

**ANNUAL BUDGET OF**

**POLOKWANE MUNICIPALITY**



**2013/14 TO 2015/16**

**MEDIUM TERM REVENUE AND**

**EXPENDITURE FORECASTS**

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## Table of Contents

<b>PART 1 – ANNUAL BUDGET</b> .....	<b>2</b>
1.1    MAYOR’S REPORT .....	2
<b>SPEECH BY THE EXECUTIVE MAYOR OF POLOKWANE MUNICIPALITY</b> .....	<b>2</b>
1.2    COUNCIL RESOLUTIONS .....	2
1.3    EXECUTIVE SUMMARY .....	3
1.4    OPERATING REVENUE FRAMEWORK .....	4
1.5    OPERATING EXPENDITURE FRAMEWORK .....	16
1.6    CAPITAL EXPENDITURE .....	20
1.7    ANNUAL BUDGET TABLES - PARENT MUNICIPALITY .....	21
<b>2    PART 2 – SUPPORTING DOCUMENTATION</b> .....	<b>41</b>
2.1    OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	41
2.2    OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	44
2.3    MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....	ERROR! BOOKMARK NOT DEFINED.
2.4    OVERVIEW OF BUDGET RELATED-POLICIES .....	ERROR! BOOKMARK NOT DEFINED.
2.5    OVERVIEW OF BUDGET ASSUMPTIONS .....	ERROR! BOOKMARK NOT DEFINED.
2.6    OVERVIEW OF BUDGET FUNDING .....	ERROR! BOOKMARK NOT DEFINED.
2.7    EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS .....	ERROR! BOOKMARK NOT DEFINED.
2.8    COUNCILLOR AND EMPLOYEE BENEFITS .....	ERROR! BOOKMARK NOT DEFINED.
2.9    MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW .....	ERROR! BOOKMARK NOT DEFINED.
2.10   ANNUAL BUDGETS AND SDBIPs – INTERNAL DEPARTMENTS .....	ERROR! BOOKMARK NOT DEFINED.
2.11   CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	ERROR! BOOKMARK NOT DEFINED.
2.12   CAPITAL EXPENDITURE DETAILS .....	ERROR! BOOKMARK NOT DEFINED.
2.13   LEGISLATION COMPLIANCE STATUS .....	ERROR! BOOKMARK NOT DEFINED.
2.14   OTHER SUPPORTING DOCUMENTS .....	ERROR! BOOKMARK NOT DEFINED.

### List of Tables

Table 1 Consolidated Overview of the 2013/14 MTREF .....	4
Table 2 Summary of revenue classified by main revenue source .....	5
Table 3 Percentage growth in revenue by main revenue source .....	6
Table 4 Operating Transfers and Grant Receipts .....	7
Table 5 Comparison of proposed rates to levied for the 2013/14 financial year .....	9
Table 6 Comparison between current water tariffs and increases .....	9
Table 7 Comparison between current electricity charges and increases (Domestic) .....	11
Table 8 Comparison between current sanitation charges and increases .....	11
Table 9 Comparison between current waste removal fees and increases .....	13
Table 10 MBRR Table SA14 – Household bills .....	15
Table 11 Summary of operating expenditure by standard classification item .....	16

Table 12	Operational repairs and maintenance .....	18
Table 13	Repairs and maintenance per asset class.....	19
Table 14	2013/14 Medium-term capital budget per vote .....	20
Table 15	MBRR Table A1 - Budget Summary .....	22
Table 16	MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....	25
Table 17	MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	27
Table 18	Surplus/(Deficit) calculations for the trading services .....	28
Table 19	MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) .....	29
Table 20	MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	31
Table 21	MBRR Table A6 - Budgeted Financial Position .....	33
Table 22	MBRR Table A7 - Budgeted Cash Flow Statement .....	35
Table 23	MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation .....	35
Table 24	MBRR Table A9 - Asset Management.....	37
Table 25	MBRR Table A10 - Basic Service Delivery Measurement .....	38
Table 26	IDP Strategic Objectives .....	45
Table 27	MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue .....	49
Table 28	MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure.....	50
Table 29	MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.....	51
Table 30	MBRR Table SA7 - Measurable performance objectives.....	<b>Error! Bookmark not defined.</b>
Table 31	MBRR Table SA8 - Performance indicators and benchmarks.....	<b>Error! Bookmark not defined.</b>
Table 32	Credit rating outlook .....	<b>Error! Bookmark not defined.</b>
Table 33	Breakdown of the operating revenue over the medium-term .....	<b>Error! Bookmark not defined.</b>
Table 34	Proposed tariff increases over the medium-term.....	<b>Error! Bookmark not defined.</b>
Table 35	MBRR SA15 – Detail Investment Information .....	<b>Error! Bookmark not defined.</b>
Table 36	MBRR SA16 – Investment particulars by maturity .....	<b>Error! Bookmark not defined.</b>
Table 37	Sources of capital revenue over the MTREF .....	<b>Error! Bookmark not defined.</b>
Table 38	MBRR Table SA 17 - Detail of borrowings .....	<b>Error! Bookmark not defined.</b>
Table 39	MBRR Table SA 18 - Capital transfers and grant receipts .....	<b>Error! Bookmark not defined.</b>
Table 40	MBRR Table A7 - Budget cash flow statement.....	<b>Error! Bookmark not defined.</b>
Table 41	MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation ....	<b>Error! Bookmark not defined.</b>
Table 42	MBRR SA10 – Funding compliance measurement .....	<b>Error! Bookmark not defined.</b>
Table 43	MBRR SA19 - Expenditure on transfers and grant programmes.....	<b>Error! Bookmark not defined.</b>
Table 44	MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds .....	<b>Error! Bookmark not defined.</b>
Table 45	MBRR SA22 - Summary of councillor and staff benefits .....	<b>Error! Bookmark not defined.</b>

Table 46 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers) .....	<b>Error! Bookmark not defined.</b>
Table 47 MBRR SA24 – Summary of personnel numbers .....	<b>Error! Bookmark not defined.</b>
Table 48 MBRR SA25 - Budgeted monthly revenue and expenditure .....	<b>Error! Bookmark not defined.</b>
Table 49 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)....	<b>Error! Bookmark not defined.</b>
Table 50 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	<b>8Error! Bookmark not defined.</b>
Table 51 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote) .....	<b>Error! Bookmark not defined.</b>
Table 52 MBRR SA29 - Budgeted monthly capital expenditure (standard classification) .	<b>Error! Bookmark not defined.</b>
Table 53 MBRR SA30 - Budgeted monthly cash flow.....	<b>Error! Bookmark not defined.</b>
Table 54 Services Department - Operating revenue by source, expenditure by type and total capital expenditure.....	88
Table 55 MBRR SA 34a - Capital expenditure on new assets by class.....	90
Table 56 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class.....	91
Table 57 MBRR SA34c - Repairs and maintenance expenditure by asset class.....	92
Table 58 MBRR SA35 - Future financial implications of the capital budget .....	93
Table 59 MBRR SA36 - Detailed capital budget per municipal vote .....	94
Table 60 MBRR SA37 - Projects delayed from previous financial year.....	97
Table 61 MBRR Table SA1 - Supporting detail to budgeted financial performance .....	101
Table 62 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	<b>Error! Bookmark not defined.</b>
Table 63 MBRR Table SA3 – Supporting detail to Statement of Financial Position .....	104
Table 64 MBRR Table SA9 – Social, economic and demographic statistics and assumptions.....	<b>Error! Bookmark not defined.</b>
Table 65 MBRR PHA Budget.....	106

## List of Figures

Figure 1 Planning, budgeting and reporting cycle .....	<b>Error! Bookmark not defined.</b>
Figure 2 Definition of performance information concepts.....	<b>Error! Bookmark not defined.</b>
<b>Municipal Manager’s quality certificate.....</b>	<b>108</b>

## Abbreviations and Acronyms

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

## **Part 1 – Annual Budget**

### **1.1 Mayor’s Report**

#### **SPEECH BY THE EXECUTIVE MAYOR OF POLOKWANE MUNICIPALITY**

**CLLR F. GREAVER PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF THE CONSIDERATION OF THE APPROVAL OF THE 2013/2014, 2014/2015, 2015/2016 BUDGET IN THE COUNCIL CHAMBERS, POLOKWANE,**

**ON THURSDAY 30 MAY 2013**

### **1.2 Council Resolutions**

On 30 May 2013 the Council of Polokwane Municipality Local Municipality met in the Council Chambers of Polokwane Municipality to consider the annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

- 1.1.1. That the 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 be approved and adopted:
  - 1.1.2. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 on page 24;
  - 1.1.3. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 on page 26;
  - 1.1.4. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 on page 28; and
  - 1.1.5. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 on page 30.
2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 2.1 Budgeted Financial Position as contained in Table A6 on page 32;
    - 2.2 Budgeted Cash Flows as contained in Table A7 on page 34;
    - 2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 on page 35;
    - 2.4 Asset management as contained in Table A9 on page 36; and
    - 2.5 Basic service delivery measurement as contained in Table A10 on page 38.
- 3 The Council of Polokwane Municipality , acting in terms of section 75A of the Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:
    - 3.1 the tariffs for property rates – as set out in Annexure A,
    - 3.2 the tariffs for electricity – as set out in Annexure A
    - 3.3 the tariffs for the supply of water – as set out in Annexure A
    - 3.4 the tariffs for sanitation services – as set out in Annexure A
    - 3.5 the tariffs for solid waste services – as set out in Annexure A

- 4 The Council of Polokwane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services, as set out in Annexure A.
- 5 That the following budget related policies be approved and adopted:
  - Borrowing Policy
  - Petty Cash Policy
  - Budget Policy
  - Funding and Reserves Policy
  - Indigent Policy
  - Cash Management & Investment Policy
  - Supply Chain Management Policy
  - Credit Control & Debt Collection Policy
  - Tariff Policy
  - Rates Policy
  - Subsistence & Travel Policy
  - Leave Policy
  - Virement Policy
  - Asset Management Policy

### **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 sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circulars No. 66 and 67 were used to guide the compilation of the 2013/14 MTREF.

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;
- Aging and poorly maintained roads, electricity and water 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 electricity and water, 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 – original allocations had to be reduced to grant funded projects 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
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 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 2013/14 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- 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 electricity and water. 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;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2013/14 MTREF**

R thousand	Adjustments Budget	Budget Year	Budget Year + 1	Budget Year + 2
	2012/2013	2013/2014	2014/2015	2015/2016
Total Operating Revenue	1,932,059	1,969,533	2,062,342	2,249,750
Total Operating Expenditure	1,785,959	1,944,707	2,001,145	2,124,082
Surplus/(Deficit) for the year	146,100	24,826	61,197	125,668
Total Capital Expenditure	533,804	504,007	363,785	460,170

Total operating revenue has increased by 1.93 per cent or R37.5 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 4.7 and 9.1 per cent respectively, equating to a total revenue growth of R317.7 million over the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2013/14 financial year has been appropriated at R1.94 billion and translates into a budgeted surplus of R24.8 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has increased by 8.9 per cent in the 2013/14 budget and increased by 2.9 and 6.1 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years is R61.2 and R125.7 million respectively. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.



The capital budget of R504 million for 2013/14 is 5.6 per cent less when compared to the 2012/13 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme decreases to R363.8 million in the 2014/15 financial year and then increases to R460.1 million in 2015/16.

## 1.4 Operating Revenue Framework

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the 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;
- Electricity tariff increases as approved by the National Energy Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to electricity;
- 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 2 Summary of revenue classified by main revenue source

Polokwane Municipality 2013/14 MTREF

Description	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
<b>Revenue By Source</b>										
Property rates	173 595	209 500	229 423	248 982	253 982	253 982	253 982	279 863	294 136	308 549
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	369 140	415 805	556 892	609 206	650 206	650 206	650 206	699 341	769 189	846 014
Service charges - water revenue	116 277	123 973	165 503	230 544	248 544	248 544	248 544	268 788	287 769	307 516
Service charges - sanitation revenue	34 322	44 082	39 311	63 239	66 239	64 281	64 281	67 116	70 539	73 996
Service charges - refuse revenue	38 556	42 523	46 795	44 589	50 589	50 589	50 589	56 456	60 451	64 609
Service charges - other	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	5 655	3 620	5 102	17 071	17 071	10 442	10 442	17 566	18 461	19 366
Interest earned - external investments	32 236	3 000	24 554	8 677	8 677	8 677	8 677	12 500	12 500	12 500
Interest earned - outstanding debtors	17 101	19 066	17 678	25 000	25 000	25 000	25 000	18 000	18 000	18 000
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines	2 831	4 774	4 497	5 689	5 689	5 656	5 656	6 087	6 399	6 714
Licences and permits	8 034	8 385	8 234	7 961	7 961	7 961	7 961	8 516	8 951	9 389
Agency services	9 769	12 000	13 827	14 000	14 000	14 000	14 000	14 770	15 523	16 284
Transfers recognised - operational	270 961	357 269	374 703	402 905	491 331	404 405	404 405	486 936	467 302	531 170
Other revenue	40 550	30 918	68 781	89 569	92 570	71 180	71 180	33 392	32 911	35 423
Gains on disposal of PPE	2 493	20	246	200	200	200	200	200	210	220
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 121 520</b>	<b>1 274 935</b>	<b>1 555 548</b>	<b>1 767 633</b>	<b>1 932 059</b>	<b>1 815 124</b>	<b>1 815 124</b>	<b>1 969 533</b>	<b>2 062 342</b>	<b>2 249 750</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	2013/14	%	2014/15	%	2015/16	%
<b>Revenue By Source</b>						
Property Rates	279,863	14.2%	294,136	14.3%	308,549	13.7%
Penalties Imposed	-	0.0%	-	0.0%	-	0.0%
User Charges for Services	1,091,701	55.4%	1,187,948	57.6%	1,292,135	57.4%
Rent of Facilities & Equipment	17,566	0.9%	18,461	0.9%	19,366	0.9%
Interest Earned- External Investments	12,500	0.6%	12,500	0.6%	12,500	0.6%
Interest Earned- Outstanding Debtors	18,000	0.9%	18,000	0.9%	18,000	0.8%
Fines	6,087	0.3%	6,399	0.3%	6,714	0.3%
Licences & Permits	8,516	0.4%	8,951	0.4%	9,389	0.4%
Agency Services	14,770	0.7%	15,523	0.8%	16,284	0.7%
Operating Grants & Subsidies	486,936	24.7%	467,302	22.7%	531,170	23.6%
Other Income	33,592	1.7%	33,121	1.6%	35,643	1.6%
<b>NET OPERATING INCOME</b>	<b>1,969,533</b>	<b>100.0%</b>	<b>2,062,342</b>	<b>100.0%</b>	<b>2,249,750</b>	<b>100.0%</b>
Total Revenue from Rates & Services	1,371,564	69.6%	1,482,084	71.9%	1,600,684	71.1%

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.

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, revenue from rates and services charges totalled R1.269 billion or 65.7 per cent. This increases to R1.371 billion, R1.482 billion and R1.6 billion in the respective financial years of the MTREF. This growth can

be mainly attributed to the supplementary valuation rolls and the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity and bulk water. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 59 MBRR SA1.

Operating Grants & Subsidies are the second largest revenue source totalling 24.7 per cent in 2013/14 and decreases at 23.6 per cent in 2015/16. Property rates are the third largest revenue source totalling 14.2 per cent or R279.8 million rand and increases to R308.5 million by 2015/16. Departments have been urged to review the tariffs of items like building plan fees, connection fees, advertisements and permits and licenses on an annual basis to ensure they are cost reflective and market related. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description R thousand	Medium Term Revenue & Expenditure Framework		
	2013/14	2014/15	2015/16
<b>Receipts:</b>			
<b>Operating Transfers &amp; Grants</b>			
<b>National Government:</b>	<b>480,836</b>	<b>467,302</b>	<b>531,170</b>
Financial Management Grant	1,650	1,800	1,950
Municipal Systems Improvement Grant	890	930	967
Expanded Public Works Programme	4,614	-	-
Local Government Equitable Share	415,990	454,995	518,016
Infrastructure Skills Development Fund	3,200	4,240	4,494
Municipal Infrastructure Grant (Salaries)	5,188	5,337	5,743
Department of Sport & Recreation	30,000	-	-
Public Transport	19,304		
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>
Primary Health Care	-	-	-
Museum Subsidy	-	-	-
Provincialisation of Libraries	-	-	-
<b>Total Operating Transfers &amp; Grants</b>	<b>480,836</b>	<b>467,302</b>	<b>531,170</b>

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 Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

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, 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 Circulars No. 66 and 67 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). In addition to this rebate, a further maximum R85 000 reduction on the market value of a property will be granted to all properties with a valuation of R100 000 or less in terms of the Municipality's own Property Rates Policy;
- Rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, a rebate of 40 percent 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 exceed the amount equal to twice the annual state pension as approved by 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 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 rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2013/4 financial year based on a 8 percent increase from 1 July 2013 is contained below:

**Table 5 Comparison of proposed rates to be levied for the 2012/13 financial year**

<b>Category</b>	<b>Current Tariffs (1 July 2012)</b>	<b>Proposed Tariffs (from 1 July 2013)</b>
	<b>c</b>	<b>c</b>
Residential	.004760	.005141
State Owned Properties	.008200	.008856
Business & Commercial	.008200	.008856
Agricultural	.003275	.003537
Vacant Land	.022791	.024614
Municipal	Exempted	Exempted
Industrial	.008200	.008856
Public Benefit Organisations	.008200	.008856

#### **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. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

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

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

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Lepelle Water has increased its bulk tariffs with 5.5 per cent from 1 July 2013.

A tariff increase of 7 per cent from 1 July 2013 for water is proposed. This is based on input cost assumptions of 5.5 per cent increase in the cost of bulk water (Lepelle Water). In addition 6 kℓ water per 30-day period will again be granted free of charge to indigents.

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

**Table 6 Comparison between current water tariffs and increases**

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand per kℓ	Rand per kℓ
<b>RESIDENTIAL</b>		
For the first 5KI; per KI:	R4.84	R5.18
For the following 10KI; per KI:	R7.32	R7.83
For the following 15KI; per KI:	R7.91	R8.46
For the following 20KI; per KI:	R10.44	R11.17
For the following 50KI; per KI:	R12.63	R13.51
Thereafter, for consumption in excess of 100KI, per KI:	R15.28	R16.35
<b>NON-RESIDENTIAL</b>		
For the first 30KI; per KI:	R10.44	R11.17
For the following 20KI; per KI:	R14.04	R15.02
For the following 50KI; per KI:	R15.99	R17.11
For the following 19 900KI; per KI:	R17.40	R18.62
Thereafter for consumption in excess of 20 000KI, per KI	R13.33	R14.26

The tariff structure of the 2013/14 financial year has been changed. The tariff structure is designed to charge higher levels of consumption a higher rate.

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 8 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

Considering the Eskom increases, the consumer tariff for high consumers had to be increased by 7 per cent to offset the additional bulk purchase cost from 1 July 2013. 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 50 kWh per 30-day period free of charge.

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

**Table 7 Comparison between current electricity charges and increases (Domestic)**

<b>Monthly Consumption kWh</b>	<b>Current Tariffs Payable</b>	<b>Proposed Tariffs Payable</b>	<b>Percentage Increase</b>
1- 50 kWh	63.4c/kWh	67c/kWh	5.68%
51-350 kWh	103.5c/kWh	82c/kWh	-20.77%
351-600 kWh	103.5c/kWh	111c/kWh	7.25%
601kWh and above	103.5c/kWh	133c/kWh	28.50%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. 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). This Municipality has already implemented the stepped tariff structure but brought in an additional block and will continue with this practice in 2013/14.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2013/14 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

A tariff increase of 7 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the surface area of the erf as indicated in the table below;
- Free sanitation will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R59 million for the 2013/14 financial year.

The following table compares the current and proposed tariffs:

**Table 8 Comparison between current sanitation charges and increases**

Category	Approved tariff from 1/07/2012	Proposed tariff from 1/07/2013
	Per calendar month or part thereof	Per calendar month or part thereof
<b>(1) AVAILABILITY CHARGES</b>		
(i) Improved residential erven with a surface area not exceeding 500m <sup>2</sup>	No charge	No charge
<b>(2) ALL OTHER ERVEN</b>		
(i) For the first 500m <sup>2</sup> or part thereof, of surface area of the erf:	R31.20	R33.38
(ii) Thereafter, per 500m <sup>2</sup> or part thereof, up to 2 000m <sup>2</sup> of the surface area of the erf:	R10.35	R11.07
(iii) Thereafter, per 1 000m <sup>2</sup> or part thereof, of the surface area of the erf:	R8.25	R8.83
(iv) Additional charge per unimproved erf:	R11.93	R12.77
(v) Maximum charge (887 000m <sup>2</sup> ):	R7 363.50	R7 881.14

#### 1.4.5 Waste Removal and Impact of Tariff Increases



Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 7 per cent increase in the waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 7 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2013:

**Table 9 Comparison between current waste removal fees and increases**

Category			Approved tariff from 1/07/2012	Proposed tariff from 1/07/2013
			Per calendar month or part thereof	Per calendar month or part thereof
1.	(i)	Dwelling houses, churches and church halls which are used for that purpose		
		And		
	(ii)	Improved premises used exclusively by and registered in the name of the Boy Scouts, Girl Guides, Voortrekkers or a similar organisation		
		PER UNIT		
		(a) On an erf with a surface area not exceeding 500m <sup>2</sup>	R26.15	R27.98
		(b) All erven with a surface area in excess of 500m <sup>2</sup> :		
		(i) For the first 500m <sup>2</sup> of the surface area of the erf	R42.00	R44.94
		(ii) Thereafter, for the following 500m <sup>2</sup> or part thereof, of the surface area of the erf	R28.00	R29.96
		(iii) Thereafter, per 500m <sup>2</sup> or part thereof, of the surface area of the erf	R14.00	R14.98
		Provided that where more than one dwelling-unit is erected on an erf, the area of such erf shall be divided by the number of dwelling-units thereon, and the charge, for each portion so obtained, shall be calculated in terms of the above formula as if such portion constitutes a separate erf.		

	(iv)	Maximum charge (11 000m <sup>2</sup> )	R210.00	R374.50
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#### **1.4.6 Overall impact of tariff increases on households**

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.1 and 7.2 per cent, with the increase for indigent households closer to 7.0 per cent. Electricity increases however impacts on the total household bill.

**Table 10 MBRR Table SA14 – Household bills**

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year+1 2014/15	Budget Year+2 2015/16
Rand/cent							% incr.			
<b>'Middle Income Range'</b>										
<b>Rates and services charges:</b>										
Property rates	310.95	329.60	349.38	370.34	370.34	370.34	8.0%	399.97	420.37	440.97
Electricity: Basic levy										
Electricity: Consumption	629.92	749.60	899.52	998.19	998.19	998.19	7.0%	1,068.06	1,122.53	1,177.53
Water: Basic levy										
Water: Consumption	161.08	170.74	183.55	216.59	216.59	216.59	7.0%	231.75	243.57	255.50
Sanitation	44.69	47.37	50.21	53.47	53.47	53.47	7.0%	57.21	60.13	63.08
Refuse removal	56.65	60.04	63.64	70.00	70.00	70.00	7.0%	74.90	78.72	82.58
Other										
<b>sub-total</b>	<b>1,203.29</b>	<b>1,357.35</b>	<b>1,546.30</b>	<b>1,708.59</b>	<b>1,708.59</b>	<b>1,708.59</b>	<b>7.2%</b>	<b>1,831.89</b>	<b>1,925.32</b>	<b>2,019.66</b>
VAT on Services	124.93	143.88	167.57	187.36	187.36	187.36		200.47	210.69	221.02
<b>Total large household bill:</b>	<b>1,328.22</b>	<b>1,501.23</b>	<b>1,713.87</b>	<b>1,895.95</b>	<b>1,895.95</b>	<b>1,895.95</b>	<b>7.2%</b>	<b>2,032.36</b>	<b>2,136.01</b>	<b>2,240.68</b>
<b>% increase/-decrease</b>		<b>13.0%</b>	<b>14.2%</b>	<b>10.6%</b>	<b>-</b>	<b>-</b>		<b>7.2%</b>	<b>5.1%</b>	<b>4.9%</b>
<b>Monthly Account for Household -</b>										
<b>Rates and services charges:</b>										
Property rates	70.67	74.91	79.40	84.16	84.16	84.16	8.0%	90.89	95.53	100.21
Electricity: Basic levy										
Electricity: Consumption	301.63	358.93	430.72	478.23	478.23	478.23	7.0%	511.71	537.81	564.16
Water: Basic levy										
Water: Consumption	131.53	139.42	149.88	176.86	176.86	176.86	7.0%	189.24	198.89	208.64
Sanitation	9.96	9.96	10.56	11.25	11.25	11.25	7.0%	11.87	12.48	13.09
Refuse removal	21.13	22.39	23.73	26.10	26.10	26.10	7.0%	27.93	29.35	30.79
Other										
<b>sub-total</b>	<b>534.92</b>	<b>605.61</b>	<b>694.29</b>	<b>776.60</b>	<b>776.60</b>	<b>776.60</b>	<b>7.1%</b>	<b>831.64</b>	<b>874.06</b>	<b>916.89</b>
VAT on Services	65.00	74.29	86.08	96.94	96.94	96.94		103.71	108.99	114.34
<b>Total small household bill:</b>	<b>599.92</b>	<b>679.90</b>	<b>780.37</b>	<b>873.54</b>	<b>873.54</b>	<b>873.54</b>	<b>7.1%</b>	<b>935.35</b>	<b>983.05</b>	<b>1,031.23</b>
<b>% increase/-decrease</b>		<b>13.3%</b>	<b>14.8%</b>	<b>11.9%</b>	<b>-</b>	<b>-</b>		<b>7.1%</b>	<b>5.1%</b>	<b>4.9%</b>
<b>Monthly Account for Household -</b>										
<b>'Indigent' Household receiving free basic services</b>										
<b>Rates and services charges:</b>										
Property rates	17.84	18.91	20.04	21.24	21.24	21.24	8.0%	22.94	24.11	25.29
Electricity: Basic levy										
Electricity: Consumption	282.26	335.88	403.06	447.52	447.52	447.52	7.0%	478.85	503.27	527.93
Water: Basic levy										
Water: Consumption	113.43	120.23	129.25	152.52	152.52	152.52	7.0%	163.20	171.52	179.92
Sanitation										
Refuse removal										
Other										
<b>sub-total</b>	<b>413.53</b>	<b>475.02</b>	<b>552.35</b>	<b>621.28</b>	<b>621.28</b>	<b>621.28</b>	<b>7.0%</b>	<b>664.99</b>	<b>698.90</b>	<b>733.14</b>
VAT on Services	55.39	63.85	74.52	84.00	84.00	84.00		89.89	94.47	99.10
<b>Total small household bill:</b>	<b>468.92</b>	<b>538.87</b>	<b>626.87</b>	<b>705.28</b>	<b>705.28</b>	<b>705.28</b>	<b>7.0%</b>	<b>754.88</b>	<b>793.37</b>	<b>832.24</b>
<b>% increase/-decrease</b>		<b>14.9%</b>	<b>16.3%</b>	<b>12.5%</b>	<b>-</b>	<b>-</b>		<b>7.0%</b>	<b>5.1%</b>	<b>4.9%</b>

## 1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) 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;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- 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 2013/14 budget and MTREF (classified per main type of operating expenditure):

**Table 11 Summary of operating expenditure by standard classification item**

Description	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
<b>R thousand</b>									
<b>Expenditure By Type</b>									
Employee related costs	310 314	347 526	384 940	435 903	399 795	396 195	448 000	476 776	507 766
Remuneration of councillors	15 110	18 447	17 678	21 467	21 467	19 236	23 684	25 224	26 864
Debt impairment	(2 392)	6 700	38 192	40 000	40 000	40 000	40 000	50 000	55 000
Depreciation & asset impairment	107 768	112 694	231 254	186 997	276 000	275 968	232 700	244 568	256 552
Finance charges	23 627	5 800	29 427	31 486	31 486	31 486	27 155	23 747	21 158
Bulk purchases	314 831	415 588	518 797	580 282	587 546	587 546	658 000	707 000	760 000
Other materials	87 447	90 904	96 881	111 806	116 702	112 916	124 975	126 499	132 697
Contracted services	40 348	56 302	74 263	52 005	64 060	63 886	73 542	66 782	70 055
Transfers and grants	220	400	6 122	3 240	5 540	4 740	5 140	5 240	5 240
Other expenditure	237 597	159 380	225 906	210 274	243 363	205 948	311 511	275 309	288 751
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1 134 870</b>	<b>1 213 741</b>	<b>1 623 459</b>	<b>1 673 462</b>	<b>1 785 959</b>	<b>1 737 922</b>	<b>1 944 707</b>	<b>2 001 145</b>	<b>2 124 082</b>
<b>Surplus/(Deficit)</b>	<b>(13 350)</b>	<b>61 194</b>	<b>(67 912)</b>	<b>94 171</b>	<b>146 100</b>	<b>77 202</b>	<b>24 826</b>	<b>61 197</b>	<b>125 669</b>
Transfers recognised - capital	397 367	231 114	242 942	388 070	386 322	470 476	479 207	314 285	365 153
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Taxation	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>

The budgeted allocation for employee related costs for the 2013/14 financial year totals R448 million, which equals 23 percent of the total operating expenditure. 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. As part of the planning assumptions and interventions all vacancies were originally removed from the budget but as part of the national initiative to concentrate on job creation vacancies have been budgeted for, but only for 6 months. These vacancies will be filled on a staggered approach.

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). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R40 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R232.7 million for the 2013/14 financial and equates to 11.9 per cent of the total operating expenditure. Note that 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.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.4 percent (R27.1 million) of operating expenditure excluding annual redemption for 2013/14 and decreases to R21.1 million by 2015/16.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Lepelle Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. Bulk purchases make up 33.8 percent (R658 million) of operating expenditure. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2013/14 the appropriation against this group of expenditure makes up 6.42 percent (R124.9 million) of operating expenditure.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year, this group of expenditure totals R73.5 million. For the two outer years growth has been limited to R66.7 and R70 million respectively. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2013/14 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are

currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Printing and stationary, subsistence and travelling, attending of conferences and workshops have significantly been reduced or limited to zero growth. Other expenditure makes up 16 percent (R311.5 million) of operating expenditure

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 12 Operational repairs and maintenance**

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term		
	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
<b>Total Repairs and Maintenance Expenditure</b>	86,782	95,301	96,881	84,348	89,254	89,254	124,975	126,499	132,697
<b>Specialised vehicles</b>	-	-	-	-	-	-	-	-	-
<b>R&amp;M as a % of PPE</b>	1.8%	1.9%	1.7%	1.3%	1.4%	1.5%	1.9%	1.8%	1.8%
<b>R&amp;M as % Operating Expenditure</b>	7.7%	6.9%	6.0%	5.1%	5.0%	5.1%	6.4%	6.3%	6.2%

During the compilation of the 2013/14 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 40 per cent in the 2013/14 financial year, from R89.2 million to R124.9 million. In relation to the total operating expenditure, repairs and maintenance comprises of 6.4, 6.3 and 6.2 per cent for the respective financial years of the MTREF.

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

**Table 13 Repairs and maintenance per asset class**

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term		
	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
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	<b>70 761</b>	<b>75 309</b>	<b>74 096</b>	<b>53 164</b>	<b>54 471</b>	<b>54 471</b>	<b>79 179</b>	<b>80 792</b>	<b>84 750</b>
Infrastructure - Road transport	15 657	21 374	19 520	10 265	10 265	10 265	11 066	11 630	12 199
<i>Roads, Pavements &amp; Bridges</i>	14 980	20 501	19 520	8 145	8 145	8 145	8 946	9 402	9 862
<i>Storm water</i>	677	873	–	2 120	2 120	2 120	2 120	2 228	2 337
Infrastructure - Electricity	21 123	22 367	17 315	16 698	18 005	18 005	18 005	18 923	19 850
<i>Generation</i>	–	–	–	–	–	–	–	–	–
<i>Transmission &amp; Reticulation</i>	18 704	20 037	17 315	14 198	15 505	15 505	15 505	16 295	17 094
<i>Street Lighting</i>	2 419	2 330	–	2 500	2 500	2 500	2 500	2 628	2 756
Infrastructure - Water	24 540	24 657	31 628	21 148	21 148	21 148	22 948	24 118	25 300
<i>Dams &amp; Reservoirs</i>	5 356	6 261	31 628	18 148	18 148	18 148	4 203	4 417	4 633
<i>Water purification</i>	2 649	2 321	–	3 000	3 000	3 000	3 000	3 153	3 307
<i>Reticulation</i>	16 535	16 074	–	–	–	–	15 746	16 549	17 360
Infrastructure - Sanitation	4 817	3 918	5 633	4 996	4 996	4 996	4 996	5 250	5 508
<i>Reticulation</i>	3 466	2 898	5 633	3 574	3 574	3 574	3 574	3 756	3 940
<i>Sewerage purification</i>	1 351	1 019	–	1 422	1 422	1 422	1 422	1 494	1 567
Infrastructure - Other	4 624	2 994	–	58	58	58	22 165	20 870	21 893
<i>Waste Management</i>	4 624	2 994	–	58	58	58	22 165	20 870	21 893
<b>Community</b>	<b>16 021</b>	<b>19 992</b>	<b>22 785</b>	<b>31 183</b>	<b>34 783</b>	<b>34 783</b>	<b>45 796</b>	<b>45 707</b>	<b>47 947</b>
Parks & gardens	1 947	3 619	–	3 574	3 574	3 574	9 281	7 330	7 689
Sportsfields & stadia	2 404	4 292	–	7 862	11 462	11 462	10 451	10 984	11 522
Swimming pools	252	186	–	222	222	222	222	233	245
Community halls	359	302	–	66	66	66	66	69	73
Libraries	420	492	–	113	113	113	156	164	173
Recreational facilities	–	–	–	–	–	–	–	–	–
Fire, safety & emergency	1 423	1 153	–	1 504	1 504	1 504	1 504	1 581	1 658
Security and policing	1 752	2 192	–	640	640	640	545	573	601
Buses	–	–	–	–	–	–	–	–	–
Clinics	–	–	–	1	1	1	7	8	8
Museums & Art Galleries	417	279	–	53	53	53	60	63	66
Cemeteries	134	128	–	30	30	30	1 290	1 355	1 422
Social rental housing	0	–	–	–	–	–	–	–	–
Other	6 912	7 351	22 785	17 119	17 119	17 119	22 213	23 346	24 490
<b>Heritage assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Investment properties</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agricultural assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Biological assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Intangibles</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Repairs and Maintenance Expenditure</b>	<b>86 782</b>	<b>95 301</b>	<b>96 881</b>	<b>84 348</b>	<b>89 254</b>	<b>89 254</b>	<b>124 975</b>	<b>126 499</b>	<b>132 697</b>
<b>Specialised vehicles</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>R&amp;M as a % of PPE</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.8%</b>
<b>R&amp;M as % Operating Expenditure</b>	<b>7.7%</b>	<b>6.9%</b>	<b>6.0%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.1%</b>	<b>6.4%</b>	<b>6.3%</b>	<b>6.2%</b>

For the 2013/14 financial year, 63.3 per cent or R79.1 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling R15.5 million, followed by road infrastructure at R11 million. Community assets have been allocated R45.7 million of total repairs and maintenance equating to 36.5 percent. This is to move towards compliance with the requirements of National Treasury Circulars 66 & 67 to budget for at least 8% of Property, Plant & Equipment for renewal and operational repairs and maintenance of existing asset infrastructure.

### 1.5.2 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. There is currently plus minus 7400 debtors registered as indigent and the target is to register 538 or more indigent households during the 2013/14 financial year, a process reviewed annually. In monetary terms indigent subsidy for the 2013/14 year amounts to R184 per month

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

## 1.6 Capital expenditure

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

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

Description R thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	2013/14	%	2014/15	%	2015/16	%
Communication & Marketing	50	0.01%	-	0.00%	-	0.00%
Facility Management	5,500	1.09%	-	0.00%	2,000	0.43%
Energy Services	51,500	10.22%	54,800	15.06%	75,300	16.36%
Sanitation	41,500	8.23%	54,500	14.98%	80,000	17.38%
Water Supply & Reticulation	122,000	24.21%	114,735	31.54%	150,603	32.73%
Transport Infrastructure Services	61,750	12.25%	113,750	31.27%	127,750	27.76%
Community Development	17,500	3.47%	18,500	5.09%	15,500	3.37%
Disaster & Fire	1,000	0.20%	-	0.00%	-	0.00%
Waste Management	8,950	1.78%	-	0.00%	-	0.00%
Environmental Management	9,000	1.79%	-	0.00%	-	0.00%
Libraries	300	0.06%	700	0.19%	600	0.13%
Museums	-	0.00%	1,000	0.27%	-	0.00%
Information Services	5,500	1.09%	4,500	1.24%	8,417	1.83%
City Planning	-	0.00%	1,300	0.36%	-	0.00%
Transport Operations	179,457	35.61%	-	0.00%	-	0.00%
<b>Total Capital Budget</b>	<b>504,007</b>	<b>100.0%</b>	<b>363,785</b>	<b>100.0%</b>	<b>460,170</b>	<b>100.0%</b>



For 2013/14 an amount of R504 million has been appropriated for the development of infrastructure. In the outer years this amount totals R363.7 million and R460.1 million respectively for each of the financial years.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 24 MBRR A9 (Asset Management).

## **1.7 Annual Budget Tables - Parent Municipality**

The following eighteen 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.

**Table 15 MBRR Table A1 - Budget Summary**

Description	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
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	173,595	209,500	229,423	248,982	253,982	253,982	253,982	279,863	294,136	308,549
Service charges	558,294	626,383	808,502	947,579	1,015,579	1,013,621	1,013,621	1,091,702	1,187,948	1,292,135
Investment revenue	32,236	3,000	24,554	8,677	8,677	8,677	8,677	12,500	12,500	12,500
Transfers recognised - operational	270,961	357,269	374,703	402,905	491,331	404,405	404,405	486,936	467,302	531,170
Other own revenue	86,433	78,783	118,366	159,490	162,490	134,439	134,439	98,532	100,456	105,397
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,121,520</b>	<b>1,274,935</b>	<b>1,555,548</b>	<b>1,767,633</b>	<b>1,932,059</b>	<b>1,815,124</b>	<b>1,815,124</b>	<b>1,969,533</b>	<b>2,062,342</b>	<b>2,249,750</b>
Employee costs	310,314	347,526	384,940	435,903	399,795	396,195	397,401	448,000	476,776	507,766
Remuneration of councillors	15,110	18,447	17,678	21,467	21,467	19,236	19,236	23,684	25,224	26,864
Depreciation & asset impairment	107,768	112,694	231,254	186,997	276,000	275,968	275,968	232,700	244,568	256,552
Finance charges	23,627	5,800	29,427	31,486	31,486	31,486	31,486	27,155	23,747	21,158
Materials and bulk purchases	402,278	506,492	615,678	692,088	704,248	700,462	707,757	782,975	833,499	892,997
Transfers and grants	220	400	6,122	3,240	5,540	4,740	4,740	5,140	5,240	5,240
Other expenditure	275,553	222,383	338,361	302,280	347,423	309,833	309,833	425,053	392,091	413,805
<b>Total Expenditure</b>	<b>1,134,870</b>	<b>1,213,741</b>	<b>1,623,459</b>	<b>1,673,462</b>	<b>1,785,959</b>	<b>1,737,922</b>	<b>1,746,421</b>	<b>1,944,707</b>	<b>2,001,145</b>	<b>2,124,082</b>
<b>Surplus/(Deficit)</b>	<b>(13,350)</b>	<b>61,194</b>	<b>(67,912)</b>	<b>94,171</b>	<b>146,100</b>	<b>77,202</b>	<b>68,703</b>	<b>24,826</b>	<b>61,197</b>	<b>125,669</b>
Transfers recognised - capital	397,367	231,114	242,942	388,070	386,322	470,476	470,476	479,207	314,285	365,153
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>384,017</b>	<b>292,308</b>	<b>175,030</b>	<b>482,241</b>	<b>532,422</b>	<b>547,678</b>	<b>539,179</b>	<b>504,033</b>	<b>375,482</b>	<b>490,822</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>384,017</b>	<b>292,308</b>	<b>175,030</b>	<b>482,241</b>	<b>532,422</b>	<b>547,678</b>	<b>539,179</b>	<b>504,033</b>	<b>375,482</b>	<b>490,822</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>897,181</b>	<b>287,886</b>	<b>354,503</b>	<b>485,070</b>	<b>533,804</b>	<b>535,800</b>	<b>535,800</b>	<b>504,007</b>	<b>363,785</b>	<b>460,170</b>
Transfers recognised - capital	398,542	121,956	216,313	289,367	380,462	380,462	380,462	479,207	314,285	365,153
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	498,639	165,930	138,190	195,703	153,342	155,338	155,338	24,800	49,500	95,017
<b>Total sources of capital funds</b>	<b>897,181</b>	<b>287,886</b>	<b>354,503</b>	<b>485,070</b>	<b>533,804</b>	<b>535,800</b>	<b>535,800</b>	<b>504,007</b>	<b>363,785</b>	<b>460,170</b>
<b>Financial position</b>										
Total current assets	338,701	509,205	705,162	592,280	592,280	605,280	605,280	647,732	659,853	654,954
Total non current assets	5,083,408	5,197,717	5,770,490	6,198,311	6,403,712	6,279,641	6,279,641	6,799,065	7,162,729	7,622,798
Total current liabilities	461,980	435,285	493,463	389,507	389,507	389,507	389,507	399,363	400,806	402,009
Total non current liabilities	196,648	415,888	476,340	478,206	478,206	478,206	478,206	438,602	419,742	399,961
Community wealth/Equity	4,763,481	4,855,748	5,505,849	5,922,877	6,128,278	6,017,207	6,017,207	6,608,832	7,002,034	7,475,782
<b>Cash flows</b>										
Net cash from (used) operating	360,141	312,840	355,908	672,592	859,873	859,873	859,873	776,733	667,597	802,473
Net cash from (used) investing	(609,212)	(444,342)	(403,719)	(483,070)	(531,804)	(531,804)	(531,804)	(490,007)	(349,785)	(446,170)
Net cash from (used) financing	(26,712)	232,394	53,843	(23,507)	(23,507)	(23,507)	(23,507)	(31,363)	(31,806)	(32,509)
<b>Cash/cash equivalents at the year end</b>	<b>(95,650)</b>	<b>5,241</b>	<b>11,274</b>	<b>176,015</b>	<b>480,577</b>	<b>785,139</b>	<b>480,577</b>	<b>273,363</b>	<b>559,369</b>	<b>883,163</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	(36,650)	225,235	294,081	304,137	304,137	317,137	317,137	269,000	269,000	269,000
Application of cash and investments	201,012	175,865	162,805	154,139	153,594	149,196	149,196	43,161	33,116	37,894
<b>Balance - surplus (shortfall)</b>	<b>(237,663)</b>	<b>49,370</b>	<b>131,277</b>	<b>149,998</b>	<b>150,543</b>	<b>167,941</b>	<b>167,941</b>	<b>225,839</b>	<b>235,884</b>	<b>231,106</b>
<b>Asset management</b>										
Asset register summary (WDV)	5,067,369	5,181,102	5,753,605	6,184,093	6,389,495	6,265,424	6,782,280	6,782,280	7,146,065	7,606,235
Depreciation & asset impairment	107,768	112,694	231,254	186,997	276,000	275,968	232,700	232,700	244,568	256,552
Renewal of Existing Assets	-	-	-	-	-	-	-	111,500	164,500	180,000
Repairs and Maintenance	86,782	95,301	96,881	84,348	89,254	89,254	124,975	124,975	126,499	132,697
<b>Free services</b>										
Cost of Free Basic Services provided	3,996	4,228	15,534	24,413	24,413	24,413	22,121	22,121	23,251	24,389
Revenue cost of free services provided	40,590	45,824	48,573	31,598	31,598	31,598	32,641	32,641	34,259	35,742
<b>Households below minimum service level</b>										
Water:	8	8	8	21	21	21	7	7	6	6
Sanitation/sewage:	11	11	11	52	52	52	100	100	98	96
Energy:	80	80	80	36	36	36	30	30	30	29
Refuse:	82	82	82	65	65	65	86	86	86	86

Polokwane Municipality 2013/14 MTREF

Description	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
<b>Asset management</b>									
Asset register summary (WDV)	5 067 369	5 181 102	5 753 605	6 184 093	6 389 495	6 265 424	6 782 280	7 146 065	7 606 235
Depreciation & asset impairment	107 768	112 694	231 254	186 997	276 000	275 968	232 700	244 568	256 552
Renewal of Existing Assets	-	-	-	-	-	-	111 500	164 500	180 000
Repairs and Maintenance	86 782	95 301	96 881	84 348	89 254	89 254	124 975	126 499	132 697
<b>Free services</b>									
Cost of Free Basic Services provided	3 996	4 228	15 534	24 413	24 413	24 413	22 121	23 251	24 389
Revenue cost of free services provided	40 590	45 824	48 573	31 598	31 598	31 598	32 641	34 259	35 742
<b>Households below minimum service level</b>									
Water:	8	8	8	21	21	21	7	6	6
Sanitation/sewage:	11	11	11	52	52	52	100	98	96
Energy:	80	80	80	36	36	36	30	30	29
Refuse:	82	82	82	65	65	65	86	86	86

**Explanatory notes to MBRR Table A1 - Budget Summary**

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - Capital expenditure is balanced by capital funding sources, of which
    - Transfers recognised is reflected on the Financial Performance Budget;
    - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved during the 2013/14 financial year, when a surplus will be reflected.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

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

Standard Classification Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	R thousand 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
<b>Revenue - Standard</b>									
<b>Governance and administration</b>	896 641	821 900	943 772	1 076 807	1 171 485	1 168 713	1 284 253	1 112 188	1 242 529
Executive and council	-	-	-	-	-	-	-	-	-
Budget and treasury office	227 758	232 282	323 967	284 296	289 296	289 296	314 099	327 564	343 169
Corporate services	668 883	589 618	619 805	792 511	882 189	879 417	970 153	784 624	899 361
<b>Community and public safety</b>	5 905	7 802	8 334	20 683	20 683	14 728	22 930	24 099	25 280
Community and social services	1 446	1 578	1 590	2 228	2 228	2 228	2 383	2 505	2 628
Sport and recreation	681	817	1 546	11 070	11 070	5 115	12 645	13 290	13 941
Public safety	3 680	5 372	5 169	7 348	7 348	7 348	7 863	8 264	8 668
Housing	97	35	30	37	37	37	39	41	43
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	55 587	48 752	34 192	108 965	108 965	86 902	48 040	50 444	52 872
Planning and development	43 602	38 929	24 792	78 199	78 199	77 253	27 719	29 087	30 468
Road transport	7 831	8 128	7 609	28 890	28 890	7 774	18 314	19 248	20 191
Environmental protection	4 155	1 695	1 790	1 876	1 876	1 876	2 007	2 109	2 213
<b>Trading services</b>	560 754	627 596	812 191	949 249	1 017 249	1 015 257	1 093 517	1 189 896	1 294 222
Electricity	369 183	415 882	559 547	609 339	650 339	650 339	699 481	769 343	846 184
Water	116 277	123 973	165 503	230 594	248 594	248 561	268 842	287 826	307 577
Waste water management	34 322	44 082	39 311	63 239	66 239	64 281	67 116	70 539	73 996
Waste management	40 973	43 659	47 830	46 076	52 076	52 076	58 077	62 187	66 464
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>1 518 887</b>	<b>1 506 049</b>	<b>1 798 489</b>	<b>2 155 703</b>	<b>2 318 381</b>	<b>2 285 600</b>	<b>2 448 740</b>	<b>2 376 627</b>	<b>2 614 903</b>
<b>Expenditure - Standard</b>									
<b>Governance and administration</b>	149 489	124 907	325 711	395 178	401 914	372 260	465 220	486 030	510 764
Executive and council	31 350	46 789	110 240	93 860	101 367	98 279	105 632	119 190	127 778
Budget and treasury office	61 366	21 777	83 630	88 934	98 950	96 499	114 946	105 999	108 042
Corporate services	56 773	56 342	131 841	212 385	201 597	177 483	244 642	260 840	274 944
<b>Community and public safety</b>	307 728	265 801	346 763	322 096	334 425	340 819	388 313	369 884	390 611
Community and social services	62 266	63 492	74 169	69 252	72 695	78 677	81 764	84 153	89 063
Sport and recreation	142 953	87 774	145 420	119 476	124 239	123 854	163 115	133 781	140 688
Public safety	89 021	98 958	114 856	117 841	126 652	126 497	131 991	139 790	147 943
Housing	6 675	8 669	6 947	9 913	5 474	6 322	7 379	7 843	8 334
Health	6 813	6 907	5 370	5 613	5 366	5 470	4 064	4 317	4 584
<b>Economic and environmental services</b>	98 244	115 150	147 957	124 603	191 186	175 436	142 007	132 963	140 435
Planning and development	32 290	40 669	37 379	45 780	42 990	42 827	45 252	47 966	50 813
Road transport	58 983	66 318	95 913	72 519	132 495	116 868	80 073	67 387	71 056
Environmental protection	6 971	8 163	14 665	6 304	15 702	15 741	16 681	17 609	18 566
<b>Trading services</b>	579 409	707 883	803 028	831 583	858 434	849 406	949 167	1 012 269	1 082 272
Electricity	323 803	408 872	482 245	535 406	547 240	546 750	587 403	632 324	680 414
Water	163 647	192 932	199 105	196 987	202 319	201 709	249 082	263 247	278 598
Waste water management	43 882	50 828	51 431	44 922	52 688	52 391	51 204	54 152	57 216
Waste management	48 077	55 252	70 247	54 269	56 187	48 557	61 478	62 545	66 045
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>1 134 870</b>	<b>1 213 741</b>	<b>1 623 459</b>	<b>1 673 462</b>	<b>1 785 959</b>	<b>1 737 922</b>	<b>1 944 707</b>	<b>2 001 145</b>	<b>2 124 082</b>
<b>Surplus/(Deficit) for the year</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>

**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 9 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.
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 the Electricity, Water and Sanitation functions, but not the Waste Management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Executive & Council.

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

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>Revenue by Vote</b>									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Strategic Planning Monitoring and Evaluation	-	-	-	-	-	-	-	-	-
Vote 4 - Engineering Services	519 781	583 938	764 361	924 333	986 333	963 225	1 045 483	1 138 264	1 238 830
Vote 5 - Community Services	67 115	71 632	77 358	77 918	83 918	83 918	91 938	97 775	103 796
Vote 6 - Community Development	1 439	1 615	2 418	12 420	12 420	6 464	14 089	14 807	15 533
Vote 7 - Corporate and Shared Services	530	1 211	2 136	1 512	4 512	4 512	3 986	3 013	3 014
Vote 8 - Planning and Economic Development	33 934	26 988	10 604	64 249	64 249	63 303	13 001	13 617	14 239
Vote 9 - Budget and Treasury	896 086	820 665	941 612	1 075 271	1 166 949	1 164 177	1 280 242	1 109 151	1 239 492
<b>Total Revenue by Vote</b>	<b>1 518 887</b>	<b>1 506 049</b>	<b>1 798 489</b>	<b>2 155 703</b>	<b>2 318 381</b>	<b>2 285 600</b>	<b>2 448 740</b>	<b>2 376 627</b>	<b>2 614 903</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Council	31 247	44 615	107 683	101 550	105 777	100 856	118 883	132 867	142 232
Vote 2 - Office of the Municipal Manager	2 307	2 748	25 916	21 385	25 125	25 089	26 941	28 506	30 135
Vote 3 - Strategic Planning Monitoring and Evaluation	10 299	12 268	12 032	16 462	13 491	12 804	17 925	19 014	20 158
Vote 4 - Engineering Services	595 488	721 916	828 833	846 095	898 903	897 623	944 873	1 010 018	1 079 713
Vote 5 - Community Services	180 237	204 809	250 752	227 615	247 001	245 343	267 775	278 649	294 826
Vote 6 - Community Development	185 462	139 654	197 549	174 960	185 096	183 908	225 673	199 938	210 584
Vote 7 - Corporate and Shared Services	38 401	28 335	82 664	151 365	136 614	115 808	167 132	179 165	188 595
Vote 8 - Planning and Economic Development	30 062	37 619	34 400	45 088	38 996	39 699	41 255	43 729	46 324
Vote 9 - Budget and Treasury	61 366	21 777	83 630	88 934	98 950	96 499	114 946	105 999	108 042
<b>Total Expenditure by Vote</b>	<b>1 134 870</b>	<b>1 213 741</b>	<b>1 623 459</b>	<b>1 673 462</b>	<b>1 785 959</b>	<b>1 737 922</b>	<b>1 944 707</b>	<b>2 001 145</b>	<b>2 124 082</b>
<b>Surplus/(Deficit) for the year</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>

**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. The following table is an analysis of the surplus or deficit for the electricity trading service.

**Table 18 Surplus/(Deficit) calculations for the electricity trading service**

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>Electricity</b>									
Total Revenue (Incl capital grants & transfers)	369 183	415 882	559 547	609 339	650 339	650 339	699 481	769 343	846 184
Operating Expenditure	323 803	408 871	482 244	535 406	547 240	547 240	587 403	632 324	680 413
<b>Surplus/(Deficit) for the year</b>	45 380	7 011	77 303	73 933	103 099	103 099	112 078	137 019	165 771
<b>Percentage Surplus</b>	12	2	14	12	16	16	16	18	20



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

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>Revenue By Source</b>									
Property rates	173 595	209 500	229 423	248 982	253 982	253 982	279 863	294 136	308 549
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	369 140	415 805	556 892	609 206	650 206	650 206	699 341	769 189	846 014
Service charges - water revenue	116 277	123 973	165 503	230 544	248 544	248 544	268 788	287 769	307 516
Service charges - sanitation revenue	34 322	44 082	39 311	63 239	66 239	64 281	67 116	70 539	73 996
Service charges - refuse revenue	38 556	42 523	46 795	44 589	50 589	50 589	56 456	60 451	64 609
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	5 655	3 620	5 102	17 071	17 071	10 442	17 566	18 461	19 366
Interest earned - external investments	32 236	3 000	24 554	8 677	8 677	8 677	12 500	12 500	12 500
Interest earned - outstanding debtors	17 101	19 066	17 678	25 000	25 000	25 000	18 000	18 000	18 000
Dividends received	-	-	-	-	-	-	-	-	-
Fines	2 831	4 774	4 497	5 689	5 689	5 656	6 087	6 399	6 714
Licences and permits	8 034	8 385	8 234	7 961	7 961	7 961	8 516	8 951	9 389
Agency services	9 769	12 000	13 827	14 000	14 000	14 000	14 770	15 523	16 284
Transfers recognised - operational	270 961	357 269	374 703	402 905	491 331	404 405	486 936	467 302	531 170
Other revenue	40 550	30 918	68 781	89 569	92 570	71 180	33 392	32 911	35 423
Gains on disposal of PPE	2 493	20	246	200	200	200	200	210	220
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 121 520</b>	<b>1 274 935</b>	<b>1 555 548</b>	<b>1 767 633</b>	<b>1 932 059</b>	<b>1 815 124</b>	<b>1 969 533</b>	<b>2 062 342</b>	<b>2 249 750</b>
<b>Expenditure By Type</b>									
Employee related costs	310 314	347 526	384 940	435 903	399 795	396 195	448 000	476 776	507 766
Debt impairment	(2 392)	6 700	38 192	40 000	40 000	40 000	40 000	50 000	55 000
Depreciation & asset impairment	107 768	112 694	231 254	186 997	276 000	275 968	232 700	244 568	256 552
Finance charges	23 627	5 800	29 427	31 486	31 486	31 486	27 155	23 747	21 158
Bulk purchases	314 831	415 588	518 797	580 282	587 546	587 546	658 000	707 000	760 000
Other materials	87 447	90 904	96 881	111 806	116 702	112 916	124 975	126 499	132 697
Contracted services	40 348	56 302	74 263	52 005	64 060	63 886	73 542	66 782	70 055
Transfers and grants	220	400	6 122	3 240	5 540	4 740	5 140	5 240	5 240
Other expenditure	237 597	159 380	225 906	210 274	243 363	205 948	311 511	275 309	288 751
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1 134 870</b>	<b>1 213 741</b>	<b>1 623 459</b>	<b>1 673 462</b>	<b>1 785 959</b>	<b>1 737 922</b>	<b>1 944 707</b>	<b>2 001 145</b>	<b>2 124 082</b>
<b>Surplus/(Deficit)</b>	<b>(13 350)</b>	<b>61 194</b>	<b>(67 912)</b>	<b>94 171</b>	<b>146 100</b>	<b>77 202</b>	<b>24 826</b>	<b>61 197</b>	<b>125 669</b>
Transfers recognised - capital	397 367	231 114	242 942	388 070	386 322	470 476	479 207	314 285	365 153
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Taxation	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>384 017</b>	<b>292 308</b>	<b>175 030</b>	<b>482 241</b>	<b>532 422</b>	<b>547 678</b>	<b>504 033</b>	<b>375 482</b>	<b>490 822</b>

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

1. Total revenue is R1.969 billion in 2013/14 and escalates to R2.249 billion by 2015/16. This represents a year-on-year increase of 4.7 percent for the 2014/15 financial year and 9 per cent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R279.8 million in the 2013/14 financial year and increases to R308.5 million by 2015/16 which represents 14.2 percent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 8 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R1.091 billion for the 2013/14 financial year and increasing to R1.292 billion by 2015/16. For the 2014/15 financial year services charges amount to 55.4 per cent of the total revenue base and increase to 57.4 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. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF by 22.6 per cent and 23.6 per cent for the two outer years.
5. Bulk purchases have significantly increased over the 2013/14 to 2015/16 period escalating from R658 million to R760 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Lepelle Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

Vote Description	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
<b>R thousand</b>									
<b>Capital expenditure - Vote</b>									
<b>Multi-year expenditure to be appropriated</b>									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Strategic Planning Monitoring and Evaluation	-	-	-	-	-	-	-	-	-
Vote 4 - Engineering Services	-	-	-	-	-	-	7 750	12 750	17 750
Vote 5 - Community Services	-	-	-	-	-	-	-	-	-
Vote 6 - Community Development	-	-	-	-	-	-	16 000	18 000	15 000
Vote 7 - Corporate and Shared Services	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Economic Development	-	-	-	-	-	-	-	-	-
Vote 9 - Budget and Treasury	-	-	-	-	-	-	-	-	-
Vote 10 - Transport Operations	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 750</b>	<b>30 750</b>	<b>32 750</b>
<b>Single-year expenditure to be appropriated</b>									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager	-	-	-	-	-	-	50	-	-
Vote 3 - Strategic Planning Monitoring and Evaluation	-	-	-	-	-	-	-	-	-
Vote 4 - Engineering Services	429 921	223 560	299 101	368 917	512 435	514 431	268 500	325 035	415 903
Vote 5 - Community Services	9 346	20 004	1 006	-	2 206	2 206	18 950	-	-
Vote 6 - Community Development	399 583	15 963	6 888	1 000	1 953	1 953	7 800	2 200	3 100
Vote 7 - Corporate and Shared Services	36 077	13 357	19 957	5 500	6 717	6 717	5 500	4 500	8 417
Vote 8 - Planning and Economic Development	22 126	12 238	21 529	109 653	10 443	10 443	-	1 300	-
Vote 9 - Budget and Treasury	128	2 763	6 022	-	50	50	-	-	-
Vote 10 - Transport Operations	-	-	-	-	-	-	179 457	-	-
<b>Capital single-year expenditure sub-total</b>	<b>897 181</b>	<b>287 886</b>	<b>354 503</b>	<b>485 070</b>	<b>533 804</b>	<b>535 800</b>	<b>480 257</b>	<b>333 035</b>	<b>427 420</b>
<b>Total Capital Expenditure - Vote</b>	<b>897 181</b>	<b>287 886</b>	<b>354 503</b>	<b>485 070</b>	<b>533 804</b>	<b>535 800</b>	<b>504 007</b>	<b>363 785</b>	<b>460 170</b>
<b>Capital Expenditure - Standard</b>									
<b>Governance and administration</b>	<b>36 205</b>	<b>16 120</b>	<b>28 416</b>	<b>6 500</b>	<b>8 557</b>	<b>8 557</b>	<b>11 050</b>	<b>4 500</b>	<b>10 417</b>
Executive and council	-	-	-	-	350	350	-	-	-
Budget and treasury office	128	2 763	6 022	-	50	50	-	-	-
Corporate services	36 077	13 357	22 394	6 500	8 157	8 157	11 050	4 500	10 417
<b>Community and public safety</b>	<b>406 383</b>	<b>35 303</b>	<b>5 125</b>	<b>200</b>	<b>2 169</b>	<b>2 169</b>	<b>18 800</b>	<b>20 200</b>	<b>16 100</b>
Community and social services	6 228	2 249	726	-	1 006	1 006	1 300	1 700	600
Sport and recreation	393 355	13 714	4 369	-	513	513	17 500	18 500	15 500
Public safety	5 781	19 340	-	-	600	600	-	-	-
Housing	990	-	29	200	50	50	-	-	-
Health	29	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>198 027</b>	<b>85 092</b>	<b>135 615</b>	<b>250 303</b>	<b>190 056</b>	<b>190 056</b>	<b>250 207</b>	<b>115 050</b>	<b>127 750</b>
Planning and development	21 136	12 238	21 516	109 453	10 393	10 393	-	1 300	-
Road transport	176 559	72 818	114 099	140 850	179 663	179 663	241 207	113 750	127 750
Environmental protection	331	35	-	-	-	-	9 000	-	-

Polokwane Municipality 2013/14 MTREF

Vote Description	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
<b>R thousand</b>									
<b>Capital Expenditure - Standard</b>									
<i>Trading services</i>	256 567	151 371	185 348	228 067	333 022	335 018	223 950	224 035	305 903
Electricity	21 387	51 788	58 652	40 000	59 256	61 252	51 500	54 800	75 300
Water	207 859	59 959	107 181	156 667	222 912	222 912	122 000	114 735	150 603
Waste water management	24 116	38 995	19 169	31 400	50 853	50 853	41 500	54 500	80 000
Waste management	3 205	629	346	-	-	-	8 950	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>897 181</b>	<b>287 886</b>	<b>354 503</b>	<b>485 070</b>	<b>533 804</b>	<b>535 800</b>	<b>504 007</b>	<b>363 785</b>	<b>460 170</b>
<b>Funded by:</b>									
National Government	396 283	121 956	216 313	282 960	374 055	374 055	479 207	314 285	365 153
Provincial Government	-	-	-	6 407	6 407	6 407	-	-	-
District Municipality	2 259	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>398 542</b>	<b>121 956</b>	<b>216 313</b>	<b>289 367</b>	<b>380 462</b>	<b>380 462</b>	<b>479 207</b>	<b>314 285</b>	<b>365 153</b>
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	498 639	165 930	138 190	195 703	153 342	155 338	24 800	49 500	95 017
<b>Total Capital Funding</b>	<b>897 181</b>	<b>287 886</b>	<b>354 503</b>	<b>485 070</b>	<b>533 804</b>	<b>535 800</b>	<b>504 007</b>	<b>363 785</b>	<b>460 170</b>

**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 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. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2013/14, R23.7 million has been allocated of the total R504 million capital budget, which totals 4.7 per cent. This allocation escalates to R30.7 million in 2014/15 and then increases to R32.7 million in 2015/16.
3. Single-year capital expenditure has been appropriated at R480.2 million for the 2013/14 financial year and decreases in 2014/15 at the level of R333 million and then increases to R427.4 million in 2015/16.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital grants and contributions from the capital replacement reserve. For 2013/14, capital transfers totals R479.2 million and decrease to R365.1 million by 2015/16. Internally generated funding totaling R24.8 million in 2013/14 and escalates to R95 million in 2015/16. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

**Table 21 MBRR Table A6 - Budgeted Financial Position**

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>R thousand</b>									
<b>ASSETS</b>									
<b>Current assets</b>									
Cash	–	5 241	11 274	5 000	5 000	18 000	10 000	10 000	10 000
Call investment deposits	59 000	219 993	282 808	299 137	299 137	299 137	259 000	259 000	259 000
Consumer debtors	153 650	193 502	263 453	194 143	194 143	194 143	231 143	241 143	236 143
Other debtors	48 784	15 216	79 970	15 000	15 000	15 000	80 000	80 000	80 000
Current portion of long-term receivables	24 637	21 372	7 502	20 000	20 000	20 000	6 590	7 711	7 812
Inventory	52 630	53 880	60 155	59 000	59 000	59 000	61 000	62 000	62 000
<b>Total current assets</b>	<b>338 701</b>	<b>509 205</b>	<b>705 162</b>	<b>592 280</b>	<b>592 280</b>	<b>605 280</b>	<b>647 732</b>	<b>659 853</b>	<b>654 954</b>
<b>Non current assets</b>									
Long-term receivables	7 822	8 397	8 667	6 000	6 000	6 000	8 567	8 446	8 346
Investments	–	–	–	–	–	–	–	–	–
Investment property	125 511	125 511	138 360	125 511	125 511	125 511	138 360	138 360	138 360
Investment in Associate	8 217	8 217	8 217	8 217	8 217	8 217	8 217	8 217	8 217
Property, plant and equipment	4 941 858	5 055 592	5 573 513	6 058 583	6 263 984	6 139 913	6 643 920	7 007 705	7 467 875
Agricultural	–	–	–	–	–	–	–	–	–
Biological	–	–	7 305	–	–	–	–	–	–
Intangible	–	–	34 428	–	–	–	–	–	–
Other non-current assets	–	–	–	–	–	–	–	–	–
<b>Total non current assets</b>	<b>5 083 408</b>	<b>5 197 717</b>	<b>5 770 490</b>	<b>6 198 311</b>	<b>6 403 712</b>	<b>6 279 641</b>	<b>6 799 065</b>	<b>7 162 729</b>	<b>7 622 798</b>
<b>TOTAL ASSETS</b>	<b>5 422 109</b>	<b>5 706 921</b>	<b>6 475 652</b>	<b>6 790 591</b>	<b>6 995 992</b>	<b>6 884 921</b>	<b>7 446 797</b>	<b>7 822 582</b>	<b>8 277 752</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft	95 650	–	–	–	–	–	–	–	–
Borrowing	6 517	30 548	38 405	26 507	26 507	26 507	36 363	36 806	37 509
Consumer deposits	51 837	57 596	62 072	63 000	63 000	63 000	63 000	64 000	64 500
Trade and other payables	307 976	347 141	392 986	300 000	300 000	300 000	300 000	300 000	300 000
Provisions	–	–	–	–	–	–	–	–	–
<b>Total current liabilities</b>	<b>461 980</b>	<b>435 285</b>	<b>493 463</b>	<b>389 507</b>	<b>389 507</b>	<b>389 507</b>	<b>399 363</b>	<b>400 806</b>	<b>402 009</b>
<b>Non current liabilities</b>									
Borrowing	54 474	257 078	298 588	310 169	310 169	310 169	225 862	188 613	150 401
Provisions	142 174	158 810	177 752	168 037	168 037	168 037	212 740	231 129	249 560
<b>Total non current liabilities</b>	<b>196 648</b>	<b>415 888</b>	<b>476 340</b>	<b>478 206</b>	<b>478 206</b>	<b>478 206</b>	<b>438 602</b>	<b>419 742</b>	<b>399 961</b>
<b>TOTAL LIABILITIES</b>	<b>658 628</b>	<b>851 173</b>	<b>969 803</b>	<b>867 714</b>	<b>867 714</b>	<b>867 714</b>	<b>837 965</b>	<b>820 548</b>	<b>801 970</b>
<b>NET ASSETS</b>	<b>4 763 481</b>	<b>4 855 748</b>	<b>5 505 849</b>	<b>5 922 877</b>	<b>6 128 278</b>	<b>6 017 207</b>	<b>6 608 832</b>	<b>7 002 034</b>	<b>7 475 782</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	4 392 947	4 496 765	4 723 762	5 563 800	5 769 201	5 658 130	5 826 559	6 219 668	6 693 323
Reserves	370 534	358 983	782 086	359 077	359 077	359 077	782 273	782 366	782 459
Minorities' interests	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>4 763 481</b>	<b>4 855 748</b>	<b>5 505 849</b>	<b>5 922 877</b>	<b>6 128 278</b>	<b>6 017 207</b>	<b>6 608 832</b>	<b>7 002 034</b>	<b>7 475 782</b>

### **Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 64 is supported by an extensive table of notes (Table SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 22 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue &		
		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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		643,965	970,087	949,491	1,291,051	1,367,051	1,367,051	1,367,051	1,452,097	1,564,540	1,688,080
Government - operating	1	364,356	358,909	367,485	402,905	491,331	491,331	491,331	486,936	467,302	531,170
Government - capital	1	360,194	131,083	250,160	388,070	386,322	386,322	386,322	479,207	314,285	365,153
Interest		49,307	28,922	42,233	33,677	33,677	33,677	33,677	30,500	30,500	30,500
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(1,034,055)	(1,163,088)	(1,224,034)	(1,411,625)	(1,387,022)	(1,387,022)	(1,387,022)	(1,644,852)	(1,685,283)	(1,791,272)
Finance charges		(23,627)	(13,073)	(29,427)	(31,486)	(31,486)	(31,486)	(31,486)	(27,155)	(23,747)	(21,158)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>360,141</b>	<b>312,840</b>	<b>355,908</b>	<b>672,592</b>	<b>859,873</b>	<b>859,873</b>	<b>859,873</b>	<b>776,733</b>	<b>667,597</b>	<b>802,473</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		4,769	1,847	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		(12,331)	2,690	13,599	2,000	2,000	2,000	2,000	14,000	14,000	14,000
Decrease (increase) other non-current receivables		82,393	-	(59,000)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		213,139	(160,993)	(3,815)	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(897,181)	(287,886)	(354,503)	(485,070)	(533,804)	(533,804)	(533,804)	(504,007)	(363,785)	(460,170)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(609,212)</b>	<b>(444,342)</b>	<b>(403,719)</b>	<b>(483,070)</b>	<b>(531,804)</b>	<b>(531,804)</b>	<b>(531,804)</b>	<b>(490,007)</b>	<b>(349,785)</b>	<b>(446,170)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	226,634	49,367	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		5,620	5,760	4,476	3,000	3,000	3,000	3,000	5,000	5,000	5,000
<b>Payments</b>											
Repayment of borrowing		(32,332)	-	-	(26,507)	(26,507)	(26,507)	(26,507)	(36,363)	(36,806)	(37,509)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(26,712)</b>	<b>232,394</b>	<b>53,843</b>	<b>(23,507)</b>	<b>(23,507)</b>	<b>(23,507)</b>	<b>(23,507)</b>	<b>(31,363)</b>	<b>(31,806)</b>	<b>(32,509)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
		<b>(275,782)</b>	<b>100,892</b>	<b>6,032</b>	<b>166,015</b>	<b>304,562</b>	<b>304,562</b>	<b>304,562</b>	<b>255,363</b>	<b>286,006</b>	<b>323,794</b>
Cash/cash equivalents at the year begin:	2	180,132	(95,650)	5,241	10,000	176,015	480,577	176,015	18,000	273,363	559,369
Cash/cash equivalents at the year end:	2	(95,650)	5,241	11,274	176,015	480,577	785,139	480,577	273,363	559,369	883,163

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

Polokwane Municipality 2013/14 MTREF

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue &		
		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
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(95,650)	5,241	11,274	176,015	480,577	785,139	480,577	273,363	559,369	883,163
Other current investments > 90 days		59,000	219,993	282,808	128,122	(176,440)	(468,002)	(163,440)	(4,363)	(290,369)	(614,163)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>(36,650)</b>	<b>225,235</b>	<b>294,081</b>	<b>304,137</b>	<b>304,137</b>	<b>317,137</b>	<b>317,137</b>	<b>269,000</b>	<b>269,000</b>	<b>269,000</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		79,022	166,832	174,567	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	62,991	(49,967)	(70,762)	(4,861)	(5,406)	(9,804)	(9,804)	(115,839)	(125,884)	(121,106)
Other provisions											
Long term investments committed	4	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000
Reserves to be backed by cash	5										
<b>Total Application of cash and investments</b>		<b>201,012</b>	<b>175,865</b>	<b>162,805</b>	<b>154,139</b>	<b>153,594</b>	<b>149,196</b>	<b>149,196</b>	<b>43,161</b>	<b>33,116</b>	<b>37,894</b>
<b>Surplus(shortfall)</b>		<b>(237,663)</b>	<b>49,370</b>	<b>131,277</b>	<b>149,998</b>	<b>150,543</b>	<b>167,941</b>	<b>167,941</b>	<b>225,839</b>	<b>235,884</b>	<b>231,106</b>

**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. As part of the 2012/13 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
4. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R273.3 million positive as at the end of the 2013/14 financial year and increases to R883.1 million by 2015/16.

**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. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
6. As can be seen the budget has been modelled to progressively move from a surplus of R225.8 million in 2013/14 to a surplus of R231.1 million by 2015/16.



**Table 24 MBRR Table A9 - Asset Management**

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>R thousand</b>									
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	897 181	287 886	354 503	485 070	533 804	535 800	392 507	199 285	280 170
Infrastructure - Road transport	181 833	72 818	114 099	1 100	3 229	3 229	7 750	14 250	23 750
Infrastructure - Electricity	97 616	64 932	58 652	88 221	92 586	92 586	51 500	53 800	73 300
Infrastructure - Other	-	-	-	21 946	15 137	15 137	188 407	-	-
Infrastructure	430 894	236 704	299 101	233 367	324 155	324 155	371 157	184 285	262 653
Community	-	-	5 000	-	18 442	20 088	19 800	10 200	10 100
Other assets	466 287	51 182	50 402	251 703	191 207	191 557	1 550	4 800	7 417
<b>Total Renewal of Existing Assets</b>	-	-	-	-	-	-	111 500	164 500	180 000
Infrastructure - Road transport	-	-	-	-	-	-	54 000	92 500	83 000
Infrastructure - Electricity	-	-	-	-	-	-	-	1 000	2 000
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	94 000	146 500	150 000
Community	-	-	-	-	-	-	17 500	18 000	30 000
<b>Total Capital Expenditure</b>									
Infrastructure - Road transport	181 833	72 818	114 099	1 100	3 229	3 229	61 750	106 750	106 750
Infrastructure - Electricity	97 616	64 932	58 652	88 221	92 586	92 586	51 500	54 800	75 300
Infrastructure - Other	-	-	-	21 946	15 137	15 137	188 407	-	-
Infrastructure	430 894	236 704	299 101	233 367	324 155	324 155	465 157	330 785	412 653
Community	-	-	5 000	-	18 442	20 088	37 300	28 200	40 100
Other assets	466 287	51 182	50 402	251 703	191 207	191 557	1 550	4 800	7 417
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>897 181</b>	<b>287 886</b>	<b>354 503</b>	<b>485 070</b>	<b>533 804</b>	<b>535 800</b>	<b>504 007</b>	<b>363 785</b>	<b>460 170</b>

Polokwane Municipality 2013/14 MTREF

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
	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
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
Infrastructure - Road transport	1 277 102	1 310 191	1 349 724	1 490 574	1 529 387	1 529 387	1 770 594	1 884 344	2 012 094
Infrastructure - Electricity	640 157	769 132	790 531	830 531	849 787	851 783	903 283	958 083	1 033 383
Infrastructure - Other	2 335 663	2 114 480	2 484 208	2 600 361	2 505 327	2 504 527	2 552 327	2 578 327	2 604 844
Infrastructure	4 941 858	5 055 592	5 573 513	6 058 583	6 263 984	6 139 913	6 643 920	7 007 705	7 467 875
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	125 511	125 511	138 360	125 511	125 511	125 511	138 360	138 360	138 360
Other assets	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5 067 369</b>	<b>5 181 102</b>	<b>5 753 605</b>	<b>6 184 093</b>	<b>6 389 495</b>	<b>6 265 424</b>	<b>6 782 280</b>	<b>7 146 065</b>	<b>7 606 235</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<u>Depreciation &amp; asset impairment</u>	107 768	112 694	231 254	186 997	276 000	275 968	232 700	244 568	256 552
<u>Repairs and Maintenance by Asset Class</u>	86 782	95 301	96 881	84 348	89 254	89 254	124 975	126 499	132 697
Infrastructure - Road transport	15 657	21 374	19 520	10 265	10 265	10 265	11 066	11 630	12 199
Infrastructure - Electricity	21 123	22 367	17 315	16 698	18 005	18 005	18 005	18 923	19 850
Infrastructure - Other	4 624	2 994	-	58	58	58	22 165	20 870	21 893
Infrastructure	70 761	75 309	74 096	53 164	54 471	54 471	79 179	80 792	84 750
Community	16 021	19 992	22 785	31 183	34 783	34 783	45 796	45 707	47 947
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>194 550</b>	<b>207 995</b>	<b>328 136</b>	<b>271 345</b>	<b>365 254</b>	<b>365 223</b>	<b>357 675</b>	<b>371 067</b>	<b>389 249</b>
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.1%	45.2%	39.1%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	47.9%	67.3%	70.2%
<i>R&amp;M as a % of PPE</i>	1.8%	1.9%	1.7%	1.4%	1.4%	1.5%	1.9%	1.8%	1.8%
<i>Renewal and R&amp;M as a % of PPE</i>	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	3.0%	4.0%	4.0%

**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.
3. Due to substantial efforts, renewal of assets and repair and maintenance as a percentage of PPE has increased from 1.5 to 1.9 per cent in the 2013/14 financial year.

**Table 25 MBRR Table A10 - Basic Service Delivery Measurement**

Polokwane Municipality 2013/14 MTREF

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year+1 2014/15	Budget Year+2 2015/16
<b>Household service targets</b>									
<b>Energy:</b>									
Electricity (at least min.service level)	24 300	24 300	24 300	53 140	53 140	53 140	80 094	79 802	79 676
Electricity - prepaid (min.service level)	26 300	26 300	26 300	66 946	66 946	66 946	67 616	68 408	69 034
<i>Minimum Service Level and Above sub-total</i>	50 600	50 600	50 600	120 086	120 086	120 086	147 710	148 210	148 710
Electricity (< min.service level)	18 162	18 162	18 162	21 000	21 000	21 000	14 780	13 808	13 296
Electricity - prepaid (< min. service level)	34 223	34 223	34 223	12 925	12 925	12 925	13 925	14 514	14 575
Other energy sources	27 376	27 376	27 376	2 555	2 555	2 555	1 586	1 469	1 420
<i>Below Minimum Service Level sub-total</i>	79 761	79 761	79 761	36 480	36 480	36 480	30 291	29 791	29 291
<b>Total number of households</b>	<b>130 361</b>	<b>130 361</b>	<b>130 361</b>	<b>156 566</b>	<b>156 566</b>	<b>156 566</b>	<b>178 001</b>	<b>178 001</b>	<b>178 001</b>
<b>Refuse:</b>									
Removed at least once a week	48 364	48 364	48 364	91 338	91 338	91 338	92 000	92 000	92 000
<i>Minimum Service Level and Above sub-total</i>	48 364	48 364	48 364	91 338	91 338	91 338	92 000	92 000	92 000
Removed less frequently than once a week				97	97	97	97	97	97
Using communal refuse dump				4 566	4 566	4 566	4 566	4 566	4 566
Using own refuse dump	81 997	81 997	81 997	60 565	60 565	60 565	81 338	81 338	81 338
Other rubbish disposal									
No rubbish disposal									
<i>Below Minimum Service Level sub-total</i>	81 997	81 997	81 997	65 228	65 228	65 228	86 001	86 001	86 001
<b>Total number of households</b>	<b>130 361</b>	<b>130 361</b>	<b>130 361</b>	<b>156 566</b>	<b>156 566</b>	<b>156 566</b>	<b>178 001</b>	<b>178 001</b>	<b>178 001</b>
<b>Households receiving Free Basic Service</b>									
Electricity/other energy (50kwh per household per month)	34 223	34 223	34 223	27 000	27 000	27 000	28 000	29 000	29 000
Refuse (removed at least once a week)	30 700	30 700	30 700	91 338	91 338	91 338	99 433	105 642	105 642
<b>Cost of Free Basic Services provided (R'000)</b>									
Electricity/other energy (50kwh per household per month)	855	903	7 908	12 418	12 418	12 418	7 000	7 357	7 717
Refuse (removed once a week)	1 223	1 293	975	2 647	2 647	2 647	3 024	3 179	3 335
<b>Total cost of FBS provided (minimum social package)</b>	<b>3 996</b>	<b>4 228</b>	<b>15 534</b>	<b>24 413</b>	<b>24 413</b>	<b>24 413</b>	<b>22 121</b>	<b>23 251</b>	<b>24 389</b>
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	11 500	11 500	50 000	50 000	50 000	50 000	50 000	50 000	50 000
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	20	26	27	30	30	30	32	33	33
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R15 000 threshold rebate)		3 145	3 334	3 534	3 534	3 534	3 746	3 971	3 971
Property rates (other exemptions, reductions and rebates)	2 905	3 250	3 445	3 651	3 651	3 651	6 774	7 037	7 382
Electricity/other energy	6 181	9 109	9 655	12 418	12 418	12 418	7 000	7 357	7 717
Refuse	7 939	8 871	9 403	2 647	2 647	2 647	3 024	3 179	3 335
Other									
<b>Total revenue cost of free services provided (total social package)</b>	<b>40 590</b>	<b>45 824</b>	<b>48 573</b>	<b>31 598</b>	<b>31 598</b>	<b>31 598</b>	<b>32 641</b>	<b>34 259</b>	<b>35 742</b>

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
  - a. Water services – backlog will be reduced by 3012 households to 17865 over the MTREF. These households are largely found in rural areas.
  - b. Sanitation services – backlog will be reduced by 2369 to 49 829 households over the MTREF. The number of households with no toilet provision are found in rural areas..
  - c. Electricity services – backlog will be reduced by 931 households to 35 549 over the MTREF. These households are largely found in rural areas.
3. Refuse services – backlog will be reduced by 162 to 65 066 households over the MTREF. These households are largely found in rural areas.
4. The budget provides for 7000 households to be registered as indigent in 2013/14, and therefore entitled to receiving Free Basic Services. The number is set to increase given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities. The indigent subsidy for the 2013/14 year is set at R184.00 per month.
5. It is anticipated that these Free Basic Services will cost the municipality R22.1 million in 2013/14, increasing to R24.3 million in 2015/16 at current tariffs. This is covered by the municipality's equitable share allocation from national government.
6. In addition to the Free Basic Services, the Municipality also 'gives' households R32.6 million in free services in 2013/14, and increases at R35.7 million in 2015/16 at current tariffs. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the 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 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 30 August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **September 2012**- Review of provincial and governmental sector and strategic plans
- **October 2012**- Evaluate revenue projections for the MTEF and potential bulk services increases
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **December 2012**- Consolidate the Draft IDP
- **January 2013** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;

- **January 2013** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **January 2013** - Council considers the 2012/13 Mid-year Review and Adjustments Budget;
- **February 2013** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2013/14 MTREF is revised accordingly;
- **28 March 2013** - Tabling in Council of the draft 2013/14 IDP and 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **May 2013** - Closing date for written comments;
- **May 2013** – finalisation of the 2013/14 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Act and financial framework; and
- **30 May 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

A third generation IDP document has been compiled and it started in July 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2013/14 MTREF in August.

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 2013/14 MTREF, based on the approved 2012/13 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 2013/14 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 2012/13 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 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2013/14 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2012/13 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 66 and 67 have been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

#### **2013/2014 IDP/BUDGET REVIEW COMMUNITY AND STAKEHOLDER CONSULTATION**

Section 16 of Municipal Systems Act (32 of 2000) mandate municipalities to develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose encourage, and create conditions for, the local community to participate in the affairs of the municipality, including in:

- The preparation, implementation and review of its Integrated Development Plan (IDP).
- The establishment, implementation and review of its Performance Management System(PMS);
- Monitoring and review of its performance, including the outcomes and impact of such performance;
- The preparation of its budget;
- Strategic decision relating to the provision of municipal services.

Section 152 of the Constitution (108 of 1996) provides objectives of local government. One of the objectives is to encourage the involvement of communities and community organizations in the matters of local government.

In line with the above-mentioned legislative mandate, Polokwane Municipality did undertake the IDP/Budget review consultation process from April 2013. Polokwane municipality is made up of thirty-eight (38) wards, which are grouped into four clusters for administrative purpose, namely;

- Mankweng/ Sebayeng/Dikgale;

- Maja/Chuene/Molepo;
- Moletjie and;
- City/Seshego Cluster;

For effective and efficient public participation process, the 2013-14 IDP/Budget Review consultation process has been conducted during April 2013.

The Executive Mayor with the members of Mayoral Committee and Management team did convene consultation meetings with communities and stakeholders in all clusters as indicate above. The needs of the community are in order of priority.

The previous financial years overall top three priority needs can be summarized as follows:

- Water
- Roads
- Electricity

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects have been addressed, and where relevant considered as part of the finalisation of the 2013/14 MTREF

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.



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

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

- NSDP
- Green Paper on National Strategic Planning of 2009;
- MTSF
- Government Programme of Action;
- New Growth Path
- Development Facilitation Act of 1995;
- Limpopo Employment , Growth and Development Plan
- Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- 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 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 26 IDP Strategic Objectives**

PRIORITY NUMBER	2012/2013	2013/2014
1.	Developmental Planning	Developmental Planning
2.	Leadership	Leadership
3.	Financial Management and Strong Revenue Base	Financial Management and Strong Revenue Base
4.	Environmental Management planning	Environmental Management planning
5.	Spatial Planning and Economic Development	Spatial Planning and Economic Development
6.	Housing Entity	Housing Entity
7.	Human resources planning	Human resources planning

8.	Community Participation	Community Participation
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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.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide Municipality planning services; and
  - Maintaining the infrastructure of the Municipality.
  
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
  
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
  
- 3.2 Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
  
4. Foster participatory democracy and Polokwane principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Polokwane in the revenue management strategy.

5.1 Promote sound governance through:

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

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the 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.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

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

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the 2012/13 revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

The key performance areas can be summarised as follows against the five strategic objectives  
The strategic objectives are aligned to the balance scorecard methodology:

<b>Strategic Objective</b>	<b>Strategy Outcome</b>
Facilitate, Care and Support for Communities	Safe and Healthy Communities
Create a Conducive Economic Environment	Sustainable Economic Growth and Job Opportunities
Enhance Revenue and Assets Base	Financial Viability
Preserve Natural Resources	Liveable Habitat
Develop and Refurbish Infrastructural Services	Reliable and Sustainable Infrastructural Services
Plan Sustainable Integrated Settlements	Quality Living
Practice Good Governance	Organisational Excellence
Invest in Human Capital and Retain Skills	Effective and Efficient Workforce

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

Strategic Objective	Goal	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
<b>R thousand</b>										
Develop and refurbish infrastructural services	Water and sanitation	150 599	168 055	204 814	293 833	314 834	312 842	335 958	358 366	381 573
	Energy services	369 183	415 882	559 547	609 339	650 339	650 339	699 481	769 343	846 184
	Transport infrastructure	-	1	-	21 160	21 160	44	17 793	22 305	28 822
Create a conducive economic environment	Economic development and tourism	-	-	-	1 011	1 011	337	1 082	1 137	1 193
	City and regional planning	31 004	23 906	7 347	57 705	57 705	57 705	6 001	6 260	6 521
	Transport operations	-	-	-	-	-	-	-	-	-
	Sports and Recreation	775	931	1 687	1 186	1 186	1 186	32 769	2 910	3 053
	Community health services	-	-	-	-	-	-	-	-	-
Facilitate, care and support communities	Fire and emergency services	272	233	158	253	253	253	271	285	298
	Arts and Culture	412	413	427	451	451	451	482	507	531
	Traffic and licence	21 025	25 262	26 851	28 828	28 828	28 828	30 636	32 198	33 776
	Facility management	252	272	304	783	783	783	826	868	911
	Disaster management	-	-	-	-	-	-	-	-	-
	Community safety and security	-	-	-	-	-	-	-	-	-
	Control centre	2	5	-	8	8	8	8	9	9
	Special focus (community programmes)	-	-	-	-	-	-	-	-	-
Invest in human capital and retain skills	Human resources	530	1 210	2 136	1 511	4 511	4 511	3 985	3 012	3 013
Practice good governance	Internal audit	-	-	-	-	-	-	-	-	-
	Risk management	-	-	-	-	-	-	-	-	-
	IDP	-	-	-	-	-	-	-	-	-
	Project management	-	-	-	-	-	-	-	-	-
	Performance management	-	-	-	-	-	-	-	-	-
	Information systems	-	1	-	1	1	1	1	1	1
	Legal services	-	-	-	-	-	-	-	-	-
	Secretariat	-	-	-	-	-	-	-	-	-
	Mechanical services	-	-	-	-	-	-	-	-	-
	Councillor support, Traditional Affairs and public participation	-	-	-	-	-	-	-	-	-
	Communication and marketing	-	-	-	-	-	-	-	-	-
	Executive mayor's office	-	-	-	-	-	-	-	-	-
	Municipal manager's office	-	-	-	-	-	-	-	-	-
<b>Allocations to other priorities</b>										
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 518 887</b>	<b>1 506 049</b>	<b>1 798 489</b>	<b>2 155 703</b>	<b>2 318 381</b>	<b>2 285 600</b>	<b>2 448 740</b>	<b>2 376 627</b>	<b>2 614 903</b>

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

Strategic Objective	Goal	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
<b>R thousand</b>										
Develop and refurbish infrastructural services	Water and sanitation	207 475	243 759	250 536	241 909	255 006	254 099	304 313	321 709	340 428
	Energy services	323 803	408 872	482 245	535 406	547 240	546 750	588 677	633 672	681 839
	Transport infrastructure	58 983	66 318	95 913	72 512	96 488	96 575	60 188	63 523	66 959
Create a conducive economic environment	Economic development and tourism	12 696	17 044	14 482	17 254	16 382	16 293	19 054	20 220	21 488
	City and regional planning	10 691	11 906	12 971	14 561	14 889	14 837	16 917	17 909	18 945
	Transport operations	-	-	-	7	36 007	20 293	19 304	3 261	3 472
	Sports and Recreation	142 953	87 774	145 420	119 476	124 239	123 854	163 082	140 173	147 414
Facilitate, care and support communities	Fire and emergency services	22 936	23 639	24 444	24 640	25 065	24 880	28 179	29 897	31 705
	Arts and Culture	24 468	20 420	24 954	26 056	26 733	26 701	29 150	30 866	32 658
	Traffic and licence	40 186	43 365	41 488	42 034	42 920	42 881	45 790	48 683	51 750
	Facility management	28 520	28 552	28 049	39 506	39 365	35 481	37 822	40 045	42 326
	Disaster management									
	Community safety and security	19 083	28 929	40 803	46 220	50 875	50 772	52 633	55 552	58 561
	Control centre									
	Special focus (community programmes)	-	-							
Invest in human capital and retain skills	Human resources	22 290	6 003	38 260	58 139	45 156	41 571	66 994	71 688	75 756
Practice good governance	Internal audit	69	60	3 501	4 941	4 964	4 866	6 067	6 409	6 763
	Risk management	57	62	2 451	2 789	2 402	2 300	2 565	2 710	2 859
	IDP	3 039	4 896	4 475	4 183	3 206	3 193	4 210	4 464	4 731
	Project management	3 829	3 729	4 881	6 168	5 840	5 827	6 540	6 934	7 347
	Performance management	-	-	-	807	1 231	684	792	833	875
	Information systems	(209)	1 175	17 897	24 104	24 945	24 881	26 042	27 461	28 917
	Legal services	4 865	6 574	7 137	8 930	7 286	7 249	8 774	9 290	9 828
	Secretariat	972	1 025	9 110	9 428	10 227	10 215	11 237	11 903	12 600
	Mechanical services	10 483	13 558	10 259	50 765	48 999	31 891	51 613	54 349	57 140
	Councillor support, Traditional Affairs and public participation	1 424	-	0	3 354	2 290	6 223	21 955	2 707	2 335
	Communication and marketing	748	452	17 407	10 685	13 884	14 119	14 486	15 328	16 205
	council & Executive mayor's office	31 247	44 615	107 683	90 890	97 491	94 475	102 362	115 715	124 086
	Municipal manager's office	103	2 174	2 557	2 970	3 876	3 804	2 824	3 003	3 192
<b>Allocations to other priorities</b>										
<b>Total Expenditure</b>		<b>1 134 870</b>	<b>1 213 741</b>	<b>1 623 459</b>	<b>1 673 462</b>	<b>1 785 959</b>	<b>1 737 922</b>	<b>1 944 707</b>	<b>2 001 145</b>	<b>2 124 082</b>

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

Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue &		
		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
R thousand										
Develop and refurbish infrastructural services	Water and sanitation	231,975	98,954	126,350	188,067	273,766	273,766	163,500	169,235	230,603
	Energy services	21,387	51,788	58,652	40,000	59,256	61,252	51,500	54,800	75,300
	Transport infrastructure	176,559	72,818	114,099	140,850	179,663	179,663	61,750	113,750	127,750
	Waste management	3,205	629	346	-	-	-	8,950	-	-
	Community health services	29	-	-						
Facilitate, care and support communities	Fire and emergency services				-	350	350			
	Arts and Culture							300	1,700	600
	Traffic and licence									
	Facility management				-			5,500		2,000
	Disaster management							1,000		
	Community safety and security	5,781	19,340	-	-	600	600			
	Control centre									
	Special focus (community programmes)	6,228	2,249	726	-	1,006	1,006			
Invest in human capital and retain skills	Human resources									
Practice good governance	Internal audit									
	Risk management									
	IDP									
	Project management									
	Performance management									
	Information systems	36,077	13,357	22,394	6,500	8,157	8,157	5,500	4,500	8,417
	Legal services									
	Secretariat									
	Mechanical services									
	Councillor support, Traditional Affairs and public participation									
	Communication and marketing							50		
	Executive mayor's office									
	Municipal manager's office									
Allocations to other priorities										
<b>Total Capital Expenditure</b>		<b>897,181</b>	<b>287,886</b>	<b>354,503</b>	<b>485,070</b>	<b>533,804</b>	<b>535,800</b>	<b>504,007</b>	<b>363,785</b>	<b>460,170</b>