



UMZIMVUBU
— LOCAL MUNICIPALITY —

MTREF
2011/2012

Table of Contents

| | |
|---|----|
| PART 1 – ANNUAL BUDGET | 2 |
| Section 1 – Mayor’s Budget Speech | 2 |
| Section 2 – Budget Related Resolutions | 4 |
| Section 3 – Executive Summary | 5 |
| Section 4 – Annual budget tables | 11 |
| PART 2 – SUPPORTING DOCUMENTATION | 27 |
| Section 5 – Overview of annual budget process | 27 |
| Section 6 – Overview of alignment of annual budget with the Integrated Development Plan | 30 |
| Section 7 - Measurable performance objectives and indicators..... | 31 |
| Section 8 – Overview of budget related policies..... | 32 |
| Section 9 – Overview of budget assumptions | 33 |
| Section 10 – Overview of budget funding | 35 |
| Section 11 – Expenditure on allocations and grant programmes | 36 |
| Section 12 – Allocations and grants made by the Municipality | 38 |
| Section 13 – Councillor allowances and employee benefits | 39 |
| Section 14 – Municipal targets for revenue and employee benefits | 40 |
| Section 15 – Annual budgets and services delivery and budget Implementation plans – internal departments | 41 |
| Section 16 – Annual budgets and service delivery agreements – Municipal entities and other external mechanisms | 42 |
| Section 17 – Contracts having future budgetary implications | 43 |
| Section 18 – Capital expenditure details | 44 |
| Section 19 – Legislation compliance status | 45 |
| Section 20 – Other supporting documents | 49 |
| Section 21 – Municipal manager’s quality certification | 50 |

PART 1 – ANNUAL BUDGET

Mayoral Budget Speech

Mr. Speaker
Exco Members
Whippery
Councillors
Management & Staff
Members of the Public & Media in the Gallery
Ladies & Gentlemen

First and foremost I want extend our sincere apology for the inconvenience caused in respect of the venue for this Special Council Meeting.
We have established very late that the Town Hall in Mount Frere had already been booked. Please accept our apologies.

This Special Council Meeting has been preceeded by the Freedom Day Celebrations that took place yesterday throughout the Republic of South Africa to mark the 17th Anniversary of our Freedom and Democracy.

On Friday the 15th of April 2011 we have hosted the Send-Off Party in the honour of 2006-2011 outgoing Councillors.

We did this as a way of saying “Thank you for the job well done during the term of office.”
You discharged your duties diligently and excellently as the true representatives of your communities.

After the 18th of May we will hand over the baton to the next Crop of Councillors with pride and dignity because we have fulfilled our mandate. In this regard, I can say, without any fear of contradiction, that the mission has been accomplished.

Toady’s Special meeting of Council was convened to deal with the 2011/2012 Budget and IDP, PMS Assessment Results for Section 57 Managers and Municipal Manager for 2009/2010 Financial Year, Forfeiture of Interest on Consumer Account and Sundry Debtors.

Although the precise information is contained in the table shown below I would like to make a few high lights on the Budget by dealing briefly with major sources of income and operational expenditure.

Major sources of income can be summarized as follows:

1. Grants and Subsidies: R128 390 000(which constitutes 75% of the Budget)
2. Own revenue: R42 651 035(which constitutes 25%)

The Own Revenue is made up of Property Rates at R8 m, Refuse Removal at R2.7m and Traffic Management which contributes R3.3 m.

I must also indicate that the operational expenditure is R103 901 545 which takes 61% of the Budget. The remaining 39% which is R67 103 634 goes for Capital Expenditure

The Operational Expenditure can further be split as follows:

1. Personnel: R 50 659 297
2. General Expenditure: R45 818 204
3. Grants and Subsidies paid: R3 570 410
4. Repairs and maintenance: R3 853 634

The 2011/12 Capital Budget

The capital budget for next year amounts to R67,1million and included to the amount is R31 157 million which is funded by MIG. This has declined by 39% compared to 2010/11 financial year, this was caused by reserves that the council resolved that all the reserves to be utilised as speedup the service delivery within the municipality. The municipality has adhere to treasury Circular which advises municipalities not to budget for offices, but however the office space s still a challenge. Our rollover projects amount to R 500 000, which we anticipate is to be completed within the first two months of the 2011/12 financial year.

The capital budget can be broken down as follows. Surfacing R31,1 million, Access Roads R16 million, Buildings 9,5 million, Other (Computers, Furniture , Equipment, ICT) R10,4million

Operating Expenditure

As we know that each municipality has to contribute to job creation when revising their own IDPs and preparing budget for 2011/12. Not by employing more staff, but rather by ensuring labour intensive methods are used in services delivery, by service providers and LED projects. Municipalities should participate fully in the Extended Public Works Programme.

We have relooked at our procurement policies and guidelines, and they are now labour intensive as opposed to capital.

The biggest single operating expenditure is on staffing. This amounts to approximately R50,6 million of the operating budget. There will be few new positions, this is the result of the decreased in our revenue by 16% from 2010/11 financial year.

Operating Revenue

Our budget is in essence funded from three sources: assessment rates, revenues from trading services (majority from waste management) and transfer from national government. Approximately 7% of our revenue s from rates and waste management which could translate to 5% and 2% split.

Effect of the annual budget

The annual budget for 2011/12 to 2013/14 is disclosed in 'Section 4: Annual budget tables' and in 'Annexure 2: Supporting budget tables'. Each of the summaries sections below is discussed in more detail later on this document

Mr. Speaker, on behalf of the Executive Committee I submit this report and I further ask Council to consider and adopt all the recommendations we have made.

With those few words I THANK YOU.....

Section 2 – Budget Related Resolutions

The Resolutions approved by Council with the final adoption of the budget in April are:

RESOLVED:

[a] That the annual budget of Umzimvubu Local Municipality for the financial year 2011/2012; and indicative for the two projected years 2012/13 and 2013/14

1.1 **Table A2:** Budgeted Financial Performance (Expenditure by standard classification)

1.2 **Table A3:** Budgeted Financial Performance (expenditure by municipal vote)

1.3 **Table A4:** Budgeted Financial Performance (revenue by source)

1.4 **Table A5:** Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding

[b] The policies for credit control, debt collection and indigents are approved for the budget year 2011/2012 (within the report)

[c] Tariffs and charges reflected in **Annexure 3** are approved for the financial year 2011/2012

[d] Council notes the amended Integrated Development Plan adopted on the April 2011 reflected as summarised in **Section 6**

[e] The budget related policies as summarised in **Section 8** are approved for budget year 2011/12

[f] The measurable performance objectives for each vote introduced in **Section 15** and detailed in Annexure 'Service Delivery and Budget Implementation Plan' are noted for the budget year 2011/12

Section 3 - Executive Summary

The Municipal Finance Management Act (MFMA) require that the council must at least 30 days before the start of the budget year consider the approval of the annual budget, but however Circular 54 was issued as advisor to municipalities pertaining the Local Government elections will take place during the month of May 2011 which this could result to the budgets not approved because of political climates. Umzimvubu Local Municipality chose to approved its budget at the end of April 2011.

.Most of the requirements of the MFMA concerning the budget content and documentation are in place for this budget process and were incorporated into this budget document. Major requirements of the MFMA include:

- 1) the budget must set out 'realistically anticipated revenues' for the year by each revenue source;
- 2) the budget must be generally divided between capital and operating expenditures and each must be set out by 'vote';
- 3) expenditures can only be funded by 'realistic' revenues, surplus cash carried forward and not committed to any other expenditure or borrowed funds (borrowed funds can only be used to fund capital projects).

There are many other format requirements for the budget that are too numerous to mention here, however, a complete listing can be found in section 17 of the MFMA.

The preparation of this budget document evolved the making of critical policy decisions and key strategies and policy directions that were given by the Executive Committee over the past months. A 'baseline' budgets was developed in consultation with the Executive and formed the basis for operating budget discussions. These were given to the Managers to review and revise within given guidelines. These revised baseline budgets returned by the managers then formed the basis for the draft budget which is now on its final stage that is annual budget.

The financial policies used to develop this budget are focused on making Umzimvubu is financially sustainable in the long run. We must not only have sufficient cash available to pay all the creditors that we owe as required by the MFMA but also to allow for a cash reserve to even out sporadic cash flows during the operating year.

Operational Revenues are anticipated to reach R 99, 260 MILLION (including currently known grants received for operational expenditures); operational expenditures funded from cash carry forwards and operating revenues are proposed at R 99, 042 MILLION.

The Capital Budget is funded from a blend of conditional grants, limited own funds and cash carried forward from prior years. Capital expenditures for 2011/12 are estimated to total R67, 103 Million for a variety of projects and purchases.

In preparing the budget many issues emerged that had to be taken into account. Several assumptions were utilized to produce estimates and forecasts. In addition, many policy decisions were incorporated into this budget document. The following list attempts to give the most significant of these.

Operating Revenues

- Revenues are shown on a 'billed' (or accrual) basis where applicable. In many cases revenue billed is much higher than cash actually collected on that billing. An offsetting bad debt expense is also included to cover other services as a single amount and a separate amount to cover waste or refuse. This expense must be considered in any revenue discussion. Allocations for bad debt include the following amounts.
 - Rates and other services R365, 000
- Rates and tariffs in most cases contain proposed increases.
 - Rates 4.8% increase
 - Refuse Collection 4.8% increase
- The Equitable Share Allocation from the National Treasury is R92,993 Million which is an increase from the current budget of R 71,442.

Operating Expenditures

- Employee salaries and related expenses are increased by the level indicated by correspondence from SALGA and CPIX. This amount to an 6,8% increase in 2011/12. In addition, all positions are budgeted to be filled for the entire year. Council salaries are also budgeted to increase by 6.8% .The salary bill makes up 48% of the Operating budget.
- An amount of R 3, 853,634 has been allocated in the operating budget for normal street maintenance and repairs
- An amount R45,818,204 is included in the operating budget for normal operations of the institution
- Grants and subsidies paid by the municipality to NGO's and other organizations amounts to R 3,570 million

Capital Budget

The capital budget reflected in this document utilizes actually anticipated revenues and cash forward to fund the budgeted expenditures of R67,103 million. The portion include the MIG grant (R31,153 million)

Other items in the operating budget

There are various conditional grants/other funded items and programs included within the operating budget. Most of these items (amounting to some R4,2Million) are funded by conditional grants that specify exactly what the money can be expended on.

Effect of the annual budget

The annual budget for 2011/12 to 2013/14 is disclosed in 'Section 4: Annual budget tables' and in 'Annexure 2: Supporting budget tables'. Each of the summaries sections below is discussed in more detail later on this document

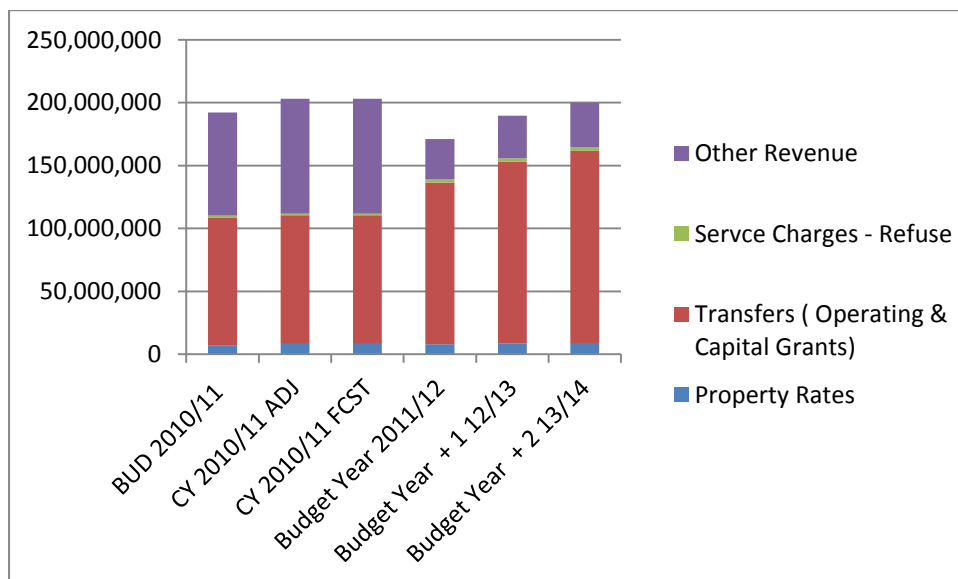
For easy reference, summary tables and graphs are included here.

Financial performance

Revenue by source

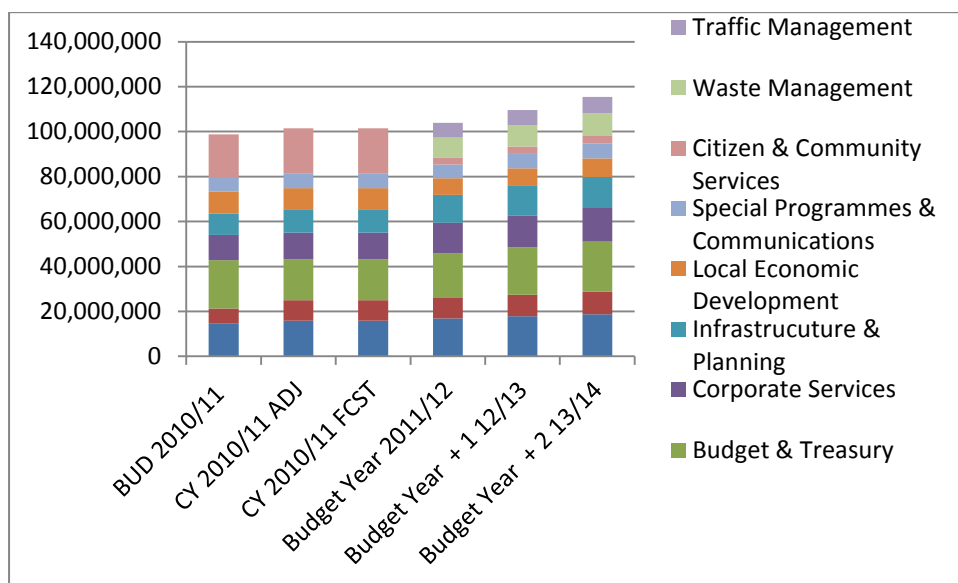
| | Forecast 2010/2011 R '000 | Budget 2011/2012 R '000 | Indicative 2012/2013 R '000 | Indicative 2013/2014 R '000 |
|--|---------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
| Property Rates | 7,160 | 8,000 | 8,424 | 8,887 |
| Transfers (Operating & Capital Grants) | 101,672 | 128,390 | 144,643 | 152,802 |
| Service Charges | 1,300 | 2,600 | 2,737 | 2,888 |
| Other Revenue | 82,119 | 32,015 | 33,711 | 35,498 |
| Total Revenue | 192,215 | 171,005 | 189,516 | 200,066 |

Trends for the major revenue sources over the MTREF period is shown in the chart below



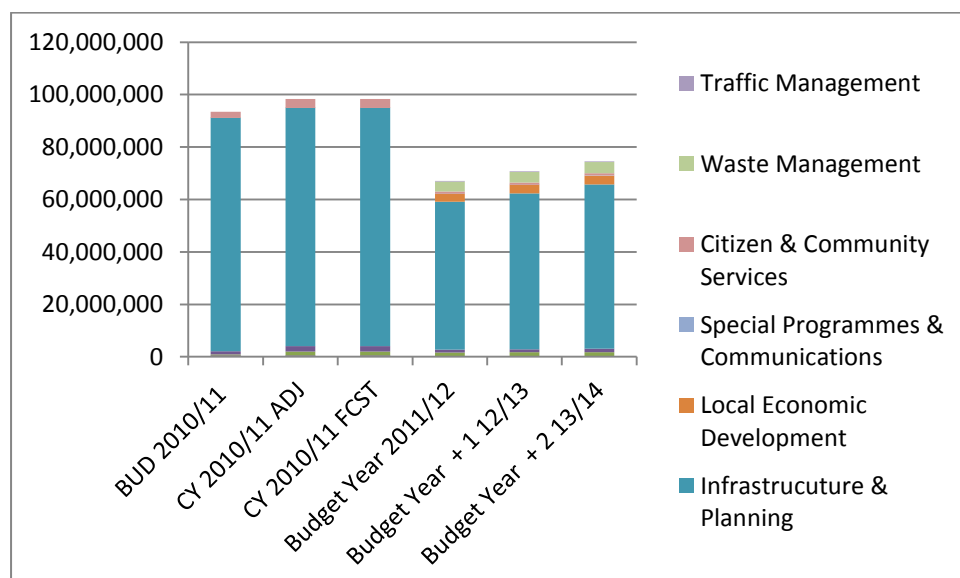
Expenditure by municipal vote

| | BUD 2010/11 | CY 2010/11 ADJ | CY 2010/11 FCST | Budget Year 2011/12 | Budget Year + 1 12/13 | Budget Year + 2 13/14 |
|--|-------------------|--------------------|--------------------|------------------------|--------------------------|--------------------------|
| Executive & Council | 14,788,383 | 15,822,819 | 15,822,819 | 16,877,269 | 17,805,519 | 18,749,211 |
| Municipal Manager | 6,485,549 | 9,225,258 | 9,225,258 | 9,084,988 | 9,584,662 | 10,092,649 |
| Budget & Treasury | 21,540,880 | 18,125,979 | 18,125,979 | 20,004,525 | 21,104,774 | 22,223,327 |
| Corporate Services | 11,231,639 | 11,906,575 | 11,906,575 | 13,478,079 | 14,219,373 | 14,973,000 |
| Infrastructure & Planning | 9,536,062 | 10,054,353 | 10,054,353 | 12,429,900 | 13,113,545 | 13,808,562 |
| Local Economic Development | 9,620,389 | 9,700,831 | 9,700,831 | 7,388,024 | 7,794,365 | 8,207,467 |
| Special Programmes & Communications | 6,254,237 | 6,395,751 | 6,395,751 | 6,063,474 | 6,396,965 | 6,736,004 |
| Citizen & Community Services | 19,245,043 | 20,189,772 | 20,189,772 | 3,161,065 | 3,334,924 | 3,511,675 |
| Waste Management | | | | 8,901,755 | 9,391,352 | 9,889,093 |
| Traffic Management | | | | 6,512,460 | 6,870,645 | 7,234,790 |
| | 98,702,182 | 101,421,338 | 101,421,338 | 103,901,539 | 109,616,124 | 115,425,778 |



Capital Expenditure by municipal vote

| | BUD 2010/11 | CY 2010/11 ADJ | CY 2010/11 FCST | Budget Year 2011/12 | Budget Year + 1 12/13 | Budget Year + 2 13/14 |
|--|----------------|----------------------|-----------------------|---------------------------|--------------------------|-----------------------------|
| Executive & Council | 500,000 | 500,000 | 500,000 | 100,000 | 105,550 | 111,092 |
| Municipal Manager | 55,000 | 55,000 | 55,000 | 57,640 | 60,810 | 64,033 |
| Budget & Treasury | 300,000 | 1,394,513 | 1,394,513 | 1,461,450 | 1,541,830 | 1,623,547 |
| Corporate Services | 1,280,000 | 2,080,000 | 2,080,000 | 1,140,000 | 1,202,700 | 1,266,443 |
| Infrastructure & Planning | 88,939,000 | 90,827,487 | 90,827,487 | 56,357,000 | 59,456,635 | 62,607,837 |
| Local Economic Development | 50,000 | 50,000 | 50,000 | 3,050,000 | 3,217,750 | 3,388,291 |
| Special Programmes & Communications | 50,000 | 50,000 | 50,000 | 52,400 | 55,282 | 58,212 |
| Citizen & Community Services | 2,290,000 | 3,358,095 | 3,358,095 | 830,000 | 875,650 | 922,060 |
| Waste Management | | | | 3,810,000 | 4,019,550 | 4,232,586 |
| Traffic Management | | | | 245,000 | 258,475 | 272,174 |
| | 93,464,000 | 98,315,095 | 98,315,095 | 67,103,490 | 70,794,232 | 74,546,275 |



Tariff implications of the annual budget

Assessment rates

The municipal property rates are levied in different categories of consumers, and the budget has increased from 2011/12 financial year by 12%. This will probably increase when we doing adjustment budget as we are now complete with our data cleansing project

Waste Management

We had a 4.8% increase on the tariffs charged for this financial year, and we also devised other revenue mechanism in waste management which were not implemented in the 2010/2011 financial year

We have budgeted a 100% increase on this trading services, this is the result of the new shopping mall.

The budget as presented in this document meets the requirements of the MFMA and is presented to Council for approval.

Section 4 - Annual Budget Tables

The intention of this Section is two-fold

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2011/2012:

- Table A2: Budgeted Financial Performance (expenditure by standard classification)
- Table A4: Budgeted Financial Performance (expenditure by municipal vote)
- Table A4: Budgeted Financial Performance (revenue by source)
- Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding

Secondly, this section presents and explains the various tables that must be compiled

Table A1 – Budget Summary**EC442 Umzimvubu - Table A1 Budget Summary**

| Description R thousands | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| <u>Financial Performance</u> | | | | | | | | | | |
| Property rates | 4,125 | 4,018 | 5,909 | 7,160 | 8,160 | 8,160 | 5,289 | 8,000 | 8,424 | 8,887 |
| Service charges | 2,142 | 681 | 1,902 | 1,308 | 1,308 | 1,308 | – | 2,600 | 2,738 | 2,888 |
| Investment revenue | – | 8,748 | 4,388 | 5,000 | – | 5,000 | – | 3,500 | 3,686 | 3,888 |
| Transfers recognised - operational | – | – | – | 77,734 | 78,401 | 78,401 | – | 97,233 | 102,581 | 108,018 |
| Other own revenue | – | 1,917 | 5,900 | 35,830 | 35,411 | 39,761 | – | 28,515 | 30,074 | 31,678 |
| Total Revenue (excluding capital transfers and contributions) | 6,267 | 15,364 | 18,099 | 127,032 | 123,280 | 132,630 | 5,289 | 139,848 | 147,502 | 155,359 |
| Employee costs | 26,014 | 20,847 | 28,865 | 42,333 | 34,927 | 35,727 | – | 51,372 | 54,557 | 57,776 |
| Remuneration of councillors | – | 8,400 | 9,316 | 11,109 | 11,766 | 11,766 | – | 12,701 | 13,374 | 14,109 |
| Depreciation & asset impairment | – | – | 200 | 473 | – | 473 | – | – | – | – |
| Finance charges | – | – | – | – | – | – | – | – | – | – |
| Materials and bulk purchases | – | – | – | – | – | – | – | – | – | – |
| Transfers and grants | – | – | – | 250 | 2,320 | 2,320 | – | 3,620 | 3,812 | 4,022 |
| Other expenditure | 22,424 | 14,154 | 27,635 | 48,857 | 45,896 | 24,289 | – | 53,642 | 56,264 | 59,369 |
| Total Expenditure | 48,439 | 43,402 | 66,016 | 103,022 | 94,909 | 74,574 | – | 121,335 | 128,007 | 135,276 |
| Surplus/(Deficit) | (42,172) | (28,038) | (47,916) | 24,010 | 28,371 | 58,056 | 5,289 | 18,513 | 19,495 | 20,083 |
| Transfers recognised - capital | – | – | – | 21,445 | 21,445 | 21,445 | – | 43,939 | 58,791 | 65,008 |
| Contributions recognised - capital & contributed assets | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) after capital transfers & contributions | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) for the year | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |
| <u>Capital expenditure & funds sources</u> | | | | | | | | | | |
| Capital expenditure | 40,018 | 76,420 | 30,411 | 93,464 | 98,315 | 98,315 | – | 67,104 | 70,795 | 74,688 |
| Transfers recognised - capital | 66,629 | 76,807 | 92,999 | 23,939 | 29,258 | 29,258 | – | 31,157 | 32,871 | 34,679 |
| Public contributions & donations | – | – | – | – | – | – | – | – | – | – |
| Borrowing | – | – | – | – | – | – | – | – | – | – |
| Internally generated funds | – | – | – | 69,525 | 68,057 | 68,057 | – | 35,857 | 37,829 | 39,910 |
| Total sources of capital funds | 66,629 | 76,807 | 92,999 | 93,464 | 97,315 | 97,315 | – | 67,014 | 70,700 | 74,588 |
| <u>Financial position</u> | | | | | | | | | | |
| Total current assets | 7 | 66,409 | 80,688 | – | – | – | – | – | – | – |
| Total non current assets | – | 261,277 | 292,866 | 369,485 | 373,086 | 373,086 | – | 436,237 | 502,703 | 572,833 |
| Total current liabilities | | | | | – | | – | | | |

UMZIMVUBU MUNICIPALITY

| | | | | | | | | | | |
|---|-----------------|----------------|----------------|-----------------|----------------|-----------------|----------|-----------------|-----------------|-----------------|
| | 20,756 | 12,206 | 24,769 | 26,445 | | 26,445 | | 26,445 | 26,445 | 26,445 |
| Total non current liabilities | - | - | - | - | - | - | - | - | - | - |
| Community wealth/Equity | (9,625) | 52,229 | 52,229 | - | - | - | - | - | - | - |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | 89,274 | 176,283 | 161,060 | 126,672 | 127,659 | 132,659 | - | 131,890 | 138,880 | 146,314 |
| Net cash from (used) investing | - | (42,558) | (31,630) | 500 | - | 500 | - | 100 | 105 | 111 |
| Net cash from (used) financing | - | - | - | - | - | - | - | - | - | - |
| Cash/cash equivalents at the year end | 109,332 | 243,057 | 372,487 | 127,172 | 127,659 | 133,159 | - | 131,990 | 270,975 | 417,400 |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | 7 | 55,555 | 79,946 | - | - | - | - | - | - | - |
| Application of cash and investments | 20,756 | 1,887 | 34,680 | 36,356 | - | 36,356 | - | 36,356 | 36,356 | 36,356 |
| Balance - surplus (shortfall) | (20,749) | 53,668 | 45,266 | (36,356) | - | (36,356) | - | (36,356) | (36,356) | (36,356) |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | - | 18,095 | 18,095 | - | - | - | - | - | - | - |
| Depreciation & asset impairment | - | - | 200 | 473 | - | 473 | - | - | - | - |
| Renewal of Existing Assets | - | - | - | - | - | - | - | - | - | - |
| Repairs and Maintenance | - | - | - | - | - | - | 183 | 183 | 194 | 206 |
| Free services | | | | | | | | | | |
| Cost of Free Basic Services provided | - | - | - | - | - | - | - | - | - | - |
| Revenue cost of free services provided | - | - | - | - | - | - | - | - | - | - |
| Households below minimum service level | | | | | | | | | | |
| Water: | - | - | - | - | - | - | - | - | - | - |
| Sanitation/sewerage: | - | - | - | - | - | - | - | - | - | - |
| Energy: | - | - | - | - | - | - | - | - | - | - |
| Refuse: | - | - | - | - | - | - | - | - | - | - |

The highlight of this table relate to increase in employee costs which further broken down in Annexure 2 'Supporting Table SA22: Summary councilor and staff benefits'.

Table A2 – Budgeted Financial Performance (by standard classification)

EC442 Umzimvubu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

| Standard Classification Description | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| Revenue - Standard | | | | | | | | | | |
| <i>Governance and administration</i> | | - | - | - | 103,145 | 104,341 | 108,541 | 129,907 | 136,792 | 144,315 |
| Executive and council | | - | - | - | 2,800 | - | 2,800 | - | - | - |
| Budget and treasury office | | - | - | - | 98,865 | 104,271 | 104,271 | 129,833 | 136,714 | 144,233 |
| Corporate services | | - | - | - | 1,480 | 70 | 1,470 | 74 | 77 | 82 |
| <i>Community and public safety</i> | | - | - | - | 8,225 | 8,117 | 8,117 | 3,562 | 3,752 | 3,958 |
| Community and social services | | - | - | - | 8,225 | 8,117 | 8,117 | 266 | 280 | 296 |
| Sport and recreation | | - | - | - | - | - | - | - | - | - |
| Public safety | | - | - | - | - | - | - | 3,297 | 3,471 | 3,662 |
| Housing | | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | - | - | - | 80,796 | 86,428 | 86,428 | 34,921 | 36,772 | 38,794 |
| Planning and development | | - | - | - | 5,552 | 5,522 | 5,522 | 2,062 | 2,171 | 2,290 |
| Road transport | | - | - | - | 75,244 | 80,906 | 80,906 | 32,859 | 34,601 | 36,504 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | - | - | - | - | - | - | 2,615 | 2,754 | 2,905 |
| Electricity | | - | - | - | - | - | - | - | - | - |
| Water | | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - |
| Waste management | | - | - | - | - | - | - | 2,615 | 2,754 | 2,905 |
| <i>Other</i> | 4 | - | - | - | - | - | - | - | - | - |
| Total Revenue - Standard | 2 | - | - | - | 192,166 | 198,886 | 203,086 | 171,005 | 180,069 | 189,973 |
| Expenditure - Standard | - | | | | | | | | | |
| <i>Governance and administration</i> | | - | - | - | 56,182 | 51,692 | 59,110 | 70,492 | 74,029 | 78,096 |
| Executive and council | | - | - | - | 21,829 | 25,603 | 25,603 | 26,420 | 27,610 | 29,128 |
| Budget and treasury office | | - | - | - | 21,841 | 19,520 | 19,520 | 21,644 | 22,792 | 24,045 |
| Corporate services | | - | - | - | 12,512 | 6,569 | 13,987 | 22,428 | 23,628 | 24,923 |
| <i>Community and public safety</i> | | - | - | - | 27,839 | 29,994 | 29,994 | 16,812 | 17,700 | 18,674 |
| Community and social services | | - | - | - | 27,839 | 29,994 | 29,994 | 9,855 | 10,374 | 10,944 |
| Sport and recreation | | - | - | - | - | - | - | - | - | - |
| Public safety | | - | - | - | - | - | - | 6,957 | 7,326 | 7,729 |
| Housing | | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | - | - | - | 108,145 | 113,982 | 113,982 | 74,798 | 78,966 | 83,314 |
| Planning and development | | - | - | - | 9,670 | 9,751 | 9,751 | 10,438 | 10,991 | 11,596 |
| Road transport | | - | - | - | 98,475 | 104,231 | 104,231 | 64,360 | 67,975 | 71,718 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | - | - | - | - | - | - | 8,902 | 9,374 | 9,889 |

UMZIMVUBU MUNICIPALITY

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|---------------------------------------|---|---|---|---|---------|---------|---------|---------|---------|---------|
| Electricity | | - | - | - | - | - | - | - | - | - |
| Water | | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - |
| Waste management | | - | - | - | - | - | - | 8,902 | 9,374 | 9,889 |
| Other | 4 | - | - | - | - | - | - | - | - | - |
| Total Expenditure - Standard | 3 | - | - | - | 192,166 | 195,668 | 203,086 | 171,005 | 180,069 | 189,973 |
| Surplus/(Deficit) for the year | | - | - | - | 0 | 3,219 | 0 | 0 | (0) | (0) |

References

1. Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
2. Total Revenue by standard classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)
3. Total Expenditure by Standard Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)
4. All amounts must be classified under a standard classification (modified GFS). The GFS function 'Other' is only for Abbatoirs, Air Transport, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification

Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)**EC442 Umzimvubu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description R thousand | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| Revenue by Vote | 1 | | | | | | | | | |
| Vote1 - Council & Executive Committee | | – | – | – | 4,200 | 1,453 | 4,253 | 56 | 59 | 63 |
| Vote2 Budget & Treasury - Budget & Treasury Office | | – | – | – | 98,865 | 104,271 | 104,271 | 129,833 | 136,714 | 144,233 |
| Vote3 Corporate Services - Corporate Services | | – | – | – | 1,480 | 70 | 1,470 | 74 | 77 | 82 |
| Vote4 Infrastructure & planning - Infrastructure & Planning | | – | – | – | 75,244 | 80,906 | 80,906 | 32,859 | 34,601 | 36,504 |
| Vote5 Local Economic Development - Local Economic Development | | – | – | – | 5,552 | 5,522 | 5,522 | 2,062 | 2,171 | 2,290 |
| Vote6 Citizen & Community Services - Citizen & Community Services | | – | – | – | 6,825 | 6,664 | 6,664 | 210 | 221 | 234 |
| Vote7 Waste Management Services - Waste Management Services | | – | – | – | – | – | – | 2,615 | 2,754 | 2,905 |
| Vote8 Public Safety - Public Safety | | – | – | – | – | – | – | 3,297 | 3,471 | 3,662 |
| Example 9 - Vote9 | | – | – | – | – | – | – | – | – | – |
| Example 10 - Vote10 | | – | – | – | – | – | – | – | – | – |
| Example 11 - Vote11 | | – | – | – | – | – | – | – | – | – |
| Example 12 - Vote12 | | – | – | – | – | – | – | – | – | – |
| Example 13 - Vote13 | | – | – | – | – | – | – | – | – | – |
| Example 14 - Vote14 | | – | – | – | – | – | – | – | – | – |
| Example 15 - Vote15 | | – | – | – | – | – | – | – | – | – |
| Total Revenue by Vote | 2 | – | – | – | 192,166 | 198,886 | 203,086 | 171,005 | 180,069 | 189,973 |
| Expenditure by Vote to be appropriated | 1 | | | | | | | | | |
| Vote1 - Council & Executive Committee | | – | – | – | 28,133 | 32,049 | 32,049 | 32,491 | 33,999 | 35,869 |
| Vote2 Budget & Treasury - Budget & Treasury Office | | – | – | – | 21,841 | 19,520 | 19,520 | 21,644 | 22,792 | 24,045 |
| Vote3 Corporate Services - Corporate Services | | – | – | – | 12,512 | 6,569 | 13,987 | 22,428 | 23,628 | 24,923 |
| Vote4 Infrastructure & planning - Infrastructure & Planning | | – | – | – | 98,475 | 104,231 | 104,231 | 64,360 | 67,975 | 71,718 |
| Vote5 Local Economic Development - Local Economic Development | | – | – | – | 9,670 | 9,751 | 9,751 | 10,438 | 10,991 | 11,596 |
| Vote6 Citizen & Community Services - Citizen & Community Services | | – | – | – | 21,535 | 23,548 | 23,548 | 3,784 | 3,985 | 4,204 |
| Vote7 Waste Management Services - Waste Management Services | | – | – | – | – | – | – | 8,902 | 9,374 | 9,889 |
| Vote8 Public Safety - Public Safety | | – | – | – | – | – | – | 6,957 | 7,326 | 7,729 |
| Example 9 - Vote9 | | – | – | – | – | – | – | – | – | – |
| Example 10 - Vote10 | | – | – | – | – | – | – | – | – | – |
| Example 11 - Vote11 | | – | – | – | – | – | – | – | – | – |
| Example 12 - Vote12 | | – | – | – | – | – | – | – | – | – |
| Example 13 - Vote13 | | – | – | – | – | – | – | – | – | – |
| Example 14 - Vote14 | | – | – | – | – | – | – | – | – | – |

UMZIMVUBU MUNICIPALITY

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|---------------------------------------|---|---|---|---|---------|---------|---------|---------|---------|---------|
| Example 15 - Vote15 | | - | - | - | - | - | - | - | - | - |
| Total Expenditure by Vote | 2 | - | - | - | 192,166 | 195,668 | 203,086 | 171,005 | 180,069 | 189,973 |
| Surplus/(Deficit) for the year | 2 | - | - | - | 0 | 3,219 | 0 | 0 | (0) | (0) |

References

1. Insert 'Vote'; e.g. department, if different to standard classification structure
2. Must reconcile to Budgeted Financial Performance (revenue and expenditure)
3. Assign share in 'associate' to relevant Vote

Table A4 – Budgeted Financial Performance (revenue and expenditure)**EC442 Umzimvubu - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|--|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| R thousand | 1 | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 4,125 | 4,018 | 5,909 | 7,160 | 8,160 | 8,160 | 5,289 | 8,000 | 8,424 | 8,887 |
| Property rates - penalties & collection charges | | – | – | – | – | – | – | – | – | – | – |
| Service charges - electricity revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - water revenue | 2 | 53 | – | – | – | – | – | – | – | – | – |
| Service charges - sanitation revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - refuse revenue | 2 | 2,089 | 681 | 1,902 | 1,308 | 1,308 | 1,308 | – | 2,600 | 2,738 | 2,888 |
| Service charges - other | | – | – | – | – | – | – | – | – | – | – |
| Rental of facilities and equipment | | | 949 | 1 | 1,100 | 1,065 | 1,065 | – | 1,175 | 1,237 | 1,305 |
| Interest earned - external investments | | | 8,748 | 4,388 | 5,000 | – | 5,000 | – | 3,500 | 3,686 | 3,888 |
| Interest earned - outstanding debtors | | | | | | | | | | | |
| Dividends received | | | | | | | | | | | |
| Fines | | | 111 | 144 | 300 | – | 300 | – | 400 | 421 | 444 |
| Licences and permits | | | | 32 | 60 | 30 | 30 | – | 40 | 42 | 44 |
| Agency services | | | 857 | 4,548 | 3,550 | – | 3,550 | – | 2,850 | 3,001 | 3,166 |
| Transfers recognised - operational | | – | – | – | 77,734 | 78,401 | 78,401 | – | 97,233 | 102,581 | 108,018 |
| Other revenue | 2 | – | – | 1,175 | 30,320 | 34,316 | 34,316 | – | 23,950 | 25,267 | 26,606 |
| Gains on disposal of PPE | | | | | 500 | – | 500 | – | 100 | 105 | 111 |
| Total Revenue (excluding capital transfers and contributions) | | 6,267 | 15,364 | 18,099 | 127,032 | 123,280 | 132,630 | 5,289 | 139,848 | 147,502 | 155,359 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 26,014 | 20,847 | 28,865 | 42,333 | 34,927 | 35,727 | – | 51,372 | 54,557 | 57,776 |
| Remuneration of councillors | | | 8,400 | 9,316 | 11,109 | 11,766 | 11,766 | – | 12,701 | 13,374 | 14,109 |
| Debt impairment | 3 | | | | 200 | 365 | 365 | | 365 | 384 | 405 |
| Depreciation & asset impairment | 2 | – | – | 200 | 473 | – | 473 | – | – | – | – |
| Finance charges | | | | | | | | | | | |
| Bulk purchases | 2 | – | – | – | – | – | – | – | – | – | – |
| Other materials | 8 | | | | | | | | | | |
| Contracted services | | – | – | – | – | – | – | – | – | – | – |
| Transfers and grants | | | | | 250 | 2,320 | 2,320 | | 3,620 | 3,812 | 4,022 |
| Other expenditure | 4, 5 | 22,424 | 14,154 | 27,635 | 48,657 | 45,531 | 23,924 | – | 53,277 | 55,880 | 58,964 |
| Loss on disposal of PPE | | | | | | | | | | | |
| Total Expenditure | | 48,439 | 43,402 | 66,016 | 103,022 | 94,909 | 74,574 | – | 121,335 | 128,007 | 135,276 |
| Surplus/(Deficit) | | (42,172) | (28,038) | (47,916) | 24,010 | 28,371 | 58,056 | 5,289 | 18,513 | 19,495 | 20,083 |

UMZIMVUBU MUNICIPALITY

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|--|---|-----------------|-----------------|-----------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|
| Transfers recognised - capital | | | | | 21,445 | 21,445 | 21,445 | | 43,939 | 58,791 | 65,008 |
| Contributions recognised - capital | 6 | – | – | – | – | – | – | – | – | – | – |
| Contributed assets | | | | | | | | | | | |
| Surplus/(Deficit) after capital transfers & contributions | | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |
| Taxation | | | | | | | | | | | |
| Surplus/(Deficit) after taxation | | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |
| Attributable to minorities | | | | | | | | | | | |
| Surplus/(Deficit) attributable to municipality | | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |
| Share of surplus/ (deficit) of associate | 7 | | | | | | | | | | |
| Surplus/(Deficit) for the year | | (42,172) | (28,038) | (47,916) | 45,455 | 49,816 | 79,501 | 5,289 | 62,452 | 78,286 | 85,091 |

References

1. Classifications are revenue sources and expenditure type
2. Detail to be provided in Table SA1
3. Previously described as 'bad or doubtful debts' - amounts shown should reflect the change in the provision for debt impairment
4. Expenditure type components previously shown under repairs and maintenance should be allocated back to the originating expenditure group/item; e.g. employee costs
5. Repairs & maintenance detailed in Table A9 and Table SA34c
6. Contributions are funds provided by external organisations to assist with infrastructure development; e.g. developer contributions (detail to be provided in Table SA1)
7. Equity method
8. All materials not part of 'bulk' e.g. road making materials, pipe, cable etc.

Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding**EC442 Umzimvubu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

| Vote Description R thousand | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| Capital expenditure - Vote | 2 | | | | | | | | | | |
| Multi-year expenditure to be appropriated | | | | | | | | | | | |
| Vote1 - Council & Executive Committee | | - | - | - | 559 | 600 | 600 | - | 500 | 528 | 557 |
| Vote2 Budget & Treasury - Budget & Treasury Office | | 774 | 3 | 1,503 | 8,939 | 3,136 | 3,136 | - | 3,950 | 5,950 | 4,700 |
| Vote3 Corporate Services - Corporate Services | | 140 | - | - | 2,395 | 2,845 | 2,845 | - | 2,847 | 3,800 | 2,050 |
| Vote4 Infrastructure & planning - Infrastructure & Planning | | 38,969 | 76,302 | 28,909 | 32,504 | 45,004 | 45,004 | - | 56,939 | 58,791 | 65,008 |
| Vote5 Local Economic Development - Local Economic Development | | 135 | 115 | - | 1,039 | 2,104 | 2,104 | - | 3,240 | 6,950 | 12,600 |
| Vote6 Citizen & Community Services - Citizen & Community Services | | - | - | - | 1,039 | 2,104 | 2,104 | - | 3,240 | 6,950 | 12,600 |
| Vote7 Waste Management Services - Waste Management Services | | - | - | - | 11,809 | 9,544 | 9,544 | - | 2,075 | 3,320 | 2,900 |
| Vote8 Public Safety - Public Safety | | - | - | - | - | - | - | - | - | - | - |
| Example 9 - Vote9 | | - | - | - | - | - | - | - | - | - | - |
| Example 10 - Vote10 | | - | - | - | - | - | - | - | - | - | - |
| Example 11 - Vote11 | | - | - | - | - | - | - | - | - | - | - |
| Example 12 - Vote12 | | - | - | - | - | - | - | - | - | - | - |
| Example 13 - Vote13 | | - | - | - | - | - | - | - | - | - | - |
| Example 14 - Vote14 | | - | - | - | - | - | - | - | - | - | - |
| Example 15 - Vote15 | | - | - | - | - | - | - | - | - | - | - |
| Capital multi-year expenditure sub-total | 7 | 40,018 | 76,420 | 30,411 | 58,286 | 65,338 | 65,338 | - | 72,791 | 86,289 | 100,415 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote1 - Council & Executive Committee | | | | | | | | | | | |
| Vote1 - Council & Executive Committee | | - | - | - | - | - | - | - | - | - | - |
| Vote2 Budget & Treasury - Budget & Treasury Office | | - | - | - | - | - | - | - | - | - | - |
| Vote3 Corporate Services - Corporate Services | | - | - | - | - | - | - | - | - | - | - |
| Vote4 Infrastructure & planning - Infrastructure & Planning | | - | - | - | - | - | - | - | - | - | - |
| Vote5 Local Economic Development - Local Economic Development | | - | - | - | - | - | - | - | - | - | - |
| Vote6 Citizen & Community Services - Citizen & Community Services | | - | - | - | - | - | - | - | - | - | - |
| Vote7 Waste Management Services - Waste Management Services | | - | - | - | - | - | - | - | - | - | - |
| Vote8 Public Safety - Public Safety | | - | - | - | - | - | - | - | - | - | - |
| Example 9 - Vote9 | | - | - | - | - | - | - | - | - | - | - |
| Example 10 - Vote10 | | - | - | - | - | - | - | - | - | - | - |
| Example 11 - Vote11 | | - | - | - | - | - | - | - | - | - | - |

UMZIMVUBU MUNICIPALITY

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| Example 12 - Vote12 | | - | - | - | - | - | - | - | - | - | - |
| Example 13 - Vote13 | | - | - | - | - | - | - | - | - | - | - |
| Example 14 - Vote14 | | - | - | - | - | - | - | - | - | - | - |
| Example 15 - Vote15 | | - | - | - | - | - | - | - | - | - | - |
| Capital single-year expenditure sub-total | | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Vote | | 40,018 | 76,420 | 30,411 | 58,286 | 65,338 | 65,338 | - | 72,791 | 86,289 | 100,415 |
| Capital Expenditure - Standard | | | | | | | | | | | |
| Governance and administration | | 914 | 3 | 1,503 | 2,080 | 3,975 | 3,975 | - | 2,701 | 2,850 | 3,007 |
| Executive and council | | | | | 500 | 500 | 500 | | 100 | 106 | 111 |
| Budget and treasury office | | 774 | 3 | 1,503 | 300 | 1,395 | 1,395 | | 1,461 | 1,542 | 1,627 |
| Corporate services | | 140 | | | 1,280 | 2,080 | 2,080 | | 1,140 | 1,203 | 1,269 |
| Community and public safety services | | 135 | 115 | - | 2,290 | 3,358 | 3,358 | - | 1,075 | 1,134 | 1,197 |
| Community and social services | | 135 | 115 | | 2,290 | 3,358 | 3,358 | | 830 | 876 | 924 |
| Sport and recreation | | | | | | | | | | | |
| Public safety | | | | | | | | | 245 | 258 | 273 |
| Housing | | | | | | | | | | | |
| Health | | | | | | | | | | | |
| Economic and environmental services | | 38,969 | 76,302 | 28,909 | 88,989 | 90,877 | 90,877 | - | 59,407 | 62,674 | 66,121 |
| Planning and development | | 38,969 | 76,302 | 28,909 | 50 | 50 | 50 | | 3,050 | 3,218 | 3,395 |
| Road transport | | | | | 88,939 | 90,827 | 90,827 | | 56,357 | 59,457 | 62,727 |
| Environmental protection | | | | | - | - | - | | - | - | - |
| Trading services | | - | - | - | - | - | - | - | 3,810 | 4,020 | 4,241 |
| Electricity | | | | | | | | | | | |
| Water | | | | | | | | | | | |
| Waste water management | | | | | | | | | 3,810 | 4,020 | 4,241 |
| Waste management | | | | | | | | | | | |
| Other | | | | | 105 | 105 | 105 | | 110 | 117 | 123 |
| Total Capital Expenditure - Standard | 3 | 40,018 | 76,420 | 30,411 | 93,464 | 98,315 | 98,315 | - | 67,104 | 70,795 | 74,688 |
| Funded by: | | | | | | | | | | | |
| National Government | | 66,629 | 76,807 | 92,999 | 23,939 | 29,258 | 29,258 | | 31,157 | 32,871 | 34,679 |
| Provincial Government | | | | | | | | | | | |
| District Municipality | | | | | | | | | | | |
| Other transfers and grants | | | | | - | - | - | | - | - | - |
| Transfers recognised - capital | 4 | 66,629 | 76,807 | 92,999 | 23,939 | 29,258 | 29,258 | - | 31,157 | 32,871 | 34,679 |
| Public contributions & donations | 5 | | | | | | | | | | |
| Borrowing | 6 | | | | | | | | | | |
| Internally generated funds | | | | | 69,525 | 68,057 | 68,057 | | 35,857 | 37,829 | 39,910 |
| Total Capital Funding | 7 | 66,629 | 76,807 | 92,999 | 93,464 | 97,315 | 97,315 | - | 67,014 | 70,700 | 74,588 |

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).

2. Include capital component of PPP unitary payment. Note that capital transfers are only appropriated to municipalities for the budget year

3. *Capital expenditure by standard classification must reconcile to the appropriations by vote*
4. *Must reconcile to supporting table SA20 and to Budgeted Financial Performance (revenue and expenditure)*
5. *Must reconcile to Budgeted Financial Performance (revenue and expenditure)*
6. *Include finance leases and PPP capital funding component of unitary payment - total borrowing/repayments to reconcile to changes in Table SA17*
7. *Total Capital Funding must balance with Total Capital Expenditure*
8. *Include any capitalised interest (MFMA section 46) as part of relevant capital budget*

Table A6 – Budgeted Financial Position**EC442 Umzimvubu - Table A6 Budgeted Financial Position**

| Description R thousand | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| ASSETS | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash | | 7 | 66,006 | 79,946 | 75,188 | 85,283 | 85,283 | | 85,735 | 86,983 | 88,294 |
| Call investment deposits | 1 | – | – | – | – | – | – | – | – | – | – |
| Consumer debtors | 1 | – | – | – | – | – | – | – | – | – | – |
| Other debtors | | – | – | – | | | | | – | – | – |
| Current portion of long-term receivables | | – | – | – | | | | | | | |
| Inventory | 2 | | 404 | 742 | 742 | 742 | 742 | | 742 | 783 | 824 |
| Total current assets | | 7 | 66,409 | 80,688 | 75,930 | 86,025 | 86,025 | – | 86,477 | 87,766 | 89,118 |
| Non current assets | | | | | | | | | | | |
| Long-term receivables | | – | – | – | | | | | | | |
| Investments | | – | – | – | – | | | | | | |
| Investment property | | – | 18,095 | 18,095 | 18,095 | 18,095 | 18,095 | | 18,095 | 19,090 | 20,101 |
| Investment in Associate | | – | – | – | | | | | | | |
| Property, plant and equipment | 3 | – | 243,182 | 274,771 | 369,485 | 373,086 | 373,086 | – | 436,237 | 502,703 | 572,833 |
| Agricultural | | – | – | – | | | | | | | |
| Biological | | – | – | – | | | | | | | |
| Intangible | | – | – | – | | | | | | | |
| Other non-current assets | | – | – | – | | | | | | | |
| Total non current assets | | – | 261,277 | 292,866 | 387,580 | 391,181 | 391,181 | – | 454,331 | 521,793 | 592,934 |
| TOTAL ASSETS | | 7 | 327,686 | 373,553 | 463,510 | 477,205 | 477,205 | – | 540,808 | 609,559 | 682,052 |
| LIABILITIES | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Bank overdraft | 1 | – | 10,451 | – | | | | | | | |
| Borrowing | 4 | – | – | – | – | – | – | – | – | – | – |
| Consumer deposits | | – | – | – | | | | | | | |
| Trade and other payables | 4 | 20,756 | 1,755 | 24,769 | 26,445 | – | 26,445 | – | 26,445 | 26,445 | 26,445 |
| Provisions | | – | – | – | – | | | | | | |
| Total current liabilities | | 20,756 | 12,206 | 24,769 | 26,445 | – | 26,445 | – | 26,445 | 26,445 | 26,445 |
| Non current liabilities | | | | | | | | | | | |
| Borrowing | | – | – | – | – | – | – | – | – | – | – |
| Provisions | | – | – | – | – | – | – | – | – | – | – |

UMZIMVUBU MUNICIPALITY

| | | | | | | | | | | | |
|--------------------------------------|---|-----------------|----------------|----------------|----------------|----------------|----------------|----------|----------------|----------------|----------------|
| Total non current liabilities | | – | – | – | – | – | – | – | – | – | – |
| TOTAL LIABILITIES | | 20,756 | 12,206 | 24,769 | 26,445 | – | 26,445 | – | 26,445 | 26,445 | 26,445 |
| NET ASSETS | 5 | (20,749) | 315,480 | 348,784 | 437,065 | 477,205 | 450,760 | – | 514,363 | 583,114 | 655,607 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | (9,625) | 52,229 | 52,229 | 444,793 | 458,324 | 458,324 | | 522,034 | 589,365 | 660,399 |
| Reserves | 4 | – | – | – | – | – | – | – | – | – | – |
| Minorities' interests | | | | | | | | | | | |
| TOTAL COMMUNITY WEALTH/EQUITY | 5 | (9,625) | 52,229 | 52,229 | 444,793 | 458,324 | 458,324 | – | 522,034 | 589,365 | 660,399 |

References

1. Detail to be provided in Table SA3
2. Include completed low cost housing to be transferred to beneficiaries within 12 months
3. Include 'Construction-work-in-progress' (disclosed separately in annual financial statements)
4. Detail to be provided in Table SA3. Includes reserves to be funded by statute.
5. Net assets must balance with Total Community Wealth/Equity

Table A7 - Budgeted Cash Flows**EC442 Umzimvubu - Table A7 Budgeted Cash Flows**

| Description R thousand | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Ratepayers and other | | | 97,732 | 98,935 | – | – | – | | – | – | – |
| Government - operating | 1 | | | – | 97,733 | 98,401 | 98,401 | – | 97,233 | 102,386 | 107,813 |
| Government - capital | 1 | | | | 23,939 | 29,258 | 29,258 | | 31,157 | 32,808 | 34,613 |
| Interest | | 2,820 | 8,748 | 4,388 | 5,000 | – | 5,000 | – | 3,500 | 3,686 | 3,888 |
| Dividends | | | | | | | | | | | |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | 86,454 | 69,812 | 57,745 | – | – | – | | – | – | – |
| Finance charges | | | (9) | (8) | | | | | | | |
| Transfers and Grants | 1 | | | | | | | | | | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 89,274 | 176,283 | 161,060 | 126,672 | 127,659 | 132,659 | – | 131,890 | 138,880 | 146,314 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | | (42,440) | (31,589) | 500 | – | 500 | | 100 | 105 | 111 |
| Decrease (Increase) in non-current debtors | | | (118) | (41) | | | | | | | |
| Decrease (increase) other non-current receivables | | | – | | | | | | | | |
| Decrease (increase) in non-current investments | | | – | – | | | | | | | |
| Payments | | | | | | | | | | | |
| Capital assets | | – | | | | | | | | | |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | – | (42,558) | (31,630) | 500 | – | 500 | – | 100 | 105 | 111 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | | | | | | | | | | |
| Borrowing long term/refinancing | | | | | | | | | | | |
| Increase (decrease) in consumer deposits | | | | | | | | | | | |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | | | | | | | | | | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | – | – | – | – | – | – | – | – | – | – |
| NET INCREASE/ (DECREASE) IN CASH HELD | | 89,274 | 133,725 | 129,431 | 127,172 | 127,659 | 133,159 | – | 131,990 | 138,985 | 146,425 |
| Cash/cash equivalents at the year begin: | 2 | 20,058 | 109,332 | 243,057 | | | | – | | 131,990 | 270,975 |
| Cash/cash equivalents at the year end: | 2 | 109,332 | 243,057 | 372,487 | 127,172 | 127,659 | 133,159 | – | 131,990 | 270,975 | 417,400 |

Table A8 – Cash backed reserves/ accumulated surplus**EC442 Umzimvubu - Table A8 Cash backed reserves/accumulated surplus reconciliation**

| Description R thousand | Ref | 2007/8 | 2008/9 | 2009/10 | Current Year 2010/11 | | | | 2011/12 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
| <u>Cash and investments available</u> | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 109,332 | 243,057 | 372,487 | 127,172 | 127,659 | 133,159 | – | 131,990 | 270,975 | 417,400 |
| Other current investments > 90 days | | (109,325) | (187,502) | (292,542) | (51,984) | (42,377) | (47,877) | – | (46,255) | (183,992) | (329,107) |
| Non current assets - Investments | 1 | – | – | – | – | – | – | – | – | – | – |
| Cash and investments available: | | 7 | 55,555 | 79,946 | 75,188 | 85,283 | 85,283 | – | 85,735 | 86,983 | 88,294 |
| <u>Application of cash and investments</u> | | | | | | | | | | | |
| Unspent conditional transfers | | – | 132 | 9,911 | 9,911 | – | 9,911 | – | 9,911 | 9,911 | 9,911 |
| Unspent borrowing | | | | | | | | | | | |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | 20,756 | 1,755 | 24,769 | 26,445 | – | 26,445 | – | 26,445 | 26,445 | 26,445 |
| Other provisions | | | | | | | | | | | |
| Long term investments committed | 4 | – | – | – | – | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| Total Application of cash and investments: | | 20,756 | 1,887 | 34,680 | 36,356 | – | 36,356 | – | 36,356 | 36,356 | 36,356 |
| Surplus(shortfall) | | (20,749) | 53,668 | 45,266 | 38,833 | 85,283 | 48,927 | – | 49,379 | 50,628 | 51,938 |

PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Overview of annual budget process

Annual Planning Process

Budget planning follows a number of processes to enable us to achieve the final position. The starting point is obviously the IDP and it should be noted that this is the first IDP of the current IDP cycle.

The operating budget for 2011/12 has been driven totally on the premise of consumer affordability, as the municipality has a number of indigents.

This budget was compiled based on the strategic meeting held after the appraisal of the first six months performance of the 2010/11 financial year, and was presented to the Executive Mayoral Committee this year regarding the rate and tariff increases

This budget has concentrated on delivering previously agreed priorities and projects and completing and implementing these timeously. There is therefore little that is new in the process.

Budget Process 2011/12

The budget process followed the requirements of the MFMA. The budget timetable and major deadlines as approved by the Mayor in terms of section 21(1)(b) of the MFMA were followed,

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2010, which the budget was to be approved by 31 May 2011, section 24 MFMA, however Circular 54 gave guidance to municipalities concerning municipal elections which will take place during the budget process, however Umzimvubu Local Municipality opted to approved its budget by end April 2011.

Public meetings were held in all 24 wards:

IDP OUTREACH PROGRAMME

04/04 /2011 – 09/04/ 2011

| DATE | TEAM A | TEAM B | TEAM C | TEAM D | TEAM E | TEAM F | TEAM G | TEAM H |
|------------|--|---|--|---|---|---|--|--|
| 04/04/2011 | Ward 1 Cllr Tshekela Invited Councilors : Cllr Sishuba Team leader: Cllr Jeke Deployed PR Cllr Ndabambi Official: Mr Lwana | Wards 2 Cllr Mataka Invited Councilors : Cllr Makaula Team leader: Cllr Gcadinja Deployed PR Cllr Dandala Official: Mr Maqungo | Ward 3 Cllr Phangwa Invited Councilors : Cllr Mabhumb ulu Team leader: Cllr Mnukwa Deployed PR Cllr Magaya Official: M. Hloba | Ward 4 Cllr Mzaza Invited Councilors: Cllr Mgoqozi Team leader: Mayor Deployed PR Mpephandu ku Official: S. Kulu | Ward 5 Cllr Senzela Invited Councilors : Cllr Mkanda Team leader: Cllr Ngalonkul u Deployed PR Cllr Msindwan a Official: Mr Sineke | Ward 6 Cllr Gwebani Invited Councilors : Cllr Cezula Team leader: Cllr Cllr Mdzinwa Deployed PR Cllr Garane Official: Mr Funani | Ward 7 Cllr Ntsengwa ne Invited councilors : Cllr Msindwan a Team Leader: Nqasha Deployed PR. Cllr Sonqishe Official: Nota and Msuthu | Ward 8 Cllr Mjokane Invited Councillo rs: Cllr Mathaka Team Leader: Cllr Ndevu Deployed PR Cllr Fikeni Official: Mr Kweleta |
| 05/04/2011 | Ward 9 Cllr Myingwa Invited councilors : Cllr Mzaza Team leader: Cllr Gwebani Deployed PR Cllr Fikeni Official: T. Maphumul o | Ward 10 Cllr Sishuba Invited Councilors : Cllr Lungu Team leader: Cllr Speaker Deployed PR Cllr Mgoqozi Official:Mr s Nkake - Nqhome | Ward 11 Cllr Mnukwa Invited Councilors : Cllr Garane Team leader: Cllr Gcadinja Deployed PR Cllr Jona Official: Ms Skenjana | Ward 12 Cllr Cezula Invited Councilors: Cllr Makaula Team leader: Cllr Jeke Deployed PR Thingathing a Official: Ms Siwahla | Ward 13 Cllr Makaula Invited Councilors : Cllr Mbedu Team leader: Mayor Deployed PR Sonqishe Official: Ms Batyi | Ward 14 Cllr Ngqaimba na Invited Councilors : Cllr Senzela Team leader: Cllr Ndevu Deployed PR Msindwan a Official: Sineke | Ward 15 Cllr Khwaphun Invited Councillor s: Cllr Mzaza Team Leader: Cllr Ngalonkul u Deployed PR Cllr Duba Official: S.P Ntonga | Ward 16 Cllr Mabhum bulu Invited Councillo rs: Cllr Bulana Team Leader Cllr Nqasha Deployed PR Cllr Mphepha nduku Official: Mr Keto |
| 06/04/2011 | Ward 17 Cllr Diko Invited Councilors : Cllr Khwaphun a Team leader: Cllr | Ward 18 Cllr Socikwa Invited Councilors : Cllr Duba Team leader: Cllr Ngalonkul | Ward 19 Cllr Jeke Invited Councilors : Cllr Gcadinja Team leader: Cllr Gwebani | Ward 20 Cllr Lungu Invited Councilors: Cllr Makanda Cllr Duba Team leader: Cllr Gcadinja | Ward 21 Cllr Mapekula Invited Councilors : Cllr Nqaimban a Team leader: | Ward 22 Cllr Makanda Invited Councilors : Cllr Mabhumb ulu Team leader: | Ward 23 Cllr Mbedu Invited Councillor s: Cllr Mzaza Deployed PR Team leader: Mnukwa | Ward 24 Cllr Bulana Invited Councillo rs: Cllr Yingwa Team Leader: Cllr Gcadinja |

| | | | | | | | | |
|--|---|--|--|--|--|---|---|---|
| | Gwebani Deployed PR Cllr Magaya Official: Mlenzana | u Deployed PR Mbele Official: Mr G.P.T. Nota and Msuthu | Deployed PR Cllr Mandlana Official: T Maphumulo | Deployed PR Official: N. Kubone | Cllr Cllr Ndevu Deployed PR Cllr Mpanda Official: Nkume | Mayor Deployed PR Cllr Thingathin ga Official: Mr Kulu | Deployed PR Cllr Ndabambi Official: Mandlana | Deployed PR Cllr Garane Official: N Qaba |
|--|---|--|--|--|--|---|---|---|

The final budget has to be approved by council by the end of April 2011

The municipality's budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality. The MFMA requires municipalities to prepare three year budgets to ensure more thorough financial planning and provide for seamless service delivery.

Operating expenditure in 2011/12 is R103.9 million, a 5.27% increase of the full year forecast for 2010/11 financial year

The municipality sets out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in a form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor within 28 days of the approval of the final budget and forms the basis Municipality's in year monitoring. The SDBIP is attached

Section 6 – Overview of alignment of the annual budget with the Integrated Development Plan

Introduction

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the budget. The IDP and Budget are inter-related documents. The IDP is the budget in words, just as the budget is IDP in figures. In the past years comprehensive efforts have been made towards ensuring that the two documents are closely link.

Umzimvubu's vision: A municipality that is known to put its community first. We will render quality services through our employees and create a platform for vital economic activity which will create sustainable financial viability and development for a better life for all.

Key challenges facing Umzimvubu

1. Sustainable Infrastructure

The rapid growth of the municipality has put a lot of pressure on the areas' infrastructure. Infrastructural needs are growing at an unprecedented rate which the municipality is struggling to match.

2. The challenge of promoting Local Economic Development

The need for the diversification of local economy through facilitation the emergency of previous underperforming sectors is an important catalyst for economic development. Our Local Economic Development strategy focuses on mainstreaming the previously disadvantage people. Crucial to this will be the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs

3. The challenge of ensuring municipal viability

The municipality lives and dies by its ability to balance needs with resources. Umzimvubu cannot generate sufficient resources to properly satisfy all needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner .

4. The challenge of municipal transformation and institutional development

Staff development is a crucial to meet the challenges of Umzimvubu. The Employment Equity imperatives have to be assessed continual to ensure the Umzimvubu Municipality's transformation agenda of South Africa.

5. Public Participation

Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public participation, Umzimvubu Municipality is a challenged to ensure that it continues to build on its successes over the last few years

Section 7 – Measurable performance objectives and indicators

The list below are financial indicators and ratios:

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

It is not the intention to go through each of the various indicators etc, but merely to highlight the fact that National Treasury now has the ability to monitor a budget with a cursory glance. These indicators are taken in conjunction with specifically to afford National Treasury the ability to monitor and take reasoned view on financial position of a municipality and in so doing they can either support the Council's approval of the budget.

Challenges

The challenges, as mentioned, are for capital funding to provide the additional community facilities and access roads to meet the growth of Umzimvubu and its infrastructure. Grant funding is used and also portion of Equitable share, the management is seeking funding in all avenue to have infrastructure as to pave a way for Local Economic Development, as LED is the priority of the municipality

Section 8 – Overview of budget related policies

The detailed policies themselves are not included in this section of the budget documentation

Policies are also available at the Council offices in 813 Main Street for viewing as well as on the internet at www.umzimvubum.gov.za. This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolution

| Name of policy | Type | Date of Council adoption | Purpose/Basic areas covered by the Policy | Summary of changes | Responsible Official |
|---|------------------|--------------------------|--|--------------------|----------------------|
| REVENUE RELATED | | | | | |
| Tariff | Unchanged | | Setting criteria for establishing service tariffs | | XN Nkume |
| Rates | Unchanged | 31 May 2009 | Setting criteria for establishing rates tariffs | | XN Nkume |
| Credit Control | Unchanged | | Principles and guidelines to be followed with respect to arrear consumer debt control | | XN Nkume |
| Revenue Collection | No formal policy | n/a | n/a | n/a | XN Nkume |
| Indigent support | Unchanged | | Guidelines and procedures for the subsidizing of rates and basic services to indigent households | | XN Nkume |
| BUDGET & EXPENDITURE RELATED | | | | | |
| Supply Chain | Unchanged | | Dictates procedures for the procurement of goods and services | n/a | S. Lwana |
| Budget | Unchanged | 31 May 2009 | n/a | | S. Kweleta |
| Virement | No formal policy | n/a | n/a | n/a | S. Kweleta |
| Petty Cash | Amended | n/a | To purchase emergency items which are less than R2000.00 | n/a | NF Siwahla |

Section 9 – Overview of budget assumptions

Introduction

Budget Assumption

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumption need to be made about internal and external factors that influence the budget. The section provides a comprehensive summary of the assumptions used in preparing the budget.

The budget is premised on a 72% payment level. This is in line with all our trends in the last 18 months and reflects similar outcome as at June 2010. This is below as compared to the the outcomes of previous years.

External factors (population migration, employment, etc)

Over the recent years Umzimvubu has experienced rapid population growth. This must be seen as against the backdrop of developable land, a sensitive environment and a lack of new jobs being created in the local economy. This presents a serious challenge to Council to improve the efficiency of its systems.

The fact is that the population is growing faster and we have limited resources for service delivery and unemployment demands.

General inflation outlook and its impact on the municipal activities

The headline CPI forecast for 2011,2012 and 2013 are 4.8%, 5.5% and 5.3% respectively. The growth parameters apply to tariff increases for property rates, user and charges raised by municipalities, this is to ensure that all spheres of government support the national macroeconomic policies. Any increase that is above the forecast must be fully communicated to the community.

Rates, tariffs, charges and timing of revenue collection

| | Budget 2011/12 R '000 | Indicative 2012/13 R '000 | Indicative 2013/14 R '000 |
|--------|--------------------------------------|--|--|
| Rate | 8,000 | 8,424 | 8,887 |
| Refuse | 2,600 | 2,737 | 2,888 |

Collection rates for each revenue source and customer type

The Municipality has in place a fair rigorous credit control policy and has not been implement fully. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the municipal debt.

It is a fact that there will always be an element of the total amount billed that will remain uncollected. The municipality is the same as any other business in this regard. Provision has to be made in the budget for any bad debts based on assumptions on collection rates

The following bad debt provision and collection rates are assumed in the MTREF for rates and tariffs

| | Budget 2011/12 R '000 | Indicative 2012/13 R '000 | Indicative 2013/14 R '000 |
|--|--------------------------------------|--|--|
| Provision for bad debts | | | |
| Table A4: Debt impairment | | | |
| Assumed collection rate | | | |
| Supporting Table: SA10: Cash receipts % of ratepayers and other revenue | | | |

Trends in demand for free or subsidised basic services

Umzimvubu's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the Equitable share are met by the Municipality.

| | Budget 2011/12 R '000 | Indicative 2012/13 R '000 | Indicative 2013/14 R '000 |
|--|--------------------------------------|--|--|
| Cost of free basic services | 1,048 | 1,103 | 1,164 |
| Revenue cost of free services and all other rebate provided | 772 | 813 | 858 |

Impact of national, provincial and local policies

Umzimvubu sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people

Section 10 – Overview of budget funding

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17

Achievement of this requirement in totality effectively means that a Council has 'balance' its budget by ensuring that budgeted outflows will be offset by a combination of inflows. Refer to Section 4 and 'Supporting Table SA10: Funding measurement'

Fiscal Overview of Umzimvubu Municipality

There is a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management.

For the past years the municipality received an adverse from Auditor General, and in the 2009/10 financial year has received qualified audit report with exceptions. The shift from IMFO to GRAP has had a huge ramifications not least amongst the professional staffing at a local government level. Umzimvubu municipality cannot afford salaries that are prerequisite to GRAP. There is already a lack of qualified accountants in South Africa and the complexities that are GRAP in local government are such that in rural municipalities it is highly unlikely that qualified accountants are going to work at the salaries on offer internally and Umzimvubu has to take steps to manage this situation rather better than currently is.

Long term financial planning

The moderate growth of Umzimvubu coupled with the migration of people to the area has increased service delivery challenges for municipality. Financial management and budget planning is sound, but it has to managed within narrow financial parameters given the challenges and limited financial resources. Umzimvubu municipality is funding its capital expenditure by grants and internal funding, however the municipality is contemplating on other funding models.

Section 11 - Expenditure on allocations and grant programmes

Disclosure on expenditure on allocation and grant programmes is done by way of Annexure, "Supporting Table SA18: Transfers and grants receipts, Supporting Table SA19: Expenditure on transfers and grant programme and Supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds"

Expenditure for each grant for 2011/12 to 2013/14 is summarised in the table below. Note that the expenditures include the Vat portion that is recognised

| Grant Name | Allocation Authority/Department | Budget 2011/12 R '000 | Indicative 2012/13 R '000 | Indicative 2013/14 R '000 | Purpose |
|-------------------------------------|---------------------------------|-----------------------|---------------------------|---------------------------|---|
| Equitable Share | National Government | 92,993 | 102,906 | 109,667 | |
| Finance Management Grant | National Government | 1,450 | 1,500 | 1,500 | To promote and support reforms in financial management by building capacity in municipalities to implement Municipal Finance Management Act |
| Municipal Systems Improvement Grant | National Government | 790 | 800 | 850 | To assist municipalities in building in house to perform their functions and stabilise institutional and government systems |
| Municipal Infrastructure Grant | National Government | 31,157 | 37,883 | 39,967 | To supplement capital finance for basic municipal structure for poor households, micro enterprise and social institution. The operating portion is utilised for Project |

| | | | | | |
|-------|-----------------------|-------|--|--|---|
| | | | | | Management Unit |
| Dedea | Provincial Government | 2,000 | | | To assist municipalities with implementation of LED project |

Section 12 - Allocations and grants made by the Municipality

Allocations made by the Municipality

Refer to “ Supporting Table SA21: Transfer and grants made by the municipality. The main allocation is to Alfred Nzo Community Radio which is budgeted to receive R250 000 in 3011/12.

Any allocation made to an outside body must comply with the requirements of section 67 of MFMA. This stipulates that before transferring funds to an outside organisation the Municipal Manager, as Accounting Officer, must be satisfied that the organisation or body has the capacity to comply with the agreement and has adequate financial management and other systems in place

| Revenue cost of rebates given | Budget 2011/12 R'000 | Indicative 2011/12 R'000 | Indicative 2011/12 R'000 |
|--------------------------------------|-------------------------------------|---|---|
| Indigent Support | 772 | 813 | 858 |
| | | | |

Section 13 – Councillor allowances and employee benefits

‘Supporting table SA22: Summary councillor and staff benefits and ‘Supporting Table SA23: Salaries, allowances and benefits (political office bearers/ councillors/senior managers).

Umzimvubu municipality’s councillors’ allowances are paid at a grade 3, and an increment of 6.8% has been effected on this 2011/12 budget. The budget for councillors’ allowances has increased as the number of councillors has increased from 47 to 54 because of the demarcation.

Umzimvubu has employed 240 employees in order to carry out service delivery. Employee cost has been calculated at an estimated CPI 4.8% increase plus 2% per the SALGA. The municipality is fully implementing the outcomes of job evaluation which started last year on the 1 July 2010, and some of the posts were frozen because of the non affordability by the municipality. However any projected savings will be prioritised for the use against frozen posts that have been identified as critical to fill before 1 January 2011 as to accelerate current service delivery programmes. These changes to salary budget will be tabled before council for approval as part of Adjustment Budget in February 2012

Section 14 – Monthly targets for revenue, expenditure and cash flow

Disclosure on monthly targets for revenue, expenditure and cash flow in the following Supporting Tables

Monthly operating budget revenue and expenditure projections

‘Table SA25: Budgeted monthly revenue and expenditure’ reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down for the budget year, and shown in total for the following two years

‘Table SA26: Budgeted monthly revenue and expenditure (municipal vote)’ and ‘Table SA27 Budgeted monthly revenue and expenditure (standard classification)’ reflect revenue and expenditure broken down per month for the budget year, and shown in total for the following two years

Monthly capital budget revenue and expenditure projections

‘Table SA28: Budgeted monthly capital expenditure (municipal vote)’ and ‘Table SA29: Budgeted monthly capital expenditure (standard classification)’ shows capital expenditure broken down per month for the budget year, and shown in total for the following two years

Monthly cash flow projections

‘Table SA30: Budgeted monthly cash flow’ set up receipts by source or payments by type both operating and capital, broken down per month for budget year, and shown in total for the following two years

Section 15 – Annual budgets and service delivery and budget implementation plans – internal departments

Adoption of the Service Delivery and Budget Implementation Plan

In terms of section 53(1)(c)(ii) of the MFMA and the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget.

Contents of the SDBIP

The SDBIP must contain monthly projections of income and expenditure and quarterly projections of measurable performance objectives.

SDBIP requirements

The SDBIP is essentially a business plan and is an integral part of the financial planning process. Although its approval is required after the budget, its preparation occurs in tandem with the budget process. The SDBIP is the connection between strategic planning, IDP, budget and management performance agreements, and includes detailed information on how the budget will be implemented, by means of forecast cash flows and service delivery targets and performance indicators.

National and Provincial Government refer to five national KPAs they regard as essential to Local Authorities meeting their responsibilities these are:

1. Institutional Transformation and Financial Viability
2. Environmental Planning and Management
3. Infrastructure Development
4. Community Services
5. Local Economic Development

Section 16 – Annual budgets and service delivery agreements – municipal entities and other external mechanisms

‘Table SA31 municipal entities’ the table shows that the municipality doesn’t have entities

Table SA32: List of external mechanism’ the municipality doesn’t have service delivery contracts .

Section 17 - Contracts having future budgetary implications

‘Supporting Table SA: Contract having future budgetary implications’ Annexure 2 discloses all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget

Since Umzimvubu falls in a category of municipalities with approved revenue of R171million, have no contracts beyond the three years covered in the annual budget.

Section 18 – Capital expenditure details

Capital details are shown in the Annexure

- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA24c Repairs and maintenance expenditure by asset class'
- 'Supporting Table SA36: Detailed capital budget'

Section 19 – Legislation compliance status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities including the progress made or delays experienced in implementation

Municipal Finance Management Act – No 56 of 2003

The MFMA became effective on 1st July 2004. The Act modernises budget and financial management practises within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according designated financial management capacity of municipalities. Umzimvubu has been designated as medium capacity municipality.

The MFMA s the foundation of municipal financial management reforms which municipalities are implementing.

The MFMA and the budget

The following explains the budgeting process in terms of the requirement in the MFMA. It is based on the National Treasury Budget Regulations.

The budget preparation process

The mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months before the start of each financial year.

Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, are linked to, the municipality's current and future development priorities and other finance related policies (such as those relating to free basic provision)

These budget must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow, particulars of borrowings, investments, municipal entities, services delivery agreements, grants allocations and employment costs.

The budget must be funded only from reasonable estimates of revenue and cash backed surplus funds from previous year and borrowing (the borrowings are only for capital items)

Budget preparation timetable

The budget preparation time table is prepared by senior management and tabled by Mayor for council adoption on 31 August (ten months before the commencement of the next budget year)

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms and integral part of the budget process and that any changes to strategic priorities as contained in the IDP have realistic projections of revenue and expenditure. In developing the budget, the management has to take account the National and Provincial, the National fiscal and macro-economic policy. The Mayor must consult with the district

Council and all other local municipalities within the district as well as the relevant provincial treasury and other government departments.

Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March.

Publication of the draft budget

One tabled at council, the Municipal Manager must make public the appropriate budget documentation and submit it with National Treasury, the relevant Provincial Treasury. And other departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on the draft budget

When the draft is tabled, Council must consider the views of local community, NT, PT other municipalities and government department that may have made submission on the budget.

Opportunity for the revision to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council consideration.

Following the tabling of draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and make any revision that may be necessary. This may take form of public hearing, Council debates, formal and informal delegations to the National treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholders priorities

Adoption of the annual budget

Council must consider the approval of the budget thirty day before the start of the budget year.

BUDGET IMPLEMENTATION

Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within 14 days of the approval of annual budget submit to the Mayor for approval draft SDBIP and draft annual performance agreements for all pertinent senior staff. An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly services delivery targets and performance indicators.

Mayor must approve the draft SDBIP within 28 days of the approval of annual budget (by 28 July at the latest)

This plan must then be monitored and reported by the Mayor to council on a regular basis.

Managing then implementation process

The municipal manager is responsible for the implementation the budget and must take steps to ensure that all spending in accordance with the budget and that revenue and expenditure is properly monitored.

Variation from budget estimates

Generally, Council may incur expenditure only if it's in terms of the approved budget, within the limits of the amount amounts appropriated against each vote – and in case of capital expenditure, only if council has approved the project.

Expenditure incurred outside of the above parameters may be considered to be unauthorised or, in some cases, irregular or fruitless or wasteful.

Unauthorised expenditure must be reported and may result in criminal proceedings.

Revision of budget estimates – adjustment budget

It may be necessary on occasion for council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecast thereof for the remainder of the financial year

In such cases the municipality may adopt an adjustment budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at a council for adoption.

The adjustment budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain certain appropriate justifications and supporting material when approved by council.

Requirements of MFMA relating to annual budget and supporting documentation

Section 17 of the MFMA stipulates that annual budget of the municipality must be a schedule in prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the requirements

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality's budgeting;

The Division of Revenue Act 2011 and Provincial Budget Announcements

Three year national allocation to local government are published per municipality each year in the Division of Revenue Act. The Act place duties on municipalities in additions to requirements of MFMA, specifically with regard to reporting obligations.

Allocations to municipality from Provincial Treasury are announced and published in the Provincial budget

Section 18 of the MFMA states that annual budgets may only be funded from reasonable anticipated revenues to be collected. The provision in the budget for allocation from National and Provincial Government should reflect the allocations announced or published in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act – No 32 of 2000 and Municipal Systems Amendment Act – No 44 of 2003

One of the key objectives of the MSA is to ensure financially and economically viable communities. The requirement of the Act link closely to those of MFMA. In particular, the following requirements need to be taken to consideration in the budget process;

- Chapter 4 and 5 relating to community participation and the requirements for the Integrated Development Plan process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy

Section 20 – Other supporting documents

Various supporting documents are attached to enable the reader a full understanding of various processes involved. These are the following:

Annexure 1 – Main Budget Tables

Tables A1 to A10

Annexure 2 – Supporting Budgets Tables

Supporting Tables SA1 to SA37

Annexure 3 – Tariffs, Charges and Fees for 2011/12

Annexure 4

Municipal Budget Circular for the 2010/11 MTREF – MFMA Circular 54 & 55

Annexure 5

Process Plan 2011/12

Annexure 6 – Policies

- *Property rates*
- *Credit control*
- *Indigent & rebate*
- *Tariff*
- *Petty Cash*
- *Supply Chain Management*
- *Lost Control*
- *Mayoral Vehicle*
- *Budget*

Annexure 7

Service Delivery and Budget Implementation Plan

Section 21 – Municipal Manager’s quality certification

An annual budget and supporting documentation must be covered by quality certificate in the format as per page 68 of the Government Gazette 32141 – 17 April 2009

QUALITY CERTIFICATE

I, GPT Nota, municipal manager of Umzimvubu Municipality, hereby certify that annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality

Print Name _____

Municipal Manager of Umzimvubu Municipality [EC 442]

Signature _____

Date _____