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Abbreviations and Acronyms

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

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Part 1 – Annual Budget

1.1 Mayor's Report

1.2 Council Resolutions (ITEM 44/2011 13 May 2011)

- Council resolves that the annual operating and capital budget of the Municipality for the 2011/2012 MTREF and the two projected outer years 2012/2013 and 2013/2014 as set-out in the following tables be approved:
  - Table A1 - Budget Summary
  - Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)
  - Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - Table A4 - Budgeted Financial Performance (revenue and expenditure)
  - Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding
  - Table A6 - Budgeted Financial Position
  - Table A7 - Budgeted Cash Flows
  - Table A8 - Cash backed reserves/accumulated surplus reconciliation
  - Table A9 - Asset Management
  - Table A10 - Basic service delivery measurement
- Council resolves that the property rates, any other municipal taxes, tariffs and charges reflected in Annexure B be approved for the budget year 2011/12.
- Council take notice that the measurable performance objectives must still be determined for the budget year 2011/2012.
- Council approves the 2011/12 Integrated Development Plan
- Council resolves to adopt the reviewed budget related policies
- Council take notice that the SDBIP will be tabled for approval within 28 days after approval of the budget, its related schedules and annexures.

1.3 Executive Summary

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

PLM'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. This has resulted in savings to the municipality of R5 m or 7 percent of the current financial year's adjusted budget. Key areas where savings were realized were on advertisements, postage, workshops, travel, accommodation and catering.

The PLM has also introduced an amnesty period to encourage consumers to pay their arrear debt.

National Treasury's MFMA Circular No. 51, 54 and 55 were used to guide the compilation of the 2011/12 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Wage increases for municipal staffs that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted where applicable as the upper limits for the new baselines for the 2011/12 annual budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased (property rates were not increased) affordability and the inflation rate as measured by the CPI were considered, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, MFMA Circular 54 paragraph 5 was also considered. In this Circular municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R2,9 m 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 (bursary fund,etc.);
    - Consultant Fees;
    - Furniture and office equipment (inventory);
    - Special Events (disaster management);
    - Refreshments and entertainment; and
    - Subsistence, Travelling & Conference fees (national).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

Description	ADJUSTED BUDGET 2010/2011	MTREF BUDGET 2011/2012	MTREF BUDGET +1 2012/2013	MTREF BUDGET +2 2013/2014
Revenue	78 032 362	90 041 000	95 306 000	102 258 000
Expenditure	83 356 081	89 534 000	93 867 000	100 308 000
Surplus/(deficit)	**(5 323 719)**	**507 000**	**1 439 000**	**1 950 000**
Capital Expenditure	**62 568 008**	**57 292 998**	**65 000 300**	**56 154 000**

Total operating revenue has grown by 15.4 percent or R12 m for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 5.9 and 7.3 percent respectively, equalling a total revenue growth of R24.2 m over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R89.5 m and translates into a budgeted surplus of R0.507 m. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 7.41 percent in the 2011/12 budget and by 4.8 and 6.7 percent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R1.4 m and then stabilise at R2 m. These surpluses will be used to fund capital expenditure.

The capital budget of R 57.3 m for 2011/12 is 8.4 percent less when compared to the 2010/11 Adjustment Budget. The decrease is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme increases to R65.0 m in the 2012/13 financial year and then evens out in 2013/12 to R56.2 m. A substantial portion (90.8 percent) of the capital budget will be funded from government grants, such as the Municipal Infrastructure Grant (R20.8 m), Bulk Infrastructure Grant (R9.0 m), Rural Household Infrastructure Grant (R4.0 m), COGTA (R16.3 m) and the District Municipality (R1.9 m).

1.4 Operating Revenue Framework

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

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

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve a 95 percent 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 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 Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	1917	2 273	4 091	5 586	4 949	3 845	5 478	7 557	7 938
Property rates - penalties				552	552	–	100	105	111
Electricity revenue	2 363	2 343	4 743	4 900	4 990	3 354	5 521	6 328	7 274
Water revenue	2 737	2 980	3 429	4 255	4 094	4 994	5 897	6 310	6 754
Sanitation revenue	3 282	3 638	4 835	5 309	5 379	5 376	5 928	6 346	6 793
Refuse revenue	3 785	4 183	4 628	5 083	5 103	5 100	5 582	5 975	6 395
Service charges - other	12	20	–	114	207	200	229	253	280
Rental	283	327	632	1230	908	595	986	1091	1207
Interest earned - external			180	610	620	56	250	263	277
Interest earned - arrears	2 983	3 432	2 186	2 316	2 002	2 003	1470	1554	1651
Fines	58	47	95	442	101	76	201	202	203
Licences and permits	8	11	13	15	14	14	16	19	22
Grants operational	27 319	32 203	41025	53 306	48 861	48 861	55 346	58 608	60 945
Other revenue	5 692	7 157	28 662	209	253	246	3 037	695	2 408
Total Revenue	**50 439**	**58 613**	**94 518**	**83 927**	**78 032**	**74 720**	**90 041**	**95 306**	**102 258**

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Original Budget	Adjusted Budget	% Growth	Budget Year 2011/12	% Growth	Budget Year +1 2012/13	% Growth	Budget Year +2 2013/14	% Growth
Revenue By Source									
Property rates	5 586	4 949	-11%	5 478	11%	7 557	38%	7 938	5%
Property rates - penalties	552	552	0%	100	-82%	105	5%	111	6%
Electricity revenue	4 900	4 990	2%	5 521	11%	6 328	15%	7 274	15%
Water revenue	4 255	4 094	-4%	5 897	44%	6 310	7%	6 754	7%
Sanitation revenue	5 309	5 379	1%	5 928	10%	6 346	7%	6 793	7%
Refuse revenue	5 083	5 103	0%	5 582	9%	5 975	7%	6 395	7%
Service charges - other	114	207	81%	229	11%	253	10%	280	11%
Rental	1 230	908	-26%	986	9%	1 091	11%	1 207	11%
Interest earned - external	610	620	2%	250	-60%	263	5%	277	5%
Interest earned - arrears	2 316	2 002	-14%	1 470	-27%	1 554	6%	1 651	6%
Fines	442	101	-77%	201	99%	202	0%	203	0%
Licences and permits	15	14	-7%	16	14%	19	19%	22	16%
Grants - operational	53 306	48 861	-8%	55 346	13%	58 608	6%	60 945	4%
Other revenue	209	253	21%	3 037	1099%	695	-77%	2 408	246%
Total Revenue	83 927	78 032	-7%	90 041	15%	95 306	6%	102 258	7%
Total Revenue from rates & services	25 799	25 274	-2%	28 735	14%	32 874	14%	35 545	8%

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

Revenue generated from rates and service charges forms a small part of the revenue base of the PLM. Rates and service charge revenues comprise only a third of the total revenue mix. In the 2010/11 financial year, revenue from rates and services charges totalled R25.3 m or 32.4 percent. This increases to R28.7 m, R32.9 m and R35.6 m in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 14 percent in 2011/12 to 23.7 percent in 2013/14. This growth can be mainly attributed to the increased share that rates and taxes contributes to the total revenue mix, which in turn is due to an increase in the number of farms that are to be billed. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Operating grants and transfers totals R48.9 m in the 2010/11 financial year and steadily increases to R61.0 million by 2013/14. Note that the year-on-year growth for the 2011/12 financial year is 13 percent and then rapidly decreases to 6 percent and stabilises at 4 percent 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 Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:									
Operating Transfers and Grants									
National Government:	22 891	28 890	38 943	49 988	47 988	47 988	54 873	57 848	60 108
Equitable Share	21 391	26 924	35 458	44 238	44 238	44 238	48 996	54 214	57 758
Finance Management	500	1 231	2 750	3 000	3 000	3 000	1 300	1 500	1 500
Municipal Systems Improveme	1 000	735	735	750	750	750	790	800	850
Integrated National Electrificatior	–	–	–	2 000	–	–	2 640	–	–
MIG - PMU Establishment	–	–	–	–	–	–	1 147	1 334	–
Provincial Government:	1 578	749	1 632	2 318	873	873	473	760	837
Ambulance subsidy	78	–	–	–	–	–	–	–	–
COGTA - CFO Salary	–	–	132	473	473	473	473	760	837
COGTA - Refuse Dumps	–	–	–	445	400	400	–	–	–
DWA - Drought Relief	–	700	–	–	–	–	–	–	–
COGTA - Social Development	–	–	–	1 400	–	–	–	–	–
COGTA - Turnaround Strategy	1 500	49	1 500	–	–	–	–	–	–
District Municipality:	500	1 106	–	–	–	–	–	–	–
	500	1 006	–	–	–	–	–	–	–
Electricity	–	100	–	–	–	–	–	–	–
Other grant providers:	2 351	1 457	450	1 000	–	–	–	–	–
DBSA - Capacity Building	2 351	438	450	1 000	–	–	–	–	–
Theta Learners	–	1 019	–	–	–	–	–	–	–
Total Operating Trf and Grants	27 319	32 203	41 025	53 306	48 861	48 861	55 346	58 608	60 945

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 PLM.

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 6 percent 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 increase of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases in lower consumer tariffs will erode the PLM'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 a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the PLM 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). In addition to this rebate, a further R30 000 reduction on the market value of a property will be granted in terms of the PLM's own Property Rates Policy;
- 30 percent rebate will be granted on all state owned properties;
- 100 percent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 percent (calculated on a sliding scale) will be granted to owners of rate-able property;

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year based on a 0 percent increase from 1 July 2011 is contained below:

Table 5 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)
	c/R	c/R
Residential properties	0,0042	0,0042
State owned properties	0,0060	0,0060
Business & Commercial	0,0060	0,0060
Agricultural	0,00105	0,001
Vacant land	0,0042	0,0042
Municipal rateable	0,000	0,000
Industrial	0,0060	0,0060
Public benefit organisation properties	0,000	0,000

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 the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

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

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 10 percent from 1 July 2011 for water is proposed. This is based on the CPI assumption of 6 percent increase in costs and another 4 percent increase to gradually move towards the target of cost reflective tariffs in 2014. Despite the increase of 10 percent in the tariff for water, water will still be sold at a loss of 13 percent. In order to achieve a surplus of 9 percent the tariffs have to be subsidised by a 21 percent contribution from the equitable share. In addition 6 kℓ water per month will again be granted free of charge to all indigents. This will result in a loss of income amounting to R1.3 m.

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

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per kℓ	Rand per kℓ
Residential	5,36	5,90
Vrede Marina	5,36	5.90
Departmental	3,67	4,04
Flat rate (irrespective of kl)	37,52	41,27
Business/Government	6,77	7,45

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

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

Monthly consumption kℓ	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
10	53,60	59,00	5,40	10%

The tariff structure of the 2011/12 financial year has not been changed. The above amounts exclude VAT.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 26.71 percent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2011.

The consumer tariffs had to be increased by 20.38 percent to offset the additional bulk purchase cost from 1 July 2011.

Registered indigents will again be granted 50 kWh per month free of charge. This will result in a loss of income amounting to R1.3 m.

The following table shows the impact of the higher electricity tariffs for domestic consumers:

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

Monthly consumption kWh	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
50	40,00	48,00	8,00	20%
250	200,00	240,00	40,00	20%
500	400,00	480,00	80,00	20%
1 000	800,00	960,00	160,00	20%

The above amounts exclude VAT.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the PLM. The upgrading of the PLM's electricity network has become a strategic priority, especially the substations and transmission lines.

The repairs and maintenance budget for 2011/12 (R2.2 m) for the Electricity Division can only be utilised for certain committed maintenance projects.

Owing to the high increase in electricity tariffs, it is clearly not possible to fund these necessary upgrades through more increases in the municipal electricity tariff. It is therefore proposed that the INEPG amounting to R2.6 m be utilised in the 2011/12 budget year for the improvement of infrastructure.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 10 percent for sanitation from 1 July 2011 is proposed. This is based on the input cost assumptions related to water. The following factors also contributed to the proposed tariff increase:

- Free sanitation (R769 000) to registered indigents; and
- The proposed move to cost reflective tariffs by 2014.

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases

Description	2010/11	2011/12
Residential	58,42	64,26
Businesses	198,06	217,87
Septic Tank	200,00	220,00
Septic Tank 100-200 L	40,00	44,00
Hotels & Hostels	593,18	652,50

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

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

Monthly sanitation consumption	Current amount payable R	Proposed amount Payable R	Difference (10% increase) R
1	58,42	64,26	5,84

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal as the other services 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 PLM will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long term. The 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, it is recommended that a comprehensive investigation into the cost structure of this service, as well as the other services be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 10 percent increase in the waste removal tariff is proposed from 1 July 2011. Higher increases will not be viable in 2011/12 owing to the impact of higher than inflation increases of other services. Any increase higher than 10 percent would be counter-productive and will result in affordability challenges for individual rate payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 11 Comparison between current waste removal fees and increases

Description	2010/11	2011/12
Residential	51,26	56,39
Businesses	118,88	130,77
Flats	51,26	56,26
Churches	51,26	56,26

The amount payable for households is calculated as follows:

	2010/11	2011/12	Increase R	Increase %
Refuse removal (4 x pm)	51,26	56,39	5,13	10%

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, small and an indigent household receiving free basic services.

Table 12 (Table SA14) – Household bills

Description	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent					% incr.			
Monthly Account for Large Household								
Property rates	281.75	281.75	281.75	281.75		281.75	295.17	308.58
Electricity: Basic levy	43.47	56.51	56.51	56.51		68.03	81.89	98.58
Electricity: Consumption	768.30	800.00	800.00	800.00		960.00	1 155.65	1 391.17
Water: Consumption	146.10	160.80	160.80	160.80		177.00	189.30	202.50
Sanitation	53.11	58.42	58.42	58.42		64.26	68.76	73.57
Refuse removal	46.60	51.26	51.26	51.26		56.39	60.33	64.56
sub-total	1 339.33	1 408.74	1 408.74	1 408.74	14.1%	1 607.42	1 851.10	2 138.96
VAT on Services	148.06	157.78	157.78	157.78		185.59	217.83	256.25
Total large household	1 487.39	1 566.52	1 566.52	1 566.52	14.5%	1 793.02	2 068.93	2 395.22
% increase/-decrease	–	5.3%	–	–		14.5%	15.4%	15.8%
Monthly Account for Small Household								
Property rates	71.75	71.75	71.75	71.75		71.75	75.17	78.58
Electricity: Basic levy	43.47	56.51	56.51	56.51		68.03	81.89	98.58
Electricity: Consumption	382.61	398.40	398.40	398.40		478.08	575.51	692.80
Water: Consumption	121.75	134.00	134.00	134.00		147.50	157.75	168.75
Sanitation	53.11	58.42	58.42	58.42		64.26	68.76	73.57
Refuse removal	46.60	51.26	51.26	51.26		56.39	60.33	64.56
sub-total	719.29	770.34	770.34	770.34	15.0%	886.01	1 019.41	1 176.85
VAT on Services	90.66	97.80	97.80	97.80		114.00	132.19	153.76
Total small household	809.95	868.14	868.14	868.14	15.2%	1 000.01	1 151.60	1 330.60
% increase/-decrease	–	7.2%	–	–		15.2%	15.2%	15.5%
Monthly Account for Indigent Household								
Property rates	–	–	–	–		–	–	–
Electricity: Basic levy	–	–	–	–		–	–	–
Electricity: Consumption	6.76	8.00	8.00	8.00		9.60	11.56	13.91
Water: Consumption	–	–	–	–		–	–	–
Sanitation	11.80	12.77	12.77	12.77		14.26	15.26	16.32
Refuse removal	5.06	5.47	5.47	5.47		6.39	6.83	7.31
sub-total	23.62	26.24	26.24	26.24	15.3%	30.25	33.65	37.54
VAT on Services	3.31	3.67	3.67	3.67		4.24	4.71	5.26
Total small household	26.93	29.91	29.91	29.91	15.3%	34.49	38.36	42.80
% increase/-decrease	–	11.1%	–	–		15.3%	11.2%	11.6%

Note that the overall impact of the tariff increases on households' bills could not been kept at 10 percent, due to the higher electricity increase. The following criteria were used in the calculation of an account for a large, small and indigent household:

A large household: Property rates – Value of property R850 000
Electricity – 1000 kWh
Water – 30 kl
A small household: Property rates – Value of property R250 000
Electricity – 498 kWh
Water – 25 kl
Indigent Household (Earning R900 per month and receiving a subsidy of R100)
Property rates – Value of property R15 000
Electricity – 10 kWh
Water – 6 kl

1.5 Operating Expenditure Framework

The PLM's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	14 655	17 346	18 695	22 908	24 149	22 985	28 391	30 931	33 687
Remuneration of councillors	2 494	2 620	2 761	3 106	3 106	3 057	3 567	3 928	4 326
Debt impairment	4 405	7 178	9 174	8 200	8 200	8 202	6 045	6 546	7 124
Depreciation	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
Finance charges	313	291	618	454	367	213	444	458	473
Bulk purchases	3 765	5 569	7 794	10 525	10 575	9 956	12 621	15 778	19 727
Contracted services	441	639	–	635	1 185	1 284	1 090	1 109	1 129
Transfers and grants	3 142	1 348	5 130	5 972	3 424	5 272	3 521	3 574	3 631
Other expenditure	22 957	28 279	18 468	29 904	28 680	25 670	29 905	27 593	26 260
Total Expenditure	52 360	63 371	62 655	89 257	83 356	83 839	89 534	93 867	100 307

The budgeted allocation for employee related costs for the 2011/12 financial year totals R28.4 m, which equals 31.7 percent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been budgeted at a rate of 8.5 percent for the 2011/12 financial year. An annual increase of 8.5 percent has also been budgeted for in the two outer years of the MTREF. As part of the PLM's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of an additional R3.5 m in the 2011/12 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

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). In compiling the salary budget for Councillors, a 10 percent increase was provided based on the most recent proclamation which came into effect in July 2010.

The provision of debt impairment was determined based on an annual collection rate of 60 percent. For the 2011/12 financial year it amounted to R6 m and escalates to R7.1 m by 2013/14. 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 of asset consumption. Budget appropriations in this regard total R4 m for the 2011/12 financial year which equals 4.4 percent of the total operating expenditure. Note that the application of Directive 4 with regard to the phasing in of depreciation (GRAP 17) has resulted in a significant decrease in depreciation relative to previous years. This charge will however increases significantly in the ensuing years, but it will not have an effect on tariffs as this charge is excluded when determining tariffs.

Finance charges consist primarily of the repayment of interest (cost of capital) on long term anuity loans and the recently raised finance lease. Finance charges make up 0.5 percent (R0.444 m) of the operating expenditure excluding annual redemption for 2011/12 and increases to R0.473 m by 2013/14.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted services have been identified as a cost saving area for the PLM. 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 R1 m and has decreased with 8 percent, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 1.7 and 1.8 percent.

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 4.3 percent for 2011/12 and curbed at (8.4) and (4.8) percent for the two outer years, indicating that significant cost savings have been already realised.

Included in this cost component is the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the PLM's intentions to increase repairs and maintenance of its assets, this group of expenditure has been prioritised to ensure sustainability of the PLM's infrastructure. Although the 2011/12 appropriation against this group of expenditure has decreased by 1 percent (R9.1 m) it is somewhat misleading. Repairs and maintenance has actually increased with 31.9 percent, due to an additional amount of R3 m from own income appropriated in the capital budget. This expenditure item gradually increases with 12.3 percent for the two outer years to a budget allocation of R10.2 m by 2013/14.

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

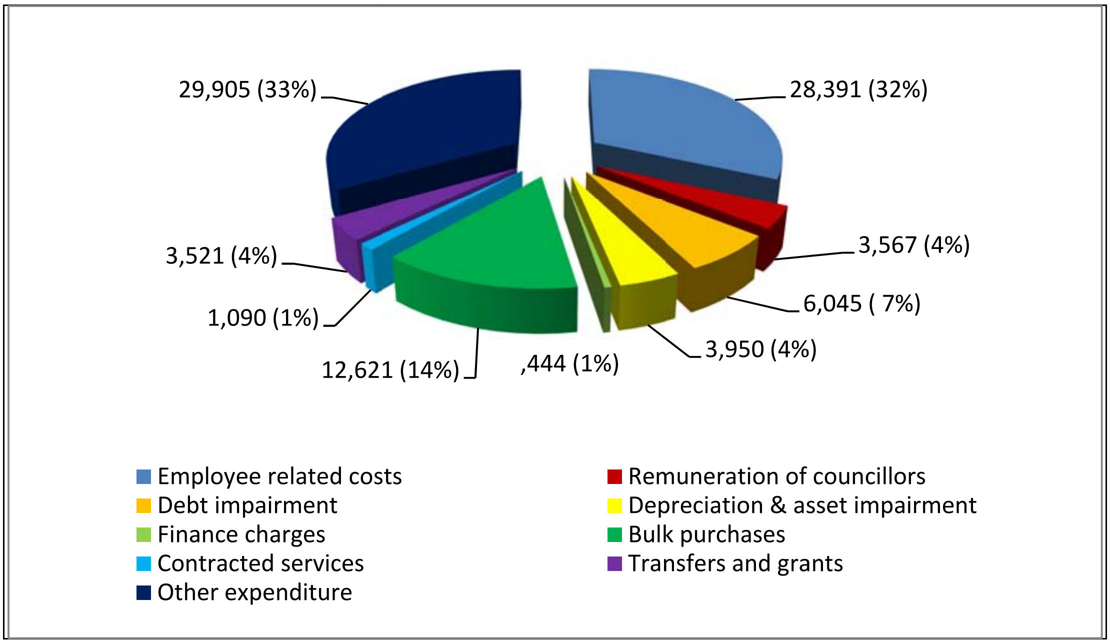

Figure 1 Main operational expenditure categories for the 2011/12 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the PLM's current infrastructure, the 2011/12 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the PLM. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 8 Operational repairs and maintenance

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Repairs and Maintenance by Expenditure Item									
Employee related costs									
Other materials	5 279	8 106	6 046	9 590	9 157	6 298	9 075	12 543	10 191
Contracted Services									
Other Expenditure									
Total R & M Exp	5 279	8 106	6 046	9 590	9 157	6 298	9 075	12 543	10 191

During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the PLM's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 58.6 percent in the 2010/11 financial year, from R6.1 m to R9.6 m. During the 2010/11 Adjustments Budget this allocation was adjusted slightly downwards to R9.2 m due to the cash flow challenges faced by the PLM. 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 2011/12 equates to R9.1 m a slight decrease of 0.9 percent in relation to the Adjustments Budget. An additional R3 m from own income was however allocated in the capital budget for roads and streets, which actually increased the allocation to 31.9 percent. The allocation finally reflected a net growth of 12.3 percent in the 2013/14 MTREF. In relation to the total operating expenditure, repairs and maintenance comprises 10.2, 13.4 and 10.2 percent for the respective financial years of the MTREF.

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

Table 15 Repairs and maintenance per asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
EXPENDITURE OTHER ITEMS									
Depreciation	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
R & M by Asset Class	**5 279**	**8 106**	**6 046**	**9 590**	**9 157**	**6 298**	**9 075**	**12 543**	**10 191**
Infrastructure - Roads	243	2 171	1062	3 000	3 000	1347	2 500	5 625	2 907
Infrastructure - Electricity	1252	1576	1284	1530	2 030	1913	2 200	2 310	2 426
Infrastructure - Water	694	1160	851	840	1140	1365	1400	1470	1544
Infrastructure - Sanitation	216	763	588	630	330	217	210	221	233
Infrastructure - Other	–	–	471	500	280	–	300	315	331
Infrastructure	2 404	5 669	4 256	6 500	6 780	4 842	6 610	9 941	7 441
Other assets	2 875	2 437	1790	3 090	2 377	1455	2 465	2 602	2 750
TOTAL EXP OTHER	**5 467**	**8 207**	**6 063**	**17 145**	**12 827**	**13 498**	**13 025**	**16 493**	**14 141**

For the 2011/12 financial year, 72.8 percent or R6.6 m of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 33.3 percent (R2.2 m), followed by road infrastructure at 37.8 percent (R2.5 m), water at 21.2 percent (R1.4 m) and sanitation at 3.2 percent (R0.2 m). Other assets has been allocated R2.8 m of total repairs and maintenance equalling 30.5 percent.

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 PLM's Indigent Policy. The target is to register 3 000 or more indigent households during the 2011/12 financial year, a process which is reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 (Table A10) - Basic Service Delivery Measurement on page 38.

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

1.6 Capital expenditure

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

Table 16 2011/12 Medium-term capital budget per vote

Vote Description			2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	% of Total Capex	Budget Year 2011/12	% of Total Capex	Budget Year +1 2012/13	% of Total Capex	Budget Year +2 2013/14	% of Total Capex
Council & Executive	290	0.5%	3 500	4.5%	–	0.0%	–	0.0%
Financial & Administration	12 100	19.3%	11 845	15.3%	–	0.0%	–	0.0%
Planning & Development	50	0.1%	–	0.0%	–	0.0%	–	0.0%
Health	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Community & Social Serv	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Public Safety	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Sport & Recreation	1 000	1.6%	–	0.0%	–	0.0%	–	0.0%
Waste Management	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Waste Water Management	18 000	28.8%	22 860	29.5%	30 333	46.7%	20 551	36.6%
Road Transport	13 326	21.3%	7 622	9.8%	4 333	6.7%	8 051	14.3%
Water	14 522	23.2%	31 790	41.0%	30 334	46.7%	27 552	49.1%
Electricity	3 280	5.2%	–	0.0%	–	0.0%	–	0.0%
Capital Total	62 568	100%	77 617	100%	65 000	100%	56 154	100%

For 2011/12 an amount of R71.9 m has been appropriated for the development of infrastructure which represents 92.65 percent of the total capital budget. In the outer years this amount totals R65.0 m, 100.0 percent and R56.2 m, 100.0 percent respectively for each of the financial years. Water infrastructure receives the highest allocation of R31.7 m in 2011/12 which equates to 41. percent followed by Waste Water Management at 29.5 percent, R22.8 m and then Financial & Administration at 17.8 percent, R11.8 m.

The total capital budget consists mainly of new assets. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 (Table A9 - Asset Management) on page 36. In addition to Table 26 (Table A9), Table 50 (Tables SA34a) and Table 51 (Table SA34c) provides a detailed breakdown of the capital programme relating to new asset construction, as well as operational repairs and maintenance by asset class (refer to pages 78 and 79). Some of the salient projects to be undertaken over the medium term includes, amongst others:

- Ezenzeleni: Community Hall – R9.7 m;
- Vrede/Thembalihle: Taxi Rank – R2.1 m;
- Thembalihle: Paved Road – R4.1 m;
- Memel: Oxidation Dams – R3.8 m;
- Thembalihle: Sewer Network, Ext 4 (Phase 2) – R4 m;
- Thembalihle: Infrastructure, Ext 4, 200 Sites – R6.8 m;
- Warden dam and waterworks (DWA) – R8 m;
- Memel/Zamani: Sewer Network 100 Sites – R3 m;
- Zamani: Sewerage Network – R1m.

Furthermore pages 80 to 81 contain a detail breakdown of the capital budget per project over the medium term.

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

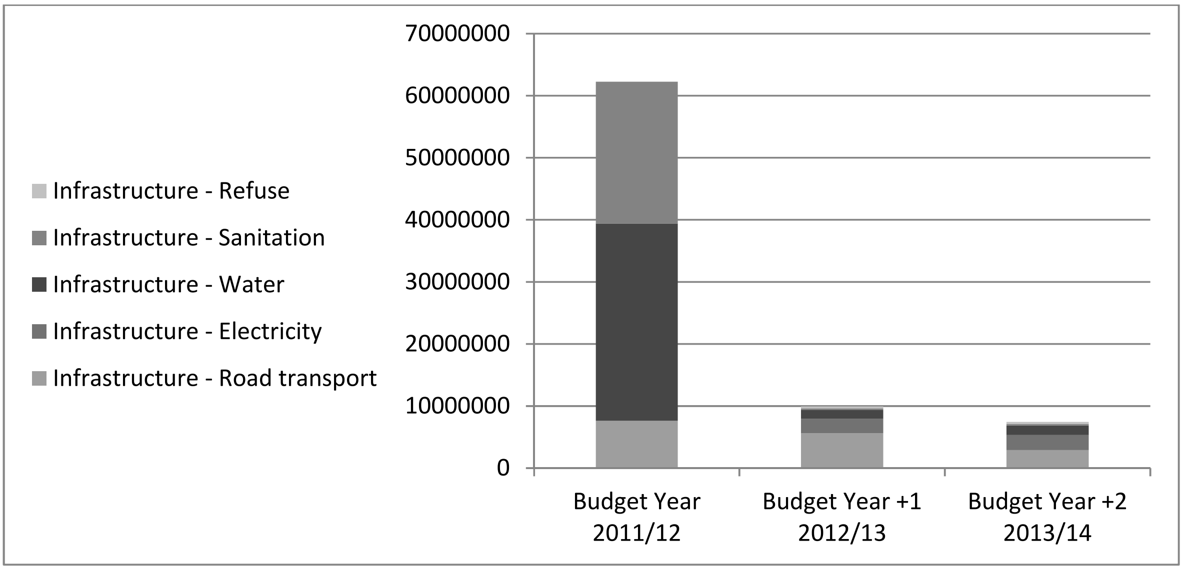

Figure 2 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

Future operational costs associated with the capital programme totals R89.5 m in 2011/12 and escalates to R100 m by 2013/14. This concomitant operational expenditure is expected to escalate to R115.8 m by 2016/17. It needs to be noted that as part of the 2011/12 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 (Table A1) - Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance									
Property rates	1 917	2 273	4 091	6 138	5 501	3 845	5 578	7 662	8 049
Service charges	12 180	13 164	17 635	19 661	19 773	19 025	23 157	25 212	27 496
Investments	–	–	180	610	620	56	250	263	277
Grants received	27 319	32 203	41 025	53 306	48 861	48 861	55 346	58 608	60 945
Other revenue	9 023	10 973	31 587	4 211	3 277	2 934	5 710	3 561	5 491
Total Revenue	50 439	58 613	94 518	83 927	78 032	74 720	90 041	95 306	102 258
Employee costs	14 655	17 346	18 695	22 908	24 149	22 985	28 391	30 931	33 687
Sal Councillors	2 494	2 620	2 761	3 106	3 106	3 057	3 567	3 928	4 326
Depreciation	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
Finance charges	313	291	618	454	367	213	444	458	473
Bulk purchases	3 765	5 569	7 794	10 525	10 575	9 956	12 621	15 778	19 727
Trf and grants	3 142	1 348	5 130	5 972	3 424	5 272	3 521	3 574	3 631
Other expenses	27 804	36 096	27 642	38 738	38 064	35 155	37 040	35 248	34 514
Total Exp	52 360	63 371	62 655	89 257	83 356	83 839	89 534	93 867	100 308
Surplus/(deficit)	(1 920)	(4 758)	31 863	(5 331)	(5 324)	(9 118)	507	1 439	1 950
Capital expenditure & funds sources									
Capital expenditure									
Grants - capital	11 605	9 069	27 074	58 548	58 548	23 675	68 817	65 000	56 154
Borrowing	–	–	–	–	2 100	–	3 500	–	–
Own funds	–	862	1 557	1 920	1 920	–	5 300	–	–
Total cap funds	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154
Financial position									
Total c assets	12 446	15 103	18 404	23 203	23 800	23 800	17 110	20 951	22 204
Total nc assets	3 009	2 918	194 479	229 303	235 288	235 288	296 444	361 754	421 066
Total c liabilities	15 243	22 041	20 444	6 495	6 635	6 635	4 212	4 993	6 028
Total nc liabilities	1 777	1 679	3 124	2 934	4 894	4 894	4 311	3 732	3 157
Equity	(1 566)	(5 698)	189 315	243 077	247 558	247 558	305 031	373 981	434 085
Cash flows									
Net cash - operating	2 129	5 456	34 105	53 847	57 719	57 719	29 106	66 922	55 256
Net cash - investing	(1 975)	(10 100)	(28 088)	(51 173)	(57 158)	(57 158)	(33 116)	(65 450)	(54 204)
Net cash - financing	(857)	(108)	(79)	(8)	2 105	2 105	(541)	(540)	(540)
Cash - year end	1 206	(3 546)	2 392	5 058	5 058	5 058	507	1 439	1 950
Cash backing/surplus reconciliation									
Cash available	2 336	(2 405)	3 207	6 380	6 380	6 380	996	844	1 185
Appl of cash	7 329	7 526	16 365	(5 222)	(5 666)	(6 227)	(6 465)	(9 167)	(9 151)
Surplus/(shortfall)	(4 993)	(9 931)	(13 159)	11 602	12 046	12 607	7 460	10 011	10 337
Asset management									
AR summary	1 879	1 777	193 664	228 488	234 473	234 473	316 589	361 575	420 887
Depreciation	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
R & Maintenance	5 279	8 106	6 046	9 590	9 157	6 298	9 075	12 543	10 191
Free services									
Cost of FBS	251	372	427	383	383	383	448	566	524
Rev cost of FBS	227	278	334	311	311	311	327	362	402
Households below minimum service level									
Water:									
Sanitation:									
Energy:									
Refuse:									

#

Explanatory notes to Table 17 (Table A1) - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the PLM's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected in the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing in 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 in 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 were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus of R10.3 m.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 10 (Table A2) - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classificatio	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard									
Governance and adr	**36 449**	**43 088**	**74 653**	**58 874**	**55 782**	**53 243**	**62 254**	**67 939**	**70 815**
Executive and council	445	934	112	1873	473	473	1620	2 094	837
Budget and treasury o	34 746	39 549	72 817	55 772	54 374	52 148	57 182	64 722	68 737
Corporate services	1258	2 604	1724	1230	935	622	3 452	1123	1241
Community and pub	**277**	**228**	**269**	**622**	**296**	**269**	**415**	**438**	**463**
Community and socia	143	182	175	181	196	194	215	238	263
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	57	46	94	441	100	75	200	200	200
Health	78	–	–	–	–	–	–	–	–
Economic and envir	**1 534**	**1 334**	**19**	**8**	**20**	**19**	**22**	**25**	**28**
Planning and developr	2	7	7	8	20	19	22	25	28
Road transport	1531	1327	12	–	–	–	–	–	–
Trading services	**12 180**	**13 964**	**19 577**	**24 423**	**21 935**	**21 190**	**27 350**	**26 904**	**30 952**
Electricity	2 370	2 458	4 930	7 131	5 306	3 664	8 834	7 117	8 201
Water	2 742	3 684	3 882	4 841	4 521	5 421	6 204	6 663	8 759
Waste water managem	3 283	3 638	5 395	6 045	5 956	5 953	6 330	6 749	7 197
Waste management	3 785	4 183	5 371	6 406	6 151	6 152	5 982	6 375	6 795
Total Revenue	**50 439**	**58 613**	**94 518**	**83 927**	**78 032**	**74 720**	**90 041**	**95 306**	**102 258**
Expenditure - Standard									
Governance and adr	**19 602**	**23 019**	**21 978**	**32 005**	**31 542**	**33 287**	**35 753**	**34 322**	**36 640**
Executive and council	5 422	6 673	6 670	9 559	8 247	7 108	12 914	14 110	15 414
Budget and treasury o	12 123	12 768	11 998	18 432	19 577	22 840	15 627	15 054	15 654
Corporate services	2 057	3 578	3 310	4 013	3 719	3 339	7 212	5 158	5 572
Community and pub	**3 053**	**3 453**	**3 838**	**4 668**	**4 532**	**3 979**	**4 396**	**4 776**	**5 194**
Community and socia	1654	1801	1851	2 113	1898	1740	1687	1827	1980
Sport and recreation	1253	1608	1584	2 083	2 003	1749	1824	1990	2 171
Public safety	–	0	365	430	530	388	785	845	912
Health	147	44	39	41	102	102	100	114	131
Economic and envir	**5 781**	**5 936**	**4 798**	**9 148**	**8 981**	**7 338**	**8 448**	**11 495**	**9 248**
Planning and developr	19	269	272	707	340	272	867	407	451
Road transport	5 762	5 667	4 526	8 441	8 641	7 065	7 581	11088	8 797
Trading services	**23 923**	**30 963**	**32 041**	**43 436**	**38 300**	**39 236**	**40 937**	**43 274**	**49 226**
Electricity	5 936	8 170	10 539	15 083	12 783	13 021	17 645	18 076	21886
Water	5 781	7 891	6 823	9 510	8 471	9 574	7 816	8 408	9 075
Waste water managem	6 815	7 742	7 580	10 536	9 187	9 402	8 614	9 453	10 403
Waste management	5 392	7 160	7 099	8 307	7 860	7 239	6 862	7 337	7 862
Total Expenditure	**52 360**	**63 371**	**62 655**	**89 257**	**83 356**	**83 839**	**89 534**	**93 867**	**100 308**
Surplus/(Deficit)	**(1 920)**	**(4 758)**	**31 863**	**(5 331)**	**(5 324)**	**(9 118)**	**507**	**1 439**	**1 950**

Explanatory notes to Table 18 (Table A2) - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue in this table excludes capital revenues and therefore will not balance to the operating revenue which includes capital transfers shown in Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case, because the equitable share is not included in the revenue of the services. As already noted above, the tariffs of PLM is not cost reflective.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury office.

Table 19 (Table A3) - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue									
Council & Ex	445	934	112	1 873	473	473	1 620	2 094	837
Finl & Adm Serv	36 004	42 154	74 541	57 002	55 309	52 771	60 634	65 845	69 978
Planning & Dev	2	7	7	8	20	19	22	25	28
Health	78	–	–	–	–	–	–	–	–
Com & Soc Serv	143	182	175	181	196	194	215	238	263
Public Safety	57	46	94	441	100	75	200	200	200
Sport & Recreatio	–	–	–	–	–	–	–	–	–
Waste Man	3 785	4 183	5 371	6 406	6 151	6 152	5 982	6 375	6 795
Waste Water Man	3 283	3 638	5 395	6 045	5 956	5 953	6 330	6 749	7 197
Road Transport	1 531	1 327	12	–	–	–	–	–	–
Water	2 742	3 684	3 882	4 841	4 521	5 421	6 204	6 663	8 759
Electricity	2 370	2 458	4 930	7 131	5 306	3 664	8 834	7 117	8 201
Total Revenue	50 439	58 613	94 518	83 927	78 032	74 720	90 041	95 306	102 258
Expenditure									
Council & Ex	5 422	6 673	6 670	9 559	8 247	7 108	12 914	14 110	15 414
Finl & Adm Serv	14 180	16 346	15 308	22 446	23 296	26 179	22 839	20 212	21 226
Planning & Dev	19	269	272	707	340	272	867	407	451
Health	147	44	39	41	102	102	100	114	131
Com & Soc Serv	1 654	1 801	1 851	2 113	1 898	1 740	1 687	1 827	1 980
Public Safety	–	0	365	430	530	388	785	845	912
Sport & Recreatio	1 253	1 608	1 584	2 083	2 003	1 749	1 824	1 990	2 171
Waste Man	5 392	7 160	7 099	8 307	7 860	7 239	6 862	7 337	7 862
Waste Water Man	6 815	7 742	7 580	10 536	9 187	9 402	8 614	9 453	10 403
Road Transport	5 762	5 667	4 526	8 441	8 641	7 065	7 581	11 088	8 797
Water	5 781	7 891	6 823	9 510	8 471	9 574	7 816	8 408	9 075
Electricity	5 936	8 170	10 539	15 083	12 783	13 021	17 645	18 076	21 886
Total Expenditure	52 360	63 371	62 655	89 257	83 356	83 839	89 534	93 867	100 308
Surplus/(Deficit)	(1 920)	(4 758)	31 863	(5 331)	(5 324)	(9 118)	507	1 439	1 950

Explanatory notes to Table 19 (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 PLM. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 20 Surplus/(Deficit) calculations for the trading services

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Electricity - Revenue	2 370	2 458	4 930	7 131	5 306	3 664	8 834	7 117	8 201
Electricity - Expenditure	5 936	8 170	10 539	15 083	12 783	13 021	17 645	18 076	21 886
Surplus/(Deficit)	(3 566)	(5 712)	(5 610)	(7 952)	(7 477)	(9 357)	(8 811)	(10 959)	(13 685)
Equitable share	3 648	5 782	10 754	12 819	12 819	10 045	9 694	11 863	14 780
Surplus/(Deficit)	82	70	5 144	4 867	5 342	688	883	904	1 095
Net Surplus %	3%	3%	104%	68%	101%	19%	10%	13%	13%
Water - Revenue	2 742	3 684	3 882	4 841	4 521	5 421	6 204	6 663	8 759
Water - Expenditure	5 781	7 891	6 823	9 510	8 471	9 574	7 816	8 408	9 075
Surplus/(Deficit)	(3 039)	(4 207)	(2 940)	(4 670)	(3 950)	(4 153)	(1 612)	(1 745)	(316)
Equitable share	3 734	4 519	7 766	9 911	9 911	7 766	2 394	2 586	1 224
Surplus/(Deficit)	695	312	4 826	5 242	5 962	3 613	782	841	908
Net Surplus %	25%	8%	124%	108%	132%	67%	13%	13%	10%

2. The electricity trading surplus steadily increases in the 2011/12 MTREF from 10 percent or R0.883 m to 15 percent by 2013/14. This is primarily as a result of the increases in the tariffs as set by NERSA.
3. The surplus on the water account remains relatively constant over the MTREF translating into a surplus of 13 percent, 13 percent and 10 percent for each of the respective financial years.
4. Note that the surpluses on these trading accounts are artificial as the tariffs are not cost reflective and are heavily subsidised by the equitable share.

Table 21 (Table A4) - Budgeted Financial Performance (revenue and expenditure)

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue									
Property rates	1 917	2 273	4 091	5 586	4 949	3 845	5 478	7 557	7 938
Rates - penalties				552	552	–	100	105	111
Electricity revenue	2 363	2 343	4 743	4 900	4 990	3 354	5 521	6 328	7 274
Water revenue	2 737	2 980	3 429	4 255	4 094	4 994	5 897	6 310	6 754
Sanitation revenue	3 282	3 638	4 835	5 309	5 379	5 376	5 928	6 346	6 793
Refuse revenue	3 785	4 183	4 628	5 083	5 103	5 100	5 582	5 975	6 395
Serv charges - othe	12	20	–	114	207	200	229	253	280
Rental	283	327	632	1 230	908	595	986	1 091	1 207
Interest earned			180	610	620	56	250	263	277
Interest arrears	2 983	3 432	2 186	2 316	2 002	2 003	1 470	1 554	1 651
Fines	58	47	95	442	101	76	201	202	203
Licences and perm	8	11	13	15	14	14	16	19	22
Grants - operationa	27 319	32 203	41 025	53 306	48 861	48 861	55 346	58 608	60 945
Other revenue	5 692	7 157	28 662	209	253	246	3 037	695	2 408
Total Revenue	50 439	58 613	94 518	83 927	78 032	74 720	90 041	95 306	102 258
Expenditure									
Employee salaries	14 655	17 346	18 695	22 908	24 149	22 985	28 391	30 931	33 687
Sal Councillors	2 494	2 620	2 761	3 106	3 106	3 057	3 567	3 928	4 326
Debt impairment	4 405	7 178	9 174	8 200	8 200	8 202	6 045	6 546	7 124
Depreciation	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
Finance charges	313	291	618	454	367	213	444	458	473
Bulk purchases	3 765	5 569	7 794	10 525	10 575	9 956	12 621	15 778	19 727
Contracted service	441	639	–	635	1 185	1 284	1 090	1 109	1 129
Transfers and gran	3 142	1 348	5 130	5 972	3 424	5 272	3 521	3 574	3 631
Other expenditure	22 957	28 279	18 468	29 904	28 680	25 670	29 905	27 593	26 261
Total Expenditure	52 360	63 371	62 655	89 257	83 356	83 839	89 534	93 867	100 308
Surplus/(Deficit)	(1 920)	(4 758)	31 863	(5 331)	(5 324)	(9 118)	507	1 439	1 950

Explanatory notes to Table 21 (Table A4) - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R90.1 m in 2011/12 and escalates to R102.3 m by 2013/14. This represents a year-on-year increase of 5.6 percent for the 2012/13 financial year and 7.3 percent for the 2013/14 financial year.
2. Revenue to be generated from property rates is R5.5 m in the 2011/12 financial year and increases to R8.0 m by 2013/14 which represents 6.1 percent of the operating revenue base of the PLM and therefore remains a major funding source for the municipality. It increases drastically with 38.0 percent to R7.6 m in 2012/13 as a result of farming properties being taxed at 100% of the rate for agricultural properties and because no discount was allowed. It stabilises at R7.9 m in 2013/14 which equals a 5 percent increase. Tariff increases have been factored in at 0 percent, 5 percent and 5 percent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue base of the PLM totalling R22.9 m for the 2011/12 financial year and increasing to R27.2 m by 2013/14. For the 2011/12 financial year services charges amount to 25.5 percent of the total revenue base and grows by 9 percent per annum over the medium-term. This growth can mainly be attributed to the increase in tariffs in order to move to cost reflective tariffs.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing steadily over the MTREF by 5.9 percent and 4.0 percent for the two outer years. The percentage share of this revenue source still forms a major part of the revenue base of PLM. The equitable share contributes 61.5 percent over the MTREF to the revenue base of the municipality. This is due to the large unemployment rate and the low influx of people in the municipal area, which limits the growth in the revenue base of PLM.
5. Bulk purchases have significantly increased over the 2007/08 to 2012/14 period escalating from R3.8 m to R19.7 m. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 22 (Table A5) - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure - Vote									
Council & Executiv	–	–	–	290	290	–	3 500	–	–
Financial & Admini	7 007	3 365	48	10 000	12 100	808	11 845	–	–
Planning & Develo	–	–	–	50	50	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
Community & Soci	–	–	123	–	–	–	–	–	–
Public Safety	–	–	–	–	–	–	–	–	–
Sport & Recreation	–	–	–	1 000	1 000	758	–	–	–
Waste Managemen	–	–	106	–	–	–	–	–	–
Waste Water Mana	4 598	6 565	10 488	18 000	18 000	6 593	22 860	30 333	20 551
Road Transport	–	–	14 834	13 326	13 326	7 086	7 622	4 333	8 051
Water	–	–	2 752	14 522	14 522	6 157	31 790	30 334	27 552
Electricity	–	–	280	3 280	3 280	2 273	–	–	–
Total Capital Exp	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154
Funded by:									
National Governme	4 598	5 704	18 222	17 548	17 548	12 630	32 940	25 000	28 154
Provincial Govern	–	–	8 852	40 000	40 000	11 046	33 877	40 000	25 500
District Municipality	7 007	3 365	–	1 000	1 000	–	2 000	–	2 500
Other transfers and	–	–	–	–	–	–	–	–	–
Transfers recogn	11 605	9 069	27 074	58 548	58 548	23 675	68 817	65 000	56 154
Public contributi	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	2 100	–	3 500	–	–
Internally genera	–	862	1 557	1 920	1 920	–	5 300	–	–
Total Capital Fun	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154

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Explanatory notes to Table 22 (Table A5) - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2011/12 R77.6 m has been allocated of the total R77.6 m capital budget, which totals 100.0 percent. The allocation for the two outer years are R65.0 m in 2012/13 and then flattens out to R56.2 m in 2013/14 owing primarily to the fact that various projects reach completion in 2012/13 hence the drastic increase in expenditure in this year.
3. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R68.8 m (88.66 percent) and R65.0 m by 2013/14 (100.0 percent). Internally generated funding totaling R5.3 m for the 2011/12 MTREF. The borrowings amount to R 3.5 m. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 11 (Table A6) - Budgeted Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
ASSETS									
Current assets									
Cash	775	83	279	5 065	5 065	5 065	316	164	506
Call investmen	431	629	2 113	500	500	500	500	500	500
Consumer deb	8 992	10 979	3 918	4 751	5 348	5 348	6 114	7 005	7 946
Other debtors	1 849	2 832	5 696	6 477	6 477	6 477	3 744	6 820	6 467
Inventory	399	581	6 397	6 410	6 410	6 410	6 435	6 462	6 785
Total c assets	12 446	15 103	18 404	23 203	23 800	23 800	17 110	20 951	22 204
Non c assets									
Investments	1 130	1 141	815	815	815	815	179	179	179
Invest property	–	–	36 593	20 244	20 244	20 244	28 693	29 003	32 161
PPE	1 879	1 777	157 071	208 244	214 229	214 229	267 572	332 572	388 726
Total n c asse	3 009	2 918	194 479	229 303	235 288	235 288	296 444	361 754	421 066
TOTAL ASSET	15 455	18 022	212 882	252 506	259 087	259 087	313 554	382 706	443 270
LIABILITIES									
Current liabilities									
Bank overdraft	–	4 258	–	–	–	–	–	–	–
Borrowing	101	98	126	126	266	266	546	546	546
C deposits	243	238	244	249	249	249	254	259	264
Trade payable	11 967	14 378	20 074	6 120	6 120	6 120	3 412	4 188	5 218
Provisions	2 931	3 068	–	–	–		–		
Total c liabilit	15 243	22 041	20 444	6 495	6 635	6 635	4 212	4 993	6 028
Non current liabilities									
Borrowing	1 777	1 679	1 566	1 440	3 400	3 400	2 855	2 309	1 764
Provisions	–	–	1 558	1 494	1 494	1 494	1 456	1 423	1 394
Total n c liabi	1 777	1 679	3 124	2 934	4 894	4 894	4 311	3 732	3 157
TOTAL LIABII	17 021	23 720	23 568	9 429	11 529	11 529	8 523	8 724	9 185
NET ASSETS	(1 566)	(5 698)	189 315	243 077	247 558	247 558	305 031	373 981	434 085
EQUITY									
Acc Surplus/(D	(11 971)	(16 889)	189 315	243 077	247 558	247 558	305 031	373 981	434 085
Reserves	10 405	11 191	–	–	–	–			
TOTAL EQUIT	(1 566)	(5 698)	189 315	243 077	247 558	247 558	305 031	373 981	434 085

Explanatory notes to Table 23 (Table A6) - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth or Equity. 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, and appears first.
3. Table 23 provides a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non current;
   - Changes in net assets; and
   - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 24 (Table A7) - Budgeted Cash Flow Statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
OPERATING									
Receipts									
Ratepayers	25 704	24 816	30 197	30 011	28 551	28 551	34 448	36 238	39 754
Grants - operat	27 352	41 877	69 030	53 306	48 861	48 861	55 346	58 612	60 949
Grants - capital	–	–	–	51 173	55 058	55 058	33 770	65 450	54 204
Interest	165	198	180	610	620	620	250	263	277
Payments									
Suppliers and e	(50 780)	(60 972)	(64 683)	(80 798)	(75 004)	(75 004)	(94 264)	(93 183)	(99 455)
Finance charge	(313)	(463)	(618)	(454)	(367)	(367)	(444)	(458)	(473)
NET CASH	2 129	5 456	34 105	53 847	57 719	57 719	29 106	66 922	55 256
INVESTING									
Receipts									
Dec(inc) - nc ir	–	(11)	603	–	–	–	654	–	–
Payments									
Capital assets	(1 975)	(10 089)	(28 691)	(51 173)	(57 158)	(57 158)	(33 770)	(65 450)	(54 204)
NET CASH	(1 975)	(10 100)	(28 088)	(51 173)	(57 158)	(57 158)	(33 116)	(65 450)	(54 204)
FINANCING									
Receipts									
Borrowing	–	–	–	–	2 100	2 100	–	–	–
Inc(dec)-c depo	(670)	(6)	7	5	5	5	5	5	5
Payments									
Pmt of borrowi	(187)	(101)	(86)	(13)	–	–	(546)	(546)	(546)
NET CASH	(857)	(108)	(79)	(8)	2 105	2 105	(541)	(540)	(540)
NET INC/(DEC	(703)	(4 752)	5 938	2 667	2 666	2 666	(4 551)	932	511
Cash beginning	1 908	1 206	(3 546)	2 392	2 392	2 392	5 058	507	1 439
Cash ending:	1 206	(3 546)	2 392	5 058	5 058	5 058	507	1 439	1 950

Table 12 (Table A8) - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available									
Cash - year end	1 206	(3 546)	2 392	5 058	5 058	5 058	507	1 439	1 950
Other inv > 90 da	0	0	0	506	507	507	309	(774)	(944)
Nc - Investments	1 130	1 141	815	815	815	815	179	179	179
Available:	2 336	(2 405)	3 207	6 380	6 380	6 380	996	844	1 185
Application of cash and investments									
Unspent grants	7 341	6 480	3 979	–	–	–	–	–	–
Work cap req	(13)	1 046	12 386	(5 222)	(5 666)	(6 227)	(6 465)	(9 167)	(9 151)
Application	7 329	7 526	16 365	(5 222)	(5 666)	(6 227)	(6 465)	(9 167)	(9 151)
Surplus(shortfa	(4 993)	(9 931)	(13 159)	11 602	12 046	12 607	7 460	10 011	10 337

Explanatory notes to Table 24 (Table A7) - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the PLM only dropped to a negative balance in the 2008/09 period as a result of a net decrease in cash for the 2008/09 financial year of R4.8 m caused by a major increase in the acquisition of assets of 410.8 percent or from R2.0 m to R10.1 m.
4. The cash levels have however steadily grown to a positive balance of R5.1 m in the 2010/11 period as a direct result of a 20 percent increase in government grants.
5. The 2011/12 MTREF provide for a further net decrease in cash of R4.6 m resulting in an overall projected positive cash position of R0.507 m at year end. This is directly attributable to an increase in employee costs of 18 percent.
6. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R0.507 m as at the end of the 2011/12 financial year and escalates to R2.0 m by 2013/14.

Explanatory notes to Table 25 (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 2007/08 to 2009/10 the deficit deteriorated from R5.0 m to R13.2 m.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was funded owing to the significant surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.
8. As can be seen the budget has been modelled to ensure that the budget is funded as the surplus steadily increases from R7.5 m in 2011/12 to a surplus of R10.3 m by 2013/14.

Table 13 (Table A9) - Asset Management

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CAPITAL EXPENDITURE									
Total New Assets	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154
Road transport	–	–	14 834	13 326	13 326	7 086	7 622	4 333	8 051
Electricity	–	–	280	3 280	3 280	2 273	–	–	–
Water	–	–	2 752	14 522	14 522	6 157	31 790	30 334	27 552
Sanitation	4 598	6 565	10 488	18 000	18 000	6 593	22 860	30 333	20 551
Other	–	–	106	–	–	–	–	–	–
Infrastructure	*4 598*	*6 565*	*28 460*	*49 128*	*49 128*	*22 110*	*62 272*	*65 000*	*56 154*
Community	7 007	3 365	48	11 000	11 000	1 566	11 845	–	–
Other assets	–	–	123	340	2 440	–	3 500	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154
ASSET REGISTER SUMMARY - PPE (WDV)									
Road transport			28 741	40 492	41 067	41 067	47 689	52 022	60 073
Electricity			6 100	7 910	8 910	8 910	8 440	8 440	8 440
Water			49 954	62 166	63 666	63 666	94 646	124 980	152 532
Sanitation	1 879	1 777	53 587	69 487	70 387	70 387	92 047	122 380	142 931
Other									
Infrastructure	*1 879*	*1 777*	*138 382*	*180 055*	*184 030*	*184 030*	*242 822*	*307 822*	*363 976*
Community	–			11 000	11 000	11 000	22 845	22 845	22 845
Invest properties	–	–	36 593	20 244	20 244	20 244	28 693	29 003	32 161
Other assets			18 689	17 189	19 199	19 199	22 229	22 229	22 229
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 879	1 777	193 664	228 488	234 473	234 473	316 589	381 899	441 211
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	187	101	17	7 555	3 670	7 200	3 950	3 950	3 950
Repairs and Maintenance by Asset Class	5 279	8 106	6 046	9 590	9 157	6 298	9 075	12 543	10 191
Road transport	243	2 171	1 062	3 000	3 000	1 347	2 500	5 625	2 907
Electricity	1 252	1 576	1 284	1 530	2 030	1 913	2 200	2 310	2 426
Water	694	1 160	851	840	1 140	1 365	1 400	1 470	1 544
Sanitation	216	763	588	630	330	217	210	221	233
Other	–	–	471	500	280	–	300	315	331
Infrastructure	*2 404*	*5 669*	*4 256*	*6 500*	*6 780*	*4 842*	*6 610*	*9 941*	*7 441*
Community	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	2 875	2 437	1 790	3 090	2 377	1 455	2 465	2 602	2 750
TOTAL EXPENDITURE OTHER ITEMS	5 467	8 207	6 063	17 145	12 827	13 498	13 025	16 493	14 141
Renewal of Existing Assets as % of total capex	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Renewal of Existing Assets as % of deprecn"	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE	*281.0%*	*456.0%*	*3.8%*	*4.6%*	*4.3%*	*2.9%*	*3.4%*	*3.8%*	*2.6%*
Renewal and R&M as a % of PPE	*281.0%*	*456.0%*	*3.0%*	*4.0%*	*4.0%*	*3.0%*	*3.0%*	*3.0%*	*2.0%*

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Explanatory notes to Table 26 (Table A9) - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 percent of PPE. The PLM do not meet any of these recommendations. New assets equal 90.1 per cent of the total capital budget and repairs and maintenance equals 3 percent of PPE.

Table 14 (Table A10) - Basic Service Delivery Measurement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Households receiving Free Basic Service									
Water (6 kilolitr	3	3	3	3	3	3	3	3	3
Sanitation (free minimum level service)									
Electricity/other	2	3	3	2	2	2	2	2	2
Refuse (removed at least once a week)									
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitr	143	160	174	189	189	189	139	149	131
Sanitation (free sanitation service)									
Electricity/other	107	212	253	194	194	194	309	417	393
Refuse (removed once a week)									
Total cost of I	251	372	427	383	383	383	448	566	524
Highest level of free service provided									
Property rates	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Water (kilolitres	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)									
Revenue cost of free services provided (R'000)									
Property rates	116	116	116	116	116	116	116	122	127
Property rates (other exemptions, reductions and rebates)									
Water	68	75	99	103	103	103	106	113	121
Sanitation									
Electricity/other	43	87	119	92	92	92	105	127	154
Refuse									
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total social package	227	278	334	311	311	311	327	362	402

Explanatory notes to Table 27 (Table A10) - Basic Service Delivery Measurement

1. The budget provides for 2500 households to be registered as indigent in 2011/12, and therefore entitled to receiving Free Basic Services. The number is set to increase to 3000 households given the fact that the indigent register is not updated and therefore not a reliable source.
2. It is anticipated that these Free Basic Services will cost the municipality R2.6 m in 2011/12, increasing to R3.4 m in 2013/14. This is covered by the municipality's equitable share allocation from national government. Free basic services totals 2.9 percent of the total operating revenue.
3. In addition to the Free Basic Services, the PLM also 'gives' households R3.3 m in free services (property rates, sanitation and refuse removal) in 2011/12, and it decreases to R2.0 m in 2013/14 due to lesser discounts to farmers. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 3.6 percent 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 meeting under the chairpersonship of the Council Committee for Finance.

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM'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 2010) 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 on 25 August 2010. Key dates applicable to the process were:

- **August 2010** – Joint strategic planning session of the Mayoral Committee and Executive 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 2011/12 MTREF;
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2011** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2011** - Council considers the 2010/11 Mid-year Review and Adjustments Budget;

- **February 2011 -** Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2011/12 MTREF is revised accordingly;
- **25 March 20**11 - 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 11 May 2011** – finalisation of the 2011/12 IDP and 2011/12 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
- **12 May 2011 -** Tabling of the 2011/12 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The PLM'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 2011/12 MTREF, based on the approved 2010/11 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 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 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 2011/12 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 2011/12 MTREF:

- PLM 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 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51,54 and 55 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 31 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

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

Ward Committees were utilised to facilitate the community consultation process from 4 to 15 April 2011, and included six public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 30 was recorded per meeting. Individual sessions were scheduled with organised business and the farming community to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2011/12 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The PLM is responsible for managing the equitable use of resources to ensure that

constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially property rates for the agriculture, was raised on numerous occasions.
- Pensioners cannot afford the tariff increases due to low annual pension increases; and

Significant changes effected in the final 2011/12 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011. This resulted in an overall increase of 11 percent;
- The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations;
- A decrease in tariffs from 15 to 10% for water, sanitation and refuse removal;
- A discount of 15% to the farming community if they pay their rates and taxes before the end of December 2011.

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 all the people living in that area. Applied to the

PLM, 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 PLM 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 PLM'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 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 15 IDP Strategic Objectives

2010/11 Financial Year		2011/12 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 capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM 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 planning services (Town Planning); and
    - Maintaining the infrastructure of the PLM.

2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring there is a clear structural plan for the PLM;
    - 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. 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 PLM cleansing;
    - Ensuring all waste water treatment works are operating optimally;
    - Working with strategic partners such as SAPS to address crime;
    - Ensuring save 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.

4. 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

5. 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.

6. Promote sound governance through:
    - Publishing the outcomes of all tender processes on the municipal website

7. Ensure financial sustainability through:
   - o Reviewing the use of contracted services
   - o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

8. Optimal institutional transformation to ensure capacity to achieve set objectives
   - o 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 PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM 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 PLM 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 PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM 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 PLM;
- 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 2011/12 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 16 (Table SA4) - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Good Governance	To achieve compliance with relevant Acts.	–	390	112	1 873	473	473	1 620	2 094	837
Municipal Planning	To successfully implement the IDP.	445	544	–	–	–	–	–	–	–
Capacity Building	To provide the necessary personnel.	475	1 661	876	–	28	28	2 466	32	34
Financial Viability	To achieve financial sustainability.	32 829	37 048	68 726	55 772	54 374	52 148	57 182	64 722	68 737
Service Delivery	To deliver affordable and acceptable service.	16 690	18 969	24 804	26 282	23 158	22 072	28 773	28 458	32 650
Total Revenue		50 439	58 613	94 518	83 927	78 032	74 720	90 041	95 306	102 258

Table 30 (Table SA5) - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Good Governance	To achieve compliance with relevant Acts.	4 309	5 312	5 102	7 606	6 321	5 446	5 054	10 591	11 595
Municipal Planning	To successfully implement the IDP.	1 113	1 361	1 568	1 954	1 926	1 661	7 860	3 519	3 819
Capacity Building	To provide the necessary personnel.	964	1 922	2 139	2 013	2 012	1 609	5 021	2 794	3 018
Financial Viability	To achieve financial sustainability.	12 123	12 768	11 998	18 432	19 577	22 840	15 627	15 054	15 654
Service Delivery	To deliver affordable and acceptable service.	33 851	42 008	41 848	59 253	53 520	52 282	55 972	61 909	66 222
Total Expenditure		52 360	63 371	62 655	89 257	83 356	83 839	89 534	93 867	100 308

Table 31 (Table SA7) - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Service Delivery	To deliver affordable and acceptable service.	11 605	9 931	28 631	60 178	60 178	23 675	55 793	65 000	56 154
Good Governance	To achieve compliance with relevant Acts.	–	–	–	260	260	–	1 250	–	–
Municipal Planning	To successfully implement the IDP.	–	–	–	30	30	–	150	–	–
Financial Viability	To achieve financial sustainability.	–	–	–	–	2 100	–	100	–	–
Total Capital Expenditure		11 605	9 931	28 631	60 468	62 568	23 675	57 293	65 000	56 154

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 PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

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

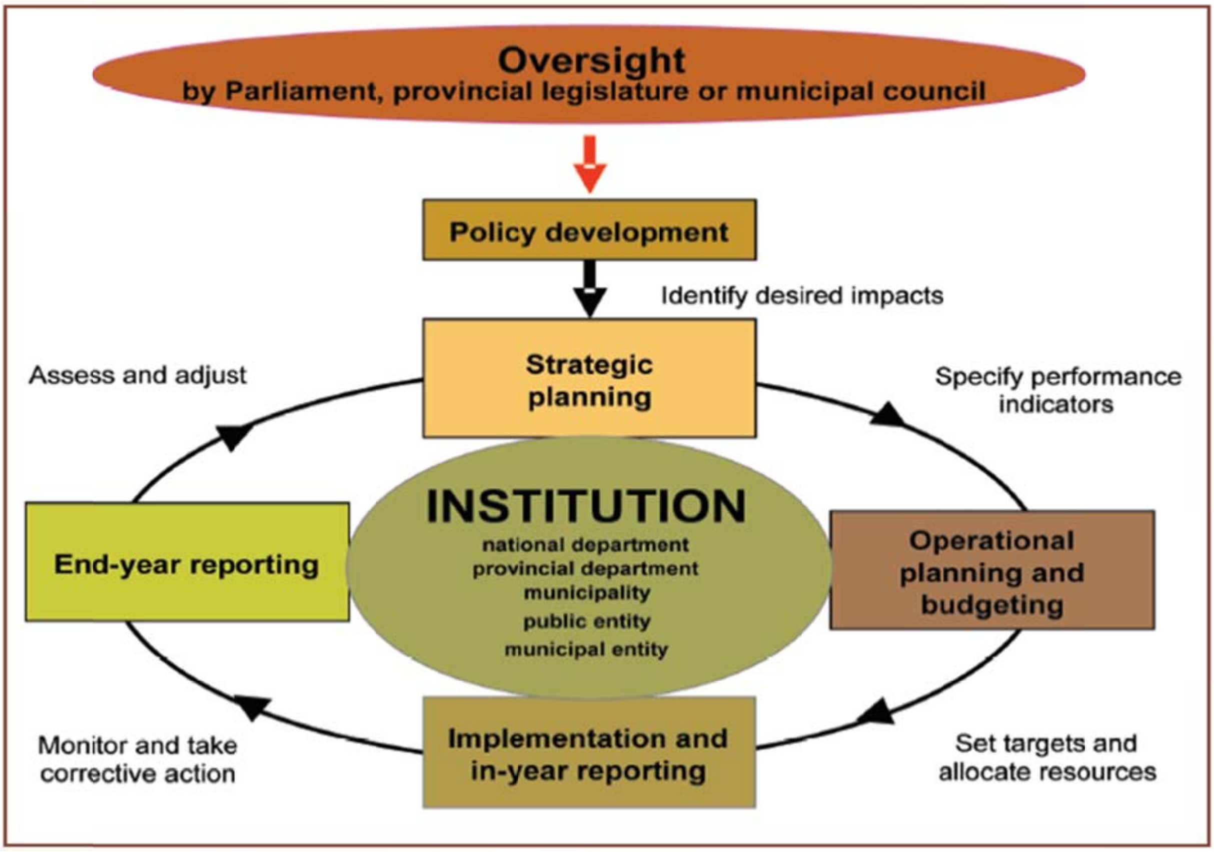


Figure 3 Planning, budgeting and reporting cycle

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

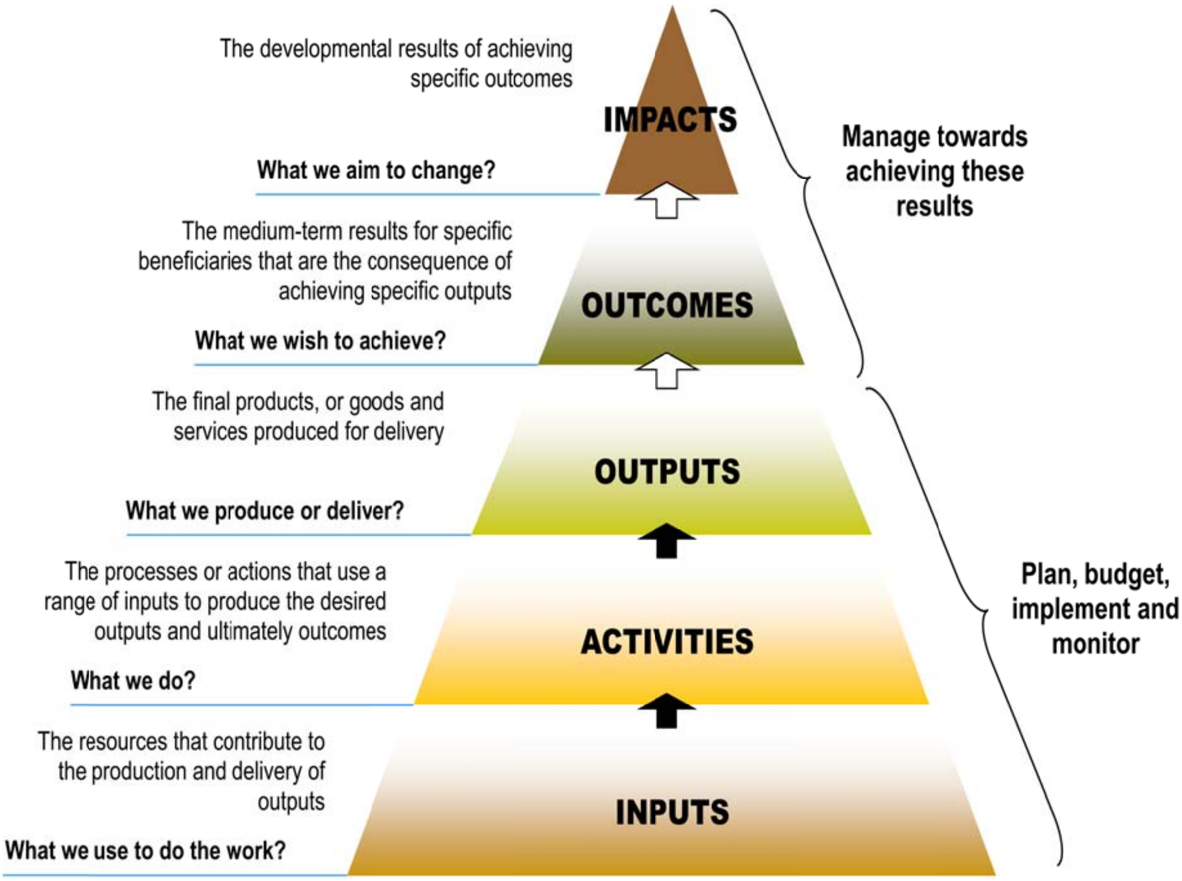


Figure 4 Definition of performance information concepts

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 31 (Table SA8) - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Borrowing Management										
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	11.5%	9.3%	0.7%	0.6%	1.3%	1.3%	0.9%	0.6%	0.4%
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.0%	0.6%	1.1%	0.5%	0.4%	0.3%	1.1%	1.1%	1.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	52.2%	0.0%	0.0%	0.0%	0.0%
Safety of Capital										
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	-1086.9%	-416.3%	12.4%	3.9%	4.7%	4.7%	2.8%	2.3%	2.1%
Gearing	Long Term Borrowing/ Funds & Reserves	17.1%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity										
Current Ratio	Current assets/current liabilities	0.8	0.7	0.9	3.6	3.6	3.6	4.1	4.2	3.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	0.7	0.9	3.6	3.6	3.6	4.1	4.2	3.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.1	0.9	0.8	0.8	0.2	0.1	0.2
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		127.6%	108.0%	59.1%	59.1%	59.1%	120.0%	104.5%	103.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	21.5%	23.6%	10.2%	13.4%	15.2%	15.8%	10.9%	14.5%	14.1%
Other Indicators										
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.1%	29.6%	19.8%	27.3%	30.9%	30.8%	31.5%	32.5%	32.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.0%	32.9%	23.1%	31.0%	34.9%	34.9%	35.5%	36.6%	37.1%
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%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	1.0%	0.7%	0.7%	9.5%	5.2%	9.9%	4.9%	4.6%	4.3%
IDP regulation financial viability indicators										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	77.2	99.4	85.9	49.4	49.4	49.4	42.9	44.6	50.2
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	75.4%	87.6%	43.0%	41.5%	45.2%	50.4%	33.2%	40.7%	39.2%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.5	(1.2)	0.6	1.2	1.2	1.2	0.1	0.2	0.3

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, Phumelela Local Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2011/12 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 0.9 percent to 0.4 percent in 2013/14, it needs to be noted that the outstanding loans of PLM only amounts to R1.4 m which will be settled in December 2015. Although the low ratio is very favourable, it must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.0 percent in 2007/08 to 0.4 percent in 2010/11. This decrease can be attributed to the repayment of the existing loans. Due to the raising of a finance lease during 2010/11 the cost of borrowing as a percentage of the operating expenditure will increase to 1.1 percent in 2011/12 and will then decrease to 1.0 percent at the end of the MTREF. This can be attributed to the existing loans nearing the end of their term.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 percent which indicates that the PLM did not borrow capital to fund its own capital projects. These projects are funded as far as possible from surpluses or cash-backed accumulated funds. As mentioned above the PLM has raised a finance lease to fund furniture and equipment in the 2010/11 period, which has led to a drastic increase of 52.2 percent in the ratio.

The PLM's debt profile provides some interesting insights on the PLM's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The PLM has raised mainly amortising loans over the past fifteen years, hence effectively 'front-loading' its debt service costs at the beginning of the loans in 1995. This is reflected in the PLM's debt service profile, which indicates as per above table 33, low debt service costs between 2012 and 2015. Debt service costs are expected to decline in 2018 due to the redemption of the last few term loans held by the PLM.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the PLM to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

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, overdraft and tax provisions as a percentage of funds and reserves. During the 2007/08 financial year the ratio was at its worst level of (1086.9) percent. The level has however improved in the ensuing periods reaching a more acceptable ratio of 4.7 percent in the 2010/11 MTREF. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF, proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the steady decrease from 2.8 percent in the 2011/12 financial year to 2.1 percent in 2013/14.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2008/09 the gearing ratio declined to 15.0 percent. This was primarily a result of the redemption of the long term loans and increasing funds and reserves. The gearing ratio decreased to 0 percent in the 2009/10 financial year, due to the unbundling of funds and reserves as a result of the implementation of GRAP. Given the fact that loans only amount to R2.9 m the gearing ratio would not have exceeded a level of 50 percent as a prudential limit.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the PLM 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 4.1:1 in the 2011/12 financial year, 4.2:1 and 3.7:1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to settle 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 2010/11 financial year the ratio was 0.9:1 and decreased to 0.2:1 over the MTREF. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the PLM. 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 to be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy should be to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

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

2.3.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the above inflation rate increases of salaries. If the percentage continues to rise to 45 percent, the NT benchmark, it will put pressure on the revenue resources of the PLM.

- Depreciation and finance charges as a percentage of operating revenue is also decreasing owing directly to the redemption of loans and the phasing in of GRAP 17 with regard to depreciation. The depreciation charge will however increases beyond the MTREF.

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 PLM. Only registered indigents qualify for the free basic services.

For the 2011/12 financial year 2 500 indigents have been provided for in the budget with this figured increasing to 3 000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, 50 kWh of free electricity, free sanitation and waste removal for a household earning R1500 per month. They are also not taxed on the first R 45000 of their properties.

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

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

2.3.3 Providing clean water and managing waste water

The PLM is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as a water services provider. The PLM is providing clean water from its own water sources, such as boreholes and dams.

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.

PLM has not yet been awarded the Blue Drop status and the Green Drop status because of the following challenges:

- The infrastructure at the Warden waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Licensing of water plants
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.
- The waste water treatment works at Memel is not completed.

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

- Infrastructure shortcomings are being addressed through the capital budget;
- The filling of vacancies has commenced and the PLM and SETA will embark on an in-house training programme, especially for operational personnel;
- The District Municipality has been approached for assistance with completion of the Memel waste water treatment works
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in 25 March 2008 is currently under review. 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.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training intuition aims to also train indigent households. In line with the national government's initiative to create a million jobs all role players are actively involved in the reduction of the number of registered indigent households.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels. In addition, PLM has already embarked on granting an amnesty period to encourage consumers to pay their arrear services.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

The Municipality has not yet developed an Asset Management, Infrastructure Investment and Funding Policy, but it's currently reviewing the Asset Management policy and has appointed an Asset Management Officer.

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed when the Annual Budget for 2011/12 MTREF was prepared and will be considered by Council when the Annual Budget is adopted.

2.4.4 Other Policies

The following policies were also reviewed when the Annual Budget for 2011/12 MTREF was prepared:

- Petty Cash policy
- Credit Card policy
- Budget Policy
- Indigent policy

2.4.5 Tariff Policies

The PLM'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.

2.4.6 Financial Modelling and Scenario Planning Policy

All the above policies are available on the PLM's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 percent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 percent rising to 3.6 percent by 2012.

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 PLM's finances.

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 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on PLM's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 35.7 percent of total operating expenditure in the 2011/12 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. 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 must be noted.

2.5.3 Credit rating outlook

Table 33 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 PLM entered into a finance lease agreement to minimise its interest rate costs and risk. In the 2011/12 MTREF the lease was accounted for by using a fixed interest rate 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 increases (rates and taxes were not increased) will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (68 percent) of annual billings. Cash flow is assumed to be 68 percent of billings, excluding 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.

2.5.6 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 PLM, 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 costs incurred for servicing the household is the same whether it is poor or not, but that no consumer revenue is derived as the ‘poor household’ limits consumption to the level of free basic services.

2.5.7 Salary increases

The collective agreement regarding salary/wage increases came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Salaries were therefore budgeted in 2011/12 MTREF at an across the board increase of 8.5 percent. This agreement excludes Managers and Councillors.

2.5.8 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.

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

It is estimated that a spending rate of at least 97 percent is achieved on operating expenditure and 98 percent on the capital programme for the 2011/12 MTREF.

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 34 Breakdown of the operating revenue over the medium-term

Description	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	% of Total Revenue	Budget Year +1 2012/13	% of Total Revenue	Budget Year +2 2013/14	% of Total Revenue
R thousand						
Revenue						
Property rates	5 578	6.2%	7 662	8.0%	8 049	7.9%
Service charges	23 157	25.7%	25 212	26.5%	27 496	26.9%
Interest earned	1 720	1.9%	1 817	1.9%	1 928	1.9%
Grants - operational	55 346	61.5%	58 608	61.5%	60 945	59.6%
Other revenue	4 240	4.7%	2 007	2.1%	3 840	3.8%
Total Revenue	90 041	100.0%	95 306	100.0%	102 258	100.0%
Expenditure	89 534		93 867		100 308	
Surplus/(Deficit)	507		1 439		1 950	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

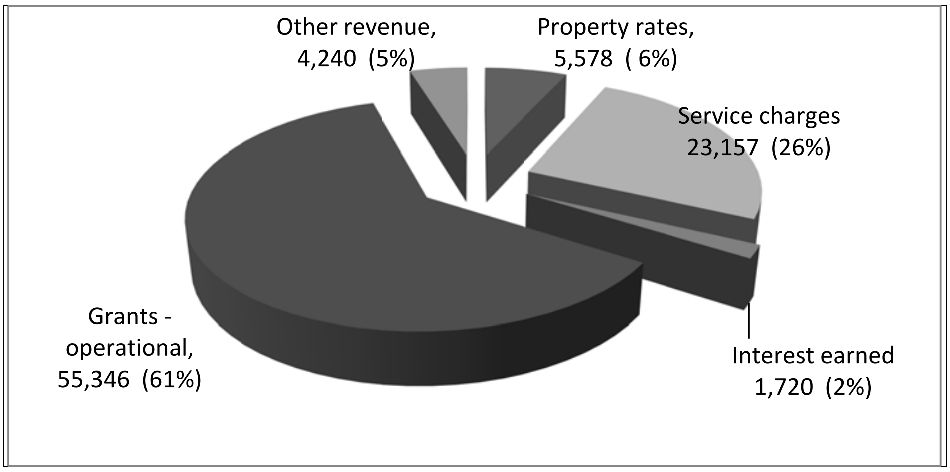


Figure 5 Breakdown of operating revenue over the 2011/12 MTREF

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 PLM derives a reasonable part 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) make up the rest of the pie.

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

- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of a 95 percent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- 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 2011/12 MTREF on the different revenue categories are:

Table 17 Proposed tariff increases over the medium-term

Revenue category	2011/12 proposed tariff increase	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2011/11 additional revenue for each 1% tariff increase	2011/12 additional revenue owing to % tariff increases	2011/12 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	0	5	5	0	0	5 578 000
Sanitation	10	7	7	54 900	549 000	5 928 000
Solid Waste	10	7	7	47 900	479 000	5 582 000
Water	10	7	7	180 300	1 803 000	5 897 000
Electricity	20	20	20	26 550	531 000	5 521 000
Total				309 650	3 362 000	28 506 000

Revenue to be generated from property rates is R5.6 m in the 2011/12 financial year and increases to R8.0 m by 2013/14 which represents 6.2 percent of the operating revenue base of the PLM. It remains relatively constant over the medium term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The PLM is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2011. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 1st quarter of the 2011/12 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes a larger piece of the revenue pie of the PLM totalling R22.9 m for the 2011/12 financial year and increasing to R27.2 m by 2013/14. For the 2011/12 financial year services charges amount to 25.5 percent of the total revenue base and grows by 9 percent per annum over the medium term. This growth can mainly be attributed to the increase in tariffs.

"Transfers recognised – operating" includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing steadily over the MTREF by 5.9 percent and 4.0 percent for the two outer years. The percentage share of this revenue source still forms a major part of the revenue base of PLM. The equitable share contributes 61.5 percent over the MTREF to the revenue base of the municipality. This is due to the large unemployment rate and low influx of people in the municipal area, which limits the growth of the PLM's revenue base.

Investment revenue contributes marginally to the revenue base of the PLM with a budget allocation of R1.7 m, R1.8 m and R1.9 m for the respective three financial years of the MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 36 (TableSA15) – Detail Investment Information

Investment type	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Deposits - Bank	431	629	2 113	500	500	500	500	500	500
Shares	1 130	1 141	815	815	815	815	179	179	179
Total:	1 561	1 770	2 928	1 315	1 315	1 315	679	679	679

Table 37 (Table 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	
Sanlam	10 Years	Policy	01/07/2011	–	–
ABSA - 9056988396	1 month	Money Market	Na	490	49
ABSA - 9211176952	1 month	Call Acount	Na	5	1
ABSA - 9211177842	1 month	Call Acount	Na	5	1
Taurus Shares	Na	Shares	Na	0	–
Vry staat Koop Ltd Shares	Na	Shares	Na	5	–
Vry staat Koop Ltd Members Fund	Na	Shares	Na	174	10
TOTAL INVESTMENTS AND INTEREST				679	60

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R0.507 m, R1.4 m and R2.0 m in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 38 Sources of capital revenue over the MTREF

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure									
Total Capital Exp	11 605	9 931	28 631	60 468	62 568	23 675	57 293	65 000	56 154
Funded by:									
National Government	4 598	5 704	18 222	17 548	17 548	12 630	32 940	25 000	28 154
Provincial Government	–	–	8 852	40 000	40 000	11 046	33 877	40 000	25 500
District Municipality	7 007	3 365	–	1 000	1 000	–	2 000	–	2 500
Transfers recognised - (	11 605	9 069	27 074	58 548	58 548	23 675	68 817	65 000	56 154
Borrowing	–	–	–	–	2 100	–	3 500	–	–
Internal funds	–	862	1 557	1 920	1 920	–	5 300	–	–
Total Capital Funding	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154

The above table is graphically represented as follows for the 2011/12 financial year.

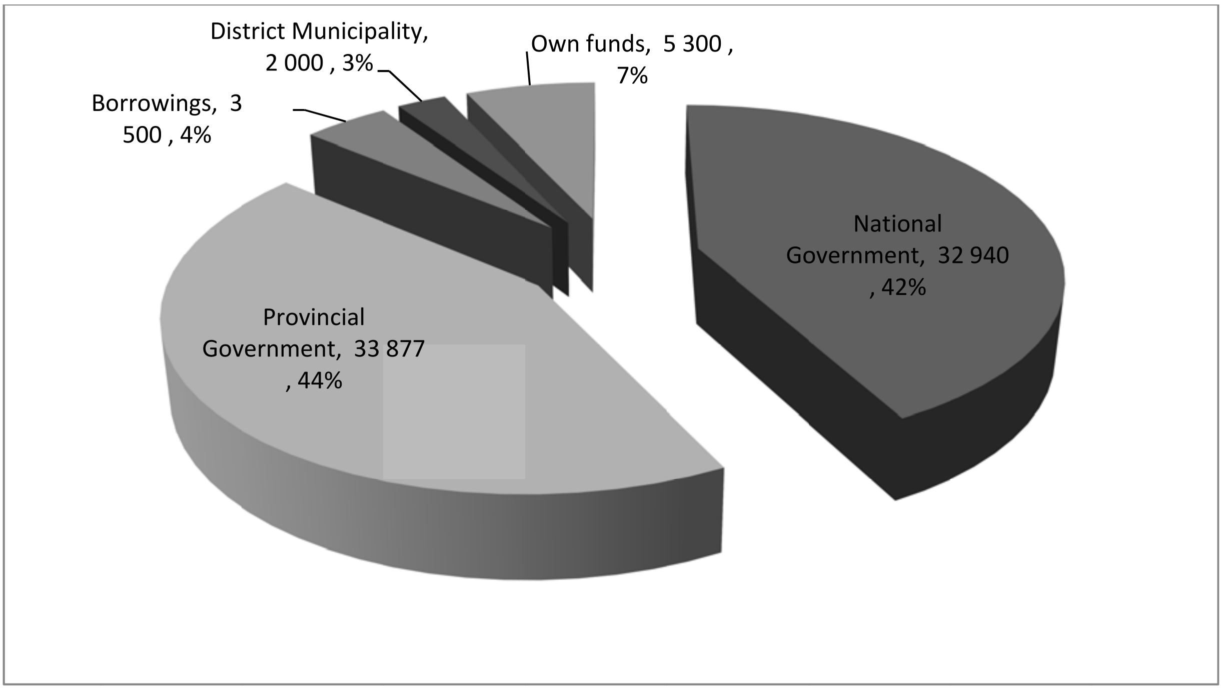


Figure 6 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 88.66 percent of the total funding source which represents R68.8 m for the 2011/12 and most project will be completed during the 2012/2013 financial year and steadily remains at R56.1 m or 100% percent by 2013/14.

Grants receipts still remains a significant funding source for the capital programme over the medium-term. As explained earlier, the borrowing capacity of the PLM has essentially reached its limits and going forward borrowing limits will remain constant.

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

Table 39 (Table SA 17) - Detail of borrowings

Borrowing - Categorised by type	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Long-Term Loans	1 777	1 679	1 566	1 440	1 440	1 440	1 315	1 189	1 064
Financial Leases					1 960	1 960	1 540	1 120	700
Total Borrowing	1 777	1 679	1 566	1 440	3 400	3 400	2 855	2 309	1 764

The following graph illustrates the movement in outstanding borrowing for the 2007/08 to 2013/14 period.

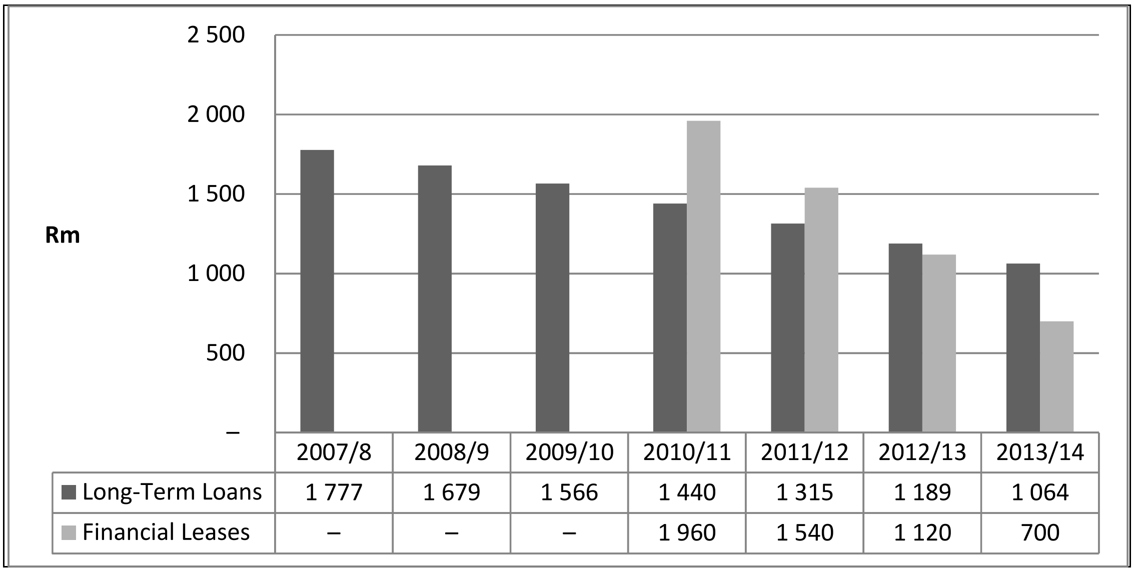


Figure 7 Movement in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R5.3 m in 2011/12, R0 m in 2012/12 and R0 m in 2013/14. The percentage funding peaks in 2011/12 at 100 percent. In 2013/14 this funding source reduces back to a level of 0 percent. The main contributing factor to the escalation of 100 percent in year 1 is owing to the fact that PLM budget for capital spending on a year to year basis.

Table 40 (Table SA 18) - Capital transfers and grant receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital Transfers and Grants									
National Government:	4 598	5 704	18 222	17 548	17 548	12 630	32 940	34 000	53 654
MIG	4 598	5 704	18 222	17 548	17 548	12 630	20 850	25 000	28 154
BIG	–	–	–	–	–	–	8 090	–	15 500
Rural Household	–	–	–	–	–	–	4 000	9 000	10 000
Provincial Government:	–	–	8 852	40 000	40 000	11 046	33 877	31 000	–
COGTA - Warden: Water,etc	–	–	8 852	25 000	25 000	11 046	3 000	18 000	–
COGTA - Zamani Sewerage	–	–	–	–	–	–	1 800	–	–
Water Channels							15 000		
COGTA - Thembalihle Ext 4	–	–	–	7 000	7 000	–	4 432	5 000	–
COGTA - Ezenzeleni:Com Hall	–	–	–	–	–	–	9 645	–	–
COGTA - Zamani New Ext - Infr	–	–	–	8 000	8 000	–	–	8 000	–
District Municipality:	7 007	3 365	–	1 000	1 000	–	2 000	–	2 500
Fire Station	7 007	3 365	–	–	–	–	–	–	–
Vrede/Warden Roads	–	–	–	1 000	1 000	–	–	–	–
Memel Oxidation Dams	–	–	–	–	–	–	2 000	–	2 500

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 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 41 (Table A7) - Budget cash flow statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
OPERATING									
Receipts									
Ratepayers	25 704	24 816	30 197	30 011	28 551	28 551	34 448	35 154	39 585
Grants - operat	27 352	41 877	69 030	53 306	48 861	48 861	55 346	58 612	60 949
Grants - capita	–	–	–	51 173	55 058	55 058	68 817	65 450	54 204
Interest	165	198	180	610	620	620	250	263	277
Payments									
Suppliers and e	(50 780)	(60 972)	(64 683)	(80 798)	(75 004)	(75 004)	(94 264)	(93 183)	(99 455)
Finance charge	(313)	(463)	(618)	(454)	(367)	(367)	(444)	(458)	(473)
NET CASH	2 129	5 456	34 105	53 847	57 719	57 719	64 153	65 838	55 087
INVESTING									
Receipts									
Dec(inc) - nc ir	–	(11)	603	–	–	–	654	–	–
Payments									
Capital assets	(1 975)	(10 089)	(28 691)	(51 173)	(57 158)	(57 158)	(68 817)	(65 450)	(54 204)
NET CASH	(1 975)	(10 100)	(28 088)	(51 173)	(57 158)	(57 158)	(68 163)	(65 450)	(54 204)
FINANCING									
Receipts									
Borrowing	–	–	–	–	2 100	2 100	–	–	–
Inc(dec)-c depo	(670)	(6)	7	5	5	5	5	5	5
Payments									
Pmt of borrowi	(187)	(101)	(86)	(13)	–	–	(546)	(546)	(546)
NET CASH	(857)	(108)	(79)	(8)	2 105	2 105	(541)	(540)	(540)
NET INC/(DEC	(703)	(4 752)	5 938	2 667	2 666	2 666	(4 551)	(152)	342
Cash beginning	1 908	1 206	(3 546)	2 392	2 392	2 392	5 058	507	355
Cash ending:	1 206	(3 546)	2 392	5 058	5 058	5 058	507	355	697

The budgeted cash flow statement is the first measurement in determining if the budget is funded.
It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
It can be seen that the cash levels of the PLM only dropped into a negative balance in the 2008/09 period as a result of a net decrease in cash for the 2008/09 financial year of R4.8 m caused by a major increase in the acquisition of assets of 410.8 percent or from R2.0 m to R10.1 m.
The cash levels have however steadily grown to a positive balance of R5.1 m in the 2010/11 period as a direct result of a 20 percent increase in government grants.
The approved 2010/11 MTREF provide for a further net decrease in cash of R4.8 m for the 2010/11 financial year resulting in an overall projected positive cash position of R0.310 m at year end. This is directly attributable to an increase in employee costs of 18 percent.

The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
Cash and cash equivalents totals R0.310 m as at the end of the 2011/12 financial year and escalates to R0.5 m by 2013/14.

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.

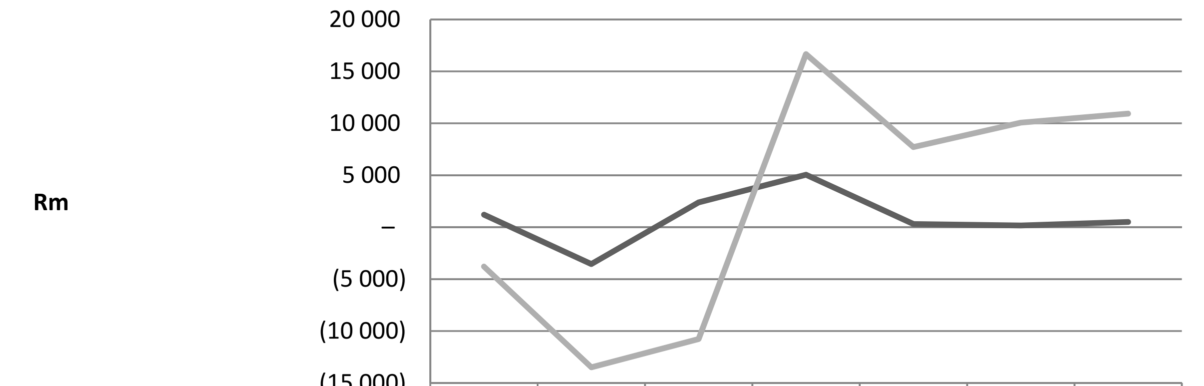
Table 42 (Table A8) - Cash backed reserves/accumulated surplus reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available									
Cash - year end	1 206	(3 546)	2 392	5 058	5 058	5 058	310	158	500
Other inv > 90 da	0	0	0	506	507	507	506	507	506
Nc - Investments	1 130	1 141	815	815	815	815	179	179	179
Available:	2 336	(2 405)	3 207	6 380	6 380	6 380	996	844	1 185
Application of cash and investments									
Unspent grants	7 341	6 480	3 979	–	–	–	–	–	–
Work cap req	(13)	1 046	12 386	(5 222)	(5 666)	(6 227)	(6 404)	(9 058)	(9 253)
Application	7 329	7 526	16 365	(5 222)	(5 666)	(6 227)	(6 404)	(9 058)	(9 253)
Surplus(shortfa	(4 993)	(9 931)	(13 159)	11 602	12 046	12 607	7 399	9 902	10 439

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- 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.

- 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".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- From the table it can be seen that for the period 2007/08 to 2009/10 the deficit deteriorated from R5.0 m to R13.2 m.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was funded owing to the significant surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
- As can be seen the budget has been modelled to ensure that the budget is funded as the surplus steadily increases from R7.4 m in 2011/12 to a surplus of R10.4 m by 2013/14.
- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2011/12 financial year no provision has been made for this liability as the total unspent conditional grant liability of R57.3 m has been factored into the 2011/12 capital programme of the PLM.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the PLM in 2010/11 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to the overdraft facility has been provided for.This is equal to one months operational expenditure. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the PLM to meet its creditor obligations.

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



	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Surplus/(shortfall)-funds & res	(4 993)	(9 931)	(13 159)	11 602	7 399	9 902	10 439
Cash/cash equivalents	1 206	(3 546)	2 392	5 058	310	158	500

Figure 8 Cash and cash equivalents / Cash backed reserves and accumulated funds

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 18 (Table SA10) – Funding compliance measurement

Description	MFMA section	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash/cash equivalents at the year end - R'000	18(1)b	1 206	(3 546)	2 392	5 058	5 058	5 058	507	1 439	1 950
Cash + investments at the yr end less applications - R'000	18(1)b	(4 993)	(9 931)	(13 159)	11 602	12 046	12 607	7 460	10 011	10 337
Cash year end/monthly employee/supplier payments	18(1)b	0.5	(1.2)	0.6	1.2	1.2	1.2	0.1	0.2	0.3
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(1 920)	(4 758)	31 863	(5 331)	(5 324)	(9 118)	507	1 439	1 950
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	3.5%	34.7%	12.7%	(8.0%)	(15.5%)	7.7%	8.4%	2.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	112.7%	95.6%	50.9%	102.4%	99.3%	109.8%	100.3%	93.3%	99.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	30.6%	45.5%	41.0%	30.3%	31.3%	35.0%	20.3%	19.3%	19.4%
Capital payments % of capital expenditure	18(1)c;19	17.0%	101.6%	100.2%	84.6%	91.4%	241.4%	58.9%	100.7%	96.5%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	52.2%	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.	27.4%	(30.4%)	16.8%	5.3%	0.0%	(16.6%)	40.2%	4.2%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	281.0%	456.0%	3.8%	4.6%	4.3%	2.9%	4.7%	3.1%	0.0%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.6.5.1 Cash/cash equivalent position

The PLM'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 2011/12 MTREF shows a positive balance of R0.507 million, R1.4 m and R2.0 m for each respective financial year.

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 25, on page 34. 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.

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 PLM 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 falling significantly for the period 2007/08 to 2008/09, moving from 0.5 to (1.2). With the adopted 2010/11 MTREF the ratio increased to 1.2. Due to the municipality's low cash position the ratio has moved downwards to 0.1 for the 2011/12 period, with a slow upward trend for the outer years of the MTREF, settling at 0.3 at 2013/14. As indicated above the PLM 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 2011/12 MTREF the indicative outcome is a surplus of R0.507 m, R1.4 m and R2.0 m.

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

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 percent). 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 7.7, 8.4 and 2.1 percent for the respective financial year of the 2011/12 MTREF. The outcome, except for the 2011/12 period is well with in the inflation target. The lower than target 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 ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100.3, 93.3 and 99.5 percent for each of the respective financial years. Given that the assumed collection rate was based on a 95 percent performance target, the cash flow statement has been determined on a 100 percent collection rate. 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 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 20.3, 19.3 and 19.4 percent over the MTREF. Considering the assumed collection rate of 60 percent this provision seems in line, but it is not within the accepted leading practice of 4 percent.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. With the exception of the 2011/12 MTREF, of which only 58.9 per cent of capital expenditure was paid, it can be seen that the municipality aims to keep strictly with the legislative requirement that creditors be paid within 30 days.

2.6.5.9 Borrowing as a % 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 be excluded. It can be seen that borrowing equates to 39.77 percent of own funded capital. Further details relating to the borrowing strategy of the PLM can be found on page 52.

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

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

2.6.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. PLM do not have long term receivables, therefore there will be no measure. The drastic fluctuations in the MTREF are mainly a result of drastic increases/decreases in other debtors (VAT). Consumer debtors however show a relatively stable trend of 14 percent in line with the PLM's policy of debtors settling their accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Given that NT has proposed that repairs and maintenance must be a least 8 per cent of the PPE, these low percentages must be of concern. Details of the PLM's strategy pertaining to asset management and repairs and maintenance are contained in Table 51 (Table SA34C) on page 79.

2.6.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. This measure must also be closely monitored, given that only 10 percent of the capital budget will be for renewal of assets.

2.7 Expenditure on grants and reconciliations of unspent funds

The following tables provide information on government grants expended (operating and capital) and unspent grants:

Table 44 (Table SA19) - Expenditure on transfers and grant programmes

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Operating expenditure of Transfers and Grants									
National Government:	22 891	28 890	38 943	47 988	47 988	47 988	54 873	57 848	60 108
Equitable Share	21 391	26 924	35 458	44 238	44 238	44 238	48 996	54 214	57 758
FMG	500	1 231	2 750	3 000	3 000	3 000	1 300	1 500	1 500
MSIG	1 000	735	735	750	750	750	790	800	850
INEPG	–	–	–	–	–	–	2 640	–	–
MIG - PMU	–	–	–	–	–	–	1 147	1 334	–
Provincial Governmen	1 578	749	1 632	918	873	873	473	760	837
Ambulance subsidy	78	–	–	–	–	–	–	–	–
CFO Salary	–	–	132	473	473	473	473	760	837
Refuse Dumps	–	–	–	445	400	400	–	–	–
Drought Relief	–	700	–	–	–	–	–	–	–
Social Dev	–	–	–	–	–	–	–	–	–
Turnaround Strategy	1 500	49	1 500	–	–	–	–	–	–
District Municipality:	500	1 106	–	–	–	–	–	–	–
Hall	500	1 006	–	–	–	–	–	–	–
Electricity	–	100	–	–	–	–	–	–	–
Other grant providers:	2 351	1 457	450	–	–	–	–	–	–
DBSA	2 351	438	450	–	–	–	–	–	–
Thetha Learners	–	1 019	–	–	–	–	–	–	–
Total opex:	27 319	32 203	41 025	48 906	48 861	48 861	55 346	58 608	60 945
Capital expenditure of Transfers and Grants									
National Government:	4 598	5 704	18 222	17 548	17 548	12 630	33 800	34 000	53 654
MIG	4 598	5 704	18 222	17 548	17 548	12 630	20 800	25 000	28 154
BIG	–	–	–	–	–	–	9 000	–	15 500
Rural Household	–	–	–	–	–	–	4 000	9 000	10 000
Provincial Governmen	–	–	8 852	40 000	40 000	11 046	16 293	31 000	–
COGTA	–	–	8 852	40 000	40 000	11 046	16 293	31 000	–
District Municipality:	7 007	3 365	–	1 000	1 000	–	1 900	–	2 500
Fire Station	7 007	3 365	–	–	–	–	–	–	–
Vrede/Warden Roads	–	–	–	1 000	1 000	–			
Memel Oxidation Dams	–	–	–	–	–	–	1 900	–	2 500
Total capital exp	11 605	9 069	27 074	58 548	58 548	23 675	51 993	65 000	56 154
TOTAL EXP	38 925	41 272	68 099	107 454	107 409	72 537	107 339	123 608	117 099

Table 45 (Table SA 20) - Reconciliation of transfers, grant receipts and unspent funds

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–	–	–	2 000	–	–	–	–
Current year receipts	22 891	28 890	38 943	49 988	47 988	47 988	54 873	57 848	60 108
Conditions met - transferred to revenue	22 891	28 890	38 943	47 988	49 988	47 988	54 873	57 848	60 108
Conditions still to be met - transferred to liabilities	–	–	–	2 000	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	–	–	–	–	1 400	–	–	–	–
Current year receipts	1 578	749	1 632	2 318	873	873	473	760	837
Conditions met - transferred to revenue	1 578	749	1 632	918	2 273	873	473	760	837
Conditions still to be met - transferred to liabilities	–	–	–	1 400	–	–	–	–	–
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	500	1 106	–	–	–	–	–	–	–
Conditions met - transferred to revenue	500	1 106	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Other grant providers:									
Balance unspent at beginning of the year	–	–	–	–	1 000	–	–	–	–
Current year receipts	2 351	1 457	450	1 000	–	–	–	–	–
Conditions met - transferred to revenue	2 351	1 457	450	–	1 000	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	1 000	–	–	–	–	–
Total operating grants revenue	27 319	32 203	41 025	48 906	53 261	48 861	55 346	58 608	60 945
Total operating grants - CTBM	–	–	–	4 400	–	–	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–	–	(0)	–	–	–	–	–
Current year receipts	4 598	5 704	18 222	17 548	17 548	12 630	32 940	34 000	53 654
Conditions met - transferred to revenue	4 598	5 704	18 222	17 548	17 548	12 630	32 940	34 000	53 654
Conditions still to be met - transferred to liabilities	–	–	(0)	–	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	–	8 852	40 000	40 000	11 046	33 877	31 000	–
Conditions met - transferred to revenue	–	–	8 852	40 000	40 000	11 046	33 877	31 000	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	7 007	3 365	–	1 000	1 000	–	2 000	–	2 500
Conditions met - transferred to revenue	7 007	3 365	–	1 000	1 000	–	2 000	–	2 500
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Other grant providers:									
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–	–
Current year receipts	–	–	–	–	–	–	–	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–	–
Total capital transfers and grants revenue	11 605	9 069	27 074	58 548	58 548	23 675	68 817	65 000	56 154
Total capital transfers and grants - CTBM	–	–	(0)	–	–	–	–	–	–
TOTAL GRANTS REVENUE	38 925	41 272	68 099	107 454	111 809	72 537	124 163	123 608	117 099
TOTAL GRANTS - CTBM	–	–	(0)	4 400	–	–	–	–	–

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2.8 Councillor and employee benefits

Table 19 (Table SA22) - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Councillors (Political Office Bearers plus Other)									
Salary	1 748	1 931	2 006	2 213	2 213	2 190	2 501	2 752	3 028
Motor vehicle allowance	599	528	614	693	696	685	835	920	1 013
Cell phone allowance	125	139	141	169	166	157	193	213	236
Other benefits or allowances	22	22	23	31	31	25	38	43	49
In-kind benefits	–	–	0	–	–	–	–	–	–
Sub Total - Councillors	2 494	2 620	2 783	3 106	3 106	3 057	3 567	3 928	4 326
% increase		5.0%	6.2%	11.6%	–	(1.6%)	16.7%	10.1%	10.1%
Senior Managers of the Municipality									
Salary	1 161	1 105	1 081	1 576	1 685	1 362	2 422	2 661	2 922
Pension Contributions	–	–	–	–	–	–	118	130	143
Motor vehicle allowance	–	297	399	550	516	396	662	727	799
Other benefits or allowances	–	–	–	–	–	–	323	366	411
Sub Total - Senior Managers of Municipality	1 161	1 402	1 481	2 126	2 201	1 758	3 525	3 884	4 275
% increase		20.7%	5.6%	43.6%	3.5%	(20.1%)	100.5%	10.2%	10.1%
Other Municipal Staff									
Basic Salaries and Wages	11 011	12 027	13 276	16 292	17 376	16 694	20 625	22 394	24 315
Pension Contributions	1 325	1 481	1 784	1 963	1 983	1 908	2 051	2 232	2 430
Medical Aid Contributions	218	301	429	452	524	474	499	547	599
Motor vehicle allowance	44	78	82	87	87	91	100	110	120
Housing allowance	13	31	33	35	38	36	39	44	49
Overtime	428	786	1 253	1 214	1 200	1 300	724	792	724
Other benefits or allowances	455	555	680	738	740	723	860	965	1 078
Sub Total - Other Municipal Staff	13 494	15 259	17 536	20 781	21 948	21 227	24 898	27 084	29 315
% increase		13.1%	14.9%	18.5%	5.6%	(3.3%)	17.3%	8.8%	8.2%
Total Parent Municipality	17 149	19 280	21 800	26 014	27 255	26 042	31 990	34 896	37 916
		12.4%	13.1%	19.3%	4.8%	(4.5%)	22.8%	9.1%	8.7%

Table 47 (Table SA23) - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No. 10	Salary	Contrib.	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.			2.	3.
Councillors							
Executive Mayor	1	481 000	9 000	181 000			671 000
Total for all other councillors	13	2 020 000	29 000	847 000			2 896 000
Total Councillors	14	2 501 000	38 000	1 028 000			3 567 000
Senior Managers of the Municipality							
Municipal Manager (MM)	1	492 000	20 000	338 000			850 000
Chief Finance Officer	1	522 000	135 000	168 000			825 000
Director Corporate Services	1	402 000	16 000	232 000			650 000
Director Community Services	1	536 000	14 000	–			550 000
Director Technical Services	1	470 000	16 000	164 000			650 000
Total Senior Managers of the Municipality	5	2 422 000	201 000	902 000	–	–	3 525 000
TOTAL COST	18	4 923 000	239 000	1 930 000	–	–	7 092 000

Table 48 (Table SA24) – Summary of personnel numbers

Summary of Personnel Numbers	2009/10			Current Year 2010/11			Budget Year 2011/12		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council									
Councillors	14	1	13	14	1	13	15	1	14
Municipal employees									
MM and Sr Managers	3	–	3	4	–	4	5	–	5
Other Managers	–	–	–	–	–	–	6	6	–
Professionals	*21*	*21*	–	*21*	*21*	–	*41*	*41*	–
Finance	5	5		5	5		5	5	
Spatial/town planning	1	1		1	1		1	1	
Information Technology							1	1	
Other	15	15		15	15		34	34	
Technicians	*33*	*33*	–	*33*	*33*	–	*30*	*30*	–
Finance	14	14		14	14		16	16	
Roads	1	1		1	1				
Water							1	1	
Sanitation							1	1	
Other	18	18		18	18		12	12	
Clerks	8	6	2	8	6	2	12	10	2
Service workers	163	163		163	163		166	166	
Plant and Machine Ope	13	13		13	13		13	13	
TOTAL PERSONNEL	255	237	18	256	237	19	288	267	21
% increase				0.4%	–	5.6%	12.5%	12.7%	10.5%
Total municipal employees headcount									
Finance headcount	19	19		19	19		23	23	
HR headcount	1	1		1	1		1	1	

2.9 Monthly targets for revenue, expenditure and cash flow

Table 49 (Table SA25) - Budgeted monthly revenue and expenditure

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source															
Property rates	457	457	457	457	457	457	457	457	457	457	457	457	5 478	7 557	7 938
Rates - interest	8	8	8	8	8	8	8	8	8	8	8	8	100	105	111
Electricity	607	663	442	442	386	386	331	331	386	497	497	552	5 521	6 328	7 274
Water	236	413	472	590	649	708	767	708	413	354	354	236	5 897	6 310	6 754
Sanitation	494	494	494	494	494	494	494	494	494	494	494	494	5 928	6 346	6 793
Refuse	465	465	465	465	465	465	465	465	465	465	465	465	5 582	5 975	6 395
Services - other	19	19	19	19	19	19	19	19	19	19	19	19	229	253	280
Rental	82	82	82	82	82	82	82	82	82	82	82	82	986	1091	1207
Interest earned	21	21	21	21	21	21	21	21	21	21	21	21	250	263	277
Interest arrears	123	123	123	123	123	123	123	123	123	123	123	123	1470	1554	1651
Fines	17	17	17	17	17	17	17	17	17	17	17	17	201	202	203
Lic and permits	1	1	1	1	1	1	1	1	1	1	1	1	16	19	22
Grants	4 612	4 612	4 612	4 612	4 612	4 612	4 612	4 612	4 612	4 612	4 612	4 612	55 346	58 608	60 945
Other revenue	253	253	253	253	253	253	253	253	253	253	253	253	3 037	695	2 408
Total Income	**7 395**	**7 627**	**7 465**	**7 583**	**7 587**	**7 646**	**7 650**	**7 591**	**7 351**	**7 403**	**7 403**	**7 340**	**90 041**	**95 306**	**102 258**
Expenditure By Type															
Salaries	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	2 366	28 391	30 931	33 687
Sal Councillors	297	297	297	297	297	297	297	297	297	297	297	297	3 567	3 928	4 326
Debt impairment	504	504	504	504	504	504	504	504	504	504	504	504	6 045	6 546	7 124
Depreciation	329	329	329	329	329	329	329	329	329	329	329	329	3 950	3 950	3 950
Finance charges	–	–	–	–	–	222	–	–	–	–	–	222	444	458	473
Bulk purchases	1388	1515	1010	1010	883	883	757	757	883	1136	1136	1262	12 621	15 778	19 727
Contracted serv	91	91	91	91	91	91	91	91	91	91	91	91	1090	1109	1129
Transfers	293	293	293	293	293	293	293	293	293	293	293	293	3 521	3 574	3 631
Other expenses	2 492	2 492	2 492	2 492	2 492	2 492	2 492	2 492	2 492	2 492	2 492	2 492	29 905	27 593	26 261
Total Exp	**7 761**	**7 887**	**7 382**	**7 382**	**7 256**	**7 478**	**7 130**	**7 130**	**7 256**	**7 508**	**7 508**	**7 857**	**89 534**	**93 867**	**100 308**
Surpl/(Def)	**(366)**	**(260)**	**83**	**201**	**331**	**168**	**520**	**461**	**95**	**(106)**	**(106)**	**(517)**	**507**	**1 439**	**1 950**

2.10 Annual budgets and SDBIPs – internal departments

The SDBIP's for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor witin 28 days after the approval of the annual budget.

2.11 Contracts having future budgetary implications

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

2.12 Capital expenditure details

The following tables' present details of the PLM's capital expenditure programme, firstly on new assets and on the repair and maintenance of assets.

Table 50 (Table SA 34a) - Capital expenditure on new assets by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure on new assets									
Infrastructure	4 598	6 565	28 460	49 128	49 128	22 110	62 272	65 000	56 154
Road transport	–	–	14 834	13 326	13 326	7 086	7 622	4 333	8 051
Electricity	–	–	280	3 280	3 280	2 273	–	–	–
Water	–	–	2 752	14 522	14 522	6 157	31 790	30 334	27 552
Sanitation	4 598	6 565	10 488	18 000	18 000	6 593	22 860	30 333	20 551
Refuse	–	–	106	–	–	–	–	–	–
Community	7 007	3 365	48	11 000	11 000	1 566	11 845	–	–
Sportsfields	–	–	–	1 000	1 000	758	–	–	–
Com halls	7 007	3 365	48	10 000	10 000	808	11 845	–	–
Other assets	–	–	123	340	2 440	–	3 500	–	–
Gen vehicles	–	–	–	–	2 100	–	–	–	–
Furniture	–	–	–	340	340	–	3 500	–	–
Land & Bldgs	–	–	123	–	–	–	–	–	–
Total Cap Exp	11 605	9 931	28 631	60 468	62 568	23 675	77 617	65 000	56 154

Table 51 (Table SA34c) - Repairs and maintenance expenditure by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Repairs and maintenance expenditure									
Infrastructure	2 404	5 669	4 256	6 500	6 780	4 842	6 610	9 941	7 441
Road transport	243	2 171	1 062	3 000	3 000	1 347	2 500	5 625	2 907
Electricity	1 252	1 576	1 284	1 530	2 030	1 913	2 200	2 310	2 426
Water	694	1 160	851	840	1 140	1 365	1 400	1 470	1 544
Sanitation	216	763	588	630	330	217	210	221	233
Refuse	–	–	471	500	280	–	300	315	331
Other assets	2 875	2 437	1 790	3 090	2 377	1 455	2 465	2 602	2 750
Gen vehicles	2 410	1 297	1 020	1 169	1 009	643	943	994	1 048
Plant & Eq	82	165	130	241	162	112	226	243	262
Furniture	86	67	111	180	166	155	136	145	156
Land & Bldgs	297	908	528	1 500	1 040	545	1 160	1 220	1 284
Total R&M	5 279	8 106	6 046	9 590	9 157	6 298	9 075	12 543	10 191

Table 20 (Table SA36) - Detailed capital budget per municipal vote

Municipal Vote	Program/Project description	IDP Goal code	Asset Class	Asset Sub-Class	2011/12 Medium Term Revenue & Expenditure Framework			
R thousand					Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	New or renewal
Council General Expenses	Motor Vehicle	**B**	Other assets	General vehicles	1000	–	–	N
Council General Expenses	Furniture new Offices - Mayor	B	Other assets	Furniture and other office equipment	250	–	–	N
Electricity Distribution	Electricity Provision - Kuhn Street Vrede	A	Infrastructure - Electricity	Transmission & Reticulation	200	–	–	N
Manager Administration	Furniture new Offices	C	Other assets	Furniture and other office equipment	150	–	–	N
Manager Finance	Computer Equipment	D	Other assets	Computers - hardware/equipment	100	–	–	N
Parks	Memel/Zamani:Sport Facilities	A	Community Assets	Sportsfields & stadia	3 800	–	–	N
Properties	Ezenzeleni: Community Hall	A	Community Assets	Community halls	9 645	–	–	N
Properties	Vrede/Thembalihle: Taxi Rank	A	Community Assets	Other	2 100	–	–	N
Properties	Vrede: Development of Truck Stop	A	Community Assets	Other	500	–	–	N
Roads	Thembalihle: Paved Road	A	Infrastructure - Road transport	Roads, Pavements & Bridges	1800	–	–	N
Roads	Memel/Zamani: Construction of 5km paved road	A	Infrastructure - Road transport	Roads, Pavements & Bridges	–	4 000		N
Roads	Reseal of Roads	A	Infrastructure - Road transport	Roads, Pavements & Bridges	3 000	–	–	N
Sewerage	Memel: Oxidation Dams	A	Infrastructure - Sanitation	Reticulation	1900	–	2 500	N
Sewerage	Thembalihle: New Storage Reservoir, Ext 4 & 5	A	Infrastructure - Sanitation	Reticulation	–	3 000		N
Sewerage	Thembalihle: Sewer Network, Ext 4 (Phase 2)	A	Infrastructure - Sanitation	Reticulation	4 000	9 000	10 000	N
Sewerage	Thembalihle Ext 4 Sewer Network (Phase 3)	A	Infrastructure - Sanitation	Reticulation	–	5 000	–	N
Sewerage	Zamani: Sewerage Network, 100 Sites (H/S)	A	Infrastructure - Sanitation	Reticulation	2 216	–	–	N

Table 52 (Table SA36) - Detailed capital budget per municipal vote (continued)

Municipal Vote	Program/Project description	IDP Goal code	Asset Class	Asset Sub-Class	2011/12 Medium Term Revenue & Expenditure Framework			
R thousand					Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	New or renewal
Sewerage and Water	New extension Ezenzeleni infrastructure	A	Infrastructure - Sanitation & Water	Reticulation	–	8 000	–	N
Sewerage and Water	Warden Industrial area infrastructure	A	Infrastructure - Sanitation & Water	Reticulation	–	10 000	–	N
Sewerage and Water	New extension Zamani infrastructure	A	Infrastructure - Sanitation & Water	Reticulation	–	8 000	–	N
Sewerage/Water/Roads	All projects	A	Infrastructure - Sanitation, Water & Rd	Reticulation, Rds,Pavements & Brid	–	–	24 154	N
Sewerage/Water/Roads	Retention	A	Infrastructure - Sanitation, Water & Rd	Reticulation, Rds,Pavements & Brid	1800	1000	–	N
Sewerage/Water/Roads	Thembalihle: Infrastructure, Ext 4, 200 Sites	A	Infrastructure - Sanitation, Water & Rd	Reticulation, Rds,Pavements & Brid	4 432	–	–	N
Town Planning	Computer Programs	A	Other assets	Computers - hardware/equipment	100	–	–	N
Sewerage and Water	Ezenzeleni: Water/Sewer Network: 350 Sites	A	Infrastructure - Sanitation & Water	Reticulation	–	3 000		N
Sewerage	Thembalihle: Sewer Network, Ext 4	A	Infrastructure - Sanitation	Reticulation	2 400	4 000	4 000	N
Sewerage	Warden: Upgrading of Sewerage Treatment Works (P	A	Infrastructure - Sanitation	Reticulation	2 500	2 000	–	N
Water Distribution	Warden: Upgrading of Purification Works	A	Infrastructure - Water	Reticulation	–	4 000		N
Water Distribution	Warden dam and waterworks (DWA)	A	Infrastructure - Water	Reticulation	9 000	–	15 500	N
Water Distribution	Memel/Zamani: Pipeline & Reservoir	A	Infrastructure - Water	Reticulation	3 900	4 000	–	N
Sewerage	Zamani: Sewerage Network	A	Infrastructure - Sanitation	Reticulation	2 500	–	–	N
Total Capital expenditure					57 293	65 000	56 154	

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

2. Internship programme
   The PLM is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Of the ten interns two have been appointed permanently from November 2007 and additional three were appointed permanently from July 2010. The remaining five have not yet completed their two year contract on 30 June 2011. Since the introduction of the Internship programme the PLM has successfully employed and trained ten interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG. Five additional interns will be appointed with effect from 1 July 2011.

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

4. Audit Committee
   PLM is currently using a shared district Audit Committee but it is in the process of establish its own Audit Committee and interviews have been held with the Audit Committee incumbents.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is at a draft stage and will be finalised after approval of the 2011/12 MTREF in May 2010 directly aligned and informed by the 2011/12 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 PLM's internal centre and training is ongoing.

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.

2.14 Municipal manager's quality certificate

I …………………………………, municipal manager of Phumelela 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 ____

Municipal manager of Phumelela Local Municipality (FS195)

Signature ____

Date _____________________________