



**FINAL MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK FOR THE FINANCIAL YEAR**

2013/2014 -2015/2016

Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
MM	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 hour
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
EXCO	Executive Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of 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

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Annexures

- 1. Revised budget related policies**
 - a. Property rates
 - b. Debt and credit control
 - c. Budget implementation and monitoring
 - d. Supply Chain Management
 - e. Indigent consumers
 - f. Funding and reserves
 - g. Cash and Investment management
 - h. Long term financial plan
 - i. Tariffs
 - j. Borrowing
 - k. Management and Disposal of Assets
 - l. Infrastructure Investment and Capital Projects
- 2. Tariffs 2013/14**
- 3. Organisational structure 2013/14**

- 4. Performance management framework 2013/14**
- 5. Integrated Development Plan (2013/14 to 2016/17)**

Part 1 – Annual Budget

1.1 Mayor's Report

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

1.2 Council Resolutions

Council of Bela-Bela Local Municipality met on 31 May 2013 at Shangrila Lodge where the Mayor tabled the 2013/14 Medium Term Revenue and Expenditure Framework for consideration for adoption by Council in terms of section 24(1) of the Municipal Finance Management Act (56 of 2003). At the meeting the Council made the following resolutions:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The final annual budget of the municipality for the financial year 2013/14 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 6 on page 16;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 7 on page 18;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 8 on page 20; 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 9 on page 22.
 - 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 11 on page 30;
 - 1.2.2. Asset management as contained in Table 13 on page 34.
2. The Council of Bela Local Municipality approves the following 2013/14 revised budget related policies as set out in Annexure 1:
 - 2.1. Property rates
 - 2.2. Debt and credit control
 - 2.3. Budget implementation and monitoring
 - 2.4. Supply Chain Management
 - 2.5. Indigent consumers
 - 2.6. Funding and reserves
 - 2.7. Cash and Investment management
 - 2.8. Long term financial plan
 - 2.9. Tariffs
 - 2.10. Borrowing
 - 2.11. Management and Disposal of Assets
 - 2.12. Infrastructure Investment and Capital Projects
3. 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 2013 the tariffs as set out in Annexure 2;
 - 3.1. the tariffs for property rates;

- 3.2. the tariffs for electricity;
 - 3.3. the tariffs for the supply of water;
 - 3.4. the tariffs for sanitation services;
 - 3.5. the tariffs for solid waste services;
 - 3.6. the tariffs for all sundry services;
4. The Council of Bela Bela Local Municipality approves the 2013/14 revised Organisational structure as set out in Appendix 3;
 5. The Council of Bela Bela Local Municipality approves the 2013/14 revised Performance Management Framework as set out in Appendix 4;
 6. The Council of Bela Bela Local Municipality approves the 2013/14 revised IDP as set out in Appendix 5;
 7. To give proper effect to the municipality's annual budget, the Council of Bela Bela Local Municipality approves:
 - 7.1. 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 section 8 of the Municipal Budget and Reporting Regulations.
 - 7.2. That the municipality did not budget to raise long term loans to fund the capital budget.
 8. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

1.3 Executive Summary

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

In December 2012 the municipality was informed by National Treasury of the intention of the Treasury to withhold conditional and equitable share allocations in the last quarter of the national financial year ending March 2013. The grants amounting to approximately R14.0 million were subsequently withheld of which approximately R12.0 million was on equitable share and approximately R2.0 million on Municipal Infrastructure Grant (MIG). This had a severe negative impact on the operations of the municipality for the last quarter of 2012/13 and for the 2013/14 medium term revenue and expenditure framework.

The greatest impact was on the capital budget component. The completion of the gravelling of roads project was forced to be postponed until funding is available. Service providers on other two projects were requested to put those projects on hold also pending availability of funding

As a result of the action by National Treasury, the Bela-Bela municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. The municipality's credit control measures were strictly applied to improve its revenue and cash position. This had a positive impact on the municipality's cash position as it was able to

meet its commitments. Furthermore, the municipality has undertaken various customer care initiatives to sustain its cash position and ensure that the municipality truly involves all citizens in the process of ensuring a people lead government. For the 2013/14 financial year, all capital projects to be funded from internally generated funds were shelved to the forthcoming years in order to enable the municipality to build its own reserves. Negotiations were conducted with the National Treasury requesting it to reverse its decision to invoke section 216 of the South African Constitution. At the moment the municipality is awaiting a final decision from National Treasury to roll-over the withheld funds during July 2013.

The compilation of the 2013/14 MTREF was guided by the following legislative and policy framework:

- Municipal Finance Management Act (No. 56 of 2003);
- Municipal Budget and Reporting Regulations (Government Gazette 32141);
- Budget Formats Guideline;
- Annual Division of Revenue Act;
- Municipal Structures Act (No. 117 of 1998), as amended;
- Municipal Systems Act (No. 32 of 2000), as amended;
- Municipal Property Rates Act (No. 6 of 2004), as amended;
- Municipal Fiscal Powers and Functions Act (No. 12 of 2007);
- MFMA Circular 12: Definition of Vote in MFMA ;
- MFMA Circular 42: Funding a Municipal Budget;
- MFMA Circulars 48, 51, 54, 55, 66 and 67; and
- Local Government Capital Asset Management Guideline.

The following budget principles and assumptions directly informed the compilation of the 2013/2014 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66 and 67 were used to guide the compilation of the 2013-2016 MTREF.
- Headline inflation predictions;
- National outcomes and priorities
- NERSA guidelines
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2012/2013 Adjustment 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 baseline for the 2013/2014 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and 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;
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis;
- An assessment of the relative human resources capacity to implement the Budget; and
- The need to enhance the municipality's revenue base,

- There will be no capital projects funded from own source funds to give the municipality an opportunity to build a cash backed capital reserve fund over the next medium term;
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality ability to meet its obligations;
- Provision for non receipt of billed income has been made in the budget (this is called working capital budget). It is assumed that the total income budget of 76 percent will be received as actual income. For the first six months in the 2012/2013 financial year collection rate averaged 62 percent, while in the last three months it averaged around 80 percent.
- Operational cost will be maintained at current levels or reduced as cost containment measures.
- Expenditure will be strictly monitored and be limited to the “absolutely necessary” items. Expenditure on the “nice to have” will be stopped forthwith.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- The uncertainty with regard to roll-over of the grants withheld in last quarter of 2012/13, although the funds have not been included in the budget;
- Aging and insufficiently funded 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 point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – internal funding had to be postponed and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2013/14 MTREF process; and
- Unavailability of affordable capital/borrowing.

The rates and tariffs for various municipal services are increased as follows from the previous year. These increases are in line with the National Treasury guidelines contained in Budget Circulars 66 and 67.

- Property Rates 5.6% (due to the change in the Municipal Property Rates Policy, new categories of properties have been defined. As a result they have been allocated their own tariff)
- Electricity 7%
- Water 13%
- Sewerage 5.6%
- Refuse 5.6%
- Tariffs for sundry services 5.6%

On the expenditure side, the percentage increases were as follows:

- Employee salaries 6.85%

- Councillor allowances 5%
- Water purchases 13.5%
- Electricity purchases 7.0%

The 2013/14 MTREF as tabled before Council on 28 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at municipal offices and municipal library. Electronic and hard copies were sent to National Treasury and the Limpopo Provincial Treasury.

The municipality held public participation sessions with the communities in seven wards. A budget summary document, called "Budget at a Glance", was issued and discussed at these sessions. Comments were received from the local communities. The applicable dates and venues were published in all the local newspapers. Sessions were also held with the farming and business communities on the 8th May 2013.

A budget benchmarking exercise was conducted at a meeting held with the Provincial Treasury on 7 May 2013. The meeting followed a thorough analysis of the budget and IDP. Subsequent to the meeting, a feedback report was submitted to the municipality together with a compliance checklist. The National Treasury also submitted a compliance checklist on the tabled budget. The key issues raised by both the Treasuries were:

- Non and/ or incompleteness of all budget schedules A1 to SA37;
- Insufficient funding of the budget, particularly the capital budget;
- Insufficient funding of repairs and maintenance budget;
- Some grants not aligned to allocations in Division of Revenue Act; and
- Non submission of the SDBIP.

The municipality found that the benchmarking exercise conducted by Provincial Treasury was extremely helpful and bolstered its effort to turnaround our unfortunate history of non-compliance. All the comments that were received from both the Provincial and National Treasury were incorporated into the final budget that was presented to Council for adoption. A huge effort was made to ensure that all budget schedules are properly completed. Due to the historical challenges of Council approving a budget that was not funded in terms of realistic anticipated revenue, all projects that were proposed in the Final Budget to be funded from own source revenue had to be dropped.

Council resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This means that over the next three to five years Council expects to have built up enough cash reserve to fund capital expenditure. The performance agreements of both the Accounting Officer and the Chief Financial Officer will include the building of a reserve fund as a milestone.

The credit and debt collection drive that Council embarked on in the past three months resulted in the payment level improving from 63 percent to 80 percent. In this regard a special Council meeting was convened and resolved to take the following steps;

- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Approval of indigent register;
- Resolution of the current stand-off between the farmers and Council;

- Accurate and predictable monthly billing of municipal services, which requires that accounts are sent regularly and on time to enable consumers to plan or arrange for payment of services; and
- A ward based campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

In the 2013/2014 financial year Council intends to boost the human resource capacity within the Credit Control Unit, to ensure that all these measures are implemented on a regular and consistent manner. The internal Credit Control unit will from now on concentrate on collection of debtors from current account to outstanding debtors until 60 days. A debt collector has been appointed to collect all debtors outstanding for more than 90 days. As noted above, since the invocation of section 216 of the Constitution by the Minister of Finance, the municipality has been able to meet its obligations without fail. Both the efforts of increased credit control measures and cost containment measures have yielded the positive outcome expected. For these reasons, there was no need for Council to apply for any bank overdraft as it was the case in the past.

Council has noted with concern the low level of growth on repairs and maintenance. For this reason in the 2013/2014 financial year the department of Technical Services has been directed to develop an asset renewal strategy and repairs and maintenance plan. Preserving and maintaining our current infrastructure remains a high priority for Council and alignment of this with the budget will inform the level of growth which should be allocated for repairs and maintenance. This item will form part of the budget adjustment process in the first half of the 2013/2014 financial year.

All the other comments by the Provincial Treasury were incorporated into the budget, including all other administrative corrections that were identified in the benchmarking exercise.

FUNDING COMPLIANCE

A key reform programme of the National Treasury is to test whether the municipal budgets have been sufficiently funded. This resulted in the development of the Funding Compliance test on all budgets. After receipt of the feedback report from the Provincial and National Treasury, the municipality conducted a funding compliance test on the budget. It was found out that the budget was not funded in the MTREF. The municipality went through a number of iterations to ensure that the budget is funded prior to approval. These iterations included:

- Removal of all internally funded projects from the budget;
- Reworking of the conditional grant programme to ensure that there are no grant liabilities at the end of the financial year. The performance agreements of all HoDs will be crafted to reflect this requirement;
- Recalculation and reworking of debt impairment provision to realistic levels. Although not truly a cash flow item, the cash that is lost due to non collection affects the municipality's cash flow position as well the balance sheet;
- Reworking of the depreciation charge in the statement of financial performance. This charge increased significantly due to the inclusion of depreciation on unbundled assets. The municipality followed the National Treasury advice to include depreciation amounting to R7.5 million prior to unbundling, otherwise the charge would have been significant, leading to a deficit in the budget and a huge impact on tariffs and therefore their affordability. The municipality will rework this charge to accurate and realistic levels once the unbundling exercise is completed in August 2013; and

- Reprioritisation of recruitment and filling of new posts. Existing vacant posts have been reprioritised while some new posts would be phased-in over a period of time. This resulted in the reduction of personnel expenditure from R88.0 million to approximately R73.0 million. All general expenditure was informed by the balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit items.

These measures have resulted in significant reduction in expenditure and the outcome is that the budget is funded as can be observed from Supporting Table SA10.

1.3.1. Budget Overview for the 2013/14 MTREF

This section provides an overview of the Bela-Bela Municipality's 2013/14 to 2015/16 MTREF. It focuses on the billing and revenue environment of the municipality, the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of Bela-Bela Municipality.

1.3.1.1. 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 levels. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that the municipality is faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source											
Property rates	2	34,484	37,782	37,397	39,806	65,862	65,862	65,862	72,119	78,249	84,900
Property rates - penalties & collection charges						-					
Service charges - electricity revenue	2	45,373	53,440	70,399	68,619	67,955	67,955	67,955	77,129	84,842	93,326
Service charges - water revenue	2	8,962	9,671	18,754	12,590	18,500	18,500	18,500	20,296	22,325	24,558
Service charges - sanitation revenue	2	5,434	5,885	6,475	6,646	6,646	6,646	6,646	7,260	7,986	8,785
Service charges - refuse revenue	2	5,040	5,988	5,947	6,304	6,304	6,304	6,304	6,903	7,594	8,353
Service charges - other					695	231	231	231	430	473	520
Rental of facilities and equipment		300	229	1,205	858	346	346	346	214	236	259
Interest earned - external investments		79	97	134	200	25	25	25	356	392	431
Interest earned - outstanding debtors		7,274	6,471	9,479	8,117	9,500	9,500	9,500	9,785	10,764	11,840
Dividends received						-					
Fines		1,671	1,228	1,197	2,000	1,650	1,650	1,650	3,600	3,960	4,356
Licences and permits		7,615	7,201	8,540	8,600	8,600	8,600	8,600	8,750	9,625	10,588
Agency services					471	471	471	471			
Transfers recognised - operational		30,471	40,992	42,039	48,258	48,973	48,973	48,973	53,097	57,760	66,522
Other revenue	2	927	1,451	7,867	5,427	617	617	617	4,970	5,467	6,014
Gains on disposal of PPE					4,680	4,680	4,680	4,680			
Total Revenue (excluding capital transfers and contributions)		147,629	170,433	209,435	213,271	240,360	240,360	240,360	264,909	289,671	320,451

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. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, the adjusted revenue from rates and services charges totalled R165.4 million or 68.9 per cent. This increases to R184.1 million, R201.4 million and R220.4 million in the respective financial years of the MTREF. A notable trend in the total percentage revenue generated from rates and services charges is that it increases from 68.9 per cent to around 70.0 per cent during the 2013/14 MTREF. 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.

Operating grants and transfers totals R48.9 million in the 2012/13 financial year and steadily increases to R177.2 million over the 3-year MTREF. Note that the year-on-year growth for the 2013/14 financial year is 8.7 per cent, 8.8 per cent in 2014/15 and then a fairly large increase of 15.1 per cent in 2015/16. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 2 Operating Transfers and Grant Receipts

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
RECEIPTS:											
Operating Transfers and Grants											
National Government:		36,036	37,435	41,621	48,958	49,473	49,473	53,097	57,870	66,703	
Local Government Equitable Share		27,123	35,685	39,329	45,108	45,108	45,108	48,639	54,226	62,905	
Finance Management		1,000	1,000	1,228	1,500	1,500	1,500	1,550	1,600	1,650	
Municipal Systems Improvement		7,350	750	787	800	800	800	890	934	967	
Water Services Operating Subsidy		563		277	130	130	130				
EPWP Incentive					700	1,000	1,000	1,000			
MIG Operational					720	935	935	1,018	1,110	1,181	
Provincial Government:		-	-	-	-	-	-	-	-	-	
MIG Operational											
District Municipality:		-	-	-	-	-	-	-	-	-	
<i>[insert description]</i>											
Other grant providers:		-	-	-	-	-	-	-	-	-	
<i>[insert description]</i>											
Total Operating Transfers and Grants	5	36,036	37,435	41,621	48,958	49,473	49,473	53,097	57,870	66,703	

As table 2 above shows, operating grants increase from R48.9 million in 2012/13 to R53.0 million in 2013/14, R57.8 million in 2014/15 and R66.7 million in 2015/16. These allocations are in line with allocations in the 2013/14 annual Division of Revenue Act. Of importance to note is that no grants were allocated from the provincial government and the district municipality.

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Magalies Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have is 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.

Property Rates

In the 2013/2014 financial year, the property taxes paid by owners will increase by only 5.6% (due to the change in the Municipal Property Rates Policy, new categories of properties have been defined, as a result they have been allocated their own tariff), whilst total rates income will increase by 9% as a result of projected growth due to natural growth and completed developments to be included in the income base. The increase in rates tariffs is attributed to the unbundling of some categories of properties that the municipality have, so in real terms the increase is 5.6%. Rates rebates to residential areas and bona fide farmers are also available as per the requirements of the amended property rates policy, to qualifying ratepayers.

The following stipulations in the revised Property Rates Policy are highlighted:

Municipal properties

Municipal properties are exempted from paying property rates.

Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying property rates. **For the 2013/2014 financial**

year the maximum amount is determined as R50 000. The impermissible rates of R15 000 contemplated in terms of section 17(1)(h) of the Act are included in the amount as referred to above as annually determined by the Municipality. The remaining R35 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's indigent policy.

Public Service Infrastructure

Is exempted from paying rates as it provides essential services to the community.

Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

The abovementioned exemptions will automatically apply and no application is thus required by the owners of such property.

Electricity

According to NERSA, the inclining block rate tariff structure is commonly used to charge for electricity usage. The feature of this tariff structure is that the more a consumer uses, the higher the average price. The objective of the inclining block tariff is to provide protection for lower usage customers against high price increases resulting in a reduction in tariffs to these customers. This means that higher consumption customers will see increasingly punitive charges based on their electricity usage. The municipality is implementing the directive from NERSA as part of the Municipality's Licensing Agreement.

Council's attention is further drawn to the fact that the proposed electricity tariff is prescribed at 7% whereas the increase in electricity bulk purchases for the 2013/2014 financial year is also 7% as approved by NERSA (National Electricity Regulator of South Africa) for implementation by all municipalities.

Water

Taking cognizance of the plight of the poor and the affordability of basic services, the scale of 0 – 30 kl was increased with only 5.6%. The average tariff increase for the rest of the consumptive water scales is 13 %.

Sewerage (Sanitation)

The proposed increase in this tariff is 5.6%. This tariff increase above is prescribed by circular 66 from National Treasury.

Refuse (Solid Waste)

The solid waste tariffs were modelled to give effect to the principle of the service charge being cost reflective as the service cannot be cross-subsidized. It is proposed that the tariff increases by 5.6% as a result of the before mentioned. The very nature of this tariff does not lend it to financing the expansion of the landfill site.

Debt Management

The municipality is currently executing all credit control and debt collection procedures as required in the Credit Control and Debt Collection policy approved by Council. These internal procedures followed include the disconnection of services where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honouring arrangements.

The provision of debt impairment was determined based on an annual collection rate of 80% and the provision for doubtful debt and write off policy. In this budget, provision for debt impairment is increased from R2.9 million of 2012/13 adjusted budget to R17.7 million in line with previous years' patterns. While this expenditure is considered to be a non-cash item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues to be collected.

The municipality continuously enforces the above procedures to ensure that debt which is collectable is collected and all debt that is regarded as not recoverable should be written off. The municipality will also promulgate the Credit Control and Debt Collection By-Law before the beginning of the new financial year to strengthen the internal credit control and debt collection procedures through handing over of all debt over 90 days to the appointed attorneys. A zero tolerance approach will be followed where consumers are able to pay for services, as this indirectly denies paying consumers the level and standard of service that they are entitled to.

Council has finalised the appointment of a Debt Collector to focus on all debts over 90 days. Their scope of work includes collection of debt from other categories of debtors that the municipality does not have a tool to enforce payment of services on time. This debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the municipality. If these performance targets are not met the municipality will have to enforce all penalty clauses.

1.3.1.2. Operating Expenditure Framework

The budget sees a decrease in annual operating expenditure from R231.4 million in 2012/2013 adjusted budget to R229.7 million in 2013/2014, excluding non-cash item totalling R48 480 741. This 0.7% decrease is primarily due to reprioritisation of personnel expenditure as mentioned under funding compliance above.

The municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Personnel cost and Councillor remuneration increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act;
- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) 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;
- Contracted Services
- Bulk Purchases
- Strict adherence to the principle of **no project plans no budget**. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per standard):

Table 3 Summary of operating expenditure by standard classification item

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Expenditure - Standard										
Governance and administration		61,522	95,363	99,071	84,626	113,040	113,040	112,874	130,984	153,106
Executive and council		46,687	44,759	10,728	12,265	12,848	12,848	12,727	13,389	15,347
Budget and treasury office		14,835	50,604	71,380	37,916	64,553	64,553	68,632	84,316	102,603
Corporate services		-	-	16,964	34,446	35,639	35,639	31,515	33,279	35,155
Community and public safety		2,086	2,535	19,657	10,233	14,078	14,078	14,714	15,627	16,683
Community and social services		1,808	2,495	8,831	8,373	8,063	8,063	7,872	8,325	8,891
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		278	39	8,754	1,860	6,015	6,015	6,843	7,302	7,792
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	2,072	-	-	-	-	-	-
Economic and environmental services		36,637	48,802	23,479	26,092	19,772	19,773	19,127	21,660	24,456
Planning and development		5,446	5,061	4,959	6,261	5,608	5,608	6,653	7,114	7,608
Road transport		31,191	43,740	18,520	19,832	14,165	14,165	12,474	14,546	16,848
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		48,921	65,861	85,887	84,429	84,515	84,514	82,978	85,799	90,699
Electricity		35,205	50,594	63,068	57,252	60,250	60,250	61,925	63,778	67,605
Water		11,974	14,354	17,405	18,508	17,874	17,874	16,628	17,568	18,526
Waste water management		-	-	637	495	1,233	1,233	506	550	596
Waste management		1,742	914	4,776	8,174	5,157	5,157	3,918	3,903	3,972
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	149,166	212,560	228,094	205,381	231,405	231,405	229,694	254,070	284,943
Surplus/(Deficit) for the year		12,293	(32,727)	(3,141)	25,994	36,229	36,229	54,562	56,698	57,943

Employee costs

The budgeted allocation for employee related costs for the 2013/14 financial year totals R72.9 million, which equals 31.7 per cent of the total operating expenditure. This moderates to around 29.0 per cent over the 2014/15 and 2015/16 financial years. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at just below 30.0 per cent over the medium term. This leaves around 70.0 per cent of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.85 per cent for the 2013/14 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure was reconsidered.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 7.0 per cent has been taken into account in compiling the municipality's budget.

Bulk Purchases

Directive/decision issued by NERSA setting the bulk purchase increase at 8%, whilst the increase on water was estimated at 13% as the bulk purchase charge. This expenditure includes distribution losses.

Repairs and maintenance

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must "secure the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance". The municipality has, over the last two financial years, decreased the

investment in repairs and maintenance as its priority. Due to funding challenges, the municipality's budget for repairs and maintenance is around 2.7 per cent of total operating expenditure.

In considering the inputs made by both Provincial and National Treasury, during the benchmarking exercise on the 2013/2014 budget, Council immediately resolved that our Technical Service Department must develop an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance. Both these documents are expected to form part of the adjustment budget process in the first half of 2013/2014 financial year. For these reasons, Council has acknowledged the need for leadership and management in order to address the critical backlogs in repairs and maintenance. Supporting table SA34c shows the budget for repairs and maintenance over the MTREF.

Contracted Services

The 8% increase can be attributed to the annual increases in the service level agreements. A review process is underway for all current contracts to ensure that the municipality receives value for money.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The number of households budgeted to receive a package of free basic services is 4 032 in the 2013/14 MTREF. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 of the MBRR (see attached schedule A - Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act. The withholding of equitable share allocation by National Treasury will negatively affect the provision of this social package to the indigents. However, the municipality has been able to continue to fund this social package nonetheless, due to improved level of revenue collection.

1.4 Capital expenditure

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

Table 4 2013/14 Medium-term capital budget per vote

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - SOCIAL AND COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 7 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
9.9 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
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 multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		-	-	1,885	-	2,000	2,000	2,000	-	-	-
Vote 4 - CORPORATE SERVICES		3,903	2,265	145	1,050	800	800	800	-	-	-
Vote 5 - SOCIAL AND COMMUNITY SERVICES		395	775	3,260	11,227	11,377	11,377	11,377	7,918	7,770	3,500
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		-	470	-	590	370	370	370	-	-	-
Vote 7 - TECHNICAL SERVICES		15,271	18,798	20,893	13,127	12,727	12,727	12,727	11,428	13,326	18,935
9.9 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
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		19,569	22,308	26,183	25,994	27,274	27,274	27,274	19,347	21,097	22,435
Total Capital Expenditure - Vote		19,569	22,308	26,183	25,994	27,274	27,274	27,274	19,347	21,097	22,435
Capital Expenditure - Standard											
Governance and administration		3,903	2,265	2,031	1,050	2,800	2,800	2,800	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	1,885	-	2,000	2,000	2,000	-	-	-
Corporate services		3,903	2,265	145	1,050	800	800	800	-	-	-
Community and public safety		-	775	2,501	11,227	11,377	11,377	11,377	7,918	7,770	3,500
Community and social services		-	775	2,417	11,227	11,377	11,377	11,377	6,718	3,000	3,500
Sport and recreation		-	-	84	-	-	-	-	1,200	4,770	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		395	470	-	4,209	3,989	3,989	3,989	-	-	-
Planning and development		-	470	-	590	370	370	370	-	-	-
Road transport		395	-	-	3,619	3,619	3,619	3,619	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		8,421	12,159	9,022	3,950	3,550	3,550	3,550	-	-	-
Electricity		2,270	7,262	2,391	2,400	2,350	2,350	2,350	-	-	-
Water		4,223	346	-	500	150	150	150	-	-	-
Waste water management		1,929	-	5,873	1,050	1,050	1,050	1,050	-	-	-
Waste management		-	4,551	759	-	-	-	-	-	-	-
Other		6,850	6,639	12,629	5,558	5,558	5,558	5,558	11,428	13,327	18,935
Total Capital Expenditure - Standard	3	19,569	22,308	26,183	25,994	27,274	27,274	27,274	19,347	21,097	22,435
Funded by:											
National Government		13,831	9,401	15,518	18,104	18,254	18,254	18,254	19,347	21,097	22,435
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	13,831	9,401	15,518	18,104	18,254	18,254	18,254	19,347	21,097	22,435
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		5,738	12,907	10,665	7,890	9,020	9,020	9,020	-	-	-
Total Capital Funding	7	19,569	22,308	26,183	25,994	27,274	27,274	27,274	19,347	21,097	22,435

For 2013/14, an amount of R19.3 million has been appropriated for the capital expenditure of which 59.1 per cent is for infrastructure in Technical Services department. This increases to 63.1 per cent and 80.3 per cent in 2014/15 and 2015/16 respectively. All the funding for the capital programme is from Municipal Infrastructure Grant (MIG). As mentioned earlier, the municipality did not budget to fund any capital programme from internal funds due to cash flow challenges. Moreover, Council intends to build internal reserves over the medium term for massive capital programme to address backlogs. Finally, the whole capital expenditure is allocated to new infrastructure.

1.5 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 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. These surpluses amount to R35.2 million, R35.6 million and R35.5 million for 2013/14, 2014/15 and 2015/16, respectively;
 - b. These exclude non-cash items comprising of depreciation on unbundled assets and provision for bad debts. Since these are non cash, they will not profoundly affect revenue and expenditure as well as the cash flows of the municipality.
4. The operating surplus/deficit after Total Expenditure is positive over the MTREF.
5. The cash backing/surplus reconciliation shows that in previous financial years the Bela-Bela municipality has not been paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently, Council has taken a deliberate decision to withdraw all own source capital projects for 2013/2014 until it ensures adequate cash-backing for all material obligations in accordance with the recently adopted funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there will be progressive improvement in the level of cash-backing of Council's obligations. It is anticipated that the goal of having all obligations cash-backed will be achieved by 2014/2015, when a small surplus is reflected.
6. 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 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard										
<i>Governance and administration</i>		73,535	87,021	97,544	119,643	126,765	126,765	137,631	150,886	167,887
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		73,235	86,792	95,915	118,715	126,364	126,364	137,227	150,441	167,397
Corporate services		300	229	1,628	928	401	401	404	445	489
<i>Community and public safety</i>		1,671	1,228	1,554	2,913	2,400	2,400	5,491	5,940	6,434
Community and social services		-	-	67	282	26	26	1,166	1,182	1,201
Sport and recreation		1,671	1,228	12	160	153	153	-	-	-
Public safety		-	-	1,475	2,471	2,221	2,221	4,325	4,758	5,233
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		21,445	16,601	24,262	26,964	37,979	37,979	29,271	30,893	33,212
Planning and development		-	-	204	260	260	260	142	156	172
Road transport		21,445	16,601	24,058	26,704	37,719	37,719	29,129	30,737	33,040
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		64,808	74,983	101,593	81,855	100,491	100,490	111,863	123,049	135,354
Electricity		45,373	53,440	70,083	57,252	68,828	68,828	77,351	85,086	93,595
Water		8,962	9,671	19,069	11,598	18,657	18,657	20,307	22,338	24,572
Waste water management		5,434	5,885	6,475	6,656	6,656	6,656	7,260	7,986	8,785
Waste management		5,040	5,988	5,966	6,349	6,349	6,349	6,944	7,639	8,403
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	161,460	179,834	224,953	231,375	267,634	267,634	284,256	310,768	342,886
Expenditure - Standard										
<i>Governance and administration</i>		61,522	95,363	99,071	84,626	113,040	113,040	112,874	130,984	153,106
Executive and council		46,687	44,759	10,728	12,265	12,848	12,848	12,727	13,389	15,347
Budget and treasury office		14,835	50,604	71,380	37,916	64,553	64,553	68,632	84,316	102,603
Corporate services		-	-	16,964	34,446	35,639	35,639	31,515	33,279	35,155
<i>Community and public safety</i>		2,086	2,535	19,657	10,233	14,078	14,078	14,714	15,627	16,683
Community and social services		1,808	2,495	8,831	8,373	8,063	8,063	7,872	8,325	8,891
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		278	39	8,754	1,860	6,015	6,015	6,843	7,302	7,792
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	2,072	-	-	-	-	-	-
<i>Economic and environmental services</i>		36,637	48,802	23,479	26,092	19,772	19,773	19,127	21,660	24,456
Planning and development		5,446	5,061	4,959	6,261	5,608	5,608	6,653	7,114	7,608
Road transport		31,191	43,740	18,520	19,832	14,165	14,165	12,474	14,546	16,848
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		48,921	65,861	85,887	84,429	84,515	84,514	82,978	85,799	90,699
Electricity		35,205	50,594	63,068	57,252	60,250	60,250	61,925	63,778	67,605
Water		11,974	14,354	17,405	18,508	17,874	17,874	16,628	17,568	18,526
Waste water management		-	-	637	495	1,233	1,233	506	550	596
Waste management		1,742	914	4,776	8,174	5,157	5,157	3,918	3,903	3,972
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	149,166	212,560	228,094	205,381	231,405	231,405	229,694	254,070	284,943
Surplus/(Deficit) for the year		12,293	(32,727)	(3,141)	25,994	36,229	36,229	54,562	56,698	57,943

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 enable the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) of R19.3 million, R21.0 million and R22.4 million over the 2013/14 MTREF, and so does not balance to the operating revenue shown on Tables A1 and 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, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
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 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote	1									
Vote 1 - EXECUTIVE COUNCIL		--	--	--	--	--	--	--	--	--
Vote 2 - MUNICIPAL MANAGERS		--	--	--	--	--	--	--	--	--
Vote 3 - BUDGET AND TREASURY		87,066	82,382	95,920	118,715	126,364	126,364	137,227	150,441	167,397
Vote 4 - CORPORATE SERVICES		300	300	1,628	928	401	401	404	445	489
Vote 5 - SOCIAL AND COMMUNITY SERVICES		9,285	14,325	16,056	17,862	17,349	17,349	21,185	23,204	25,424
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		--	--	204	260	260	260	142	156	172
Vote 7 - TECHNICAL SERVICES		64,808	82,826	111,145	93,610	123,260	123,261	125,297	136,522	149,403
9.9 - [Name of sub-vote]		--	--	--	--	--	--	--	--	--
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	161,460	179,834	224,953	231,375	267,634	267,634	284,256	310,768	342,886
Expenditure by Vote to be appropriated	1									
Vote 1 - EXECUTIVE COUNCIL		46,687	6,438	7,772	11,633	9,083	9,083	9,241	9,671	10,130
Vote 2 - MUNICIPAL MANAGERS		--	3,300	2,955	3,583	3,766	3,766	3,486	3,718	5,218
Vote 3 - BUDGET AND TREASURY		14,835	42,353	71,380	26,679	64,553	64,553	68,632	84,316	102,603
Vote 4 - CORPORATE SERVICES		--	13,977	16,964	13,099	35,639	35,639	31,515	33,279	35,155
Vote 5 - SOCIAL AND COMMUNITY SERVICES		15,596	28,870	28,792	4,731	25,529	25,529	24,790	25,812	27,065
Vote 6 - ECONOMIC AND PLANNING DEVELOPMENT		5,446	5,061	4,959	77,041	5,608	5,608	6,653	7,114	7,608
Vote 7 - TECHNICAL SERVICES		66,603	112,560	95,271	68,615	87,228	87,228	85,377	90,160	97,165
9.9 - [Name of sub-vote]		--	--	--	--	--	--	--	--	--
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	149,166	212,560	228,094	205,381	231,405	231,405	229,694	254,070	284,943
Surplus/(Deficit) for the year	2	12,293	(32,727)	(3,141)	25,994	36,229	36,229	54,562	56,698	57,943