

2014-15

2014/15 MTREF FINAL
DRAFT BUDGET



[SCHEDULE A: AN ANNUAL BUDGET AND
SUPPORTING DOCUMENTATION OF THE
HARRY GWALA DISTRICT MUNICIPALITY]

ANNUAL BUDGET OF
HARRY GWALA
DISTRICT
MUNICIPALITY

2014/15 TO 2016/17
MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK BUDGET

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Abbreviations and Acronyms

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

1 Part 1 – Annual Budget

1.1 MAYOR’S REPORT

Honourable Speaker;
Honourable members of the executive committee;
Honourable councillors;
Representatives of traditional leaders;
The MM and all senior managers;

Our distinguished invited guests

- Religious leaders
- Traditional leaders
- Business sector
- All Gov Departments
- Ward committees

And the community at large

I would like to extend my sincere greetings to all of you and thank you for coming to our council meeting.

If it wasn't because of the tight schedule of the elections and the reconstitution of government we would have loved to have this council outside these chambers and take it to the people as an open council.

Nevertheless we are still excited to present this budget speech to council.

It is my honour and privilege to present my fourth budget Speech to council today as we mark the third financial year of our council in this term of office.

That means we are effectively left with less than 24 months as this council in this term of office. This is our second before last budget that we are presenting to you.

Perhaps one would ask, in the last 3/4 years what is it that we have been able to do to change the lives of our people for the better?

I guess this question will be more relevant in the last financial year to take stock on our achievements and shortcomings as this administration in our term of office but is also good to be always preoccupied with that question so that we don't lose our foresight in the ball or goalpost.

But even now we can site a few achievements of this administration:

- ✓ We have inherited this municipality in a deficit but today we are sitting in a positive balance, thanks to your discipline and cooperation when we propose and implemented a very tough and painful belt tighten measures.
- ✓ We have rearranged the institution and positioned it better to respond to the challenges faced by our communities (doing away with strategic support dep, introducing risk management,

strengthening internal audit unit, strengthen the SCM unit, getting more skilled personnel for water services and infra-structure etc)

- ✓ We have improved water quality through the blue drop status as well as the green drop status.
- ✓ We have completed a no of infra-structure projects that we have inherited and we were also able to introduce new regional water schemes such as Mnqumeni, Hlokozi, Ufafa, Mbhulelweni, Makhoba, Franklin, greater Summerfield etc
- ✓ We have reduced the over reliance on consultancy and strengthened capacity internally
- ✓ We have done away with the use of private water tankers and we were able to buy our own water tankers though they are not yet enough
- ✓ We have started the implementation of a R550 m (Steven Dlamini/ Bulwer dam) project to benefit thousands of our people
- ✓ Formalising the establishment of the entity (SDA) and dealing with its governance issues
- ✓ Strengthening our coordinating and supporting role to local municipalities
- ✓ Rebuilding trust with external role players such as the office of the AG and other provincial and national government departments
- ✓ And of course successfully renaming the municipality after our struggle icon, ubaba u Harry Gwala and erecting a statue.

The list is endless and of course there are still a no of challenges but our successes can't be overshadowed but by the persisting challenges. We are determined to overcome all obstacles and deliver quality services to our people; at least we owe it to them.

Broad issues in our country and the world

As the District Municipality we do not exist in a vacuum but we exist in the country, continent and the world and therefore it is imperative that we take note of a no of developments taking place around us, negative or positive, social, political or economical because one way or the other that has an impact to our being not only as the country or district but as humanity in general.

We are meeting here today after a no of significant historic events in our country and the world.

To mention a few, just a couple of weeks ago on the 8th of March 2014 we have witnessed an unprecedented loss or disappearance of a plane from the Malaysian Airline that saw the whole world in solidarity searching for this plane that was carrying about 12 crew members and 227 passengers from about 14 nations

And sadly so up until now there is still no trace of that plane, more than 200 people just perish in the air.

Again on the 17th of April 2014 a South Korean ship sank with nearly 300 people including school children. Many disappeared and some were found dead and some who were lucky were rescued alive.

In Europe the West and the East is in confrontation on the Ukraine question where Russia is alleged of invading a territory of Ukraine. The continued confrontations between the US together with some countries from the West against Russia poses a challenge to stability in the world and as a consequence result to a volatility of some economies in the world and as is always the case, the small economies including ours become the worst victims.

As if all the above was not enough, just in our continent, acts of terrorism still persist further complicating our situation. This perpetuates the already existing challenges of underdevelopment, poverty, diseases, maladministration and civil wars.

The abduction of the young and innocent Nigerian school girls by the Boko Haram (Islamist organisation) under the pretence of the religious conflicts and demand to release prisoners is not only a terrorist act but the most barbaric act that the radical formations have ever done.

Unfortunately this happens at the time when we celebrate Africa Day.

Back home we are presenting this third budget speech under the following context:

20 years of Freedom and Democracy

Just couple of weeks ago we were celebrating our 20 years of freedom and democracy as we had our first democratic elections on the 27th of April 1994.

These celebrations gave us an opportunity to examine the road that we have traversed ever since our democratic break through and dawn of democracy in our country but not only that but also to reflect about where we come from as a nation in terms of apartheid and colonialism in this country.

This reminded all of us and taught the young ones that our freedom was not free but was attained through sweat and blood.

These celebrations reminded us that 20 years might sound like a long time but nothing as compared to the 342 years of colonialism and apartheid in this country.

For any reasonable person you would imagine and understand that it won't be easy to reverse the injustices of more than 342 years only in two decades but we need even more time to transform our society.

I just want to take this opportunity at this point and thank the MM, the senior management team and all the officials who have supported us through all these activities.

If I may repeat what I said in the executive committee, you have gone an extra mile and worked beyond the call of duty and for that we are deeply humbled, your efforts will never go unnoticed.

But I think it is also proper to thank all other stakeholders, Political leadership, traditional leaders, religious leaders, government departments and all who has made a contribution to these programs.

I am acknowledging all of you because your contributions have made us to be number one in the province. When the Premiers office was doing an assessment your region/ your district became the best district in terms of the programs of the freedom flame in particular the carnival walk.

ANC victory in the last National and provincial general elections

On the same vein, allow me honourable speaker, honourable members and colleagues to also take this opportunity and congratulate the ruling party for winning the elections again, both in the Province and at a National level.

Others laughed at me in the executive committee when I said if you can't beat them join them.

Despite the liberal offensive agenda by the opposition and the Medea but the ANC still emerged victorious.

We might have declined a bit in terms of percentage but there is still one winner and that is the African National Congress.

For me that was a testimony that no matter how hard people can attack the ruling party and its leadership but the majority of our people know the truth and still regard the ANC as their only beacon of hope and political home.

I can say today with confidence and authority that the people of South Africa trust and support the ANC, our policies and our transformation agenda. We dare not fail them.

We were all encouraged and inspired by the tone of the President in his acceptance speech in the inauguration that the next five years will be different; there will be no room for laziness and mediocrity.

The ANC led government will implement radical programmes to grow the economy so that we respond to the triple challenges

I would like to congratulate the President of the ruling party who is also the President of the Republic and all those men and women appointed to various portfolios.

I think it is more important to our sector of local government to acknowledge the appointment of the former Minister of finance, Mr Pravin Gordhan as a serious and strategic move by the President to really shakeup things in the sector given the current minister's track record in treasury.

It is also historic that for the first time after our democratic breakthrough we have an African minister leading finance, Minister Nhlanhla Nene.

I was particularly happy to learn that there is a new ministry for water and sanitation, meaning as districts we can liaise directly with that ministry to fast track service delivery.

In the Province we must congratulate the Premier for his reappointment and we have no doubt that he will take the province to greater heights.

We have also seen continuity and a bit of change in the province and that on its own will ensure stability and direction to our programs. Even the new appointments are very matured because it's seasoned cadres of the movement both politically and in government.

It is important to also to welcome the reappointment of MEC Dube-Ncube, to the department to ensure stability and continuity in the Department.

2016 local government elections

We are now working towards the 2016 local government elections but when we do so we are not necessarily having sleepless nights thinking about re-election but we are at all times driven by the desire to improve the lives of our people for the better.

We as the ANC we have always said that we are striving for a national democratic society (NDS) and we will only achieve that through the successful implementation of the national democratic revolution (NDR).

The NDS is a society where there is quality public education, quality and affordable public health care, peace and stability, water, proper sanitation, electricity, roads, houses etc and where there is no poverty, unemployment or inequalities.

IDP and Budget for 2014/15 financial year

On behalf of the executive committee, as we are about to present before council, consider and adopt the reviewed and amended IDP as well as the budget for the new financial year.

I am very happy to indicate that we have had a very successful and vibrant IDP and Budget road shows.

The first round of the IDP/Budget roadshows was conducted in 2013 in October/November and after having considered all the issues raised by all our people and stakeholders we had to go back again this year in March/ April 2014.

I would like at this point to take this opportunity and thank every one of you, leadership, management and officials who have made it possible for these engagements with our people to take place in a very meaningful and educative manner.

Public participation remains the pillar of our young democratic government.

As our predecessors said in 1955 in the Congress of the people that, “the people shall govern”.

What we will be presenting here today is a true reflection of the aspirations of our people across the District.

This is one of our strengths as the District to keep a constant interaction with our people even when it is very difficult to do so and that has helped us to minimise the service delivery protests, though we did have some isolated incidents.

**Integrated development plan
(Annual review and amendment of the integrated development plan)**

In line with chapter 5 (a) and (b) of the Municipal systems act and regulations 32 of 2000 that says

- (a) A municipal council must review its integrated development plan-
 - i. Annually in accordance with an assessment of its performance with measurements in terms of section 41 and
 - ii. To the extent that changing circumstances so demand, and
- (b) May amend its integrated development plan in accordance with a prescribed process

Section 35 (1) of the municipal systems act goes further to say:

- (1) An integrated development plan adopted by the council of a municipality –
 - a) Is the principal strategic instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality

Included in our IDP and budget this time around as our key and strategic areas are the following:

Under council, the executive committee and all other oversight structures of council, we want to strengthen all the political offices in terms of necessary skills such as coordination, research, communication, financial management etc so as to ensure effective monitoring and oversight role of council.

We will do the above through deploying the capable individuals to support these offices but also to continue with the capacity building of individual councillors including traditional leaders.

In the office of the MM, the executive committee has made an undertaking to continue to strengthen that office so that the Municipal manager can concentrate more on strategic issues and give overall strategic management to the municipality without being distracted by operational issues.

And we shall do so by ensuring that we support management to appoint an operations manager in the office of the MM, strengthen the internal audit unit, risk management unit and other key areas that are housed in the office of the MM.

In the budget and treasury office (finance), we have invested a lot of resources over the years to turn around the situation particularly in the SCM unit and other directorates.

Right now the main issues that have been included in the IDP and Budget and that will remain our key strategic priorities in the next few years to come is:

- To enhance and expand our revenue base and ensure that we build capacity to collect what is due to us as the municipality so that we can in return invest back those resources particularly to operations and maintenance
- To ensure that we eliminate irregular expenditure and unauthorised expenditure to zero, **I don't even want to speak about fruitless and wasteful expenditure because that one has severe consequences.**
- The finance department working together with the office of the MM and all other line departments to ensure good and proper contract management, keep and maintain registers such as deviation register etc

Under corporate services department, our main priority this time around apart from the normal institutional support role that this department plays such a recruitment, training, labour relations, council support, auxiliary services etc. in the next few months we must strive to professionalise our workforce, let them know our strategic objective and vision, inspire discipline and efficiency.

Above all we must strive to have zero queries from the auditor general particularly on ICT that was a major area raised by the AG in terms of good governance and control

We must also find innovative ways of improving the culture of the institution; either you talk about late coming, absenteeism, Batho Pele, going an extra mile in providing the service to our people, working beyond the call of duty etc

Can we as management inspire that culture and that would only happen if we lead by example in all respects.

And I must say that we do have confidence on you, you can do it. It's just that you will need to do the extra ordinary to realise that kind of discipline and sense of urgency and service to our employ.

Under social services, this department among others deals with planning, IDP, Performance management, environmental management, disaster management, sport development and youth, women, disabled people development etc

In the next financial year as much as we acknowledge all areas that fall under this department as equally important but we will pay more attention on the functionality of the various forums to ensure that interests of various sectors are really taken care of by the municipality with an emphasis on development and empowerment of the designated groupings.

We will also continue to work with our local municipalities to plan and formalise out towns with a view of uplifting the faces of our towns and attracting more investments and creating more job opportunities for our young people and women.

We will also continue to strengthen the youth unit, introduce the women's desk to link up directly with the new ministry on women in the Presidency.

We shall also introduce new sport development programs to improve our competitive strength as the district and develop and expose talent among young people.

In the near future we are planning to have an annual mayoral tournament that will include some professional teams from the province such as Golden arrows, AmaZulu etc to play against our district teams.

Under Infra- structure, our IDP and budget does take into account the improvements and progress that we have already made but as council we do note that we still have a long way to go to perfect our systems and processes.

The main worries in this department that constitute our ke priorities going forward is:

- Forward planning
- Project management
- Contract management
- Social facilitation
- Ensuring visible and speedy impact on our multi-year regional water schemes.

If we can master the few above we would see speedy implementation of some of our projects and improved management and expenditure on our conditional grants.

Lastly under water services, this is our co-function as the District Municipality. And we welcome the introduction of a **new ministry for water and sanitation** and we now know where to direct our frustrations as the district.

But we can't just throw money to all our problems but we do need to put our house in order and improve in the areas where we are not yet doing well.

This department is mainly responsible for planning, design, operation and maintenance.

Right now, the major outcry out there is not necessarily lack of service delivery in terms of water but more so a challenge of functionality of our water schemes. Of course our department is doing its best to respond to those issues but they will always be a room for improvement.

We must pay more attention in the following areas:

- Functionality of our water schemes
- Strengthen our customer care unit by providing more personnel and modern systems
- Improve our turnaround time when there are challenges
- Improve communication with our consumers
- Attend radically to the installation of mitres as part of our revenue enhancement strategy
- Ensure that schools and other public facilities and businesses are prioritized as they are not indigent

Our priorities in the entity the SDA, council took a conscious and deliberate decision to create a vehicle to drive local economic development. The SDA is tasked fundamentally with two strategic responsibilities:

- Working together with other stakeholders to drive tourism in the district and
- To ensure local economic development of our district

We have dealt with issues of governance in the SDA though we are still saddened by the passing away of one of the members of the board who was very instrumental on issues of governance, the late Ms Zandile Mnyandu, May her soul rest in peace.

We must then fast track her replacement in the board and we can't compromise quality in terms of leadership, governance, rural economic development exposure and financial management.

Under the theme of rural development and agrarian revolution we must use our potential as the district to produce food not only for human consumption but for commercial purposes and in the process creates job opportunities.

Already we have an understanding with the provincial government that all the districts must develop entities to drive the nutrition program in schools. We have established partnership with ILembe District Municipality in this regard and continue to work with our local cooperatives.

We will continue with skills development program that we have started and we are happy that the minister for higher education Dr. Blade Nzimande has been re-appointed to the department because we have already spoken to him about a no of initiatives on top of what we are already doing with higher education.

We must also take advantage to engage the new **ministry on small businesses** and see what we can do together in empowering our people.

The issue of the economy require strong and visionary leadership and I think we do have what it takes, as long as we are determined to move faster.

Financing and implementing our IDP

Then on annual basis we finance our priorities that are in the IDP through the budget.

I can say with authority that we have always tried to align our budget to the IDP as our principal and strategic planning tool as the municipality.

The organisational structure is also informed by this IDP and affordability in terms our budget.

Then in terms of the law, within a reasonable period (14 days) after the approval of the Budget we then craft a service delivery budget and implementation plan (SDBIP) for all directorates.

Purpose for the presentation of the Final draft Budget to council

On behalf of the Executive committee of council I am hereby tabling the 2014/15 Medium Term Revenue and Expenditure Framework final draft budget for consideration and approval by Council.

Background and discussion

In terms of section 16 (1) of the Municipal Finance Management Act the Council of a Municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.

The MFMA in chapter 4, section 16 (1) states categorically clear that the council of a municipality must for each year approve an annual budget for the municipality before the start of that financial year.

Then section 16 (2) goes further to say that, in order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year

In terms of section 17 of the MFMA;

An annual budget of a Municipality must set out realistically anticipated revenue for the budget year from each source and appropriate expenditure for the budget year under the different votes of the Municipality.

Presented below are the salient features of the tabled budget.

BUDGET SUMMARY:

The 2014/2015 Total Revenue is R 551m broken down as follows;

- Government Grants and Subsidies – Capital R 245m
- Government Grants and Subsidies – Operational R 249m
- Own Revenue R 56m

Allocated as follows;

- Operational budget R 293m
- Capital budget R 258m

The staff salaries budget has been budgeted at R102m, representing 35% of the operational budget. Councilor's allowances have been budgeted at R6, 6m.

Local government equitable share

The equitable share for 2014/2015 financial year as gazetted from the Division of Revenue Bill is as follows:

- ✓ Equitable share R 230 622 000

Over the last years several adjustments have been made to the equitable share formula resulting to increased allocations to poor rural municipalities. We have to provide further input in this respect and

support the National Government to review the formula. Further work will be done to review the formula, with revisions making use of the data from the Census. We expect the revised formula to be introduced from 2014/15 financial year.

For 2014/15 Budget capital projects amounting to R 258 760 821 have been planned under the following categories;

PROJECT TYPE	AMOUNT	
Water	R	198 931 076
Sanitation	R	36 177 952
Electrification	R	3 415 000
Other Assets	R	20 236 793
TOTAL	R	258 760 821

The municipality has prepared its infrastructure budget with the guidance of MIG formula for allocating this funding to local municipalities

Budget or breakdown allocation per local Municipality is as follows:

Umzimkhulu	R	66 362 857	26%	Has a huge number of stand-alone water schemes
Ingwe	R	54 117 608	21%	Huge Backlogs
Ubuhlebezwe	R	46 526 422	18%	Backlogs has been reduced
Kokstad	R	15 930 493	6%	Few backlogs in outlying areas
Kwasani	R	5 580 053	2%	And No Backlogs
HGDM & Wide	R	70 243 393	27%	
Ingwe RBIG	R	28 200 000	9%	Bulwer Dam

The Ingwe municipality infrastructure budget allocation includes an amount of R28, 2million for the construction of the Bulwer Dam under the Regional Bulk Infrastructure Grant.

Local Economic Development and Tourism

The Harry Gwala District Municipality has developed a number of local development related strategies and plans that seek to enhance its economic growth. These plans and strategies were circulated to all councilors. The Harry Gwala District Municipality has allocated R 15m towards LED projects in 2014/15 and a total of R35million in the MTREF in line with this National priority. We are hopeful that our partners, the first and second sphere of Government, in economic development will support in this Endeavour. We also intend to attract private sector investment to our district through the strengthening of our Sisonke Development Agency (SDA). The Board of directors is now in place. To further strengthen

the administrative capacity of the Agency, the HGDM LED unit was seconded to be part of the SDA. We are also engage through the Mayoral forum to drive towards having one LED vehicle for the district including LMs being the SDA.

Promoting efficient revenue and expenditure management in local government

The minister said municipalities, just like national and provincial governments, needed to closely examine their budgets to ensure they are using their available resources to maximize service delivery and this was centered on both; Cost-effective spending, and Revenue collection.

Looking at this budget it will be noticed that we were very conservative on the expenditure but we will also explore all possible means to recover as much potential revenue as we could collect.

While we have to focus on our mandate and uplifting skills related to our mandate but we cannot overlook the development of youth towards scarce skills in our area as they have a negative impact on the quality of life for our people. Without supporting and building of these skills like health and education, we cannot fully claim to have contributed to sustainable communities.

Harry Gwala Municipality is committed in developing community and youth residing within the District in the above mentioned skills. A number of projects have been budgeted for in the special programmes unit to ensure that the special groups existing in the Harry Gwala community are sufficiently catered for.

See breakdown on the next page

DESCRIPTION	2014/15	2015/16	2016/17
SPORT DEVELOPMENT	R 4 750 000	R 5 006 500	R 5 276 851
ICT HUB	R 850 000	R 900 150	R 949 658
RURAL HORSE RIDING - GAMES (SUMMER CUP)	R 445 000	R 471 255	R 497 174
DISABLED PROGRAMMES	R 357 680	R 378 783	R 399 616
YOUTH DEV EMPOWERMENT PLAN	R 300 000	R 317 700	R 335 174
BURSARIES-COMMUNITY	R 300 000	R 317 700	R 335 174
CUBA BURSARIES	R 200 000	R 211 800	R 223 449
WOMENS DAY CELEBRATION	R 200 000	R 211 800	R 223 449
MENS FORUM AND CAPACITY BUILDING	R 200 000	R 211 800	R 223 449
GOLDEN GAMES	R 200 000	R 211 800	R 223 449
BACK TO SCHOOL CAMPAIGN	R 100 000	R 105 900	R 111 725
TO ATTEND UMKHOSI WOMHLANGA	R 50 000	R 52 950	R 55 862
ELDERLY FORUM MEETING	R 10 000	R 10 590	R 11 172
TOTAL	R 7 962 680	R 8 408 728	R 8 866 202

In relation to the above stated points, the Local Government Budgets and Expenditure Review, published by the National Treasury in September 2011, highlights 5 important considerations:

Revenue management – To ensure the collection of revenues, the municipality should maintain accurate billing systems; timeously send out accounts to residents and strive to collect as much revenues owed as we can.

Collecting outstanding debts – This requires political commitment, sufficient administrative capacity, and pricing policies that ensure that bills are accurate and affordable, especially for poor households. In this regard, Harry Gwala Municipality has recently completed a data cleansing exercise and is reviewing its Indigent Policy.

Pricing services correctly – The full cost of services should be reflected in the price charged to residents who can afford to pay. Many municipalities offer overly generous subsidies and rebates that result in services being run at a loss, resulting in funds being diverted away from other priorities. This is a major area in which should pull our socks. Running services at a loss affects the extension of services to other areas and impact negatively on operations and maintenance.

Under spending on repairs and maintenance – Often seen as a way to reduce spending in the short-term, under spending on maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. This lack of Operations and maintenance also causes uprising by communities due to inadequate supply of services and the questing of democracy.

Spending on non-priorities – Many municipalities spend significant amounts on non-priority items including unnecessary travel, luxury furnishings, excessive catering and unwarranted public relations projects. Consultants are often used to perform routine tasks. Major attempts would be made to reduce use of consultants. A number of capacity building programmes have been undertaken to improve the capacity which has to result to improved quality of work

Funding local government -The functions performed by local government rely largely on self-financing. The minister noted that Substantial progress has been made in overcoming the service disparities of the past through transfers from the national fiscus, but large backlogs remain. The major need is to provide municipal infrastructure to poor households and, increasingly, to pay for the institutional and governance needs of poor municipalities. This situation requires us to put more emphasis on job creation and economic development in order to create more opportunities for self-income.

Other strategies documents to be linked with the budget are:

- Integrated Development Plan (IDP)
- Budget
- Strategic Development Budget Implementation Plan (SDBIP)
- Performance Management System (PMS)
- Policies and By-Laws

1.2 COUNCIL RESOLUTIONS

On 30 May 2014 the Council of Harry Gwala District Municipality met in the Council Chambers of Harry Gwala District Municipality council chamber to consider the Final draft budget of the municipality for the financial year 2014/15. The Council approved the following resolutions:

1. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The final draft budget of the municipality for the financial year 2014/15 and the multi-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

1.1.4. Multi-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

1.1.5. Consolidated budget schedules A1 to A10.

1.1.6 Noting the budget of the Sisonke Development Agency (Municipal Entity) as presented in Supporting in Table 31.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table A6;

1.2.2. Budgeted Cash Flows as contained in Table A7;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

1.2.4. Asset management as contained in Table A9; and

1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:

2.1. The tariffs for the supply of water – Refer to the tariffs policy in Annexure 3

2.2. The tariffs for sanitation services – refer to the tariffs policy in Annexure 3

3. The Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in tariffs policy.

4. The council, acting in terms of section 24 of the Municipal Finance Management Act , approves with effect from 01 July 2014 the final draft budget related policies as discussed above.

5. To give proper effect to the municipality's annual budget, the Council approves:

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

5.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the budget.

1.3 EXECUTIVE SUMMARY

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

District business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and stern control measures expenditures such as telephone, internet usage, printing, workshops, accommodation, and catering.

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

National Treasury's MFMA Circular No. 51 and 54, 58, 59, 66, 70 and 72 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water (due to tariff increases from Umngeni and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable. However, with this in mind the municipality has planned to engage on an extensive costing exercise with a view to review.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the

control of the municipality, for instance the cost of bulk water and the operational cost of District expense for the water pumps. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act, except to the provincial projects that are awaiting rollover approval.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2014/15 MTREF – Parent Municipality

R thousand	Adjustments Budget 2013/14	Budget Year 2014/15	Budget Year + 1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	R 295 576 876	R 305 837 726	R 313 727 522	R 332 753 794
Total Operating Expenditure	R 336 931 634	R 293 597 659	R 303 183 080	R 328 830 460
(Surplus)/ Deficit for the year	R -41 354 759	R 12 240 067	R 10 544 442	R 3 923 334
Total Capital Expenditure	R 210 495 775	R 258 760 826	R 285 022 000	R 417 007 259

Total operating revenue for the Parent municipality has increased by 3% per cent or R10million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 3 % and 6 % per cent respectively, equating to a total revenue growth of R29, 6m over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R293 million and translates into a budgeted surplus of R12million. When compared to the 2013/14 Adjustments Budget, operational expenditure has decreased by 13% per cent in the 2014/15 budget. The operating surplus for the 2015/16 decreases by R 1, 6m and then by a further R6, 6 million in 2016/17. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R258 million for 2014/15 is 23% per cent more when compared to the 2013/14 Adjustment Budget. The increase is due to various grants gazetted or received for the 2014/15 financial year to improve the backlog of water and sanitation within the district. The capital programme increases to R285million in the 2015/16 financial year and peaks out in 2016/17 at R417 million. The capital budget is largely funded from the Government Grants and Subsidies in the MTREF.

Table 2 below presents a consolidated overview of the 2014/15 budget.

Table 2 Consolidated Overview of the 2014/15 MTREF

R thousand	Adjustments Budget 2013/14	Budget Year 2014/15	Budget Year + 1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	R 318 640 316	R 351 943 666	R 349 250 962	R 367 330 025
	R 358 904 698	R 339 203 599	R 337 981 519	R 362 598 690
Total Operating Expenditure (Surplus)/ Deficit for the year	R -40 264 382	R 12 740 067	R 11 269 443	R 4 731 335
Total Capital Expenditure	R 211 586 152	R 259 260 826	R 285 747 000	R 417 815 259

The trends depicted by the table above follow a similar trend to that outlined above in the parent municipality analysis.

1.4 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for water and sanitation service charges in the MTREF;
- Achievement in the long term of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

DC43 Sisonke - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source									
Property rates	194	-	-	-	-	-	-	-	-
Service charges - water revenue	16 887	25 374	27 906	30 697	30 697	30 697	32 538	35 142	37 953
Service charges - sanitation revenue	14 705	10 875	11 960	12 052	12 052	12 052	12 775	13 797	14 900
Rental of facilities and equipment	82	48	-	-	-	-	-	-	-
Interest earned - external investments	5 655	2 202	2 988	2 000	2 500	2 500	2 600	2 000	2 000
Interest earned - outstanding debtors	-	-	-	-	5 179	5 179	5 179	5 593	6 041
Transfers recognised - operational	165 685	208 257	281 470	220 563	220 607	220 607	249 246	256 696	270 860
Other revenue	1 595	7 237	2 210	500	24 543	24 543	3 500	500	1 000
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	204 803	253 992	326 532	265 811	295 577	295 577	305 838	313 728	332 754

Table 4 Percentage growth in revenue by main revenue source

DC43 Sisonke - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
R thousand								
Revenue By Source								
Service charges - water revenue	30 697	10%	32 538	11%	35 142	11%	37 953	11%
Service charges - sanitation revenue	12 052	4%	12 775	4%	13 797	4%	14 900	4%
Interest earned - external investments	2 500	1%	2 600	1%	2 000	1%	2 000	1%
Interest earned - outstanding debtors	5 179	2%	5 179	2%	5 593	2%	6 041	2%
Transfers recognised - operational	220 607	75%	249 246	81%	256 696	82%	270 860	81%
Other revenue	24 543	8%	3 500	1%	500	0%	1 000	0%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	295 577	100%	305 838	100%	313 728	100%	332 754	100%
Total Revenue from Rates & Service Charges	42 748	14%	45 313	15%	48 938	16%	52 853	16%

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

Revenue generated from services charges forms a small percentage of the revenue basket for the District. Service charges revenue comprises a mere 15% of the total revenue mix. In the 2013/14 financial year, revenue from service charges totaled R 42,6m or 14% per cent. This increases to R45.2m, R48,8m, R52,8m in the respective financial years of the MTREF. A notable trend is the constant pattern in the total percentage revenue generated from services charges which averaging 15% in the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1

Operating grants and transfers totals R249 m in the 2014/15 financial year and steadily increases to R256m 2015/16 and R270m in 2016/17. Note that the year-on-year growth on the operational grants for the 2014/15 financial year is 13% per cent and then flattens out to 3 % and 6 % per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 5 Operating Transfers and Grant Receipts

DC43 Sisonke - Supporting Table SA18 Transfers and grant receipts									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	164 985	186 523	217 200	220 310	220 310	220 310	237 996	252 596	267 460
Local Government Equitable Share	156 284	182 472	203 556	216 056	216 056	216 056	230 622	245 003	259 532
Finance Management	1 000	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 300
Municipal Systems Improvement	750	790	1 000	890	890	890	934	967	1 018
WATER SERVICES OPERATING SUBSIDY GRANT	6 175	-	9 618	-	-	-	3 146	3 292	3 447
WATER SERVICES OPERATING SUBSIDY	777	323	-	300	300	300	-	-	-
Rural Transport Services and Infrastructure Grant	-	1 688	1 776	1 814	1 814	1 814	2 044	2 084	2 163
Provincial Government:	1 627	262	1 081	253	297	297	11 250	4 100	3 400
Infrastructure Sport Facilities	-	-	-	253	253	253	-	-	-
LG Seta	94	262	381	-	44	44	-	-	-
Inter Governmental Grant	417	-	-	-	-	-	-	-	-
PMS Grant	391	-	-	-	-	-	-	-	-
Government Experts	725	-	-	-	-	-	-	-	-
Community Development Project	-	-	100	-	-	-	-	-	-
District Growth Development Summit	-	-	400	-	-	-	-	-	-
Accredited Councillors Training	-	-	200	-	-	-	-	-	-
Development Planning Shared Services	-	-	-	-	-	-	250	1 100	400
Corridor Development Grant (Hawker Stalls)	-	-	-	-	-	-	-	3 000	3 000
Small Town Rehabilitation Programme	-	-	-	-	-	-	11 000	-	-
Total Operating Transfers and Grants	166 613	186 786	218 281	220 563	220 607	220 607	249 246	256 696	270 860

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. However, excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Umngeni Water bulk tariffs at 8,7% are far beyond the mentioned inflation target of 6, 2%. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's rates and in these tariffs are largely outside the control of the District. Discounting the impact of these price increases in lower consumer tariffs will erode the District future financial position and viability.

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

Sale of Water and Impact of Tariff Increases

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

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2014, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A tariff increase of 6 per cent from 1 July 2014 for water is proposed. This is based on input cost of 8, 7% increase in the cost of bulk water (Umngeni Water), the cost of other inputs increasing by 6 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

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

- Sale of Water and Impact of Tariff Increases

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

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
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ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

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

Table 6 Proposed Water Tariffs

Residential

Consumption in KL	2013/14		2014/15		Increase	
0-6	N/C		N/C		-	
14 - 20	R	6.00	R	6.37	R	0.36
21-40	R	10.01	R	10.61	R	0.60
41-100	R	11.68	R	12.38	R	0.70
101-200	R	19.36	R	20.53	R	1.16
201+	R	22.03	R	23.35	R	1.32
Unmetered flat rate per month	R 58.98		R 62.52		R 3.54	

Commercial & Industrial

Commercial & Industrial						
Consumption Increments in R per KL	2013/14		2014/15		Increase	
0-100	R	8.68	R	9.20	R	0.52
101-200	R	11.68	R	12.38	R	0.70
201-300	R	19.36	R	20.53	R	1.16
301-400	R	20.70	R	21.94	R	1.24
401-500	R	22.03	R	23.35	R	1.32
500+	R	23.37	R	24.77	R	1.40

	Public Service & Government Institutions			Educational Institutions			Agricultural			Geriatric Institutions, Religious organisations, NPO & recreational facilities.		
Consumption Increments in R per KL	2013/14	2014/15	Increase	2013/14	2014/15	Increase	2013/14	2014/15	Increase	2013/14	2014/15	Increase
0-6	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52	N/C	N/c	-
7-100	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52
101-200	R 11.68	R 12.38	R 0.70	R 11.35	R 12.03	R 0.68	R 11.68	R 12.38	R 0.70	R 11.68	R 12.38	R 0.70
201-300	R 19.36	R 20.53	R 1.16				R 19.36	R 20.53	R 1.16	R 19.36	R 20.53	R 1.16
301-400	R 20.70	R 21.94	R 1.24				R 20.70	R 21.94	R 1.24	R 20.70	R 21.94	R 1.24
401-500	R 22.03	R 23.35	R 1.32				R 22.03	R 23.35	R 1.32	R 22.03	R 23.35	R 1.32
500+	R 23.37	R 24.77	R 1.40				R 23.37	R 24.77	R 1.40	R 22.03	R 23.35	R 1.32

Road tanker delivery of water	Road tanker Delivery			Static tank hire per day		
	2013/14	2014/15	Increase	2013/14	2014/15	Increase
2500l	R 1 468.82	R 1 556.95	R 88.13	R 133.53	R 141.54	R 8.01
5000l	R 2 002.95	R 2 123.12	R 120.18	R 333.83	R 353.86	R 20.03
7500l	R 2 336.76	R 2 476.97	R 140.21	R 467.35	R 495.39	R 28.04
10 000l	R 2 804.12	R 2 972.37	R 168.25	R 667.65	R 707.70	R 40.06
Del charge	R 267.06	R 283.09	R 16.02	R 267.06	R 283.09	R 16.02

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

Misc. water related tariffs given in pipe diameter	Deposit per meter			New water meter			Disconnections & reconnection IRO credit control		
	2013/14	2014/15	Increase	2013/14	2014/15	Increase	2013/14	2014/15	Increase
15 mm	R 801.18	R 849.25	R 48.07	R 801.18	R 849.25	R 48.07	R 400.59	R 424.63	R 24.04
20 mm	R 1 001.47	R 1 061.56	R 60.09	R 1 135.00	R 1 203.10	R 68.10	R 534.11	R 566.16	R 32.05
50 mm	R 1 335.29	R 1 415.41	R 80.12	R 1 402.06	R 1 486.18	R 84.12	R 1 001.47	R 1 061.56	R 60.09
110 mm	R 2 002.95	R 2 123.12	R 120.18	R 2 336.76	R 2 476.97	R 140.21	R 1 335.29	R 1 415.41	R 80.12
100 mm +	R 2 621.99	R 2 779.31	R 157.32	R 3 338.24	R 3 538.53	R 200.29	R 1 669.12	R 1 769.27	R 100.15

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

Domestic (Metered)					
Consumption Increments in R per Kl	2011/12		2012/13		Increase
0-6	N/C		N/C		
7-20	R	5.15	R	5.56	R 0.41
21-40	R	8.59	R	9.27	R 0.69
41-100	R	10.02	R	10.82	R 0.80
101-200	R	16.60	R	17.93	R 1.33
201 +	R	18.89	R	20.40	R 1.51

The tariff structure of the 2014/15 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R20.40 per kilolitre for consumption in excess of 201kl per 30 day period.

Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 14 is proposed. This is based on the input cost assumptions related to water. It should be noted that District costs contributes approximately 20 per cent of waste water treatment input costs, therefore the CPI increase of 6 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;

The total revenue expected to be generated from rendering this service amounts to R14. 2 million for the 2014/15 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

Static sanitation systems given per load	Conservancy tank clearance on site			Septic tank clearance on site			Disposal into municipal reticulation system		
	2013/14	2014/15	Increase	2013/14	2014/15	Increase	2013/14	2014/15	Increase
Per Load	R 280.41	R 297.24	R 16.82	R 867.94	R 920.02	R 52.08	R 280.41	R 297.24	R 16.82
Transport per km	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52	R 8.68	R 9.20	R 0.52

New connections

Disconnect/Reconnection IRO credit control

Misc. sanitation related tariffs given in service pipe diameter	2013/14	2014/15	Increase	2013/14	2014/15	Increase
Up to 600 mm	R 2 670.59	R 2 830.83	R 160.24	R 667.65	R 707.70	R 40.06
600 mm -1200 mm	R 3 338.24	R 3 538.53	R 200.29	R 1 001.47	R 1 061.56	R 60.09
1200 mm +	R 4 673.53	R 4 953.94	R 280.41	R 1 335.29	R 1 415.41	R 80.12

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

Table 9 Comparison between current sanitation charges and increases, single dwelling- houses

Sanitation costs given in terms of water consumption	2013/14	2014/15	Increase
0-200	R 4.68	R 4.96	R 0.28
201 +	R 6.00	R 6.37	R 0.36
Unmetered/flat rate per month	R 45.87	R 48.62	R 2.75

Overall impact of tariff increases on households

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at an average of 6 per cent, with the same increase for indigent households.

Table 10 MBRR Table SA14 – Household bills

DC43 Sisonke - Supporting Table SA14 Household bills										
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent							% incr.			
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Water: Basic levy	2.43	2.58	2.79	2.79	2.79	0.08	6.0%	2.95	3.19	3.45
Water: Consumption	194.72	206.41	222.92	222.92	222.92	0.08	6.0%	236.30	255.20	275.62
Sanitation	87.48	92.73	100.15	100.15	100.15	0.08	6.0%	106.16	114.65	123.82
sub-total	284.63	301.72	325.86	325.86	325.86	0.24	6.0%	345.41	373.04	402.89
Total large household bill:	284.63	301.72	325.86	325.86	325.86	0.24	6.0%	345.41	373.04	402.89
% increase/-decrease		6.0%	8.0%	-	-	(99.9%)		143 820.4%	8.0%	8.0%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Water: Basic levy	2.43	2.58	2.79	2.79	2.79	0.08	6.0%	2.96	3.19	3.45
Water: Consumption	162.27	172.01	185.77	185.77	185.77	0.08	6.0%	196.92	212.67	229.68
Sanitation	72.90	77.27	83.45	83.45	83.45	0.08	6.0%	88.46	95.53	103.18
sub-total	237.60	251.86	272.01	272.01	272.01	0.24	6.0%	288.33	311.40	336.31
VAT on Services										
Total small household bill:	237.60	251.86	272.01	272.01	272.01	0.24	6.0%	288.33	311.40	336.31
% increase/-decrease		6.0%	8.0%	-	-	(99.9%)		120 037.8%	8.0%	8.0%
			0.33	-1.00	-	-				

1.5 OPERATING EXPENDITURE FRAMEWORK

Harry Gwala District Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

1. The asset renewal strategy and the repairs and maintenance plan;
2. Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
3. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
4. The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
5. Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
6. Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

DC43 Sisonke - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type									
Employee related costs	56 108	71 975	79 228	90 434	94 837	94 837	102 424	110 063	119 813
Remuneration of councillors	4 051	4 413	4 622	6 181	6 162	6 162	6 655	7 081	7 534
Debt impairment	6 303	15 508	15 023	12 000	12 000	12 000	10 000	10 000	10 000
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Finance charges	843	3 972	3 792	3 500	3 521	3 521	2 639	2 259	1 926
Bulk purchases	6 998	8 218	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Contracted services	27 717	46 472	18 825	36 317	34 999	34 999	25 970	28 626	30 396
Transfers and grants	-	-	7 490	12 000	13 768	13 768	15 000	15 000	20 000
Other expenditure	190 963	151 947	172 400	66 763	137 045	137 045	105 909	103 679	111 230
Loss on disposal of PPE	-	33 465	138	-	-	-	-	-	-
Total Expenditure	312 794	358 248	340 218	254 996	336 932	336 932	293 598	303 183	328 830

The budgeted allocation for employee related costs for the 2014/15 financial year totals R102, 4 m, which equals 35% per cent of the total operating expenditure. The period of the salary wage collective agreement has started from 2012/13 and end to 2014/15. In the absence of other information from the South African Local Government Bargaining Council, National Treasury issued Circular 72 advising municipalities to budget for a 6,79 per cent increase. An annual increase of 7 per cent has been included in the next 2015/16 MTREF. As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of the critical and strategically important vacancies as well as the inclusion of the staff to be transferred to the Municipality by the Provincial Health Department. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

1. **The cost associated with the remuneration of councilors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.
2. **The provision of debt impairment** was determined based on an annual collection rate of 78 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R10m and also for 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
3. **Provision for depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R20m for the 2014/15 financial year and equates to 7% per cent of the total operating expenditure. Depreciation for the budget year represents a decrease from the 2013/14 adjustments budgets due to a number of completed work in progress assets that will be recognised in the assets register.
4. **Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% per cent of operating expenditure. As previously noted, the District has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing. In 2013/14 the municipality paid off the Greater Kokstad infrastructure upgrade DBSA loan. The others two loans will be settled in the 2015/16 and 2020/21 financial years respectively.
5. **Bulk purchases** are directly informed by the purchase of water from Umngeni Water in the Ubuhlebezwe area. The annual price increases of 8, 7% have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

6. **Contracted services** have been identified as a cost saving area for the Municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2014/15 financial year, this group of expenditure totals R25, 9 million showing a decrease of 26 % from 2013/14, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 9% per cent of total operating expenditure. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2014/15 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1.

7. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been decreased by 23% per cent from the adjusted budget for 2014/15 and curbed at -2% and 7 per cent increases for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table MBRR SA1.

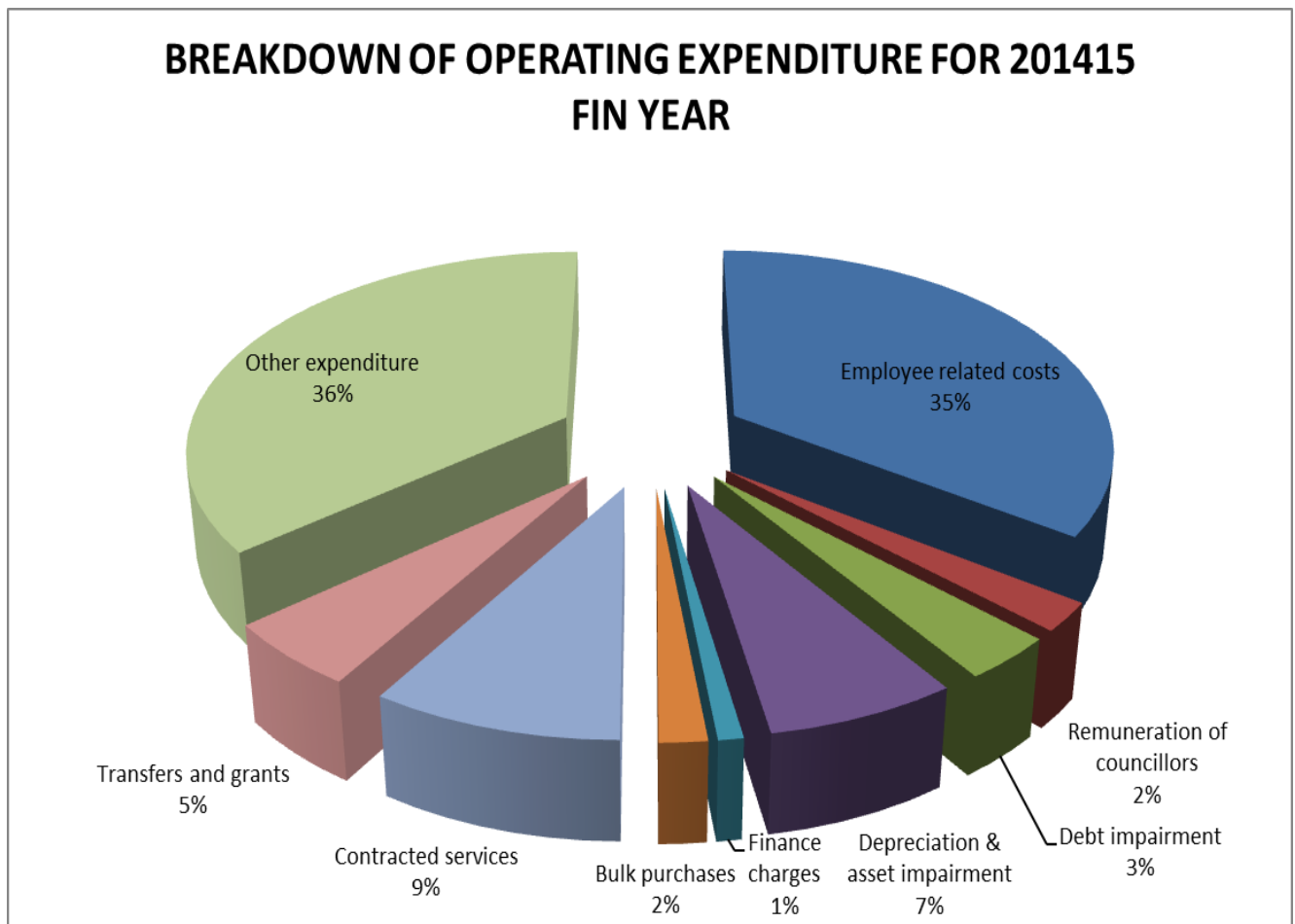


Figure 1 Main operational expenditure categories for the 2014/15 financial year

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the district's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the district. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 12 Operational repairs and maintenance

DC43 Sisonke - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Repairs and Maintenance									
by Expenditure Item									
Employee related costs	32 917	29 493	32 443	33 139	33 139	33 139	35 127	36 801	38 475
Other materials	23 042	20 645	22 554	23 197	23 197	23 197	24 589	25 761	26 932
Contracted Services	6 583	5 899	8 205	6 628	6 628	6 628	7 025	7 360	7 695
Other Expenditure	3 292	2 949	5 256	3 314	3 314	3 314	3 513	3 680	3 847
Total Repairs and Maintenance Expenditure	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the district infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 6 per cent in the 2014/15 financial year, from R66, 2 million to R70, 2 million. During the 2013 Adjustment Budget this allocation was not adjusted it was still the same as original amounted to R66, 2 million taking into account the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2014/15 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/15 equates to R70, 2 million a growth of 6 per cent in relation to the Adjustment Budget and continues to grow at 5% in the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 24 per cent for the respective financial years of the MTREF.

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

Table 13 Repairs and maintenance per asset class

DC43 Sisonke - Table A9 Consolidated Asset Management									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Repairs and Maintenance by Asset Class	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	38 206	32 443	38 415	38 412	38 412	38 412	40 716	43 021	43 465
Infrastructure - Sanitation	26 202	20 645	22 710	26 405	26 405	26 405	27 990	29 574	32 531
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	64 408	53 088	61 125	64 817	64 817	64 817	68 706	72 595	75 996
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	1 425	5 899	7 333	1 461	1 461	1 461	1 548	1 007	953
TOTAL EXPENDITURE OTHER ITEMS	85 645	81 265	98 399	86 278	91 278	91 278	90 254	94 782	99 294

For the 2014/15 financial year, 98 per cent of total repairs and maintenance will be spent on infrastructure assets. This signifies the implementation of the municipality's plans of maintaining its infrastructure levels high to ensure uninterrupted service delivery.

Table A9 reveals a decreasing trend in the percentage of Repairs & Maintenance as a percentage of Property, Plant & Equipment. This is due to a higher rate of monetary increase in the PPE balances as compared to the monetary increases in the Repairs & Maintenance budget.

The challenge noted above of a higher increase in the capital budget than the repairs & maintenance budget is mainly attributable to a higher grant funded infrastructural spending than the increase in own revenue sources that fund the repairs and maintenance budget.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the district Indigent Policy. The target is to register 20 000 or more indigent households during the 2014/15 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

1.6 CAPITAL EXPENDITURE

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

Table 14 2014/15 Medium-term capital budget per vote

DC43 Sisonke - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
R thousand								
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 3 - Finance	200	0%	100	0%	1 490	1%	-	1%
Vote 4 - Corporate Services	2 433	1%	3 609	1%	2 022	1%	2 133	1%
Vote 5 - Social & Development Planning	409	0%	2 325	1%	5 700	2%	-	2%
Vote 6 - Infrastructure Services	205 332	98%	247 526	96%	270 190	95%	409 253	95%
Vote 7 - Water Services	2 122	1%	5 200	2%	5 620	2%	5 621	2%
Capital multi-year expenditure sub-total	210 496	100%	258 761	100%	285 022	100%	417 007	100%

For 2014/15 an amount of R258 million has been appropriated for the development of infrastructure which represents 96% of the total capital budget. In the outer years this amount totals R285million, 95% and R417 million, 98% respectively for each of the financial years.

Total new assets represent 98 per cent or R254million of the total capital budget while asset renewal equates to 1% per cent or R4, 5million. Further detail relating to asset classes and proposed capital expenditure is contained in Table MBRR A9 (Asset Management). In addition to the MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Refer to table MBRR SA36 for the detailed listing of the capital projects.

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



Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35. This table shows that future operational costs associated with the capital programme totals R20, 9 million in 2014/15 and escalates to R33, 5million by 2015/16. This concomitant operational expenditure is expected to escalate to R40, 5 million by 2019/20. It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

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 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

DC43 Sisonke - Table A1 Budget Summary										
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	194	-	-	-	-	-	-	-	-	-
Service charges	31 592	36 249	39 865	42 748	42 748	42 748	-	45 313	48 938	52 853
Investment revenue	5 655	2 202	2 988	2 000	2 500	2 500	-	2 600	2 000	2 000
Transfers recognised - operational	165 685	208 257	281 470	220 563	220 607	220 607	-	249 246	256 696	270 860
Other own revenue	1 678	7 285	2 210	500	29 722	29 722	-	8 679	6 093	7 041
Total Revenue (excluding capital transfers and contributions)	204 803	253 992	326 532	265 811	295 577	295 577	-	305 838	313 728	332 754
Employee costs	56 108	71 975	79 228	90 434	94 837	94 837	-	102 424	110 063	119 813
Remuneration of councillors	4 051	4 413	4 622	6 181	6 162	6 162	-	6 655	7 081	7 534
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	-	20 000	21 180	22 345
Finance charges	843	3 972	3 792	3 500	3 521	3 521	-	2 639	2 259	1 926
Materials and bulk purchases	6 998	8 218	9 710	7 800	9 598	9 598	-	5 000	5 295	5 586
Transfers and grants	-	-	7 490	12 000	13 768	13 768	-	15 000	15 000	20 000
Other expenditure	224 983	247 392	206 385	115 081	184 045	184 045	-	141 879	142 304	151 626
Total Expenditure	312 794	358 248	340 218	254 996	336 932	336 932	-	293 598	303 183	328 830
Surplus/(Deficit)	(107 990)	(104 256)	(13 686)	10 816	(41 355)	(41 355)	-	12 240	10 544	3 923
Transfers recognised - capital	141 454	177 773	173 960	210 486	236 103	236 103	-	245 526	273 942	415 606
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	33 464	73 517	160 274	221 302	194 748	194 748	-	257 766	284 486	419 530
Surplus/(Deficit) for the year	33 464	73 517	160 274	221 302	194 748	194 748	-	257 766	284 486	419 530
Capital expenditure & funds sources										
Capital expenditure	152 003	157 014	207 857	227 234	210 496	210 496	-	258 761	285 022	417 007
Transfers recognised - capital	135 412	157 014	206 928	210 486	186 885	186 885	-	245 776	273 942	415 606
Borrowing	16 591	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	929	16 748	23 611	23 611	-	12 984	11 080	1 401
Total sources of capital funds	152 003	157 014	207 857	227 234	210 496	210 496	-	258 761	285 022	417 007
Financial position										
Total current assets	46 966	17 564	81 401	63 318	71 256	71 256	-	68 400	104 429	139 562
Total non current assets	864 881	991 576	1 125 311	1 517 343	1 336 519	1 336 519	-	1 550 342	1 814 096	2 208 682
Total current liabilities	108 028	89 642	129 436	34 740	39 863	39 863	-	64 952	79 150	94 507
Total non current liabilities	42 681	39 549	37 053	33 101	33 101	33 101	-	31 936	30 928	29 640
Community wealth/Equity	761 138	879 949	1 040 223	1 512 820	1 334 811	1 334 811	-	1 521 854	1 808 447	2 224 097
Cash flows										
Net cash from (used) operating	98 602	119 770	184 742	253 556	210 347	210 347	-	275 924	304 424	440 532
Net cash from (used) investing	(104 289)	(142 519)	(163 035)	(226 772)	(168 236)	(168 236)	-	(258 761)	(285 022)	(417 007)
Net cash from (used) financing	1 435	25 942	(5 060)	(2 494)	(5 337)	(5 337)	-	(3 356)	(3 130)	(2 858)
Cash/cash equivalents at the year end	346	3 539	20 186	44 477	56 960	56 960	20 186	43 807	60 078	80 745

DC43 Sisonke - Table A1 Budget Summary										
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Cash backing/surplus reconciliation										
Cash and investments available	7 058	3 539	20 186	54 303	56 960	56 960	–	43 807	60 078	80 745
Application of cash and investments	75 820	78 773	77 301	25 246	30 586	30 586	–	43 286	43 318	47 099
Balance - surplus (shortfall)	(68 762)	(75 234)	(57 115)	29 056	26 373	26 373	–	521	16 760	33 646
Asset management										
Asset register summary (WDV)	864 881	991 576	1 125 311	1 517 343	1 336 519	1 336 519	1 550 342	1 550 342	1 814 096	2 208 682
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	20 000	20 000	21 180	22 345
Renewal of Existing Assets	16 725	23 460	8 901	2 185	6 525	6 525	6 525	4 580	–	–
Repairs and Maintenance	65 834	58 987	–	66 278	66 278	66 278	70 254	70 254	73 602	76 949
Free services										
Cost of Free Basic Services provided	5 980	6 924	6 998	8 812	8 812	8 812	5 006	5 006	5 406	5 839
Revenue cost of free services provided	65 863	69 814	71 211	77 718	77 718	77 718	82 381	82 381	88 971	96 089
Households below minimum service level										
Water:	34	32	33	31	31	31	32	32	16	6

Explanatory notes to MBRR Table A1 - Budget Summary

Table A1 is a budget summary and provides a concise overview of the Harry Gwala district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, 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.

A financial management reform emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital expenditure is balanced by capital funding sources, of which transfers recognised is reflected on the Financial Performance Budget;
2. Internally generated funds are financed from a combination of the current operating surplus and VAT refunds on Conditional Grants. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.

But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected.

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. It is anticipated that by 2014/15 the water backlog will have been very nearly eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC43 Sisonke - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)									
Standard Classification Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard									
Governance and administration	169 185	213 115	210 829	220 696	221 867	221 867	249 906	249 720	264 850
Executive and council	511	142	-	-	-	-	-	-	-
Budget and treasury office	168 581	212 710	210 347	220 696	220 898	220 898	249 906	249 720	264 850
Corporate services	93	264	481	-	969	969	-	-	-
Economic and environmental services	13 160	3 074	9 433	-	6 831	6 831	250	4 100	3 400
Planning and development	13 160	3 074	9 433	-	6 831	6 831	250	4 100	3 400
Trading services	163 913	215 577	280 230	255 601	302 982	302 982	301 208	333 850	480 110
Water	32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Waste water management	131 863	179 328	239 709	198 853	254 025	254 025	250 716	279 318	421 216
Total Revenue - Standard	346 258	431 766	500 492	476 297	531 680	531 680	551 364	587 670	748 360
Expenditure - Standard									
Governance and administration	133 355	126 146	98 509	121 481	130 147	130 147	128 100	137 360	144 972
Executive and council	45 704	35 894	12 760	18 956	18 718	18 718	22 373	22 540	24 024
Budget and treasury office	53 688	51 976	45 752	63 431	66 283	66 283	61 007	64 808	67 498
Corporate services	33 962	38 276	39 997	39 094	45 146	45 146	44 720	50 011	53 451
Economic and environmental services	23 571	60 385	36 438	45 047	48 030	48 030	43 387	44 359	51 562
Planning and development	23 571	60 385	36 438	45 047	48 030	48 030	43 387	44 359	51 562
Trading services	155 867	171 717	205 270	88 467	158 754	158 754	122 110	121 464	132 296
Water	86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Waste water management	69 150	53 204	75 392	9 816	57 522	57 522	25 235	18 308	20 087
Total Expenditure - Standard	312 794	358 248	340 218	254 996	336 932	336 932	293 598	303 183	328 830
Surplus/(Deficit) for the year	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530

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

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for District, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Other functions show a deficit between revenue and expenditure are being financed from equitable share and other revenue sources reflected under the Budget and Treasury vote.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC43 Sisonke - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote									
Vote 2 - Municipal Manager	511	142	210 347	–	–	–	–	–	–
Vote 3 - Finance	168 581	212 710	–	220 696	220 898	220 898	238 906	249 720	264 850
Vote 4 - Corporate Services	93	264	481	–	969	969	–	–	–
Vote 5 - Social & Development Planning	13 160	3 074	9 433	–	6 831	6 831	250	4 100	3 400
Vote 6 - Infrastructure Services	131 863	179 328	239 709	198 853	254 025	254 025	261 716	279 318	421 216
Vote 7 - Water Services	32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Total Revenue by Vote	346 258	431 766	500 492	476 297	531 680	531 680	551 364	587 670	748 360
Expenditure by Vote to be appropriated									
Vote 1 - Council	6 419	6 391	7 363	8 617	8 617	8 617	22 373	22 540	24 024
Vote 2 - Municipal Manager	39 285	29 503	5 398	10 339	10 101	10 101	–	–	–
Vote 3 - Finance	53 688	51 976	45 752	63 431	66 283	66 283	61 007	64 808	67 498
Vote 4 - Corporate Services	33 962	38 276	39 997	39 094	45 146	45 146	44 720	50 011	53 451
Vote 5 - Social & Development Planning	23 571	60 385	36 438	45 047	48 030	48 030	43 387	44 359	51 562
Vote 6 - Infrastructure Services	69 150	53 204	75 392	9 816	57 522	57 522	25 235	18 308	20 087
Vote 7 - Water Services	86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Total Expenditure by Vote	312 794	358 248	340 218	254 996	336 932	336 932	293 598	303 183	328 830
Surplus/(Deficit) for the year	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530
Percentage Surplus	11%	21%	47%	87%	58%	58%	88%	94%	128%

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

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 organizational structure of Harry Gwala Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for water trading services.

Table 18 Surplus/ (Deficit) calculations for the trading services

DC43 Sisonke - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
WATER SERVICES									
Total Revenue	32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Operating Expenditure	86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Surplus/(Deficit) for the year	(54 668)	(82 264)	(89 357)	(21 903)	(52 275)	(52 275)	(46 383)	(48 625)	(53 315)
Percentage Surplus	-171%	-227%	-221%	-39%	-107%	-107%	-92%	-89%	-91%

The municipality currently operates on a deficit in its trading services. This is largely attributable to higher percentage increase in the input cost as compared to the increase in tariffs. The municipality is currently reviewing the costing of the tariff structure with a view to recovering the cost of providing these services and also ensuring financial sustainability.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC43 Sisonke - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source									
Property rates	194	–	–	–	–	–	–	–	–
Service charges - w water revenue	16 887	25 374	27 906	30 697	30 697	30 697	32 538	35 142	37 953
Service charges - sanitation revenue	14 705	10 875	11 960	12 052	12 052	12 052	12 775	13 797	14 900
Rental of facilities and equipment	82	48	–	–	–	–	–	–	–
Interest earned - external investments	5 655	2 202	2 988	2 000	2 500	2 500	2 600	2 000	2 000
Interest earned - outstanding debtors	–	–	–	–	5 179	5 179	5 179	5 593	6 041
Transfers recognised - operational	165 685	208 257	281 470	220 563	220 607	220 607	249 246	256 696	270 860
Other revenue	1 595	7 237	2 210	500	24 543	24 543	3 500	500	1 000
Total Revenue (excluding capital transfers and contributions)	204 803	253 992	326 532	265 811	295 577	295 577	305 838	313 728	332 754
Expenditure By Type									
Employee related costs	56 108	71 975	79 228	90 434	94 837	94 837	102 424	110 063	119 813
Remuneration of councillors	4 051	4 413	4 622	6 181	6 162	6 162	6 655	7 081	7 534
Debt impairment	6 303	15 508	15 023	12 000	12 000	12 000	10 000	10 000	10 000
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Finance charges	843	3 972	3 792	3 500	3 521	3 521	2 639	2 259	1 926
Bulk purchases	6 998	8 218	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Contracted services	27 717	46 472	18 825	36 317	34 999	34 999	25 970	28 626	30 396
Transfers and grants	–	–	7 490	12 000	13 768	13 768	15 000	15 000	20 000
Other expenditure	190 963	151 947	172 400	66 763	137 045	137 045	105 909	103 679	111 230
Loss on disposal of PPE	–	33 465	138	–	–	–	–	–	–
Total Expenditure	312 794	358 248	340 218	254 996	336 932	336 932	293 598	303 183	328 830
Surplus/(Deficit)	(107 990)	(104 256)	(13 686)	10 816	(41 355)	(41 355)	12 240	10 544	3 923
Transfers recognised - capital	141 454	177 773	173 960	210 486	236 103	236 103	245 526	273 942	415 606
Surplus/(Deficit) after capital transfers & contributions	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530
Surplus/(Deficit) after taxation	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530
Surplus/(Deficit) attributable to municipality	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530
Surplus/(Deficit) for the year	33 464	73 517	160 274	221 302	194 748	194 748	257 766	284 486	419 530

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

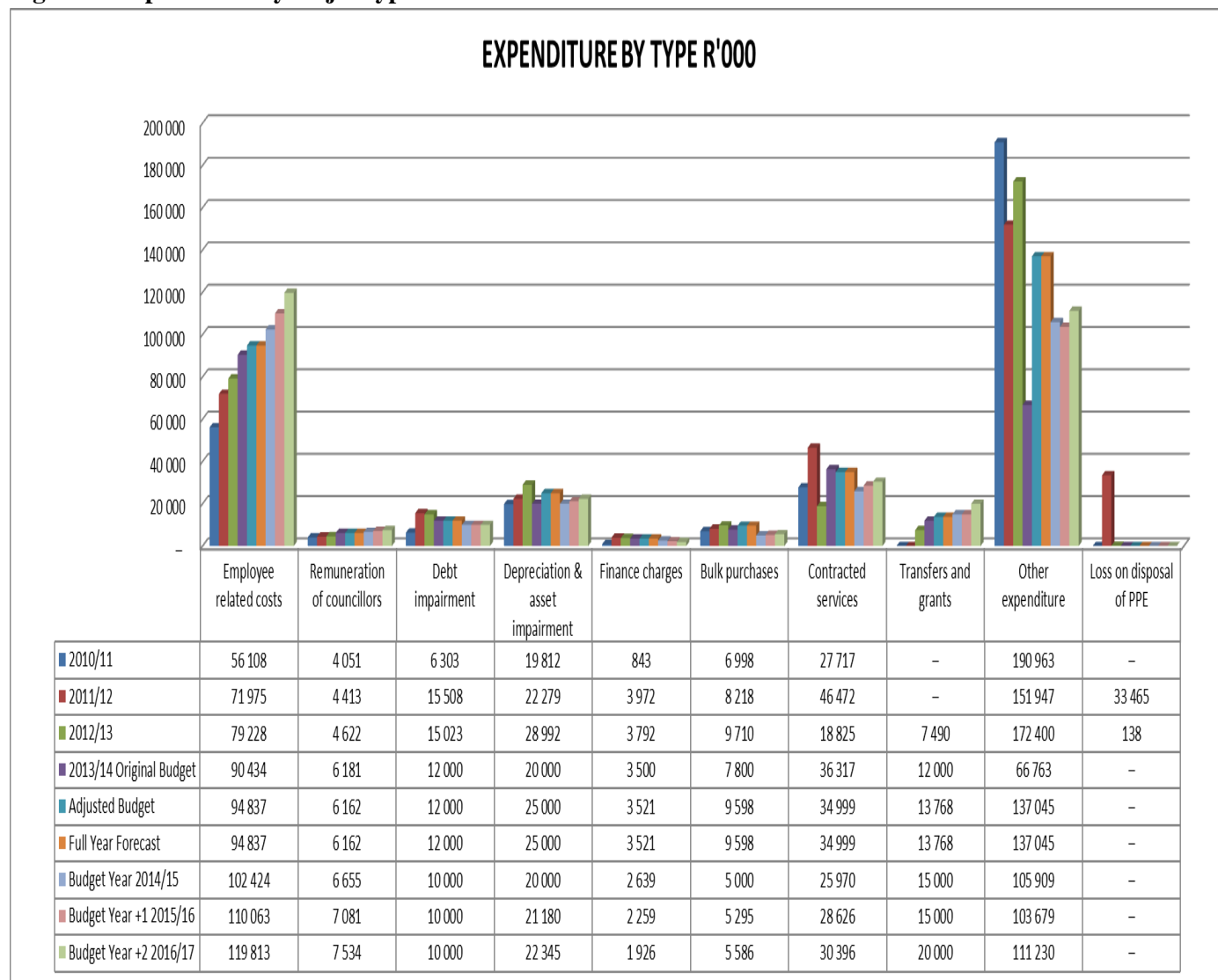
Total operating revenue is R305 million in 2014/15 and escalates to R332 million by 2016/17. This represents a year-on-year increase of 3 per cent for the 2014/15 financial year and 3 per cent for the 2015/16 and 6 % in 2016/17 financial year.

Services charges relating to water and sanitation constitutes the biggest component of the own revenue basket of the district totaling R45million for the 2014/15 financial year and increasing to R48, 9 million by 2015/16. For the 2014/15 financial year services charges amount to 15% of the total revenue and increases to 16% over the medium-term.

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 rapidly over the MTREF to 10 per cent and 14 per cent for the two outer years.

The following graph illustrates the major expenditure items per type.

Figure 2 Expenditure by major type



Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC43 Sisonke - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding									
Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 2 - Municipal Manager	-	200	-	-	-	-	-	-	-
Vote 3 - Finance	-	-	72	130	200	200	100	1 490	-
Vote 4 - Corporate Services	9 563	1 753	1 567	3 256	2 433	2 433	3 609	2 022	2 133
Vote 5 - Social & Development Planning	15 777	-	3 200	-	409	409	2 325	5 700	-
Vote 6 - Infrastructure Services	125 176	155 061	202 323	223 248	205 332	205 332	247 526	270 190	409 253
Vote 7 - Water Services	1 487	-	695	600	2 122	2 122	5 200	5 620	5 621
Capital multi-year expenditure sub-total	152 003	157 014	207 857	227 234	210 496	210 496	258 761	285 022	417 007
Total Capital Expenditure - Vote	152 003	157 014	207 857	227 234	210 496	210 496	258 761	285 022	417 007
Capital Expenditure - Standard									
Governance and administration	9 563	1 952	1 640	3 386	2 633	2 633	3 709	3 512	2 133
Executive and council		200							
Budget and treasury office			72	130	200	200	100	1 490	
Corporate services	9 563	1 753	1 567	3 256	2 433	2 433	3 609	2 022	2 133
Economic and environmental services	15 777	-	3 200	-	409	409	2 325	5 700	-
Planning and development	15 777	-	3 200	-	409	409	2 325	5 700	-
Trading services	126 663	155 061	203 017	223 848	207 454	207 454	252 726	275 810	414 874
Water	1 487	-	695	600	2 122	2 122	5 200	5 620	5 621
Waste water management	125 176	155 061	202 323	223 248	205 332	205 332	247 526	270 190	409 253
Total Capital Expenditure - Standard	152 003	157 014	207 857	227 234	210 496	210 496	258 761	285 022	417 007
Funded by:									
National Government	100 655	136 500	164 126	210 486	183 268	183 268	245 776	273 942	415 606
Provincial Government	34 757	20 514	42 802	-	3 617	3 617			
Transfers recognised - capital	135 412	157 014	206 928	210 486	186 885	186 885	245 776	273 942	415 606
Borrowing	16 591								
Internally generated funds			929	16 748	23 611	23 611	12 984	11 080	1 401
Total Capital Funding	152 003	157 014	207 857	227 234	210 496	210 496	258 761	285 022	417 007

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

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year appropriation); 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.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R247 million has been allocated of the total R258 million infrastructural budget, which totals 96 per cent. This capital budget allocation escalates to R285 million in 2015/16 and then flattens out to R414 million in 2016/17 owing primarily to the fact that various projects reach completion in 2014/15 hence the spike in expenditure in year two.

Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

The capital programme is funded mainly from national and provincial grants and subsidies. For 2014/15, capital transfers totals R245 million and escalates to R415 million by 2016/17. No borrowing applications are expected to result in the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 21 MBRR Table A6 - Budgeted Financial Position

DC43 Sisonke - Table A6 Budgeted Financial Position									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS									
Current assets									
Cash	346	3 539	20 186	54 303	56 960	56 960	43 807	60 078	80 745
Call investment deposits	6 712	-	-	-	-	-	-	-	-
Consumer debtors	-	-	-	2 505	7 786	7 786	13 307	23 897	35 070
Other debtors	39 853	5 201	55 212	6 510	6 510	6 510	10 968	20 072	23 290
Current portion of long-term receivables	-	8 708	5 738	-	-	-	-	-	-
Inventory	54	116	265	-	-	-	318	381	457
Total current assets	46 966	17 564	81 401	63 318	71 256	71 256	68 400	104 429	139 562
Non current assets									
Property, plant and equipment	864 148	991 081	1 124 539	1 516 798	1 335 034	1 335 034	1 548 958	1 812 800	2 207 462
Intangible	734	495	772	545	1 484	1 484	1 384	1 296	1 220
Total non current assets	864 881	991 576	1 125 311	1 517 343	1 336 519	1 336 519	1 550 342	1 814 096	2 208 682
TOTAL ASSETS	911 847	1 009 140	1 206 712	1 580 661	1 407 775	1 407 775	1 618 742	1 918 525	2 348 244
LIABILITIES									
Current liabilities									
Borrowing	4 191	4 911	4 995	3 174	3 174	3 174	3 266	3 000	3 330
Consumer deposits	787	881	1 010	1 012	1 135	1 135	1 265	1 401	1 543
Trade and other payables	98 071	77 972	116 165	30 555	35 555	35 555	53 128	67 062	81 532
Provisions	4 978	5 878	7 266	-	-	-	7 293	7 687	8 102
Total current liabilities	108 028	89 642	129 436	34 740	39 863	39 863	64 952	79 150	94 507
Non current liabilities									
Borrowing	37 140	32 122	27 685	25 384	25 384	25 384	18 683	15 683	12 353
Provisions	5 541	7 427	9 369	7 717	7 717	7 717	13 253	15 245	17 287
Total non current liabilities	42 681	39 549	37 053	33 101	33 101	33 101	31 936	30 928	29 640
TOTAL LIABILITIES	150 709	129 191	166 489	67 841	72 964	72 964	96 888	110 078	124 147
NET ASSETS	761 138	879 949	1 040 223	1 512 820	1 334 811	1 334 811	1 521 854	1 808 447	2 224 097
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	761 138	879 949	1 040 223	1 512 820	1 334 811	1 334 811	1 521 854	1 808 447	2 224 097
TOTAL COMMUNITY WEALTH/EQUITY	761 138	879 949	1 040 223	1 512 820	1 334 811	1 334 811	1 521 854	1 808 447	2 224 097

Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors 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 less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:

1. Call investments deposits;
2. Consumer debtors;
3. Property, plant and equipment;
4. Trade and other payables;
5. Provisions non-current;
6. Changes in net assets; and
7. Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

DC43 Sisonke - Table A7 Budgeted Cash Flows										
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	22 864	42 495	33 426	30 424	30 424	30 424		38 113	39 338	43 653
Government - operating	166 200	213 861	218 281	220 563	220 607	220 607		249 246	256 696	270 860
Government - capital	120 498	155 053	196 780	210 486	236 103	236 103		245 526	273 942	415 606
Interest	5 655	2 202	2 988	2 000	2 500	2 500		6 636	6 450	6 898
Payments										
Suppliers and employees	(215 771)	(289 868)	(255 451)	(194 417)	(261 997)	(261 997)		(245 959)	(254 744)	(274 560)
Finance charges	(843)	(3 972)	(3 792)	(3 500)	(3 521)	(3 521)		(2 639)	(2 259)	(1 926)
Transfers and Grants	-	-	(7 490)	(12 000)	(13 768)	(13 768)		(15 000)	(15 000)	(20 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 602	119 770	184 742	253 556	210 347	210 347	-	275 924	304 424	440 532
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	-	(149 231)	-	-	-	-		-	-	-
Decrease (increase) in non-current investments	103 120	6 712	-	-	-	-		-	-	-
Payments										
Capital assets	(207 409)	-	(163 035)	(226 772)	(168 236)	(168 236)		(258 761)	(285 022)	(417 007)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(104 289)	(142 519)	(163 035)	(226 772)	(168 236)	(168 236)	-	(258 761)	(285 022)	(417 007)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	3 318	-	-	-	-	-		-	-	-
Borrowing long term/refinancing	113	-	-	-	-	-		-	-	-
Increase (decrease) in consumer deposits	-	30 449	-	-	125	125		130	136	142
Payments										
Repayment of borrowing	(1 996)	(4 507)	(5 060)	(2 494)	(5 462)	(5 462)		(3 486)	(3 266)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	1 435	25 942	(5 060)	(2 494)	(5 337)	(5 337)	-	(3 356)	(3 130)	(2 858)
NET INCREASE/ (DECREASE) IN CASH HELD	(4 251)	3 193	16 647	24 291	36 774	36 774	-	13 807	16 272	20 666
Cash/cash equivalents at the year begin:	4 597	346	3 539	20 186	20 186	20 186	20 186	30 000	43 807	60 078
Cash/cash equivalents at the year end:	346	3 539	20 186	44 477	56 960	56 960	20 186	43 807	60 078	80 745

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. It can be seen that the cash levels of Harry Gwala fell significantly over the 2010/11 to 2011/12 period owing directly to a net decrease in cash for the 2010/11 financial year.

As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalisation of spending priorities.

The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Cash and cash equivalents totals R43 million as at the end of the 2014/15 financial year and escalates to R80 million by 2016/17.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

DC43 Sisonke - Table A8 Cash backed reserves/accumulated surplus reconciliation										
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	346	3 539	20 186	44 477	56 960	56 960	20 186	43 807	60 078	80 745
Other current investments > 90 days	6 712	-	0	9 826	-	-	(20 186)	-	-	-
Cash and investments available:	7 058	3 539	20 186	54 303	56 960	56 960	-	43 807	60 078	80 745
Application of cash and investments										
Unspent conditional transfers	47 640	32 528	30 551	10 000	15 000	15 000	-	15 865	14 737	13 333
Statutory requirements	-	-	-	346	346	346	-	-	-	-
Other working capital requirements	23 202	40 368	41 752	14 213	14 553	14 553	-	20 127	20 894	25 664
Other provisions	4 978	5 878	4 997	687	687	687	-	7 293	7 687	8 102
Total Application of cash and investments:	75 820	78 773	77 301	25 246	30 586	30 586	-	43 286	43 318	47 099
Surplus(shortfall)	(68 762)	(75 234)	(57 115)	29 056	26 373	26 373	-	521	16 760	33 646

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

From the table it can be seen that for the period 2014/15 to 2016/17 the surplus escalates from R521 000 to R33, 6 million again in 2016/17.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 Budget MTREF was not funded owing to the significant deficit.

As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

According to this schedule, The 2014/15 draft budget is funded.

Table 24 MBRR Table A9 - Asset Management

DC43 Sisonke - Table A9 Asset Management									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE									
Total New Assets	135 278	133 554	198 956	225 049	203 971	203 971	254 181	285 022	417 007
Infrastructure - Electricity	-	-	-	580	4 366	4 366	3 415	-	-
Infrastructure - Water	108 393	111 892	139 002	166 970	165 642	165 642	194 351	213 707	343 759
Infrastructure - Sanitation	-	16 109	20 078	50 012	17 998	17 998	36 178	55 709	56 784
Infrastructure - Other	58	-	-	200	-	-	-	-	-
Infrastructure	108 451	128 001	159 080	217 762	188 006	188 006	233 944	269 416	400 543
Community	15 777	3 600	28 704	2 000	-	-	-	-	-
Other assets	11 051	1 952	10 416	4 252	15 964	15 964	20 037	15 394	16 241
Intangibles	-	-	756	1 034	-	-	200	212	223
Total Renewal of Existing Assets	16 725	23 460	8 901	2 185	6 525	6 525	4 580	-	-
Infrastructure - Water	16 725	16 283	1 136	916	6 525	6 525	4 580	-	-
Infrastructure - Sanitation	-	7 177	7 765	1 269	-	-	-	-	-
Infrastructure	16 725	23 460	8 901	2 185	6 525	6 525	4 580	-	-
Total Capital Expenditure									
Infrastructure - Electricity	-	-	-	580	4 366	4 366	3 415	-	-
Infrastructure - Water	125 118	128 175	140 138	167 886	172 168	172 168	198 931	213 707	343 759
Infrastructure - Sanitation	-	23 286	27 844	51 281	17 998	17 998	36 178	55 709	56 784
Infrastructure - Other	58	-	-	200	-	-	-	-	-
Infrastructure	125 176	151 461	167 981	219 947	194 532	194 532	238 524	269 416	400 543
Community	15 777	3 600	28 704	2 000	-	-	-	-	-
Other assets	11 051	1 952	10 416	4 252	15 964	15 964	20 037	15 394	16 241
Intangibles	-	-	756	1 034	-	-	200	212	223
TOTAL CAPITAL EXPENDITURE - Asset clas	152 003	157 014	207 857	227 234	210 496	210 496	258 761	285 022	417 007
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Electricity				-	4 366	4 366	7 622	9 205	10 633
Infrastructure - Water				-	898 825	898 825	1 071 104	1 406 336	1 781 342
Infrastructure - Sanitation				-	332 220	332 220	362 331	279 148	277 883
Infrastructure - Other				-	32 633	32 633	31 966	38 605	44 598
Infrastructure	-	-	-	-	1 268 044	1 268 044	1 473 023	1 733 294	2 114 457
Community				-	51 813	51 813	54 757	61 295	70 810
Other assets	864 148	991 081	1 124 539	1 516 798	15 177	15 177	21 178	18 212	22 196
Intangibles	734	495	772	545	1 484	1 484	1 384	1 296	1 220
TOTAL ASSET REGISTER SUMMARY - PPE	864 881	991 576	1 125 311	1 517 343	1 336 519	1 336 519	1 550 342	1 814 096	2 208 682
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	19 812	22 279	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Repairs and Maintenance by Asset Class	65 834	58 987	-	66 278	66 278	66 278	70 254	73 602	76 949
Infrastructure - Water	38 206	32 443	-	38 412	38 412	38 412	40 716	43 021	43 465
Infrastructure - Sanitation	26 202	20 645	-	26 405	26 405	26 405	27 990	29 574	32 531
Infrastructure	64 408	53 088	-	64 817	64 817	64 817	68 706	72 595	75 996
Other assets	1 425	5 899	-	1 461	1 461	1 461	1 548	1 007	953
TOTAL EXPENDITURE OTHER ITEMS	85 645	81 265	28 992	86 278	91 278	91 278	90 254	94 782	99 294
Renewal of Existing Assets as % of total ca	11.0%	14.9%	4.3%	1.0%	3.1%	3.1%	1.8%	0.0%	0.0%
Renewal of Existing Assets as % of deprec	84.4%	105.3%	30.7%	10.9%	26.1%	26.1%	22.9%	0.0%	0.0%
R&M as a % of PPE	7.6%	6.0%	0.0%	4.4%	5.0%	5.0%	4.5%	4.1%	3.5%
Renewal and R&M as a % of PPE	10.0%	8.0%	1.0%	5.0%	5.0%	5.0%	5.0%	4.0%	3.0%

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Due to the extremely high infrastructure backlogs that exists in our district a huge allocation of the conditional funding arising from prior years multi- year capital budget appropriations has been committed towards new water and sanitation infrastructure. However the revised infrastructure plan will see a shift of more funds being allocated towards the refurbishment of assets as advised by National Treasury.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the district strategy to address the maintenance backlog.

Figure 3 Depreciation in relation to repairs and maintenance over the MTREF

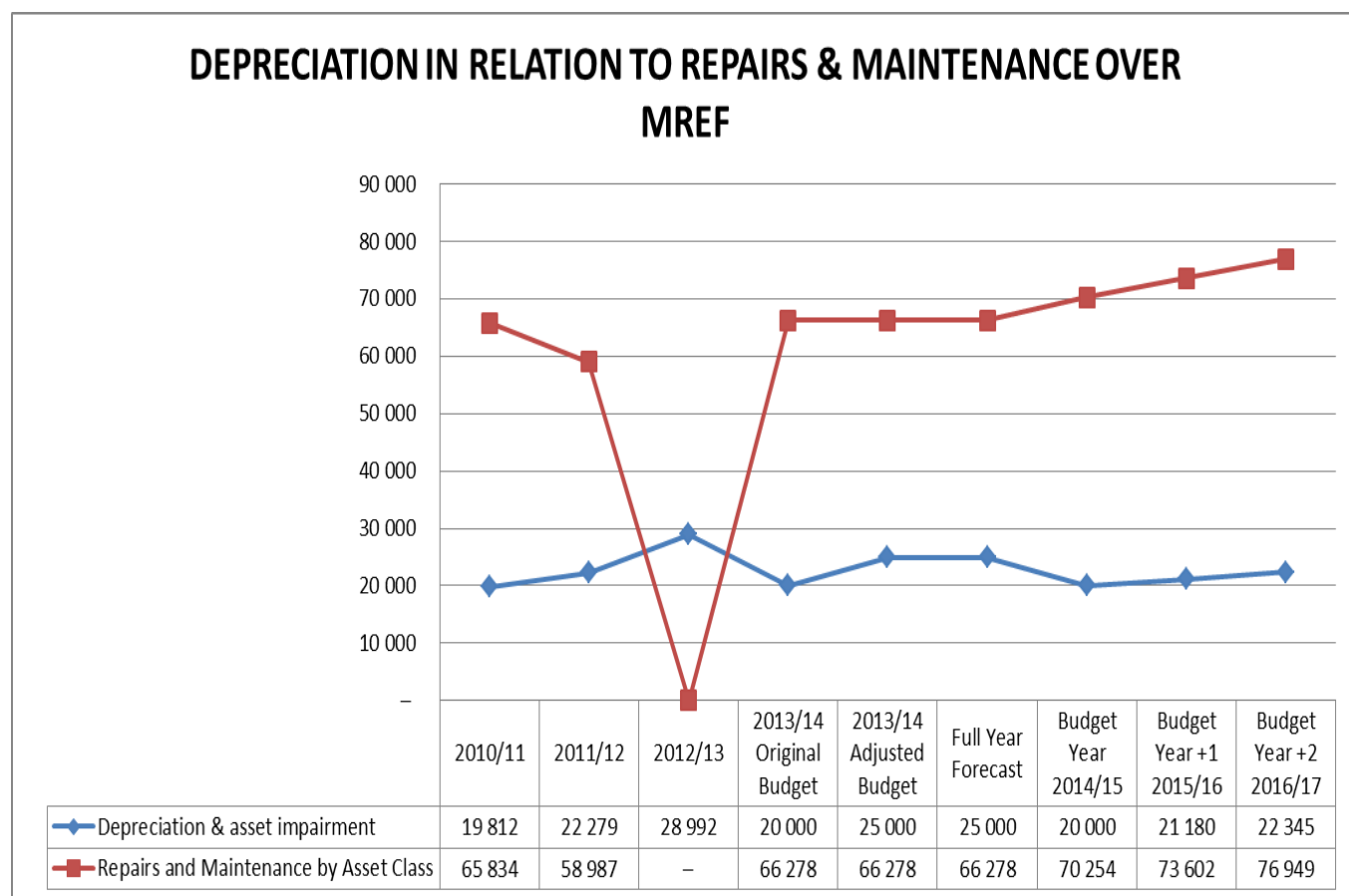


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

DC43 Sisonke - Table A10 Basic service delivery measurement									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets									
Water:									
Piped water inside dwelling	38 431	42 517	43 367	41 595	41 595	41 595	41 985	42 607	43 348
Piped water inside yard (but not in dwelling)	17 226	19 471	19 860	19 048	19 048	19 048	19 227	34 329	43 563
Using public tap (at least min.service level)	21 308	23 170	23 633	22 667	22 667	22 667	22 880	23 093	23 370
<i>Minimum Service Level and Above sub-total</i>	76 965	85 158	86 861	83 311	83 311	83 311	84 093	100 030	110 282
No water supply	33 817	32 127	32 769	31 430	31 430	31 430	31 725	16 020	6 000
<i>Below Minimum Service Level sub-total</i>	33 817	32 127	32 769	31 430	31 430	31 430	31 725	16 020	6 000
Total number of households	110 782	117 284	119 630	114 741	114 741	114 741	115 818	116 049	116 282
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	54 628	60 753	61 968	66 981	66 981	66 981	70 330	73 679	75 152
Flush toilet (with septic tank)	11 526	12 631	12 883	13 926	13 926	13 926	14 622	15 318	15 624
Pit toilet (ventilated)	44 502	51 003	52 023	56 231	56 231	56 231	59 042	61 854	63 091
<i>Minimum Service Level and Above sub-total</i>	110 656	124 387	126 875	137 137	137 137	137 137	143 993	150 850	153 867
Total number of households	110 656	124 387	126 875	137 137	137 137	137 137	143 993	150 850	153 867
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	8 580	9 796	9 992	12 229	12 229	12 229	10 923	10 923	10 923
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	3 186	3 689	3 763	4 695	4 695	4 695	5 006	5 406	5 839
Sanitation (free sanitation service)	2 794	3 235	3 235	4 117	4 117	4 117	-	-	-
Total cost of FBS provided (minimum social package)	5 980	6 924	6 998	8 812	8 812	8 812	5 006	5 406	5 839
Highest level of free service provided									
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Revenue cost of free services provided (R'000)									
Water	51 992	55 111	56 214	61 350	61 350	61 350	65 031	70 234	75 853
Sanitation	13 871	14 703	14 997	16 367	16 367	16 367	17 349	18 737	20 236
Total revenue cost of free services provided (total social package)	65 863	69 814	71 211	77 718	77 718	77 718	82 381	88 971	96 089

Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

The district continues to make good progress with the eradication of backlogs:

Water services – The table shows an increase in the number of household accessing water in the MTREF. These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.

Sanitation services – backlog will be reduced greatly in the MTREF. The budget provides for 9796 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. It is anticipated that these Free Basic Services will cost the municipality R7.5 million in the MTREF. This is covered by the municipality’s equitable share allocation from national government.

1.8 CONSOLIDATED SCHEDULES

DC43 Sisonke - Table A1 Consolidated Budget Summary									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands									
Financial Performance									
Property rates	194	-	-	-	-	-	-	-	-
Service charges	31 592	36 249	39 865	42 748	42 748	42 748	45 313	48 938	52 853
Investment revenue	5 655	2 202	3 001	2 000	2 596	2 596	2 666	2 069	2 072
Transfers recognised - operational	165 685	208 257	286 652	269 953	243 574	243 574	293 536	256 696	270 860
Other own revenue	1 678	7 285	2 210	572	29 722	29 722	10 429	41 548	41 545
Total Revenue (excluding capital transfers and contributions)	204 803	253 992	331 728	315 274	318 640	318 640	351 944	349 251	367 330
Employee costs	56 108	71 975	81 489	95 027	99 611	99 611	114 274	122 491	133 052
Remuneration of councillors	4 051	4 413	4 622	6 181	6 162	6 162	6 655	7 081	7 534
Depreciation & asset impairment	19 812	22 279	29 941	20 000	25 000	25 000	21 396	22 703	24 021
Finance charges	843	3 972	3 793	3 509	3 525	3 525	2 650	2 270	1 936
Materials and bulk purchases	6 998	8 218	9 710	7 800	9 848	9 848	5 472	5 750	6 050
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	224 983	247 392	215 523	171 870	214 759	214 759	188 755	177 687	190 007
Total Expenditure	312 794	358 248	345 078	304 386	358 905	358 905	339 204	337 982	362 599
Surplus/(Deficit)	(107 990)	(104 256)	(13 350)	10 888	(40 264)	(40 264)	12 740	11 269	4 731
Transfers recognised - capital	141 454	177 773	173 960	210 486	236 103	236 103	245 526	273 942	415 606
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Capital expenditure & funds sources									
Capital expenditure	152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815
Transfers recognised - capital	135 412	157 014	206 928	210 486	186 885	186 885	245 776	273 942	415 606
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	16 591	-	-	-	-	-	-	-	-
Internally generated funds	-	-	929	16 748	24 702	24 702	13 484	11 805	2 209
Total sources of capital funds	152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815
Financial position									
Total current assets	46 966	17 564	93 329	86 152	80 361	80 361	69 478	106 224	142 238
Total non current assets	864 881	991 576	1 125 493	1 517 343	1 335 034	1 335 034	1 549 446	1 813 298	2 207 814
Total current liabilities	108 028	89 642	141 194	34 740	39 863	39 863	64 952	79 150	94 507
Total non current liabilities	42 681	39 549	37 069	33 101	33 117	33 117	31 936	30 928	29 640
Community wealth/Equity	761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906
Cash flows									
Net cash from (used) operating	98 602	119 770	196 802	241 628	210 736	210 736	277 001	305 865	442 221
Net cash from (used) investing	(104 289)	(142 519)	(163 200)	(226 772)	(169 327)	(169 327)	(259 261)	(285 747)	(417 815)
Net cash from (used) financing	1 435	25 942	(5 066)	(2 482)	(5 345)	(5 345)	(3 372)	(3 130)	(2 858)
Cash/cash equivalents at the year end	346	3 539	32 076	42 375	66 064	66 064	44 885	61 873	83 421
Cash backing/surplus reconciliation									
Cash and investments available	7 058	3 539	32 076	77 137	66 064	66 064	44 885	61 873	83 421
Application of cash and investments	75 820	78 773	86 053	25 242	30 572	30 572	42 844	38 405	41 315
Balance - surplus (shortfall)	(68 762)	(75 234)	(53 977)	51 895	35 492	35 492	2 042	23 468	42 106
Asset management									
Asset register summary (WDV)	864 881	991 576	1 125 330	1 517 343	1 335 034	1 335 034	1 549 446	1 813 298	2 207 814
Depreciation & asset impairment	19 812	22 279	29 941	20 000	25 000	25 000	21 396	22 703	24 021
Renewal of Existing Assets	16 725	23 460	8 901	2 185	6 525	6 525	4 580	-	-
Repairs and Maintenance	65 834	58 987	-	66 278	66 278	66 278	70 254	73 602	76 949
Free services									
Cost of Free Basic Services provided	5 980	6 924	6 998	8 812	8 812	8 812	5 006	5 406	5 839
Revenue cost of free services provided	65 863	69 814	71 211	77 718	77 718	77 718	82 381	88 971	96 089
Households below minimum service level									
Water:	34	32	33	31	31	31	32	16	6
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-

DC43 Sisonke - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard										
Governance and administration		169 185	213 115	210 829	220 696	221 867	221 867	249 906	249 720	264 850
Executive and council		511	142	-	-	-	-	-	-	-
Budget and treasury office		168 581	212 710	210 347	220 696	220 898	220 898	249 906	249 720	264 850
Corporate services		93	264	481	-	969	969	-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		13 160	3 074	14 629	49 462	29 895	29 895	46 356	39 623	37 976
Planning and development		13 160	3 074	14 629	49 462	29 895	29 895	46 356	39 623	37 976
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		163 913	215 577	280 230	255 601	302 982	302 982	301 208	333 850	480 110
Electricity		-	-	-	-	-	-	-	-	-
Water		32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Waste water management		131 863	179 328	239 709	198 853	254 025	254 025	250 716	279 318	421 216
Waste management		-	-	-	-	-	-	-	-	-
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	346 258	431 766	505 688	525 760	554 743	554 743	597 470	623 193	782 936
Expenditure - Standard										
Governance and administration		133 355	126 146	98 509	121 481	130 147	130 147	128 100	137 360	144 972
Executive and council		45 704	35 894	12 760	18 956	18 718	18 718	22 373	22 540	24 024
Budget and treasury office		53 688	51 976	45 752	63 431	66 283	66 283	61 007	64 808	67 498
Corporate services		33 962	38 276	39 997	39 094	45 146	45 146	44 720	50 011	53 451
Community and public safety		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		23 571	60 385	41 298	94 437	70 003	70 003	88 993	79 158	85 331
Planning and development		23 571	60 385	41 298	94 437	70 003	70 003	88 993	79 158	85 331
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		155 867	171 717	205 270	88 467	158 754	158 754	122 110	121 464	132 296
Electricity		-	-	-	-	-	-	-	-	-
Water		86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Waste water management		69 150	53 204	75 392	9 816	57 522	57 522	25 235	18 308	20 087
Waste management		-	-	-	-	-	-	-	-	-
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	312 794	358 248	345 078	304 386	358 905	358 905	339 204	337 982	362 599
Surplus/(Deficit) for the year		33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338

DC43 Sisonke - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - Council		–	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager		511	142	210 347	–	–	–	–	–	–
Vote 3 - Finance		168 581	212 710	–	220 696	220 898	220 898	238 906	249 720	264 850
Vote 4 - Corporate Services		93	264	481	–	969	969	–	–	–
Vote 5 - Social & Development Planning		13 160	3 074	9 433	–	6 831	6 831	2 065	39 623	37 976
Vote 6 - Infrastructure Services		131 863	179 328	239 709	198 853	254 025	254 025	261 716	279 318	421 216
Vote 7 - Water Services		32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Vote 8 - Sisonke Development Agency		–	–	5 196	49 462	23 063	23 063	44 290	–	–
Total Revenue by Vote	2	346 258	431 766	505 688	525 760	554 743	554 743	597 470	623 193	782 936
Expenditure by Vote to be appropriated	1									
Vote 1 - Council		6 419	6 391	7 363	8 617	8 617	8 617	22 373	22 540	24 024
Vote 2 - Municipal Manager		39 285	29 503	5 398	10 339	10 101	10 101	–	–	–
Vote 3 - Finance		53 688	51 976	45 752	63 431	66 283	66 283	61 007	64 808	67 498
Vote 4 - Corporate Services		33 962	38 276	39 997	39 094	45 146	45 146	44 720	50 011	53 451
Vote 5 - Social & Development Planning		23 571	60 385	36 438	45 047	48 030	48 030	28 387	29 359	31 562
Vote 6 - Infrastructure Services		69 150	53 204	75 392	9 816	57 522	57 522	25 235	18 308	20 087
Vote 7 - Water Services		86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Vote 8 - Sisonke Development Agency		–	–	4 860	49 390	21 973	21 973	60 606	49 798	53 768
Total Expenditure by Vote	2	312 794	358 248	345 078	304 386	358 905	358 905	339 204	337 982	362 599
Surplus/(Deficit) for the year	2	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338

DC43 Sisonke - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source									
Property rates	194	–	–	–	–	–	–	–	–
Service charges - water revenue	16 887	25 374	27 906	30 697	30 697	30 697	31 037	33 520	36 201
Service charges - sanitation revenue	14 705	10 875	11 960	12 052	12 052	12 052	14 276	15 419	16 652
Rental of facilities and equipment	82	48	–	72	–	–	–	–	–
Interest earned - external investments	5 655	2 202	3 001	2 000	2 596	2 596	2 666	2 069	2 072
Interest earned - outstanding debtors	–	–	–	–	5 179	5 179	5 179	5 593	6 041
Transfers recognised - operational	165 685	208 257	286 652	269 953	243 574	243 574	293 536	256 696	270 860
Other revenue	1 595	7 237	2 210	500	24 543	24 543	5 250	35 955	35 504
Gains on disposal of PPE	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	204 803	253 992	331 728	315 274	318 640	318 640	351 944	349 251	367 330
Expenditure By Type									
Employee related costs	56 108	71 975	81 489	95 027	99 611	99 611	114 274	122 491	133 052
Remuneration of councillors	4 051	4 413	4 622	6 181	6 162	6 162	6 655	7 081	7 534
Debt impairment	6 303	15 508	15 023	12 000	12 169	12 169	10 000	10 000	10 000
Depreciation & asset impairment	19 812	22 279	29 941	20 000	25 000	25 000	21 396	22 703	24 021
Finance charges	843	3 972	3 793	3 509	3 525	3 525	2 650	2 270	1 936
Bulk purchases	6 998	8 218	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Other materials	–	–	–	–	250	250	472	455	463
Contracted services	27 717	46 472	22 632	36 408	34 999	34 999	25 970	28 626	30 396
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	190 963	151 947	177 730	123 462	167 590	167 590	152 785	139 061	149 611
Loss on disposal of PPE	–	33 465	138	–	–	–	–	–	–
Total Expenditure	312 794	358 248	345 078	304 386	358 905	358 905	339 204	337 982	362 599
Surplus/(Deficit)	(107 990)	(104 256)	(13 350)	10 888	(40 264)	(40 264)	12 740	11 269	4 731
Transfers recognised - capital	141 454	177 773	173 960	210 486	236 103	236 103	245 526	273 942	415 606
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Taxation	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Attributable to minorities	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338

DC43 Sisonke - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote										
Multi-year expenditure to be appropriated	2									
Vote 1 - Council		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	200	-	-	-	-	-	-	-
Vote 3 - Finance		-	-	72	130	200	200	100	1 490	-
Vote 4 - Corporate Services		9 563	1 753	1 567	3 256	2 433	2 433	3 609	2 022	2 133
Vote 5 - Social & Development Planning		15 777	-	3 200	-	409	409	2 325	5 700	-
Vote 6 - Infrastructure Services		125 176	155 061	202 323	223 248	205 332	205 332	247 526	270 190	409 253
Vote 7 - Water Services		1 487	-	695	600	2 122	2 122	5 200	5 620	5 621
Vote 8 - Sisonke Development Agency		-	-	-	-	1 090	1 090	500	725	808
Capital multi-year expenditure sub-total	7	152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815
Total Capital Expenditure - Vote		152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815
Capital Expenditure - Standard										
Governance and administration		9 563	1 952	1 640	3 386	2 633	2 633	3 709	3 512	2 133
Executive and council			200							
Budget and treasury office				72	130	200	200	100	1 490	
Corporate services		9 563	1 753	1 567	3 256	2 433	2 433	3 609	2 022	2 133
Community and public safety		-	-	-	-	-	-	-	-	-
Community and social services										
Sport and recreation										
Public safety										
Housing										
Health										
Economic and environmental services		15 777	-	3 200	-	1 500	1 500	2 825	6 425	808
Planning and development		15 777	-	3 200	-	1 500	1 500	2 825	6 425	808
Road transport										
Environmental protection										
Trading services		126 663	155 061	203 017	223 848	207 454	207 454	252 726	275 810	414 874
Electricity										
Water		1 487	-	695	600	2 122	2 122	5 200	5 620	5 621
Waste water management		125 176	155 061	202 323	223 248	205 332	205 332	247 526	270 190	409 253
Waste management										
Other										
Total Capital Expenditure - Standard	3	152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815
Funded by:										
National Government		100 655	136 500	164 126	210 486	183 268	183 268	245 776	273 942	415 606
Provincial Government		34 757	20 514	42 802	-	3 617	3 617			
District Municipality										
Other transfers and grants										
Transfers recognised - capital	4	135 412	157 014	206 928	210 486	186 885	186 885	245 776	273 942	415 606
Public contributions & donations	5									
Borrowing	6	16 591								
Internally generated funds				929	16 748	24 702	24 702	13 484	11 805	2 209
Total Capital Funding	7	152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815

DC43 Sisonke - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
ASSETS										
Current assets										
Cash		346	3 539	32 076	77 137	66 064	66 064	44 885	61 873	83 421
Call investment deposits	1	6 712	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	5 738	2 505	7 786	7 786	13 307	23 897	35 070
Other debtors		39 853	5 201	55 250	6 510	6 510	6 510	10 968	20 072	23 290
Current portion of long-term receivables			8 708					-	-	-
Inventory	2	54	116	265				318	381	457
Total current assets		46 966	17 564	93 329	86 152	80 361	80 361	69 478	106 224	142 238
Non current assets										
Long-term receivables				0						
Investments										
Investment property										
Investment in Associate										
Property, plant and equipment	3	864 148	991 081	1 124 701	1 516 798	1 333 550	1 333 550	1 548 062	1 811 902	2 206 544
Agricultural										
Biological										
Intangible		734	495	792	545	1 484	1 484	1 384	1 396	1 270
Other non-current assets										
Total non current assets		864 881	991 576	1 125 493	1 517 343	1 335 034	1 335 034	1 549 446	1 813 298	2 207 814
TOTAL ASSETS		911 847	1 009 140	1 218 822	1 603 495	1 415 395	1 415 395	1 618 924	1 919 522	2 350 052
LIABILITIES										
Current liabilities										
Bank overdraft	1									
Borrowing	4	4 191	4 911	3 297	3 174	3 174	3 174	3 266	3 000	3 330
Consumer deposits		787	881	1 010	1 012	1 135	1 135	1 265	1 401	1 543
Trade and other payables	4	98 071	77 972	129 507	30 555	35 555	35 555	53 128	67 062	81 532
Provisions		4 978	5 878	7 380	-	-	-	7 293	7 687	8 102
Total current liabilities		108 028	89 642	141 194	34 740	39 863	39 863	64 952	79 150	94 507
Non current liabilities										
Borrowing		37 140	32 122	27 700	25 384	25 400	25 400	18 683	15 683	12 353
Provisions		5 541	7 427	9 369	7 717	7 717	7 717	13 253	15 245	17 287
Total non current liabilities		42 681	39 549	37 069	33 101	33 117	33 117	31 936	30 928	29 640
TOTAL LIABILITIES		150 709	129 191	178 263	67 841	72 980	72 980	96 888	110 078	124 147
NET ASSETS	5	761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906
Reserves	4	-	-	-	-	-	-	-	-	-
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	5	761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906

DC43 Sisonke - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		22 864	42 495	33 426	30 496	30 496	30 496	40 363	74 793	78 157
Government - operating	1	166 200	213 861	242 026	269 953	292 965	292 965	293 536	256 696	270 860
Government - capital	1	120 498	155 053	196 780	210 486	236 103	236 103	245 526	273 942	415 606
Interest		5 655	2 202	3 001	2 000	2 596	2 596	6 702	6 519	6 970
Dividends								-	-	-
Payments										
Suppliers and employees		(215 771)	(289 868)	(274 637)	(267 799)	(347 889)	(347 889)	(306 476)	(303 816)	(327 437)
Finance charges		(843)	(3 972)	(3 793)	(3 509)	(3 534)	(3 534)	(2 650)	(2 270)	(1 936)
Transfers and Grants	1					-	-			
NET CASH FROM/(USED) OPERATING ACTIVITIES		98 602	119 770	196 802	241 628	210 736	210 736	277 001	305 865	442 221
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			(149 231)							
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments		103 120	6 712							
Payments										
Capital assets		(207 409)	-	(163 200)	(226 772)	(169 327)	(169 327)	(259 261)	(285 747)	(417 815)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(104 289)	(142 519)	(163 200)	(226 772)	(169 327)	(169 327)	(259 261)	(285 747)	(417 815)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		3 318	-					-	-	-
Borrowing long term/refinancing		113	-			(20)	(20)	(16)	-	-
Increase (decrease) in consumer deposits			30 449		12	137	137	130	136	142
Payments										
Repayment of borrowing		(1 996)	(4 507)	(5 066)	(2 494)	(5 462)	(5 462)	(3 486)	(3 266)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 435	25 942	(5 066)	(2 482)	(5 345)	(5 345)	(3 372)	(3 130)	(2 858)
NET INCREASE/ (DECREASE) IN CASH HELD		(4 251)	3 193	28 537	12 375	36 064	36 064	14 368	16 988	21 548
Cash/cash equivalents at the year begin:	2	4 597	346	3 539	30 000	30 000	30 000	30 517	44 885	61 873
Cash/cash equivalents at the year end:	2	346	3 539	32 076	42 375	66 064	66 064	44 885	61 873	83 421

DC43 Sisonke - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	1	346	3 539	32 076	42 375	66 064	66 064	44 885	61 873	83 421
Other current investments > 90 days		6 712	-	(0)	34 763	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		7 058	3 539	32 076	77 137	66 064	66 064	44 885	61 873	83 421
Application of cash and investments										
Unspent conditional transfers		47 640	32 528	41 681	10 000	15 000	15 000	15 865	14 737	13 333
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2				346	346	346			
Other working capital requirements	3	23 202	40 368	39 374	14 209	14 539	14 539	19 685	15 981	19 880
Other provisions		4 978	5 878	4 997	687	687	687	7 293	7 687	8 102
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		75 820	78 773	86 053	25 242	30 572	30 572	42 844	38 405	41 315
Surplus(shortfall)		(68 762)	(75 234)	(53 977)	51 895	35 492	35 492	2 042	23 468	42 106

DC43 Sisonke - Table A9 Consolidated Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE										
Total New Assets	1	135 278	133 554	198 956	225 049	203 971	203 971	254 681	285 747	417 815
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	580	4 366	4 366	3 415	-	-
Infrastructure - Water		108 393	111 892	139 002	166 970	165 642	165 642	194 351	213 707	343 759
Infrastructure - Sanitation		-	16 109	20 078	50 012	17 998	17 998	36 178	55 709	56 784
Infrastructure - Other		58	-	-	200	-	-	-	-	-
Infrastructure		108 451	128 001	159 080	217 762	188 006	188 006	233 944	269 416	400 543
Community		15 777	3 600	28 704	2 000	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	11 051	1 952	10 416	4 252	15 964	15 964	20 537	16 019	16 999
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	756	1 034	-	-	200	312	273
Total Renewal of Existing Assets	2	16 725	23 460	8 901	2 185	6 525	6 525	4 580	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		16 725	16 283	1 136	916	6 525	6 525	4 580	-	-
Infrastructure - Sanitation		-	7 177	7 765	1 269	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		16 725	23 460	8 901	2 185	6 525	6 525	4 580	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	580	4 366	4 366	3 415	-	-
Infrastructure - Water		125 118	128 175	140 138	167 886	172 168	172 168	198 931	213 707	343 759
Infrastructure - Sanitation		-	23 286	27 844	51 281	17 998	17 998	36 178	55 709	56 784
Infrastructure - Other		58	-	-	200	-	-	-	-	-
Infrastructure		125 176	151 461	167 981	219 947	194 532	194 532	238 524	269 416	400 543
Community		15 777	3 600	28 704	2 000	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		11 051	1 952	10 416	4 252	15 964	15 964	20 537	16 019	16 999
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	756	1 034	-	-	200	312	273
TOTAL CAPITAL EXPENDITURE - Asset class	2	152 003	157 014	207 857	227 234	210 496	210 496	259 261	285 747	417 815

DC43 Sisonke - Table A9 Consolidated Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport					-	-	-	-	-	-
Infrastructure - Electricity					-	4 366	4 366	7 622	9 205	10 633
Infrastructure - Water					-	898 825	898 825	1 071 104	1 406 336	1 781 342
Infrastructure - Sanitation					-	332 220	332 220	362 331	279 148	277 883
Infrastructure - Other					-	32 633	32 633	31 966	38 605	44 598
Infrastructure		-	-	-	-	1 268 044	1 268 044	1 473 023	1 733 294	2 114 457
Community					-	51 813	51 813	54 757	61 295	70 810
Heritage assets					-	-	-	-	-	-
Investment properties					-	-	-	-	-	-
Other assets		864 148	991 081	1 124 701	1 516 798	13 693	13 693	20 282	17 313	21 278
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		734	495	792	545	1 484	1 484	1 384	1 396	1 270
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	864 881	991 576	1 125 493	1 517 343	1 335 034	1 335 034	1 549 446	1 813 298	2 207 814
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		19 812	22 279	29 941	20 000	25 000	25 000	21 396	22 703	24 021
<u>Repairs and Maintenance by Asset Class</u>	3	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		38 206	32 443	38 415	38 412	38 412	38 412	40 716	43 021	43 465
Infrastructure - Sanitation		26 202	20 645	22 710	26 405	26 405	26 405	27 990	29 574	32 531
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		64 408	53 088	61 125	64 817	64 817	64 817	68 706	72 595	75 996
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	1 425	5 899	7 333	1 461	1 461	1 461	1 548	1 007	953
TOTAL EXPENDITURE OTHER ITEMS		85 645	81 265	98 399	86 278	91 278	91 278	91 650	96 305	100 970
<i>Renewal of Existing Assets as % of total capex</i>		11.0%	14.9%	4.3%	1.0%	3.1%	3.1%	1.8%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		84.4%	105.3%	29.7%	10.9%	26.1%	26.1%	21.4%	0.0%	0.0%
<i>R&M as a % of PPE</i>		7.6%	6.0%	6.1%	4.4%	5.0%	5.0%	4.5%	4.1%	3.5%
<i>Renewal and R&M as a % of PPE</i>		10.0%	8.0%	7.0%	5.0%	5.0%	5.0%	5.0%	4.0%	3.0%

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 Mayor.

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

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

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2013. Key dates applicable to the process were:

- a) **August 2013** – Joint strategic planning session of the 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 2014/15 MTREF;
- b) **November 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- c) **January 2014** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- d) **January 2014** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;

- e) **28 January 2014** - Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- f) **February 2014** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2014/15 MTREF is revised accordingly;
- g) **28 MARCH 2014** - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- h) **8 to 23 April 2014** – Public consultation;
- i) **6 May 2014** - Closing date for written comments;
- j) **6 to 26 May 2014** – finalization of the 2014/15 IDP and 2014/15 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
- k) **29 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council IDP and Service Delivery and Budget Implementation Plan. This is the third review of the IDP as adopted by Council in May 2011. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

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

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

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 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 2014/15 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 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modeling and Key Planning Drivers

Part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure the affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

1. District growth
2. Policy priorities and strategic objectives
3. Asset maintenance
4. Economic climate and trends (i.e. inflation, household debt, migration patterns)
5. Performance trends
6. The approved 2013/14 adjustments budget and performance against the SDBIP
7. Cash Flow Management Strategy
8. Debtor payment levels
9. Loan and investment possibilities
10. The need for tariff increases versus the ability of the community to pay for services;
11. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54, 72 has been taken into consideration in the planning and prioritisation process.

Community Consultation

The draft 2014/15 MTREF as tabled before Council on 28 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at satellite offices, municipal notice boards and various libraries. In addition E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Harry Gwala district municipality's website, and the district call centre was engaged in collecting inputs via e-mail, fax and SMS.

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 08 to 23 April 2014, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and local municipalities a notice board on average attendance of 300 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and izimbizo'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 2014/15 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- a) 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 district 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;
- b) Several complaints were received regarding poor service delivery, especially poor condition of water (drinking water) and the state of road infrastructure;
- c) Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- d) The affordability of tariff increases was raised on numerous occasions. This concern was also raised by organised business as an obstacle to economic growth;
- e) Pensioners cannot afford the tariff increases due to low annual pension increases; and
- f) During the community consultation process large sections of the community made it clear that they are not in favor of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

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 district, 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 district 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 district's response to these requirements.

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 26 IDP Strategic Objectives

2013/14 Financial Year	2014/15 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Harry Gwala district principles through a caring, accessible and accountable service	4. Foster participatory democracy and Harry Gwala district principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the district 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:

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

- a) Provide water;
- b) Provide sanitation;
- c) Provide housing;
- d) Provide district planning services; and
- e) Maintaining the infrastructure of the district.

Economic growth and development that leads to sustainable job creation by:

- a) Ensuring there is a clear structural plan for the district;
- b) Ensuring planning processes function in accordance with set timeframes;
- c) Facilitating the use of labor intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- a) Effective implementation of the Indigent Policy;
- b) Ensuring all waste water treatment works are operating optimally;
- c) Working with strategic partners such as SAPS to address crime;
- d) Ensuring safe working environments by effective enforcement of building and health regulations;
- e) Promote viable, sustainable communities through proper zoning; and
- f) Promote environmental sustainability by protecting wetlands and key open spaces.

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 coordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- a) Optimising effective community participation in the ward committee system; and
- b) Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- a) Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- b) Reviewing the use of contracted services
- c) Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- d) Optimal institutional transformation to ensure capacity to achieve set objectives
- e) 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 district. The five-year programme responds to the development challenges and opportunities faced by the district by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the district 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 district 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 district IDP, associated sectoral plans and strategies, and the allocation of resources of the district 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:

1. Developing dormant areas;
2. Enforcing hard development lines – so as to direct private investment;
3. Maintaining existing urban areas;
4. Strengthening key economic clusters;
5. Building social cohesion;
6. Strong developmental initiatives in relation to the municipal institution as a whole; and
7. Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- a) Strengthening the analysis and strategic planning processes of the District;
- b) 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;
- c) Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- d) Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

DC43 Sisonke - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	1 711	2 236	-	-	-	-	-	-	-
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	138 083	180 477	259 076	220 696	220 898	220 898	249 906	249 720	264 850
Muni Trans & Instit Dev	Meet Basic Service & address Backlogs	623	814	-	-	969	969	250	4 100	3 400
Muni Trans & Instit Dev	Efficient Fleet Management Service	-	-	-	-	-	-	-	-	-
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	1 622	2 120	417	-	6 831	6 831	-	-	-
Infrastructure & Services	Infrastructure Services	171 197	223 758	193 619	198 853	254 025	254 025	250 716	279 318	421 216
Water Services	Meet Basic Service & address Backlogs	33 023	43 162	47 380	56 748	48 957	48 957	51 347	55 455	57 239
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributi		346 258	452 567	500 492	476 297	531 680	531 680	552 219	588 593	746 705

DC43 Harry Gwala - Supporting Table SA4 Consolidated Reconciliation of IDP strategic objectives and budget (revenue)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	1 711	2 236	–	–	–	–	–	–	–
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	138 083	180 477	259 076	220 696	220 898	220 898	238 906	249 720	264 850
Muni Trans & Instit Dev	Meet Basic Service & address Backlogs	623	814	–	–	969	969	250	4 100	3 400
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	1 622	2 120	5 613	49 462	29 895	29 895	46 106	35 523	34 576
Infrastructure & Services	Infrastructure Services	171 197	223 758	193 619	198 853	254 025	254 025	261 716	279 318	421 216
Water Services	Meet Basic Service & address Backlogs	33 023	22 361	47 380	56 748	48 957	48 957	50 492	54 532	58 894
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributi		346 258	431 766	505 688	525 760	554 743	554 743	597 470	623 193	782 936

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

DC43 Sisonke - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Good Governance	Promote the Support of Activities of Sport & Recreation, Youth Development, Elderly, Women & Physically -Challenged	17 524	19 458	19 061	14 008	16 595	16 595	16 656	17 702	19 189
Good Governance	Ensure Accessibility & Promote Governance	22 346	24 812	24 305	17 862	21 162	21 162	21 240	22 573	24 469
Good Governance	To Create an Efficient & Accountable Administration	18 244	20 256	19 843	14 583	17 277	17 277	17 340	18 429	19 977
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	30 549	33 920	33 227	24 419	28 930	28 930	29 036	30 860	33 451
Muni Trans & Instt Dev	HR Dev. (Including Healthy & Productive Employees) & Organisational dev.	13 440	14 922	14 618	10 743	20 184	20 184	12 774	13 576	14 717
Muni Trans & Instt Dev	Effective & Efficient Admin & IT Support Service Provision	29 307	32 541	31 877	23 426	27 754	27 754	27 856	29 605	32 091
Muni Trans & Instt Dev	Efficient Fleet Management Service	7 158	7 947	7 785	5 721	6 778	6 778	6 803	7 230	7 838
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	32 494	36 079	35 343	25 974	30 772	30 772	30 885	32 824	35 581
Socio Economic Development	To create the disaster management unit that seeks to prevent, mitigate; preparedness; response; recovery and rehabilitation to disasters	1 339	1 487	1 456	1 070	1 268	1 268	1 273	1 353	1 466
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	7 874	8 743	8 565	6 294	7 457	7 457	7 484	7 954	8 622
Infrastructure & Services	Infrastructure Services	35 061	38 930	38 135	28 026	57 522	57 522	25 235	18 308	20 087
Water Services	Meet Basic Service & address Backlogs	97 458	108 211	106 002	82 871	101 232	101 232	96 875	103 157	112 209
Total Expenditure		312 794	347 305	340 218	254 996	336 932	336 932	293 459	303 571	329 698

DC43 Harry Gwala - Supporting Table SA5 Consolidated Reconciliation of IDP strategic objectives and budget (operating expenditure)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Good Governance	Promote the Support of Activities of Sport & Recreation, Youth	17 524	19 458	19 061	14 008	16 595	16 595	16 656	17 702	19 189
Good Governance	Ensure Accessibility & Promote Governance	22 346	24 812	24 305	17 862	21 162	21 162	21 240	22 573	24 469
Good Governance	To Create an Efficient & Accountable Administration	18 244	20 256	19 843	14 583	17 277	17 277	17 340	18 429	19 977
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for	30 549	33 920	33 227	24 419	28 930	28 930	29 175	30 471	32 584
Muni Trans & Instit Dev	HR Dev. (Including Healthy & Productive Employees) & Organisational dev.	13 440	14 922	14 618	10 743	20 184	20 184	12 774	13 576	14 717
Muni Trans & Instit Dev	Effective & Efficient Admin & IT Support Service Provision	29 307	32 541	31 877	23 426	27 754	27 754	27 856	29 605	32 091
Muni Trans & Instit Dev	Efficient Fleet Management Service	7 158	7 947	7 785	5 721	6 778	6 778	6 803	7 230	7 838
Socio Economic Development	To promote local economic growth and development, tourism and investment by	32 494	36 079	40 203	75 364	52 745	52 745	76 491	67 623	69 350
Socio Economic Development	To create the disaster management unit that seeks to prevent, mitigate;	1 339	1 487	1 456	1 070	1 268	1 268	1 273	1 353	1 466
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful	7 874	8 743	8 565	6 294	7 457	7 457	7 484	7 954	8 622
Infrastructure & Services	Infrastructure Services	35 061	38 930	38 135	28 026	57 522	57 522	25 235	18 308	20 087
Water Services	Meet Basic Service & address Backlogs	97 457	119 154	106 002	82 871	101 232	101 232	96 875	103 157	112 209
Allocations to other priorities										
Total Expenditure		312 794	358 248	345 078	304 386	358 905	358 905	339 204	337 982	362 599

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

DC43 Sisonke - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Good Governance	Ensure Accessibility & Promote Governance	-	200	-	-	-	-	-	-	-
Good Governance	To Create an Efficient & Accountable Administration	-	-	-	130	-	-	-	-	-
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	-	-	-	-	-	-	100	1 490	-
Muni Trans & Instit Dev	Effective & Efficient Admin & IT Support Service Provision	6 303	1 752	8 619	1 056	2 433	2 433	3 609	2 022	2 133
Muni Trans & Instit Dev	Efficient Fleet Management Service	3 318	-	4 537	-	-	-	-	-	-
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	15 719	-	21 495	-	609	609	2 325	5 700	-
Infrastructure & Services	Infrastructure Services	125 176	155 061	171 172	224 986	205 332	205 332	247 527	270 190	409 253
Water Services	Meet Basic Service & address Backlogs	1 487	-	2 033	600	2 122	2 122	5 200	5 620	5 621
Total Capital Expenditure		152 003	157 014	207 857	226 772	210 496	210 496	258 761	285 022	417 007

DC43 Harry Gwala - Supporting Table SA6 Consolidated Reconciliation of IDP strategic objectives and budget (capital expenditure)										
Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Good Governance	Ensure Accessibility & Promote Governance	-	200	-	-	-	-	-	-	-
Good Governance	To Create an Efficient & Accountable Administration	-	-	-	130	-	-	-	-	-
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	-	-	-	-	-	-	100	1 490	-
Muni Trans & Instit Dev	Effective & Efficient Admin & IT Support Service Provision	6 303	1 752	8 619	1 056	2 433	2 433	3 609	2 022	2 133
Muni Trans & Instit Dev	Efficient Fleet Management Service	3 318	-	4 537	-	-	-	-	-	-
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	15 719	-	21 495	-	1 700	1 700	2 825	6 425	808
Infrastructure & Services	Infrastructure Services	125 176	155 061	171 172	225 448	205 332	205 332	247 527	270 190	409 253
Water Services	Meet Basic Service & address Backlogs	1 487	-	2 033	600	2 122	2 122	5 200	5 620	5 621
Allocations to other priorities										
Total Capital Expenditure		152 003	157 014	207 857	227 234	211 586	211 586	259 261	285 747	417 815

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 district 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. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

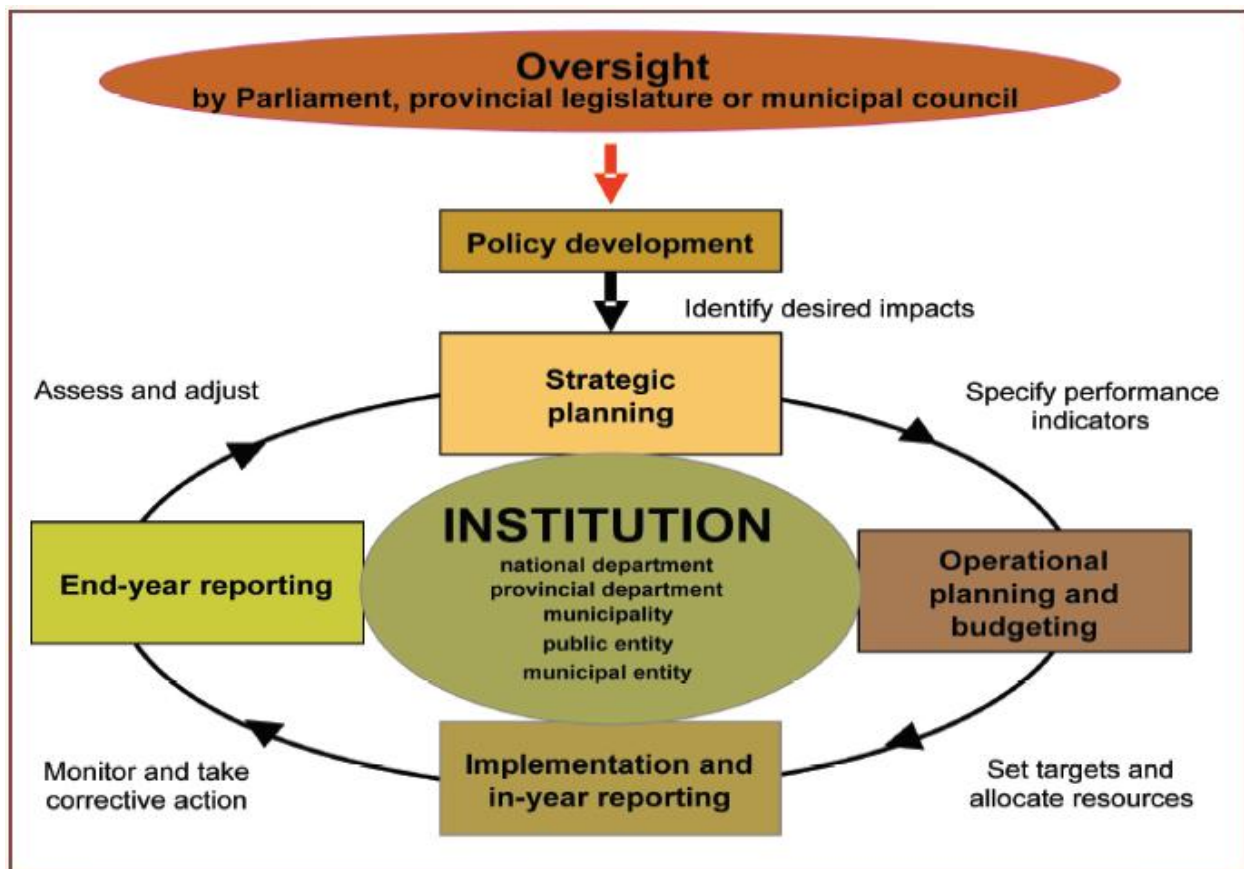


Figure 4 Planning, budgeting and reporting cycle

The performance of the district 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 district therefore has adopted one integrated performance management system which encompasses:

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

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

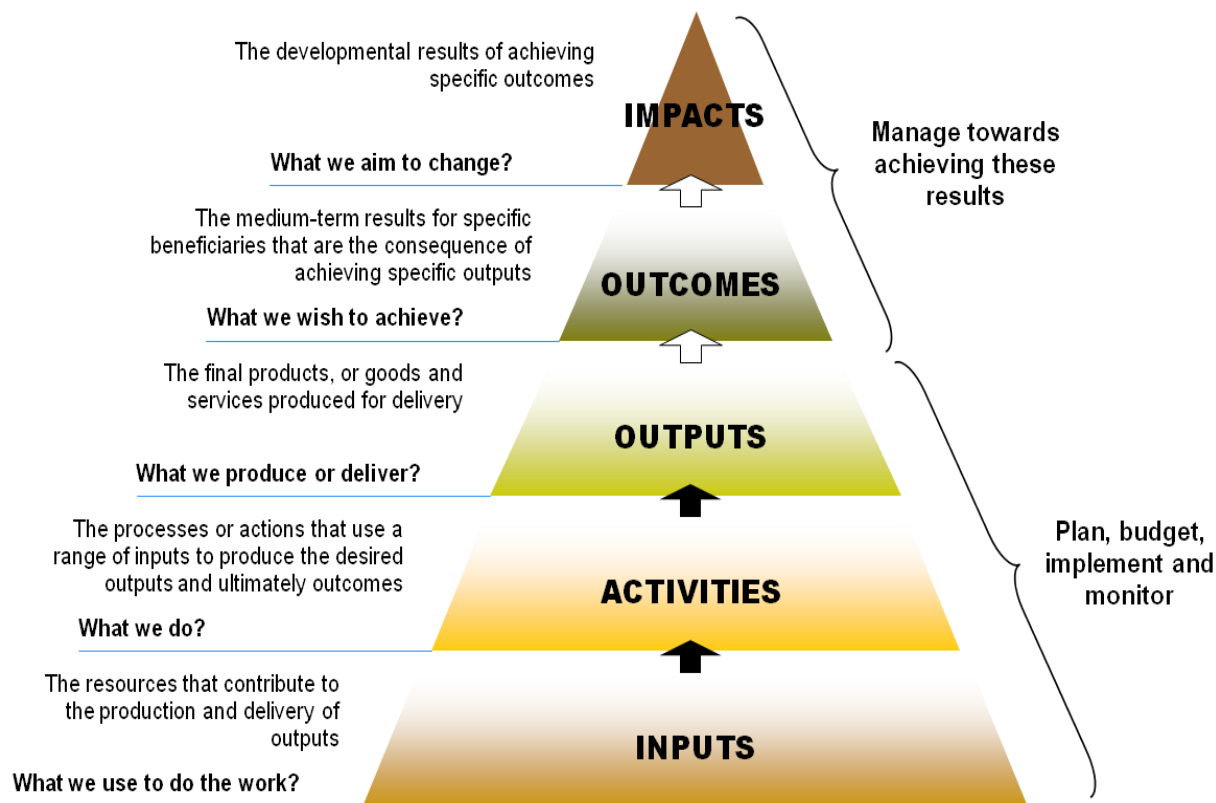


Figure 5 Definition of performance information concepts

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

Table 30 MBRR Table SA7 - Measurable performance objectives

DC43 Sisonke - Supporting Table SA7 Measurable performance objectives										
Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote1 - Executive & Council										
Function 1 - Operations Department										
Sub-function 1 - Youth Development										
<i>To render youth developmentn projects</i>	Number of programmes	22	23	20	16	14	14	10	10	10
Sub-function 2 - Sports and Recreation										
<i>To promote sports initiatives and activities</i>	Number of games & events held	4	4	6	6	6	6	8	8	8
Sub-function 3 - Communication and Public Relations										
<i>To render intergrated communication services</i>	Information Dissemination	10	10	12	12	12	12	12	12	12
Sub-function 4 - Special Programmes										
<i>Programs for the Elderly, Disabled, HIV&Aids and Cultural Activities</i>	Number of Programmes implemented	10	10	6	6	6	6	6	6	6
Sub-function 5 - IDP/PMS										
<i>Compilation of Annual Report, SDBIP, Annual Performance Contracts and Rewarding Performance</i>	Number of Reports	9	9	9	9	9	9	9	9	9
Sub-function 6 - Intergovernmental Relations										
<i>To hold the meetings as part of the intergovernmental realtions within the dictrict</i>	Number of meeting Held	0	10	4	4	4	4	4	4	4
Vote2 - Finance										
Function 1 - Budget & Treasury Office										
Sub-function 1 - Budgeting & Reporting										
<i>Financial Viability & Management</i>	Number of Reports Produced	15	15	15	15	15	15	15	15	15
Vote3 - Corporate Services										
Sub-function 2 - Human Resource Services										
<i>To provide Human Resource Management Services</i>	Number of plans, Strategies, Policies developed	5	5	5	5	5	5	5	5	5
	Staff Capacity Building									
Vote4 - Economic & Community Services										
Function 1 - Development & Planning										
Sub-function 1 - Planning & GIS										
<i>To provide Development Planning Services</i>	Number of Precinct Plans Developed	1	0	2	4	3	3	4	4	4
	Physical Developments of Parks				2					
Sub-function 2 - Environmental Health										
<i>The municipality shall therefore ensure that, its residents have access to an environment that is not harmful to their health and well being. (Section 24 of the constitution), and it shall ensure the promotion of social and economic upliftment (object of the municipal systems act) of its residents.</i>	% Enforcements undertaken	30%	45%	80%	100%	100%	100%	100%	100%	100%
	Surveillance of Business Premises	0	0	0	240	240	240	240	240	240
	Percentage of samples taken of functional water schemes	60%	65%	68%	70%	70%	70%	80%	90%	100%
Sub-function 3 - Disaster Management										

DC43 Sisonke - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Sub-function 3 - Disaster Management										
<i>Turnaround time to respond to any disaster</i>	% Enforcements undertaken	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time
	Construction of Disaster Management Centre	0.0%	0.0%		100%					
Vote5 - Infrastructure Services										
Function 1 - Waste Water Infrastructure										
Sub-function 1 - Water										
<i>Reduction in water backlogs</i>	Total number of HH with access to water	5304	5894	6435	6893	6755	6755	6435	6435	6435
	Bulk Water & Sewer Infrastructure	160	168	176	187	183	183	176	176	176
Sub-function 2 - Sanitation										
<i>Reduction in sanitation backlogs</i>	Number of household with new access to VIP sanitation	1752	1844	1956	2043	1941	1941	1956	1956	1956
Sub-function 3 - Electricity										
<i>To provide electricity to the existing water schemes</i>	No of hh with electricity connection in the water scheme	85	90	95	100	98	98	95	95	95
Vote6 - Water Services										
Function 1 - Water										
Sub-function 1 - Water & Sanitation infrastructure Planning & Design										
<i>To ensure the effective management of all water Infrastructure</i>	Water Feasibility Studies, Business Plans Approved	10	10	10	10	8	8	10	10	10
	Sanitation Feasibility Studies, Business Plans Approved	4	4	5	4	5	5	8	10	12
Sub-function 2 - Water & Sanitation Services Operations and Maintenance										
<i>To render effective water & sanitation services</i>	% Reduction in water losses Minimum Night Flows in main supply areas	80.0%	90.0%	95.0%	100%	98%	98%	100%	100%	100%
	% reduction in the number of sewer overflows	80.0%	90.0%	95.0%	100%	100%	100%	100%	100%	100%
	% Progress made towards Blue drop and Green drop Status DWA	<50%	<50%	>50%	>50%	>50%	>50%	>65%	>80%	>95%

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

DC43 Sisonke - Supporting Table SA8 Performance indicators and benchmarks										
Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Borrowing Management										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.8%	0.9%	2.4%	3.0%	2.2%	2.2%	2.4%	2.1%	2.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.0%	7.3%	12.7%	11.5%	12.0%	12.0%	13.2%	11.4%	14.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	39.6%	20.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity										
Current Ratio	Current assets/current liabilities	1.1	0.4	0.2	1.8	0.3	0.3	1.8	3.4	4.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.1	0.4	0.2	1.8	0.3	0.3	1.8	3.4	4.7
Liquidity Ratio	Monetary Assets/Current Liabilities	1.0	0.1	0.0	1.1	0.2	0.2	1.6	3.0	4.2
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		61.3%	68.3%	47.4%	87.2%	61.5%	0.0%	70.3%	70.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			61.3%	68.3%	47.4%	87.2%	61.5%	0.0%	70.3%	70.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	3.7%	16.9%	3.6%	6.7%	2.0%	2.0%	3.4%	3.8%	4.5%
Creditors Management										
Creditors to Cash and Investments		812.9%	14570.9%	1275.1%	66.2%	185.7%	185.7%	37.9%	21.2%	15.7%
Other Indicators										
Employee costs	Employee costs/(Total Revenue - capital revenue)	19.5%	27.4%	26.2%	29.3%	29.5%	29.5%	34.0%	34.0%	36.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	20.9%	29.4%	28.8%	31.3%	31.6%	31.6%	36.3%	36.3%	38.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	21.1%	32.1%	21.5%	22.6%	22.6%	22.6%	24.9%	24.2%	25.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	7.9%	10.1%	7.9%	9.4%	8.4%	8.4%	8.8%	7.8%	8.0%
IDP regulation financial viability indicators										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	5.7	5.8	9.3	10.2	10.2	10.2	9.6	9.7	7.9
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	25.1%	108.4%	27.2%	52.0%	14.0%	14.0%	21.1%	24.1%	35.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.4	0.0	0.2	2.3	0.6	0.6	3.4	5.8	7.5

PERFORMANCE INDICATORS AND BENCHMARKS

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Harry Gwala's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 1.4 per cent to 0.7 per cent in 2016/17 it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

No projects are funded from Borrowing in the MTREF

In summary, various financial risks could have a negative impact on the future borrowing District of the municipality. In particular, the continued ability of the district to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Liquidity (reference SA8)

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1.5, hence at no point in time should this ratio be less than 1. For the 2014/15 MTREF the current ratio is 1.1 in the 2014/15 financial year and 1.3 and 1.5 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 1.4 and it decreases to 0.7 in the 2014/15 financial year and increases steadily to 0.9 in 2016/17. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the District. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

Revenue Management

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

Creditors Management

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

Other Indicators

The water distribution losses have been reduced from 35 per cent in 2011/12 to 32 per cent in 2012/13. This has been achieved with the introduction of a water leakage report and action centre. The intention is to further rollout additional depots within the District to further leverage from the efficiency that the centre offers. It is planned to further reduce distribution losses from 32 per cent in 2012/13 to 25 per cent by 2013/14.

Employee costs as a percentage of operating revenue continues to increase from 33.5 per cent in 2014/15 to 35 and 36 per cent for the outer years. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of Harry Gala's strategy to ensure the management of its asset base.

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the District.

For the 2014/15 financial year all households in the district have been budgeted for the 6 free kilo litres of water. Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

Providing clean water and managing waste water

Harry Gwala district is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Only in the Ubuhlebezwe local municipal area is a districts bulk water needs provided by Umngeni water and Ugu District municipality while the remaining supplier is generated from the district own water sources, such as boreholes and small dams.

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

The following is briefly the main challenges facing the district:

1. The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
2. Shortage of skilled personnel makes proper operations and maintenance difficult;
3. Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
4. There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

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

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

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

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

Review of credit control and debt collection procedures/policies

As the most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the district's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

Asset Management, Infrastructure Investment and Funding Policy

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

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

Budget Adjustment Policy

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

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2013. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the district system of delegations. The Budget and Virement Policy was approved by Council after having been amended accordingly.

Cash Management and Investment Policy

The aim of the policy is to ensure that the district surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

Tariff Policies

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

Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2014/15 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

1. Approved 2013/14 Adjustments Budget;
2. Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
3. Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
4. Loan and investment possibilities;
5. Performance trends;
6. Tariff Increases;
7. The ability of the community to pay for services (affordability);
8. Policy priorities;

9. Improved and sustainable service delivery; and
10. Debtor payment levels.

All the above policies are available on the district website, as well as the following budget related policies:

- a) Funding and Reserves Policy;
- b) Borrowing Policy;
- c) Budget Policy; and
- d) Basic Social Services Package (Indigent Policy).

The proposed amendments to the budget policies have been included as Annexure 3.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

External factors

The economy is still recovering from the recession it has had in the past 2 years.

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

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 2014/15 MTREF:

1. National Government macro-economic targets;
2. The general inflationary outlook and the impact on district's residents and businesses;
3. The impact of municipal cost drivers;
4. The increase in the price of bulk water; and other input costs like District and fuel,
5. The increase in the cost of remuneration. Employee related costs comprise 35 per cent of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
6. Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (80 per cent) of annual billings. Cash flow is assumed to be 80 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

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

Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2011 and shall remain in force until 30 June 2014. Year three is an across the board increase of 6.79 per cent.

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:

1. Creating jobs;
2. Enhancing education and skill development;
3. Improving Health services;
4. Rural development and agriculture; and
5. 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.

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.6 OVERVIEW OF BUDGET FUNDING

Medium-term outlook: operating revenue

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

Table 32 Breakdown of the operating revenue over the medium-term

DC43 Sisonke - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Service charges - water revenue	30 697	10%	31 037	9%	33 520	10%	36 201	10%
Service charges - sanitation revenue	12 052	4%	14 276	4%	15 419	4%	16 652	5%
Interest earned - external investments	2 596	1%	2 666	1%	2 069	1%	2 072	1%
Interest earned - outstanding debtors	5 179	2%	5 179	1%	5 593	2%	6 041	2%
Transfers recognised - operational	243 574	76%	293 536	83%	256 696	73%	270 860	74%
Other revenue	24 543	8%	5 250	1%	35 955	10%	35 504	10%
Total Revenue (excluding capital transfers and contributions)	318 640	100%	351 944	100%	349 251	100%	367 330	100%

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.

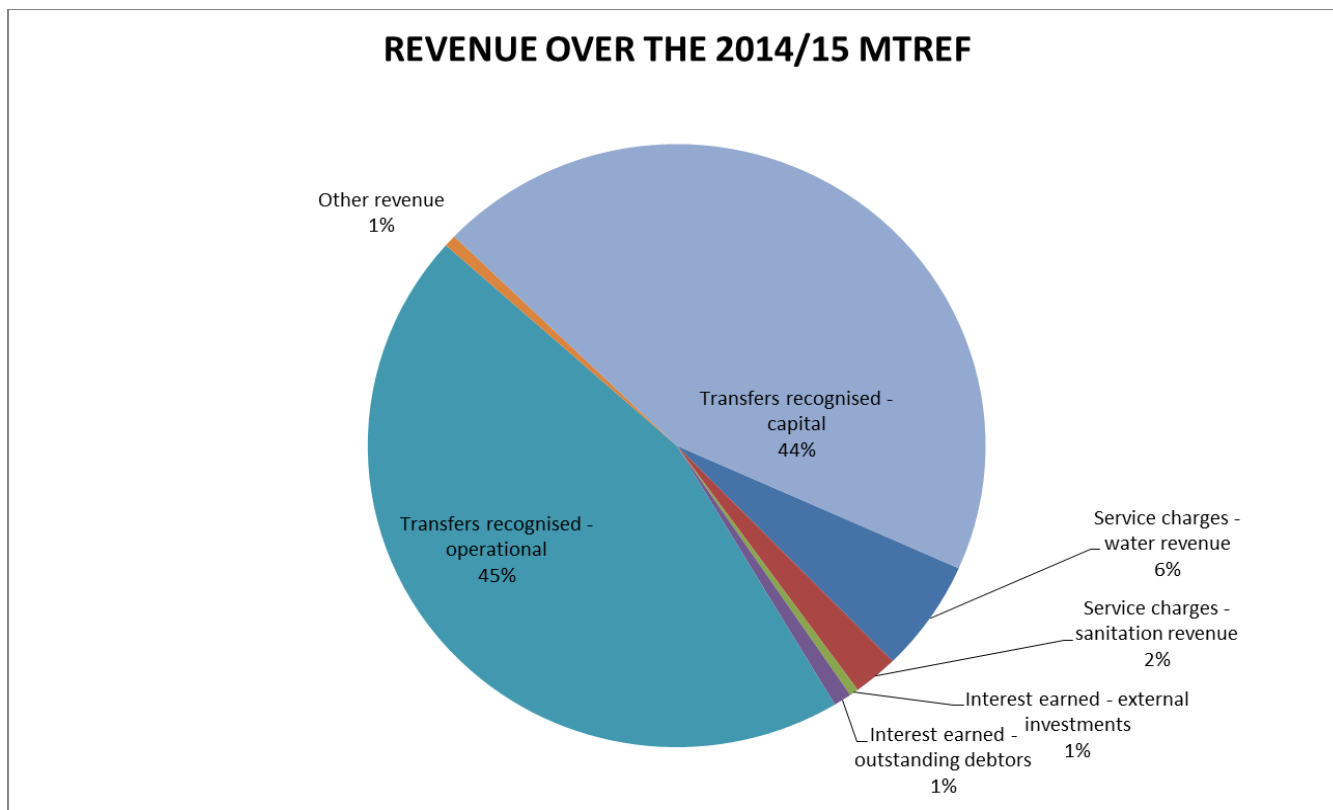


Figure 6 Breakdown of operating revenue over the 2014/15 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The district derives most of its operational revenue from the provision of goods and services such as water and sanitation.

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

1. Growth in the District and economic development;
2. Revenue management and enhancement;
3. Achievement of a 80 per cent annual collection rate for consumer revenue;
4. National Treasury guidelines;
5. District tariff increases within the National District Regulator of South Africa (NERSA) approval;
6. Achievement of full cost recovery of specific user charges;
7. Determining tariff escalation rate by establishing/calculating revenue requirements;
8. And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 33 Proposed tariff increases over the medium-term

	% Increases			Additional Revenue		
	2014/15 Medium Term Revenue &			2014/15 Medium Term Revenue &		
	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Service charges - water revenue	6%	8%	8%	340	2 483	2 682
Service charges - sanitation revenue	6%	8%	8%	2 225	1 142	1 233
Total				2 565	3 625	3 915

Services charges share 13% of the revenue basket of the district totaling R45 million for the 2014/5 financial year and increasing to R52, 8 million by 2016/17.

Consolidated Operational grants and subsidies amount to R293 million, R256 million and R270million for each of the respective financial years of the MTREF, or 83%, 73%, 74 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are declining rapidly over the MTREF growing by 21 per cent and declining by 13 per cent for 2015/16 and a growth of 6 per cent for the 2016/17. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the District with a budget allocation of R2.6 million, R2 million and R2 million for the respective three financial years of the 2014/15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 34 MBRR SA15 – Detail Investment Information

The municipality and municipal entity do not have any investments which are greater than 90 days. Interest revenue is earned on call investment deposits.

Table 35 MBRR SA16 – Investment particulars by maturity

There are no investments.

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted consolidated operating surplus of R12. 7 million, R11, 2 million and R4, 7million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 36 Sources of capital revenue over the MTREF

DC43 Harry Gwala - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2014/15 Medium Term Revenue &		
	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funded by:			
National Government	245 776	273 942	415 606
Provincial Government			
Transfers recognised - capital	245 776	273 942	415 606
Public contributions & donations			
Borrowing			
Internally generated funds	13 484	11 805	2 209
Total Capital Funding	259 261	285 747	417 815

The above table is graphically represented as follows for the 2014/15 financial year.

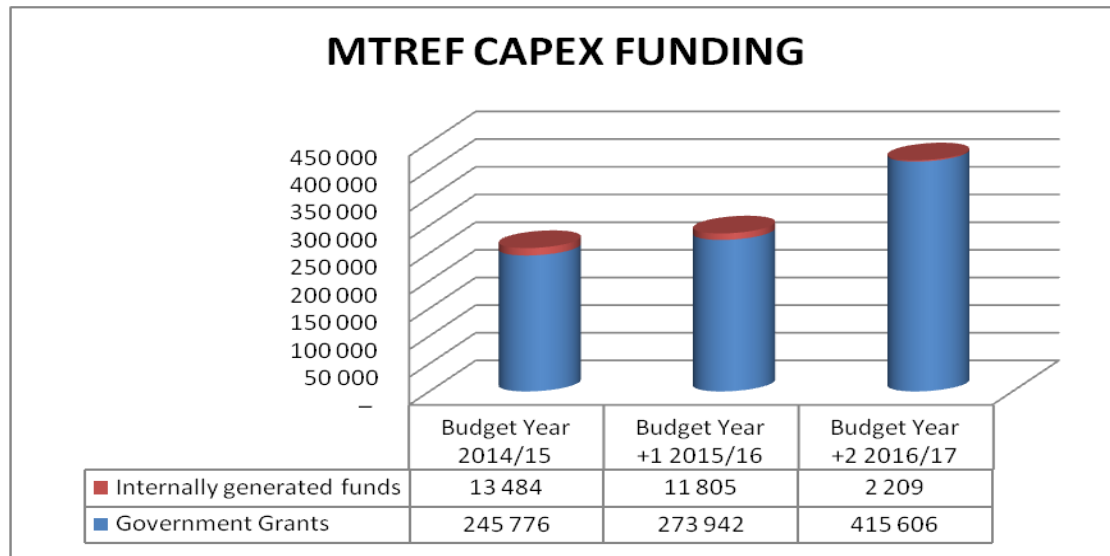


Figure 7 Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts equates to 95 per cent of the total funding source which represents R245 million for the 2014/15 financial year and steadily increase to R273 million and R415 for 2016/17. Growth relating to an average receipts of 61 per cent over the medium-term.

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

Table 37 MBRR Table SA 17 - Detail of borrowings

DC43 Harry Gwala - Supporting Table SA17 Consolidated Borrowing

Borrowing - Categorized by type R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality									
Long-Term Loans (annuity/reducing balance)	-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)	37 140	32 122	27 685	25 384	25 384	25 384	21 949	18 683	15 683
Municipality sub-total	37 140	32 122	27 685	25 384	25 384	25 384	21 949	18 683	15 683
Entities									
No Borrowings	-	-	-	-	-	-	-	-	-
Entities sub-total	-	-	-	-	-	-	-	-	-
Total Borrowing	37 140	32 122	27 685	25 384	25 384	25 384	21 949	18 683	15 683

The following graph illustrates the growth in outstanding borrowing for the 2010/11 to 2016/17 period.

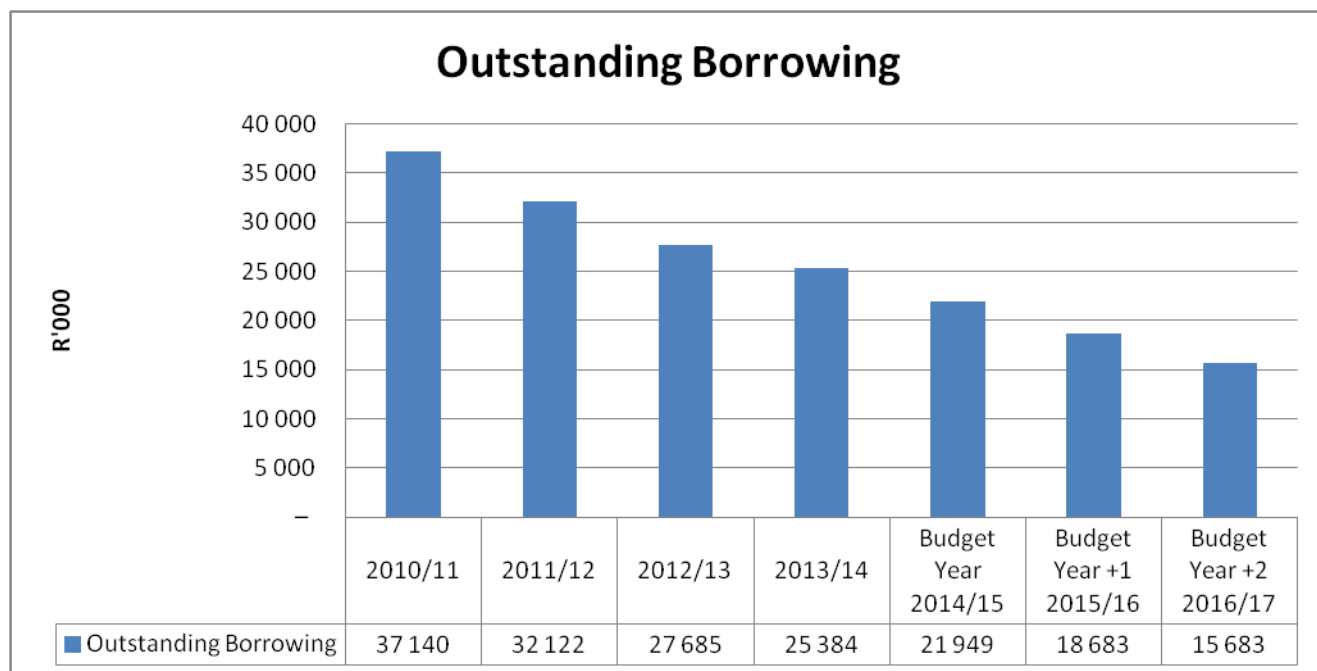


Figure 8 Decline in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 38 MBRR Table SA 18 - Capital transfers and grant receipts

DC43 Harry Gwala - Supporting Table SA18 Consolidated Transfers and grant receipts

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Transfers and Grants									
National Government:	76 649	155 596	170 707	210 486	232 486	232 486	245 526	273 942	415 606
Municipal Infrastructure Grant (MIG)	76 604	136 610	165 717	173 618	173 618	173 618	183 882	192 442	201 488
Regional Bulk Infrastructure	-	13 851	396	15 429	37 429	37 429	28 200	30 000	100 000
Neighbourhood Development Partnership	-	-	-	-	-	-	-	-	-
Energy Efficiency And Demand Side Management Grant	-	-	-	5 000	5 000	5 000	3 415	3 000	5 000
Municipal Water Infrastructure Grant	-	-	-	13 700	13 700	13 700	22 800	43 500	109 118
EPWP Grant	45	5 135	4 594	2 739	2 739	2 739	2 729	-	-
Rural Household Infrastructure Grant	-	-	-	-	-	-	4 500	5 000	-
Provincial Government:	43 436	26 532	26 073	-	3 617	3 617	-	-	-
Disaster Management Grant	1 500	-	-	-	3 000	3 000	-	-	-
Ubuhlebezwe Grant	-	-	-	-	617	617	-	-	-
COGTA - Umzimkhulu Grant	36 873	25 038	-	-	-	-	-	-	-
Sihleza Maize Production Project (COGTA)	1 500	-	-	-	-	-	-	-	-
Massification (COGTA)	3 563	1 494	20 800	-	-	-	-	-	-
Fresh Produce Market Grant CoGTA	-	-	3 200	-	-	-	-	-	-
CoGTA - Ubuhlebezwe Grant	-	-	1 453	-	-	-	-	-	-
ACIP - DWA	-	-	620	-	-	-	-	-	-
Total Capital Transfers and Grants	120 085	182 129	196 780	210 486	236 103	236 103	245 526	273 942	415 606

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 councilors and management. Some specific features include:

1. Clear separation of receipts and payments within each cash flow category;
2. 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
3. Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Ta

DC43 Harry Gwala - Table A7 Budgeted Cash Flows

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	22 864	42 495	33 426	30 424	30 424	30 424	38 113	39 338	43 653
Government - operating	166 200	213 861	218 281	220 563	220 607	220 607	249 246	256 696	270 860
Government - capital	120 498	155 053	196 780	210 486	236 103	236 103	245 526	273 942	415 606
Interest	5 655	2 202	2 988	2 000	2 500	2 500	6 636	6 450	6 898
Dividends							-	-	-
Payments									
Suppliers and employees	(215 771)	(289 868)	(255 451)	(194 417)	(261 997)	(261 997)	(245 959)	(254 744)	(274 560)
Finance charges	(843)	(3 972)	(3 792)	(3 500)	(3 521)	(3 521)	(2 639)	(2 259)	(1 926)
Transfers and Grants			(7 490)	(12 000)	(13 768)	(13 768)	(15 000)	(15 000)	(20 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 602	119 770	184 742	253 556	210 347	210 347	275 924	304 424	440 532
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		(149 231)							
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments	103 120	6 712							
Payments									
Capital assets	(207 409)	-	(163 035)	(226 772)	(168 236)	(168 236)	(258 761)	(285 022)	(417 007)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(104 289)	(142 519)	(163 035)	(226 772)	(168 236)	(168 236)	(258 761)	(285 022)	(417 007)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	3 318	-							
Borrowing long term/refinancing	113	-							
Increase (decrease) in consumer deposits		30 449		-	125	125	130	136	142
Payments									
Repayment of borrowing	(1 996)	(4 507)	(5 060)	(2 494)	(5 462)	(5 462)	(3 486)	(3 266)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	1 435	25 942	(5 060)	(2 494)	(5 337)	(5 337)	(3 356)	(3 130)	(2 858)
NET INCREASE/ (DECREASE) IN CASH HELD	(4 251)	3 193	16 647	24 291	36 774	36 774	13 807	16 272	20 666
Cash/cash equivalents at the year begin:	4 597	346	3 539	20 186	20 186	20 186	30 000	43 807	60 078
Cash/cash equivalents at the year end:	346	3 539	20 186	44 477	56 960	56 960	43 807	60 078	80 745

ble 39 MBRR Table A7 - Budget cash flow statement

The above table shows that cash and cash equivalents of the District were on a positive trend between the 2010/11 and 2013/14 financial year moving from a cash balance of R346 thousand to R44.6 million. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realised to ensure the District could meet its operational expenditure commitments and this resulted in cash equivalents increasing to R56million after the adjustments budget. In addition the District undertook an extensive debt collection process but it was not that successful due to the high poverty levels existing in the district. For the 2014/15 MTREF the budget has been prepared to continue ensuring high levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R43, 8 million by 2014/15 and steadily increasing to R80, 7 million by 2016/17.

The table below presents the consolidated Cash Flow Statement.

DC43 Harry Gwala - Table A7 Consolidated Budgeted Cash Flows

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	22 864	42 495	33 426	30 496	30 496	30 496	40 363	74 793	78 157
Government - operating	166 200	213 861	242 026	269 953	292 965	292 965	293 536	256 696	270 860
Government - capital	120 498	155 053	196 780	210 486	236 103	236 103	245 526	273 942	415 606
Interest	5 655	2 202	3 001	2 000	2 596	2 596	6 702	6 519	6 970
Dividends							-	-	-
Payments									
Suppliers and employees	(215 771)	(289 868)	(274 637)	(267 799)	(347 889)	(347 889)	(306 476)	(303 816)	(327 437)
Finance charges	(843)	(3 972)	(3 793)	(3 509)	(3 534)	(3 534)	(2 650)	(2 270)	(1 936)
Transfers and Grants					-	-			
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 602	119 770	196 802	241 628	210 736	210 736	277 001	305 865	442 221
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		(149 231)							
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments	103 120	6 712							
Payments									
Capital assets	(207 409)	-	(163 200)	(226 772)	(169 327)	(169 327)	(259 261)	(285 747)	(417 815)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(104 289)	(142 519)	(163 200)	(226 772)	(169 327)	(169 327)	(259 261)	(285 747)	(417 815)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	3 318	-					-	-	-
Borrowing long term/refinancing	113	-			(20)	(20)	(16)	-	-
Increase (decrease) in consumer deposits		30 449		12	137	137	130	136	142
Payments									
Repayment of borrowing	(1 996)	(4 507)	(5 066)	(2 494)	(5 462)	(5 462)	(3 486)	(3 266)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	1 435	25 942	(5 066)	(2 482)	(5 345)	(5 345)	(3 372)	(3 130)	(2 858)
NET INCREASE/ (DECREASE) IN CASH HELD	(4 251)	3 193	28 537	12 375	36 064	36 064	14 368	16 988	21 548
Cash/cash equivalents at the year begin:	4 597	346	3 539	30 000	30 000	30 000	30 517	44 885	61 873
Cash/cash equivalents at the year end:	346	3 539	32 076	42 375	66 064	66 064	44 885	61 873	83 421

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 40 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

DC43 Harry Gwala - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	346	3 539	32 076	42 375	66 064	66 064	30 000	44 885	61 873	83 421
Other current investments > 90 days	6 712	-	(0)	34 763	-	-	(30 000)	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	7 058	3 539	32 076	77 137	66 064	66 064	-	44 885	61 873	83 421
Application of cash and investments										
Unspent conditional transfers	47 640	32 528	41 681	10 000	15 000	15 000	-	15 865	14 737	13 333
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	346	346	346	-	-	-	-
Other working capital requirements	23 202	40 368	39 374	14 209	14 539	14 539	-	19 685	15 981	19 880
Other provisions	4 978	5 878	4 997	687	687	687	-	7 293	7 687	8 102
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	75 820	78 773	86 053	25 242	30 572	30 572	-	42 844	38 405	41 315
Surplus(shortfall)	(68 762)	(75 234)	(53 977)	51 895	35 492	35 492	-	2 042	23 468	42 106

From the above table it can be seen that the cash and cash equivalents available total R44, 8 million in the 2014/15 financial year and progressively increase to R61.8 million by 2015/16, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the District to meet its creditor obligations.

Against other provisions an amount R7 million has been provided for the 2014/15 financial year and this increases to R8 million by 2016/17. This liability is informed by, amongst others, the supplementary pension liability.

The 2014/15 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the District will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

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

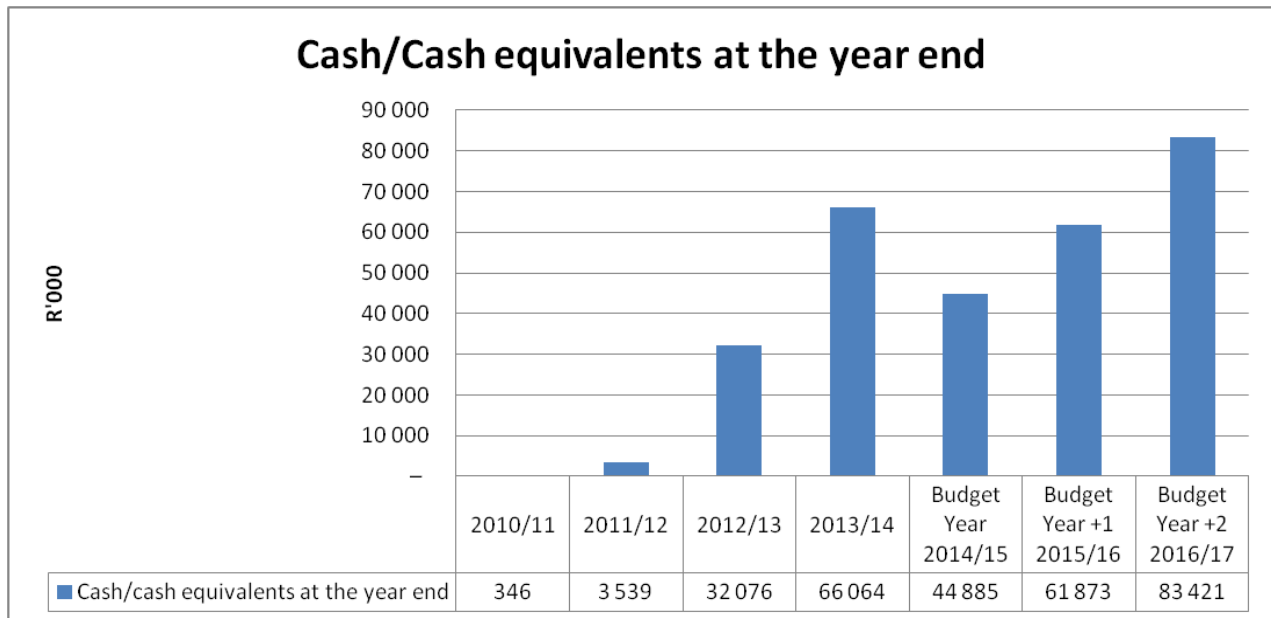


Figure 9 Cash and cash equivalents

2.6.5 Funding compliance measurement

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

Table 41 MBRR SA10 – Funding compliance measurement

DC43 Harry Gwala Supporting Table SA10 Consolidated Funding measurement

Description	MFMA section	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	346	3 539	32 076	42 375	66 064	66 064	30 000	44 885	61 873	83 421
Cash + investments at the yr end less applications - R'000	18(1)b	(68 762)	(75 234)	(53 977)	51 895	35 492	35 492	-	2 042	23 468	42 106
Cash year end/monthly employee/supplier payments	18(1)b	0.0	0.2	1.9	2.4	3.5	3.5	-	2.4	3.3	4.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	33 464	73 517	160 610	221 374	195 839	195 839	-	258 266	285 211	420 338
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	8.0%	4.0%	1.2%	(6.0%)	(6.0%)	(106.0%)	0.0%	2.0%	2.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	68.3%	97.6%	79.4%	70.4%	42.1%	42.1%	0.0%	72.4%	82.7%	82.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	19.8%	42.7%	37.7%	28.0%	28.5%	28.5%	0.0%	22.1%	20.4%	18.9%
Capital payments % of capital expenditure	18(1)c;19	136.5%	0.0%	78.5%	99.8%	80.0%	80.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	0.7%	0.0%	0.0%	0.0%	(0.1%)	(0.1%)	0.0%	(0.1%)	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								100.0%	100.0%	100.0%
Current consumer debtors % change - incr/(decr)	18(1)a	N.A.	(65.1%)	338.5%	(85.2%)	58.6%	0.0%	(100.0%)	69.8%	81.1%	32.7%
Long term receivables % change - incr/(decr)	18(1)a	N.A.	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	7.6%	6.0%	6.1%	4.4%	5.0%	5.0%	0.0%	4.5%	4.1%	3.5%
Asset renewal % of capital budget	20(1)(vi)	11.0%	14.9%	4.3%	1.0%	3.1%	3.1%	0.0%	1.8%	0.0%	0.0%

DC43 Harry Gwala Supporting Table SA10 Funding measurement

Description	MFMA section	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	346	3 539	20 186	44 477	56 960	56 960	20 186	43 807	60 078	80 745
Cash + investments at the yr end less applications - R'000	18(1)b	(68 762)	(75 234)	(57 115)	29 056	26 373	26 373	-	521	16 760	33 646
Cash year end/monthly employee/supplier payments	18(1)b	0.0	0.2	1.2	2.8	3.0	3.0	-	2.5	3.3	4.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	33 464	73 517	160 274	221 302	194 748	194 748	-	257 766	284 486	419 530
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	8.0%	4.0%	1.2%	(6.0%)	(6.0%)	(106.0%)	0.0%	2.0%	2.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	68.3%	97.6%	79.4%	70.3%	42.0%	42.0%	0.0%	70.6%	71.5%	72.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	19.8%	42.7%	37.7%	28.1%	28.1%	28.1%	0.0%	22.1%	20.4%	18.9%
Capital payments % of capital expenditure	18(1)c;19	136.5%	0.0%	78.4%	99.8%	79.9%	79.9%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	0.7%	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								0.0%	0.0%	0.0%
Current consumer debtors % change - incr/(decr)	18(1)a	N.A.	(65.1%)	338.2%	(85.2%)	58.6%	0.0%	(100.0%)	69.8%	81.1%	32.7%
Long term receivables % change - incr/(decr)	18(1)a	N.A.	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	7.6%	6.0%	0.0%	4.4%	5.0%	5.0%	0.0%	4.5%	4.1%	3.5%
Asset renewal % of capital budget	20(1)(vi)	11.0%	14.9%	4.3%	1.0%	3.1%	3.1%	0.0%	1.8%	0.0%	0.0%

Cash/cash equivalent position

The District's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2014/15 MTREF shows R43, 8 million, R60 million and R80, 7million for each respective financial year.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection. Notably, the ratio has been increasing significantly for the period 2011/12 to 2013/14, moving from 0.09 to 1.9, this ratio improved from 2.5 to 4.1 in the 2014/15 MTREF. This is positive sign of liquidity recovery compared to the previous years.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a opening surplus of R12, 2 million, R10,5 million and R3, 9million.

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

Service charge revenue as a percentage increase less macro inflation target

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

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth has been at the same level as the CPIX and then grows at 2 per cent for the two outer years in the MTREF. Considering tariff increase in relation to revenue generated from rates and services charges is 6 per cent. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 70.6, 71.5 and 72.9 per cent for each of the respective financial years. Given that the assumed collection rate was based

on an 78 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 22.1, 20,4 and 18.9 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

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

Consumer debtors change (Current and Non-current)

The purpose of this measure is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the District's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 42 MBRR SA19 - Expenditure on transfers and grant programmes

DC43 Sisonke - Supporting Table SA18 Transfers and grant receipts									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	-	186 931	217 200	220 310	220 310	220 310	237 996	252 596	267 460
Local Government Equitable Share		182 881	203 556	216 056	216 056	216 056	230 622	245 003	259 532
Finance Management		1 250	1 250	1 250	1 250	1 250	-	-	-
Municipal Systems Improvement		790	1 000	890	890	890	1 250	1 250	1 300
WATER SERVICES OPERATING SUBSIDY GRANT		322	9 618	-	-	-	934	967	1 018
WATER SERVICES OPERATING SUBSIDY		-		300	300	300	3 146	3 292	3 447
Rural Transport Services and Infrastructure Grant		1 688	1 776	1 814	1 814	1 814	2 044	2 084	2 163
Provincial Government:	-	4 100	400	253	253	253	11 250	4 100	3 400
Lg seta		500					11 000	-	-
In-Service Training - Salaries		300					-	-	-
Community Development Project							250	1 100	400
ICT Shared Services Grant (cogta)		3 000					-	-	-
District Growth Development Summit			400						
Infrastructure Sport Facilities				253	253	253			
Experiential Learning		300							
Rural Transport Services and Infrastructure Grant							-	3 000	3 000
Total Operating Transfers and Grants	-	191 031	217 600	220 563	220 563	220 563	249 246	256 696	270 860

DC43 Harry Gwala - Supporting Table SA19 Consolidated Expenditure on transfers and grant programme

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		165 387	186 531	217 200	220 310	220 310	220 310	282 286	252 596	267 460
Local Government Equitable Share		156 284	182 472	203 556	216 056	216 056	216 056	230 622	245 003	259 532
Finance Management		1 022	1 252	1 250	1 250	1 250	1 250	1 250	1 250	1 300
Municipal Systems Improvement		749	796	1 000	890	890	890	934	967	1 018
Water Services Operating Subsidy Grant		6 175		9 618	-	-	-	3 146	3 292	3 447
Water Services Operating Subsidy		1 157	323		300	300	300	-	-	-
Rural Transport Services And Infrastructure Grant			1 688	1 776	1 814	1 814	1 814	2 044	2 084	2 163
Department Of Higher Education & Training								44 290	-	-
Provincial Government:		8 143	2 314	1 345	253	297	297	11 250	4 100	3 400
Infrastructure Sport Facilities		-	-	-	253	253	253	-	-	-
LG Seta		93	264	381	-	44	44	-	-	-
Inter Governmental Grant		230	142	47	-	-	-	-	-	-
PMS Grant		511	-	-	-	-	-	-	-	-
Government Experts		-	-	-	-	-	-	-	-	-
Community Development Project		-	-	100	-	-	-	-	-	-
District Growth Development Summit		-	-	-	-	-	-	-	-	-
Accredited Councillors Training		-	-	369	-	-	-	-	-	-
Development Planning Shared Services		768	1 203	449	-	-	-	250	1 100	400
Umzimkhulu Arts Culture and Tourism		4 797			-	-	-	-	-	-
Corridor Development Grant (Hawker Stalls)		1 745	705		-	-	-	-	3 000	3 000
Small Town Rehabilitation Programme		-	-	-	-	-	-	11 000	-	-
Total operating expenditure of Transfers and Grants:		173 530	188 845	218 545	220 563	220 607	220 607	293 536	256 696	270 860
Capital expenditure of Transfers and Grants										
National Government:		79 518	155 599	207 674	210 486	232 486	232 486	245 526	273 942	415 606
Municipal Infrastructure Grant (MIG)		79 475	136 610	178 956	173 618	173 618	173 618	183 882	192 442	201 488
Regional Bulk Infrastructure		-	13 851	24 124	15 429	37 429	37 429	28 200	30 000	100 000
Neighbourhood Development Partnership		-	-	-	-	-	-	-	-	-
Energy Efficiency And Demand Side Management Grant		-	-	-	5 000	5 000	5 000	3 415	3 000	5 000
Municipal Water Infrastructure Grant		-	-	-	13 700	13 700	13 700	22 800	43 500	109 118
EPWP Grant		43	5 137	4 594	2 739	2 739	2 739	2 729	-	-
Rural Household Infrastructure Grant		-	-	-	-	-	-	4 500	5 000	-
Provincial Government:		54 092	41 586	29 210	-	3 617	3 617	-	-	-
Disaster Management Grant		1 150	1 886		-	3 000	3 000	-	-	-
Ubuhlebezwe Grant					-	617	617	-	-	-
COGTA - Umzimkhulu Grant		40 935	34 436	21 787	-	-	-	-	-	-
Sihleza Maize Production Project (COGTA)		66	951	346	-	-	-	-	-	-
Massification (COGTA)		994	4 063	2 634	-	-	-	-	-	-
Fresh Produce Market Grant CoGTA		10 946			-	-	-	-	-	-
CoGTA - Ubuhlebezwe Grant				1 376	-	-	-	-	-	-
ACIP - DWA				2 016	-	-	-	-	-	-
			250	1 051						
Total capital expenditure of Transfers and Grants		133 609	197 185	236 884	210 486	236 103	236 103	245 526	273 942	415 606
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		307 139	386 030	455 429	431 049	456 710	456 710	539 063	530 638	686 466

Table 43 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

DC43 Sisonke - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Operating transfers and grants:									
National Government:									
Current year receipts		186 931	217 200	220 310	220 310	220 310	237 995	252 596	267 460
Conditions met - transferred to revenue	-	186 931	217 200	220 310	220 310	220 310	237 995	252 596	267 460
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Current year receipts		4 100	400	253	253	253	11 250	4 100	3 400
Conditions met - transferred to revenue	-	4 100	400	253	253	253	11 250	4 100	3 400
Total operating transfers and grants revenue	-	191 031	217 600	220 563	220 563	220 563	249 245	256 696	270 860
Capital transfers and grants:									
National Government:									
Current year receipts		138 585	183 745	210 486	210 486	210 486	245 526	273 942	415 606
Conditions met - transferred to revenue	-	138 585	183 745	210 486	210 486	210 486	245 526	273 942	415 606
Provincial Government:									
Current year receipts		12 000							
Conditions met - transferred to revenue	-	12 000	-	-	-	-	-	-	-
Total capital transfers and grants revenue	-	150 585	183 745	210 486	210 486	210 486	245 526	273 942	415 606
TOTAL TRANSFERS AND GRANTS REVENUE	-	341 616	401 345	431 049	431 049	431 049	494 771	530 638	686 466

Councilor and employee benefits

Table 44 MBRR SA22 - Summary of councilor and staff benefits

DC43 Harry Gwala - Supporting Table SA22 Consolidated Summary councilor and staff benefits									
Summary of Employee and Councillor remuneration R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	2 209	2 123	2 102	3 370	3 351	3 351	3 628	3 861	4 108
Pension and UIF Contributions	289	359	395	441	441	441	474	505	537
Medical Aid Contributions	68	85	93	104	104	104	112	119	126
Motor Vehicle Allowance	852	1 060	1 166	1 301	1 301	1 301	1 400	1 490	1 585
Cellphone Allowance	187	232	256	286	286	286	307	327	348
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	446	554	610	680	680	680	733	780	829
Sub Total - Councillors	4 051	4 413	4 622	6 181	6 162	6 162	6 655	7 081	7 534
% increase		9.0%	4.7%	33.7%	(0.3%)	-	8.0%	6.4%	6.4%
Senior Managers of the Municipality									
Basic Salaries and Wages	3 309	3 535	3 818	3 801	3 828	3 828	3 816	4 060	4 320
Pension and UIF Contributions	68	2	2	2	2	2	2	2	3
Medical Aid Contributions	81	4	4	4	4	4	4	4	5
Overtime	-	-	-	-	-	-	-	-	-
Performance Bonus	-	488	527	525	525	525	527	561	597
Motor Vehicle Allowance	2 031	2 210	2 387	2 376	2 376	2 376	2 386	2 538	2 701
Cellphone Allowance	112	103	112	111	111	111	112	119	126
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	0	3	3	3	3	3	3	4	4
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality	5 600	6 346	6 853	6 823	6 850	6 850	6 850	7 288	7 755
% increase		13.3%	8.0%	(0.4%)	0.4%	-	-	6.4%	6.4%
Other Municipal Staff									
Basic Salaries and Wages	37 636	46 205	51 088	60 398	64 775	64 775	69 041	74 242	80 949
Pension and UIF Contributions	5 242	9 025	9 891	10 212	10 212	10 212	11 674	12 553	13 687
Medical Aid Contributions	1 897	1 129	1 237	1 411	1 411	1 411	1 613	1 735	1 891
Overtime	2 884	1 009	1 105	1 261	1 261	1 261	1 441	1 550	1 690
Performance Bonus	-	4 476	4 906	5 596	5 596	5 596	6 397	6 879	7 500
Motor Vehicle Allowance	1 228	2 058	2 255	2 572	2 572	2 572	2 940	3 162	3 448
Cellphone Allowance	220	351	385	439	439	439	502	539	588
Housing Allowances	127	30	33	38	38	38	44	47	51
Other benefits and allowances	1 273	1 346	1 475	1 682	1 682	1 682	1 923	2 068	2 255
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff	50 508	65 629	72 374	83 611	87 987	87 987	95 574	102 775	112 059
% increase		29.9%	10.3%	15.5%	5.2%	-	8.6%	7.5%	9.0%
Total Parent Municipality	60 159	76 388	83 850	96 615	100 999	100 999	109 079	117 144	127 348
		27.0%	9.8%	15.2%	4.5%	-	8.0%	7.4%	8.7%

DC43 Harry Gwala - Supporting Table SA22 Consolidated Summary councillor and staff benefits									
Summary of Employee and Councillor remuneration R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	A	B	C	D	E	F	G	H	I
Board Members of Entities									
Basic Salaries and Wages	-	-	-	-	-	-	-	-	-
Pension and UIF Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-	-
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	-	-	-	-	-	-	-	-	-
Cellphone Allowance	-	-	-	-	-	-	-	-	-
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	-	-	-	-	-	-	-	-	-
Board Fees	-	-	315	-	358	358	545	581	619
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Board Members of Entities	-	-	315	-	358	358	545	581	619
% increase		-	-	(100.0%)	-	-	52.4%	6.5%	6.5%
Senior Managers of Entities									
Basic Salaries and Wages	-	-	1 113	1 369	1 369	1 369	1 639	1 745	1 859
Pension and UIF Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-	-
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	-	-	61	607	607	607	647	689	733
Cellphone Allowance	-	-	-	24	24	24	-	-	-
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	-	-	6	24	24	24	25	27	28
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities	-	-	1 180	2 024	2 024	2 024	2 311	2 461	2 621
% increase		-	-	71.4%	-	-	14.2%	6.5%	6.5%
Other Staff of Entities									
Basic Salaries and Wages	-	-	890	2 700	2 408	2 408	8 596	9 155	9 753
Pension and UIF Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Overtime	-	-	18	-	-	-	-	-	-
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	-	-	-	-	213	213	208	222	236
Cellphone Allowance	-	-	-	-	42	42	13	14	14
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	-	-	173	-	86	86	722	576	613
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Other Staff of Entities	-	-	1 082	2 700	2 750	2 750	9 539	9 967	10 618
% increase		-	-	149.6%	1.9%	-	246.9%	4.5%	6.5%
Total Municipal Entities	-	-	2 577	4 723	5 131	5 131	12 396	13 008	13 857
TOTAL SALARY, ALLOWANCES & BENEFITS	60 159	76 388	86 427	101 338	106 131	106 131	121 475	130 153	141 205
% increase		27.0%	13.1%	17.3%	4.7%	-	14.5%	7.1%	8.5%
TOTAL MANAGERS AND STAFF	56 108	71 975	81 489	95 157	99 611	99 611	114 274	122 491	133 052

Table 45 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

DC43 Sisonke - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)							
Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.				2.
<u>Councillors</u>							
Speaker		520 935	78 140	22 204			621 279
Chief Whip		234 520	53 786	22 204			310 509
Executive Mayor		606 801	142 046	22 204			771 050
Deputy Executive Mayor		510 483	88 592	22 204			621 279
Executive Committee		1 756 389	292 945	663 086			2 712 421
Total for all other councillors		1 172 104	293 026	153 297			1 618 426
Total Councillors	-	4 801 231	948 535	905 198			6 654 964
<u>Senior Managers of the Municipality</u>							
Municipal Manager (MM)		1 250 000					1 250 000
Chief Finance Officer		1 200 000					1 200 000
<i>List of each official with packages >= senior manager</i>							
Head: Corporate Services		1 100 000					1 100 000
Head: Economic & Community Services		1 100 000					1 100 000
Head: Infrastructure Services		1 100 000					1 100 000
Head: Water Services		1 100 000					1 100 000
Total Senior Managers of the Municipality	-	6 850 000	-	-	-	-	6 850 000
<u>A Heading for Each Entity</u>							
List each member of board by designation							
PJ KHOZA - Chairman				148 939			148 939
Z W NDAMASE				132 004			132 004
N C ZUNGU				60 502			60 502
SZF SITHOLE				82 503			82 503
P HAYTER				121 439			121 439
Total for municipal entities	-	-	-	545 387	-	-	545 387
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	-	11 651 231	948 535	1 450 585	-	-	14 050 351

Table 46 MBRR SA24 – Summary of personnel numbers

DC43 Sisonke - Supporting Table SA24 Summary of personnel numbers									
Summary of Personnel Numbers	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	26	-	26	26	-	26	26	-	26
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	7	-	7	6	-	6	6	-	6
Other Managers	12	12	-	16	16	-	16	16	-
Professionals	39	39	-	44	44	-	-	-	-
Finance	3	3	-	4	4	-			
Spatial/town planning	1	1	-	1	1	-			
Information Technology	2	2	-	2	2	-			
Roads	1	1	-	1	1	-			
Electricity	1	1	-	1	1	-			
Water	7	7	-	7	7	-			
Sanitation	1	1	-	1	1	-			
Refuse	1	1	-	1	1	-			
Other	21	21		25	25				
Technicians	37	33	4	39	35	4	39	35	4
Finance	7	7	-	7	7	-	7	7	-
Spatial/town planning	4	4	-	4	4	-	4	4	-
Information Technology	1	1	-	1	1	-	1	1	-
Roads	1	1	-	1	1	-	1	1	-
Electricity	1	1	-	1	1	-	1	1	-
Water	5	4	1	5	4	1	5	4	1
Sanitation	3	3	-	3	3	-	3	3	-
Refuse	1	1	-	1	1	-	1	1	-
Other	14	11	3	15	12	3	15	12	3
Clerks (Clerical and administrative)	70	50	20	74	73		74	73	
Service and sales workers	1	1	-	1	1	-	1	1	-
Skilled agricultural and fishery workers	1	1	-	1	1	-	1	1	-
Craft and related trades	1	1	-	1	1	-	1	1	-
Plant and Machine Operators	94	86	8	99	90	8	105	105	12
Elementary Occupations	43	35	8	45	37	8	45	37	12
TOTAL PERSONNEL NUMBERS	331	258	73	351	298	53	314	269	60
% increase				6.1%	15.4%	(27.4%)	(10.7%)	(9.7%)	13.6%
Total municipal employees headcount	345	291	54	356	310	62	356	310	62
Finance personnel headcount	44	44	-	45	45	-	45	45	-
Human Resources personnel headcount	10	10	10	10	10	10	10	10	10

DC43 Harry Gwala - Supporting Table SA24 Consolidated Summary of personnel numbers

Summary of Personnel Numbers Number	2012/13			Current Year 2013/14			Budget Year 2014/15		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	26	–	26	26	–	26	26	–	26
Board Members of municipal entities	5	–	5	5	–	5	5	–	5
Municipal employees									
Municipal Manager and Senior Managers	9	–	9	8	–	8	8	–	8
Other Managers	12	12	–	16	16	–	16	16	–
Professionals	65	42	23	70	47	23	70	47	23
<i>Finance</i>	3	3	–	4	4	–	3	3	–
<i>Spatial/town planning</i>	1	1	–	1	1	–	1	1	–
<i>Information Technology</i>	2	2	–	2	2	–	2	2	–
<i>Roads</i>	1	1	–	1	1	–	1	1	–
<i>Electricity</i>	1	1	–	1	1	–	1	1	–
<i>Water</i>	7	7	–	7	7	–	8	8	–
<i>Sanitation</i>	1	1	–	1	1	–	2	2	–
<i>Refuse</i>	1	1	–	1	1	–	1	1	–
<i>Other</i>	47	24	23	51	28	23	51	28	23
Technicians	37	33	4	39	35	4	36	36	–
<i>Finance</i>	7	7	–	7	7	–	7	7	–
<i>Spatial/town planning</i>	4	4	–	4	4	–	4	4	–
<i>Information Technology</i>	1	1	–	1	1	–	1	1	–
<i>Roads</i>	1	1	–	1	1	–	1	1	–
<i>Electricity</i>	1	1	–	1	1	–	1	1	–
<i>Water</i>	5	4	1	5	4	1	4	4	–
<i>Sanitation</i>	3	3	–	3	3	–	3	3	–
<i>Refuse</i>	1	1	–	1	1	–	1	1	–
<i>Other</i>	14	11	3	15	12	3	13	13	–
Clerks (Clerical and administrative)	70	50	20	74	73	–	74	74	–
Service and sales workers	1	1	–	1	1	–	1	1	–
Skilled agricultural and fishery workers	1	1	–	1	1	–	1	1	–
Craft and related trades	1	1	–	1	1	–	1	1	–
Plant and Machine Operators	94	86	8	99	90	8	95	95	–
Elementary Occupations	43	35	8	45	37	8	39	39	–
TOTAL PERSONNEL NUMBERS	364	261	103	384	301	83	372	311	62
% increase				5.6%	15.2%	(19.4%)	(3.2%)	3.3%	(25.3%)
Total municipal employees headcount	371	294	77	382	313	85	382	313	85
Finance personnel headcount	46	44	2	47	45	2	47	45	2
Human Resources personnel headcount	11	10	11	11	10	11	11	10	11

Table 49 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand															
Revenue - Standard															
<i>Governance and administration</i>	109 914	551	643	497	79 903	447	711	422	55 504	636	365	312	249 906	249 720	264 850
Executive and council													-	-	-
Budget and treasury office	109 914	551	643	497	79 903	447	711	422	55 504	636	365	312	249 906	249 720	264 850
Corporate services													-	-	-
<i>Community and public safety</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services													-	-	-
Sport and recreation													-	-	-
Public safety													-	-	-
Housing													-	-	-
Health													-	-	-
<i>Economic and environmental services</i>	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	4 092	46 356	39 623	37 976
Planning and development	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	4 092	46 356	39 623	37 976
Road transport													-	-	-
Environmental protection													-	-	-
<i>Trading services</i>	113 229	13 600	4 311	13 968	98 219	4 480	10 518	8 100	23 313	4 115	4 244	3 111	301 208	333 850	480 110
Electricity													-	-	-
Water	4 002	4 373	4 311	4 468	4 608	4 480	4 630	4 018	4 131	4 115	4 244	3 111	50 492	54 532	58 894
Waste water management	109 227	9 227	-	9 500	93 611	-	5 888	4 081	19 182	-	-	(0)	250 716	279 318	421 216
Waste management													-	-	-
<i>Other</i>													-	-	-
Total Revenue - Standard	226 985	17 993	8 796	18 308	181 965	8 770	15 071	12 364	82 659	8 593	8 451	7 515	597 470	623 193	782 936
		21 835	12 639	22 150	185 807	12 612	18 913	16 206	86 502	12 436	12 293				
Expenditure - Standard															
<i>Governance and administration</i>	10 663	10 663	10 663	10 663	10 663	10 663	10 663	10 663	10 663	10 663	10 663	10 802	128 100	137 360	144 972
Executive and council	1 864	1 864	1 864	1 864	1 864	1 864	1 864	1 864	1 864	1 864	1 864	1 864	22 373	22 540	24 024
Budget and treasury office	5 072	5 072	5 072	5 072	5 072	5 072	5 072	5 072	5 072	5 072	5 072	5 211	61 007	64 808	67 498
Corporate services	3 727	3 727	3 727	3 727	3 727	3 727	3 727	3 727	3 727	3 727	3 727	3 727	44 720	50 011	53 451
<i>Community and public safety</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services													-	-	-
Sport and recreation													-	-	-
Public safety													-	-	-
Housing													-	-	-
Health													-	-	-
<i>Economic and environmental services</i>	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	88 993	79 158	85 331
Planning and development	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	7 416	88 993	79 158	85 331
Road transport													-	-	-
Environmental protection													-	-	-
<i>Trading services</i>	10 176	10 176	10 176	10 176	10 176	10 176	10 176	10 176	10 176	10 176	10 176	10 176	122 110	121 464	132 296
Electricity													-	-	-
Water	8 073	8 073	8 073	8 073	8 073	8 073	8 073	8 073	8 073	8 073	8 073	8 073	96 875	103 157	112 209
Waste water management	2 103	2 103	2 103	2 103	2 103	2 103	2 103	2 103	2 103	2 103	2 103	2 103	25 235	18 308	20 087
Waste management													-	-	-
<i>Other</i>													-	-	-
Total Expenditure - Standard	28 255	28 255	28 255	28 255	28 255	28 255	28 255	28 255	28 255	28 255	28 255	28 395	339 204	337 982	362 599
Surplus/(Deficit) before assoc.	198 730	(10 262)	(19 459)	(9 948)	153 709	(19 486)	(13 185)	(15 892)	54 404	(19 662)	(19 804)	(20 880)	258 266	285 211	420 338
Share of surplus/ (deficit) of associate													-	-	-
Surplus/(Deficit)	198 730	(10 262)	(19 459)	(9 948)	153 709	(19 486)	(13 185)	(15 892)	54 404	(19 662)	(19 804)	(20 880)	258 266	285 211	420 338

Table 50 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure to be appropriated															
Vote 1 - Council													-	-	-
Vote 2 - Municipal Manager													-	-	-
Vote 3 - Finance	8	8	8	8	8	8	8	8	8	8	8	8	100	1 490	-
Vote 4 - Corporate Services	301	301	301	301	301	301	301	301	301	301	301	301	3 609	2 022	2 133
Vote 5 - Social & Development Planning	194	194	194	194	194	194	194	194	194	194	194	194	2 325	5 700	-
Vote 6 - Infrastructure Services	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	247 526	270 190	409 253
Vote 7 - Water Services	433	433	433	433	433	433	433	433	433	433	433	433	5 200	5 620	5 621
Vote 8 - Sisonke Development Agency												500	500	725	808
Capital multi-year expenditure sub-total	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	22 063	259 261	285 747	417 815
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	22 063	259 261	285 747	417 815

Table 51 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA29 Consolidated budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard															
Governance and administration	309	309	309	309	309	309	309	309	309	309	309	309	3 709	3 512	2 133
Executive and council													-	-	-
Budget and treasury office	8	8	8	8	8	8	8	8	8	8	8	8	100	1 490	-
Corporate services	301	301	301	301	301	301	301	301	301	301	301	301	3 609	2 022	2 133
Economic and environmental services	194	194	194	194	194	194	194	194	194	194	194	194	694	6 425	808
Planning and development	194	194	194	194	194	194	194	194	194	194	194	194	694	2 825	6 425
Road transport													-	-	-
Environmental protection													-	-	-
Trading services	21 061	21 061	21 061	21 061	21 061	21 061	21 061	21 061	21 061	21 061	21 061	21 061	252 726	275 810	414 874
Electricity													-	-	-
Water	433	433	433	433	433	433	433	433	433	433	433	433	5 200	5 620	5 621
Waste water management	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	20 627	247 526	270 190	409 253
Waste management													-	-	-
Other													-	-	-
Total Capital Expenditure - Standard	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	22 063	259 261	285 747	417 815
Funded by:															
National Government	107 183	-	-	-	92 636	-	450	3 691	19 182	-	-	22 633	245 776	273 942	415 606
Transfers recognised - capital	107 183	-	-	-	92 636	-	450	3 691	19 182	-	-	22 633	245 776	273 942	415 606
Public contributions & donations													-	-	-
Borrowing													-	-	-
Internally generated funds	2 971		1 500		1 100			3 000				4 913	13 484	11 805	2 209
Total Capital Funding	110 154	-	1 500	-	93 736	-	450	6 691	19 182	-	-	27 547	259 261	285 747	417 815

Table 52 MBRR SA30 - Budgeted monthly cash flow

DC43 Harry Gwala - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS R thousand	Budget Year 2014/15												Medium Term Revenue and Expenditure		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source													1		
Service charges - water revenue	2 128	1 431	3 083	1 034	3 185	1 652	1 778	3 423	1 714	1 747	2 270	1 913	25 358	27 961	30 772
Service charges - sanitation revenue	835	562	1 211	406	1 251	648	698	1 344	673	686	891	751	9 956	10 977	12 081
Interest earned - external investments	200	207	202	207	204	211	217	232	239	246	208	225	2 600	2 000	2 000
Interest earned - outstanding debtors	311	321	313	322	317	328	338	361	371	382	323	350	4 036	4 450	4 898
Transfer receipts - operational	24 461	24 461	24 461	24 461	24 461	24 461	24 461	24 461	24 461	24 461	24 461	24 461	293 536	256 696	270 860
Other revenue												2 800	2 800	400	800
Cash Receipts by Source	27 936	26 982	29 271	26 431	29 418	27 301	27 492	29 821	27 459	27 522	28 153	30 500	338 285	302 485	321 411
Other Cash Flows by Source															
Transfer receipts - capital	106 135	9 227	-	9 500	92 562	-	5 888	4 081	18 134				245 526	273 942	415 606
Borrowing long term/refinancing	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(16)		
Increase (decrease) in consumer deposits	22		22		22		22		22		22	(0)	130	136	142
Total Cash Receipts by Source	134 091	36 207	29 291	35 929	122 001	27 300	33 400	33 901	45 613	27 521	28 174	30 499	583 925	576 563	737 159
Cash Payments by Type															
Employee related costs	9 523	9 523	9 523	9 523	9 523	9 523	9 523	9 523	9 523	9 523	9 523	9 523	114 274	110 063	119 813
Remuneration of councillors	555	555	555	555	555	555	555	555	555	555	555	555	6 655	7 081	7 534
Finance charges			663			663			663			663	2 650	2 259	1 926
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Water & Sewer	417	417	417	417	417	417	417	417	417	417	417	417	5 000	5 295	5 586
Other materials	39	39	39	39	39	39	39	39	39	39	39	39	472	455	463
Contracted services	1 948	1 948	1 948	1 948	1 948	1 948	1 948	1 948	1 948	1 948	1 948	1 948	23 373	25 763	27 356
Other expenditure	10 425	10 425	10 425	10 425	10 425	10 425	10 425	10 425	10 425	10 425	10 425	39 707	154 386	117 200	94 012
Cash Payments by Type	22 907	22 907	23 569	22 907	22 907	23 569	22 907	22 907	23 569	22 907	22 907	52 851	306 811	268 116	256 691
Other Cash Flows/Payments by Type															
Capital assets	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	22 063	259 261	285 747	417 815
Repayment of borrowing			512			1 176			539			1 259	3 486	3 266	3 000
Total Cash Payments by Type	44 470	44 470	45 645	44 470	44 470	46 309	44 470	44 470	45 672	44 470	44 470	76 174	569 558	557 129	677 507
NET INCREASE/(DECREASE) IN CASH HELD	89 621	(8 263)	(16 354)	(8 540)	77 531	(19 009)	(11 070)	(10 569)	(59)	(16 949)	(16 296)	(45 675)	14 368	19 433	59 653
Cash/cash equivalents at the month/year begin:	30 517	120 138	111 875	95 521	86 981	164 512	145 503	134 433	123 865	123 806	106 857	90 560	30 517	44 885	64 319
Cash/cash equivalents at the month/year end:	120 138	111 875	95 521	86 981	164 512	145 503	134 433	123 865	123 806	106 857	90 560	44 885	44 885	64 319	123 971

2.9 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

Water Services Department – Vote

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 53 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

DC43 Harry Gwala - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard									
<i>Trading services</i>	163 913	215 577	280 230	255 601	302 982	302 982	301 208	333 850	480 110
Water	32 050	36 249	40 521	56 748	48 957	48 957	50 492	54 532	58 894
Waste water management	131 863	179 328	239 709	198 853	254 025	254 025	250 716	279 318	421 216
Other	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	163 913	215 577	280 230	255 601	302 982	302 982	301 208	333 850	480 110
Expenditure - Standard									
<i>Trading services</i>	155 867	171 717	205 270	88 467	158 754	158 754	122 110	121 464	132 296
Water	86 718	118 513	129 878	78 651	101 232	101 232	96 875	103 157	112 209
Waste water management	69 150	53 204	75 392	9 816	57 522	57 522	25 235	18 308	20 087
Total Expenditure - Standard	155 867	171 717	205 270	88 467	158 754	158 754	122 110	121 464	132 296
Surplus/(Deficit) for the year	8 046	43 859	74 960	167 134	144 228	144 228	179 098	212 385	347 814

Table 54 Water Services Department – Performance objectives and indicators

DC43 Sisonke - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote5 - Infrastructure Services										
Function 1 - Waste Water Infrastructure										
<i>Reduction in water backlogs</i>	Bulk Water & Sewer Infrastructure	168	176	183	176	183	183	176	176	176
Sub-function 2 - Sanitation										
<i>Reduction in sanitation backlogs</i>	Number of household with new access to VIP sanitation	1844	1956	1941	1956	1941	1941	1956	1956	1956
Sub-function 3 - Electricity										
<i>To provide electricity to the existing water schemes</i>	No of hh with electricity connection in the water scheme	90	95	98	95	98	98	95	95	95
Vote6 - Water Services										
Function 1 - Water										
Sub-function 1 - Water & Sanitation infrastructure Planning & Design										
<i>To ensure the effective management of all water Infrastructure</i>	Water Feasibility Studies, Business Plans Approved	10	10	8	10	8	8	10	10	10
	Sanitation Feasibility Studies, Business Plans Approved	4	5	5	8	5	5	8	10	12
Sub-function 2 - Water & Sanitation Services Operations and Maintenance										
<i>To render effective water & sanitation services</i>	% Reduction in water losses	90.0%	95.0%	98%	100%	98.0%	98.0%	100.0%	100.0%	100.0%
	Minimum Night Flows in main supply areas									
	% reduction in the number of sewer overflows	90.0%	95.0%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%
	% Progress made towards Blue drop and Green drop Status DWA	<50%	>50%	>50%	>65%	>50%	>50%	>65%	>80%	>95%

There are currently no unfilled positions in the top management structure of the Water Services Department. The top management structure consists of 2 Executive Director (Water and Infrastructure services), three directors and 7 professional engineers. As part of the performance objectives for the 2013/14 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R70 million, R73, 6 million and R76.9 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water and charges for sanitation of which budget appropriation for the 2014/15 financial year is R45, 3 million and increases to R52, 8 million by 2016/17 and has been informed by a collection rate of 78 per cent and distribution losses of 22 per cent and increasing in the outer years.

The reduction of distribution losses is considered a priority and hence the departmental objectives. There has been a huge concerted effort in the 2013/14 in trying to minimize the water losses with initiatives such as the water meter and infrastructure audits. The enhancement of the ongoing Water Demand Management & Conservation initiatives are expected to also have a positive impact in minimizing water losses in the medium to long term.

Note: Municipalities would be required to undertake the aforementioned for each department/vote within the municipality.

2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the District'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.

2.11 CAPITAL EXPENDITURE DETAILS

The following three tables present details of the District's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 55 MBRR SA 34a - Capital expenditure on new assets by asset class

DC43 Harry Gwala - Supporting Table SA34a Consolidated capital expenditure on new assets by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	108 451	128 001	159 080	217 762	188 006	188 006	233 944	269 416	400 543
Storm water									
Infrastructure - Electricity	-	-	-	580	4 366	4 366	3 415	-	-
Generation	-	-	-				3 415	-	-
Transmission & Reticulation	-	-	-	580	4 366	4 366	-	-	-
Street Lighting									
Infrastructure - Water	108 393	111 892	139 002	166 970	165 642	165 642	194 351	213 707	343 759
Dams & Reservoirs	-	-	-	-	-	-	28 200	30 000	100 000
Water purification	-	-	-	-	-	-	3 000	6 177	9 529
Reticulation	108 393	111 892	139 002	166 970	165 642	165 642	163 151	177 530	234 230
Infrastructure - Sanitation	-	16 109	20 078	50 012	17 998	17 998	36 178	55 709	56 784
Reticulation	-	-	-	-	-	-	30 235	43 472	44 200
Sewerage purification	-	16 109	20 078	50 012	17 998	17 998	5 943	12 237	12 583
Infrastructure - Other	58	-	-	200	-	-	-	-	-
Other	58	-	-	200	-	-	-	-	-
Community	15 777	3 600	28 704	2 000	-	-	-	-	-
Other	15 777	3 600	28 704	2 000	-	-	-	-	-
Other assets	11 051	1 952	10 416	4 252	15 964	15 964	20 537	16 019	16 999
General vehicles	3 318	663	5 403	2 739	5 800	5 800	1 100	1 745	1 909
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	773	-	695	-	-	-	6 025	2 144	2 262
Computers - hardware/equipment	-	-	-	-	-	-	1 845	1 486	1 570
Furniture and other office equipment	1 099	994	734	798	16	16	2 214	2 328	2 485
Abattoirs	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-
Civic Land and Buildings	-	-	-	-	-	-	9 352	8 315	8 773
Other Buildings	5 861	295	3 584	700	4 500	4 500	-	-	-
Other Land	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-
Other	-	-	-	15	5 648	5 648	-	-	-
Intangibles	-	-	756	1 034	-	-	200	312	273
Computers - software & programming			756	1 034	-	-	200	312	273
Other (list sub-class)									
Total Capital Expenditure on new assets	135 278	133 554	198 956	225 049	203 971	203 971	254 681	285 747	417 815

Table 56 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

DC43 Sisonke - Supporting Table SA34b Consolidated capital expenditure on existing assets by asset class									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	16 725	23 460	6 649	4 578	4 578	-	4 580	-	-
Infrastructure - Water	16 725	16 283	3 127	1 378	1 378	-	4 580	-	-
<i>Reticulation</i>	16 725	16 283	3 127	1 378	1 378		4 580		
Infrastructure - Sanitation	-	7 177	3 522	3 200	3 200	-	-	-	-
<i>Sewerage purification</i>		7 177	3 522	3 200	3 200				
Total Capital Expenditure on renewal	16 725	23 460	6 649	4 578	4 578	-	4 580	-	-

Table 57 MBRR SA34c - Repairs and maintenance expenditure by asset class

DC43 Harry Gwala - Supporting Table SA34c Consolidated repairs and maintenance by asset class									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	64 408	53 088	61 125	64 817	64 817	64 817	68 706	72 595	75 996
Infrastructure - Water	38 206	32 443	38 415	38 412	38 412	38 412	40 716	43 021	43 465
Infrastructure - Sanitation	26 202	20 645	22 710	26 405	26 405	26 405	27 990	29 574	32 531
Other assets	1 425	5 899	7 333	1 461	1 461	1 461	1 548	1 007	953
General vehicles	776	5 899	6 489	562	562	562	596	-	-
Plant & equipment	451	-	586	-	-	-	-	-	-
Computers - hardware/equipment	199	-	258	337	337	337	357	378	357
Other Buildings	-	-	-	562	562	562	596	629	596
Total Repairs and Maintenance Expenditure	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949
R&M as a % of PPE	7.6%	6.0%	6.1%	4.4%	5.0%	5.0%	4.5%	4.1%	3.5%
R&M as % Operating Expenditure	21.0%	16.5%	19.8%	21.8%	18.5%	18.5%	20.7%	21.8%	21.2%

Table 58 MBRR SA35 - Future financial implications of the capital budget

DC43 Harry Gwala - Supporting Table SA35 Consolidated future financial implications of the capital budget

Vote Description R thousand	2014/15 Medium Term Revenue &			Forecasts			
	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Present value
Capital expenditure							
Vote 1 - Council	–	–	–	–	–	–	–
Vote 2 - Municipal Manager	–	–	–	1 500	1 598	1 701	1 812
Vote 3 - Finance	100	1 490	–	500	533	567	604
Vote 4 - Corporate Services	3 609	2 022	2 133	2 261	2 408	2 565	2 731
Vote 5 - Social & Development Planning	2 325	5 700	–	–	–	–	–
Vote 6 - Infrastructure Services	247 526	270 190	409 253	5 958	6 346	6 758	7 197
Vote 7 - Water Services	5 200	5 620	5 621	433 808	462 006	492 036	524 018
Vote 8 - Sisonke Development Agency	500	725	808	–	–	–	–
<i>List entity summary if applicable</i>							
Total Capital Expenditure	259 261	285 747	417 815	444 028	472 889	503 627	536 363
Future operational costs by vote							
Vote 1 - Council	–	–	–	–	–	–	–
Vote 2 - Municipal Manager	–	–	–	150	160	170	181
Vote 3 - Finance	10	149	–	50	53	57	60
Vote 4 - Corporate Services	361	202	213	226	241	256	273
Vote 5 - Social & Development Planning	233	570	–	–	–	–	–
Vote 6 - Infrastructure Services	520	562	562	596	635	676	720
Vote 7 - Water Services	19 802	21 615	32 740	34 705	36 960	39 363	41 921
Vote 8 - Sisonke Development Agency							
<i>List entity summary if applicable</i>							
Total future operational costs	20 926	23 098	33 516	35 727	38 049	40 522	43 156
Future revenue by source							
Service charges - water revenue	–	2 800	3 024	3 478	3 999	4 599	5 289
Service charges - sanitation revenue	–	1 200	1 296	1 490	1 714	1 971	2 267
Total future revenue	–	4 000	4 320	4 968	5 713	6 570	7 556
Net Financial Implications	280 186	304 845	447 011	474 786	505 225	537 579	571 963

Table 59 MBRR SA36 - Detailed capital budget per municipal vote

DC43 Harry Gwala - Supporting Table SA36 Consolidated detailed capital budget

Municipal Vote/Capital project	Program/Project description	Asset Class	Asset Sub-Class	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
				Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Parent municipality:										
<i>List all capital projects grouped by Municipal Vote</i>										
INFRASTRUCTURE SERVICES	Bulwer nkelabantwana & nkumba water supply	Infrastructure - Water	Reticulation	1 500	1 500	7 594	8 000	20 000		0 NEW
INFRASTRUCTURE SERVICES	Greater khilimoni (ward 1)	Infrastructure - Water	Reticulation	10 000	10 000	16 936	10 000	20 200	1,2,4	NEW
INFRASTRUCTURE SERVICES	Khukhulela water_(sdm)	Infrastructure - Water	Reticulation	-	-	3 425	8 818	-		2 NEW
INFRASTRUCTURE SERVICES	Kw anomandlovu water project_(sdm)	Infrastructure - Water	Reticulation	8 000	8 000	13 477	-	-		5,11 NEW
INFRASTRUCTURE SERVICES	Mangwani water supply	Infrastructure - Water	Reticulation	8 980	8 980	2 686	-	11 135		7 NEW
INFRASTRUCTURE SERVICES	Mbululweni water supply	Infrastructure - Water	Reticulation	8 000	8 000	3 000	18 301	4 300		8 NEW
INFRASTRUCTURE SERVICES	Ingwe household sanitation project	Infrastructure - Sanitation	Reticulation	7 266	7 266	7 000	5 000	10 000		NEW
INFRASTRUCTURE SERVICES	Bulwer donnybrook water supply scheme project	Infrastructure - Water	Reticulation	5 630	5 630	-	-	15 000		NEW
INFRASTRUCTURE SERVICES	Eradication of water backlogs in kokstad	Infrastructure - Water	Reticulation	200	200	214	-	-		NEW
INFRASTRUCTURE SERVICES	Horseshoe sanitation project-new	Infrastructure - Sanitation	Reticulation	6 067	6 067	3 552	2 055	-		1 NEW
INFRASTRUCTURE SERVICES	Makhoba housing project (w&s)	Infrastructure - Sanitation	Reticulation	3 562	3 562	4 171	-	-		2 NEW
INFRASTRUCTURE SERVICES	Pakkies water ext ph2	Infrastructure - Water	Reticulation	2 556	2 556	3 856	6 076	15 711		6 NEW
INFRASTRUCTURE SERVICES	Ehlanhleni water project	Infrastructure - Water	Reticulation	-	-	1 000	13 851	-		NEW
INFRASTRUCTURE SERVICES	Underberg bulk water supply upgrade phase 2	Infrastructure - Water	Reticulation	636	636	4 580	-	-		1 NEW
INFRASTRUCTURE SERVICES	Chibini water supply	Infrastructure - Water	Reticulation	6 500	6 500	1 363	-	-		3 NEW
INFRASTRUCTURE SERVICES	Ixopo mariathal water supply	Infrastructure - Water	Reticulation	4 000	4 000	4 240	-	-		4 NEW
INFRASTRUCTURE SERVICES	Ncakubana water project	Infrastructure - Water	Reticulation	2 500	2 500	5 832	-	-		1 NEW
INFRASTRUCTURE SERVICES	Thubalethu water supply	Infrastructure - Water	Reticulation	8 600	8 600	8 692	5 069	-		4 NEW
INFRASTRUCTURE SERVICES	Ufafa water supply	Infrastructure - Water	Reticulation	3 000	3 000	13 399	12 061	-		3 NEW
INFRASTRUCTURE SERVICES	Umkhunya water projects	Infrastructure - Water	Reticulation	1 957	1 957	9 800	19 562	37 972		5 NEW
INFRASTRUCTURE SERVICES	Eradication of sanitation backlog in ubuhlebezwe	Infrastructure - Sanitation	Reticulation	6 000	6 000	8 000	13 491	15 000		NEW
INFRASTRUCTURE SERVICES	Umsimkhulu sewer emergency intervention	Infrastructure - Sanitation	Reticulation	2 500	2 500	7 000	10 000	15 000		16 NEW
INFRASTRUCTURE SERVICES	Mnqumeni water supply	Infrastructure - Water	Reticulation	25 000	25 000	20 648	4 489	-		NEW
INFRASTRUCTURE SERVICES	Eradication of sanitation backlog in umzimkhulu	Infrastructure - Sanitation	Reticulation	15 000	15 000	8 955	20 000	20 000		NEW
INFRASTRUCTURE SERVICES	Greater summerfield	Infrastructure - Water	Reticulation	15 000	15 000	10 000	10 000	20 000		15 RENEWAL
INFRASTRUCTURE SERVICES	Umsimkhulu bulk water supply	Infrastructure - Water	Reticulation	6 000	6 000	1 772	-	-		16 RENEWAL
INFRASTRUCTURE SERVICES	Kw atshaka (machumini ext) water supply	Infrastructure - Water	Reticulation	2 337	2 337	1 487	-	-		18 NEW
INFRASTRUCTURE SERVICES	Kwameyi / Teerkloof	Infrastructure - Water	Reticulation	-	-	12 000	20 000	10 000		RENEWAL
INFRASTRUCTURE SERVICES	Paninkukhu water	Infrastructure - Water	Reticulation	3 742	3 742	6 000	16 447	28 715		18 NEW
INFRASTRUCTURE SERVICES	Mqatsheeni stepmore water project	Infrastructure - Water	Reticulation	5 466	5 466	9 000	17 171	53 073		1 NEW
INFRASTRUCTURE SERVICES	Energy efficiency	Infrastructure - Electricity	Other	-	-	3 415	3 000	5 000		NEW
INFRASTRUCTURE SERVICES	Rudimentary programme	Infrastructure - Water	Other	3 500	3 500	2 729	-	-		NEW
INFRASTRUCTURE SERVICES	Bulwer donnybrook water supply scheme project	Infrastructure - Water	Reticulation	15 429	15 429	28 200	30 000	100 000		NEW
INFRASTRUCTURE SERVICES	Eradication of sanitation backlog in umzimkhulu	Infrastructure - Sanitation	Reticulation	15 000	15 000	4 500	5 000	-		NEW
INFRASTRUCTURE SERVICES	Construction of disaster centre	Infrastructure - Other	Other	-	-	7 252	-	-		RENEWAL
INFRASTRUCTURE SERVICES	Cameras & other accessories	Other Assets	Other	-	-	150	128	16		NEW
INFRASTRUCTURE SERVICES	Desiel standby generator	Other Assets	Other	-	-	100	85	11		NEW
INFRASTRUCTURE SERVICES	Franklin bulk water & sewerage upgrade	Infrastructure - Sanitation	Reticulation	-	-	-	9 300	10 000		
INFRASTRUCTURE SERVICES	Highflats town bulk water supply scheme	Infrastructure - Water	Reticulation	-	-	-	6 250	4 500		

DC43 Harry Gwala - Supporting Table SA36 Consolidated detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	Asset Class 3	Asset Sub-Class 3	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
				Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Parent municipality:										
<i>List all capital projects grouped by Municipal Vote</i>										
COPORATE SERVICES	Computers	Other Assets	Computers - software & programming	158	158	300	256	32		NEW
COPORATE SERVICES	New furniture	Other Assets	Furniture and other office equipment	150	150	225	192	24		NEW
COPORATE SERVICES	New projector & microphones	Other Assets	Other	240	240	80	68	9		NEW
COPORATE SERVICES	Office equipment	Other Assets	Furniture and other office equipment	250	250	304	260	33		NEW
COPORATE SERVICES	Vehicle (mayor)	Other Assets	General vehicles	1 000	1 000	1 100	939	119		NEW
COPORATE SERVICES	Server & desktop backup	Other Assets	Computers - hardware/equipment	1 200	1 200	1 000	853	108		RENEWAL
COPORATE SERVICES	Development of staff compounds	Other Assets	Buildings	-	-	600	512	65		NEW
COPORATE SERVICES	Cash safe	Other Assets	Other	-	-	100	85	11		NEW
COPORATE SERVICES	Procurement of additional dmics equipment	Other Assets	Furniture and other office equipment	-	-	825	704	89		NEW
COPORATE SERVICES	Office alterations	Other Assets	Other	200	200	1 500	1 280	162		RENEWAL
SOCIAL ECONOMIC DEVELOPMENT	Furniture for the disaster center	Other Assets	Furniture and other office equipment	-	-	1 500	1 280	162		NEW
WATER SERVICES	Installation Of Call Centre System	Other Assets	Other	400	400	200	171	22		NEW
WATER SERVICES	Installation Of Bulk Water Meters	Other Assets	Other	200	200	4 000	3 413	432		NEW
WATER SERVICES	Installation Of Standby Generators	Other Assets	Other	-	-	1 000	853	108		NEW
FINANCE	Computer Software Mun Fin Systems - Msig	OTHER ASSETS	OTHER	130	130	-	-	-		
Parent Capital expenditure						258 761	285 022	417 007		
Entities:										
<i>List all capital projects grouped by Entity</i>										
Sisonke Development Agency	Office Furniture & Equipment	Other Assets	Furniture and other office equipment			500	725	808		NEW
Entity Capital expenditure				-	-	500	725	808		
Total Capital expenditure				207 857	207 857	259 261	285 747	417 815		

Table 60 MBRR SA37 - Projects delayed from previous financial year

DC43 Sisonke - Supporting Table SA37 Consolidated projects delayed from previous financial year/s								
Municipal Vote/Capital project	Project name	Asset Class 3	Asset Sub-Class 3	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
				Original Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand								
Parent municipality:								
List all capital projects grouped by Municipal Vote								
		Examples	Examples					
INFRA	Ingwe Household Sanitation Project	Infrastructure - Sanitation	Reticulation	7 266	7 266	7 000	5 000	4 300
INFRA	Eradication of Sanitation Backlog in UMZIMKHULU	Infrastructure - Sanitation	Reticulation	15 000	15 000	13 455	25 000	20 000
INFRA	Horseshoe Sanitation Project-New	Infrastructure - Water	Reticulation	2 000	2 000	10 689	9 300	10 000
INFRA	Eradication of Sanitation Backlog in Ubuhlebezwe	Infrastructure - Water	Reticulation	5 000	5 000	8 000	3 491	-
INFRA	Rural Electrification: KwaThusi, Gaybrook, KwaFile, Ndawana, KwaSenti (Ward 8, 10 & 18)	Infrastructure - Electricity	Reticulation	3 000	3 000	3 000	-	-
INFRA	bisi Housing Bulk Sewer Services	Infrastructure - Water	Reticulation	1 500	1 500	1 500	-	-

2.12 LEGISLATION COMPLIANCE STATUS

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

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 district's website.

Internship programme

The district is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department and internal auditing. Their contracts started on the 01 August 2013 and complete the contract in two year which is July 2016 as required by National Treasury. Since the introduction of the Internship programme the district has successfully employed and trained 13 interns through this programme and a majority of them were appointed either in the district or other Institutions.

Budget and Treasury Office

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

Audit Committee

An Audit Committee has been established and is fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.

Annual Report

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

MFMA Training

The MFMA training module in electronic format is presented at the district and training is ongoing.

Policies

The review of all budget related policies has taken place in terms of Regulation 7 of the MBRR.

2.13 OTHER SUPPORTING DOCUMENTS

Table 61 MBRR Table SA1 - Supporting detail to budgeted financial performance

DC43 Harry Gwala - Supporting Table SA1 Consolidated Supporting detail to 'Budgeted Financial Performance'									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
REVENUE ITEMS:									
Service charges - water revenue									
Total Service charges - water revenue	17 345	26 061	28 661	31 528	31 528	31 528	36 043	38 926	42 040
less Revenue Foregone	457	687	756	831	831	831	5 006	5 406	5 839
Net Service charges - water revenue	16 887	25 374	27 906	30 697	30 697	30 697	31 037	33 520	36 201
Service charges - sanitation revenue									
Total Service charges - sanitation revenue	14 705	10 875	11 960	12 052	12 052	12 052	14 276	15 419	16 652
less Revenue Foregone									
Net Service charges - sanitation revenue	14 705	10 875	11 960	12 052	12 052	12 052	14 276	15 419	16 652
Other Revenue by source									
Other revenue	1 595	7 237	2 210	200	200	200	3 500	500	1 000
Revenue Generated by the SDA							1 750	35 455	34 504
Massification					18 166	18 166			
COGTA					689	689			
Planning & Shared Services - Grant					3 168	3 168			
Government Experts - Grant					725	725			
Vacuum Tank - Honeysucker					432	432			
Signage Grant - Cogta					421	421			
Sihleza Maize Production - Grant					242	242			
Tender Documents				200	200	200			
Accredited Councillors Training: Cogta					200	200			
Conservancy Tanks				100	100	100			
Total 'Other' Revenue	1 595	7 237	2 210	500	24 543	24 543	5 250	35 955	35 504

Table 62 MBRR Table SA1 - Supporting detail to budgeted financial performance (Continued)

DC43 Sisonke - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	40 547	71 975	52 386	65 161	65 161	65 161	73 990	79 554	86 233
Pension and UIF Contributions	5 310		10 289	8 660	13 063	13 063	9 413	10 166	10 979
Medical Aid Contributions	1 947		1 334	3 183	3 183	3 183	3 728	4 026	4 349
Overtime	2 884		2 271	4 704	4 704	4 704	8 353	8 666	9 674
Performance Bonus	-		5 688	-	-	-	-	-	-
Motor Vehicle Allowance	3 259		4 642	5 316	5 316	5 316	4 704	5 237	5 971
Cellphone Allowance	332		1 106	541	541	541	1 661	1 794	1 938
Housing Allowances	127		33	207	207	207	197	213	230
Other benefits and allowances	1 273		1 478	2 077	2 077	2 077	377	407	440
Payments in lieu of leave	398		-	543	543	543			
Long service awards	-		-	-	-	-	-	-	-
Post-retirement benefit obligations	31		-	43	43	43			
sub-total	56 108	71 975	79 228	90 434	94 837	94 837	102 424	110 063	119 813
Less: Employees costs capitalised to PPE									
Total Employee related costs	56 108	71 975	79 228	90 434	94 837	94 837	102 424	110 063	119 813
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	19 812	17 859	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Total Depreciation & asset impairment	19 812	17 859	28 992	20 000	25 000	25 000	20 000	21 180	22 345
Bulk purchases									
Electricity Bulk Purchases									
Water Bulk Purchases	6 998	7 713	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Total bulk purchases	6 998	7 713	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Transfers and grants									
Cash transfers and grants	-	-	7 490	12 000	13 768	13 768	15 000	15 000	20 000
Non-cash transfers and grants	-	-	-	-	-	-	-	-	-
Total transfers and grants	-	-	7 490	12 000	13 768	13 768	15 000	15 000	20 000

DC43 Harry Gwala - Supporting Table SA1 Consolidated Supporting detail to 'Budgeted Financial Performance'									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	40 547	71 975	54 648	69 754	74 338	74 338	84 225	90 454	97 845
Pension and UIF Contributions	5 310		10 289	8 660	8 660	8 660	9 413	10 166	10 979
Medical Aid Contributions	1 947		1 334	3 183	3 183	3 183	3 728	4 026	4 349
Overtime	2 884		2 271	4 704	4 704	4 704	8 353	8 666	9 674
Performance Bonus	-		5 688	-	-	-	-	-	-
Motor Vehicle Allowance	3 259		4 642	5 316	5 316	5 316	5 560	6 148	6 941
Cellphone Allowance	332		1 106	541	541	541	1 674	1 808	1 952
Housing Allowances	127		33	207	207	207	197	213	230
Other benefits and allowances	1 273		1 478	2 077	2 077	2 077	1 124	1 010	1 082
Payments in lieu of leave	398		-	543	543	543	-	-	-
Long service awards	-		-	-	-	-	-	-	-
Post-retirement benefit obligations	31		-	43	43	43	-	-	-
sub-total	56 108	71 975	81 489	95 027	99 611	99 611	114 274	122 491	133 052
<i>Less: Employees costs capitalised to PPE</i>									
Total Employee related costs	56 108	71 975	81 489	95 027	99 611	99 611	114 274	122 491	133 052
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	19 812	22 279	29 017	20 000	25 000	25 000	21 396	22 703	24 021
Capital asset impairment			924						
Total Depreciation & asset impairment	19 812	22 279	29 941	20 000	25 000	25 000	21 396	22 703	24 021
Bulk purchases									
Water Bulk Purchases	6 998	8 218	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Total bulk purchases	6 998	8 218	9 710	7 800	9 598	9 598	5 000	5 295	5 586
Contracted services									
Gardening Services	143	353	29	42	42	42	600	635	670
Cleaning Services	358	693	185	265	265	265	200	212	223
Security Services	1 985	13 272	5 920	8 500	8 500	8 500	1 200	1 271	1 341
IT Support & Office Rental	1 039	594	139	200	200	200			
External Water Quality Monitoring		3 038	1 254	1 800	1 800	1 800	2 000	2 118	2 234
Temporary Offices		288	-	-	-	-			
Implementation Of Grap	2 586	5 955	2 584	3 801	2 392	2 392			
Wsdp Review	1 505	441	70	100	100	100			
Municipal Finance Support	8 233	1 816	697	1 000	1 000	1 000			
Vat Consultant	2 856	3 923	1 658	2 380	2 380	2 380	2 000	2 118	2 234
Water Conservation	3 634	594	139	200	200	200			
PM Umzimkhulu Pitts	4 148	288	-	-	-	-			
Institutional Support Services		7 780	3 416	4 905	4 905	4 905			
Rental Of Office Equipment	1 229	1 816	697	1 000	1 000	1 000	500	530	559
Water Resource Strategies & Planning	-	594	139	200	200	200			
Legal Services	-	1 472	540	775	775	775			
Installation Of Bulk & Water Meters	-	2 427	975	1 400	1 400	1 400			
Risk Ass, Man Strategy And Audit Assignment	-	1 128	383	550	550	550			
Audit Committee	-						400	424	447
AFS Accounting Support	-						1 300	2 500	2 000
Pms/Sdbip Review	-						600	635	670
Refurbishment Projects	-			9 290	9 290	9 290	17 170	18 183	20 016
Total contracted services	27 717	46 472	22 632	36 408	34 999	34 999	25 970	28 626	30 396

DC43 Harry Gwala - Supporting Table SA1 Consolidated Supporting detail to 'Budgeted Financial Performance'									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
EXPENDITURE ITEMS:									
Other Expenditure By Type									
Collection Costs	2 048	208	3 354	2 860	2 860	2 860	1 928	1 911	2 076
Contributions To 'Other' Provisions	1 053	208	2 463	687	687	687	463	459	499
Consultant Fees	15 614	208			-	-	-	-	-
Audit Fees	1 947	208		3 197	3 197	3 197	2 155	2 136	2 320
General Expenses	14 402	12 780	165 658	5 076	5 076	5 076	3 421	3 391	3 684
Community Participation	6 339	5 625		2 234	2 234	2 234	1 506	1 492	1 621
Conferences And Seminars	2 773	2 461		977	977	977	659	653	709
Disaster Management	199	176		70	70	70	47	47	51
Electricity	7 945	7 050		2 800	2 800	2 800	1 887	1 870	2 032
Finance Related Costs	9 614	8 531		3 388	3 388	3 388	2 284	2 263	2 459
Human Resource Related Costs	8 143	7 226		2 870	2 870	2 870	1 934	1 917	2 083
It Related Costs	2 160	1 917		761	761	761	513	509	552
Operations & Maintenance	44 691	39 656		15 750	15 750	15 750	10 617	10 521	11 431
Printing & Stationary	3 680	3 266		1 297	1 297	1 297	874	866	941
Project Plannig	2 894	2 568		1 020	1 020	1 020	688	681	740
Public Relations	10 389	9 219		3 662	3 662	3 662	2 468	2 446	2 657
Rural Roads Assets Infrastructure	5 147	4 567		1 814	1 814	1 814	1 223	1 212	1 317
Social & Sports	35 517	31 516		12 517	82 799	82 799	55 812	55 311	60 092
Subsistence & Travelling	3 316	2 942		1 169	1 169	1 169	788	781	848
Telephone & Faxes	8 668	7 691		3 055	3 055	3 055	2 059	2 041	2 217
Water Conservation & Demand Management	4 423	3 925		1 559	1 559	1 559	1 051	1 041	1 131
Impairment Costs							13 533	12 132	11 769
Department Of Higher Education Grant Expenditure				49 390	22 968	22 968	44 290	-	-
Sisonke Development Agency Operational Expenditure			5 939	7 308	7 219	7 219	2 040	34 802	37 762
Remuneration Of Directors			315		358	358	545	581	619
Total 'Other' Expenditure	190 963	151 947	177 730	123 462	167 590	167 590	152 785	139 061	149 611
Repairs and Maintenance									
by Expenditure Item									
Employee related costs	32 917	29 493	32 443	33 139	33 139	33 139	35 127	36 801	38 475
Other materials	23 042	20 645	22 554	23 197	23 197	23 197	24 589	25 761	26 932
Contracted Services	6 583	5 899	8 205	6 628	6 628	6 628	7 025	7 360	7 695
Other Expenditure	3 292	2 949	5 256	3 314	3 314	3 314	3 513	3 680	3 847
Total Repairs and Maintenance Expenditure	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949

Table 63 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

DC43 Sisonke - Supporting Table SA2 Consolidated Matrix Financial Performance Budget (revenue source/expenditure type & dept.)								
Description	Vote 1 - Council	Vote 2 - Municipal	Vote 3 - Finance	Vote 4 - Corporate	Vote 5 - Social &	Vote 6 - Infrastructur	Vote 7 - Water	Total
R thousand								
Revenue By Source								
Service charges - water revenue	-	-	-	-	-	-	33 152	33 152
Service charges - sanitation revenue	-	-	-	-	-	-	13 016	13 016
Interest earned - external investments	-	-	2 600	-	-	-	-	2 600
Interest earned - outstanding debtors	-	-	-	-	-	-	5 179	5 179
Other revenue	-	-	3 500	-	-	-	-	3 500
Transfers recognised - operational	-	-	232 806	-	11 250	5 190	-	249 246
Total Revenue (excluding capital transfers and contributions)	-	-	238 906	-	11 250	5 190	51 347	306 693
Expenditure By Type								
Employee related costs	-	3 772	12 981	12 094	22 048	8 121	43 408	102 424
Remuneration of councillors	6 655	-	-	-	-	-	-	6 655
Debt impairment	-	-	10 000	-	-	-	-	10 000
Depreciation & asset impairment	-	-	20 000	-	-	-	-	20 000
Finance charges	-	-	2 500	-	-	-	-	2 500
Bulk purchases	-	-	-	-	-	-	5 000	5 000
Other materials	-	-	-	-	-	-	-	-
Contracted services	-	1 450	5 550	9 900	2 600	200	19 802	39 502
Transfers and grants	-	-	-	-	15 000	-	-	15 000
Other expenditure	4 062	2 925	9 837	22 726	7 247	18 092	27 487	92 377
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	10 717	8 147	60 868	44 720	46 896	26 413	95 697	293 458
Surplus/(Deficit)	(10 717)	(8 147)	178 038	(44 720)	(35 646)	(21 224)	(44 350)	13 234
Transfers recognised - capital	-	-	-	-	-	245 526	-	245 526
Surplus/(Deficit) after capital transfers & contributions	(10 717)	(8 147)	178 038	(44 720)	(35 646)	224 303	(44 350)	258 761

Table 64 MBRR Table SA3 – Supporting detail to Statement of Financial Position

DC43 Harry Gwala - Supporting Table SA3 Consolidated Supporting detail to 'Budgeted Financial Position'									
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
ASSETS									
Consumer debtors									
Consumer debtors	5 310	3 519	80 052	9 523	5 660	5 660	85 056	89 649	94 490
Less: Provision for debt impairment	(5 310)	(3 519)	(74 314)	(7 019)	2 126	2 126	(71 748)	(65 751)	(59 420)
Total Consumer debtors	-	-	5 738	2 505	7 786	7 786	13 307	23 897	35 070
Debt impairment provision									
Balance at the beginning of the year				10 477	10 477	10 477	(61 748)	(55 161)	(48 248)
Contributions to the provision				11 542	12 000	12 000	(10 000)	(10 000)	(10 000)
Bad debts written off				(15 000)	(24 602)	(24 602)			
Balance at end of year	-	-	-	7 019	(2 126)	(2 126)	(71 748)	(65 161)	(58 248)
Property, plant and equipment (PPE)									
PPE at cost/valuation (excl. finance leases)	864 148	991 081	1 353 305	1 753 293	1 570 045	1 570 045	1 823 061	2 108 208	2 525 349
Leases recognised as PPE				-	-	-	-	-	-
Less: Accumulated depreciation			228 604	236 495	236 495	236 495	275 000	296 307	318 804
Total Property, plant and equipment (PPE)	864 148	991 081	1 124 701	1 516 798	1 333 550	1 333 550	1 548 062	1 811 902	2 206 544
LIABILITIES									
Current liabilities - Borrowing									
Short term loans (other than bank overdraft)									
Current portion of long-term liabilities	4 191	4 911	3 297	3 174	3 174	3 174	3 266	3 000	3 330
Total Current liabilities - Borrowing	4 191	4 911	3 297	3 174	3 174	3 174	3 266	3 000	3 330
Trade and other payables									
Trade and other creditors	50 432	45 445	87 825	20 555	20 555	20 555	37 263	52 325	68 199
Unspent conditional transfers	47 640	32 528	41 681	10 000	15 000	15 000	15 865	14 737	13 333
VAT									
Total Trade and other payables	98 071	77 972	129 507	30 555	35 555	35 555	53 128	67 062	81 532
Non current liabilities - Borrowing									
Borrowing	32 484	28 842	25 596	22 104	22 120	22 120	18 683	15 683	12 353
Finance leases (including PPP asset element)	4 656	3 280	2 104	3 280	3 280	3 280			
Total Non current liabilities - Borrowing	37 140	32 122	27 700	25 384	25 400	25 400	18 683	15 683	12 353
Provisions - non-current									
Retirement benefits	3 919	5 300	7 138	5 933	5 933	5 933	10 816	12 654	14 493
Other	1 622	2 127	2 230	1 784	1 784	1 784	2 437	2 590	2 794
Total Provisions - non-current	5 541	7 427	9 369	7 717	7 717	7 717	13 253	15 245	17 287
CHANGES IN NET ASSETS									
Accumulated Surplus/(Deficit)									
Accumulated Surplus/(Deficit) - opening balance	727 674	806 431	879 949	1 512 820	1 320 214	1 320 214	1 198 855	1 522 036	1 809 444
GRAP adjustments			0	22 763	6 514	6 514	64 914	2 197	(3 876)
Restated balance	727 674	806 431	879 949	1 535 583	1 326 728	1 326 728	1 263 769	1 524 232	1 805 568
Surplus/(Deficit)	33 464	73 517	160 610	221 374	195 839	195 839	258 266	285 211	420 338
Other adjustments				(221 302)	(180 151)	(180 151)			
Accumulated Surplus/(Deficit)	761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906
TOTAL COMMUNITY WEALTH/EQUITY	761 138	879 949	1 040 559	1 535 655	1 342 415	1 342 415	1 522 036	1 809 444	2 225 906

Table 65 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

DC43 Sisonke - Supporting Table SA9 Social, economic and demographic statistics and assumptions										
Description of economic indicator	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics										
Population	457	500	546	546	558	571	584	597	611	625
Females aged 5 - 14	40	74	81	81	82	84	86	88	90	92
Males aged 5 - 14	41	63	69	69	70	72	73	75	77	78
Females aged 15 - 34	54	92	101	101	103	105	108	110	113	115
Males aged 15 - 34	48	78	86	86	88	90	92	94	96	98
Unemployment	114	125	136	136	139	143	146	149	153	156
Monthly household income (no. of households)										
No income	64 824	71 012	77 500	77 500	79 213	80 964	82 753	84 408	86 063	87 718
R1 - R1 600	108 648	119 020	129 895	129 895	132 765	135 700	138 699	141 473	144 246	147 019
R1 601 - R3 200	169 546	185 730	202 701	202 701	207 181	211 760	216 440	220 768	225 097	229 426
R3 201 - R6 400	38 917	42 632	46 527	46 527	47 556	48 607	49 681	50 674	51 668	52 514
R6 401 - R12 800	33 142	36 306	39 623	39 623	40 499	41 394	42 309	43 155	44 001	44 656
R12 801 - R25 600	25 656	28 105	30 673	30 673	31 351	32 043	32 752	33 407	34 062	34 321
R25 601 - R51 200	10 157	11 127	12 144	12 144	12 412	12 686	12 967	13 226	13 485	13 544
R52 201 - R102 400	2 191	2 400	2 620	2 620	2 678	2 737	2 797	2 853	2 909	2 973
R204 801 - R409 600	2 511	2 750	3 002	3 002	3 068	3 136	3 205	3 269	3 333	3 397
R409 601 - R819 200	913	1 000	1 092	1 092	1 116	1 140	1 166	1 189	1 212	1 235

DC43 Sisonke - Supporting Table SA9 Social, economic and demographic statistics and assumptions										
Description of economic indicator	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Poverty profiles (no. of households)										
< R2 060 per household per month										
Households with total combined income of less than R1600	71 900	78 910	100817.00	100817.00	100817.00	100817.00	107019.28			
Household/demographics (000)										
Number of people in municipal area	456 506	500 082	546	546	558	570	583	594	606	618
Number of poor people in municipal area	342 380	375 762	480	480	480	480	510	520	530	540
Number of households in municipal area	103 264	105 659	115	115	118	120	123	126	128	130
Number of poor households in municipal area	71 900	78 910	101	101	101	101	107	109	111	113
Definition of poor household (R per month)	<R800P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M
Housing statistics										
Formal	32 115	33 917	37 016	37 016	37 834	38 670	39 524	40 315	41 105	41 895
Informal	4 234	2 008	2 191	2 191	2 239	2 289	2 339	2 386	2 433	2 480
Total number of households	36 349	35 924	39 207	39 207	40 073	40 959	41 864	42 701	43 538	44 375
Economic										
Inflation/inflation outlook (CPIX)				5.7%	4.8%	5.3%	5.5%	5.7%	5.9%	6.1%
Interest rate - borrowing				10.5%	9.0%	9.5%	10.0%	10.4%	10.8%	11.2%
Interest rate - investment				9.5%	7.0%	7.5%	8.0%	8.3%	8.6%	8.9%
Remuneration increases				7.7%	6.1%	7.3%	7.5%	7.8%	8.1%	8.3%
Consumption growth (electricity)				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumption growth (water)				2.0%	8.7%	2.2%	2.2%	2.3%	2.4%	2.6%
Collection rates										
Property tax/service charges				0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rental of facilities & equipment				7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	0.0%
Interest - external investments				9.5%	7.0%	7.5%	8.0%	8.6%	8.6%	8.9%
Interest - debtors				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue from agency services				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 66 MBRR SA32 – List of external mechanisms

There are no external mechanisms in the provision of municipal services as per the legislated powers and functions.

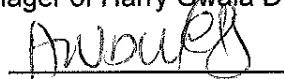
2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I Adelaide Nomnandi Dlamini, Municipal Manager of Harry Gwala District 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 Adelaide Nomnandi Dlamini

Municipal Manager of Harry Gwala District Municipality (DC43)

Signature



Date

29 May 2014