

COUNCIL MEETING – 30 MARCH 2010
REPORT OF EXECUTIVE MAYOR

2010/2011 DRAFT MEDIUM TERM REVENUE AND EXPENDITURE (MTREF) BUDGET

1. Introduction

In terms of Section 16 (2) of the Municipal Finance Management Act (MFMA) No 56, 2003:

“(2) The mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”

The formulation of the 2010/2011 MTREF budget commenced in August 2009 with the adoption of the IDP / Budget Process Plan by Council on 20 August 2009 (BCC311/09) indicating the key deadlines for the preparation of the budget.

2. Budget Assumptions/Parameters

The budget assumptions/parameters have been amended taking into account the parameters and guidelines from Amatola Water and National Treasury (Refer Circular No. 51 of the MFMA dated 19 February 2010)

Table 1: Budget Assumptions / Parameters

Description	2009/2010	2010/2011	2011/2012	2012/2013
	Actual	Draft	Draft	Draft
National Treasury Headline Inflation Forecasts	6.70%	5.7%	6.2%	5.9%
Salaries	13.00%	8.5%	9.0%	9.0%
Electricity Purchases	31.30%	24.8%	25.9%	25.9%
Water Purchases	7.0%	8.8%	9.0%	9.0%
Free Basic Electricity	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.
Free Basic Water	6 kl p.m.	6 kl p.m.	6 kl p.m.	6 kl p.m.
Basic Welfare Package	R283.90	R313.43	R350.89	R393.21
Equitable Share Allocation	R401,692,000	R508,895,000	R583,459,000	R643,912,000
Bad Debt Provision	R69,726,307	R77,681,451	R85,449,596	R93,994,556
Rates	Variable	10.0%	10.0%	10.0%
Refuse	11.0%	11.0%	11.0%	11.0%
Sewerage	11.0%	11.0%	11.0%	11.0%
Electricity	31.3%	22.0%	22.0%	22.0%
Water	11.0%	11.0%	11.0%	11.0%
Fire Levy	11.0%	11.0%	11.0%	11.0%
Sundry Income	11.0%	11.0%	11.0%	11.0%

The preparation of the draft 2010/11 MTREF budget has taken into account the following assumptions/parameters:

- The contents of MFMA Circular No. 51, which deals with the global economic slowdown and the impact of such on the local economy and also predicts the headline inflation for the next three years.
- A provision for bad debts of 10% on revenue for service charges (R77.7 million) due to anticipated increase in the rate of unemployment and ratepayer's ability to pay for service charges.
- A provision of 24.8% increase in Eskom bulk electricity tariffs as approved by NERSA.
- A provision of 8.8% increase in bulk water purchases from Amatola Water.
- A provision of 8.5% increase in staff costs which take into account the January 2010 average CPI of 7% plus 1.5% as per the SALGBC.
- An increase of 23.33% was applied to repairs and maintenance resulting in an additional R44.34million compared to the 2009/10 financial year and is broken down as follows for the various services:
 1. Roads 67.5% Increase from the 2009/2010 financial year.
 2. Refuse services 6 % of the revenue.
 3. Sewerage services 12 % of the revenue.
 4. Electricity services 10 % of the revenue.
 5. Water services 10 % of the revenue.
- An increase of 5% was applied to general expenses.

3. Operating Budget for 2010/2011 MTREF Period

The table below identifies the 2010/2011 MTREF Operating Budget

Table 2: Draft Operating Budget for the 2010/2011 MTREF Period

	2009/2010 APPROVED BUDGET	2010/2011 DRAFT BUDGET	2011/2012 DRAFT BUDGET	2012/2013 DRAFT BUDGET
<u>Revenue Per Source</u>				
Assessment Rates	(441,763,527)	(485,939,880)	(534,533,868)	(587,987,254)
Refuse Charges	(137,842,579)	(153,005,263)	(169,835,842)	(188,517,784)
Sewerage Charges	(146,597,011)	(162,722,682)	(180,622,177)	(200,490,617)
Trade Effluent	(8,463,474)	(9,394,456)	(10,427,846)	(11,574,909)
Water Charges	(202,854,696)	(225,168,713)	(249,937,271)	(277,430,371)
Electricity Charges	(810,214,976)	(988,462,271)	(1,205,923,970)	(1,471,227,244)
Fire Levy	(31,613,716)	(35,091,225)	(38,951,259)	(43,235,898)
Grants and Subsidies	(454,851,575)	(566,547,777)	(649,103,581)	(718,427,484)
Operating Project	(229,972,400)	(110,302,050)	(222,774,736)	(229,321,000)
Fines	(8,743,849)	(9,705,672)	(10,773,296)	(11,958,359)
Housing Rentals	(7,867,683)	(8,733,128)	(9,693,772)	(10,760,087)
Other Rentals	(2,600,993)	(2,887,102)	(3,204,683)	(3,557,199)
Income Foregone	15,773,180	17,508,230	19,434,135	21,571,890
Other	(200,283,274)	(208,802,083)	(226,588,926)	(246,589,718)
<u>Total Direct Operating Income</u>	(2,667,896,573)	(2,949,254,071)	(3,492,937,093)	(3,979,506,034)
<u>Expenditure Per Category</u>				
Salaries, Wages & Allowances	803,932,897	882,205,956	976,563,736	1,058,223,399
Remuneration of Councillors	23,200,203	25,300,220	27,620,742	29,987,772
General Expenses	632,086,188	683,515,105	731,446,445	783,155,272
Operating Projects	229,972,400	110,302,050	222,774,736	229,321,000
Bulk Electricity Purchases	476,599,576	594,796,271	748,253,709	942,051,419
Bulk Water Purchases	109,879,414	119,768,561	130,547,732	142,297,028
Repairs & Maintenance	183,114,809	234,390,464	267,868,683	307,225,064
Depreciation	273,516,007	390,127,053	502,111,077	626,916,541
Interest on External Loans	69,037,328	74,005,026	68,518,148	63,545,239
<u>Total Direct Operating Expenditure</u>	2,801,338,822	3,114,410,707	3,675,705,008	4,182,722,733
Internal Charges	717,350,597	753,218,127	790,879,033	830,422,985
<u>Total Operating Expenditure</u>	3,518,689,419	3,867,628,834	4,466,584,041	5,013,145,718
Internal Recoveries	(717,350,597)	(753,218,127)	(790,879,033)	(830,422,985)
<u>Sub-Total</u>	2,801,338,822	3,114,410,707	3,675,705,008	4,182,722,733
Transfers To/From Other Reserves	(148,882,812)	(165,259,921)	(183,438,513)	(203,616,749)
<u>Total Operating Expenditure</u>	2,652,456,010	2,949,150,785	3,492,266,495	3,979,105,984
<u>(Surplus) / Deficit</u>	(15,440,563)	(103,285)	(670,598)	(400,050)

Chart 1: 2010/2011 Operating Budget Per Income Sources

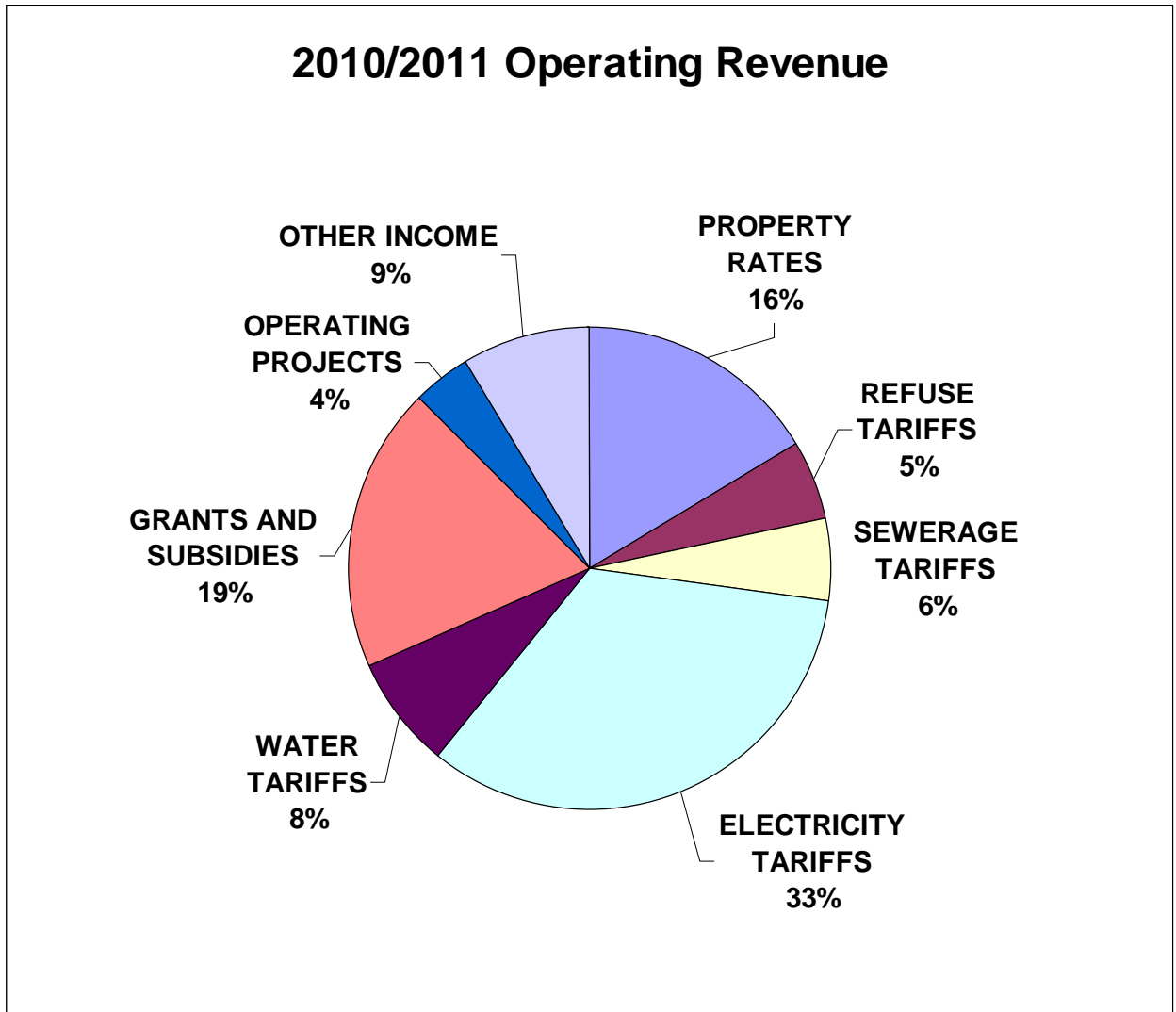
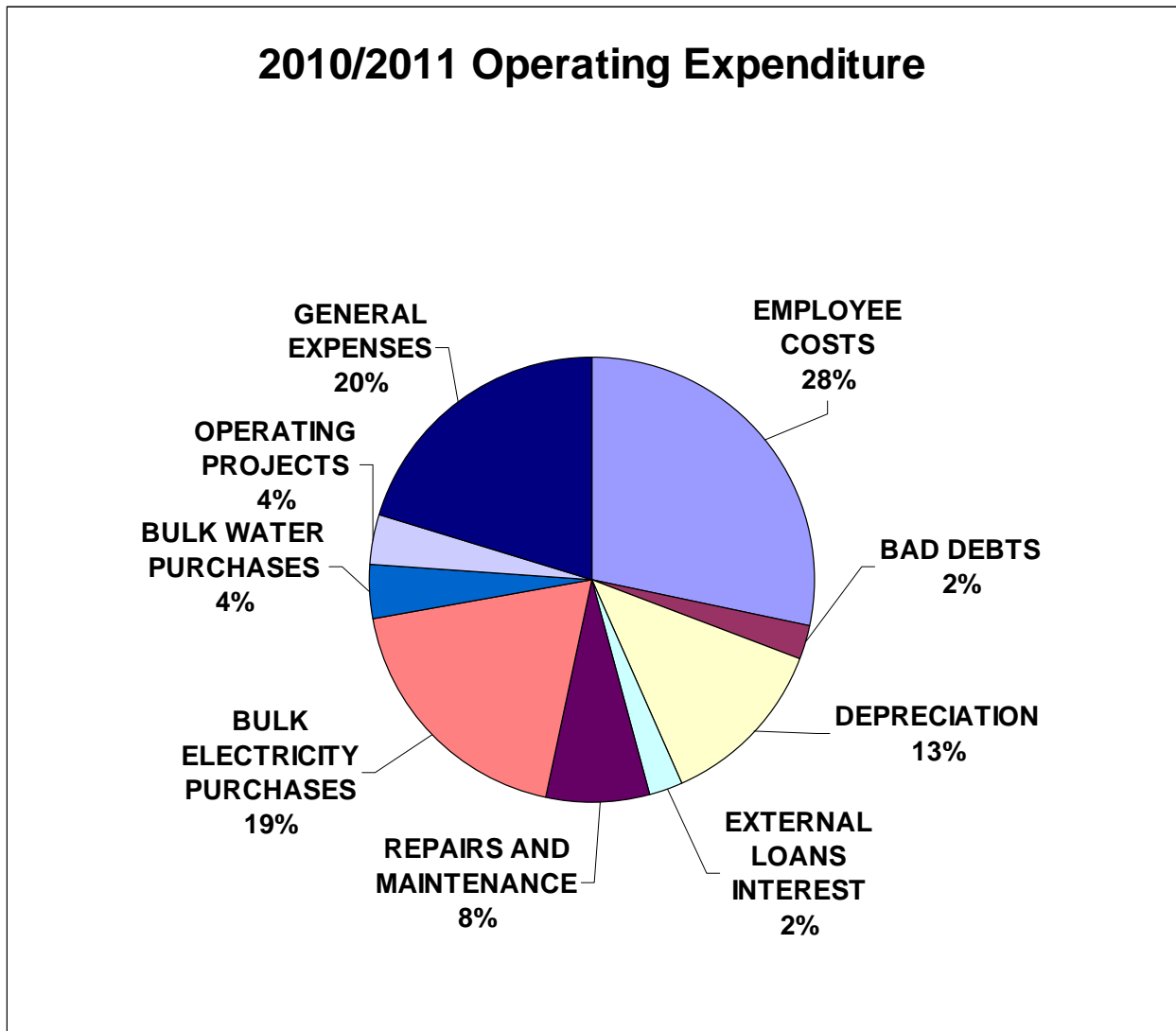


Chart 2: 2010/2011 Operating Budget Per Expenditure Categories



3.1 Trading Services

The following reflects the results of the trading services after the proposed tariff increase have been applied.

Electricity

Table 3 : Electricity Services Summary

	2009/2010 BUDGET	2010/2011 BUDGET	% INCREASE	2011/2012 BUDGET	2012/2013 BUDGET
Revenue					
Tariff Income	(810,214,976)	(988,462,271)	22.00%	(1,205,923,970)	(1,471,227,244)
Other Income	(46,414,416)	(52,133,793)	12.32%	(60,607,600)	(70,616,123)
Internal Recoveries	(186,621,835)	(195,952,927)	5.00%	(205,750,573)	(216,038,102)
Total Income	(1,043,251,227)	(1,236,548,991)	18.53%	(1,472,282,144)	(1,757,881,469)
Expenditure					
Salaries & Wages	44,057,648	49,292,483	11.88%	53,584,257	58,260,460
Capital Charges	51,894,932	64,551,646	24.39%	66,978,951	69,905,326
Repairs & Maintenance	80,959,232	98,846,227	22.09%	120,592,397	147,122,724
Bulk Purchases	476,599,576	594,796,271	24.80%	748,253,709	942,051,419
General Expenses	63,903,432	70,781,890	10.76%	75,988,922	81,724,632
Internal Charges	228,546,090	239,973,395	5.00%	251,972,064	264,570,667
Total Expenditure	945,960,910	1,118,241,911	18.21%	1,317,370,300	1,563,635,228
Trf To / From Reserves	(27,455,166)	(30,475,234)		(33,827,510)	(37,548,536)
(Surplus) / Deficit	(124,745,483)	(148,782,314)		(188,739,353)	(231,794,777)

Electricity services reflects a surplus of R148.78 million for the 2010/11 financial year after applying a 22.0 % increase in the tariffs. Electricity tariff income has increased by 22.0% compared to the 2009/10 financial year. The surplus from electricity contributes to Rates and General services.

Purchase of power from Eskom amounts to R594,8 million. The budget provision of R594.8 million represents an increase of 24.8 %, over the 2009/10 budget.

Water

Table 4 : Water Services Summary

	2009/2010 BUDGET	2010/2011 BUDGET	% INCREASE	2011/2012 BUDGET	2012/2013 BUDGET
Revenue					
Tariff Income	(202,854,696)	(225,168,713)	11.00%	(249,937,271)	(277,430,371)
Projects	(13,833,094)	(14,524,749)	5.00%	(15,250,986)	(16,013,535)
Other Income	(38,235,479)	(44,349,735)	15.99%	(49,058,738)	(52,404,642)
Internal Recoveries	(138,860,370)	(145,803,389)	5.00%	(153,093,558)	(160,748,236)
Total Revenue	(393,783,639)	(429,846,585)	9.16%	(467,340,553)	(506,596,784)
Expenditure					
Salaries & Wages	50,673,848	54,764,136	8.07%	59,548,247	64,762,023
Capital Charges	30,770,633	41,933,417	36.28%	43,923,539	46,240,770
Repairs & Maintenance	16,306,785	22,516,871	38.08%	24,993,727	27,743,037
Bulk Purchases	109,879,414	119,768,561	9.00%	130,547,732	142,297,028
General Expenses	36,587,742	39,944,949	9.18%	42,575,840	45,401,577
Projects	13,833,094	14,524,749	0.00%	15,250,986	16,013,535
Internal Charges	170,678,083	179,211,987	5.00%	188,172,587	197,581,216
Total Expenditure	428,729,599	472,664,670	10.25%	505,012,659	540,039,185
Trf To / From Reserves	(22,665,396)	(25,158,590)		(27,926,034)	(30,997,898)
(Surplus) / Deficit	12,280,564	17,659,496		9,746,071	2,444,503

The water services reflects a deficit of R17.66 million for the 20010/11 financial year after applying the 11 % increase in the tariffs.

The bulk water purchases amounts to R119,77 million, which is R9.87 million more than 2009/10 estimate of R109.9 million, which represents a year-on-year increase of 8.98 %.

In order for water services to break even, the water tariff needs to be increased by a further 8.71%.

Refuse

Table 5 : Refuse Services Summary

	2009/2010 BUDGET	2010/2011 BUDGET	% INCREASE	2011/2012 BUDGET	2012/2013 BUDGET
Revenue					
Tariff Income	(138,033,322)	(153,005,263)	10.85%	(169,835,842)	(188,517,784)
Projects	(18,442,711)	(750,000)	0.00%	0	0
Other Income	(50,304,665)	(61,733,328)	0.00%	(68,523,994)	(76,061,634)
Internal Recoveries	(11,618,097)	(12,199,002)	5.00%	(12,808,952)	(13,449,400)
Total Revenue	(218,398,795)	(227,687,593)	4.25%	(251,168,788)	(278,028,818)
Expenditure					
Salaries & Wages	62,990,023	67,824,749	7.68%	73,820,871	80,355,427
Capital Charges	18,905,357	5,764,604	-69.51%	6,279,334	6,840,729
Repairs & Maintenance	6,901,666	9,180,316	33.02%	10,190,151	11,311,067
Bulk Purchases	0	0	0.00%	0	0
General Expenses	102,299,817	122,605,938	19.85%	133,159,566	144,718,165
Projects	18,442,711	750,000	0.00%	0	0
Internal Charges	36,593,639	38,423,321	5.00%	40,344,487	42,361,711
Total Expenditure	246,133,213	244,548,928	-0.64%	263,794,409	285,587,099
Trf To / From Reserves	788,216	874,920		971,161	1,077,989
(Surplus) / Deficit	28,522,634	17,736,255		13,596,782	8,636,271

The refuse services indicates a deficit of R17.74 million for the 2010/11 financial year after applying the 11 % increase in the tariffs. Refuse tariff income has increased by 11.0 % as compared to the 2009/10 financial year.

In order for refuse services to break even, the refuse tariff needs to be increased by a further 12.87%. The deficit incurred by the Refuse Services is subsidised by Rates and General Services.

Sewerage Services

Table 6 : Sewerage Services Summary

	2009/2010 BUDGET	2010/2011 BUDGET	% INCREASE	2011/2012 BUDGET	2012/2013 BUDGET
Revenue					
Tariff Income	(146,597,011)	(162,722,682)	11.00%	(180,622,177)	(200,490,617)
Projects	0	0	0.00%	0	0
Other Income	(50,960,803)	(47,580,153)	-6.63%	(52,813,970)	(58,623,507)
Internal Recoveries	(19,377,501)	(20,346,376)	5.00%	(21,363,695)	(22,431,880)
Total Income	(216,935,315)	(230,649,212)	6.32%	(254,799,842)	(281,546,003)
Expenditure					
Salaries & Wages	50,785,867	56,160,942	10.58%	61,106,591	66,496,217
Capital Charges	59,224,163	63,901,490	7.90%	68,338,182	73,283,228
Repairs & Maintenance	12,839,481	19,526,722	52.08%	21,674,661	24,058,874
Bulk Purchases	0	0	0.00%	0	0
General Expenses	71,938,590	86,211,750	19.84%	93,313,004	101,069,661
Projects	0	0	0.00%	0	0
Internal Charges	50,814,167	53,354,875	5.00%	56,022,619	58,823,750
Total Expenditure	245,602,268	279,155,779	13.66%	300,455,057	323,731,731
Trf To / From Reserves	(31,807,681)	(35,306,526)		(39,190,244)	(43,501,171)
(Surplus) / Deficit	(3,140,728)	13,200,041		6,464,972	(1,315,443)

The sewerage services reflects a deficit of R13.20 million for the 2010/11 financial year after applying the 11 % increase in the tariffs. Sewerage tariff income has increased by 11 % as compared to the 2009/10 financial year. The deficit from Sewerage Services is subsidized by Rates and General services. A further 9.0% increase in tariffs is required for the service to break even.

4. Grants included in the Budget in Terms of the 2009 DORA Report

The following table reflects grants to be received in 2010/2011 MTREF in terms of the DORA report published after the 2010 National Budget speech delivered by the Minister of Finance on the 17th February 2010.

Table 7: 2010/2011 to 2012/2013 Grant Allocations in terms of 2010 DORA

	2010/2011 - 2012/2013 MTREF			
	2009/2010 Government Gazette No 32794 10 Dec 2009	Government Gazette No 32882 22 Jan 2010	Government Gazette No 32882 22 Jan 2010	Government Gazette No 32882 22 Jan 2010
	<u>2009/2010 Adj. DoRA</u>	<u>2010/2011 DoRA</u>	<u>2011/2012 DoRA</u>	<u>2012/2013 DoRA</u>
<u>1. Appendix W4</u>				
<u>Specific Purpose Recurrent Grant Allocations</u>				
Local Government Financial Management Grant	1,000,000	1,200,000	1,450,000	1,500,000
Water Services Operating & Transfer Subsidy (DWAF)	2,985,000	2,105,000	1,395,000	0
Municipal Systems Improvement Programme	500,000	750,000	790,000	800,000
<u>Sub-Total - Specific Purpose Recurrent Grant Allocations</u>	4,485,000	4,055,000	3,635,000	2,300,000
<u>2. Appendix W5</u>				
<u>Infrastructure Grant Allocations</u>				
Municipal Infrastructure Grant (MIG)	172,136,000	193,192,000	232,352,000	282,519,000
Public Transport Infrastructure and Systems Grant	31,213,000	71,478,000	400,000,000	700,000,000
Neighbourhood Development Partnership Grant (Capital Grant)	6,000,000	13,000,000	18,000,000	35,000,000
Integrated National Electrification Programme (INEP)	13,000,000	20,000,000	25,000,000	20,000,000
Electricity Demand Side Management Grant	5,000,000	4,000,000	8,000,000	0
<u>Sub-Total - Infrastructure Grant Allocations</u>	227,349,000	301,670,000	683,352,000	1,037,519,000
<u>3. Appendix W6</u>				
<u>Allocations-In-Kind</u>				
Water Services Operating & Transfer Subsidy Grant (DWAF)	603,000	0	0	0
Integrated National Electrification Programme (INEP) (Eskom) Grant	5,166,000	6,491,000	16,729,000	0
Neighbourhood Development Partnership Grant(Technical Assistance)	1,000,000	1,300,000	3,500,000	4,136,000
Electricity Demand Side Management (Eskom) Grant	0	0	5,000,000	0
<u>Sub-Total - Allocations-In-Kind</u>	6,769,000	7,791,000	25,229,000	4,136,000
<u>4. Appendix W7</u>				
<u>Incentives to Municipalities</u>				
Expanded Public Works Programme Incentives Grant for Municipalities	500,000	1,827,000	0	0
<u>Sub-Total - Equitable Share Allocations</u>	500,000	1,827,000	0	0
<u>4. Appendix E6</u>				
<u>Equitable Share Allocations</u>				
Equitable Share	401,691,000	508,895,000	583,459,000	643,912,000
<u>Sub-Total - Equitable Share Allocations</u>	401,691,000	508,895,000	583,459,000	643,912,000
<u>Grand Total - Total Allocations to Municipalities</u>	640,794,000	824,238,000	1,295,675,000	1,687,867,000

5. Equitable Share Allocation

The equitable share included in the 2010 DORA report has been allocated as follows:

Table 8: Equitable Share Allocation

ALLOCATIONS	2009/2010 REVISED	2010/2011 ORIGINAL	2011/2012 ORIGINAL	2012/2013 ORIGINAL
Poor Relief – Rates	32,778,788	39,697,081	43,269,818	47,164,101
Poor Relief – Refuse	47,321,054	58,421,520	64,847,887	71,981,155
Poor Relief – Sewerage	40,159,800	35,591,040	39,506,054	43,851,720
Poor Relief – Fire Levy	10,505,271	13,439,880	14,918,267	16,559,276
Free Basic Electricity - 50kwh	21,880,197	24,900,810	30,378,989	37,062,365
Free Basic Water - 6kl	16,722,577	20,624,475	22,893,167	25,411,415
Bulk Water Purchases	15,406,137	16,946,751	18,641,426	18,641,426
Equitable Allocation	216,918,177	299,273,443	349,003,393	383,240,542
<u>Total Equitable Share</u>	401,692,000	508,895,000	583,459,000	643,912,000

6. Provision for Bad Debt, Leave Pay and Repairs and Maintenance

6.1. Provision for Bad Debt

Table 9: Proposed Bad Debt Provision for the 2010/2011 MTREF Period

	2009/2010	2010/2011	2011/2012	2012/2013
Proposed Bad Debt Provision	69,726,306	77,681,451	85,449,596	93,884,556

The provision for bad debts has increased by R7,955,145 from R69,726,306 in 2009/2010 to R77,681,451 in 2010/2011

6.2. Provision for Leave Pay

Table 10: Proposed Provision for Leave Provision

	2009/2010	2010/2011	2011/2012	2012/2013
Proposed Leave Provision	13,076,172	14,514,551	16,111,152	17,883,378

6.3. Repairs and Maintenance

An amount of R234.39 million, R267.87 million and R307.236 million has been provided for maintenance in the 2010/11 to 2012/13 financial years for roads, refuse, sewerage, electricity and water and miscellaneous maintenance respectively.

Table 11: Repairs and Maintenance

Provision for Repairs and Maintenance	2009/2010 Budget	2010/2011 Budget	2011/2012 Budget	2012/2013 Budget
<u>Roads</u>	23,797,135	28,080,619	47,035,037	51,268,190
% Increase on Previous Year	18.00%	67.50%	9.00%	9.00%
	4,283,484	18,954,418	4,233,153	4,614,137
<u>Total</u>	28,080,619	47,035,037	51,268,190	55,882,327
<u>Refuse Service Tariff Income</u>	138,033,322	153,005,263	169,835,842	188,517,784
% of Tariff Income	5.00%	6.00%	6.00%	6.00%
<u>Total</u>	6,901,666	9,180,316	10,190,151	11,311,067
<u>Sewerage Service Tariff Income</u>	142,660,896	162,722,682	180,622,177	200,490,617
% of Tariff Income	9.00%	12.00%	12.00%	12.00%
<u>Total</u>	12,839,481	19,526,722	21,674,661	24,058,874
<u>Electricity Service Tariff Income</u>	809,592,320	988,462,271	1,205,923,970	1,471,227,244
% of Tariff Income	10.00%	10.00%	10.00%	10.00%
<u>Total</u>	80,959,232	98,846,227	120,592,397	147,122,724
<u>Water Service Tariff Income</u>	203,834,809	225,168,713	249,937,271	277,430,371
% of Tariff Income	8.00%	10.00%	10.00%	10.00%
<u>Total</u>	16,306,785	22,516,871	24,993,727	27,743,037
<u>Other (Comprises of building, equipment, etc)</u>	44,964,382	37,285,291	39,149,557	41,107,034
<u>Grand Total Repairs & Maintenance</u>	190,052,164	234,390,464	267,868,683	307,225,064

The calculation for the allocation of repairs and maintenance to roads is based on a percentage increase on the previous years budget and the services calculation is based on a percentage of the anticipated budgeted tariff income to be generated.

7. Summary of the Proposed Tariff Increases

Considering the income envelope to fund the budgeted expenditure the following tariff increases have been applied for the 2010/2011 MTREF period.

Table 12: Proposed Tariff Increases

Description	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Rates	11.00%	Variable	10.00%	10.00%	10.00%
Refuse	11.00%	11.00%	11.00%	11.00%	11.00%
Sewerage	11.00%	11.00%	11.00%	11.00%	11.00%
Electricity	30.00%	31.3%	22.00%	22.00%	22.00%
Water	11.00%	11.00%	11.00%	11.00%	11.00%
Fire Levy	11.00%	11.00%	11.00%	11.00%	11.00%
Sundry Income	9.00%	11.00%	11.00%	11.00%	11.00%

8. Proposed Welfare Package

An amount of R209,98 million has been allocated from the 2010/11 equitable share to provide relief to the indigent consumers. The package has been designed to subsidise the indigent consumers by 100% on all services as well as quantify the cost of 50kwh Electricity and 6kl Water. The welfare package is illustrated in Table 13 below.

Table 13: Proposed Welfare Package

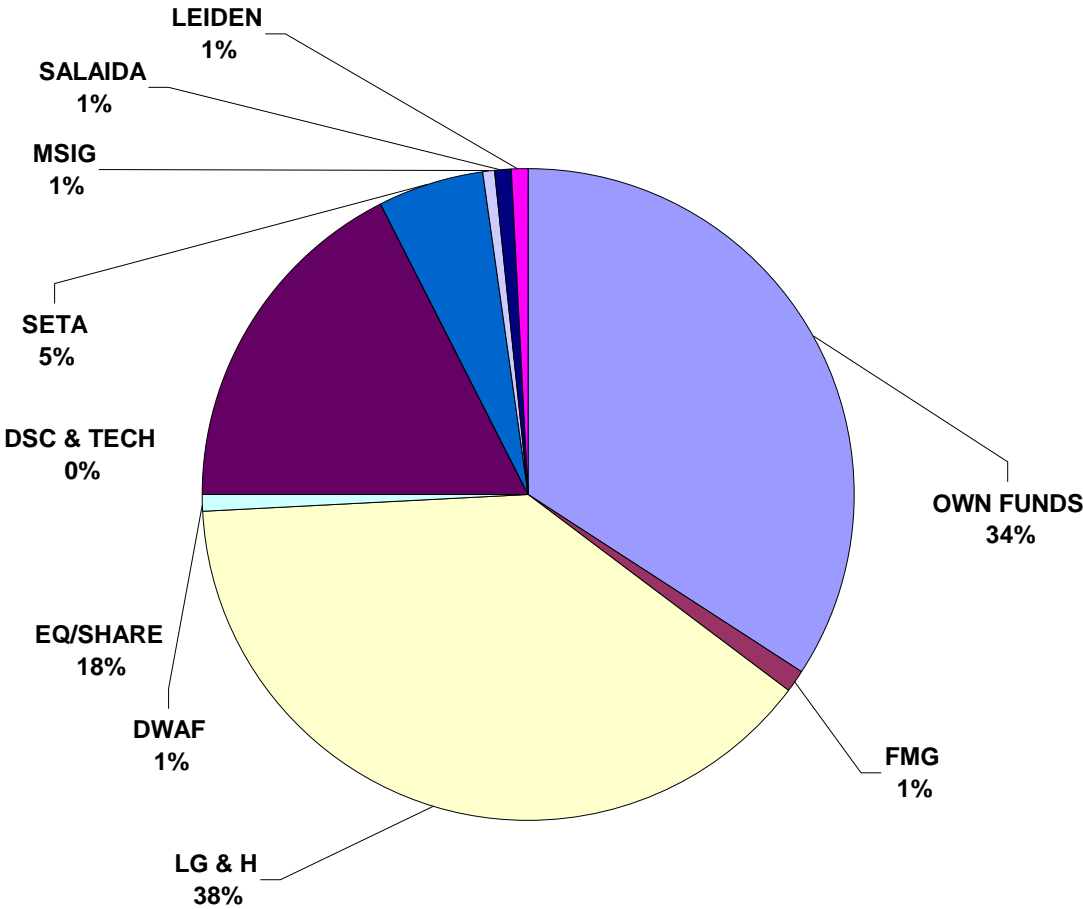
Monthly Welfare Package	2009/2010	2010/2011	2011/2012	2012/2013
	Actual Package	Proposed Package	Proposed Package	Proposed Package
Rates	60.70	66.77	73.45	80.79
Refuse	87.63	97.37	108.08	119.97
Sewerage	53.44	59.32	65.84	73.09
Fire Levy	19.45	22.40	24.86	27.60
Electricity - 50kwh	31.71	33.20	40.51	49.42
Water - 6kl	30.97	34.37	38.16	42.35
Total Welfare Package Per Month	283.90	313.43	350.90	393.22

9. Operating Projects

Table 14: Operating Budget Projects Per Funding Source for 2010/2011 MTREF Period

OPEX PER FUNDING SOURCE	2009/2010	2010/2011	2011/2012	2012/2013
	R	R	R	R
Own Funds	33,585,822	37,785,000	44,286,000	28,993,000
Finance Management Grant	1,000,000	1,200,000	1,450,000	1,500,000
Dept of Land Affairs	1,000,000	0	0	0
Dept of Local Government and Housing	218,722,912	42,675,050	144,488,736	165,828,000
Dept. Water Affairs & Forestry	6,600,000	1,000,000	1,000,000	0
European Commission	7,200,000	0	0	0
Equitable Share	15,000,000	19,500,000	19,500,000	19,500,000
Dept. of Science & Technology	5,000,000	0	4,000,000	5,000,000
Sectoral Education & Training Authority	0	5,750,000	6,600,000	7,700,000
Municipal Infrastructure Grant	100,000	0	0	0
Municipal Systems Infrastructure Grant	500,000	650,000	790,000	800,000
Salaida	1,022,400	750,000	0	0
Leiden	100,000	992,000	660,000	0
TOTAL OPEX	289,831,134	110,302,050	222,774,736	229,321,000

2010/2011 OPEX PER FUNDING SOURCE



10. Capital Budget

The Table 15 below indicates the Capital Budget per sources of funding.

Table 15: Capital Budget per Funding Source for 2010/2011 MTREF Period

CAPEX PER FUNDING SOURCE	2009/2010	2010/2011	2011/2012	2012/2013
	R	R	R	R
Capital Replacement Reserve	159,130,675	170,742,054	297,615,417	167,845,000
Development Bank of South Africa - Loan	205,571,175	0	0	0
Buffalo City Metropolitan Board	1,815,358	0	0	0
Dept. of Econ. Dev., Environ. Affairs & Tourism	700,000	0	0	0
Dept. of Land Affairs	2,082,276	0	0	0
Dept. of Sports, Arts & Culture	50,000,000	0	0	0
Dept. Science & Technology	3,390,580	0	0	0
Dept. of Water Affairs	533,967	0	0	0
Development Bank of South Africa - Grant	51,078	0	0	0
Easter Cape Development Corporation	344,272	0	0	0
European Commission	80,156,747	0	0	0
Dept. Local Government & Housing	121,977,718	9,800,000	52,900,000	22,000,000
Lotto	344,555	0	0	0
Electricity Demand Management	0	4,000,000	8,000,000	0
Leiden	4,186,910	2,588,000	0	0
Intergrated National Electrification Programme	35,327,718	20,000,000	25,000,000	20,000,000
Municipal Infrastructure Grant	291,988,094	190,004,332	219,866,720	279,019,000
Neighbourhood Development Partnership Grant	15,643,000	10,500,000	18,000,000	35,000,000
Disaster Management Grant	3,299,363	0	0	0
Public	1,914,618	1,000,000	1,000,000	0
Public Transport Infrastructure & Systems Grant	36,772,997	71,478,000	400,000,000	700,000,000
SIDA	52,993	0	0	0
TOTAL CAPEX	1,015,284,094	480,112,386	1,022,382,137	1,223,864,000

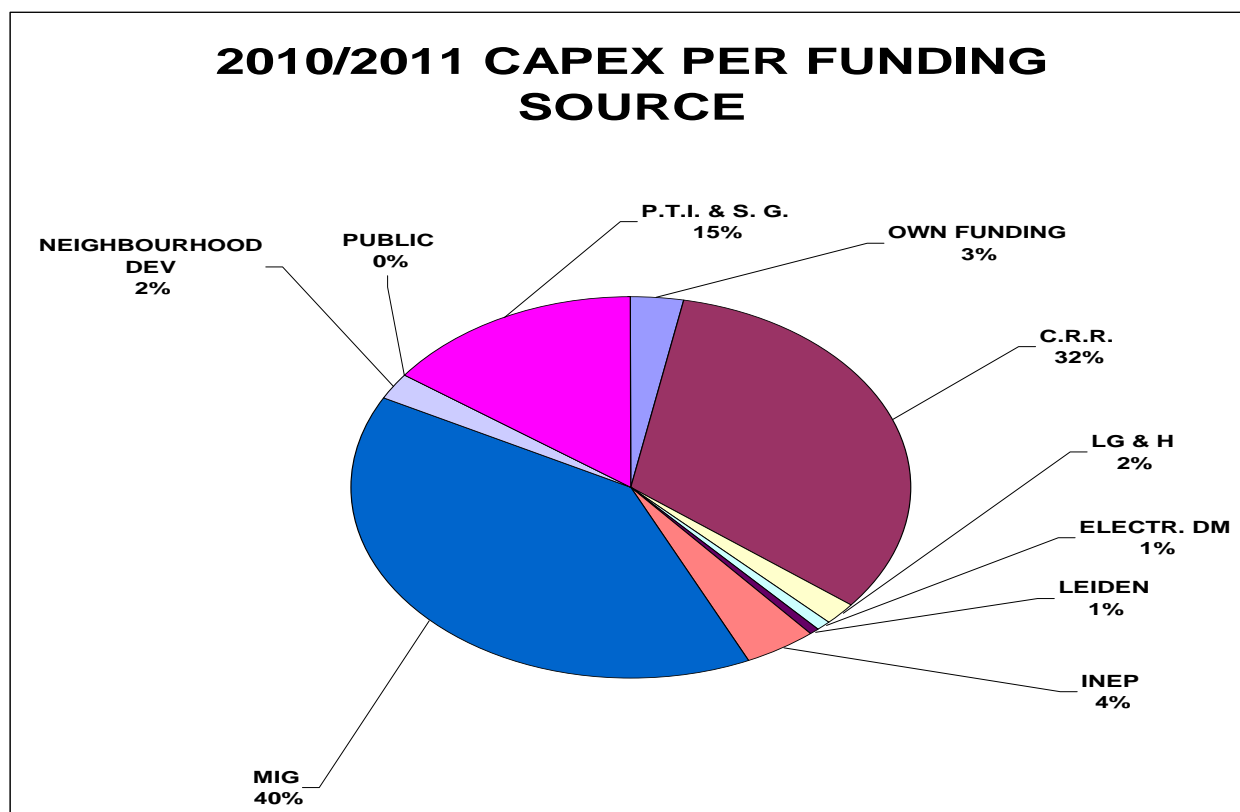
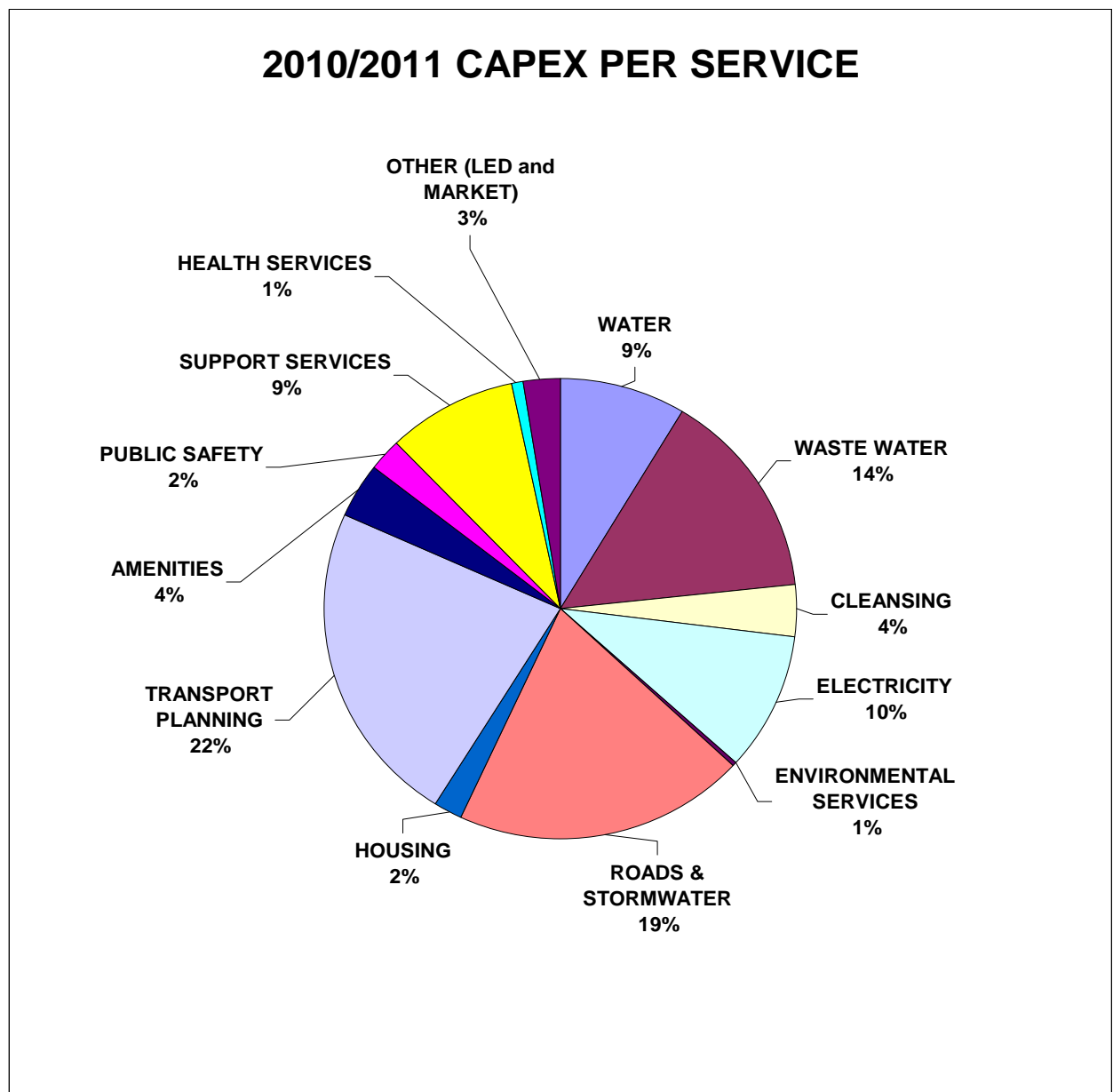


Table 16: Capital Budget per Service for 2010/2011 MTREF Period

CAPEX PER SERVICE	2009/2010	2010/2011	2011/2012	2012/2013
	R	R	R	R
Water	102,833,918	41,500,000	55,000,000	64,500,000
Waste Water	138,350,568	70,711,855	104,683,730	111,000,000
Cleansing	61,221,393	17,500,000	42,800,000	10,000,000
Electricity	78,918,718	45,800,000	71,550,000	45,000,000
Environmental Services	6,664,289	2,500,000	9,016,303	9,000,000
Roads & Stormwater	161,299,067	95,500,000	120,866,687	139,019,000
Housing	127,877,718	9,800,000	52,900,000	22,000,000
Transport Planning	77,091,434	109,052,360	433,000,000	743,750,000
Amenities	54,126,524	18,100,000	8,500,000	1,000,000
Public Safety	46,609,451	10,750,000	23,578,000	1,100,000
Support Services	133,220,748	42,975,664	86,337,417	72,405,000
Health Services	1,495,445	3,392,477	6,100,000	0
Other (Led and Market)	25,574,821	12,530,000	8,050,000	5,090,000
TOTAL CAPEX	1,015,284,094	480,112,356	1,022,382,137	1,223,864,000



11. BUDGET RELATED POLICIES

The following policies have been taken into account in the development of the Draft 2010/11 MTREF budget: -

Credit Control Policy

The Credit Control and Debt Collection Policy including the Indigent policy were adopted by Council on 2 May 2007. The Credit Control Policy has been reviewed and the Draft was work shopped with Councillors on 19 March 2010. **(Refer to Annexure D)**

The Draft Policy will be advertised and presented to the various wards in April 2010 for public comments. The final Credit control policy will be tabled to Council for approval in May 2010.

Rates Policy

In terms of Section 3 of the Municipal Property Rates Act, Council must adopt a rates policy. The Rates Policy was approved by Council on 4 June 2009. The Policy has been reviewed and the Draft was work shopped with Councillors on 19 March 2010.

The Draft Policy will be advertised and presented to the various wards in April 2010 for public comments. The final Credit control policy will be tabled to Council for approval in May 2010. **(Refer to Annexure F)**

Indigent Policy

The Credit Control and Debt Collection Policy including the Indigent Policy was adopted by Council on 2 May 2007. A separate Indigent Policy has been developed and the Draft was work shopped with Councillors on 19 March 2010.

The Draft Policy will be advertised and presented to the various wards in April 2010 for public comments. The final Credit control policy will be tabled to Council for approval in May 2010. **(Refer to Annexure E)**

Budget Policy

The Budget Policy has been developed in terms of Chapter 4 Section 15 to 32 of the MFMA and was approved by Council on 29 May 2008. The policy is currently being reviewed to take into account the key issues as per the MFMA Municipal Budget and Reporting Regulations including MFMA Circular 48 and 51.

Supply Chain Management (SCM) Policy

In terms of Section 111 of the MFMA the municipality must adopt a Supply Chain Management policy. The reviewed SCM policy was approved by Council on 24 February 2009.

The SCM Policy is currently being reviewed and the Draft will be work shopped with Councillors on 14 May 2010.

The final SCM Policy will be tabled to Council for approval in May 2010.

Tariff Policy

In terms of Section 74(1) of the Municipal Systems Act, Council adopted a tariff policy on 30 May 2006. The reviewed policy was approved by Council on 4 June 2009.
(Refer to Annexure G)

Investment and Cash Management Policy

In terms of Section 13(2) of the Municipal Finance Management Act, the municipality must adopt an investment and cash management policy. The reviewed policy was approved by Council on 4 June 2009.

Long -Term Borrowings Policy

The Draft Long –Term borrowings has been developed and will be work shopped with Councillors on 14 May 2010.

The final Long –Term Borrowings Policy will be tabled to Council for approval in May 2010.

Asset Disposal Policy

The Draft Asset Disposal Policy has been developed and will be work shopped with Councillors on 14 May 2010.

The final Asset Disposal Policy will be tabled to Council for approval in May 2010.

Policy on Reserves and Asset Management Policy

The policy on Reserves and Asset Management policy are included in the accounting policies which were adopted by Council in August 2009.

12. Recommendation

It is recommended that: -

1. The annual budget for the financial year 2010/11; and the indicative budget for the two projected outer years 2011/12 and 2012/13 be approved as set out in the following annexure: -

- (a) Annexure A – National Treasury Tables A1 to A10
- (b) Annexure B – Detailed Operating Projects
- (c) Annexure C – Detailed Capital Projects

The 2010/2011 Draft Medium Term Revenue and Expenditure Framework Budget be approved as detailed in the Budget Summary

	Operating Budget R	Capital Budget R	Total Budget R
2010/2011 Budget	3,114,410,707	480,112,356	3,594,523,063
2011/2012 Budget	3,675,705,008	1,022,382,137	4,698,087,145
2012/2013 Budget	4,182,722,733	1,223,864,000	5,406,586,733

2. Approval be granted for the increase in tariffs and charges with effect from 1 July 2010 in respect of the following: -
- (a) Rates and Service Tariffs
 - Rates 10%
 - Sewerage 11%
 - Refuse 11%
 - Water 11%
 - Electricity 22%
 - (b) Miscellaneous tariffs as set out in the detailed tariff book (**Refer to Annexure G**)
3. That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy as amended from time to time.
4. That an indigent consumer be given a maximum subsidy on his account of R313.43 per month, which includes a maximum of 50kwh for electricity and 6kl for water.

5. That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
6. That free basic water be granted to a registered indigent of 6Kl per month.

COUNCILLOR Z. FAKU
EXECUTIVE MAYOR