

# PHUMELELA LOCAL MUNICIPALITY



# ANNUAL BUDGET 2012-2013

# Phumelela Local Municipality Annual Budget 2012-2013

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## Part 1 – Annual Budget

### 1.1 Mayor's Report

*BUDGET SPEECH FOR 2012/13*

*BY MAYOR TLOKOTSI JOHN MOTAUNG*

*MAY 30, 2012*

*The Speaker, Cllr Topsy Zwane  
Chief Whip Cllr Smody Tshabalala  
Fellow Council Members  
Hon Dr Mzangwa, Executive Mayor, TMDM, Chair of SALGA  
Hon Executive Mayors and Mayors  
Hon Speakers, Chief Whips  
Municipal Manager, Senior Managers, Officials  
Ward Committees, CDWs, CWPs  
Col Kheswa, Phumelela Cluster Commander  
Station Commanders  
Head of Traffic in Phumelela  
Head of Phumelela Hospital & Head of Clinics in Phumelela  
Dr M. Tsotetsi, SMGD, Dept of Education, TMDM  
SGB Members  
Principals, Learners  
Baruti ba Kgabane  
Mohlomphehi Morena, Nkgahle Tsotetsi  
Dingaka tsa Setso  
Zakhamuzi zasePhumelela  
Distinguished Guests  
Ladies and Gentlemen*

Mohlomphehi, Motsamaisi wa dipuisano, Tsatsing la kajeno re tla teka ditekanyetso tsa selemo sa tsa ditjhelete sa 2012/13, re tswela pele ka ho tlalehela kopano ena e kgabane ka tseo Lekgotla la motse wa Phumelela le kgonneng ho di fihlella, tseo re ileng ra itlamba ka tsona selemong sefithileng sa ditjhelete.

- Lekgotla la motse le motlotlo ho phatlalatsa hore diphutheho tsohle tse saletseng morao ka ditefello tsa ditshebeletso tsa masepala (Services) di tla fokoletswa mekitlane ya tsona ka 50% ho tloha ka la 1 July 2012. Ka hoo re kgothaletsa Baruti ho ithlahisa dirofising tsa rona, hore batle ba fumane thuso.
- Enngwe ya diqeto ke hore ho tloha ka 1 Phupu 2012, Ramotse o tla sebetsa le komiti ya Baruti ba bararo, a le mong ho tswa Memel, Warden le Vrede.
- Mme ra boela ra dumellana ka hore diphutheho tse senang ditsha tsa di kereke, retla sebetsa mmoho le tsona ho potlakisa phumantsho ya ditsha diphuthehong tse jwalo.

Our municipality is committed to a responsive, accountable, efficient and effective local government system as outlined in The Municipal Turnaround Strategy that will ensure services to our people.

It is through the residents of Phumelela that we have been given an opportunity to serve. It is through them that we have the responsibility to render such a service, as their representatives. The May 2011 Local Government elections was the high-water mark of the year. Voter turnout was the highest ever for our local elections. Political parties fought hard campaigns without disrespecting each other, the electorate and the Constitution of the country. I therefore wish, once again, to congratulate elected councillors and also to remind them that we are here today one year in office as elected councillors and we need to forget our differences and focus on service delivery and ensuring a better life for all.

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Madam Speaker, we are delighted to announce that the former MEC of Cogta, Hon. Mamikie Qabathe, in November 2011 approved our application for changing the type of Phumelela Municipality from Plenary Type to Collective Executive Type. This decision by the MEC then paved the way for the municipality to elect a Speaker as the Chairperson of the Council and the Mayor as the Chairperson of the Executive committee. We wish to thank the Provincial Government for making this decision, because the office of the Mayor and the Speaker can now focus on their mandates in terms of legislations.

Madam Speaker, this speech is given against the backdrop of the African National Congress, which is the ruling party in our country and in Phumelela, celebrating 100 years of existence in its quest to make a better life for all; as the core message of the ANC and the government is *"Working Together We Can Do All"*.

We wish to thank the Provincial Leadership of the African National Congress for affording communities in Phumelela to witness the Centenary torch right at their door steps.

We further wish to salute the visioning leadership of John Langalibalele Dube, Moroka, Makgatho, Xuma, Oliver Tambo, Nelson Mandela, Thabo Mbeki and Jacob Zuma who forged politics based on human rights and human dignity.

This Budget Speech is also given against the backdrop of the country celebrating Child Protection week. This year, Government is embarking on a massive campaign to raise awareness on the rights of children as articulated in the Children's Act. The campaign, known as *Child Protection Week*, will be commemorated from 27th May 2012 to 3rd June 2012 under the theme **"Working Together to Protect Children"**. The theme upholds the government's commitments to child protection, in partnership with civil society. The campaign will emphasise the responsibility of everyone to create a safe and secure environment for our children.

Madam Speaker, following our liberation struggle and the dawn of democracy in South Africa in 1994, our Government declared 16th June as a National Holiday in honour of all the youth of South Africa who led the fight against injustice in the then education system.

Youth Month will be commemorated and celebrated under the theme: **"Together We Can Do More to Build Infrastructure and Fight Youth Unemployment, Poverty and Inequality"** which includes a sub-theme of **"Youth Uniting for Economic Freedom"**

Madam Speaker, we are committed to partner with Education in conducting Youth Mock Council sittings. We are happy to announce that we will have our first Council sitting on the 14th June 2012, here in Vrede as part of Youth Month celebrations.

Honourable Speaker, we are delighted to present before the eminent house, our Budget policy statement for 2012/13. We present this as our pledge and recommitment to ensuring that the needs of our people, some of whom are yet to experience the full benefit of democracy after eighteen years, are met. This budget is also presented within the context of the commemoration of the tragic death of our two giants in the struggle of the freedom for humanity; and fighters for the poor and downtrodden, notably Mzee Jomo Kenyatta and Thembisile Chris Hani. Comrade Hani was brutally murdered on the 10th April 1993 by those who feared the dawn of a democratic dispensation.

Former President Nelson Mandela had this to say in an emotional send-off at the FNB stadium on the 19th April 1993: And I quote: *"Chris Hani's passion for justice, for addressing problems that plague the rural poor, were rooted in his childhood in Sabalele, His roots were so deep, so true that he never lost them"* Close quote. I wish to urge all our communities that they must recall his life and emulate his leadership, his value system and the contribution he made to the struggle. We value these outstanding leaders.

I am also privileged to be giving this Mayoral speech on May 28, the very day Jomo Kenyatta became the first President of Kenya in 1964 after they attained uhuru/freedom from United Kingdom. Mzee Jomo Kenyatta in his book, *Facing Mount Kenya* said, I quote: *"You and I must work together to develop our country, to get education for our children, to have doctors, to build roads, to improve or provide all day-to-day essentials"*. Close quote.

*What he is saying is that you and I – Working together we Can Do More!*

Allow me also to challenge each one present today, young and old, rich and poor, if we can work together, we can achieve much for our municipality. We can make Phumelela one of the best run municipalities in the province and in the country. This will enable us to have a better life for all and we would all have participated in our own destinies.

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*"Ho monate jwang ha le wena o tseba hore o bile le seabo ho fetoleng bophelo ba hao le ba bang!"*

Madam Speaker, we need to do some reminders especially to names and what they mean:

- Phumelela means "to succeed" in Isizulu and what does it say for us is that we can achieve and succeed in our endeavours.
- Vrede means peace
- Thembalihle means bright hope
- Zamani means we have to try to make a better life for ourselves
- Ezenzeleni means to do things for yourselves

The meaning of our residential areas has a lot to say what we can do to "Work together to do more" and make a better life for ourselves.

Madam Speaker, let me remind the meeting that in September 2013, Warden is celebrating 100 years and there are municipal plans to celebrate Warden as a *Centenary town*. This will be done in collaboration with the Free State Provincial Government. The Premier has pledged in the State of the Province Address that there will be:

- Revitalization of infrastructure as well as social and economic development opportunities to the community of Warden and other Centenary towns in the Province
- The Department of Agriculture and Rural Development has allocated **R3, 9 million** for centenary towns under Operation Hlasela, there are four centenary towns in the province.

We welcome the promulgation of the Local Government Municipal Systems Amendment Act which was passed by Parliament in 2011. Presently there are discussions taking place on the regulations between SALGA, COGTA (representing government) and the Unions. The discussions involve professionalising the local government service. The National Treasury released the 3<sup>rd</sup> Local Government Budgets and Expenditure Review, covering the period 2006/7-2012/13. The report is made available to all councillors and it is an exceptional document, rich in information about local government.

Consultation with communities has enhanced participatory democracy principle as sourced from the ever-reliable document of our democracy, the Freedom Charter, which was adopted at the Congress of the People at Kliptown on the 26<sup>th</sup> June 1955.

## **The stakeholders we have consulted:**

- Basebetsi ba dipolasing
- Business Forums
- NGOs and churches
- Farmers' Associations
- Rate payers Associations
- Traditional leaders in Phumelela
- Baahi kakaretso
- Unemployed graduates

Madam Speaker, allow me to take this opportunity to highlight some of the achievements as we promised in the Financial Year 2011/12

## **Provision of Basic Services**

1. Paving of street projects
  - Ezenzeleni – 4.8 km
  - Zamani – 3.6 km
  - Thembalihle - 4.3km
2. Free Water
  - We are still providing 6kl to individual households
3. Free Electricity

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- We are still providing 50kw to individual household
4. Upgrading and tarring of Piet Retief Street in Warden. This was done in partnership with the Department of Agriculture and Rural Development to the tune of **R7, 6 million**.

## Water and sanitation projects

1. In partnership with the Department of Human Settlements the following projects are currently in the construction stage
  - Water and sanitation infrastructure for 400 stands in Zamani (**R6.2m**)
  - Water and Sanitation infrastructure for 300 stands in Ezenzeleni (**R7.8m**)
2. In partnership with the National Department of Human Settlements, 560 VIP toilets for farm workers have been successfully completed by the end March 2012.
3. In partnership with COGTA, PIG, the municipality is currently upgrading Warden Water purification plant for R3 million

## Electrification Projects

1. In partnership with the Department of Energy, Phumelela Municipality is currently electrifying 254 houses in Ezenzeleni for **R3.6 million**.
2. In collaboration with ESKOM, we are currently electrifying 250 houses in Thembalihle Ext.4. The allocation is **R2, 7million**.
3. ESKOM is in the process of normalization electricity network in the whole of Vrede to the tune of **R5.6million**.
4. Du Randt Single in Vrede will also be electrified, the project is due to start soon, at the cost of **R192 000, 00**.
5. Thabo Mofutsanyana District Municipality will fund Solar Lights projects in Ext. 4 in Thembalihle and a new Ext. In Ezenzeleni, the projects are due to start in June 2012.

## Integrated Development Plan

The formal opportunities for participation provided for in IDP processes, which invite residents and stakeholders to scrutinise and comment on hundreds of pages of text which somehow seem strange, were successful. We had to ensure the development and adoption of reliable and credible integrated development plans (IDPs) and I, on behalf of Council, would like to thank the citizens' active participation in this exercise.

For integrated development plans, the MEC for Corporative Governance, Traditional Affairs and Human Settlements, Ms Olly Mlamleli, announced during her Budget Vote on 23 March 2012 that Phumelela Local Municipality will be one of the 11 municipalities where Simplified Integrated Development Plans (IDP) will be piloted. In the past the IDP document was a one size fits all, but now with Simplified Integrated Development Plans, it means those smaller municipalities with less resources have a different approach they use. The document is now streamlined and all of this is done for the sake of credibility of the whole IDP process; as you are aware that Integrated Development Plans are critical planning implements that are used to tackle development challenges faced by communities living within municipal areas.

President Zuma in his State of the Nation Address 2012 declared this year as a year of Infrastructure development. With regard to Water, in collaboration with Department of Water Affairs, there will be;

- Construction of 3ML Reservoir and 125KL Elevated tank in Ezenzeleni for **R11 million** is already in progress.
- Construction of pump station at the new storage facility and installation of the raising main to the new water treatment works. It commenced on the 9<sup>th</sup> May 2012, the allocation for this project is **R15million** and is due for completion in January 2013.

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- Construction of a new water treatment works with a 5ML/per day capacity is due to commence on the 1<sup>st</sup> July 2012 and allocation of this project is R30 million. It is due for completion on the 30<sup>th</sup> November 2013.

Speaker, all of this is happening because we listened to the citizens and we realised the problem of lack of water in the area. As you are aware that South Africa is a water scarce country, I would like to encourage the citizens of Phumelela to use water sparingly.

## **Provision of title deeds and housing**

In the Budget Vote of COGTA it was also stated that 6 000 sites are to be created in Phumelela in the next three years. What we need to do is to inform the citizens how many sites will be created and allocated in this financial year and also what that means in terms of allocation and occupation. What we have realised is that an informed citizen is an understanding one.

On Land Restitution and special housing programme, Speaker, 94 housing units are currently under construction for the Land Restitution beneficiaries who lodged claims in terms of the Land Restitution Act of 1994; this project is due for completion in the near future.

Madam Speaker, with regard to Electrification Projects, the municipality in collaboration with the Department of Energy under Minister Dipuo Peters, **R3million** has been allocated to electrify 100 houses of Esidaganeni Land Restitution beneficiaries.

The department will further roll-out Comprehensive Rural Development Programme (CRDP) into new sites focusing on infrastructure development in Warden, our centenary town.

## **Administration**

Speaker, we would like to thank the contribution made by COGTA department for the payment of the salary of Chief Financial Officer in our municipality. This has greatly enhanced the way we manage our finances. We want to encourage our citizens to continue paying for services; your payments help the municipality to render quality services to you effectively and efficiently. We would also like to thank National Treasury for deploying a Municipal Finance Improvement Programme Advisor and specifically thank them for a speedy response. The then Acting Municipal Manager send a letter of request to National Treasury on 27 February 2012 and the official started on April 2012; A speedy response indeed! We also want to thank the department in advance for the plan to deploy personnel in technical and finance areas to provide hands-on support to us.

Our quest to achieve the 2014 Clean Audit target is on track and some of the steps the municipality is taking to achieve the target include:

- Filling of all vacant critical positions.
- Drafting and the implementation of the Action Plan to address Audit queries.
- Unbundling of immovable and movable assets in order to comply with GRAP 17. An experienced consulting engineer has been appointed and is already in the field delivering.
- Review of the organogram in line with the programme of Clean Audit 2014.

In terms of filling of posts I mentioned above the following posts have been filled:

- Budget Manager, Risk Manager, Supply Chain Manager, Project Management Unit Manager, IT Technician and IDP and PMS Manager
- Local Matriculants with Maths and Accounting have been deployed into the Budget and Finance offices of the municipality in order to address the issue of job creation, capacitating our offices as well as providing a platform for in-service training. In October 2012 we will be taking another group of interns into our Budget Office.

All of the filled posts mentioned are for us to stop the over-reliance on external consultants and build capacity within the municipality within. Other posts will be filled once the organogram review has been completed and approved by the Council. The availability of funds will determine how many posts are filled during the coming financial year.

While on the issue of finances, Madam Speaker, I am proud as a Mayor to state that Phumelela municipality is sound financially and has managed a positive cash flow for 2011/12 financial year. The latter statement is supported by the following facts:

- We have no reliance on overdraft.



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- The ESKOM account is up to date and we have no creditors owed longer than 60 days (I request we should clap for that!)
- We were allocated **R21, 94m** by COGTA for this financial year and as at the end of April 2012 our expenditure was more than 70% which in accounting terms is good and on track!

On 17 April 2012, the then Acting Municipal Manager and I attended the PROPAC sitting in Reitz. PROPAC stands for Provincial Public Accounts Committee and we made a commitment to turn this municipality around and I can boldly say we are on track!

Madam Speaker, as I conclude this issue of Administration and Finance I want to remind this gathering that we appointed Mr T.M Moremi as CFO on 17 January 2011 and we have seen change as far as financial management in the municipality is concerned. Based on his commitment, passion and dedication for the public service work he scored the highest during the interview sessions we had for the post of the Municipal Manager. Therefore Madam Speaker, I now officially announce that we have appointed Mr T.M. Moremi as Municipal Manager of Phumelela with effect from 21 May 2012.

I am delighted to realise that the newly appointed Municipal Manager has established sound relationship with the Office of the Auditor General which is crucial; especially as we want to change our audit opinion and achieve the 2014 Clean Audit goal. He has also built good relationships with both provincial and National Treasury, COGTA, the District Municipality as well as municipalities like Nketoana who have received favourable and positive reports from the Auditor General.

## Local Economic Development

One of the points on the local government 10-point plan is to "Enhance the municipal contribution to job creation and sustainable livelihoods through local economic development (LED)".

Speaker, allow me to take this opportunity to thank the private sector, in particular VKB and commercial farmers for investing in the economy of Phumelela and also for assisting government in its effort to create jobs and fight poverty. The investment in Broiler Chicken projects and the Chicken Feed Processing project has created more than 15 temporary jobs during construction and we hope that permanent jobs will be created once these projects are implemented in the near future.

Hon MEC Msebenzi Zwane in his Agriculture and Rural Development Budget Vote Speech 2012/13 indicated that:

- The department has identified Thabo Mofutsanyane as a dairy hub and an amount of **R17 million** has been allocated for this development. Vrede is among those towns which will benefit from this initiative. He indicated that production and processing plants will be established and jobs will be created.

An allocation of **R2, 979 000** has been set aside to fund the following Economic **Developmental Projects** and will be distributed as follows:

- LED **R300 000**
- HIV/Aids Programmes **R152 000**
- Disaster Management **R 827 000**
- Support for Under performing Schools **R100 000** e.g. Mathematics, Science, Business Studies and Accounting
- Poverty Alleviation **R100 000**
- Bursary Fund **R200 000**
- Mokete wa Moshate wa *Batlokwa* **R50 000**
- Job Creation **R1000 000**
- Fence for Camps **R250 000**

## Learnership Programmes

Francis Bacon, a great thinker, once wrote; "Knowledge is Power". With knowledge, even the most marginalised in the society can rise above their circumstances and have a full life. They can indeed be empowered.

It is the appreciation of what life is about and the use of information in an intelligent and practical way, that leads to the basic understanding on which real life knowledge is based.

The municipality in collaboration with LGSETA will undertake the following learner ship programmes during 2012/13 Financial Year:

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- Fire and Rescue, 10 municipal employees and 5 unemployed with Grade12. Allocation is **R285 000**
- Plumbing, 4 municipal employees and 4 unemployed with Grade12  
Allocation is **R160 000**
- Electrical Apprenticeship, 4 municipal employees, 2 unemployed with Grade 12, for 36 months. Allocation is **R648 000**

All participants will receive stipends during training.

## Rural Development Projects

In partnership with National Department of Human Settlements, the municipality is implementing rural development projects; these projects are meant to benefit farm workers. After almost 18 years into a new dispensation, farm workers have achieved very little in terms of infrastructural projects and provision of basic services; i.e. water, sewer and electricity. Hon President Jacob Zuma must be applauded for ensuring that a department dedicated for Rural Development is established in his Cabinet after 2009 National and Provincial Elections.

Let me also on behalf of the municipality, whole heartedly thank Phumelela AgriForum and all commercial farmers for their support during construction of VIP toilet structures on their farms. The cooperation we are receiving from majority of farmers in terms of the implementation of the Property Rates Act is also highly appreciated. I am told that some farmers were even willing to make their implements available to contractors at no cost, this is highly appreciated. I am very happy to announce that an amount of R54 800.00 has been set aside to support farmers in terms of day to day running cost of their control centre at the Warden Fire Station.

In the current financial year 2011/12 the municipality has built 560 VIP toilets with a financial allocation of **R4 million**.

An allocation of **R9 million** for 2012/13 for water and new VIP toilet structures has been set aside, construction is due to start now in June 2012.

## Capital Projects

### Zamani

- Installation of Sewer Reticulation Network and toilet Structure valued at **R6,38 million**
- 2ML Reservoir and raising main and pump station - **R3,01 million**

### Thembalihle/Vrede

- Construction of 3km paved road in Ext4 - **R1,9 million**
- Construction of Sewer Reticulation Network in Ext4 - **R3,23million**
- Development of Sports Facility - **R4,042million**
- Reconstruction of 1km paved roads between Kriger and Kuhn Street (Next to Vrede Hospital) - **R2million**

### Ezenzeleni/Warden

- Upgrading of Electricity Network - **R1,5 million**
- Construction of sewer and Reticulation - **R3,61 million**
- Construction of Sarel Cilliers and Oosthyse Streets - **R2 million**

## Public Participation

Developmental local government is strongly associated with deepening democracy and providing instruments to do so and public participation is one of the instruments which are critical. We are seeking to shape a developmental state that meets our specific needs as a country and the issue of public participation is quite important.

Speaker, R306 000 has been allocated to the Office of the Speaker to enhance Public Participation. This allocation will mainly be spend on training programmes aimed at capacitating newly elected ward committees ,to ensure that they understand their roles. Let me at this stage; appreciate the support we got from COGTA, especially funding and facilitation of the induction workshop for the newly elected ward committees at the beginning of 2012. Democracy needs to be deepened through a refined ward committee model. We request those people participating in ward committees to exhibit commitment and a spirit of service. Remember we fought for democracy which is defined by Abraham Lincoln as *government of the people, by the people and for the people*.

The struggle for democracy was for us to be active participants in shaping our futures. Speaker, this financial injection will definitely enhance the public participation process. As we engage on issues with the public, we (especially us the public representatives!) should always remember as Mark Sanborn said in his book, *The Fred*

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*Factor, that “while position never determines performance, ultimately performance determines positions in life”. We are here to serve the people-this is what I stressed to the fellow Council members and the officials. Let us not boast about the positions we hold but let’s use those positions to serve others.*

As I present this Budget for the 2012/13, Speaker, I strongly urge the citizens of our municipal area to work with us to make a better life for all and as the name of our municipality suggests, let us Phumelela!

Madam Speaker, Let me take this opportunity to thank Hon Premier Ace Magashule, MEC for Corporate Governance and Traditional Affairs & Human Settlements, Cde Olly Mlamleli, MEC for Agriculture and Rural Development, Cde Msebenzi Zwane and the entire Exco of the Free State Provincial Government for their support and leadership.

Speaker, I wish to extend my gratitude to the Chairperson of SALGA, Executive Mayors/Mayors, Speakers, Chief Whips for their commitment in building co-operative government. I must also send my gratitude to the African National Congress for showing confidence by deploying me to lead this municipality; and I would be doing an injustice to the people of Phumelela if I don’t acknowledge and appreciate their support, patience and resilience in dealing with matters of service delivery.

Let me also thank all our employees and senior officials under the leadership of Municipal Manager, Mr T. M. Moremi, especially those who **work extra hours** for ensuring that quality services are delivered to the people of Phumelela. I urge you to keep up the good work.

How can I forget the staff in my office for their loyal and undivided support? Many challenges still lie ahead and with your expertise, commitment and dedication, we can conquer them all.

Families are a source of inspiration and support without which our existence would have lesser meaning. For this reason, I would like to thank my wife, my children and the rest of my family for their unwavering support.

Madam Speaker, Let me end this Budget Speech by quoting the late Cde Walter Sisulu, Isithwalandwe/Seaparankwe, one of our esteemed leaders and former Secretary General of the ANC. He said and I quote:

***“The fundamental principle in our struggle is equal rights for all in our country, and that all people who have made South Africa their home, by birth or adoption, irrespective of colour or creed, are entitled to these rights.”***  
*Close quote.*

Let us all Phumelela!

I thank you.

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## 1.2 Council Resolutions (ITEM 304/2012 30 May 2012)

- Council resolves that the annual operating and capital budget of the municipality for the 2012/2013 MTREF and the two projected outer years 2013/2014 and 2014/2015 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
- That council approves the new tariffs for the different services and rates and taxes to be implemented as from the 1 July 2012 as outlined on Annexure B
- Council take notice that the measurable performance objectives must still be determined for the budget year 2012/2013
- Council approves the 2012/13 Integrated Development Plan
- Council resolves to adopt the reviewed budget related policies
- Council take notice that the SDBIP will be will be tabled within 28 days after the 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.

The Municipality is grant dependent and is mainly rural, with high poverty and very low employment rates. The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes so as to maintain sound financial stewardship.

National Treasury's Circular No 58 and 59 were used as a guide for the compilation of the 2012/2013 MTREF. The main challenges experienced during the compilation of the 2012/2013 MTREF can be summarised as follows:

1. The on-going difficulties in the national and local economy;
2. Aging and poorly maintained water, roads and electricity infrastructure;
3. The need to reprioritise projects and expenditure within the existing resource envelope
4. Dependency on grants
5. The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing an 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
6. Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

## 1.4 Operating Revenue Framework

For Phumelela 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 the 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 Phumelela and continued development;

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- Efficient revenue management, which aims to eventually achieve 95 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Energy regulator of South Africa (NERSA);
- Achievement of full cost of 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;
- Increase the ability to extend new services and recover costs;
- The municipality's Indigent policy and rendering of free basic services; and the
- Tariff policy of the municipality

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

**Table 1 – Summary of Revenue classified by main revenue source**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>											
Property rates	2	2 273	4 091	5 799	5 478	6 677	6 677	6 677	5 706	6 017	6 353
Property rates - penalties & collection charges		-	-	-	100	100	100	100	-	-	-
Service charges - electricity revenue	2	2 343	4 743	4 924	5 521	6 718	6 718	6 718	6 627	7 477	8 602
Service charges - water revenue	2	2 979	3 429	4 869	5 897	5 859	5 859	5 859	11 343	11 941	12 518
Service charges - sanitation revenue	2	3 638	4 835	5 369	5 928	5 573	5 573	5 573	5 480	5 769	6 051
Service charges - refuse revenue	2	4 183	4 628	5 098	5 582	5 282	5 282	5 282	5 310	5 591	5 864
Service charges - other		20	-	473	229	27	27	27	-	-	-
Rental of facilities and equipment		327	632	906	986	702	702	702	1 770	1 945	2 135
Interest earned - external investments		-	180	211	250	612	612	612	650	685	719
Interest earned - outstanding debtors		3 432	2 186	2 114	1 470	2 615	2 615	2 615	2 879	3 046	3 218
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		47	95	87	201	111	111	111	201	213	226
Licences and permits		11	13	13	16	40	40	40	43	46	49
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		32 203	41 025	79 920	55 346	56 249	56 249	56 249	60 433	64 799	70 237
Other revenue	2	7 157	28 662	7 716	3 037	3 035	3 035	3 035	3 173	3 354	3 545
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>58 613</b>	<b>94 519</b>	<b>117 500</b>	<b>90 041</b>	<b>93 600</b>	<b>93 600</b>	<b>93 600</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>

In line with the formats prescribed 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 municipality. Rates and service charges revenues comprise only a third of the total revenue mix. In the 2011/12 financial year, revenue from rates and service charges totalled R 30.2 m. Thus increases to R34.5 m, R36.7 m and R39.3 m in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and service charges. 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 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 R60.4m in the 2012/13 financial year, R64.7m in the 2013/14 financial year and increases to R70.2m in the 2014/15 financial year.

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

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**Table 2 – Operating Transfers and Grants Receipts**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		28 890	38 943	47 988	54 873	55 776	55 776	59 673	63 962	69 316
Local Government Equitable Share		26 924	35 458	44 238	48 996	49 899	49 899	56 039	60 124	65 001
Finance Management		1 231	2 750	3 000	1 300	1 300	1 300	1 500	1 500	1 750
Municipal Systems Improvement		735	735	750	790	790	790	800	870	950
Integrated National Electrification Programme		-	-	-	2 640	2 640	2 640	-	-	-
MIG - PMU Establishment		-	-	-	1 147	1 147	1 147	1 334	1 468	1 615
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		749	1 632	873	473	473	473	760	837	921
COGTA - CFO Salary		-	132	473	473	473	473	760	837	921
COGTA - Refuse Dumps		-	-	400	-	-	-	-	-	-
DWA - Drought Relief		700	-	-	-	-	-	-	-	-
COGTA - Social Development		-	-	-	-	-	-	-	-	-
COGTA - Turnaround Strategy		49	1 500	-	-	-	-	-	-	-
<b>District Municipality:</b>		1 106	-	-	-	-	-	-	-	-
Electricity		1 006	-	-	-	-	-	-	-	-
		100	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		1 457	450	-	-	-	-	-	-	-
DBSA Capacity		438	450	-	-	-	-	-	-	-
Theta Learners		1 019	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	32 202	41 025	48 861	55 346	56 249	56 249	60 433	64 799	70 237

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 Phumelela.

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 the 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 Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

## 1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/2013 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

# Phumelela Local Municipality Annual Budget 2012-2013

## Table 3 (Table A1) – Budget Summary

FS195 Phumelela - Table A1 Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	2 273	4 091	5 799	5 578	6 777	6 777	6 777	5 706	6 017	6 353
Service charges	13 163	17 635	20 734	23 157	23 459	23 459	23 459	28 759	30 778	33 035
Investment revenue	-	180	211	250	612	612	612	650	685	719
Transfers recognised - operational	32 203	41 025	79 920	55 346	56 249	56 249	56 249	60 433	64 799	70 237
Other own revenue	10 974	31 588	10 836	5 710	6 503	6 503	6 503	8 066	8 604	9 173
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>58 613</b>	<b>94 519</b>	<b>117 500</b>	<b>90 041</b>	<b>93 600</b>	<b>93 600</b>	<b>93 600</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>
Employee costs	17 347	18 696	22 753	28 391	28 349	28 349	28 349	35 016	38 131	41 527
Remuneration of councillors	2 620	2 761	3 048	3 567	3 653	3 653	3 653	4 283	4 498	4 724
Depreciation & asset impairment	101	17	285	3 950	3 950	3 950	3 950	4 179	4 381	4 582
Finance charges	290	618	486	444	390	390	390	483	511	541
Materials and bulk purchases	5 569	7 794	12 857	12 621	13 209	13 209	13 209	15 541	17 404	19 429
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	37 444	32 770	38 329	40 561	43 503	43 502	43 502	43 829	45 934	47 774
<b>Total Expenditure</b>	<b>63 371</b>	<b>62 656</b>	<b>77 758</b>	<b>89 534</b>	<b>93 054</b>	<b>93 053</b>	<b>93 053</b>	<b>103 331</b>	<b>110 859</b>	<b>118 576</b>
<b>Surplus/(Deficit)</b>	<b>(4 758)</b>	<b>31 863</b>	<b>39 741</b>	<b>507</b>	<b>546</b>	<b>547</b>	<b>547</b>	<b>283</b>	<b>24</b>	<b>940</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(4 758)</b>	<b>31 863</b>	<b>39 741</b>	<b>507</b>	<b>546</b>	<b>547</b>	<b>547</b>	<b>283</b>	<b>24</b>	<b>940</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(4 758)</b>	<b>31 863</b>	<b>39 741</b>	<b>507</b>	<b>546</b>	<b>547</b>	<b>547</b>	<b>283</b>	<b>24</b>	<b>940</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>
Transfers recognised - capital	9 069	27 074	23 675	68 817	68 817	68 817	68 817	83 566	31 226	29 944
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	3 500	3 500	3 500	3 500	-	-	-
Internally generated funds	862	1 557	-	5 300	5 300	5 300	5 300	3 118	580	645
<b>Total sources of capital funds</b>	<b>9 931</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>
<b>Financial position</b>										
Total current assets	15 104	18 403	23 799	17 109	17 148	17 149	17 149	23 854	27 089	34 185
Total non current assets	2 918	194 479	235 288	296 444	296 444	296 444	296 444	293 336	290 267	284 469
Total current liabilities	22 041	20 443	6 634	4 211	4 211	4 211	4 211	5 427	5 812	5 840
Total non current liabilities	1 679	3 124	4 894	4 311	4 311	4 311	4 311	6 409	6 166	6 496
Community wealth/Equity	(5 698)	189 315	247 559	305 031	305 070	305 071	305 071	305 354	305 378	306 318
<b>Cash flows</b>										
Net cash from (used) operating	5 456	34 105	57 719	64 153	64 153	64 153	64 153	1 617	(2 584)	(2 067)
Net cash from (used) investing	(10 100)	(28 088)	(57 158)	(68 163)	(68 163)	(68 163)	(68 163)	(3 068)	(580)	(645)
Net cash from (used) financing	(108)	(79)	2 105	(541)	(541)	(541)	(541)	(918)	(615)	(440)
<b>Cash/cash equivalents at the year end</b>	<b>(3 546)</b>	<b>2 392</b>	<b>5 059</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>(1 861)</b>	<b>(5 641)</b>	<b>(8 793)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	(2 405)	3 207	6 380	995	995	995	995	4 478	1 388	(1 114)
Application of cash and investments	1 401	14 133	(2 914)	(6 447)	(5 831)	(5 831)	(5 831)	(5 849)	(9 516)	(16 598)
<b>Balance - surplus (shortfall)</b>	<b>(3 806)</b>	<b>(10 926)</b>	<b>9 294</b>	<b>7 442</b>	<b>6 826</b>	<b>6 826</b>	<b>6 826</b>	<b>10 327</b>	<b>10 905</b>	<b>15 484</b>
<b>Asset management</b>										
Asset register summary (WDV)	1 777	193 664	234 473	296 265	296 265	296 265	346 443	346 443	368 018	388 677
Depreciation & asset impairment	101	17	285	3 950	3 950	3 950	4 179	4 179	4 381	4 582
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	8 107	6 045	6 296	9 075	6 817	6 817	4 410	4 410	4 656	4 899
<b>Free services</b>										
Cost of Free Basic Services provided	372	427	383	448	288	288	288	288	304	320
Revenue cost of free services provided	1 942	-	-	4 356	3 951	3 951	5 353	5 353	5 646	5 941
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

### Explanatory notes on Table A1 – Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).
- 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.
- 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, as well as the capital budget. The Budget Summary provides the key information in this regard:
  - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF



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- 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.
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 4 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>	1									
<b>Revenue - Standard</b>										
<b>Governance and administration</b>		43 088	74 654	53 254	62 254	64 476	64 476	71 532	76 585	82 757
Executive and council		934	112	1 631	1 620	1 620	1 620	760	837	921
Budget and treasury office		39 549	72 817	50 719	57 182	59 688	59 688	66 470	71 134	76 887
Corporate services		2 604	1 725	905	3 452	3 168	3 168	4 302	4 614	4 949
<b>Community and public safety</b>		228	269	258	415	261	261	360	381	404
Community and social services		182	175	171	215	151	151	160	170	181
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		46	94	87	200	110	110	200	211	223
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		1 334	19	335	22	16	16	18	20	22
Planning and development		7	7	12	22	16	16	18	20	22
Road transport		1 327	12	323	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		13 964	19 577	64 907	27 350	28 847	28 847	31 704	33 897	36 334
Electricity		2 458	4 930	18 006	8 834	9 859	9 859	7 159	8 042	9 201
Water		3 684	3 882	17 683	6 204	6 524	6 524	12 049	12 690	13 313
Waste water management		3 638	5 395	14 184	6 330	6 338	6 338	6 292	6 625	6 950
Waste management		4 183	5 371	15 035	5 982	6 126	6 126	6 205	6 540	6 870
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	58 613	94 519	118 755	90 041	93 600	93 600	103 614	110 883	119 517
<b>Expenditure - Standard</b>										
<b>Governance and administration</b>		23 019	21 979	24 974	35 753	37 530	37 530	51 386	54 242	56 971
Executive and council		6 673	6 670	7 890	12 914	13 664	13 664	12 259	12 969	13 700
Budget and treasury office		12 768	11 998	13 253	15 627	17 288	17 288	32 620	34 378	35 975
Corporate services		3 578	3 311	3 832	7 212	6 578	6 578	6 507	6 895	7 296
<b>Community and public safety</b>		3 453	3 838	3 729	4 396	3 597	3 597	4 725	5 195	5 700
Community and social services		1 801	1 851	1 741	1 687	1 464	1 464	2 375	2 611	2 865
Sport and recreation		1 608	1 584	1 479	1 824	1 523	1 523	1 676	1 841	2 020
Public safety		0	365	406	785	510	510	563	621	682
Housing		-	-	-	-	-	-	-	-	-
Health		44	39	102	100	100	100	112	122	133
<b>Economic and environmental services</b>		5 936	4 798	6 878	8 448	9 737	9 736	4 117	4 367	4 618
Planning and development		269	272	286	867	1 028	1 027	1 117	1 208	1 304
Road transport		5 667	4 526	6 592	7 581	8 709	8 709	3 000	3 159	3 314
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		30 963	32 041	43 432	40 937	42 190	42 190	43 103	47 055	51 288
Electricity		8 170	10 539	13 217	17 645	17 898	17 898	17 451	19 351	21 402
Water		7 891	6 823	12 825	7 816	7 608	7 608	8 891	9 530	10 196
Waste water management		7 742	7 580	8 799	8 614	9 356	9 356	9 662	10 477	11 352
Waste management		7 160	7 099	8 591	6 862	7 328	7 328	7 100	7 697	8 337
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	63 371	62 656	79 013	89 534	93 054	93 053	103 331	110 859	118 576
<b>Surplus/(Deficit) for the year</b>		(4 758)	31 863	39 741	507	546	547	283	24	940



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Explanatory notes to Table 4 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of 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 services. As already noted above, the tariffs of Phumelela local municipality are not cost reflective.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

**Table 5 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>	1									
Vote 1 - Council and Executive		934	112	1 631	1 620	1 620	1 620	760	837	921
Vote 2 - Financial and Administration Services		42 154	74 541	51 624	60 634	62 856	62 856	70 772	75 748	81 836
Vote 3 - Planning and Development		7	7	12	22	16	16	18	20	22
Vote 4 - Health		-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		182	175	171	215	150	151	160	170	181
Vote 6 - Public Safety		46	94	87	200	110	110	200	211	223
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		7 822	10 765	29 218	12 312	12 464	12 464	12 497	13 165	13 820
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		1 327	12	323	-	-	-	-	-	-
Vote 11 - Water		3 684	3 882	17 683	6 204	6 524	6 524	12 049	12 690	13 313
Vote 12 - Electricity		2 458	4 930	18 006	8 834	9 859	9 859	7 159	8 042	9 201
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>58 613</b>	<b>94 518</b>	<b>118 755</b>	<b>90 041</b>	<b>93 599</b>	<b>93 600</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Council and Executive		6 673	6 670	7 890	12 914	13 663	13 663	12 259	12 969	13 700
Vote 2 - Financial and Administration Services		16 346	15 308	17 085	22 839	23 866	23 866	39 127	41 273	43 271
Vote 3 - Planning and Development		269	272	286	867	1 028	1 028	1 115	1 208	1 304
Vote 4 - Health		44	39	102	100	100	100	112	122	133
Vote 5 - Community and Social Services		1 801	1 851	1 741	1 687	1 464	1 464	2 375	2 611	2 865
Vote 6 - Public Safety		0	365	406	785	510	510	563	621	682
Vote 7 - Sports and Recreation		1 608	1 584	1 479	1 824	1 523	1 523	1 676	1 841	2 020
Vote 8 - Waste Management		14 902	14 679	17 390	15 476	16 684	16 684	16 763	18 174	19 689
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		5 667	4 526	6 592	7 581	8 709	8 709	3 000	3 159	3 314
Vote 11 - Water		7 891	6 823	12 825	7 816	7 608	7 608	8 891	9 530	10 196
Vote 12 - Electricity		8 170	10 539	13 217	17 645	17 898	17 898	17 451	19 351	21 402
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>63 371</b>	<b>62 655</b>	<b>79 013</b>	<b>89 534</b>	<b>93 053</b>	<b>93 053</b>	<b>103 331</b>	<b>110 859</b>	<b>118 576</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(4 758)</b>	<b>31 863</b>	<b>39 741</b>	<b>507</b>	<b>546</b>	<b>547</b>	<b>283</b>	<b>24</b>	<b>940</b>

Explanatory notes to Table 6 (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 Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit of a vote.

# Phumelela Local Municipality Annual Budget 2012-2013

**Table 6 (Table A4) – Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>											
Property rates	2	2 273	4 091	5 799	5 478	6 677	6 677	6 677	5 706	6 017	6 353
Property rates - penalties & collection charges		-	-	-	100	100	100	100	-	-	-
Service charges - electricity revenue	2	2 343	4 743	4 924	5 521	6 718	6 718	6 718	6 627	7 477	8 602
Service charges - water revenue	2	2 979	3 429	4 869	5 897	5 859	5 859	5 859	11 343	11 941	12 518
Service charges - sanitation revenue	2	3 638	4 835	5 369	5 928	5 573	5 573	5 573	5 480	5 769	6 051
Service charges - refuse revenue	2	4 183	4 628	5 098	5 582	5 282	5 282	5 282	5 310	5 591	5 864
Service charges - other		20	-	473	229	27	27	27	-	-	-
Rental of facilities and equipment		327	632	906	986	702	702	702	1 770	1 945	2 135
Interest earned - external investments		-	180	211	250	612	612	612	650	685	719
Interest earned - outstanding debtors		3 432	2 186	2 114	1 470	2 615	2 615	2 615	2 879	3 046	3 218
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		47	95	87	201	111	111	111	201	213	226
Licences and permits		11	13	13	16	40	40	40	43	46	49
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		32 203	41 025	79 920	55 346	56 249	56 249	56 249	60 433	64 799	70 237
Other revenue	2	7 157	28 662	7 716	3 037	3 035	3 035	3 035	3 173	3 354	3 545
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>58 613</b>	<b>94 519</b>	<b>117 500</b>	<b>90 041</b>	<b>93 600</b>	<b>93 600</b>	<b>93 600</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>
<b>Expenditure By Type</b>											
Employee related costs	2	17 347	18 696	22 753	28 391	28 349	28 349	28 349	35 016	38 131	41 527
Remuneration of councillors		2 620	2 761	3 048	3 567	3 653	3 653	3 653	4 283	4 498	4 724
Debt impairment	3	7 178	9 173	11 720	6 045	6 046	6 046	6 046	5 266	5 547	5 833
Depreciation & asset impairment	2	101	17	285	3 950	3 950	3 950	3 950	4 179	4 381	4 582
Finance charges		290	618	486	444	390	390	390	483	511	541
Bulk purchases	2	5 569	7 794	12 857	12 621	13 209	13 209	13 209	15 541	17 404	19 429
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		639	-	2 077	1 090	1 864	1 864	1 864	1 971	2 077	2 185
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	29 627	23 597	24 532	33 426	35 592	35 591	35 591	36 592	38 310	39 756
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>63 371</b>	<b>62 656</b>	<b>77 758</b>	<b>89 534</b>	<b>93 054</b>	<b>93 053</b>	<b>93 053</b>	<b>103 331</b>	<b>110 859</b>	<b>118 576</b>
<b>Surplus/(Deficit)</b>		<b>(4 758)</b>	<b>31 863</b>	<b>39 741</b>	<b>507</b>	<b>546</b>	<b>547</b>	<b>547</b>	<b>283</b>	<b>24</b>	<b>940</b>

**Explanatory notes to Table 6 (Table A4)**

- Total revenue is R103.6m and escalates to R119.5m by 2014/15.
- Revenue to be generated from property rates is R5.7m in the 2012/13 financial year and increases to R6.3m by 2014/15 which represents a 5.5 percent of the operating revenue base of Phumelela Local Municipality and therefore remains a major funding source for the municipality.
- 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 7.2 percent and 8.3 percent over the two outer years.
- 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 the future years

# Phumelela Local Municipality Annual Budget 2012-2013

**Table 7 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Council and Executive		-	-	-	3 500	3 500	3 500	3 500	-	-	-
Vote 2 - Financial and Administration Services		3 365	48	808	11 845	11 845	11 845	11 845	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		-	123	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	758	-	-	-	-	-	-	-
Vote 8 - Waste Management		6 565	10 594	6 593	22 860	22 860	22 860	22 860	-	-	-
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	14 834	7 086	7 622	7 622	7 622	7 622	-	-	-
Vote 11 - Water		-	2 752	6 157	31 790	31 790	31 790	31 790	-	-	-
Vote 12 - Electricity		-	280	2 273	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	<b>9 931</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Council and Executive		-	-	-	-	-	-	-	1 985	1 849	1 934
Vote 2 - Financial and Administration Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Health		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	850	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	4 042	4 822	1 989
Vote 8 - Waste Management		-	-	-	-	-	-	-	21 775	11 332	8 497
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	3 907	5 500	10 669
Vote 11 - Water		-	-	-	-	-	-	-	49 625	5 303	7 501
Vote 12 - Electricity		-	-	-	-	-	-	-	4 500	3 000	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>
<b>Total Capital Expenditure - Vote</b>		<b>9 931</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	-	-	15 345	15 345	15 345	15 345	1 985	1 849	1 934
Executive and council		-	-	-	3 500	3 500	3 500	3 500	1 985	1 849	1 934
Budget and treasury office		-	-	-	11 845	11 845	11 845	11 845	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	-	-	-	-	4 892	4 822	1 989
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	4 042	4 822	1 989
Public safety		-	-	-	-	-	-	-	850	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	7 622	7 622	7 622	7 622	3 907	5 500	10 669
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	7 622	7 622	7 622	7 622	3 907	5 500	10 669
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	54 650	54 650	54 650	54 650	75 900	19 635	15 997
Electricity		-	-	-	-	-	-	-	4 500	3 000	-
Water		-	-	-	31 790	31 790	31 790	31 790	49 625	5 303	7 501
Waste water management		-	-	-	22 860	22 860	22 860	22 860	20 275	7 332	5 082
Waste management		-	-	-	-	-	-	-	1 500	4 000	3 415
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	-	-	-	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>
<b>Funded by:</b>											
National Government		5 704	18 222	12 630	32 940	32 940	32 940	32 940	26 624	31 226	29 944
Provincial Government		-	8 852	11 045	33 877	33 877	33 877	33 877	56 942	-	-
District Municipality		3 365	-	-	2 000	2 000	2 000	2 000	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>9 069</b>	<b>27 074</b>	<b>23 675</b>	<b>68 817</b>	<b>68 817</b>	<b>68 817</b>	<b>68 817</b>	<b>83 566</b>	<b>31 226</b>	<b>29 944</b>
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	3 500	3 500	3 500	3 500	-	-	-
<b>Internally generated funds</b>		862	1 557	-	5 300	5 300	5 300	5 300	3 118	580	645
<b>Total Capital Funding</b>	7	<b>9 931</b>	<b>28 631</b>	<b>23 675</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>77 617</b>	<b>86 684</b>	<b>31 806</b>	<b>30 589</b>

Explanatory notes to Table 7 (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.

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- The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R86.6m has been allocated for the 2012/13 financial year, R31.8m for the 2013/14 financial year and flattens out to R30.5m in the 2014/15 financial year.
- The capital programme is funded from capital transfers from national and provincial government and internally generated funds from current year surpluses.

**Table 8 (Table A6) – Budgeted Financial Position**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		83	279	5 065	316	316	316	316	(1 861)	(5 641)	(8 793)
Call investment deposits	1	629	2 113	500	500	500	500	500	6 160	6 850	7 500
Consumer debtors	1	10 979	3 918	5 347	6 114	6 114	6 114	6 114	12 799	19 799	30 005
Other debtors		2 832	5 696	6 477	3 744	3 744	3 744	3 744	-	-	-
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	581	6 397	6 410	6 435	6 474	6 475	6 475	6 757	6 081	5 473
<b>Total current assets</b>		<b>15 104</b>	<b>18 403</b>	<b>23 799</b>	<b>17 109</b>	<b>17 148</b>	<b>17 149</b>	<b>17 149</b>	<b>23 854</b>	<b>27 089</b>	<b>34 185</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		1 141	815	815	179	179	179	179	179	179	179
Investment property		-	36 593	20 244	28 693	28 693	28 693	28 693	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 777	157 071	214 229	267 572	267 572	267 572	267 572	293 156	290 088	284 289
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>2 918</b>	<b>194 479</b>	<b>235 288</b>	<b>296 444</b>	<b>296 444</b>	<b>296 444</b>	<b>296 444</b>	<b>293 336</b>	<b>290 267</b>	<b>284 469</b>
<b>TOTAL ASSETS</b>		<b>18 022</b>	<b>212 882</b>	<b>259 087</b>	<b>313 553</b>	<b>313 592</b>	<b>313 593</b>	<b>313 593</b>	<b>317 189</b>	<b>317 356</b>	<b>318 654</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	4 258	-	-	-	-	-	-	-	-	-
Borrowing	4	98	126	266	546	546	546	546	615	743	473
Consumer deposits		238	243	248	253	253	253	253	303	254	253
Trade and other payables	4	14 379	20 074	6 120	3 412	3 412	3 412	3 412	4 509	4 816	5 114
Provisions		3 068	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>22 041</b>	<b>20 443</b>	<b>6 634</b>	<b>4 211</b>	<b>4 211</b>	<b>4 211</b>	<b>4 211</b>	<b>5 427</b>	<b>5 812</b>	<b>5 840</b>
<b>Non current liabilities</b>											
Borrowing		1 679	1 566	3 400	2 855	2 855	2 855	2 855	1 926	1 183	1 013
Provisions		-	1 558	1 494	1 456	1 456	1 456	1 456	4 483	4 983	5 483
<b>Total non current liabilities</b>		<b>1 679</b>	<b>3 124</b>	<b>4 894</b>	<b>4 311</b>	<b>4 311</b>	<b>4 311</b>	<b>4 311</b>	<b>6 409</b>	<b>6 166</b>	<b>6 496</b>
<b>TOTAL LIABILITIES</b>		<b>23 720</b>	<b>23 567</b>	<b>11 528</b>	<b>8 522</b>	<b>8 522</b>	<b>8 522</b>	<b>8 522</b>	<b>11 835</b>	<b>11 978</b>	<b>12 335</b>
<b>NET ASSETS</b>	5	<b>(5 698)</b>	<b>189 315</b>	<b>247 559</b>	<b>305 031</b>	<b>305 070</b>	<b>305 071</b>	<b>305 071</b>	<b>305 354</b>	<b>305 378</b>	<b>306 318</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		(16 889)	189 315	247 559	305 031	305 070	305 071	305 071	305 354	305 378	306 318
Reserves	4	11 191	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>(5 698)</b>	<b>189 315</b>	<b>247 559</b>	<b>305 031</b>	<b>305 070</b>	<b>305 071</b>	<b>305 071</b>	<b>305 354</b>	<b>305 378</b>	<b>306 318</b>

## Explanatory notes to table 8 (Table A6) – Budget Financial Position

- 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).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates required to be met from cash, and appears first.
- Table 8 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;
  - Non-current Provisions;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the net assets of the municipality belong to the community.
- 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 equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn

# Phumelela Local Municipality Annual Budget 2012-2013

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 9 (Table A7) – Budgeted Cash Flow Statement**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		24 816	30 197	28 551	34 448	34 448	34 448	34 448	36 347	37 650	40 280
Government - operating	1	41 877	69 030	48 861	55 346	55 346	55 346	55 346	60 433	64 799	70 237
Government - capital	1	-	-	55 058	68 817	68 817	68 817	68 817	82 235	29 818	28 493
Interest		198	180	620	250	250	250	250	650	685	719
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(60 972)	(64 683)	(75 004)	(94 264)	(94 264)	(94 264)	(94 264)	(93 403)	(100 421)	(107 621)
Finance charges		(463)	(618)	(367)	(444)	(444)	(444)	(444)	(483)	(511)	(541)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>5 456</b>	<b>34 105</b>	<b>57 719</b>	<b>64 153</b>	<b>64 153</b>	<b>64 153</b>	<b>64 153</b>	<b>85 779</b>	<b>32 021</b>	<b>31 567</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(11)	603	-	654	654	654	654	-	-	-
<b>Payments</b>											
Capital assets		(10 089)	(28 691)	(57 158)	(68 817)	(68 817)	(68 817)	(68 817)	(85 353)	(30 398)	(29 138)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(10 100)</b>	<b>(28 088)</b>	<b>(57 158)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(85 353)</b>	<b>(30 398)</b>	<b>(29 138)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	2 100	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		(6)	7	5	5	5	5	5	-	-	-
<b>Payments</b>											
Repayment of borrowing		(101)	(86)	-	(546)	(546)	(546)	(546)	(918)	(615)	(440)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(108)</b>	<b>(79)</b>	<b>2 105</b>	<b>(541)</b>	<b>(541)</b>	<b>(541)</b>	<b>(541)</b>	<b>(918)</b>	<b>(615)</b>	<b>(440)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(4 752)</b>	<b>5 939</b>	<b>2 666</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(492)</b>	<b>1 008</b>	<b>1 989</b>
Cash/cash equivalents at the year begin:	2	1 206	(3 546)	2 392	5 059	5 059	5 059	5 059	508	16	1 023
Cash/cash equivalents at the year end:	2	(3 546)	2 392	5 059	508	508	508	508	16	1 023	3 012

Explanatory notes to Table 9 (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. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

**Table 10 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(3 546)	2 392	5 059	508	508	508	508	16	1 023	3 012
Other current investments > 90 days		(0)	(0)	506	308	308	308	308	6 160	6 850	7 500
Non current assets - Investments	1	1 141	815	815	179	179	179	179	179	179	179
<b>Cash and investments available:</b>		<b>(2 405)</b>	<b>3 207</b>	<b>6 380</b>	<b>995</b>	<b>995</b>	<b>995</b>	<b>995</b>	<b>6 355</b>	<b>8 053</b>	<b>10 691</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		6 480	3 979	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(5 079)	10 154	(2 914)	(6 447)	(5 831)	(5 831)	(5 831)	(6 429)	(11 604)	(19 774)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>1 401</b>	<b>14 133</b>	<b>(2 914)</b>	<b>(6 447)</b>	<b>(5 831)</b>	<b>(5 831)</b>	<b>(5 831)</b>	<b>(6 429)</b>	<b>(11 604)</b>	<b>(19 774)</b>
<b>Surplus(shortfall)</b>		<b>(3 806)</b>	<b>(10 926)</b>	<b>9 294</b>	<b>7 442</b>	<b>6 826</b>	<b>6 826</b>	<b>6 826</b>	<b>12 784</b>	<b>19 657</b>	<b>30 465</b>

Explanatory notes to Table 10 (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.

## Phumelela Local Municipality Annual Budget 2012-2013

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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. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/2012 MTREF was funded owing to the realised surplus.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

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**Table 11 (Table A9) – Asset Management**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	9 931	28 631	23 675	77 617	77 617	77 617	86 684	31 806	30 589
Infrastructure - Road transport		-	14 834	7 086	7 622	7 622	7 622	3 907	5 500	10 669
Infrastructure - Electricity		-	280	2 273	-	-	-	4 500	3 000	-
Infrastructure - Water		-	2 752	6 157	31 790	31 790	31 790	49 625	5 303	7 501
Infrastructure - Sanitation		6 565	10 488	6 593	22 860	22 860	22 860	20 275	7 332	5 082
Infrastructure - Other		-	106	-	-	-	-	1 500	4 000	3 415
Infrastructure		6 565	28 460	22 109	62 272	62 272	62 272	79 807	25 135	26 667
Community		3 366	48	1 566	11 845	11 845	11 845	4 042	4 822	1 989
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	123	-	3 500	3 500	3 500	2 835	1 849	1 934
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	14 834	7 086	7 622	7 622	7 622	3 907	5 500	10 669
Infrastructure - Electricity		-	280	2 273	-	-	-	4 500	3 000	-
Infrastructure - Water		-	2 752	6 157	31 790	31 790	31 790	49 625	5 303	7 501
Infrastructure - Sanitation		6 565	10 488	6 593	22 860	22 860	22 860	20 275	7 332	5 082
Infrastructure - Other		-	106	-	-	-	-	1 500	4 000	3 415
Infrastructure		6 565	28 460	22 109	62 272	62 272	62 272	79 807	25 135	26 667
Community		3 366	48	1 566	11 845	11 845	11 845	4 042	4 822	1 989
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	123	-	3 500	3 500	3 500	2 835	1 849	1 934
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	9 931	28 631	23 675	77 617	77 617	77 617	86 684	31 806	30 589
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>										
Infrastructure - Road transport	5	-	28 741	41 067	47 689	47 689	47 689	47 417	48 536	54 624
Infrastructure - Electricity		-	6 100	8 910	8 440	8 440	8 440	12 940	15 940	15 940
Infrastructure - Water		-	49 954	63 666	94 646	94 646	94 646	144 271	149 574	157 075
Infrastructure - Sanitation		1 777	53 587	70 387	92 047	92 047	92 047	112 322	119 653	124 735
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		1 777	138 382	184 030	242 822	242 822	242 822	316 950	333 704	352 373
Community		-	-	-	-	-	-	4 042	8 865	10 853
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	36 593	20 244	28 693	28 693	28 693	-	-	-
Other assets		-	18 689	30 199	24 750	24 750	24 750	25 450	25 450	25 450
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	1 777	193 664	234 473	296 265	296 265	296 265	346 443	368 018	388 677
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>		101	17	285	3 950	3 950	3 950	4 179	4 381	4 582
<b>Repairs and Maintenance by Asset Class</b>	3	8 107	6 045	6 296	9 075	6 817	6 817	4 410	4 656	4 899
Infrastructure - Road transport		2 171	1 062	1 347	2 500	1 672	1 672	-	-	-
Infrastructure - Electricity		1 576	1 284	1 912	2 200	1 200	1 200	-	-	-
Infrastructure - Water		1 160	851	1 365	1 400	883	883	2 700	2 844	2 985
Infrastructure - Sanitation		763	588	217	210	655	655	-	-	-
Infrastructure - Other		-	471	-	300	300	300	-	-	-
Infrastructure		5 670	4 256	4 841	6 610	4 710	4 710	2 700	2 844	2 985
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	2 437	1 789	1 455	2 465	2 107	2 107	1 710	1 812	1 914
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		8 208	6 062	6 581	13 025	10 767	10 767	8 589	9 037	9 481
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>R&amp;M as a % of PPE</b>		456.2%	3.8%	2.9%	3.4%	2.5%	2.5%	1.5%	1.6%	1.7%
<b>Renewal and R&amp;M as a % of PPE</b>		456.0%	3.0%	3.0%	3.0%	2.0%	2.0%	1.0%	1.0%	1.0%



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## Explanatory notes to Table 11 (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% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The reason for this, is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

**Table 12 (Table A10) – Basic Service Delivery Measurement**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		3	3	3	3	3	3	3	3	3
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)		3	3	2	2	2	2	2	2	2
Refuse (removed at least once a week)										
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		160	174	189	139	9	9	10	10	11
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)		212	253	194	309	8	8	9	11	13
Refuse (removed once a week)										
<b>Total cost of FBS provided (minimum social package)</b>		<b>372</b>	<b>427</b>	<b>383</b>	<b>448</b>	<b>17</b>	<b>17</b>	<b>19</b>	<b>21</b>	<b>24</b>
<b>Highest level of free service provided</b>										
Property rates (R v alue threshold)		45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		-	-	-	-	-	-	-	-	-
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		-	-	-	116	116	116	150	162	170
Property rates (other exemptions, reductions and rebates)		-	-	-	-	-	-	-	-	-
Water		75	99	103	106	106	106	120	125	128
Sanitation		-	-	-	-	-	-	-	-	-
Electricity/other energy		43	87	119	92	92	92	105	127	154
Refuse		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of free services provided (total social package)</b>		<b>118</b>	<b>186</b>	<b>222</b>	<b>314</b>	<b>314</b>	<b>314</b>	<b>375</b>	<b>414</b>	<b>452</b>

## Explanatory notes to Table 12 (Table A10) – Basic Service Delivery Measurement

1. The budget provides for 2500 households to be registered as indigent in 2012/13, 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. The cost of the Free Basic Services will be covered by the municipality's equitable share allocation from the national government.
3. This revenue foregone 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.



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

The Mayor tabled in Council the required IDP and budget time schedule on 25 August 2011. Key dates applicable to the process were:

- August 2011 – 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 2012/13 MTREF;
- November 2011 – Detailed departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- January 2012 – 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 2012 – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- 28 January 2012 – Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- February 2012 – Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13 is revised accordingly;
- 28 March 2012 – Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- April 2012 – Public Participation;
- May 2012 – Closing date for written comments;
- May 2012 – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- 28 May 2012 – Tabling of the 2012/13 MTREF before Council for consideration and approval

There were minor 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 fifth review of the IDP as adopted by council in May 2006. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The 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 informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth 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;

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- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/2013 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 2011/2012 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

## 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/2013 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/2013 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- The approved 2011/2012 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

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

## 2.1.4 Community Consultation

The draft 2012/2013 MTREF as tabled before Council on 30 March 2012 for community consultation has been published on the municipality's website, and hard copies were made available at municipal offices and other community centres. In addition budget road shows were held in different municipal clusters. Inputs were also collected via e-mails.

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 29 April to 17 May 2012. The applicable dates and venues were published in all the local newspapers. Imbizo's were held 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 2012/2013 MTREF. 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;

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- 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 2012/13 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2012, was factored into the proposed consumer tariffs, applicable from 1 July 2012. This resulted in an overall increase of 11 percent;
- The 2012 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations;

## 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 Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2012/2013 MTREF and further planning refinements that have directly informed the compilation of the budget:

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**Table 13 – IDP Strategic Objectives**

2011/12 Financial Year	2012/13 MTREF
1. Provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation	2. Economic growth and development that leads to sustainable job creation
3.1 Fight poverty and build clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
3.2 Integrated Social Services for empowered and sustainable communities	3.2 Integrated Social Services for empowered and sustainable communities
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1 Promote sound governance	5.1 Promote sound governance
5.2 Ensure financial sustainability	5.2 Ensure financial sustainability
5.3 Optimal institutional transformation to ensure capacity to achieve set objectives	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the 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 safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
  -
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.

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6. Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
7. Ensure financial sustainability through:
  - Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
8. Optimal institutional transformation to ensure capacity to achieve set objectives
  - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the 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 fifth 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 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

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**Table 14 (Table SA4) – Reconciliation between the IDP strategic objectives and the budgeted revenue**

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management			18 970	24 805	22 071	28 773	28 773	28 773	12 049	12 690	13 313
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management			-	-	-	-	-	-	6 292	6 625	6 950
To ensure that identified internal roads in the Phumelela municipal area are maintained and upgraded to facilitate economic & social activity required for the sustainable development of municipality; considering the capacity limitations facing the municipality	To maintain and upgrade internal roads in order to facilitate economic and social activity			-	-	-	-	-	-	1 334	1 468	1 615
To create employment opportunities in the Phumelela municipal area; resulting from programmes and projects of this IDP	To create employment opportunities in local and rural areas			-	-	-	-	-	-	-	-	-
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	To ensure financial viability in terms of budget and treasury & assessment rates			37 048	68 726	52 148	57 182	60 741	60 741	65 136	69 666	75 272
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of Corporate services, Property services and Property services: Commonage			2 205	876	28	2 466	2 466	2 466	4 302	4 614	4 949
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager & town planning			390	112	473	1 620	1 620	1 620	778	857	943
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management			-	-	-	-	-	-	6 205	6 540	6 870
To ensure good that 100% of households in the Phumelela municipal area have access to electricity by 2014	To ensure proper electricity distribution			-	-	-	-	-	-	7 159	8 042	9 201
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	To ensure proper management of cemetery and parks			-	-	-	-	-	-	159	168	178
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities			-	-	-	-	-	-	1	2	3
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control			-	-	-	-	-	-	200	211	223
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting			-	-	-	-	-	-	-	-	-
No strategic Objective in IDP	Health			-	-	-	-	-	-	-	-	-
<b>Allocations to other priorities</b>			2									
<b>Total Revenue (excluding capital transfers and contributions)</b>			1	<b>58 613</b>	<b>94 519</b>	<b>74 720</b>	<b>90 041</b>	<b>93 600</b>	<b>93 600</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>

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**Table 15 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
<b>R thousand</b>													
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management			-	-	-	-	-	-	8 891	9 530	10 196	
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management			-	-	-	-	-	-	9 662	10 477	11 353	
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social			-	-	-	-	-	-	14 194	15 696	16 923	
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas			-	-	-	-	-	-	50	53	56	
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates			-	-	-	-	-	-	21 427	22 229	22 793	
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of			-	-	-	-	-	-	6 507	6 895	7 296	
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &			-	-	-	-	-	-	13 274	13 684	14 464	
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management			-	-	-	-	-	-	7 101	7 697	8 337	
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution			-	-	-	-	-	-	17 449	19 351	21 402	
To ensure effective management of grave yards and cemeteries in the	To ensure proper management of cemetery and parks			-	-	-	-	-	-	2 793	3 058	3 342	
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities			-	-	-	-	-	-	1 258	1 394	1 543	
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control			-	-	-	-	-	-	563	621	682	
No strategic Objective in IDP	Health			-	-	-	-	-	-	112	122	133	
Service delivery	To deliver affordable and acceptable service.			42 008	41 848	52 282	55 972	57 225	57 225	-	-	-	
Good governance	To achieve compliance with relevant Acts.			5 312	5 102	5 446	5 054	6 831	6 831	-	-	-	
Municipal planning	To successfully implement the IDP.			1 361	1 568	1 662	7 860	7 060	7 060	50	53	56	
Capacity building	To provide the necessary personnel.			1 922	2 139	1 609	5 021	5 021	5 021	-	-	-	
Financial viability	To achieve financial sustainability.			12 768	11 998	22 840	15 627	16 916	16 916	-	-	-	
<b>Allocations to other priorities</b>													
<b>Total Expenditure</b>				1	63 371	62 655	83 839	89 534	93 053	93 053	103 330	110 859	118 576



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**Table 16 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure**

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
100% Households in formal settlement have access to basic level of water: 2014	Proper water distribution and management	A		–	2 752	6 157	31 790	31 790	31 790	49 625	5 303	7 501
100% Households in formal settlement have access to basic level of sanitation: 2014	Proper sewerage and sanitation management	B		6 565	10 488	6 593	22 860	22 860	22 860	20 275	7 332	5 082
To ensure that identified internal roads in the Phumelela municipal area are maintained	To maintain and upgrade internal roads in order to facility economic and social	C		–	14 834	7 086	7 622	7 622	7 622	3 907	5 500	10 669
To create employment opportunities in the Phumelela municipal area; resulting from	To create employment opportunities in local and rural areas	D		–	–	–	–	–	–	–	–	–
To facilitate the financial viability of the Phumelela local municipality as measured in	To ensure financial viability in terms of budget and treasury & assessment rates	E		–	–	–	–	–	–	–	–	–
To facilitate institutional transformation and development in the Phumelela	To ensure institutional transformation and development in terms of	F		–	–	–	–	–	–	–	–	–
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &	G		–	–	–	–	–	–	250	–	–
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management	H		–	106	–	–	–	–	1 500	4 000	3 415
To ensure good that 100% of households in the Phumelela municipal area have access	To ensure proper electricity distribution	I		–	280	2 273	–	–	–	4 500	3 000	–
To ensure effective management of grave yards and cemeteries in the	To ensure proper management of cemetery and parks	J		–	–	–	–	–	–	–	–	–
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities	K		–	–	758	11 645	11 645	11 645	4 042	4 822	1 989
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control	L		–	–	–	–	–	–	150	–	–
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting	M		3 366	48	808	–	–	–	700	–	–
No strategic Objective in IDP	Health	N		–	–	–	–	–	–	–	–	–
Other	PMU, General, Loans	O		–	123	–	3 500	3 500	3 500	1 735	1 849	1 934
		P										
<b>Allocations to other priorities</b>			3									
<b>Total Capital Expenditure</b>			1	9 931	28 631	23 675	77 417	77 417	77 417	86 684	31 806	30 589

## 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, assess 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.



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

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

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

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

**Table 17 (Table SA8) – Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	1.1%	0.6%	1.1%	1.0%	1.0%	1.0%	1.4%	1.0%	0.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.5%	1.3%	1.3%	2.9%	2.5%	2.5%	2.5%	3.2%	2.4%	2.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex.cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	0.7	0.9	3.6	4.1	4.1	4.1	4.1	4.4	4.7	5.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.7	0.9	3.6	4.1	4.1	4.1	4.1	4.4	4.7	5.9
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.1	0.8	0.2	0.2	0.2	0.2	0.8	0.2	(0.2)
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		94.0%	56.6%	76.4%	100.0%	93.8%	93.8%	93.8%	80.9%	72.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			94.0%	56.6%	76.4%	100.0%	93.8%	93.8%	93.8%	80.9%	72.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	23.6%	10.2%	10.1%	10.9%	10.5%	10.5%	10.5%	12.4%	17.9%	25.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Creditors to Cash and Investments		-222.8%	652.0%	121.0%	671.9%	671.9%	671.9%	671.9%	-242.2%	-85.4%	-58.2%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated								10.0%	10.0%	10.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source								15.0%	15.0%	15.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.6%	19.8%	19.4%	31.5%	30.3%	30.3%	30.3%	33.8%	34.4%	34.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	32.9%	23.1%	22.2%	35.5%	33.4%	33.4%		35.4%	34.7%	33.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	13.8%	6.4%	5.4%	10.1%	7.3%	7.3%		4.3%	4.2%	4.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.7%	0.7%	0.7%	4.9%	4.6%	4.6%	4.6%	4.5%	4.4%	4.3%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	99.4	86.3	47.2	43.6	43.6	43.6	23.8	33.2	39.8	42.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	87.6%	43.0%	43.1%	33.2%	31.9%	31.9%	31.9%	35.3%	51.1%	72.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.8)	0.5	0.9	0.1	0.1	0.1	0.1	(0.3)	(0.7)	(1.1)

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## **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 institution 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 2012/13 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 recently developed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

### **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 2012/13 MTREF was prepared to incorporate the amendments that were made by National Government in December 2011, and this policy was adopted by council when the Annual Budget was adopted.

### **2.4.4 Other Reviewed Policies**

The following policies were also reviewed when the Annual Budget for 2012/13 MTREF was prepared:

- Tariffs Policy
- Credit and Debt Collection Policy
- Indigent Policy
- Procurement Policy
- Write-off Policy
- Petty Cash Policy

### **2.4.5 Newly Developed Policies**

The following policies were developed when the Annual budget for the 2012/13 MTREF was prepared:

- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy
- Contingent Liabilities Policy
- Commitments Policy
- Unauthorised, Irregular and Fruitless Expenditure Policy

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## 2.5 Overview of the budget assumptions

### 2.5.1 External Factors

The Budget Review 2012 notes that the South African economy has demonstrated resilience despite unsettled international economic conditions. Global developments are likely to hold back higher growth over the short term, resulting in gross domestic product (GDP) growth being expected to slow from 3.1 per cent in 2011 to 2.7 per cent in 2012. However, the domestic outlook remains positive over the medium term. As the world economy strengthens, GDP growth will accelerate to 3.6 per cent in 2013 and 4.2 per cent in 2014, led by robust household consumption, and stronger public- and private-sector investment.

Government is focussing on capital investment in large-scale public-sector infrastructure projects and reducing the cost of doing business through targeted interventions. This will entail shifting the composition of spending from consumption towards capital investment. Moderating growth in the public-sector wage bill, and stabilising the growth in interest payments, will allow more funds to be spent on infrastructure and social spending.

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

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

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

### 2.5.3 Collection rate for revenue services

The rate of revenue collection is currently expressed as a percentage (85 per cent) of annual billings. Cash flow is assumed to be 85 per cent of billings. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 2.5.4 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. The negotiations are currently underway for the period beginning on 1 July 2012 however the increase of 10.5 has been provided for in the 2012/13 budget, pending the outcome of the negotiations and the municipality's restructuring process.

### 2.5.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the 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.

### 2.5.6 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;

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- Infrastructure development;
- 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.

## 2.5.6 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 2012/13 MTREF.

## 2.6 Overview of budget funding

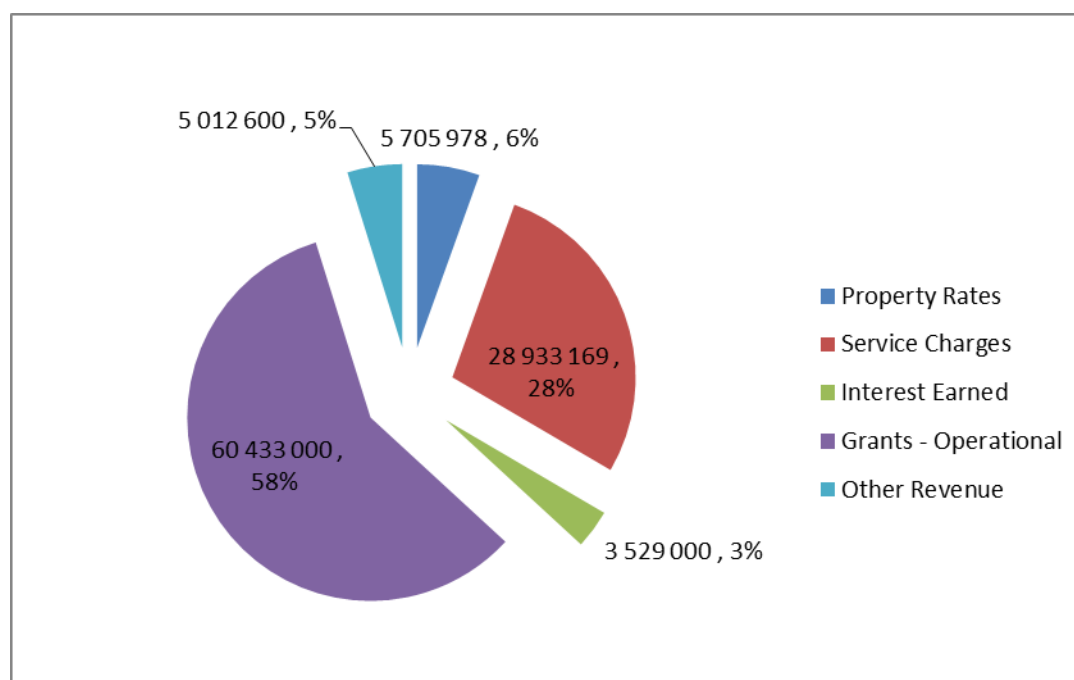
### 2.6.1 Medium-term outlook: operating revenue

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

**Table 18: Breakdown of the operating revenue over the medium-term**

Description	2012/13 Medium Term Revenue and Expenditure Framework					
	Budget Year 2012/13	% of Total Revenue	Budget Year +1 2013/14	% of Total Revenue	Budget Year +2 2014/15	% of Total Revenue
Property Rates	5 705 978	5.5%	6 017 171	5.4%	6 353 032	5.3%
Service Charges	28 933 169	27.9%	30 962 135	27.9%	33 230 040	27.8%
Interest Earned	3 529 000	3.4%	3 731 000	3.4%	3 937 000	3.3%
Grants - Operational	60 433 000	58.3%	64 799 000	58.4%	70 237 000	58.8%
Other Revenue	5 012 600	4.8%	5 373 700	4.8%	5 759 800	4.8%
<b>Total Revenue</b>	<b>103 613 747</b>	<b>100.0%</b>	<b>110 883 006</b>	<b>100.0%</b>	<b>119 516 872</b>	<b>100.0%</b>
<b>Expenditure</b>	<b>103 330 613</b>		<b>110 858 200</b>		<b>118 574 400</b>	
<b>Surplus</b>	<b>283 134</b>		<b>24 806</b>		<b>942 472</b>	

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



**FIGURE 1: Breakdown of operating revenue over the 2012/13 MTREF**

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Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives 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 fees, licences 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 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
- 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.

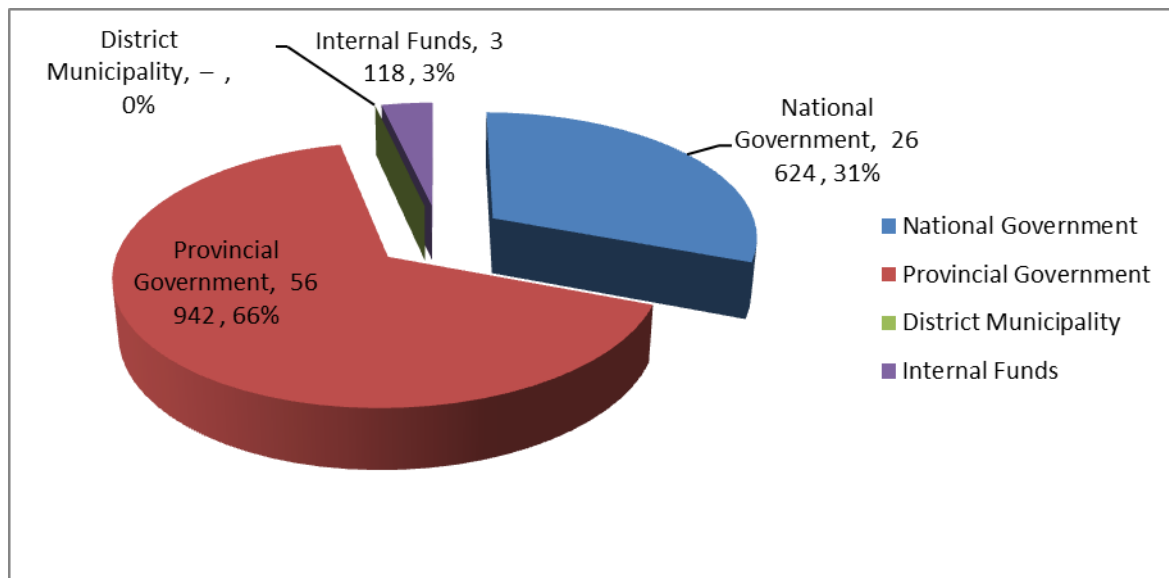
## 2.6.2 Medium-term outlook: Capital Revenue

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

**Table 19 – Sources of capital revenue over the MTREF**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
National Government	5 704	18 222	12 630	32 940	32 940	32 940	26 624	31 226	29 944
Provincial Government	–	8 852	11 046	33 877	33 877	33 877	56 942	–	–
District Municipality	3 365	–	–	2 000	2 000	2 000	–	–	–
<b>Transfers recognised</b>	9 069	27 074	23 676	68 817	68 817	68 817	83 566	31 226	29 944
Internal Funds	862	1 557	1 920	5 300	5 300	5 300	3 118	580	645
<b>Total Capital Funding</b>	9 931	28 631	25 596	74 117	74 117	74 117	86 684	31 806	30 589

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



**Figure 2: Sources of Capital Revenue for the 2012/13 financial year**

Capital Grants and receipts equate 97% of the total funding source which represents R83.6 m for the 2012/13 MTREF.

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

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 R3.1 m in 2012/13 R0.5 m in 2013/14 and R0.6 m in 2014/15. The percentage funding peaks in 2012/13 at 100 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.

## 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 20 (Table A7) - Budgeted Cash flow statement**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		24 816	30 197	28 551	34 448	34 448	34 448	34 448	36 347	37 650	40 280
Government - operating	1	41 877	69 030	48 861	55 346	55 346	55 346	55 346	60 433	64 799	70 237
Government - capital	1	-	-	55 058	68 817	68 817	68 817	68 817	82 235	29 818	28 493
Interest		198	180	620	250	250	250	250	650	685	719
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(60 972)	(64 683)	(75 004)	(94 264)	(94 264)	(94 264)	(94 264)	(93 403)	(100 421)	(107 621)
Finance charges		(463)	(618)	(367)	(444)	(444)	(444)	(444)	(483)	(511)	(541)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>5 456</b>	<b>34 105</b>	<b>57 719</b>	<b>64 153</b>	<b>64 153</b>	<b>64 153</b>	<b>64 153</b>	<b>85 779</b>	<b>32 021</b>	<b>31 567</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(11)	603	-	654	654	654	654	-	-	-
<b>Payments</b>											
Capital assets		(10 089)	(28 691)	(57 158)	(68 817)	(68 817)	(68 817)	(68 817)	(85 353)	(30 398)	(29 138)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(10 100)</b>	<b>(28 088)</b>	<b>(57 158)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(68 163)</b>	<b>(85 353)</b>	<b>(30 398)</b>	<b>(29 138)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	2 100	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		(6)	7	5	5	5	5	5	-	-	-
<b>Payments</b>											
Repayment of borrowing		(101)	(86)	-	(546)	(546)	(546)	(546)	(918)	(615)	(440)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(108)</b>	<b>(79)</b>	<b>2 105</b>	<b>(541)</b>	<b>(541)</b>	<b>(541)</b>	<b>(541)</b>	<b>(918)</b>	<b>(615)</b>	<b>(440)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(4 752)</b>	<b>5 939</b>	<b>2 666</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(4 551)</b>	<b>(492)</b>	<b>1 008</b>	<b>1 989</b>
Cash/cash equivalents at the year begin:	2	1 206	(3 546)	2 392	5 059	5 059	5 059	5 059	508	16	1 023
Cash/cash equivalents at the year end:	2	(3 546)	2 392	5 059	508	508	508	508	16	1 023	3 012

The budgeted cash flow statement is the first measure 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 shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

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## 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 21 – Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(3 546)	2 392	5 059	508	508	508	508	16	1 023	3 012
Other current investments > 90 days		(0)	(0)	506	308	308	308	308	6 160	6 850	7 500
Non current assets - Investments	1	1 141	815	815	179	179	179	179	179	179	179
<b>Cash and investments available:</b>		<b>(2 405)</b>	<b>3 207</b>	<b>6 380</b>	<b>995</b>	<b>995</b>	<b>995</b>	<b>995</b>	<b>6 355</b>	<b>8 053</b>	<b>10 691</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		6 480	3 979	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(5 079)	10 154	(2 914)	(6 447)	(5 831)	(5 831)	(5 831)	(6 429)	(11 604)	(19 774)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>1 401</b>	<b>14 133</b>	<b>(2 914)</b>	<b>(6 447)</b>	<b>(5 831)</b>	<b>(5 831)</b>	<b>(5 831)</b>	<b>(6 429)</b>	<b>(11 604)</b>	<b>(19 774)</b>
<b>Surplus(shortfall)</b>		<b>(3 806)</b>	<b>(10 926)</b>	<b>9 294</b>	<b>7 442</b>	<b>6 826</b>	<b>6 826</b>	<b>6 826</b>	<b>12 784</b>	<b>19 657</b>	<b>30 465</b>

- 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.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/2012 MTREF was funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

## 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.

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**Table 22 – Funding compliance measurement**

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(3 546)	2 392	5 059	508	508	508	508	16	1 023	3 012
Cash + investments at the yr end less applications - R'000	18(1)b	2	(3 806)	(10 926)	9 294	7 442	6 826	6 826	6 826	12 784	19 657	30 465
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.8)	0.5	0.9	0.1	0.1	0.1	0.1	0.0	0.1	0.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(4 758)	31 863	39 741	507	546	547	547	283	24	940
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	34.7%	16.1%	2.3%	(0.8%)	(6.0%)	(6.0%)	8.0%	0.8%	1.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	94.0%	56.6%	76.4%	100.0%	93.8%	93.8%	93.8%	85.5%	82.9%	82.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	45.5%	41.0%	42.7%	20.3%	19.5%	19.5%	19.5%	14.5%	14.3%	14.0%
Capital payments % of capital expenditure	18(1)c;19	8	101.6%	100.2%	241.4%	88.7%	88.7%	88.7%	88.7%	98.5%	95.6%	95.3%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								42.4%	68.5%	71.1%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(30.4%)	23.0%	(16.6%)	0.0%	0.0%	0.0%	29.8%	54.7%	51.6%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	456.2%	3.8%	2.9%	3.4%	2.5%	2.5%	1.6%	1.5%	1.6%	1.7%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



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## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 23 (Table SA19) – Expenditure on transfers and grant programmes**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		28 890	38 943	47 988	54 873	55 776	55 776	59 673	63 962	69 316
Local Government Equitable Share		26 924	35 458	44 238	48 996	49 899	49 899	56 039	60 124	65 001
Finance Management		1 231	2 750	3 000	1 300	1 300	1 300	1 500	1 500	1 750
Municipal Systems Improvement		735	735	750	790	790	790	800	870	950
Integrated National Electrification Programme		-	-	-	2 640	2 640	2 640	-	-	-
MIG - PMU Establishment		-	-	-	1 147	1 147	1 147	1 334	1 468	1 615
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		749	1 632	873	473	473	473	760	837	921
COGTA - CFO Salary		-	-	-	-	-	-	760	837	921
COGTA - Refuse Dumps		-	132	473	473	473	473	-	-	-
DWA - Drought Relief		700	-	400	-	-	-	-	-	-
COGTA - Social Development		-	-	-	-	-	-	-	-	-
COGTA - Turnaround Strategy		49	1 500	-	-	-	-	-	-	-
<b>District Municipality:</b>		1 107	-	-	-	-	-	-	-	-
Electricity		1 107	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		1 457	450	-	-	-	-	-	-	-
DBSA Capacity		438	450	-	-	-	-	-	-	-
Thetha Learners		1 019	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants</b>		32 203	41 025	48 861	55 346	56 249	56 249	60 433	64 799	70 237
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		5 704	18 222	12 630	32 940	32 940	32 940	25 293	29 818	28 493
Municipal Infrastructure Grant (MIG)		5 704	18 222	12 630	20 850	20 850	20 850	25 293	29 818	28 493
Regional Bulk Infrastructure		-	-	-	8 090	8 090	8 090	-	-	-
Rural Households Infrastructure		-	-	-	4 000	4 000	4 000	-	-	-
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	8 852	11 046	33 877	33 877	33 877	56 942	-	-
COGTA		-	8 852	11 046	33 877	33 877	33 877	56 942	-	-
<b>District Municipality:</b>		3 365	-	-	2 000	2 000	2 000	-	-	-
Fire Station		3 365	-	-	-	-	-	-	-	-
Vrede / Memel		-	-	-	2 000	2 000	2 000	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
DBSA Capacity		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		9 069	27 074	23 676	68 817	68 817	68 817	82 235	29 818	28 493
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		41 272	68 099	72 537	124 163	125 066	125 066	142 668	94 617	98 730

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**Table 24 (Table SA20) – Reconciliation of transfers, grants receipts and unspent funds**

FS195 Phumelela - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		28 890	38 943	47 988	54 873	55 776	55 776	59 673	63 962	69 316
<b>Conditions met - transferred to revenue</b>		<b>28 890</b>	<b>38 943</b>	<b>47 988</b>	<b>54 873</b>	<b>55 776</b>	<b>55 776</b>	<b>59 673</b>	<b>63 962</b>	<b>69 316</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		749	1 632	873	473	473	473	760	837	921
<b>Conditions met - transferred to revenue</b>		<b>749</b>	<b>1 632</b>	<b>873</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>760</b>	<b>837</b>	<b>921</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		1 106	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>1 106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		1 457	450	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>1 457</b>	<b>450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Total operating transfers and grants revenue</b>		<b>32 202</b>	<b>41 025</b>	<b>48 861</b>	<b>55 346</b>	<b>56 249</b>	<b>56 249</b>	<b>60 433</b>	<b>64 799</b>	<b>70 237</b>
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		5 704	18 222	12 630	32 940	32 940	32 940	26 624	31 226	29 944
<b>Conditions met - transferred to revenue</b>		<b>5 704</b>	<b>18 222</b>	<b>12 630</b>	<b>32 940</b>	<b>32 940</b>	<b>32 940</b>	<b>26 624</b>	<b>31 226</b>	<b>29 944</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	8 852	11 046	33 877	33 877	33 877	56 942	-	-
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>8 852</b>	<b>11 046</b>	<b>33 877</b>	<b>33 877</b>	<b>33 877</b>	<b>56 942</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		3 365	-	-	2 000	2 000	2 000	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>3 365</b>	<b>-</b>	<b>-</b>	<b>2 000</b>	<b>2 000</b>	<b>2 000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Total capital transfers and grants revenue</b>		<b>9 069</b>	<b>27 074</b>	<b>23 676</b>	<b>68 817</b>	<b>68 817</b>	<b>68 817</b>	<b>83 566</b>	<b>31 226</b>	<b>29 944</b>
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>41 271</b>	<b>68 099</b>	<b>72 537</b>	<b>124 163</b>	<b>125 066</b>	<b>125 066</b>	<b>143 999</b>	<b>96 025</b>	<b>100 181</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	-	-	-	-	-	-	-

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## 2.8 Councillor and employee benefits

**Table 25 (Table SA22) – Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		1 931	2 006	2 190	2 501	2 670	2 670	2 240	2 352	2 469
Pension and UIF Contributions		-	-	-	-	-	-	477	501	526
Medical Aid Contributions		-	-	-	-	-	-	259	272	286
Motor Vehicle Allowance		528	614	685	835	758	758	1 060	1 114	1 171
Cellphone Allowance		139	141	157	193	175	175	205	215	226
Housing Allowances		22	23	25	38	50	50	-	-	-
Other benefits and allowances		-	-	-	-	-	-	42	45	47
<b>Sub Total - Councillors</b>		<b>2 620</b>	<b>2 784</b>	<b>3 057</b>	<b>3 567</b>	<b>3 653</b>	<b>3 653</b>	<b>4 283</b>	<b>4 498</b>	<b>4 724</b>
<b>% increase</b>	4		<b>6.3%</b>	<b>9.8%</b>	<b>16.7%</b>	<b>2.4%</b>	<b>-</b>	<b>17.2%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Senior Managers of the Municipality</b>										
Basic Salaries and Wages		1 105	1 081	1 362	2 422	1 982	1 982	1 600	1 680	1 764
Pension and UIF Contributions		-	-	-	118	97	97	322	339	356
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		297	399	396	662	824	824	1 018	1 069	1 122
Cellphone Allowance		-	-	-	-	-	-	-	-	-
Housing Allowances		-	-	-	-	-	-	13	14	15
Other benefits and allowances		-	-	-	323	173	173	26	28	29
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		<b>1 402</b>	<b>1 481</b>	<b>1 758</b>	<b>3 525</b>	<b>3 076</b>	<b>3 076</b>	<b>2 980</b>	<b>3 129</b>	<b>3 285</b>
<b>% increase</b>	4		<b>5.6%</b>	<b>18.7%</b>	<b>100.5%</b>	<b>(12.7%)</b>	<b>-</b>	<b>(3.1%)</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		12 027	13 276	16 694	20 625	19 656	19 656	22 723	23 859	25 052
Pension and UIF Contributions		1 481	1 784	1 908	2 051	2 073	2 073	3 024	3 175	3 334
Medical Aid Contributions		301	429	474	499	508	508	665	699	733
Overtime		78	82	91	100	159	159	1 135	1 192	1 251
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		31	33	36	39	36	36	848	891	935
Cellphone Allowance		786	1 253	1 300	724	1 183	1 183	-	-	-
Housing Allowances		-	-	-	-	-	-	191	201	211
Other benefits and allowances		555	680	723	860	915	915	815	855	898
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>		<b>15 259</b>	<b>17 536</b>	<b>21 226</b>	<b>24 898</b>	<b>24 530</b>	<b>24 530</b>	<b>29 402</b>	<b>30 872</b>	<b>32 415</b>
<b>% increase</b>	4		<b>14.9%</b>	<b>21.0%</b>	<b>17.3%</b>	<b>(1.5%)</b>	<b>-</b>	<b>19.9%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Total Parent Municipality</b>		<b>19 281</b>	<b>21 801</b>	<b>26 041</b>	<b>31 990</b>	<b>31 259</b>	<b>31 259</b>	<b>36 665</b>	<b>38 499</b>	<b>40 425</b>

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**Table 26 (Table SA24) – Summary of personnel numbers**

Summary of Personnel Numbers	Ref	2010/11			Current Year 2011/12			Budget Year 2012/13		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)	4	14	1	13	15	1	14	15	2	13
Board Members of municipal entities	5									
<b>Municipal employees</b>										
Municipal Manager and Senior Managers	3	4	–	4	5	–	5	5	–	5
Other Managers	7	–	–	–	6	–	6	6	–	6
Professionals		21	21	–	41	41	–	41	41	–
<i>Finance</i>		5	5	–	5	5	–	5	5	–
<i>Spatial/town planning</i>		1	1	–	1	1	–	1	1	–
<i>Information Technology</i>					1	1	–	1	1	–
<i>Roads</i>										
<i>Electricity</i>										
<i>Water</i>										
<i>Sanitation</i>										
<i>Refuse</i>										
<i>Other</i>		15	15	–	34	34	–	34	34	–
Technicians		33	33	–	30	30	–	30	30	–
<i>Finance</i>		14	14	–	16	16	–	16	16	–
<i>Spatial/town planning</i>										
<i>Information Technology</i>										
<i>Roads</i>		1	1	–			–			–
<i>Electricity</i>										
<i>Water</i>					1	1	–	1	1	–
<i>Sanitation</i>					1	1	–	1	1	–
<i>Refuse</i>										
<i>Other</i>		18	18	–	12	12	–	12	12	–
Clerks (Clerical and administrative)		8	6	2	12	10	2	12	10	2
Service and sales workers		163	163	–	166	166	–	166	166	–
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		13	13	–	13	13	–	13	13	–
Elementary Occupations										
<b>TOTAL PERSONNEL NUMBERS</b>		<b>256</b>	<b>237</b>	<b>19</b>	<b>288</b>	<b>267</b>	<b>21</b>	<b>288</b>	<b>268</b>	<b>20</b>
<b>% increase</b>					12.5%	12.7%	10.5%	–	0.4%	(4.8%)
<b>Total municipal employees headcount</b>	6									
Finance personnel headcount	8	19	19	–	23	23	–	23	23	–
Human Resources personnel headcount	8	1	1	–	1	1	–	1	1	–

# Phumelela Local Municipality Annual Budget 2012-2013

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

**Table 27 (Table SA25) – Budgeted monthly revenue and expenditure**

FS195 Phumelela - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>																
Property rates		475	475	475	475	475	475	475	475	475	475	475	475	5 706	6 017	6 353
Property rates - penalties & collection charges		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Service charges - electricity revenue		552	552	552	552	552	552	552	552	552	552	552	552	6 627	7 477	8 602
Service charges - water revenue		945	945	945	945	945	945	945	945	945	945	945	945	11 343	11 941	12 518
Service charges - sanitation revenue		457	457	457	457	457	457	457	457	457	457	457	457	5 480	5 769	6 051
Service charges - refuse revenue		443	443	443	443	443	443	443	443	443	443	443	443	5 310	5 591	5 864
Service charges - other		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Rental of facilities and equipment		147	147	147	147	147	147	147	147	147	147	147	147	1 770	1 945	2 135
Interest earned - external investments		54	54	54	54	54	54	54	54	54	54	54	54	650	685	719
Interest earned - outstanding debtors		240	240	240	240	240	240	240	240	240	240	240	240	2 879	3 046	3 218
Dividends received		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fines		17	17	17	17	17	17	17	17	17	17	17	17	201	213	226
Licences and permits		4	4	4	4	4	4	4	4	4	4	4	4	43	46	49
Agency services		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfers recognised - operational		15 108	--	--	--	15 108	--	--	15 108	--	--	15 108	--	60 433	64 799	70 237
Other revenue		264	264	264	264	264	264	264	264	264	264	264	264	3 173	3 354	3 545
Gains on disposal of PPE		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>18 707</b>	<b>3 598</b>	<b>3 598</b>	<b>3 598</b>	<b>18 707</b>	<b>3 598</b>	<b>3 598</b>	<b>18 707</b>	<b>3 598</b>	<b>3 598</b>	<b>18 707</b>	<b>3 598</b>	<b>103 614</b>	<b>110 883</b>	<b>119 517</b>
<b>Expenditure By Type</b>																
Employee related costs		2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	2 918	35 016	38 131	41 527
Remuneration of councillors		357	357	357	357	357	357	357	357	357	357	357	357	4 283	4 498	4 724
Debt impairment		439	439	439	439	439	439	439	439	439	439	439	439	5 266	5 547	5 833
Depreciation & asset impairment		348	348	348	348	348	348	348	348	348	348	348	348	4 179	4 381	4 582
Finance charges		40	40	40	40	40	40	40	40	40	40	40	40	483	511	541
Bulk purchases		1 295	1 295	1 295	1 295	1 295	1 295	1 295	1 295	1 295	1 295	1 295	1 295	15 541	17 404	19 429
Other materials		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Contracted services		164	164	164	164	164	164	164	164	164	164	164	164	1 971	2 077	2 185
Transfers and grants		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Other expenditure		3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	36 592	38 310	39 756
Loss on disposal of PPE		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Total Expenditure</b>		<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>8 611</b>	<b>103 331</b>	<b>110 859</b>	<b>118 576</b>
<b>Surplus/(Deficit)</b>		<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>283</b>	<b>24</b>	<b>940</b>
Transfers recognised - capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Contributions recognised - capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Contributed assets		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>283</b>	<b>24</b>	<b>940</b>
Taxation		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Attributable to minorities		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Share of surplus/ (deficit) of associate		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>(5 012)</b>	<b>10 096</b>	<b>(5 012)</b>	<b>283</b>	<b>24</b>	<b>940</b>

## 2.10 Annual budgets and SDBIPs – internal departments

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 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.

# Phumelela Local Municipality Annual Budget 2012-2013

**Table 28 (Table SA34a) - Capital expenditure on new assets by asset class**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		6 565	28 460	22 109	62 272	62 272	62 272	79 807	25 135	26 667
Infrastructure - Road transport		-	14 834	7 086	7 622	7 622	7 622	3 907	5 500	10 669
Roads, Pavements & Bridges		-	14 834	7 086	7 622	7 622	7 622	3 907	5 500	10 669
Storm water		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	280	2 273	-	-	-	4 500	3 000	-
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		-	280	2 273	-	-	-	4 500	3 000	-
Street Lighting		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	2 752	6 157	31 790	31 790	31 790	49 625	5 303	7 501
Dams & Reservoirs		-	-	-	-	-	-	11 010	5 303	7 501
Water purification		-	2 752	6 157	31 790	31 790	31 790	35 000	-	-
Reticulation		-	-	-	-	-	-	3 615	-	-
Infrastructure - Sanitation		6 565	10 488	6 593	22 860	22 860	22 860	20 275	7 332	5 082
Reticulation		6 565	10 488	6 593	22 860	22 860	22 860	20 275	7 332	5 082
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	106	-	-	-	-	1 500	4 000	3 415
Waste Management		-	106	-	-	-	-	1 500	4 000	3 415
Transportation		-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Community</b>		3 366	48	1 566	11 845	11 845	11 845	4 042	4 822	1 989
Parks & gardens		-	-	-	-	-	-	-	-	-
Sportsfields & stadia		-	-	758	-	-	-	4 042	4 822	1 989
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	9 845	9 845	9 845	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		3 366	48	808	-	-	-	-	-	-
Security and policing		-	-	-	-	-	-	-	-	-
Buses		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing		-	-	-	-	-	-	-	-	-
Other		-	-	-	2 000	2 000	2 000	-	-	-
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Other assets</b>		-	123	-	3 500	3 500	3 500	2 835	1 849	1 934
General vehicles		-	-	-	-	-	-	-	-	-
Specialised vehicles		-	-	-	-	-	-	700	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		-	-	-	-	-	-	150	441	483
Furniture and other office equipment		-	-	-	3 500	3 500	3 500	1 985	1 408	1 451
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	123	-	-	-	-	-	-	-
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on new assets</b>	1	9 931	28 631	23 675	77 617	77 617	77 617	86 684	31 806	30 589

# Phumelela Local Municipality Annual Budget 2012-2013

FS 095 Phumelela - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework				Project information	
										Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal	
<b>Parent municipality:</b>																	
<i>List all capital projects grouped by Municipal Vote</i>																	
Technical Services		Establish PMU Unit		5	Yes	Other	Other		1 881			1 731	1 408	1 451	N/a	Renewal	
Waste Management		Upgrade bulk sewer		6	Yes	Infrastructure - Sanitation	Sewerage purification		11 290			620	4 193	419	Warden	Renewal	
Waste Management		Sewer outfall pumps		6	Yes	Infrastructure - Sanitation	Sewerage purification		8 027			400			Memel	Renewal	
Waste Management		Construction sewer network		6	Yes	Infrastructure - Sanitation	Sewerage purification		15 169			5 232	3 000	4 500	Thembalihle	New	
Road Transport		Construction of a paved road		3	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		21 731			7 488		7 669	Thembalihle	New	
Electricity		Upgrade Electricity network		7	Yes	Infrastructure - Electricity	Transmission & Reticalation		8 000			4 500	3 000		Vrede	New	
Sports and Recreation		Construction of sporting facilities		9	Yes	Community	Sportsfields & stands		13 660			3 053	4 822	1 989	Thembalihle	New	
Water		Construction of a 2ml reservoir		1	Yes	Infrastructure - Water	Reticalation		11 176			3 000	5 303	2 501	Zamani	New	
Waste Management		Landfill silos Warden & Vrede		6	No	Infrastructure - Other	Waste Management		5 000			1 500	4 000	415	Warden & Vrede	New	
Waste Management		Memel		6	No	Infrastructure - Other	Waste Management		3 000					3 000	Memel	New	
Road Transport		Construction of a paved road		3	No	Infrastructure - Road transport	Roads, Pavements & Bridges		4 000			4 000			Warden	New	
Road Transport		Construction of a paved road		3	No	Infrastructure - Road transport	Roads, Pavements & Bridges		8 500				5 500	3 000	Memel	New	
Water		Construction of a reservoir in Ex14		1	No	Infrastructure - Water	Reticalation		5 000					5 000	Warden	New	
Waste Management		Sewer outfall pumps		6	Yes	Infrastructure - Sanitation	Sewerage purification		10 942					10 942	Memel / Warden	New	
Water		Construction of a reservoir in Ex14		1	No	Infrastructure - Water	Reticalation		43 000			43 000			Warden	New	
Technical Services		Repayment of loans & Purchase of Fire truck		5	Yes	Other Assets	Other		558			1 218	580	645	Vrede	New	
<b>Parent Capital expenditure</b>	<b>1</b>											<b>86 684</b>	<b>31 806</b>	<b>30 889</b>			



# Phumelela Local Municipality Annual Budget 2012-2013

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## **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 will only complete their two year contract on 30 June 2012. 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 2012.

### **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 establishing its own Audit Committee and interviews have been held with the Audit Committee candidates.

### **5. Service Delivery and Implementation Plan**

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. MFMA Training**

The MFMA training module in electronic format will be presented at the PLM's internal centre and training will be closely monitored.

### **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.

# Phumelela Local Municipality Annual Budget 2012-2013

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## 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 \_\_\_\_\_