulated depreciation		95,969									
<b>Total Property, plant and equipment (PPE)</b>	2	<b>632,536</b>	<b>639,573</b>	<b>661,079</b>	<b>650,069</b>	<b>650,469</b>	<b>650,469</b>	<b>650,469</b>	<b>659,140</b>	<b>641,963</b>	<b>640,273</b>
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		1,112	1,764	1,002	2,500	2,600	2,600	2,600	8,615	8,615	8,615
<b>Total Current liabilities - Borrowing</b>		<b>1,112</b>	<b>1,764</b>	<b>1,002</b>	<b>2,500</b>	<b>2,600</b>	<b>2,600</b>	<b>2,600</b>	<b>8,615</b>	<b>8,615</b>	<b>8,615</b>
<b>Trade and other payables</b>											
Trade and other creditors		18,348	23,683	34,456	32,218	32,218	32,218	32,218	27,596	17,699	15,680
Unspent conditional transfers		2,879		16,225							
VAT											
<b>Total Trade and other payables</b>	2	<b>21,227</b>	<b>23,683</b>	<b>50,681</b>	<b>32,218</b>	<b>32,218</b>	<b>32,218</b>	<b>32,218</b>	<b>27,596</b>	<b>17,699</b>	<b>15,680</b>
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	2,242	8,135	14,356	16,500	16,800	16,800	16,800	30,500	25,885	19,270
Finance leases (including PPP asset element)		3,358						297	194	91	
<b>Total Non current liabilities - Borrowing</b>		<b>5,600</b>	<b>8,135</b>	<b>14,356</b>	<b>16,500</b>	<b>16,800</b>	<b>16,800</b>	<b>16,800</b>	<b>30,797</b>	<b>26,079</b>	<b>19,361</b>
<b>Provisions - non-current</b>											
Retirement benefits			10,362								
List other major provision items											
Refuse landfill site rehabilitation											
Other											
<b>Total Provisions - non-current</b>		<b>-</b>	<b>10,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance		644,242	656,023	651,890	634,459	627,489	627,489	627,489	631,046	643,615	646,532
GRAP adjustments			(3,662)								
Restated balance		644,242	652,361	651,890	634,459	627,489	627,489	627,489	631,046	643,615	646,532
Surplus/(Deficit)		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
<b>Accumulated Surplus/(Deficit)</b>	1	<b>646,491</b>	<b>657,129</b>	<b>643,720</b>	<b>631,086</b>	<b>631,046</b>	<b>631,046</b>	<b>631,046</b>	<b>643,615</b>	<b>646,532</b>	<b>659,927</b>
<b>Reserves</b>											
Housing Development Fund		1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
<b>Total Reserves</b>	2	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>647,586</b>	<b>658,224</b>	<b>644,815</b>	<b>632,181</b>	<b>632,141</b>	<b>632,141</b>	<b>632,141</b>	<b>644,710</b>	<b>647,627</b>	<b>661,022</b>

## 2.14 Municipal manager's quality certificate

I, Mr E.H Dladla, Acting Municipal Manager of Umtshezi Municipality, hereby certify that the draft 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 draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Umtshezi Municipality (KZN234)

Signature \_\_\_\_\_

Date \_\_\_\_\_