

ANNUAL BUDGET OF BELA BELA LOCAL MUNICIPALITY

**2012/13 TO 2014/15
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

Table of Contents

PART 1 – ANNUAL BUDGET	2
1.1 MAYOR’S REPORT	2
1.2 COUNCIL RESOLUTIONS	2
1.3 EXECUTIVE SUMMARY	3
1.4 OPERATING REVENUE FRAMEWORK.....	5
1.5 OPERATING EXPENDITURE FRAMEWORK	11
1.6 CAPITAL EXPENDITURE	13
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY	14
2 PART 2 – SUPPORTING DOCUMENTATION	28
2.1 OVERVIEW OF THE ANNUAL IDP/ BUDGET PROCESS	28
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP.....	37
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	49
2.4 OVERVIEW OF BUDGET RELATED-POLICIES	50
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	51
2.6 OVERVIEW OF BUDGET FUNDING	53
2.7 EXPENDITURE ON GRANTS AND RECONCILIATION OF UNSPENT FUNDS	55
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	56
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	58
2.10 ANNUAL BUDGET AND SDBIP – INTERNAL DEPARTMENTS	62
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	62
2.12 CAPITAL EXPENDITURE DETAILS	63
2.13 LEGISLATION COMPLIANCE STATUS.....	65
2.14 OTHER BUDGET SUPPORTING DOCUMENTS	66
2.15 MUNICIPAL MANAGER’S QUALITY CERTIFICATE.....	67

Abbreviations and Acronyms

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
FBS	Free basic services
GVA	Gross Value Added
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003) Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

Part 1 – Annual Budget

1.1 Mayor's Report

The Mayor's report on the budget will be tabled by the Mayor during the Municipal Council meeting.

1.2 Council Resolutions

Council of Bela Bela Local Municipality met on **25 June** 2012 in the Council Chambers to consider the annual budget of the municipality for the financial year 2012/13 and the two outer years. The Council approved and adopted the following resolutions:

1. The Council of Bela Bela Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-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 11 on page 17;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 19;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 13 on page 21; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 23.
 - 1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
 - 1.2.1. Budgeted Cash Flows as contained in Table 15 on page 25;
 - 1.2.2. Asset management as contained in Table 16 on page 27.
2. The Council of Bela Bela Local Municipality, 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 2012 the tariffs as set out in Annexure C
 - 2.1. the tariffs for property rates
 - 2.2. the tariffs for electricity
 - 2.3. the tariffs for the supply of water
 - 2.4. the tariffs for sanitation services
 - 2.5. the tariffs for solid waste services
3. The Council of Bela Bela Local Municipality approves the 2012/13 revised IDP as set out in annexure E;
4. The Council of Bela Bela Local Municipality approves the 2012/13 revised Organisational Structure as set out in annexure F;
5. To give proper effect to the municipality's annual budget, the Council of Bela Bela Local Municipality approves:

- 5.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans 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 municipality did not budget to raise long term loans to fund the capital budget.

1.3 Executive Summary

This 2012/13 Medium Term Revenue and Expenditure Framework budget has been compiled having to strike a balance between the tight financial constraints and cash flows against the competing priorities of the communities the municipality is serving. The tight balance is intended to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Bela Bela business and service delivery priorities were reviewed as part of this year's Integrated Development Plan 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. Reference was made to the following documents when compiling this budget:

- National Treasury MFMA Budget Circulars 48, 51, 54, 55, 58 and 59;
- Municipal Budget and Reporting Regulations;
- The Municipal Finance Management Act;
- The 2012/13 Division of Revenue Bill allocations;
- The Dummy Budget guide;
- NERSA guideline on electricity tariff increases and its Reasons for Decision document;
- Magalies Water tariff increases;
- Bela Bela municipality's actual results as at 30-April 2012.

The outstanding debt for consumer services has been a challenge to the municipality. In the past recent months the municipality has embarked on implementing an incentive strategy to reduce the outstanding debt owed by consumers.

The main challenges experienced during the compilation of the 2012/13 MTREF are as follows:

- Outstanding consumer debt which stood at approximately R98.0 million as at 30 April 2012. This has a negative impact on the cash flows of the municipality;
- The ongoing difficulties in the national and local economy;
- Aging water, roads and electricity infrastructure;
- The need to reprioritise 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 and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable to our communities, particularly the unemployed, the vulnerable and indigents;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

- Affordability of capital projects – due to the squeezed cash flows, the municipality needs to get out of the trap of relying primarily on national government conditional grants for infrastructure development and for addressing backlogs; and
- Non availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 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 2012/13 annual budget;
- Activities, projects and programmes in the 2012/13 revised IDP, funds allocated to service delivery projects rather than “nice to haves”;
- Project selection based on revenue generation capability rather than non revenue generation, taking into cognisance contribution of projects to social welfare of the communities;
- Compliance with laws and regulations;
- Previous commitments and existing contracts;
- Affordability of tariff and property rate increases in line with 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 electricity. 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; and
- The signed service level or agency agreements should be in place before such provincial and national funded projects are included in the budget

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

R'000	Adjustment Budget 2011/12	Budget Year 2012/13	Budget Year+1 2013/14	Budget Year+2 2014/15
Total revenue, including grants	209 609	213 271	226 297	244 953
Total expenditure, excluding capex	206 131	205 381	217 997	233 577
<i>Surplus/ (Deficit for the year)</i>	<i>(22 047)</i>	<i>7 890</i>	<i>8 300</i>	<i>11 376</i>
Total Capital expenditure	25 525	25 994	28 157	32 382
% Growth				
Total revenue, including grants	0	1.7%	6.1%	8.2%
Total expenditure, excluding capex	0	-0.4%	6.1%	7.1%
<i>(Surplus/ Deficit for the year)</i>				
Total Capital expenditure	0	1.8%	8.3%	15.0%

Total revenue including grants will grow by 1.7 per cent or R3.7 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 6.1 and 8.2 per cent respectively, equating to a total revenue growth of R35.3 million in nominal terms over the MTREF when compared to the 2011/12 financial year.

Total expenditure for the 2012/13 financial year has been appropriated at R231.3 million which includes a capital expenditure of R25.9 million. On the operating budget for 2012/13, there is a surplus of R7.8 million which will be added to the Municipal Infrastructure Grant (MIG) of R18.1 million to fund the capital expenditure. When compared to the 2011/12 Adjustments Budget, total expenditure excluding capital expenditure has declined by 0.4 per cent in the 2012/13 budget and increased by 6.1 and 7.1 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R8.3 million and R11.4 million respectively. These surpluses will be complemented to the MIG to fund capital expenditure.

The capital budget of R25.9 million for 2012/13 is 1.8 per cent more when compared to the 2011/12 Adjustment Budget of R25.5 million. The increase is due to the increase in capital allocations from national government, which means the municipality can undertake projects that could not be undertaken in the previous year. The capital programme increases to 28.1 million in the 2013/14 financial year and R32.3 million in 2014/15. A substantial portion (over 70.0 per cent) of the capital budget will be funded from Municipal Infrastructure Grant (MIG) allocations in 2012/13 and 2013/14 and declines to around 65.0 percent in 2014/15. Over the medium term, the municipality is not anticipating to take any borrowings to fund the capital programme. Own revenue will contribute 30.3, 29.5 and 35.13 per cent of capital expenditure in each of the MTREF years. Due to the increased outstanding consumer debt and low payment levels, the municipality is cautious to engage in any long term borrowing due to affordability of repayments and the impact this may have on tariffs. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Bela Bela 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 poverty, unemployment and backlogs in certain municipal such as refuse, sanitation and electricity. There will inevitably always be a gap between the available funding and the expenditure required to address these challenges; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
Revenue By Source											
Property rates	2	27 789	34 484	37 782	37 938	37 938	37 938	-	39 806	40 802	40 827
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	34 837	45 373	53 440	60 901	60 901	60 901	-	68 619	77 539	87 619
Service charges - water revenue	2	8 786	8 962	9 671	10 948	10 948	10 948	-	12 590	14 479	16 651
Service charges - sanitation revenue	2	4 523	5 434	5 885	6 154	6 154	6 154	-	6 646	7 244	7 968
Service charges - refuse revenue	2	5 182	5 040	5 988	5 892	5 892	5 892	-	6 304	6 809	7 421
Service charges - other		783			383	383	383		695	730	774
Rental of facilities and equipment		685	300	229	392	392	392		858	901	955
Interest earned - external investments		456	79	97	367	333	333		200	210	223
Interest earned - outstanding debtors		6 078	7 274	6 471	8 343	8 343	8 343		8 117	8 522	9 034
Dividends received		-									
Fines		811	1 671	1 228	3 850	3 565	3 565		2 000	2 100	2 226
Licences and permits		9 028	7 615	7 201	8 446	8 446	8 446		8 600	9 030	9 572
Agency services					326	610	610		471	494	524
Transfers recognised - operational		42 904	30 471	40 992	41 961	42 107	42 107		48 258	51 739	55 120
Other revenue	2	4 939	1 662	1 451	4 288	4 348	4 348	-	5 427	5 699	6 040
Gains on disposal of PPE		1 839			3 730	3 730	3 730		4 680	-	-
Total Revenue (excluding capital transfers and contributions)		148 640	148 364	170 433	193 920	194 091	194 091	-	213 271	226 297	244 953

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. For 2012/13, rates and service charge revenues comprise 63.1 per cent of the total revenue mix. In the 2011/12 adjusted budget, revenue from rates and services charges totalled R122.2 million or 63.0 per cent. This increases to R134.6 million, R147.6 million and R161.3 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases by 31.9 per cent between 2011/12 and 2014/15. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		-	36,036	37,435	41,961	42,107	42,107	48,258	51,739	55,120
Local Government Equitable Share			27,123	35,685	39,790	39,790	39,790	45,108	48,339	52,420
Finance Management			1,000	1,000	1,250	1,250	1,250	1,500	1,500	1,750
Municipal Systems Improvement			7,350	750	790	790	790	800	900	950
Water Services Operating Subsidy			563		131	277	277	130	1,000	-
Municipal infrastructure grant opex portion								720		

Operating grants and transfers are the second largest revenue source totalling R48.2 million or 22.6 percent of operating revenue in 2012/13. This increases to R55.1 million in 2014/15. This revenue source comprises of operating grants such as equitable share, Finance Management Grant (FMG) and Municipal Systems Improvement Grant (MSIG).

Property rates is the third largest revenue source totalling 18.7 per cent or R39.8 million in 2012/13 and increases to R40.8 million by 2014/15. The municipality has compiled a new valuation roll for the 2012/ 13 financial year as the previous one expired in 2011. The roll is currently in the objection process which will be completed before the beginning of the 2012/13 financial year.

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, indigent levels and the, affordability of services were taken into account to ensure the financial sustainability of the municipality.

The percentage increases of both Eskom and Magalies Water bulk tariffs are far beyond the inflation target of the South African Reserve Bank. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality 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 municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). ;
- 20 per cent rebate will be granted on all residential properties (including state owned residential properties in town where services are rendered);
- A further 30 per cent rebate will be granted on residential properties (including state owned residential properties) in town where services are **not** rendered;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able

property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport (i.e. the Section 21 companies) . The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates, and the proposed rates for the 2012/13 financial year from 1 July 2012 is contained below:

Table 4 Comparison of proposed rates to levied for the 2012/13 financial year

Category	Current Tariff (1 July 2012)	Proposed tariff (from 1 July 2013)
	c	c
Residential properties (Other than farm areas)	0.112	0.112 0.0028
Bona fide farmers, Public Service Infrastructure, Public Benefit Organisations – must apply according to rates policy	0.0106	0.0106

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and there is an urgent need to promote the careful use of water resources. In Budget Circulars 58 and 59, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

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

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

Better maintenance of infrastructure, new water infrastructure construction and cost-reflective tariffs will ensure that the supply challenges are managed to ensure sustainability in future. Magalies Water has increased its bulk tariffs with 8.0 per cent from 1 July 2012. A

tariff increase of 15.0 per cent from 1 July 2012 for water is proposed. This is based on increased input costs and the need to budget for refurbishment and maintenance of water infrastructure. Indigent households will receive the first 10kl of water per month for free.

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

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Households, flats & security villages		
(i) 1 to 30 kℓ per 30-day period	7,05	8,11
(ii) 31 to 50 kℓ per 30-day period	8,40	9,66
(iii) 51 to 80 kℓ per 30-day period	8,73	10,04
(iv) 81 and more kℓ per 30-day period	13,43	15,44
NON-RESIDENTIAL		
(i) Old age homes/ schools	7,73	8,89
(ii) Places of worship	7,73	8,89
(iii) Commercial erven	8,40	9,66
(iv) Hospitals		
- State	7,73	8,89
- Private	8,40	9,66

The tariff structure of the 2012/13 financial year is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R15.44 per kilolitre for consumption in excess of 81kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 11.03 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 15 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 100 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 6 Comparison between current electricity charges and increases

Inclining Block Tariff		2012/13 tariff	% Increase
A1	1 – 50 kwh	0.633	-18.78%
A2	>50 – 350 kwh	0.7832	49.00%
A3	>350 – 600 kwh	1.102	41.39%
A4	>600 kwh	1.2876	65.20%
Inclining Block Tariff		2012/13 tariff	% Increase
A1	1 – 50 kwh	1.0837	5.5%
A2	>50 – 350 kwh	1.2487	13.5%
A3	>350 – 600 kwh	1.2762	16.0%
A4	>600 kwh	1.2762	16.0%

In line with the 2011 NERSA advice, the municipality will for the first time in 2012/13 introduce a stepped (Inclining Block) tariff structure. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor) and encourage reduced consumption thereby saving energy.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 8.0 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water.

The following table compares the current and proposed tariffs:

Table 7 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF	PROPOSED TARIFF
	2011/12	2012/13
	TARIFF	TARIFF
	R	R
Smaller than 800 sqm	34.29	37.03
Larger than 800 sqm	95.42	103.05
Commercial	253.45	273.73
Security villages (per unit)	71.56	77.28
Churches	97.72	105.54
Schools	283.27	305.93
Hospital		
- State	447.27	483.25
- Private	864.73	933.91

1.4.5 Waste Removal and Impact of Tariff Increases

As part of the municipality's trading services, waste removal is expected to at least break even. The main contributors to the costs of this service are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. A 7.0 per cent increase in the waste removal tariff is proposed from 1 July 2012.

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

Table 8 Comparison between current waste removal fees and increases

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rands	Rands
Smaller than 800 sqm	37.10	39.70
Larger than 800 sqm	87.95	94.11
Commercial	219.88	235.27
Security villages (per container)	2 264.40	2 422.91
Flats (per flat)	65.96	70.58
Churches	87.95	94.11
Schools	920.72	985.17
Hospital		
- State	920.72	985.17
- Private	1 868.94	1 999.77

1.5 Operating Expenditure Framework

The municipality’s expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The infrastructure backlog eradication plan and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue – except for the non cash items) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description	Ref	2008/9			Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure By Type											
Employee related costs	2	31 165	54 886	62 747	67 823	66 623	66 623	-	76 918	80 340	85 184
Remuneration of councillors					2 765	2 765	2 765		4 698	4 933	5 180
Debt impairment	3		15 912	13 989	2 306	2 315	2 315		3 000	3 090	3 245
Depreciation & asset impairment	2	6 065	7 786	38 345	7 077	34 142	34 142	-	3 500	3 640	3 822
Finance charges			2 373	3 220	1 664	1 504	1 504		2 572	2 675	2 809
Bulk purchases	2	26 815	29 380	46 271	46 370	47 932	47 932	-	54 123	60 884	68 561
Other materials	8		7 203	9 606							
Contracted services		16 856	-	-	15 627	16 222	16 222	-	17 825	18 717	19 791
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	27 269	33 283	38 382	35 302	34 627	34 627	-	42 745	43 718	44 985
Loss on disposal of PPE				1							
Total Expenditure		108 170	150 823	212 562	178 933	206 131	206 131	-	205 381	217 997	233 577

The budgeted allocation for employee related costs for the 2012/13 financial year totals R76.9 million, which equals 43.0 per cent of the total operating expenditure

The Period of Salary and Wage Agreements for the 2009/10 to 2011/12 has ended and new negotiations are in place. In the absence of information from SALGA, National Treasury advises municipalities to budget for an upward 5.0 per cent cost of living adjustment with effect from 1 July 2012. In this budget, Council of Bela Bela makes a provision of 7 per cent increase to give itself a room to manoeuvre in case of an increase higher than 5.0 per cent. The budget incorporates the change in the structure which was agreed to at the Local Labour Forum (LLF). With regards to the increase in upper limit for salaries allowances and benefits of Councillors, the municipality makes a provision of 5.0 per cent.

Provision for depreciation and asset impairment has been informed by affordability and collection rate of the municipality. The municipality will develop an asset management strategy and plan in the 2012/13 financial year. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R3.5 million for the 2012/13 financial year and equates to 1.7 per cent of the total operating expenditure. The implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. The depreciation associated with the unbundling process amounts to R33.3 million. The municipality has used guidance provided in National Treasury's Budget Circular 58 to account for this depreciation, i.e. it has used the Revaluation Model for the additional assets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.2 per cent (R2.6 million) of operating expenditure excluding annual redemption for 2012/13 and increases to R2.8 million by 2014/15. As previously noted, the municipality has not planned to engage in borrowing over the medium term – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 1.5 per cent per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Magalies Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses which are comparatively high and need to be reduced. This constitutes the second largest expenditure item at 26.3 per cent for 2012/13.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated with a view of identifying operational efficiencies. Due to the contractual nature, such expenditure may not be readily terminated until the terms of the contracts have been fulfilled. In the 2012/13 financial year, this group of expenditure totals R17.8 million.

Other expenditure comprises of various line items relating to the daily operations of the municipality such as fuel, office supplies, electrical supplies and is also significant at around 20.0 per cent of the budget. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor, unemployed or face other socio-economic circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. A household qualifies as indigent should the total combined income of that household be R2 440.00 or less per month. The municipality recently embarked on a programme of creating awareness and registering indigents, as well as updating the indigent register. At the time of compiling this budget, the registered number of indigent households amounts to 4 095.

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 municipal vote.

Table 10 2012/13 Medium-term capital budget per vote

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Single-year expenditure to be appropriated										
Vote 1 - EXECUTIVE COUNCIL	-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS	-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY	-	-	-	3 500	3 500	-	-	-	-	-
Vote 4 - CORPORATE SERVICES	-	-	-	1 650	400	-	-	1 050	-	-
Vote 5 - SOCIAL AND COMMUNITY SERVICES	-	-	-	7 376	4 980	-	-	11 227	5 400	1 925
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT	-	-	-	2 920	320	-	-	590	2 000	4 231
Vote 7 - TECHNICAL SERVICES	-	-	-	15 168	16 386	-	-	13 127	20 757	26 227
Vote 8 - [NAME OF VOTE 8]	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total				30 614	25 586			25 994	28 157	32 382
Total Capital Expenditure - Vote				30 614	25 586			25 994	28 157	32 382

For 2012/13 an amount of R13.1 million has been appropriated for the development of infrastructure which represents 50.5 per cent of the total capital budget. These projects are located in the Technical Services Department. Community and social services receives the second highest allocation of R11.2 million in 2012/13 which equates to 43.2 per cent

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Bulk infrastructure in Extension 9 – R5.5 million;
- Road paving – R3.6 million;
- Upgrade of Moloto Street sports facilities – R2.0 million;
- Replacement of switch gear – R1.5 million;
- Standby generator for pump station and municipal buildings – R600 000.00;
- Replacement of old water meters – R350 000.00
- Municipal IT servers (4) R800 000.00;
- Pienaars/ Masakhane cemetery – R400 000.00;

Table A5 and supporting tables SA 28 and SA 29 provide more detailed information on the capital budget.

1.7 Annual Budget Tables - Parent Municipality

It should be pointed out that the municipality does not have entities. The following ten main budget tables are as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
 2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
 3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF and the surpluses are supplemented to the MIG to fund the capital budget. These surpluses amount to R7.8 million, R8.3 million and R11.4 million for 2012/13, 2013/14 and 2014/15;
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, though being depressed due to 80.0 per cent collection on current accounts, indicates that the necessary cash resources are available to fund the Capital Budget.
 4. 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 the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.
-

Table 12 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		82 851	74 270	87 021	96 383	96 259	96 259	104 426	105 748	111 007
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		82 166	73 970	86 792	95 683	95 683	95 683	103 498	104 774	109 974
Corporate services		685	300	229	700	576	576	928	974	1 033
<i>Community and public safety</i>		811	1 671	1 228	4 496	4 496	4 496	2 757	2 894	3 068
Community and social services		-	-	-	9	10	10	26	27	29
Sport and recreation		811	1 671	1 228	154	154	154	160	168	178
Public safety		-	-	-	4 333	4 332	4 332	2 571	2 699	2 861
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		9 028	7 615	7 201	8 747	8 896	8 896	11 220	9 975	10 574
Planning and development		-	-	-	286	386	386	350	368	390
Road transport		9 028	7 615	7 201	8 460	8 509	8 509	10 870	9 608	10 184
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		53 328	64 808	74 983	84 294	84 440	84 440	94 869	107 679	120 305
Electricity		34 837	45 373	53 440	61 120	61 120	61 120	68 654	77 576	87 658
Water		8 786	8 962	9 671	11 090	11 236	11 236	12 920	15 689	16 873
Waste water management		4 523	5 434	5 885	6 154	6 154	6 154	6 946	7 559	8 302
Waste management		5 182	5 040	5 988	5 930	5 930	5 930	6 349	6 856	7 471
<i>Other</i>	<i>4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total Revenue - Standard	2	146 018	148 364	170 433	193 920	194 091	194 091	213 271	226 297	244 953
Expenditure - Standard										
<i>Governance and administration</i>		<i>-</i>	<i>61 522</i>	<i>57 829</i>	<i>70 346</i>	<i>99 550</i>	<i>99 550</i>	<i>84 626</i>	<i>87 406</i>	<i>92 354</i>
Executive and council		-	46 687	44 759	13 024	12 231	12 231	12 265	12 821	13 504
Budget and treasury office		-	14 835	13 071	36 272	63 073	63 073	37 916	38 576	40 765
Corporate services		-	-	-	21 050	24 246	24 246	34 446	36 010	38 085
<i>Community and public safety</i>		<i>-</i>	<i>2 086</i>	<i>2 535</i>	<i>13 920</i>	<i>13 603</i>	<i>13 603</i>	<i>10 233</i>	<i>10 686</i>	<i>11 307</i>
Community and social services		-	1 808	2 495	7 743	7 557	7 557	8 373	8 739	9 247
Sport and recreation		-	-	-	1 495	1 495	1 495	-	-	-
Public safety		-	278	39	4 682	4 551	4 551	1 860	1 947	2 059
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		<i>-</i>	<i>36 637</i>	<i>39 195</i>	<i>22 047</i>	<i>19 818</i>	<i>19 818</i>	<i>26 092</i>	<i>26 517</i>	<i>28 066</i>
Planning and development		-	5 446	5 061	5 966	5 888	5 888	6 261	6 533	6 912
Road transport		-	31 191	34 134	16 080	13 931	13 931	19 832	19 983	21 154
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		<i>-</i>	<i>46 829</i>	<i>65 861</i>	<i>72 621</i>	<i>73 159</i>	<i>73 159</i>	<i>84 429</i>	<i>93 388</i>	<i>101 850</i>
Electricity		-	33 113	50 594	50 854	50 639	50 639	57 252	63 948	71 610
Water		-	11 974	14 354	13 689	14 703	14 703	18 508	20 381	20 698
Waste water management		-	-	-	2 651	2 387	2 387	495	515	541
Waste management		-	1 742	914	5 428	5 430	5 430	8 174	8 543	9 000
<i>Other</i>	<i>4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total Expenditure - Standard	3	-	147 074	165 421	178 933	206 131	206 131	205 381	217 997	233 577
Surplus/(Deficit) for the year		146 018	1 290	5 013	14 987	(12 039)	(12 039)	7 890	8 300	11 377

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports. However, only four of these are applicable to Bela Bela municipality
 2. 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.
 3. 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 Electricity, Water and Waste water functions
 4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.
-

Table 13 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Revenue by Vote	1									
Vote 1 - EXECUTIVE COUNCIL		-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS		-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		82 166	73 970	86 792	95 683	95 683	95 683	103 498	104 774	109 974
Vote 4 - CORPORATE SERVICES		685	300	229	700	576	576	928	974	1 033
Vote 5 - SOCIAL AND COMMUNITY SERVICES		15 021	14 325	14 417	18 873	18 873	18 873	17 706	18 780	20 111
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		-	-	-	286	386	386	350	368	390
Vote 7 - TECHNICAL SERVICES		50 768	59 768	68 995	78 377	78 572	78 572	90 790	101 401	113 446
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	148 640	148 364	170 433	193 920	194 091	194 091	213 271	226 297	244 953
Expenditure by Vote to be appropriated	1									
Vote 1 - EXECUTIVE COUNCIL		-	46 687	44 759	9 545	9 049	9 049	8 533	8 924	9 377
Vote 2 - MUNICIPAL MANAGERS		-	-	-	3 479	3 182	3 182	3 732	3 897	4 127
Vote 3 - BUDGET AND TREASURY		-	14 835	13 071	36 272	63 073	63 073	37 916	38 576	40 765
Vote 4 - CORPORATE SERVICES		-	-	-	21 050	24 246	24 246	34 446	36 010	38 085
Vote 5 - SOCIAL AND COMMUNITY SERVICES		-	15 596	17 457	26 050	25 683	25 683	29 684	31 042	32 828
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		-	5 446	5 061	5 966	5 888	5 888	6 261	6 533	6 912
Vote 7 - TECHNICAL SERVICES		-	64 510	85 073	76 571	75 010	75 010	84 810	93 015	101 482
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	147 074	165 421	178 933	206 131	206 131	205 381	217 997	233 577
Surplus/(Deficit) for the year	2	148 640	1 290	5 013	14 987	(12 039)	(12 039)	7 890	8 300	11 377

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.
-

Table 14 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
Revenue By Source											
Property rates	2	27 789	34 484	37 782	37 938	37 938	37 938	-	39 806	40 802	40 827
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	34 837	45 373	53 440	60 901	60 901	60 901	-	68 619	77 539	87 619
Service charges - water revenue	2	8 786	8 962	9 671	10 948	10 948	10 948	-	12 590	14 479	16 651
Service charges - sanitation revenue	2	4 523	5 434	5 885	6 154	6 154	6 154	-	6 646	7 244	7 968
Service charges - refuse revenue	2	5 182	5 040	5 988	5 892	5 892	5 892	-	6 304	6 809	7 421
Service charges - other		783			383	383	383		695	730	774
Rental of facilities and equipment		685	300	229	392	392	392		858	901	955
Interest earned - external investments		456	79	97	367	333	333		200	210	223
Interest earned - outstanding debtors		6 078	7 274	6 471	8 343	8 343	8 343		8 117	8 522	9 034
Dividends received		-									
Fines		811	1 671	1 228	3 850	3 565	3 565		2 000	2 100	2 226
Licences and permits		9 028	7 615	7 201	8 446	8 446	8 446		8 600	9 030	9 572
Agency services					326	610	610		471	494	524
Transfers recognised - operational		42 904	30 471	40 992	41 961	42 107	42 107		48 258	51 739	55 120
Other revenue	2	4 939	1 662	1 451	4 288	4 348	4 348	-	5 427	5 699	6 040
Gains on disposal of PPE		1 839			3 730	3 730	3 730		4 680	-	-
Total Revenue (excluding capital transfers and contributions)		148 640	148 364	170 433	193 920	194 091	194 091	-	213 271	226 297	244 953
Expenditure By Type											
Employee related costs	2	31 165	54 886	62 747	67 823	66 623	66 623	-	76 918	80 340	85 184
Remuneration of councillors					2 765	2 765	2 765		4 698	4 933	5 180
Debt impairment	3		15 912	13 989	2 306	2 315	2 315		3 000	3 090	3 245
Depreciation & asset impairment	2	6 065	7 786	38 345	7 077	34 142	34 142	-	3 500	3 640	3 822
Finance charges			2 373	3 220	1 664	1 504	1 504		2 572	2 675	2 809
Bulk purchases	2	26 815	29 380	46 271	46 370	47 932	47 932	-	54 123	60 884	68 561
Other materials	8		7 203	9 606							
Contracted services		16 856	-	-	15 627	16 222	16 222	-	17 825	18 717	19 791
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	27 269	33 283	38 382	35 302	34 627	34 627	-	42 745	43 718	44 985
Loss on disposal of PPE				1							
Total Expenditure		108 170	150 823	212 562	178 933	206 131	206 131	-	205 381	217 997	233 577
Surplus/(Deficit)		40 470	(2 459)	(42 129)	14 987	(12 040)	(12 040)	-	7 890	8 301	11 376
Transfers recognised - capital			13 831	9 401	15 518	15 518	15 518		18 104	19 857	21 005
Contributions recognised - capital		-	-	-	-	-	-		-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		40 470	11 372	(32 728)	30 505	3 478	3 478	-	25 994	28 158	32 381
Taxation											
Surplus/(Deficit) after taxation		40 470	11 372	(32 728)	30 505	3 478	3 478	-	25 994	28 158	32 381
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		40 470	11 372	(32 728)	30 505	3 478	3 478	-	25 994	28 158	32 381
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		40 470	11 372	(32 728)	30 505	3 478	3 478	-	25 994	28 158	32 381

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

1. Total revenue is R213. 2 million in 2012/13 and escalates to R226.3 million in 2013/14 and R244.6 million in 2014/15.
 2. Revenue to be generated from property rates is R39.8 million in the 2012/13 financial year and increases to R40.8 million by 2014/15 which represents 16.7 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.
 3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R94.8 million for the 2012/13 financial year and increasing to R120.4 million by 2014/15. For the 2012/13 financial year services charges amount to 44.4 per cent of the total revenue base and grows by around 3 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
 4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
-

Table 15 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Single-year expenditure to be appropriated										
Vote 1 - EXECUTIVE COUNCIL	-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS	-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY	-	-	-	3 500	3 500	-	-	-	-	-
Vote 4 - CORPORATE SERVICES	-	-	-	1 650	400	-	-	1 050	-	-
Vote 5 - SOCIAL AND COMMUNITY SERVICES	-	-	-	7 376	4 980	-	-	11 227	5 400	1 925
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT	-	-	-	2 920	320	-	-	590	2 000	4 231
Vote 7 - TECHNICAL SERVICES	-	-	-	15 168	16 386	-	-	13 127	20 757	26 227
Vote 8 - [NAME OF VOTE 8]	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	30 614	25 586	-	-	25 994	28 157	32 382
Total Capital Expenditure - Vote	-	-	-	30 614	25 586	-	-	25 994	28 157	32 382

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R25.9 million for the 2012/13 financial year and increases to R28.1 million in 2013/15 and thereafter to R32.3 million in 2014/15.
3. The capital programme is funded from national grants and transfers and own funds. For 2012/13, capital transfers totals R18.1 million (69.4 per cent) and escalates to R19.8 million in 2013/14 (67.9 per cent). The municipality has not budgeted for any borrowing.

Table 16 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other			98 409	111 809	143 249	143 308	143 308		178 010	174 126	191 952
Government - operating	1		42 814	48 989	41 961	42 107	42 107		48 258	51 739	55 120
Government - capital	1				15 518	15 518	15 518		18 104	19 857	21 005
Interest			79	97	8 710	8 676	8 676		8 317	8 732	9 256
Dividends											
Payments											
Suppliers and employees			(105 372)	(134 657)	(167 887)	(168 169)	(168 169)		(196 309)	(208 592)	(223 701)
Finance charges			(6 717)	(3 220)	(1 664)	(1 504)	(1 504)		(2 572)	(2 675)	(2 809)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	29 214	23 018	39 888	39 935	39 935	-	53 807	43 188	50 823
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			-	30	3 730	3 730	3 730		4 680	-	-
Decrease (increase) in non-current debtors			(5)	(10)							
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets			(25 220)	(25 051)	(30 614)	(25 586)	(25 586)		(25 994)	(28 158)	(32 381)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(25 226)	(25 031)	(26 884)	(21 856)	(21 856)	-	(21 314)	(28 158)	(32 381)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing			1 174	1 061							
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	1 174	1 061	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	5 162	(953)	13 004	18 080	18 080	-	32 494	15 031	18 442
Cash/cash equivalents at the year begin:	2		-	5 162						32 494	47 524
Cash/cash equivalents at the year end:	2		5 162	4 210	13 004	18 080	18 080		32 494	47 524	65 967

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. Cash and cash equivalents totals R32.4 million as at the end of the 2012/13 financial year and escalates to R65.9 million by 2014/15.
4. However, the cash position will be reduced to realistic levels due to the following factors:
 - a. Doubts in the accuracy of the bills;
 - b. The lower, approximately 80.0 per cent collection level.

Table 3 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	-	5 162	4 210	13 004	18 080	18 080	-	32 494	47 524	65 967
Other current investments > 90 days		-	(5 313)	(987)	(13 004)	(18 080)	(18 080)	-	(32 494)	(47 524)	(65 967)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	(151)	3 223	-	-	-	-	-	-	-
Application of cash and investments											
Unspent conditional transfers		-	466	(938)	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	48 195	18 563	-	-	-	-	-	-	-
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	48 661	17 625	-	-	-	-	-	-	-
Surplus(shortfall)		-	(48 812)	(14 402)	-	-	-	-	-	-	-

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “funded”.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2007/08 to 2010/11 the deficit deteriorated from R503 million to R1.9 billion.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table17 MBRR Table A9 - Asset Management

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	17,411	12,478	-	23,364	16,372	16,372	22,820	28,157	32,382
Infrastructure - Road transport		4,880	8,258	-	3,684	4,692	4,692	3,619	12,054	13,955
Infrastructure - Electricity		1,642	1,489	-	300	585	585	600	2,703	10,647
Infrastructure - Water		5,817	-	-	-	-	-	1,000	1,000	-
Infrastructure - Sanitation		-	2,180	-	-	-	-	-	-	-
Infrastructure - Other		4,507	60	-	3,734	1,696	1,696	13,661	-	-
Infrastructure		16,846	11,987	-	7,718	6,973	6,973	18,880	15,757	24,602
Community		-	491	-	6,300	3,904	3,904	2,300	5,400	1,925
Heritage assets		262	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	303	-	-	9,346	5,496	5,496	1,640	7,000	5,856
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	7,250	9,213	9,213	3,174	-	-
Infrastructure - Road transport		-	-	-	4,000	5,241	5,241	-	-	-
Infrastructure - Electricity		-	-	-	2,500	2,300	2,300	1,800	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	1,072	1,072	-	-	-
Infrastructure - Other		-	-	-	-	-	-	350	-	-
Infrastructure		-	-	-	6,500	8,613	8,613	2,150	-	-
Community		-	-	-	400	400	400	1,024	-	-
Heritage assets		-	-	-	350	200	200	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	4,880	8,258	-	7,684	9,933	9,933	3,619	12,054	13,955
Infrastructure - Road transport		1,642	1,489	-	2,800	2,885	2,885	2,400	2,703	10,647
Infrastructure - Electricity		5,817	-	-	-	-	-	1,000	1,000	-
Infrastructure - Water		-	2,180	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	1,072	1,072	-	-	-
Infrastructure - Other		4,507	60	-	3,734	1,696	1,696	14,011	-	-
Infrastructure		16,846	11,987	-	14,218	15,586	15,586	21,030	15,757	24,602
Community		-	491	-	6,700	4,304	4,304	3,324	5,400	1,925
Heritage assets		262	-	-	350	200	200	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	303	-	-	9,346	5,496	5,496	1,640	7,000	5,856
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	17,411	12,478	-	30,614	25,586	25,586	25,994	28,157	32,382
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5									
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other										
Infrastructure										
Community										
Heritage assets										
Investment properties										
Other assets										
Agricultural Assets										
Biological assets										
Intangibles										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5									
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment	3	6,065	7,786	38,345	7,077	34,142	34,142	3,500	3,640	3,822
Repairs and Maintenance by Asset Class										
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other										
Infrastructure										
Community										
Heritage assets										
Investment properties										
Other assets	6, 7									
TOTAL EXPENDITURE OTHER ITEMS		6,065	7,786	38,345	7,077	34,142	34,142	3,500	3,640	3,822
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	23.7%	36.0%	36.0%	12.2%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	102.4%	27.0%	27.0%	90.7%	0.0%	0.0%
R&M as a % of PPE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

References

1. Detail of new assets provided in Table SA34a
2. Detail of renewal of existing assets provided in Table SA34b
3. Detail of Repairs and Maintenance by Asset Class provided in Table SA34c
4. Must reconcile to total capital expenditure on Budgeted Capital Expenditure
5. Must reconcile to 'Budgeted Financial Position' (written down value)
6. Donated/contributed and assets funded by finance leases to be allocated to the respective category
7. Including repairs and maintenance to agricultural, biological and intangible assets

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 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.

Part 2 – Supporting Documentation

2.1 Overview of the annual IDP/ 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 MMC for Finance.

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

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

2.1.1 IDP/ 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 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

Bela Bela Municipality adopted an IDP Review Process Plan for the 2012/13 review process. The Process Plan was informed by the district municipality's framework plan and was adopted by the Municipal Council on 27 August 2011. The main purpose of the Process Plan is to integrate all the processes and activities, institutional arrangements and time frames of the various sector departments, NGOs, Parastatals, etc.

The preparation of a reviewed IDP/ Budget is based on a Process Plan, which Bela Bela Municipality adopted in terms of the MFMA. The Plan establishes a firm foundation for the alignment of the IDP and budget preparation processes. This plan included the following:-

- A programme specifying the time frames for the different planning steps;
- Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP drafting process;
- An indication of the organisational arrangements for the IDP process;
- Binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

- To guide decision making in respect of service delivery and public sector investment;
- To inform budgets and Service delivery programs of various government departments and service agencies; and
- To coordinate the activities of various service delivery agencies within Bela Bela.

Table 18: IDP/ Budget Process Overview

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
PREPARATION PHASE	Develop Draft 2012/2013 IDP/ Budget Review framework and process plan	IDP Manager	<ul style="list-style-type: none"> Approved 2012/2013 IDP/ Budget Review Process Plan 	July 2011 Week 4
	First IDP Steering Committee Meeting	IDP Manager		11 November 2011
	First IDP Representatives Forum	IDP Manager		18 November 2011
	Tabling of Draft 2012/2013 IDP/ Budget process Planning Sub-committee	IDP Manager		15 August 2011
	Tabling of Draft 2012/2013 IDP/ Budget process plan for council approval	Mayor & Municipal Manager		27 August 2011
ANALYSIS PHASE	Identification of Gaps, Stakeholder Registration, and Information Gathering	IDP Manager	<ul style="list-style-type: none"> Assessment of the existing level of development Priority issues/problems 	September 2011 Week 1

	Determination of Revenue Projections, Proposed Rates, and Service Charges	Budget & Treasury	<ul style="list-style-type: none"> • Understanding of causes of priority issues/problems • Information on available resources 	September 2011 Week 2
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity	IDP Manager		September 2011 Week 3
	Revisit Community Needs, Consult, and Assess	IDP Manager		September 2011 Week 3
	Second IDP Steering Committee Meeting	Mayor & Municipal Manager		04 February 2012
	Second IDP Representatives Forum	Mayor & Steering Committee		10 February 2012
	SWOT Analysis	Municipal Manager, IDP Manager, stakeholders, sec 57 manager.	• SWOT Analysis	February 2012

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
STRATEGIES PHASE	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager	<ul style="list-style-type: none"> • Vision (For Municipality) • Objectives(For each priority issue) • Strategic options and choice of strategy • Tentative financial framework for projects • Identification of projects 	Week 1 January 2012
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 January 2012
	Refine Resources and Review Financial Strategies	Special Steering Committee		Week 2 February 2012
	Draft Mid-Year and Draft Annual Report	All Departments/Municipal Manager		Week 1 January 2012
PROJECTS PHASE	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> • Project output, targets, and location • Project related activities and time schedule • Cost and budget estimates • Performance Indicators 	Week 2 March 2012
	Third IDP Steering Committee Meeting	Mayor & Municipal Manager		April 2012
	Third IDP Representatives Forum	Mayor & Steering Committee		April 2012
	Strategic Planning Session	Council & Management		22 – 24 February 2012
	Tabling of Draft IDP/Budget and Draft SDBIP for Council Ap-	Mayor & Municipal Manager		26 March 2012 Week 4

	proval			
	Submission of Approved Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		26 March 2012 Week 4

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
INTEGRATION PHASE	Alignment with Waterberg District Municipality, Provincial, and National Programs	IDP Manager	<ul style="list-style-type: none"> • 5 Year Financial Plan • 5 Year Capital Investment Plan • Institutional Plan • Reference to Sector Plans • Integrated Sectoral Plans 	March 2012 Week 4
	IDP/Budget Roadshow	Mayor & Steering Committee		March 2012 Week 3 – Week 1 April 2012
	Integration of Multi Year Capital Investment Plan	IDP Manager		April 2012 Week 1
	Screening of Draft IDP Projects	All Departments		April 2012 Week 2
	Integration of Sector Plans and Institutional Programs	IDP Manager		April 2012 Week 2

	Advertisement of draft 2012/13 IDP - Budget	IDP Manager		April 2012 Week 3
	Screening of Inputs and Comments from Communities	IDP Manager		May 2012 Week 1
APPROVAL PHASE			<ul style="list-style-type: none"> • Public Comments • Approved IDP for the Municipality 	
	2012/2013 IDP process to Audit Committee	IDP Manager & Manager Planning		May 2012 Week 2
	Tabling of 2012/2013 IDP process Planning Sub-committee	IDP Manager		May 2012
	Tabling of 2012/2013 IDP process to EC	Municipal Manager & Manager Planning		May 2012
	Mayoral IDP-Budget Road-shows	Municipal Manager & Manager Planning		Aprils 2012 – May 2012
	Tabling of the 2012/2013 IDP/Budget	Mayor & Municipal Manager		May 2012 Week 4
	Submission of Approved IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		June 2012 Week 2

Approval of Service Delivery and Budget Implementation Plan(SBDIP)	Municipal Manager		June 2012 Week 3
Publish approved IDP/Budget	IDP Manager		June 2012 Week 4
Signing of Annual Performance Agreements for Section 57 Managers	Mayor & Municipal Manager		June 2012 Week 4

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

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the first IDP of the new Council which came into office after the May 2011 elections. It started in August 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August 2011.

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

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

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

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 30 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards municipal libraries. Further targeted consultations were held with representatives of farmers and Property Owners' Association.

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 2 to 15 May April 2012, and included eight public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 150 people were recorded per meeting. This is up on the previous year's process. This can be attributed to the ad-

ditional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business to further ensure transparency and interaction.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request.

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

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 19 IDP Strategic Objectives

Priorities of BBLM	Objectives	Strategies
Education	<ul style="list-style-type: none"> To facilitate the delivery of Education Facilities in order to address the backlogs in terms of this service. 	<ul style="list-style-type: none"> Facilitating the provision of additional schools in areas of need. Relocation of Raeleng High School Facilitation of the establishment of institution of higher learning (Tourism)
Health (prevention of HIV/ AIDS and Other Life – Threatening Diseases) and Social Development	<ul style="list-style-type: none"> To support the programmes intended to prevent life – threatening diseases and projects intended to reduce backlogs in terms of public health facilities. 	<ul style="list-style-type: none"> Support the initiatives for the prevention of life-threatening diseases such as TB, Cancer, HIV/ AIDS etc.
Safety and Security	<ul style="list-style-type: none"> To provide support to the Safety and Security programmes intended to reduce the Levels of Crime and to facilitate the construction of Public Safety Facilities which would reduce the service backlogs. 	<ul style="list-style-type: none"> Promote the reduction of crime in Bela Bela Municipal Area. Improve access to safety and security services. Establish sector policing in Bela Bela municipal area.

Priorities of BBLM	Objectives	Strategies
Local Economic Development	<ul style="list-style-type: none"> • To create a climate conducive to local economic development, • Reduce the level of unemployment by 50% by 2016 and to ensure that the local economy grows at a rate of 5 % per annum. 	<ul style="list-style-type: none"> • Review and Implement existing policy framework (SDF, LUMS LED Strategy, etc) to ensure conducive environment. • Develop and maintain infrastructure in areas with economic development potential and high levels of poverty. • Train and workshop SMME's to intensify Human Capital Development. • Identify and support LED initiatives e.g. Tourism and Agriculture.
Water, Sanitation & Refuse Removal.	<ul style="list-style-type: none"> • Improved access to safe and healthy water, sanitation and environment for the residents of Bela Bela. 	<ul style="list-style-type: none"> • Upgrading of bulk water supply and sanitation network at Bela-Bela municipal area. • Identification of land for dumping site to minimise littering.
Priorities of BBLM	Objectives	Strategies

<p>Roads & Storm water</p>	<ul style="list-style-type: none"> • Well developed, upgraded, improved and maintained Roads and Storm water infrastructure within Bela Bela. 	<ul style="list-style-type: none"> • To improve the condition of the municipal controlled roads and ensure proper upgrading. • To improve and upgrade the drainage systems in the township.
<p>Electricity</p>	<ul style="list-style-type: none"> • Eliminate backlogs of 432HH without the power supply by 2016. 	<ul style="list-style-type: none"> • Eradicate electricity backlogs by 2016 through utilizing the municipal capital budget.
	<ul style="list-style-type: none"> • Improve network reliability and sustainability 	<ul style="list-style-type: none"> • Upgrade of all MV substation protection • Restoration of overhead line protection • Replacement of old cables • Refurbishment and replacement of mini subs • Refurbish and/or replace pole top transformers
	<ul style="list-style-type: none"> • Improve network master-planning 	<ul style="list-style-type: none"> • Ensure required information is available for every master planning cycle • Up to date CAD & GIS drawings • Electronic updated copies of SLD's

		<ul style="list-style-type: none"> • Statistical metering info for substations & feeders • Detailed and accurate customer billing information
	<ul style="list-style-type: none"> • Maintain redundancy in network (sustainability) 	<ul style="list-style-type: none"> • Plan for additional capacity or NMD of +/4 MVA in the next 3-4 years • Preparing now for the eventual handover of the new 10MVA substation for HDA Spa Park development • Begin talks with Eskom about a new 10MVA 66kV/11kV substation located on the Eastern part of Town, with a separate additional 10MVA for redundancy.
	<ul style="list-style-type: none"> • Improve network maintenance and management 	<ul style="list-style-type: none"> • Adequate staff complement • Competent and trained staff • Maintenance and Planning Systems tools • Adequate resources
	<ul style="list-style-type: none"> • Optimize Revenue and network efficiency 	<ul style="list-style-type: none"> • Control of costs requires measured values hence metering at substations, load profiling meters • Aligning tariff structure policy with land

		<p>use policy</p> <ul style="list-style-type: none"> • Load profiling and continual review of master plan at required intervals • Calculation of network efficiency levels based on load profiling and billing information
--	--	--

Priorities of BBLM	Objectives	Strategies
Sports, Arts, Culture, Recreational Facilities and Cemeteries	<ul style="list-style-type: none"> • Improved access to the sport, recreational, art, cultural and community facilities within Bela Bela Municipal Area. 	<ul style="list-style-type: none"> • To improve and maintain the existing sports, recreational and other community facilities and promotion of different sporting codes. • Allocate or seek funds in order to develop sporting and recreational facilities
Land, Housing and Infrastructure	<ul style="list-style-type: none"> • To facilitate provision of housing to 5040 housing list by 2016. • To facilitate for the acquisition of security of tenure for all residents (without secured tenure) of the municipality. • To create an effective system of land use management and orderly development within the whole mu- 	<ul style="list-style-type: none"> • Apply the “Breaking New Ground (BNG) in Housing Delivery” Policy/ A Comprehensive Plan for the Development of Sustainable Human Settlements. • Identify strategically located land within the municipality in line with the Principles of the National Spatial Development Perspective and the Spatial Development Framework to accommodate the current Housing Backlog.

	municipal area.	<ul style="list-style-type: none"> • Engage other spheres of government and private sector (banks and property developers) to assist with planning, infrastructure provision and housing delivery for different income categories and housing options or typologies • Put mechanisms in place to deal with the emergence or mushrooming of new informal settlements timeously. • Conduct an audit on all land occupied without any secured tenure, and facilitate for the issuing of title deeds for the affected residents.
--	-----------------	---

Priorities of BBLM	Objectives	Strategies
Good Governance (and Public Participation)	<ul style="list-style-type: none"> • To inform the community about service delivery. • To promote the image of the Municipality and interaction with the community. • To promote Batho-Pele principles. • To promote effective decision – making and monitoring. 	<ul style="list-style-type: none"> • To improve and maintain the content of the Imbizo's, pamphlets, official notices, etc. • Awareness Campaigns in relation to all municipal priorities. • Liaise with sector departments (health, education, sports, arts & culture, safety & security) w.r.t amendment of their priorities to ca-

		<p>ter for the local needs.</p> <ul style="list-style-type: none"> • To forge closer ties with stakeholders i.e. Business Forum, CTA, NGOs, CBO, CDWs and other structures. • Training of staff about customer care. • On – going training of councillors and CDWs on local government matters.
--	--	--

Priorities of BBLM	Objectives	Strategies
Municipal Financial Viability	<ul style="list-style-type: none"> • To manage and use the public funds in an efficient and Accountable Manner. 	<ul style="list-style-type: none"> • Sound Financial Management
Municipal Transformation and Institutional Development	<ul style="list-style-type: none"> • To create a properly upgraded and functional workplace for Municipal Staff and Cllrs to work in. • To perform local government service delivery functions efficiently and effec- 	<ul style="list-style-type: none"> • To improve the working condition of staff and Cllrs in order to achieve a high standard of service delivery. • To develop and implement an Information Management, Systems and

	<p>tively.</p> <ul style="list-style-type: none">• To improve productivity, cost savings and efficient service delivery by the use of I.T. services.• To be able to share data at required and authorized levels based on I.T. Infrastructure that is best-of-breed, scalable, interoperable, cost effective and reliable.	<p>Technology strategy that is aligned with Municipality's business strategy and requirements.</p> <ul style="list-style-type: none">• To support national and provincial ICT initiatives whilst simultaneously ensuring optimum utilization, maintenance and support for existing I.T. Infrastructure.
--	---	---

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

Table 20 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
SPATIAL ANALYSIS AND RATIONAL							5 019	4 979	4 979	5 051	4 117	5 579
BASIC SERVICE DELIVERY	ROADS						9 377	7 281	7 281	8 554	8 171	8 632
	WATER						13 689	14 703	14 703	18 508	20 381	20 698
	SANIT						2 651	2 387	2 387	495	515	541
	ELECTRICITY						50 854	50 639	50 639	57 252	63 948	71 610
LOCAL ECONOMIC DEVELOPMENT							948	909	909	1 210	1 262	1 334
MUNICIPAL FINANCIAL VIABILITY							37 042	63 695	63 695	39 215	39 932	42 199
									-			
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT							23 758	26 806	26 806	36 879	38 443	40 778
									-			
GOOD GOVERNANCE AND PUBLIC PARTICIPATION							9 545	9 049	9 049	8 533	8 924	9 377
									-			
COMMUNITY AND SOCIAL SERVICES							26 050	25 683	25 683	29 684	31 042	32 828
									-			
									-			
									-			
									-			
									-			
Allocations to other priorities												
Total Expenditure			1	-	-	-	178 933	206 131	206 131	205 381	216 735	233 577

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

2.2.1 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 municipality. Indigent households receive free basic water of 10 kl and 100 kwh of electricity per month. For the 2012/13 financial year 4 095 registered indigents have been provided for in the budget.

2.2.2 Providing clean water and managing waste water

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Magalies Water is the water services provider.

Approximately 50 per cent of the Municipality's bulk water needs are provided by Magalies Water in the form of purified water. The remaining 50 per cent is generated from the Municipality's own water sources, such as boreholes and the dam.

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.

Bela-Bela Municipality has achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant. This has put the Municipality on the 6th position in Limpopo Province. This is a sign that the municipality is doing well on improving its water quality and aiming to achieve an excellent score.

Waste water treatment works, did not perform well due to the upgrade which were taking place during the time of assessment. However, the upgrade is now complete and we are aiming to achieve better results in terms of meeting the minimum Green Drop certification standards.

The following is briefly the main challenges facing the Municipality in this regard:

- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Infiltration of storm water into the sewerage system.

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

- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
 - The Division will be working in consultation with the Department of Water Affairs to address catchment management.
-

2.3 Measurable performance objectives and indicators

The table below shows the key measurable financial indicators of the Bela Bla municipality. With time permitting and availability of information, these indicators will be benchmarked against the indicators of other municipalities of similar type, size and functions

Table 21 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.8%	1.0%	0.9%	0.7%	0.7%	0.0%	1.3%	1.2%	1.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	1.0%	1.7%	1.1%	1.0%	1.0%	0.0%	1.6%	1.5%	1.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	-	0.3	0.6	-	-	-	-	-	-	-
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	0.3	0.6	-	-	-	-	-	-	-
Liquidity Ratio	Monetary Assets/Current Liabilities	-	(0.0)	0.1	-	-	-	-	-	-	-
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	83.5%	86.4%	86.4%	96.9%	96.9%	96.9%	0.0%	111.2%	99.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	83.5%	86.4%	86.4%	96.9%	96.9%	96.9%	0.0%	111.2%	99.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	11.6%	12.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))				90.0%	80.0%			95.0%	95.0%	95.0%
Creditors to Cash and Investments		0.0%	1211.6%	859.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Indicators											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	21.0%	37.0%	36.8%	35.0%	34.3%	34.3%	0.0%	36.1%	35.5%	34.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	36.4%	35.8%	35.8%		38.3%	37.7%	36.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	4.1%	6.8%	24.4%	4.5%	18.4%	18.4%	0.0%	2.8%	2.8%	2.7%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	(96.6)	(122.3)	14.9	17.5	17.5	17.5	-	18.9	18.9	20.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	17.3%	18.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	0.5	0.3	1.0	1.4	1.4	-	2.2	3.0	3.9

2.4 Overview of budget related-policies

Bela Bela municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following policies have been reviewed and submitted to Council with the budget:

- Credit control and debt collection;
- Credit control and debt collection;
- Tariffs and sundry tariffs;
- Indigent consumers; and
- Virement.

The following policies have not been amended and will still be applicable in 2012/13:

- Supply Chain Management;
- Asset management

The 2011/12 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 municipality's cash levels. In addition, a payment incentive scheme is being implemented although it is still early to observe notable results. Finally, debt owed by Councillors and municipal staff has been prioritised for speedy recovery. The credit control and debt collection policy has prioritised this area to show an example.

2.4.1 Asset Management Policy

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

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management 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).

2.4.2 Supply Chain Management Policy

There are no amendments to the Supply Chain Management Policy

2.4.3 Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Virement Policy will be tabled for approval with the budget.

2.4.4 Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies will be tabled with the budget for approval.

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth in real terms for 2012 will be moderate at around per cent rising to 2.5 per cent by 2013.

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

2.5.2 General inflation outlook and its impact on the municipal activities

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

- National Government macro economic targets;
- The general inflationary outlook and the impact on Bela Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 39.4 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement with SALGBC is not yet concluded and National Treasury has advised municipalities to budget for an increase of 5.0 per cent.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality did not budget to raise any long term loans due to the squeezed cash position and low payment levels.

2.5.4 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (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.

2.5.5 Growth or decline in tax base of the municipality

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

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

2.5.6 Salary increases

The collective agreement regarding salaries/wages for employees concluded in 2011. National Treasury advised municipalities to budget for an increase of 5.0 per cent for 2012/13. Bela Bela has made a provision for a 7.0 per cent increase in case the agreement is above the 5.0 per cent. Should the agreement be 5.0 per cent or less, the additional budgeted expenditure will be reallocated.

2.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early this year, form the basis of all integration initiatives:

- Creating jobs;
 - Enhancing education and skill development;
-

- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

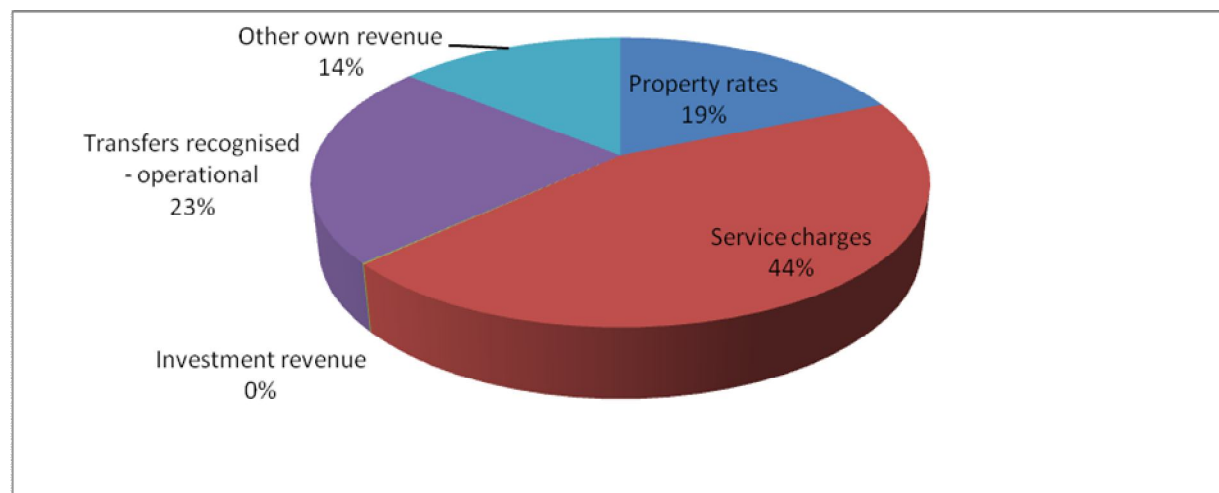
2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

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

Table 22 Breakdown of the operating revenue over the medium-term 2012/13

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13	% of total	Budget Year +1 2013/14	% of total	Budget Year +2 2014/15	% of total
Financial Performance						
Property rates	39 806	19%	40 802	18%	40 827	17%
Service charges	94 854	44%	106 800	47%	120 433	49%
Investment revenue	200	0%	210	0%	223	0%
Transfers recognised - operational	48 258	23%	51 739	23%	55 120	23%
Other own revenue	30 152	14%	26 746	12%	28 350	12%
Total Revenue (excluding capital transfers and contributions)	213 271	100%	226 297	100%	244 953	100%



The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc). The table and diagram above shows that service charges constitute between 44.0 per cent and 49.0 per cent of operating revenue over the medium term. This is followed by transfers from national government at 23.0 per cent and by property rates at an average of 18.0 per cent.

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 revenue strategy is a function of key components such as:

- Growth in the municipality Gross Value Added (GVA) and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent (increase from 80 per cent) annual collection rate for consumer revenue;
- Accurate and timely billing, which currently poses some challenges to the municipality;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

The proposed tariff increases for the 2012/13 MTREF on the different revenue categories were shown in the previous sections of this budget document.

2.7 Expenditure on grants and reconciliation of unspent funds

The table below shows the intended expenditure of the grants. The municipality does not budget to have any unspent grants at the end of the financial year.

Table 23 Grants and reconciliation of unspent grants over the medium-term 2012/13

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year				245						
Current year receipts					9 248	42 107	42 107	48 258	51 739	55 120
Conditions met - transferred to revenue		-	-	245	9 248	42 107	42 107	48 258	51 739	55 120
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	-	245	9 248	42 107	42 107	48 258	51 739	55 120
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year				(693)						
Current year receipts				8 616	15 518	15 518	15 518	18 104	19 857	21 005
Conditions met - transferred to revenue		-	-	7 923	15 518	15 518	15 518	18 104	19 857	21 005
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	7 923	15 518	15 518	15 518	18 104	19 857	21 005
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		-	-	8 169	24 766	57 625	57 625	66 362	71 596	76 125
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.8 Councillor and employee benefits

Table 24 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages					2 765	2 765	2 765	4 698	4 933	5 180
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance										
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		-	-	-	2 765	2 765	2 765	4 698	4 933	5 180
% increase	4	-	-	-	-	-	-	69.9%	5.0%	5.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages					5 074	5 074	5 074	5 378	5 617	5 954
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus								420		
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		-	-	-	5 074	5 074	5 074	5 798	5 617	5 954
% increase	4	-	-	-	-	-	-	14.3%	(3.1%)	6.0%
Other Municipal Staff										
Basic Salaries and Wages					43 092	41 892	41 892	45 579	47 607	50 463
Pension and UIF Contributions					12 343	12 343	12 343	9 632	10 061	10 664
Medical Aid Contributions					-	-	-	3 800	3 969	4 207
Overtime					3 013	3 013	3 013	2 500	2 611	2 768
Performance Bonus					-	-	-	-	439	465
Motor Vehicle Allowance	3				3 690	3 690	3 690	2 988	3 121	3 308
Cellphone Allowance	3				-	-	-	350	366	388
Housing Allowances	3				-	-	-	600	627	664
Other benefits and allowances	3				612	612	612	750	783	830
Payments in lieu of leave					-	-	-	4 841	5 057	5 384
Long service awards					-	-	-	80	84	89
Post-retirement benefit obligations	6				-	-	-	-	-	-
Sub Total - Other Municipal Staff		-	-	-	62 749	61 549	61 549	71 120	74 723	79 230
% increase	4	-	-	-	-	(1.9%)	-	15.5%	5.1%	6.0%
Total Parent Municipality		-	-	-	70 588	69 388	69 388	81 616	85 274	90 364
		-	-	-	-	(1.7%)	-	17.6%	4.5%	6.0%

2.9 Monthly targets for revenue, expenditure and cash flow

Table 26 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source																
Property rates		3 100	3 100	3 200	3 200	3 200	3 200	3 400	3 400	3 400	3 400	3 600	3 606	39 806	40 802	40 827
Property rates - penalties & collection charges													-	-	-	-
Service charges - electricity revenue		7 000	6 000	5 000	5 000	5 000	5 000	5 000	4 000	4 000	6 000	8 000	8 619	68 619	77 539	87 619
Service charges - water revenue		800	800	900	1 300	1 500	2 000	1 100	900	900	800	790	12 590	12 590	14 479	16 651
Service charges - sanitation revenue		540	540	540	560	600	700	540	540	540	540	466	6 646	7 244	7 968	
Service charges - refuse revenue		510	510	510	510	540	590	530	510	510	510	510	564	6 304	6 809	7 421
Service charges - other		50	50	60	60	60	80	60	60	55	55	50	55	695	730	774
Rental of facilities and equipment		71	71	71	71	71	71	71	72	72	72	73	858	901	955	
Interest earned - external investments		16	16	17	17	17	18	17	17	16	16	17	200	210	223	
Interest earned - outstanding debtors		600	700	700	700	800	800	700	700	600	600	600	617	8 117	8 522	9 034
Dividends received													-	-	-	-
Fines		150	150	150	150	200	300	200	150	200	150	100	100	2 000	2 100	2 226
Licences and permits		700	700	800	600	600	600	700	700	800	800	800	800	8 600	9 030	9 572
Agency services				112			112			112		135	135	471	494	524
Transfers recognised - operational		22 328		33			11 852			14 045			-	48 258	51 739	55 120
Other revenue		400	450	40	450	500	700	400	400	500	450	500	637	5 427	5 699	6 040
Gains on disposal of PPE			380	1 000	300	400	500	500	300	300	350	350	350	4 680	-	-
Total Revenue (excluding capital transfers and contributions)		36 265	13 467	13 133	12 918	13 488	26 523	13 218	11 749	26 050	13 743	15 888	16 829	213 271	226 297	244 953
Expenditure By Type																
Employee related costs		6 400	5 954	6 000	6 200	7 000	7 900	6 501	5 673	5 700	5 900	6 700	6 989	76 918	80 340	85 184
Remuneration of councillors		373	373	373	373	373	483	392	392	392	392	392	392	4 698	4 933	5 180
Debt impairment				1 000			1 000				1 000		-	3 000	3 090	3 245
Depreciation & asset impairment													3 500	3 640	3 822	
Finance charges		632	132	132	132	132	632	132	132	132	132	120	120	2 572	2 675	2 809
Bulk purchases		7 000	4 000	4 000	4 000	4 500	4 500	4 500	3 500	3 000	3 000	4 000	8 123	54 123	60 884	68 561
Other materials													-	-	-	-
Contracted services		1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 480	17 825	18 717	19 791
Transfers and grants													-	-	-	-
Other expenditure		3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 563	42 745	43 718	44 985
Loss on disposal of PPE													-	-	-	-
Total Expenditure		19 452	15 507	16 553	15 753	17 053	19 563	16 573	14 745	14 272	15 472	16 272	24 167	205 381	217 997	233 577
Surplus/(Deficit)																
Transfers recognised - capital		16 813	(2 040)	(3 420)	(2 835)	(3 565)	6 960	(3 355)	(2 996)	11 778	(1 729)	(384)	(7 338)	7 890	8 301	11 376
Contributions recognised - capital			7 794				5 870			4 440			0	18 104	19 857	21 005
Contributed assets													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		16 813	5 754	(3 420)	(2 835)	(3 565)	12 830	(3 355)	(2 996)	16 218	(1 729)	(384)	(7 338)	25 994	28 158	32 381
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	16 813	5 754	(3 420)	(2 835)	(3 565)	12 830	(3 355)	(2 996)	16 218	(1 729)	(384)	(7 338)	25 994	28 158	32 381

Table 27 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand																
Revenue by Vote																
Vote 1 - EXECUTIVE COUNCIL													-	-	-	
Vote 2 - MUNICIPAL MANAGERS													-	-	-	
Vote 3 - BUDGET AND TREASURY		26 444	4 646	3 990	4 367	4 835	17 067	4 917	4 732	18 883	4 466	4 931	4 220	103 498	104 774	109 974
Vote 4 - CORPORATE SERVICES		71	71	71	71	71	71	71	72	72	72	72	143	928	974	1 033
Vote 5 - SOCIAL AND COMMUNITY SERVICES		1 360	1 360	1 460	1 470	1 340	1 490	1 430	1 360	1 510	1 460	1 410	2 056	17 706	18 780	20 111
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		-	15	52	30	22	35	40	25	35	25	35	36	350	368	390
Vote 7 - TECHNICAL SERVICES		8 390	7 384	7 560	6 980	7 220	7 860	6 760	5 560	5 550	7 450	9 440	10 636	90 790	101 401	113 446
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Revenue by Vote		36 265	13 476	13 133	12 918	13 488	26 523	13 218	11 749	26 050	13 473	15 888	17 090	213 271	226 297	244 953
Expenditure by Vote to be appropriated																
Vote 1 - EXECUTIVE COUNCIL		711	500	600	800	700	800	680	720	800	700	700	821	8 533	8 924	9 377
Vote 2 - MUNICIPAL MANAGERS		314	300	320	295	320	368	320	327	310	300	300	258	3 732	3 897	4 127
Vote 3 - BUDGET AND TREASURY		3 157	3 258	3 258	3 166	3 103	3 598	3 100	3 000	3 000	3 000	3 200	3 076	37 916	38 576	40 765
Vote 4 - CORPORATE SERVICES		2 871	3 000	2 842	2 895	3 000	2 659	2 120	3 157	3 025	3 057	2 959	2 861	34 446	36 010	38 085
Vote 5 - SOCIAL AND COMMUNITY SERVICES		2 474	2 360	2 459	2 366	2 357	2 225	2 366	2 126	2 136	2 903	2 589	3 324	29 684	31 042	32 828
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		521	523	511	460	513	621	463	562	473	521	499	594	6 261	6 533	6 912
Vote 7 - TECHNICAL SERVICES		7 068	7 126	6 952	6 825	7 230	7 024	6 985	6 920	7 068	6 958	7 562	7 091	84 810	93 015	101 482
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Expenditure by Vote		17 116	17 067	16 942	16 808	17 222	17 296	16 034	16 812	16 812	17 439	17 809	18 026	205 381	217 997	233 577
Surplus/(Deficit) before assoc.		19 149	(3 591)	(3 809)	(3 890)	(3 734)	9 227	(2 816)	(5 063)	9 238	(3 966)	(1 921)	(936)	7 890	8 300	11 377
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	19 149	(3 591)	(3 809)	(3 890)	(3 734)	9 227	(2 816)	(5 063)	9 238	(3 966)	(1 921)	(936)	7 890	8 300	11 377

Table 28 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard																
Governance and administration		26 515	4 717	4 061	4 438	4 906	17 138	4 989	4 804	18 955	4 538	5 074	4 291	104 426	105 748	111 007
Executive and council																
Budget and treasury office		26 444	4 646	3 990	4 367	4 835	17 067	4 917	4 732	18 883	4 466	4 931	4 220	103 498	104 774	109 974
Corporate services		71	71	71	71	71	71	72	72	72	72	143	71	928	974	1 033
Community and public safety		165	164	164	164	216	316	200	150	200	150	100	768	2 757	2 894	3 068
Community and social services													26	26	27	29
Sport and recreation		15	14	14	14	16	16						71	160	168	178
Public safety		150	150	150	150	200	300	200	150	200	150	100	671	2 571	2 699	2 861
Housing																
Health																
Economic and environmental services		700	715	852	630	622	635	740	725	835	825	835	3 106	11 220	9 975	10 574
Planning and development			15	52	30	22	35	40	25	35	25	35	36	350	368	390
Road transport		700	700	800	600	600	600	700	700	800	800	800	3 070	10 870	9 608	10 184
Environmental protection																
Trading services		8 850	7 850	6 950	7 370	7 640	8 290	7 170	5 950	5 950	7 850	9 850	11 149	94 869	107 679	120 305
Electricity		7 000	6 000	5 000	5 000	5 000	5 000	5 000	4 000	4 000	6 000	8 000	8 654	68 654	77 576	87 658
Water		800	800	900	1 300	1 500	2 000	1 100	900	900	800	800	1 120	12 920	15 689	16 873
Waste water management		540	540	540	560	600	700	540	540	540	540	540	766	6 946	7 559	8 302
Waste management		510	510	510	510	540	590	530	510	510	510	510	609	6 349	6 856	7 471
Other																
Total Revenue - Standard		36 230	13 446	12 027	12 602	13 384	26 379	13 099	11 629	25 940	13 363	15 859	19 313	213 271	226 297	244 953
Expenditure - Standard																
Governance and administration		7 053	7 058	7 020	7 156	7 123	7 425	6 220	7 203	7 135	7 057	7 159	7 017	84 626	87 406	92 354
Executive and council		1 025	800	920	1 095	1 020	1 168	1 000	1 047	1 110	1 000	1 000	1 080	12 265	12 821	13 504
Budget and treasury office		3 157	3 258	3 258	3 166	3 103	3 598	3 100	3 000	3 000	3 000	3 200	3 076	37 916	38 576	40 765
Corporate services		2 871	3 000	2 842	2 895	3 000	2 659	2 120	3 157	3 025	3 057	2 959	2 861	34 446	36 010	38 085
Community and public safety		853	854	847	809	845	780	827	849	815	842	852	1 062	10 233	10 686	11 307
Community and social services		698	700	690	685	689	622	670	690	658	690	700	882	8 373	8 739	9 247
Sport and recreation																
Public safety		155	154	157	124	156	158	157	159	157	152	152	180	1 860	1 947	2 059
Housing																
Health																
Economic and environmental services		2 174	2 107	2 109	2 097	2 045	2 199	2 307	2 149	2 248	2 132	2 173	2 353	26 092	26 517	28 066
Planning and development		521	521	523	511	460	513	621	463	562	473	521	571	6 261	6 533	6 912
Road transport		1 653	1 585	1 585	1 585	1 585	1 686	1 686	1 686	1 686	1 659	1 652	1 782	19 832	19 983	21 154
Environmental protection																
Trading services		7 071	7 086	7 120	7 518	7 181	7 202	6 505	7 255	7 154	7 183	6 879	6 272	84 429	93 388	101 850
Electricity		4 786	4 790	4 822	5 200	4 865	4 895	4 200	4 956	4 856	4 865	4 586	4 431	57 252	63 948	71 610
Water		1 587	1 565	1 565	1 565	1 565	1 565	1 565	1 565	1 565	1 565	1 565	1 275	18 508	20 381	20 698
Waste water management		15	36	38	58	56	47	45	39	38	58	33	33	495	515	541
Waste management		684	696	696	696	696	696	696	696	696	696	696	534	8 174	8 543	9 000
Other																
Total Expenditure - Standard		17 151	17 104	17 096	17 580	17 195	17 606	15 859	17 456	17 353	17 214	17 063	16 704	205 381	217 997	233 577
Surplus/(Deficit) before assoc.		19 079	(3 658)	(5 069)	(4 978)	(3 811)	8 773	(2 760)	(5 827)	8 587	(3 851)	(1 204)	2 609	7 890	8 300	11 377
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	19 079	(3 658)	(5 069)	(4 978)	(3 811)	8 773	(2 760)	(5 827)	8 587	(3 851)	(1 204)	2 609	7 890	8 300	11 377

Table 29 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand													1		
Cash Receipts By Source															
Property rates	3 100	3 100	3 200	3 200	3 200	3 200	3 400	3 400	3 400	3 400	3 600	3 606	39 806	40 802	40 827
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	7 000	6 000	5 000	5 000	5 000	5 000	5 000	4 000	4 000	6 000	8 000	8 619	68 619	77 539	87 619
Service charges - water revenue	800	800	900	1 300	1 500	2 000	1 100	900	900	800	800	790	12 590	14 479	16 651
Service charges - sanitation revenue	540	540	540	560	600	700	540	540	540	540	540	466	6 646	7 244	7 968
Service charges - refuse revenue	510	510	510	510	540	590	530	510	510	510	510	564	6 304	6 809	7 421
Service charges - other	50	50	60	60	60	60	60	60	55	55	50	55	695	730	774
Rental of facilities and equipment	71	71	71	71	71	71	71	72	72	72	72	73	858	901	955
Interest earned - external investments	16	16	17	17	17	18	17	17	16	16	16	17	200	210	223
Interest earned - outstanding debtors	600	700	700	700	800	800	700	700	600	600	600	617	8 117	8 522	9 034
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	150	150	150	150	200	300	200	150	200	150	100	100	2 000	2 100	2 226
Licences and permits	700	700	800	600	600	600	700	700	800	800	800	800	8 600	9 030	9 572
Agency services	-	-	112	-	-	112	-	-	112	-	-	135	471	494	524
Transfer receipts - operational	22 328	-	33	-	-	11 852	-	-	14 045	-	-	-	48 258	51 739	55 120
Other revenue	400	450	40	450	500	700	400	400	500	450	500	637	5 427	5 699	6 040
Cash Receipts by Source	36 265	13 087	12 133	12 618	13 088	26 023	12 718	11 449	25 750	13 393	15 588	16 479	208 591	226 297	244 953
Other Cash Flows by Source															
Transfer receipts - capital	-	7 794	-	-	-	5 870	-	-	4 440	-	-	0	18 104	19 857	21 005
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	380	1 000	300	400	500	500	300	300	350	300	350	4 680	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	36 265	21 261	13 133	12 918	13 488	32 393	13 218	11 749	30 490	13 743	15 888	16 829	231 375	246 154	265 958
Cash Payments by Type															
Employee related costs	6 400	5 954	6 000	6 200	7 000	7 900	6 501	5 673	5 700	5 900	6 700	6 989	76 918	80 340	85 184
Remuneration of councillors	373	373	373	373	373	483	392	392	392	392	392	392	4 698	4 933	5 180
Finance charges	632	132	132	132	132	632	132	132	132	132	132	120	2 572	2 675	2 809
Bulk purchases - Electricity	6 541	3 570	3 580	3 544	4 045	4 018	4 018	3 032	2 542	2 534	3 541	7 656	48 621	54 942	62 084
Bulk purchases - Water & Sewer	459	430	420	456	455	482	482	468	458	466	459	466	5 502	5 942	6 476
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 486	1 480	17 825	18 717	19 791
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 562	3 563	42 745	43 718	44 985
Cash Payments by Type	19 452	15 507	15 553	15 753	17 053	18 563	16 573	14 745	14 272	14 472	16 272	20 667	198 881	211 267	226 510
Other Cash Flows/Payments by Type															
Capital assets	-	-	-	-	-	-	-	-	-	-	-	18 104	18 104	19 857	19 857
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	19 452	15 507	15 553	15 753	17 053	18 563	16 573	14 745	14 272	14 472	16 272	38 771	216 985	231 124	246 367
NET INCREASE/(DECREASE) IN CASH HELD	16 813	5 754	(2 420)	(2 835)	(3 565)	13 830	(3 355)	(2 996)	16 218	(729)	(384)	(21 942)	14 390	15 031	19 590
Cash/cash equivalents at the month/year begin:	-	16 813	22 567	20 147	17 311	13 747	27 576	24 221	21 225	37 444	36 715	36 331	-	14 390	29 420
Cash/cash equivalents at the month/year end:	16 813	22 567	20 147	17 311	13 747	27 576	24 221	21 225	37 444	36 715	36 331	14 390	14 390	29 420	49 011

2.10 Annual budget and SDBIP – Internal departments

The municipality provides major infrastructure projects internally, though some technical work is contracted to professional service providers such as designs. The key service delivery departments are Technical Services and Social and Community Services. The Planning and IDP Department also does some work related to job creation and Local Economic Development, including Town Planning and establishment.

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. About 50.5 per cent of the capital budget is allocated to Technical Services while around 43.0 per cent of the capital budget is allocated to Social and Community Services department.

The Senior Managers submit their departmental Service Delivery and Budget Implementation Plans to the Municipal Manager and then compiles the municipal SDBIP which is submitted to the Mayor and tabled with the budget. These SDBIP form the basis of performance agreements

2.11 Contracts having future budgetary implications

The municipality does have contracts that go beyond the three years. The one contract with a five year duration was for banking services with ABSA and it has expired. The municipality is in the process of evaluating the bids and this process will be concluded before the beginning of the 2012/13 financial year.

2.12 Capital expenditure details

Table 30 MBRR SA34a – Detail capital budget by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		16 846	11 987	-	7 718	6 973	6 973	18 880	15 757	24 602
Infrastructure - Road Transport		4 880	8 258	-	3 684	4 692	4 692	3 619	12 054	13 955
Roads, Pavements & Bridges		4 880	8 258	-	2 684	2 734	2 734	3 619	12 054	13 955
Storm water					1 000	1 958	1 958			
Infrastructure - Electricity		1 642	1 489	-	300	585	585	600	2 703	10 647
Generation		-						600	2 703	10 647
Transmission & Reticulation		1 642	1 489							
Street Lighting					300	585	585			
Infrastructure - Water		5 817	-	-	-	-	-	1 000	1 000	-
Dams & Reservoirs										
Water purification								500	1 000	
Reticulation		5 817						500		
Infrastructure - Sanitation		-	2 180	-	-	-	-	-	-	-
Reticulation		-	2 180							
Sewerage purification										
Infrastructure - Other		4 507	60	-	3 734	1 696	1 696	13 661	-	-
Waste Management								5 558		
Transportation										
Gas										
Other		4 507	60		3 734	1 696	1 696	8 103		
Community		-	491	-	6 300	3 904	3 904	2 300	5 400	1 925
Parks & gardens		-	491							
Sportsfields & stadia					1 000	72	72			
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses										
Clinics										
Museums & Art Galleries										
Cemeteries					900	500	500	400		
Social rental housing										
Other					4 400	3 332	3 332	1 900	5 400	1 925
Heritage assets		262	-	-	-	-	-	-	-	-
Buildings		262								
Other										
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		303	-	-	9 346	5 496	5 496	1 640	7 000	5 856
General vehicles					126	126	126			
Specialised vehicles					-	-	-			
Plant & equipment					500	500	500			
Computers - hardware/equipment		303			1 650	400	400	1 050		
Furniture and other office equipment					170	50	50	330		
Abattoirs										
Markets					2 100	-	-			
Civic Land and Buildings					200	170	170	260	2 000	4 231
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other					4 600	4 250	4 250		5 000	1 625
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on new assets	1	17 411	12 478	-	23 364	16 372	16 372	22 820	28 157	32 382

LIM366 Bela Bela - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure		-	-	-	6,500	8,613	8,613	2,150	-	-
Infrastructure - Road transport		-	-	-	4,000	5,241	5,241	-	-	-
Roads, Pavements & Bridges					4,000	5,241	5,241			
Storm water										
Infrastructure - Electricity		-	-	-	2,500	2,300	2,300	1,800	-	-
Generation										
Transmission & Reticulation					2,500	2,300	2,300	1,800		
Street Lighting										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Dams & Reservoirs										
Water purification										
Reticulation										
Infrastructure - Sanitation		-	-	-	-	1,072	1,072	-	-	-
Reticulation						1,072	1,072			
Sewerage purification										
Infrastructure - Other		-	-	-	-	-	-	350	-	-
Waste Management										
Transportation	2									
Gas										
Other	3							350		
Community		-	-	-	400	400	400	1,024	-	-
Parks & gardens										
Sportsfields & stadia					400	400	400	1,024		
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
Heritage assets		-	-	-	350	200	200	-	-	-
Buildings					350	200	200			
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		-	-	-	-	-	-	-	-	-
General vehicles										
Specialised vehicles	10									
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on renewal of existing assets	1	-	-	-	7,250	9,213	9,213	3,174	-	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Refuse										
Fire										
Conservancy										
Ambulances										
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	23.7%	36.0%	36.0%	12.2%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	102.4%	27.0%	27.0%	90.7%	0.0%	0.0%

2.13 Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Budget and Treasury Office. The contracts of the Interns will expire in October 2012 and Council would consider extending the contracts for the Interns to complete both their academic and theoretical training.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
A shared Audit Committee with the Waterberg District municipality has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other budget supporting documents

Table 31 MBRR SA10 – Funding Measurement

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	-	5 162	4 210	13 004	18 080	18 080	-	32 494	47 524	65 967
Cash + investments at the yr end less applications - R'000	18(1)b	2	-	(48 812)	(14 402)	-	-	-	-	-	-	-
Cash year end/monthly employee/supplier payments	18(1)b	3	-	0.5	0.3	1.0	1.4	1.4	-	2.2	3.0	3.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	40 470	11 372	(32 728)	30 505	3 478	3 478	-	25 994	28 158	32 381
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	15.2%	7.6%	2.4%	(6.0%)	(6.0%)	(106.0%)	4.2%	3.6%	3.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	83.5%	86.4%	96.9%	96.9%	96.9%	0.0%	111.2%	99.9%	101.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	16.0%	12.4%	1.9%	1.9%	1.9%	0.0%	2.2%	2.1%	2.0%
Capital payments % of capital expenditure	18(1)-19	8	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)-c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.0%	18.7%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(v)	14	0.0%	0.0%	0.0%	0.0%	36.0%	0.0%	0.0%	12.2%	0.0%	0.0%

The funding measurement table above shows that the municipality will generate cash enough to fund its budget.

