

# FINAL MTREF BUDGET 2011/12- 2013/14

Date Tabled to Council: 13 May 2011



## Contents

PART A.....	3
1. SISONKE DISTRICT MUNICIPALITY MAP .....	3
2. WHO WE ARE? .....	4
3. MUNICIPAL VISION .....	5
4. MAYOR’S REPORT .....	5
5. BUDGET RESOLUTIONS .....	7
6. BUDGET EXECUTIVE SUMMARY.....	8
6.1 REVENUE .....	8
6.2 OPERATING EXPENDITURE FRAMEWORK.....	13
6.3 CAPITAL EXPENDITURE FRAMEWORK .....	18
6 ANNUAL BUDGET TABLES .....	20
PART B.....	29
1. Budget process overview.....	29
2. Overview of the Alignment of Annual Budget with IDP .....	32
3. Measurable performance objectives and indicators.....	33
4. Overview of Budget Related Policies .....	35
5. Overview of Budget Assumptions.....	35
6. Overview of Budget Funding .....	37
7. Expenditure on Allocations and grants Programmes .....	38
8. Allocations or Grants made by the Municipality .....	38
9. Councilor Allowances, s57 Managers and Employee Benefits .....	38
10. Monthly targets for revenue, expenditure and cash flow.....	40
11. Annual Budget and SDBIP’s – Internal Departments.....	41
12. Contracts having future budgetary implications .....	41
13. Capital Expenditure Details.....	42
14. Legislation Compliance Status .....	45
15. MFMA Compliance Status .....	45
16. Other Supporting Documents.....	45
17. Municipal Managers Quality certification .....	46
ANNEXURES:	
A – Budget Schedules, Supporting Documents & Charts	
B – Budget Related Policies	

**PART A**

**1. SISONKE DISTRICT MUNICIPALITY MAP**



## 2. WHO WE ARE?

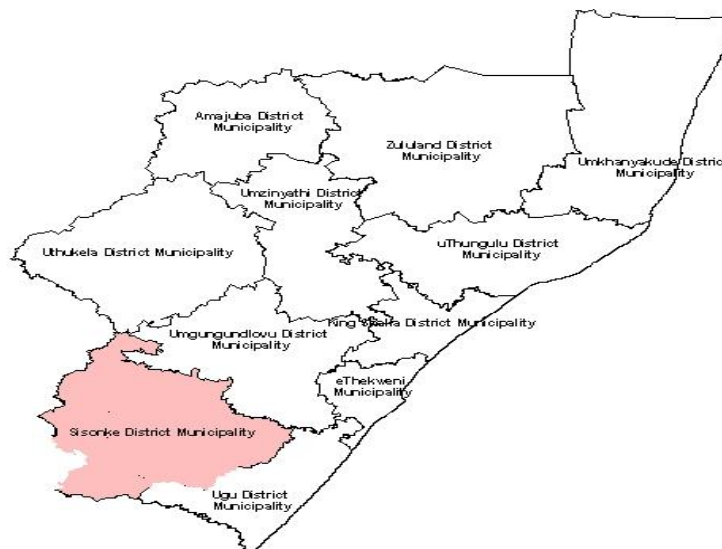
### Location

The Sisonke District Municipality is located to the South West of the KwaZulu-Natal province. And its population is sparsely spread throughout an area of 11 127. 89997 square kilometres. The Sisonke District municipality forms part of the border between KwaZulu-Natal and Eastern Cape Province. The District Management Area (DMA) is located to the West of the District and it forms part of the border between the KwaZulu-Natal Province and Lesotho. The Sisonke District Municipality (DC43) is composed of the following five local municipalities: Ubuhlebezwe, Ingwe, Kwa-Sani, Greater Kokstad and Umzimkhulu.

### Provincial Location Context

The Sisonke District Municipality is one of the ten District Municipalities that forms part of the KwaZulu-Natal Province. It is located at the extreme south of the Province. The Sisonke District Municipality is bordered by the following District Municipalities: Uthukela to the North; Umgungundlovu to the North East; Alfred Nzo and Ugu to the South East; and OR Tambo to the South.

The location of the District in relation to the aforesaid District municipalities means that, any planning and development-taking place in each District will have an impact on the neighbouring Districts. It is therefore imperative to align planning and development activities between the Sisonke District Municipality and the respective District Municipalities.



### **3. MUNICIPAL VISION**

The Sisonke District Municipality strives to uplift the quality of life of its residents by providing sustainable infrastructure, water, health services, sanitation and social amenities through intergovernmental collaboration by 2014. There will be equitable distribution of land for residential, farming, investment, and sport and recreation. Sisonke will be one of the Province's viable tourist destinations characterized by sustainable, natural, social and economic environment. Its men, women, the elderly, disabled, youth and children will equally enjoy living in a safe healthy environment.

### **4. MAYOR'S REPORT**

**Honourable Speaker, Councillors,  
Municipal Manager and officials,  
Members of the public and all present here today**

As I present the Final MTREF budget for the financial year of 2011/2012, we have to be mindful of the progress we have recorded, the goals we have set for ourselves and the context we are working in as a district – as all of these factors have influenced what we are putting on the table today. At a time like this we therefore have to look back on what the municipality has achieved in its 11 years of existence, where we have fallen short and where we still need to make improvements. Having said that, I am sure that all of us as a collective can say with one voice that we are proud of our past service delivery record and confident of the future and “working together we can do more”

Madam speaker and honourable Councillors, most of our delivery effort over the past years has been focussed on infrastructure development for the provision of free basic services as well as operation and maintenance support. We have also put a lot of effort into institutional and administrative reforms, developmental issues (HIV/Aids and Social responsibility), governance and financial reforms and we now have a functional shared audit service for the district.

The budget I am tabling to Council for notification has gone through the following process:

As required by law;

- I have tabled to Council an IDP and a Budget Process Plan in August 2010.
- Almost, simultaneously in the district the IDP review process was rolled out with the participation of all the municipalities, in order to review needs, assess delivery and prioritise still existing or new areas for development and service delivery which have been incorporated in the MTREF budget.
- Our process has been very much in line with national priorities and show that we are not misdirected in terms of our priority areas.

I would now therefore like to take you through a more detailed presentation of how we propose to invest the funds that have been entrusted to us. I want to remind all of us here that this budget is linked to our 5 key performance areas as agreed to during our IDP review process.

## FINAL MTREF BUDGET 2011/12-2013/14

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The municipality will today adopt the final budget totalling R562, 6 million (excluding depreciation) broken down between;

- The operations budget R267, 8m sharing 48% of the budget, and
- The Capital Budget R294, 8m sharing 52% a total budget.

Madam Speaker, in order to meet the continuing challenge of infrastructure provision at a district level, the municipality earmarked more than 90% of its capital budget water & sanitation infrastructure projects.

In order to prevent slow or non-implementation of infrastructure grants, Council will monitor closely expenditure in this area and strictly enforce our policies on this matter. In addition to our huge investment in infrastructure, it is a serious cause of concern that our municipalities have very diminished capacity, human resource & financial, in terms of maintaining this investment that both national and provincial government as well as the district municipality is making. In this regard, the council will also be undertaking to conduct an extensive infrastructure audit to ascertain the status quo ("useful of life") of the current infrastructure so that we able to have a much more informed and asset management plan.

We have managed to increase the public profile of the municipality through our communications and public relations unit through communities meetings over the past two years as well as the production and distribution of a quarterly newsletter which is distributed across the district. A total amount of R6.9 Million is provided on the 2011/2012 budget (and a total budget of R24, 3million in the MTREF) for marketing and communication, in order to ensure that the work of the District Municipality and consultation with communities is adequately attended to.

Madam Speaker we have to admit that though we have managed to achieve a number of milestones in our term of Council, we are not a picture of perfection. If we were, there would be no more room for improvement and we are all aware that this is certainly not the case. We are continuously refining the budget process in order for it to be more inclusive, more responsive and much clearer. As councillors and officials we have to learn more about what is required from us and keep on engaging with it. I am also appealing to all of us to see the budget as a powerful tool for delivery and transformation and to take out some of the stress and anxiety that is still experienced. We need to be constantly aware that our mandate is to address the needs of the people in our district and the municipalities in the district and improving their lives in the process.

We have to acknowledge that if municipalities in our district have problems, then so do we. Due to budgetary constraints, we have not adequately addressed economic development in our district, and this need to be a more intense area of focus which is aligned to the guiding framework of the KZN PGDS (*Provincial Growth and Development Strategy*). We have to ensure that our programmes are aligned with National and Provincial priorities, whilst prioritising those most acute needs at a local level. We have to insist on the participation of national and provincial departments in our IDP's to ensure alignment and relevance.

I want to sincerely thank all the Councillors, the Municipal Manager, the management team, officials, stakeholders, government departments and members of the public who have given input and many may still be inputting to this process.

I thank you for your attention and would to wish the new Council to be elected in the next coming weeks all of the best in implementing the 2011/12 MTREFT budget and improving the lives for all citizens of the District.

I thank you

## **5. BUDGET RESOLUTIONS**

On the 13<sup>th</sup> May 2011 the Sisonke District Council met in the Council Chambers of the Sisonke District Municipality to consider the annual budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

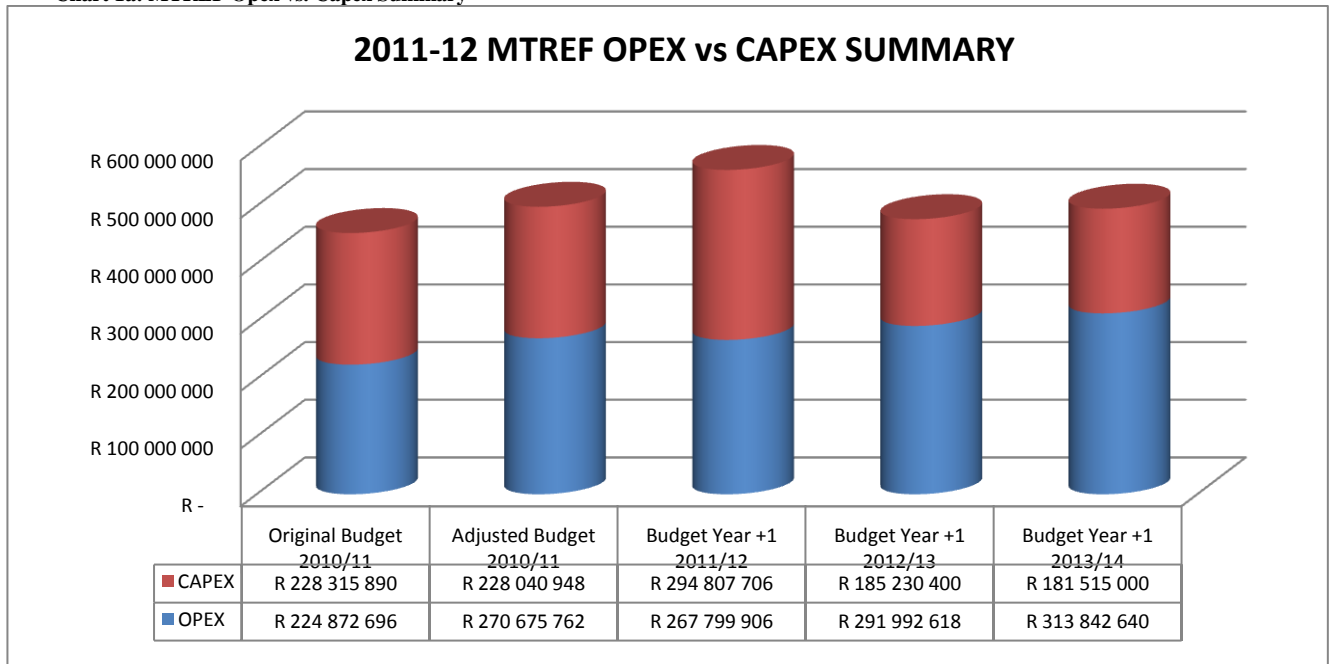
1. The Council of the Sisonke District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) noted:
  - 1.1. The Final Budget of the municipality for the financial year 2011/12 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 - Annexure A
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 - Annexure A
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 - Annexure A and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 - Annexure A.
  - 1.2. 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:
    - 1.2.1. Budgeted Financial Position as contained in Table A6 - Annexure A;
    - 1.2.2. Budgeted Cash Flows as contained in Table A7 – Annexure A;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 – Annexure A;
    - 1.2.4. Asset management as contained in Table A9 – Annexure A; and
    - 1.2.5. Basic service delivery measurement as contained in Table A10 – Annexure A.
  - 1.3. The Council of the Sisonke District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) notes the 6% increase in tariffs for the supply of water and Sanitation services – as set out in Annexure A
2. To give proper effect to the municipality's annual budget, the Sisonke District Council approves:
  - 2.1. Unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 2.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2011/12 financial year for an amount of R110, 9 million in terms of Section 46 of the Municipal Finance Management Act.
  - 2.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

**6. BUDGET EXECUTIVE SUMMARY**

**6.1 REVENUE**

The total final budget for the Sisonke District Municipality for the 2011/2012 budget is R562, 6m (Excluding R36, 7m depreciation) (R498.7m 2010/11 Adjusted Budget).

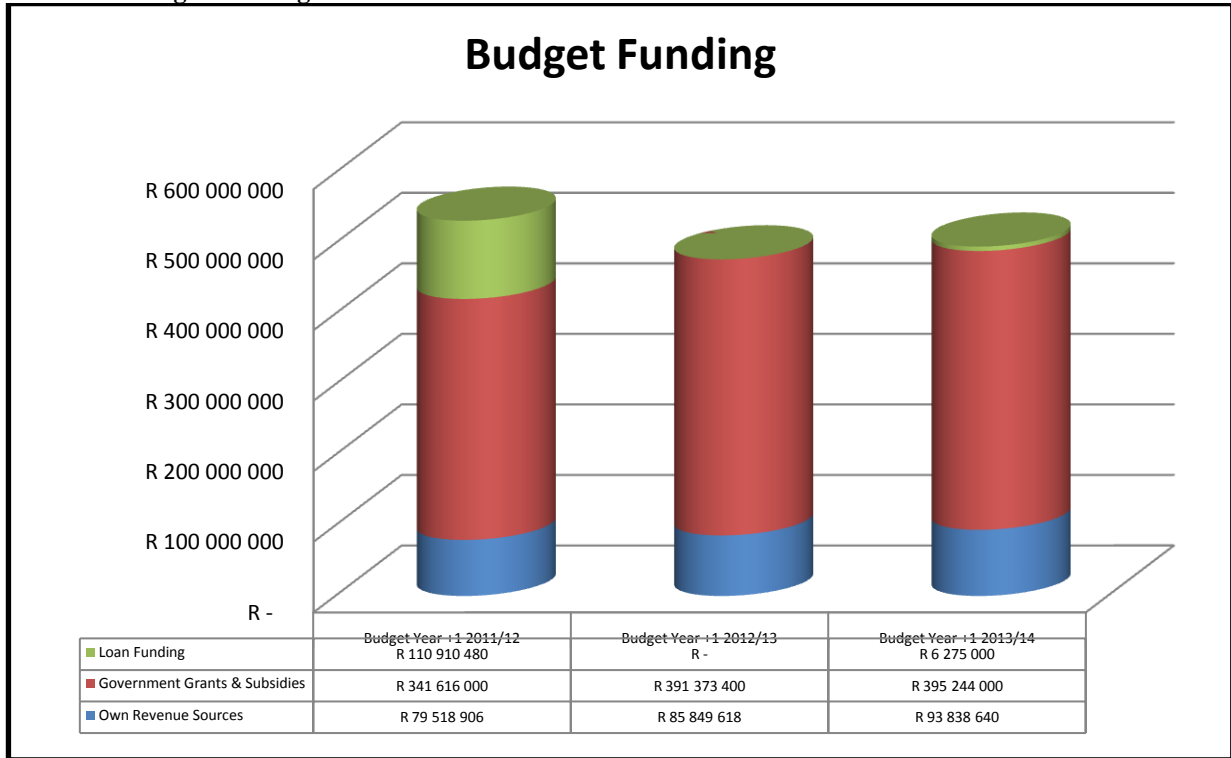
**Chart 1a: MTREF Opex vs. Capex Summary**



The chart above displays the budget split, excluding depreciation, in the Medium Term Revenue and Expenditure Framework. The operational budget shows an increasing trend while the capital budget displays a decreasing one. This is mainly due to the dependency of grant and loans normally used to fund the infrastructural programmes.

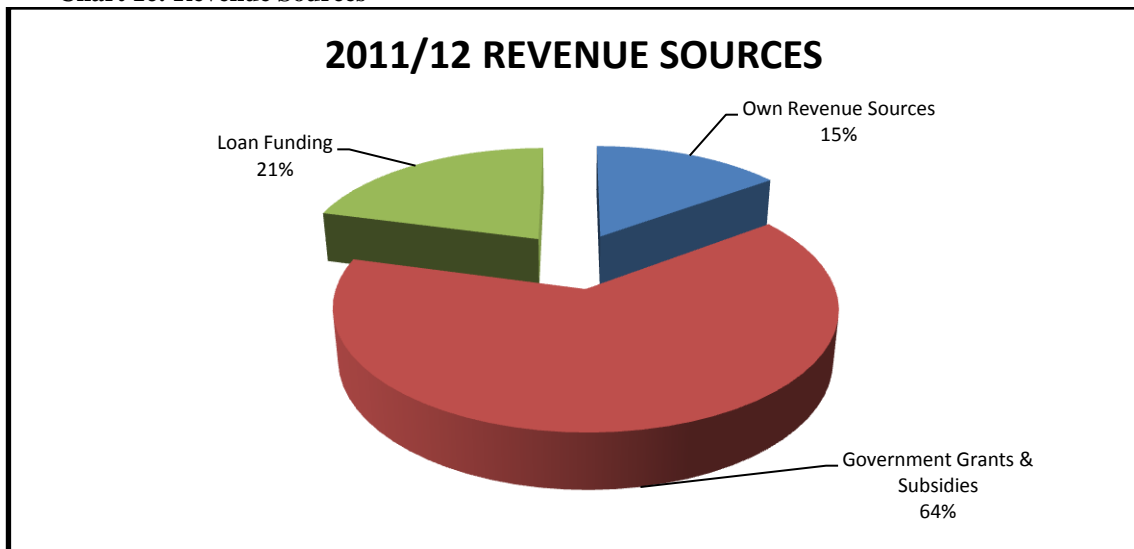


Chart 1b: Budget Funding



The chart above looks at the funding sources of the MTREF budget. Government grants and subsidies will continue to largely fund the Municipal budget in the budget in the medium term. Own revenue sources show a relatively sharper increase compared to the rest of the funding sources. Loan funding shares a fairly significant portion of the ensuing year’s budget with another loan expected in 2013/14.

Chart 1c: Revenue Sources



The chart above further breaks down the revenue sources for the 2011/12 financial year. As mentioned above the budget is largely funded from Government grants and subsidies with a contribution of 64%.

Chart 1d below gives a breakdown of the Government grants and subsidies from National and Provincial Government. The graph further breaks these grants into operational and capital respectively.

Chart 1d: Breakdown of Provincial & National grant funding

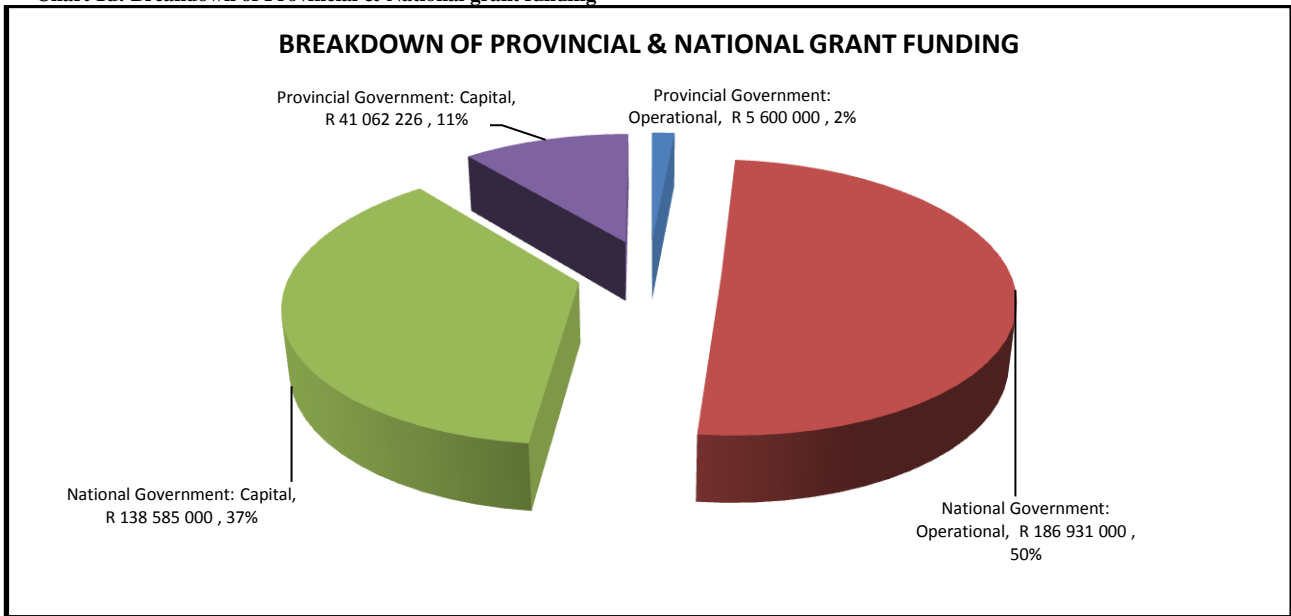
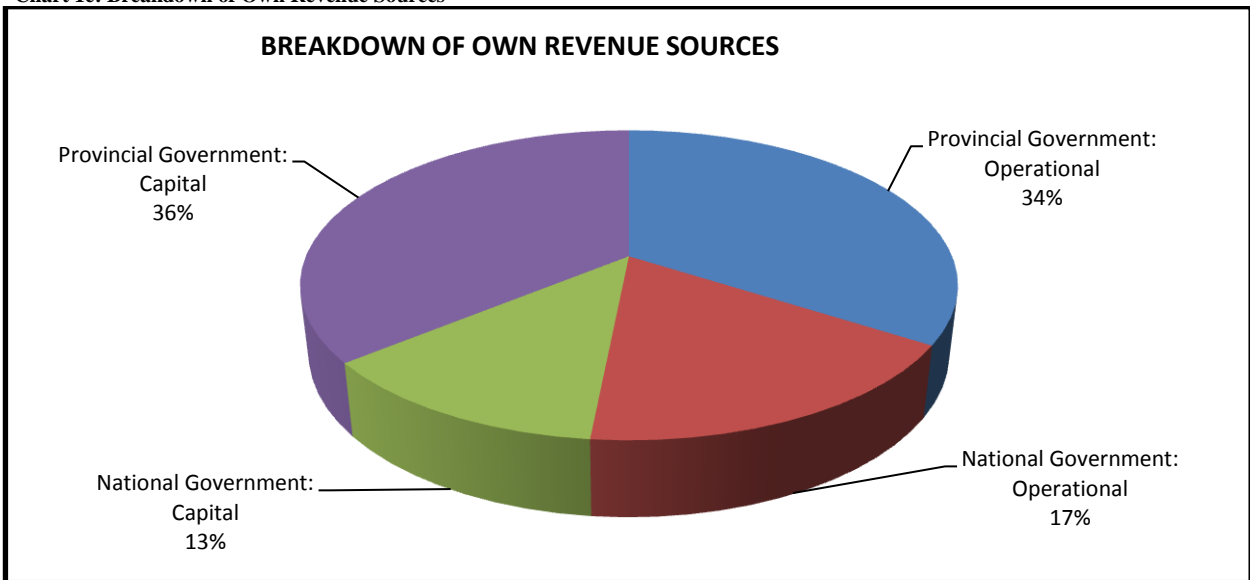


Chart 1e below shows a breakdown of the R79, 5 million breakdown of the own revenue sources. As can be seen below, own revenue sources is largely made up of Water & Sanitation charges which is expected to improve remarkably due to planned project of ensuring that all consumers who should be billed have meters so billing can take place.

Chart 1e: Breakdown of Own Revenue Sources



Sisonke tariffs charges are budgeted to increase at a steady rate of 6% in the medium. Sisonke acknowledges the National Treasury Tariffs CPIX increase guideline of 4.8%. However, this increase is due to the increase in certain input costs relating to water services provision occurring at a rate higher than the CPIX. The tariffs charges are presented in the next page.

# FINAL MTREF BUDGET 2011/12-2013/14

## Sisonke District Municipality

### TARIFF SCHEDULE IN RESPECT OF THE 2011/12 FINANCIAL YEAR

2010/11	Percentage Increase of						8%
	0-6	7-20	21-40	41-100	101-200	201 +	
<b>Consumption Increments in R per KJ</b>							Unmetered / flat rate per month
Domestic (Metered)	N/C	R 4.86	R 8.10	R 9.45	R 15.66	R 17.82	R 48.60
Unmetered / flat rate per month							R 48.60
<b>Commercial &amp; Industrial</b>							Unmetered / flat rate per month
R	7.02	R 9.45	R 15.66	R 16.74	R 17.82	R 18.90	
<b>Public Service &amp; Government Institutions</b>							Unmetered / flat rate per month
R	7.02	R 7.02	R 9.45	R 15.66	R 16.74	R 17.82	R 18.90
R	7.02	R 7.02	R 9.45	R 15.66	R 16.74	R 17.82	R 18.90
R	7.02	R 7.02	R 9.45	R 15.66	R 16.74	R 17.82	R 18.90
N/C		R 7.02	R 9.45	R 15.66	R 16.74	R 17.82	R 17.82
<b>Road Tanker delivery of water &amp; static tank hire in the capacity of the road tanker / tank</b>							Del. charge
R	1 188.00	R 1 620.00	R 1 890.00	R 2 268.00	R 216.00		(Payable in advance)
R	108.00	R 270.00	R 378.00	R 540.00	R 216.00		(Payable in advance)

2011/12/	Percentage Increase of						6%
	0-6	7-20	21-40	41-100	101-200	201 +	
<b>Consumption Increments in R per KJ</b>							Unmetered / flat rate per month
Domestic (Metered)	N/C	R 5.15	R 8.59	R 10.02	R 16.60	R 18.89	R 51.52
Unmetered / flat rate per month							R 51.52
<b>Commercial &amp; Industrial</b>							Unmetered / flat rate per month
R	7.44	R 10.02	R 16.60	R 17.74	R 18.89	R 20.03	
<b>Public Service &amp; Government Institutions</b>							Unmetered / flat rate per month
R	7.44	R 7.44	R 10.02	R 16.60	R 17.74	R 18.89	R 20.03
R	7.44	R 7.44	R 10.02	R 16.60	R 17.74	R 18.89	R 20.03
R	7.44	R 7.44	R 10.02	R 16.60	R 17.74	R 18.89	R 20.03
N/C		R 7.44	R 10.02	R 16.60	R 17.74	R 18.89	R 18.89
<b>Road Tanker delivery of water &amp; static tank hire in the capacity of the road tanker / tank</b>							Del. charge
R	1 259.28	R 1 717.20	R 2 003.40	R 2 404.08	R 228.96		(Payable in advance)
R	114.48	R 286.20	R 400.68	R 572.40	R 228.96		(Payable in advance)

## Sisonke District Municipality

### TARIFF SCHEDULE IN RESPECT OF THE 2011/12 FINANCIAL YEAR

2010/11	Percentage Increase of					8%
	15 mm	20 mm	50 mm	110 mm	+1.00 mm	
<b>Misc. Water related tariffs given in service pipe diameter</b>						
Deposit per meter	R 648.00	R 810.00	R 1 080.00	R 1 620.00	R 2 160.00	
New water meter	R 648.00	R 918.00	R 1 134.00	R 1 890.00	R 2 700.00	
Reconnections	R 324.00	R 432.00	R 810.00	R 1 080.00	R 1 350.00	
Reconnections	R 324.00	R 432.00	R 810.00	R 1 080.00	R 1 350.00	
Meter testing	R 108.00	R 162.00	R 216.00	R 270.00	R 324.00	(Refundable if faulty)
Penalty	R 378.00	R 486.00	R 810.00	R 1 080.00	R 1 620.00	
L.i.o. Tampering & illegal connections						
<b>Property development costs (i.e. water and sanitation delivery reticulation given in number of sub-divisions)</b>						
R	6 264.00	R 3 780.00	R 2 160.00	R 1 296.00		(Payable in advance)
<b>Sanitation costs given in terms of water consumption</b>						
R	3.78	R 4.86				37.80

2011/12/	Percentage Increase of					6%
	15 mm	20 mm	50 mm	110 mm	+1.00 mm	
<b>Misc. Water related tariffs given in service pipe diameter</b>						
Deposit per meter	R 686.88	R 858.60	R 1 144.80	R 1 717.20	R 2 289.60	
New water meter	R 686.88	R 973.08	R 1 202.04	R 2 003.40	R 2 862.00	
Reconnections	R 343.44	R 457.92	R 858.60	R 1 144.80	R 1 431.00	
Reconnections	R 343.44	R 457.92	R 858.60	R 1 144.80	R 1 431.00	
Meter testing	R 114.48	R 171.72	R 228.96	R 286.20	R 343.44	(Refundable if faulty)
Penalty	R 400.68	R 515.16	R 858.60	R 1 144.80	R 1 717.20	
L.i.o. Tampering & illegal connections						
<b>Property development costs (i.e. water and sanitation delivery reticulation given in number of sub-divisions)</b>						
R	6 639.84	R 4 006.80	R 2 289.60	R 1 373.76		(Payable in advance)
<b>Sanitation costs given in terms of water consumption</b>						
R	4.01	R 5.15				40.07

## Sisonke District Municipality

### TARIFF SCHEDULE IN RESPECT OF THE 2011/12 FINANCIAL YEAR

2010/11	Percentage Increase of			8%
	Per Load	Transpo rt per Km		
<b>Static sanitation systems given per load</b>				
Conservancy tank clearance on site	R 226.80	R 7.02		(Payable in advance)
Septic tank clearance on site	R 702.00	R 7.02		(Payable in advance)
Disposal into municipal reticulation system	R 226.80			(Payable in advance)
<b>Misc. sanitation related tariffs given in service pipe diameter</b>				
R	2 160.00	R 2 700.00	R 3 780.00	(Payable in advance)
R	540.00	R 810.00	R 1 080.00	(Payable in advance)

2011/12/	Percentage Increase of			6%
	Per Load	Transpo rt per Km		
<b>Static sanitation systems given per load</b>				
Conservancy tank clearance on site	R 240.41	R 7.44		(Payable in advance)
Septic tank clearance on site	R 744.12	R 7.44		(Payable in advance)
Disposal into municipal reticulation system	R 240.41			(Payable in advance)
<b>Misc. sanitation related tariffs given in service pipe diameter</b>				
R	2 289.60	R 2 862.00	R 4 006.80	(Payable in advance)
R	572.40	R 858.60	R 1 144.80	(Payable in advance)

The municipality will continue with its revenue enhancement strategies and working towards improving the financial viability and sustainability of the municipality in the medium to long term. The revenue enhancement strategy will primarily focus on maximising cash flows (with respect to collections) from current billable services offered by tightening debt collection measures on overdue accounts and writing off debt which the Municipality is highly unlikely to recover. As a secondary measure, the strategy will also seek to attract additional revenue sources and thereby expanding the municipal revenue base.

The Municipality has also taken seriously the recommendations of the National Treasury as stated in the Circular 51 to review its costing measures and the management of the “water business” at large. The objectives of this project are to ensure;

- ✓ Water tariffs that 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 that 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 that are designed to encourage efficient and sustainable consumption.

Other revenue sources relate to Vat refunds and monies claimed from MIG for projects previously funded from own revenue sources. The lesser contributor results from Interest earned on External Investments.

As a result of the Demarcation board changes that have taken place, the District Municipal Area (DMA) will cease to exist and therefore resulting in the Municipality losing Municipal Property rates as a revenue stream in the MTREF.

The balance of the Capex budget funding is expected to result from the Loan funding of R110m which is being secured from the Development Bank of South Africa (DBSA). The loan will form part of the Development Bank’s contribution to fast tracking service delivery by way of front-loading MIG projects. This arrangement simply affords the Municipality to implement projects that would have otherwise had to wait multiple years to be implemented, due to budget constraints, in a rather much shorter space of time due the availability of funding. The loan would then be repaid from future Municipal Infrastructure Grant allocations.

**6.2 OPERATING EXPENDITURE FRAMEWORK**

Through an extensive consultative process and in compliance with Chapter 4 of the Municipal Systems Act (Community Participation), Sisonke has ensured through this process, the views of the communities have formed an integral part of this budget process.

**Table 1: District Priorities**

<b>NATIONAL KEY PERFORMANCE AREAS</b>	<b>DISTRICT PRIORITIES</b>
<b>Infrastructure and Services</b>	<b>Delivery of Water</b>
	<b>Provision of basic sanitation facilities</b>
	<b>Supply of bulk Water &amp; Sanitation services</b>
	<b>Supply of bulk electricity</b>
<b>Finance Management</b>	<b>Economic Regeneration Improving Financial Affairs and Viability of the Municipality</b>
<b>Institutional Transformation</b>	<b>Development of the Disabled</b>
	<b>Establishment of Gender Programs</b>
	<b>Development of Youth</b>
	<b>Improve Coordination in Service Delivery</b>
	<b>Improve Intergovernmental Relations</b>
	<b>Improve Monitoring and Reporting Procedures</b>
<b>Democracy and Governance</b>	<b>Marketing the District</b>
	<b>Promote Public Participation</b>
<b>Socio Economic Development</b>	<b>Promotion of Agriculture and Tourism</b>
	<b>Poverty Alleviation</b>
	<b>Improvement of Health Care facilities</b>
	<b>HIV/AIDS</b>
	<b>Land Reform</b>
	<b>Disaster Management</b>
	<b>Promote Environmental Integrity</b>
	<b>Waste management</b>
	<b>Environmental Health</b>
	<b>Access to finance</b>
	<b>Promote SMME development</b>
	<b>Establishment of sustainable human settlements</b>
	<b>Ensure access to social facilities</b>

Table 1 above gives a table of the district priorities, representing “the voice of the people” and the alignment of these to the national priorities.

## FINAL MTREF BUDGET 2011/12-2013/14

As informed by the above stated District Priorities, the municipality's expenditure framework for the 2011/12 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 adherences to the principle of no project plan *no budget*. If there is no business plan no funding allocation can be made.

The table below highlights some of the programmes listed in the above table that have been catered for in the MTREF budget.

**Table 2: Budgeted Programmes**

	2011-2012	2012-2013	2013-2014
<b>Youth development</b>	R 3 850 000	R 6 395 618	R 7 412 118
<b>Water governance</b>	R 3 150 000	R 5 462 920	R 5 297 128
<b>Sports and Recreation</b>	R 7 600 000	R 9 590 000	R 10 345 000
<b>Communication and Public Relations</b>	R 6 858 000	R 8 394 000	R 9 066 000
<b>Special programmes</b>	R 4 200 000	R 6 800 000	R 8 200 000
<b>Training &amp; development/WSP</b>	R 2 250 000	R1 750 000	R 2 025 000
<b>Organisational development</b>	R 1 950 000	R 2 505 000	R 2 685 500
<b>Disaster management</b>	R 3 738 000	R 4 531 000	R 6 764 100
<b>Environmental health</b>	R 1 070 000	R 1 023 000	R 1 125 300
<b>Local economic development</b>	R23 764 300	R28 567 730	R 28 974 503
<b>Development and Planning, GIS Environmental Management</b>	R 2 700 000	R 750 000	R 550 000
<b>Project planning, design and contract documentation iro Water &amp; Sanitation services in SDM</b>	R 5 000 000	R 8 900 000	R 9 890 000
<b>Water &amp; Sanitation operations and Maintenance</b>	R 30 000 000	R 30 100 000	R 31 614 405

## FINAL MTREF BUDGET 2011/12-2013/14

The section that follows looks at each component of the operational budget breakdown.

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +1 2011/12	Budget Year +2 2012/13	Budget Year +2 2013/14
<b>Expenditure By Type</b>									
Employee related costs	41 171	41 913	47 335	73 044	61 441	61 441	74 079	80 291	87 186
Remuneration of councillors	2 872	3 590	4 041	4 579	4 579	4 579	5 037	5 541	6 095
Debt impairment		–	6 685	5 000	4 000	4 000	3 200	3 392	3 612
Depreciation & asset impairment	25 386	31 732	20 182	35 000	35 000	35 000	36 750	38 955	41 487
Finance charges	518	647	868	1 947	1 017	1 017	5 406	5 730	6 103
Bulk purchases	2 703	3 379	7 566	6 800	6 000	6 000	7 200	7 632	8 128
Contracted services	1 151	1 439	28 007	5 100	3 850	3 850	5 709	8 085	8 894
Transfers and grants		1 789	9 057				16 500	24 000	24 000
Other expenditure	28 790	53 971	95 961	128 403	189 788	189 788	150 668	157 321	169 825
Loss on disposal of PPE									
<b>Total Expenditure</b>	<b>102 590</b>	<b>138 461</b>	<b>219 702</b>	<b>259 873</b>	<b>305 676</b>	<b>305 676</b>	<b>304 550</b>	<b>330 948</b>	<b>355 330</b>

### Employee Related Costs

The employee related costs for the ensuing year totals R61, 4m which equals 20% when expressed as a percentage of operational expenditure. Over and above the increase in additional posts which have been prioritised and which will be filled in the 2011/12 budget year, the increase in the Salaries packages has been budgeted at 6.08% in line with Salary & Wage Collective Agreement 2009/10 to 2011/12.

### Remuneration of Councillors

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 latest councillor determination (Gazette no. 33867) of upper limits of salaries, allowances and benefits of different members of Municipal Councils has been used as a basis for the preparation of the councillor's allowances. An allowance of a 10% increase has been provided with a downward adjustment to be effected during the Adjustments if so required.

### Debt Impairment & Depreciation

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. It is important to 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, together with additional new assets to be in the asset register has resulted in a significant increase in depreciation relative to previous years.

### Finance Costs

The finance costs mainly relate to the interest expense on loans (interest cost of capital) and related bank charges. The surging increase in the 2011/12 financial year is mainly as a result of the anticipated interest cost on new borrowing.

### Bulk Purchases

Bulk Purchases relate to the cost of bulk water purchased from Umngeni Water and the Ugu District Municipality. The annual price increases from these institutions have been factored into the budget appropriations and directly inform the revenue provisions.

### Contracted Services

Contracted services relate to those services that the Municipality enters into with third parties to provide critical services that directly or indirectly contribute towards service delivery. Included here are costs such as Office Equipment and Machine rentals, cleaning services, Security services and the like. The increase in budget in 2011/12 is mainly due to the new bid estimates of the security which has been aligned to industry rates.

### Transfers and Grants

An amount of R16, 5m has been set aside for transfers to the Sisonke Development Agency. The core mandate of the Agency would be to create a favourable environment for location of globally competitive export oriented investment projects. In discharging its responsibility as the operator Agency, the Agency will work towards realizing, amongst others, the following outcomes:-

- develop and establish a purpose built world-class industrial parks within the district;
- provide quality services infrastructure including state-of-the-art ICT and transport infrastructure as well as business and utility services suited for internationally competitive export-orientated manufacturing;
- market locally built and developed commercial parks and zones locally and internationally, and position the district economic nodes as the preferred location for quality export-orientated investment projects and mobilising and attracting such investment projects to the district;
- make arrangements for and mobilise financial, human and other requisite resources for the development the district economic development initiatives;
- be responsible for the on-going management and maintenance of the commercial parks, ensuring its sustainability and compliance with the laws of the Republic;
- entrench a positive image to ensure continued support by its key stakeholders namely **the Dti**, NT, the KZN DEDT, SARS, Ithala Development Finance Corporation, Sisonke District Municipality and the public at large;
- ensure that sufficient revenues are realised to meet services and creditor servicing obligations, operating cost and the necessary returns to the shareholders;



- establish a one-stop-service-centre and provide commensurate HR capacity, expertise and suited technologies for expedited servicing and assistance to businesses (enterprises) in respect of registration, business permits and licenses, environmental permits, accessing incentives, tax matters and similar;
- Take ownership of the assets and affairs of the agency and to generally do all things necessary and incidental to the efficient and effective management of the agency.
- Intensify the thrust of the organisation's competition for inward investments location focusing on effort that is informed and led by market intelligence.
- Create worldwide awareness of Sisonke as a conducive location for quality investment projects among potential source countries, correct any negative perceptions, including general pessimism that is based on ignorance and prejudiced stance.
- Raise the profile; build up a positive image and clout around the District, shoring up its brand strength to be an internationally recognised brand name in order to inspire confidence within the target audience (potential investors) and the general public worldwide. The brand Sisonke must be a name associated with excellence.
- Select and apply various marketing techniques, separately or in combination informed by conclusions of assessment / analysis of target markets; taking into account instructive experience and empirical evidence suggesting a weaker performance of general public relations campaigns associated with image building in producing investment leads compared to Agency-focused sector targeting.
- Make arrangements for investor targeting by establishing constructive and beneficial links with existing investors in the region and within local municipal areas and forge relationships with business internationally and personal networks with target companies and intermediary organisations, including industry associations, real estate companies and location finders / consultants.
- Package a specific value proposition that, at first, responds to the generic competitiveness prerequisites up to date (meaning this must be regularly reviewed and updated) general investors' location requirements) and secondly demonstrates clear and distinctive business arguments that evidence the district competitive advantage. This is expected to be high quality customised information, effectively addressing all the information and project-specific requirements. Material value deriving from the aggregate of offerings and the value proposition must be SMART and in combination must be packaged to lend attractiveness and a competitive edge to the agency. Long term material benefit, measured in financial and other qualitative terms, must be demonstrated.
- Mobilise and forge strong and dynamic relationships (maintaining good contacts) with relevant government ministers and officials at the highest level in order to enhance confidence and clout around the district and procure their involvement and support to leverage major investment projects (ensure their involvement).
- Equally mobilise and forge relationships with Trade Representatives as well as Ambassadors & Consular-Generals in foreign missions, procure their commitment to market and promote the district in their respective host countries and more importantly to identify and provide leads of contestable investment projects and to mobilise investments to the district.
- Formulate and develop incentive regime that will enhance competitiveness of the district in relation to competition, responding to investor needs across the investment cycle, as well as lending differentiating features to the district
- Embark on a structured research (indispensable market intelligence gathering) in order to identify potential investors in sectors with strong market growth forecast as well as identifying and focusing and building relationship with MNCs / TNCs with an explicit internationalisation strategy and who are actively seeking to establish a global footprint.
- Embark on a structured research and feasibility studies in order to determine the extent to which there are indeed realistic opportunities or true potential for long term viable and sustainable downstream beneficiation and production of value-added goods from the raw materials available in the region.

## FINAL MTREF BUDGET 2011/12-2013/14

- “Professionalise” investment project handling, investor enquiries and project handling to enable clear leadership, coordination and an organisational rapport with the investor.

### Other Expenditure

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 as is evident 21% decrease in 2011/12 budget and a relatively steady increase in the Medium Term.

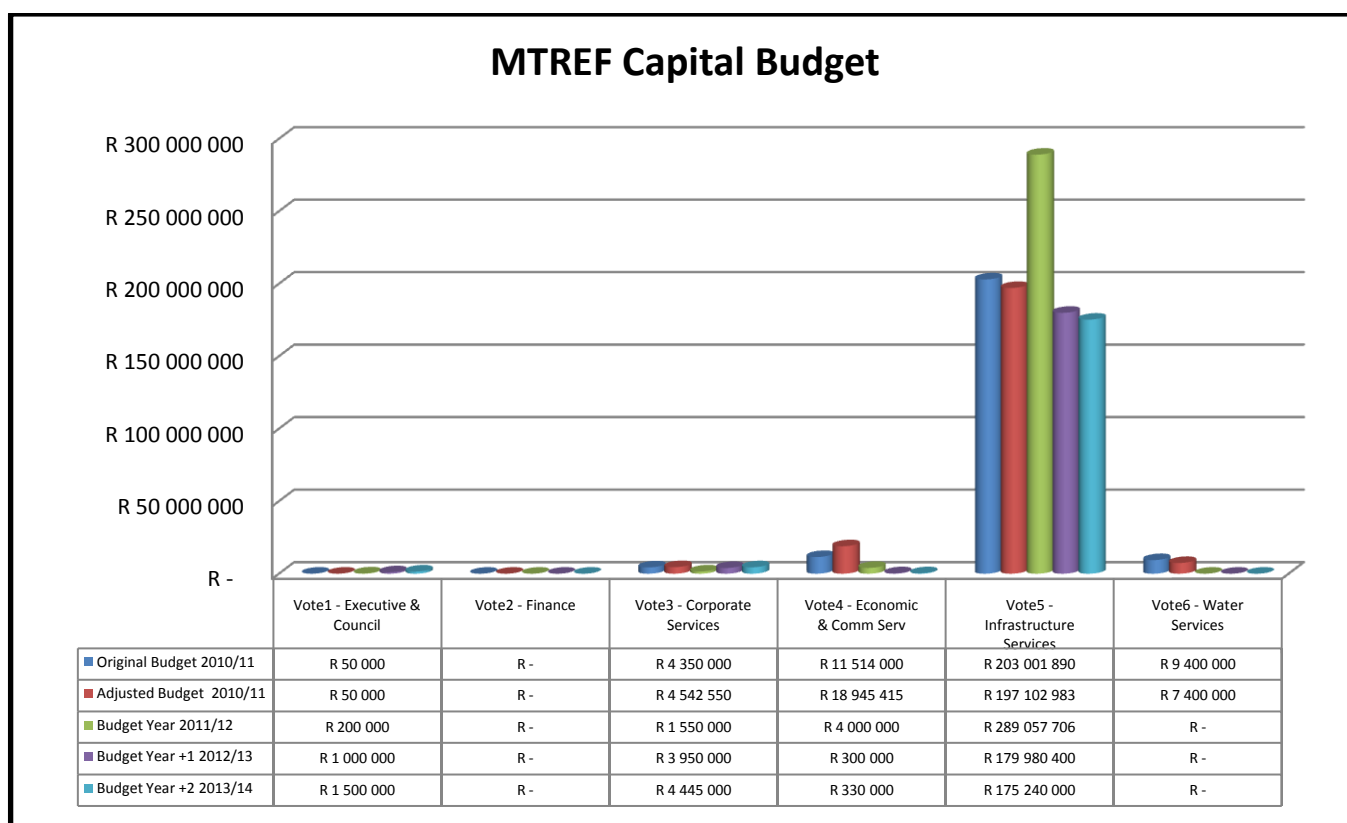
### 6.3 CAPITAL EXPENDITURE FRAMEWORK

In order to align the budget with the Municipalities strategic objectives to reduce service delivery backlogs, the Capital Expenditure has been allocated a total of R294, 8m to deal with such.

Vote Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +1 2011/12	Budget Year +2 2012/13	Budget Year +2 2013/14
<b>Capital expenditure - Vote</b>									
Vote1 - Executive & Council	-	-	-	50	50	50	200	1 000	1 500
Vote2 - Finance	-	-	-	-	-	-	-	-	-
Vote3 - Corporate Services	290	363	4 082	4 350	4 543	4 543	1 550	3 950	4 445
Vote4 - Economic & Community Services	567	709	6 871	11 514	18 945	18 945	4 000	300	330
Vote5 - Infrastructure Services	92 315	115 394	116 738	203 002	197 103	197 103	289 058	179 980	175 240
Vote6 - Water Services	1 473	1 841	998	9 400	7 400	7 400	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>94 646</b>	<b>118 307</b>	<b>128 689</b>	<b>228 316</b>	<b>228 041</b>	<b>228 041</b>	<b>294 808</b>	<b>185 230</b>	<b>181 515</b>

The capital budget is largely concentrated in the Infrastructure services being the department charged with the responsibility of implementing infrastructural projects.

## FINAL MTREF BUDGET 2011/12-2013/14



The favourable distribution towards the infrastructure department is best illustrated in the chart above which shows a clear majority of the allocation of funds in the medium term. The table below further gives a break down of the capital expenditure by type over the period under review.

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2010/11 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +1 2011/12	Budget Year +2 2012/13	Budget Year +2 2013/14
<b>ASSET REGISTER SUMMARY - PPE</b>									
Infrastructure - Road transport	400	800	-	12 900	2 900	2 900	-	-	-
Infrastructure - Electricity	13 500	14 640	-	-	-	-	6 000	-	-
Infrastructure - Water	58 500	62 415	63 445	129 523	132 225	132 225	210 167	108 573	108 885
Infrastructure - Sanitation	19 973	26 943	46 513	61 097	57 802	57 802	66 890	57 532	66 355
Infrastructure - Other	-	2 000	-	-	-	-	-	-	-
Infrastructure	92 373	106 798	109 958	203 519	192 927	192 927	283 058	166 105	175 240
Community	-	2 000	1 462	6 200	14 131	14 131	-	-	-
Other assets	2 273	9 109	16 406	18 596	20 982	20 982	11 600	18 410	5 489
Intangibles	-	-	864	-	804	804	150	715	787
<b>TOTAL ASSET REGISTER SUMMARY - PPE</b>	<b>94 646</b>	<b>117 907</b>	<b>128 689</b>	<b>228 316</b>	<b>228 845</b>	<b>228 845</b>	<b>294 808</b>	<b>185 230</b>	<b>181 515</b>

The table below provides information of the expenditure on Repairs and maintenance in the Medium Term Framework. The expenditure on repairs & maintenance can never be under estimated in ensuring a sustained supply of quality basic services.

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +1 2011/12	Budget Year +2 2012/13	Budget Year +2 2013/14
<b>Repairs and Maintenance by Expenditure Item</b>									
Employee related costs	16 194	19 022	25 950	25 954	27 293	27 293	29 493	26 930	27 050
Other materials	11 336	13 315	18 165	18 168	19 105	19 105	20 645	18 851	18 935
Contracted Services	3 239	3 804	5 190	5 191	5 459	5 459	5 899	5 386	5 410
Other Expenditure	1 619	1 902	2 595	2 595	2 729	2 729	2 949	2 693	2 705
<b>Total Repairs and Maintenance Expenditure</b>	<b>32 388</b>	<b>38 043</b>	<b>51 900</b>	<b>51 909</b>	<b>54 587</b>	<b>54 587</b>	<b>58 987</b>	<b>53 860</b>	<b>54 100</b>

## 6 ANNUAL BUDGET TABLES

The annual budget tables, hereby Annexed “Annexure A”, provide the level of detail as required by the budget regulations gazetted by the Minister of Finance and are listed below for reference.

1. A1 Budget Summary
2. A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
3. A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
4. A4 Budgeted Financial Performance (revenue and expenditure)
5. A5 Budgeted Capital Expenditure by vote, standard classification and funding
6. A6 Budgeted Financial Position
7. A7 Budgeted Cash Flows
8. A8 Cash backed reserves/accumulated surplus reconciliation
9. A9 Asset Management
10. A10 Basic service delivery measurement

Table A1 provides a high level summary of all the important sections of the budget. The summary looks at the revenue sources of the overall budget in the MTREF and the related operational costs funded from that revenue. The net result of the operational budget shows a surplus in the MTREF which is used to fund the Capital Budget. In analysing the surplus of the municipality, it is important to note the non-cash flow items or “accounting line items” such as depreciation which have been accounted for in the operational expenditures and thereby reducing the surplus for the year.

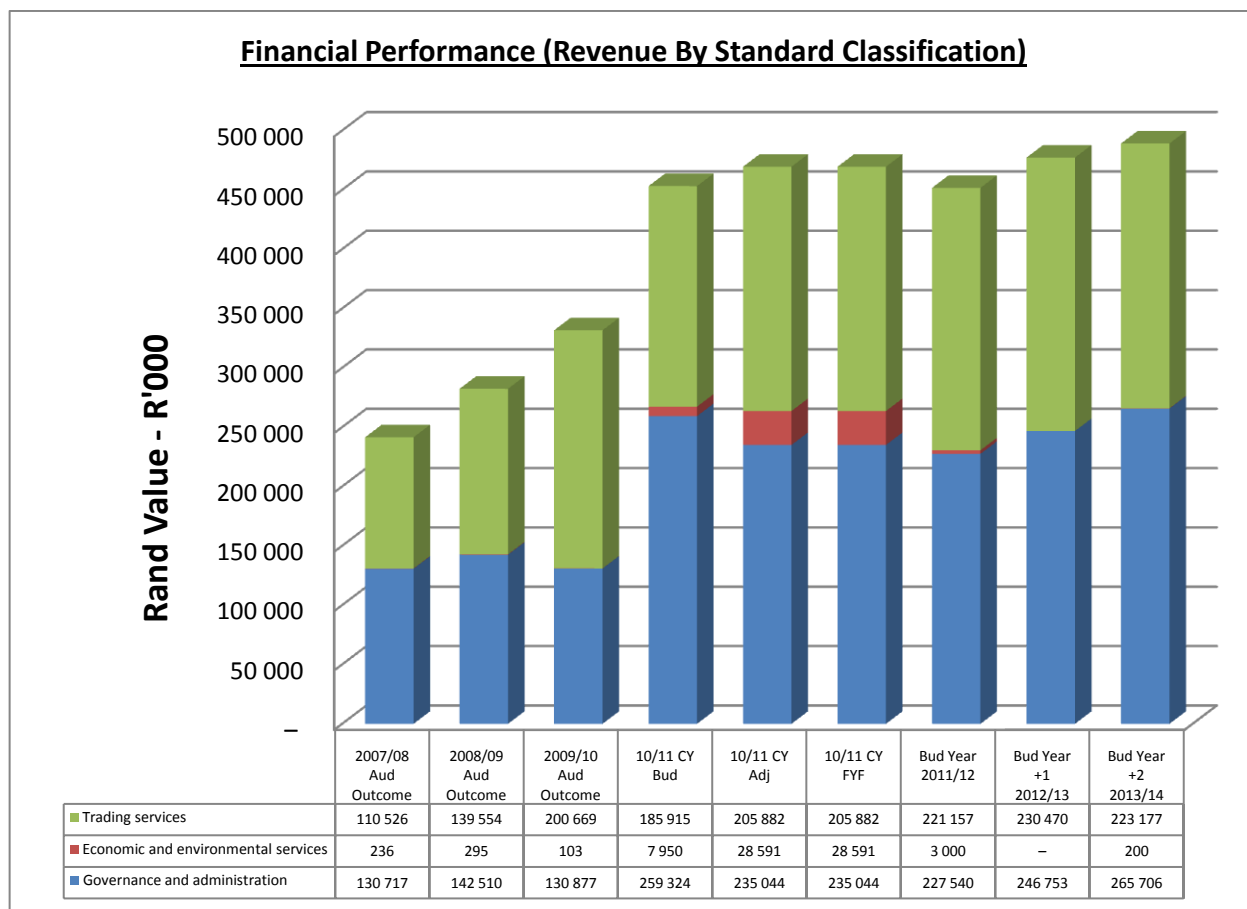
Also contained in the budget summary is the capital expenditure and its funding sources. As mentioned above, the Municipality is greatly dependant on grants & subsidies as confirmed in the table below.

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year +1 2011/12	Budget Year +2 2012/13	Budget Year +2 2013/14
<b>Capital expenditure &amp; funds sources</b>									
Capital expenditure	94 646	118 307	128 689	228 316	228 041	228 041	294 808	185 230	181 515
Transfers recognised - capital	94 646	118 307	118 145	156 668	185 098	185 098	179 647	185 230	175 240
Borrowing	-	-	-	30 800	29 200	29 200	110 910	-	6 275
Internally generated funds	-	-	10 544	40 848	13 743	13 743	4 250	-	-
<b>Total sources of capital funds</b>	<b>94 646</b>	<b>118 307</b>	<b>128 689</b>	<b>228 316</b>	<b>228 041</b>	<b>228 041</b>	<b>294 808</b>	<b>185 230</b>	<b>181 515</b>

All the information contained in the summary sheet will be alluded to in greater detail in the discussions that follow. Reference is made to Annexure A – Budget schedules and supporting documents.

Reference is made to Table A2 – Financial Performance SC

Chart 2: Financial Performance: Revenue by Standard Classification



The chart above shows the revenue presented by standard classification. Governance and Administration continue to share a greater allocation of this budget throughout the reported period except in the 2009/10 audited income where trading services showed dominance due additional capital grant allocations.

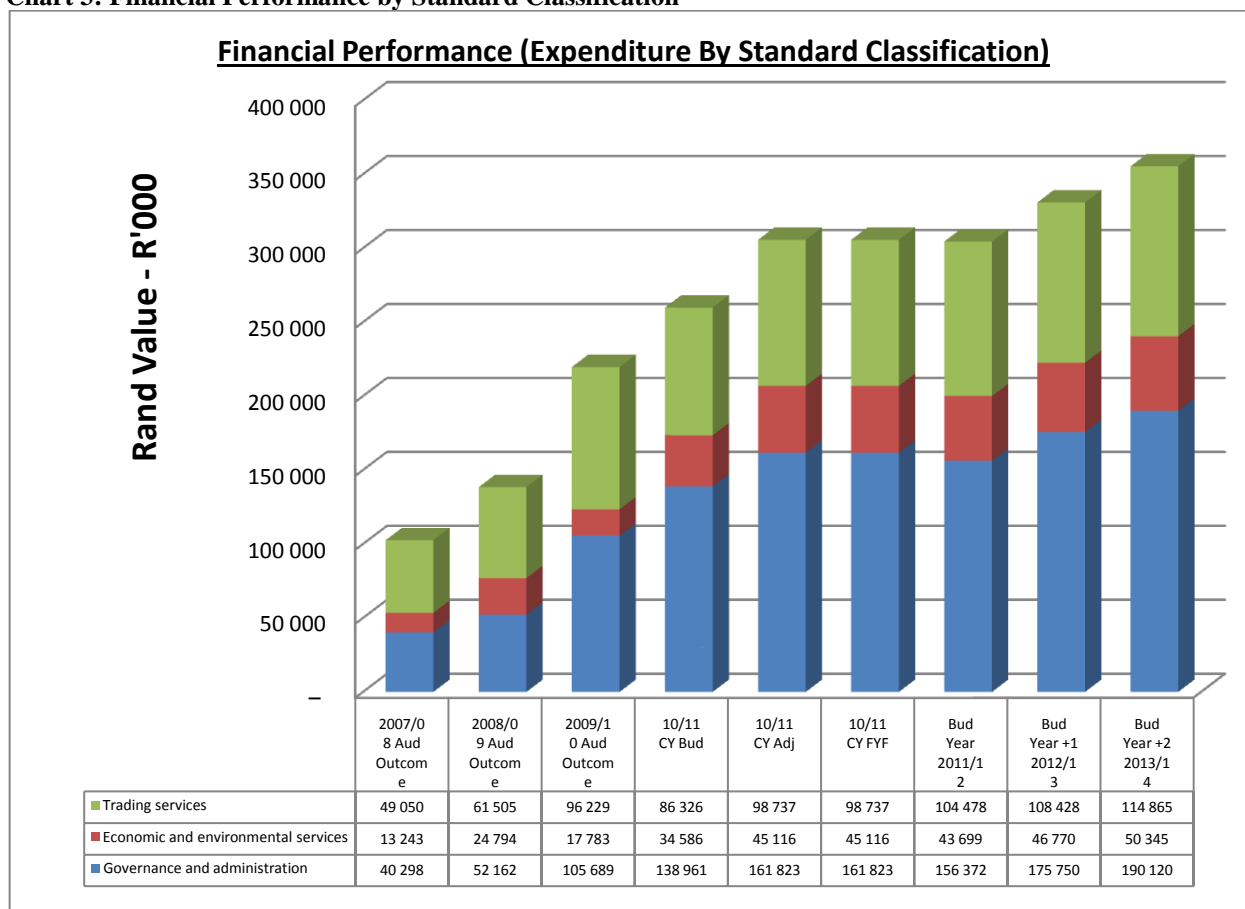
Table 3 below gives a breakdown of the Votes and Departments contained in the chart above.

**Table3: Budget Classifications**

STANDARD CLASSIFICATION	VOTE	DEPARTMENT
<i>Governance and administration</i>	Executive and council	Council General Office of the Municipal Manager & Strategic Support
	Budget and treasury office	Finance
	Corporate services	Corporate services
<i>Economic and environmental services</i>	Planning and development	Economic & Community Services
<i>Trading services</i>	Waste management	Infrastructure Services
	Water	Water Services

Reference is made to Table A2 – Financial Performance SC

Chart 3: Financial Performance by Standard Classification



A gradual increasing trend can be observed from the above chart. This is normal due to inflationary contributions. The governance & administration continue to dominate the expenditures.

The chart below looks at the contributions by various departments to the operational requirements of the Municipality. The finance Department will continue to dominate in the Medium term due the large grants managed by this department.

This trend is further confirmed in chart 4 below which shows operating and capital revenue sources by Municipal Vote.

Reference is made to Table A3 – Financial Performance by Municipal Vote

Chart 4: Financial Performance: Revenue by Municipal Vote.

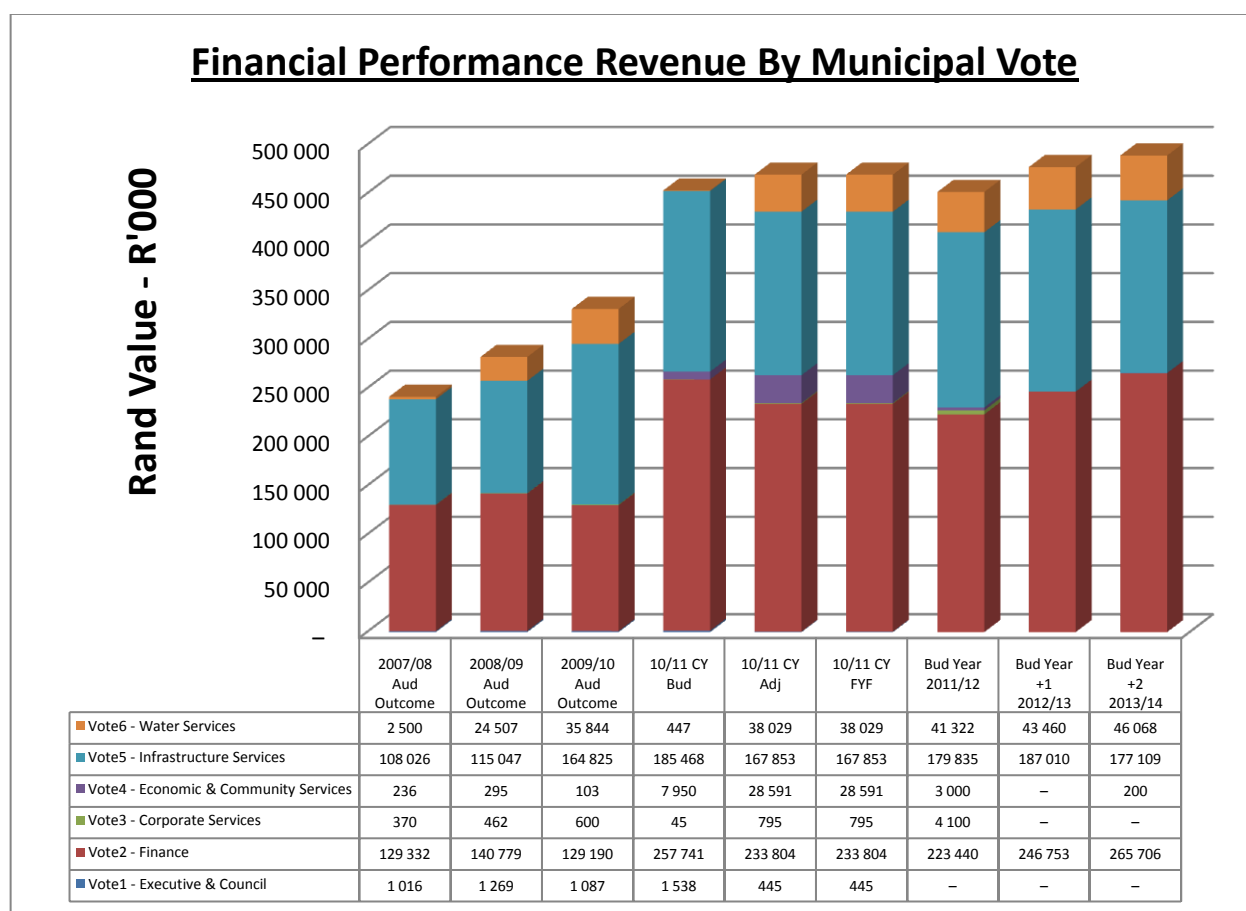


Table 4 below provides another breakdown of the revenue allocations contained in the above Votes.

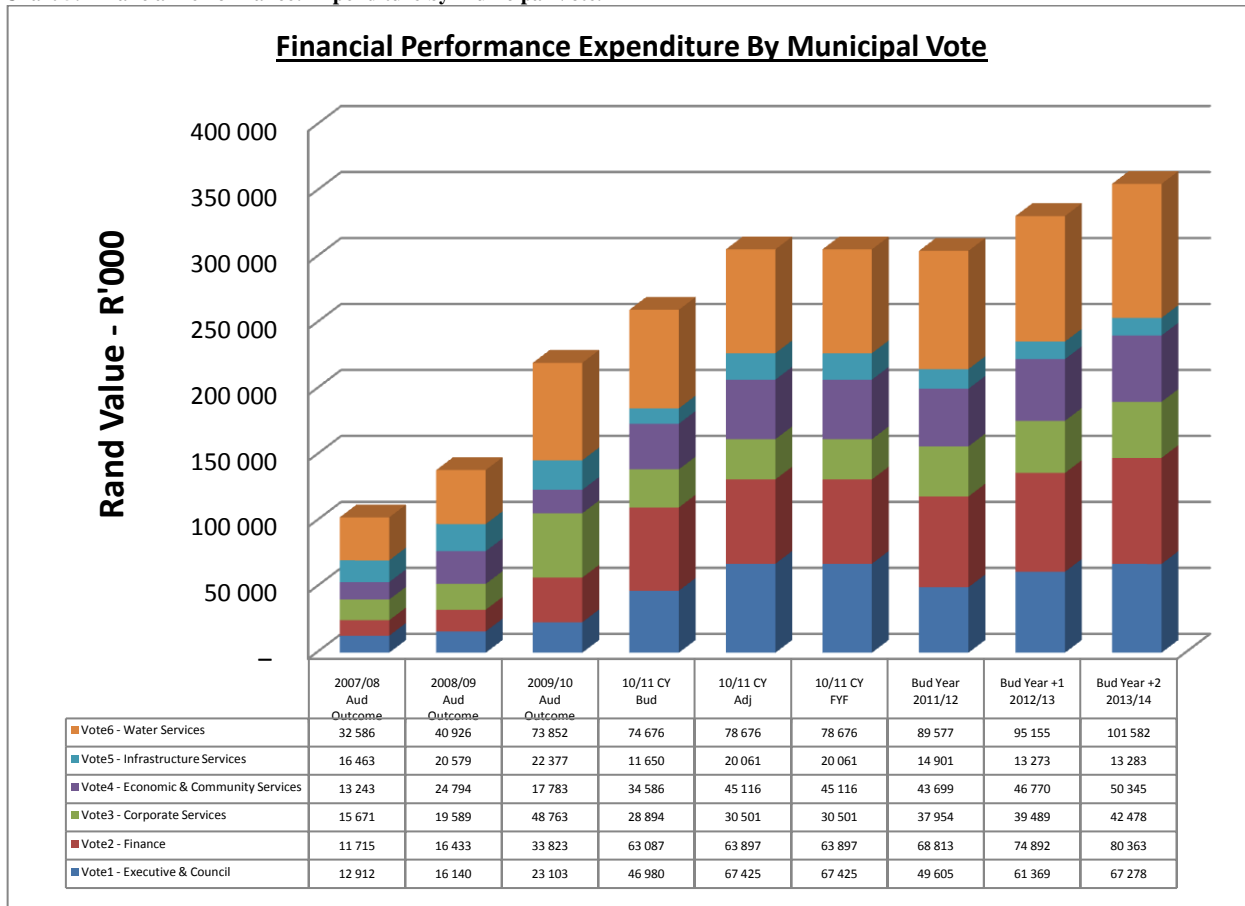
Table 4: Revenue by Source

REVENUE SOURCES	MTREF		
	2011/12	2012/13	2013/14
<b>Government Grants &amp; Subsidies - Operations</b>	R 192 531 000	R 206 143 000	R 220 004 000
<b>Government Grants &amp; Subsidies - Capital</b>	R 179 647 226	R 185 230 400	R 175 240 000
<b>Service Charges</b>	R 41 000 000	R 43 460 000	R 46 067 600
<b>Municipal Rates</b>			
<b>Interest On Investments</b>	R 10 000 000	R 11 000 000	R 13 500 000
<b>Loan</b>	R 110 910 480	R -	R 6 275 000
<b>Other Income</b>	R 28 518 906	R 31 389 618	R 34 271 040
<b>TOTAL BUDGETED INCOME</b>	<b>R 562 607 612</b>	<b>R 477 223 018</b>	<b>R 495 357 640</b>

## FINAL MTREF BUDGET 2011/12-2013/14

The chart below shows financial performance expenditure by Municipal Vote. An increasing trend is evident with Water Services dominating the expenditures. The conformance to the Grap budgeting standards has lead to the finance department “expenditure” increasing at this rate. It must be noted however, that this is not expenditure involving any cash movement per se but a mere accounting entry.

**Chart 5: Financial Performance: Expenditure by Municipal Vote.**



The executive & council vote also shows an increase in the medium term due to the introduction of the Strategic Support/Operations Department. This unit houses various sub-functions such as;

- Integrated Development Planning and Performance Management, IGR and Communications,
- Special Programmes,
- Internal Auditing, and the
- Water Services Authority units.

The corporate services has also enjoyed a relatively larger percentage increase in budget due to the various projects aimed at enhancing the institutional arrangement.



Chart 6: Financial Performance: Revenue by Source

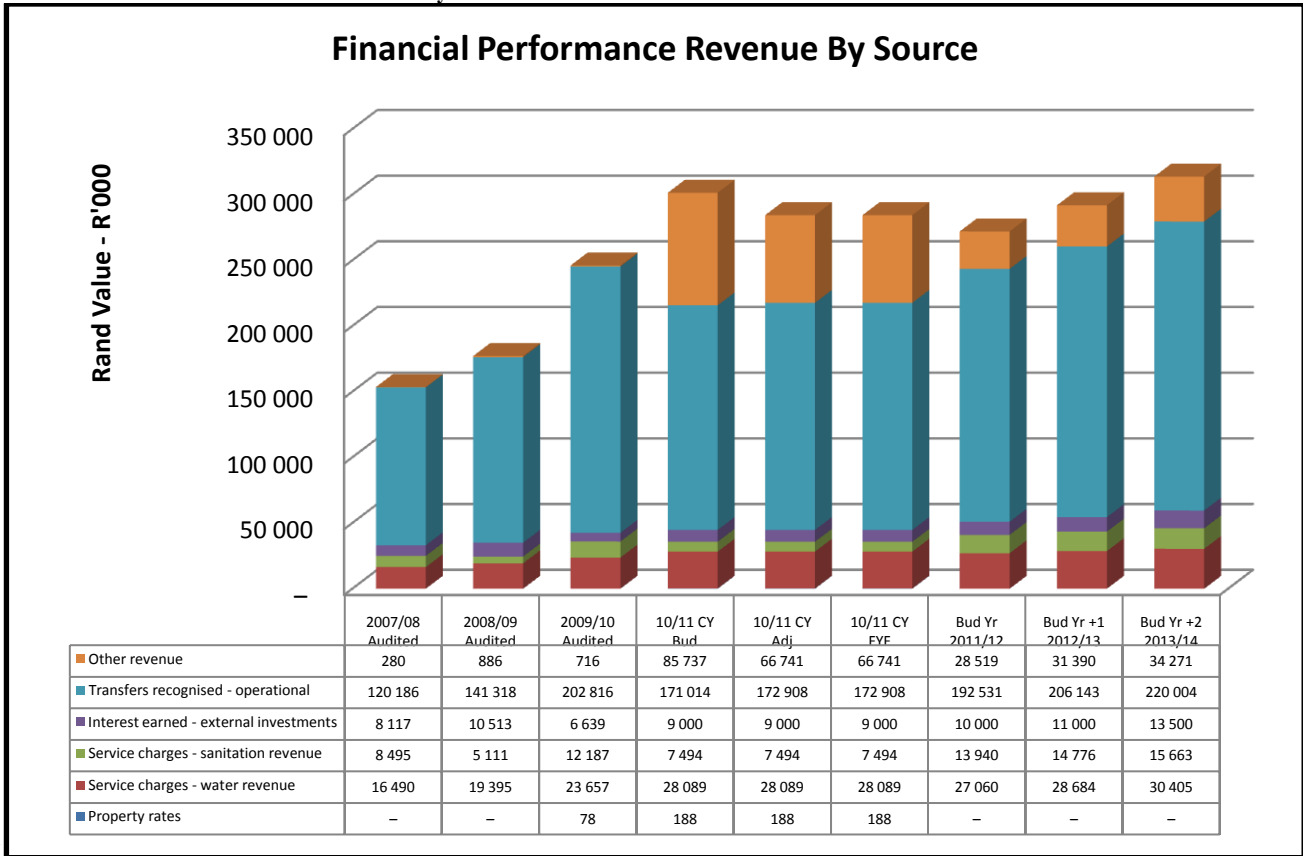


Chart 7: Financial Performance: Expenditure by Type

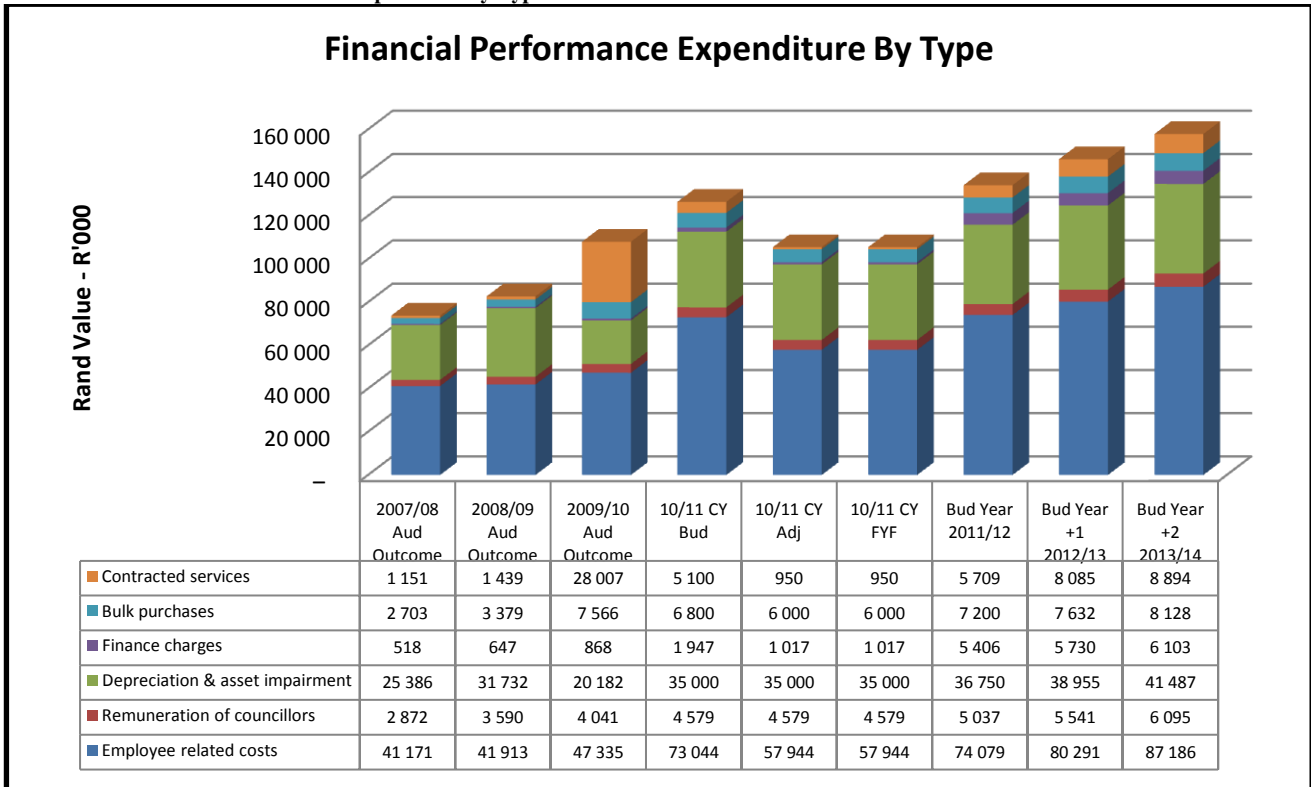


Chart 8: Capital Expenditure by Vote

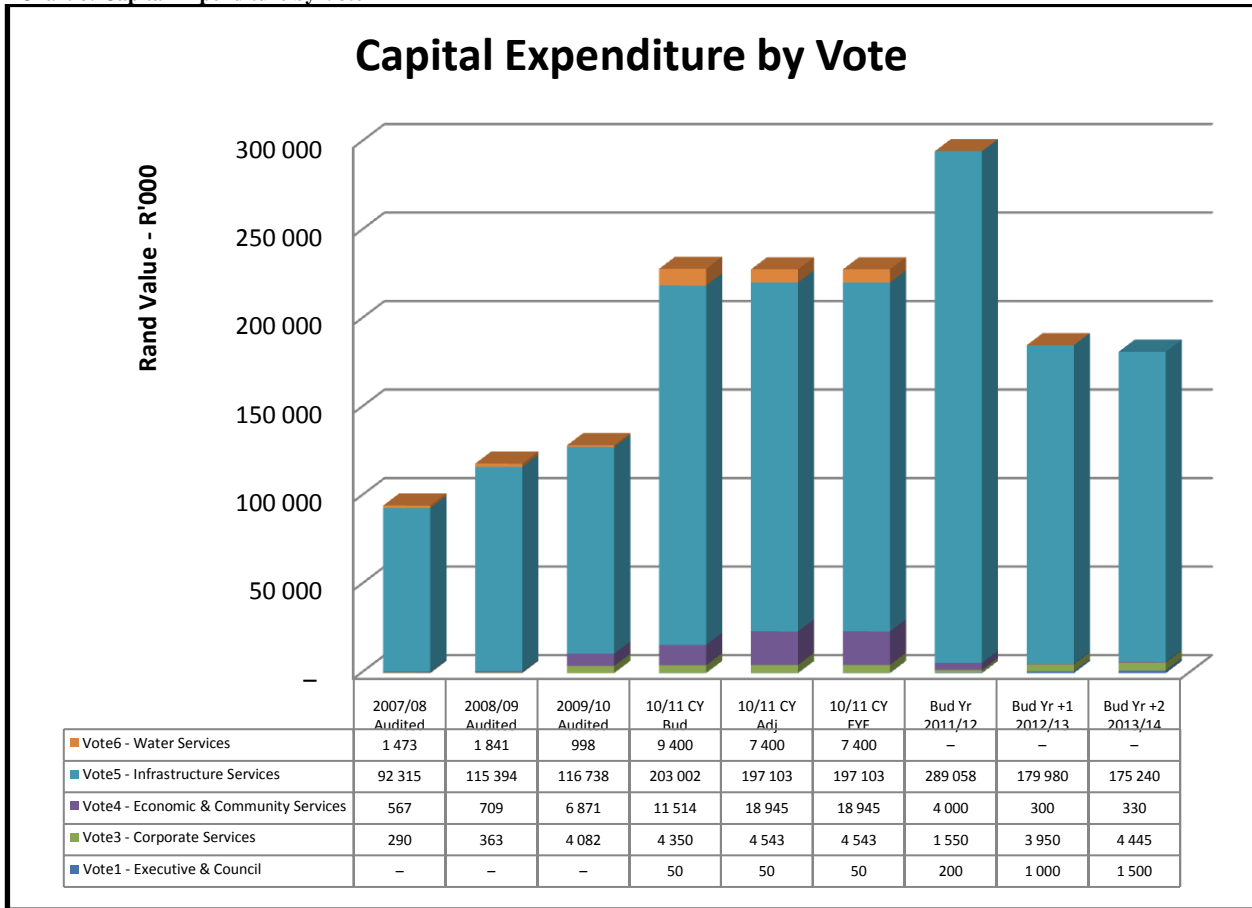


Chart 8 above shows capital expenditure by Vote. As mentioned above, the bulk of the capital budget is dedicated towards the provision of the water & sanitation infrastructure. The Vote responsible for the implementation of the Capital projects is the Infrastructure services department and hence the largest share of the capital budget.

Chart 9: Capital Expenditure by Vote by Standard Classification

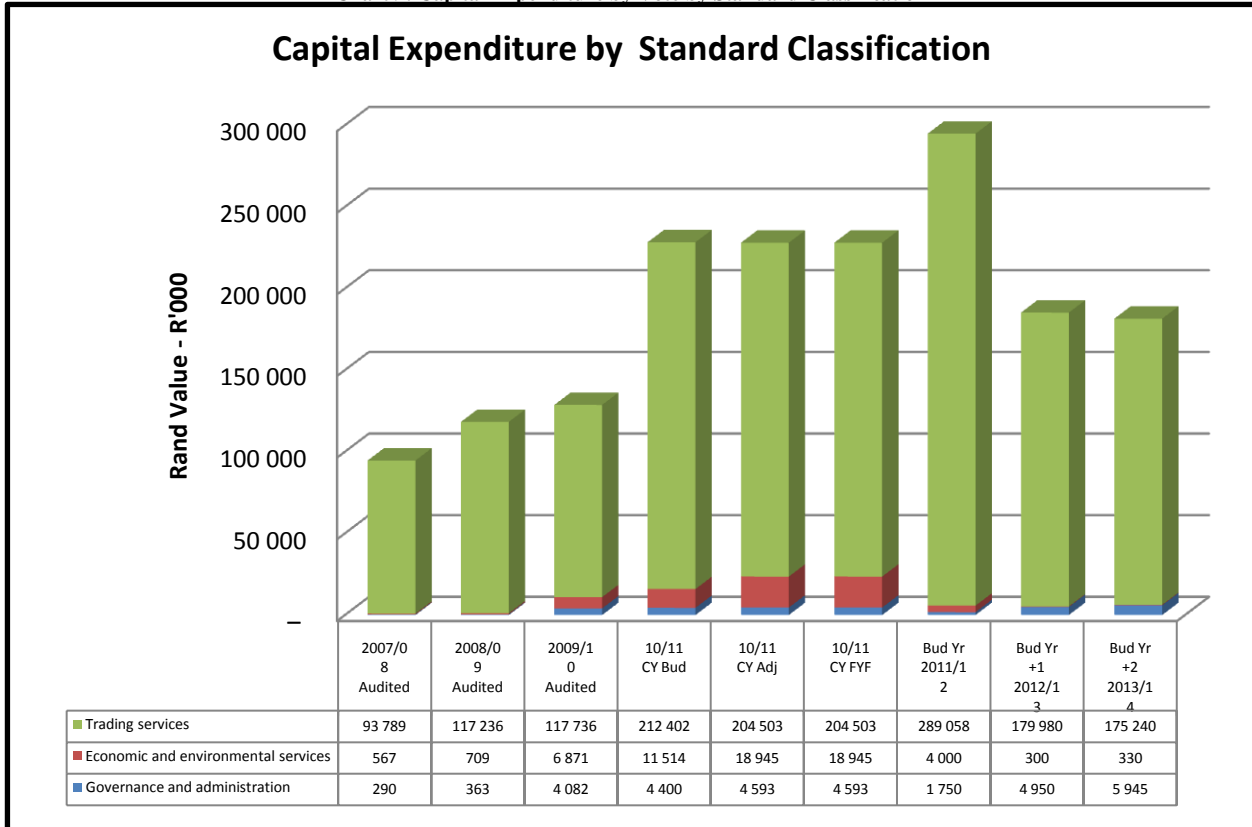


Chart 10: Capital Expenditure by Vote by Funding Source

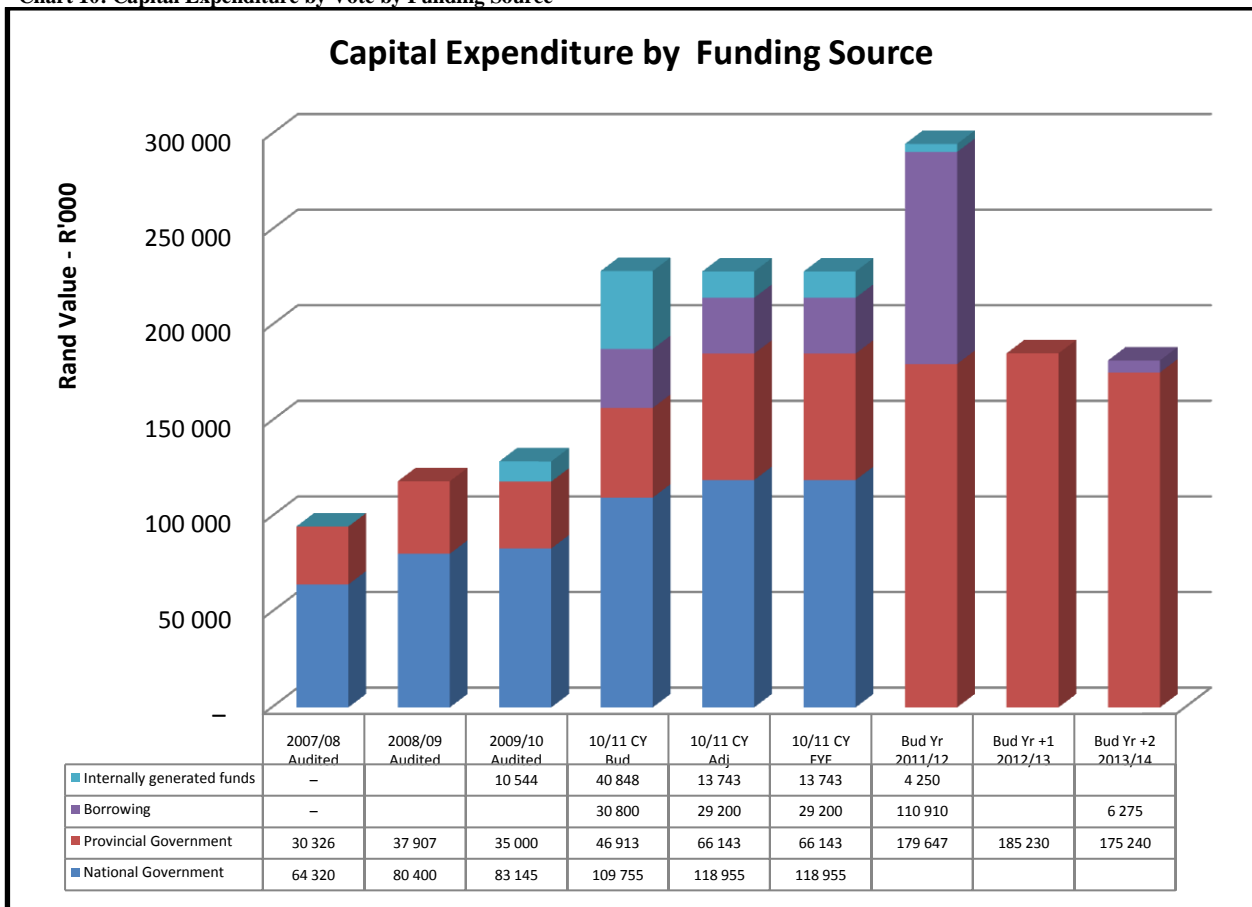


Chart 11: IDP Strategic Objectives: Opex

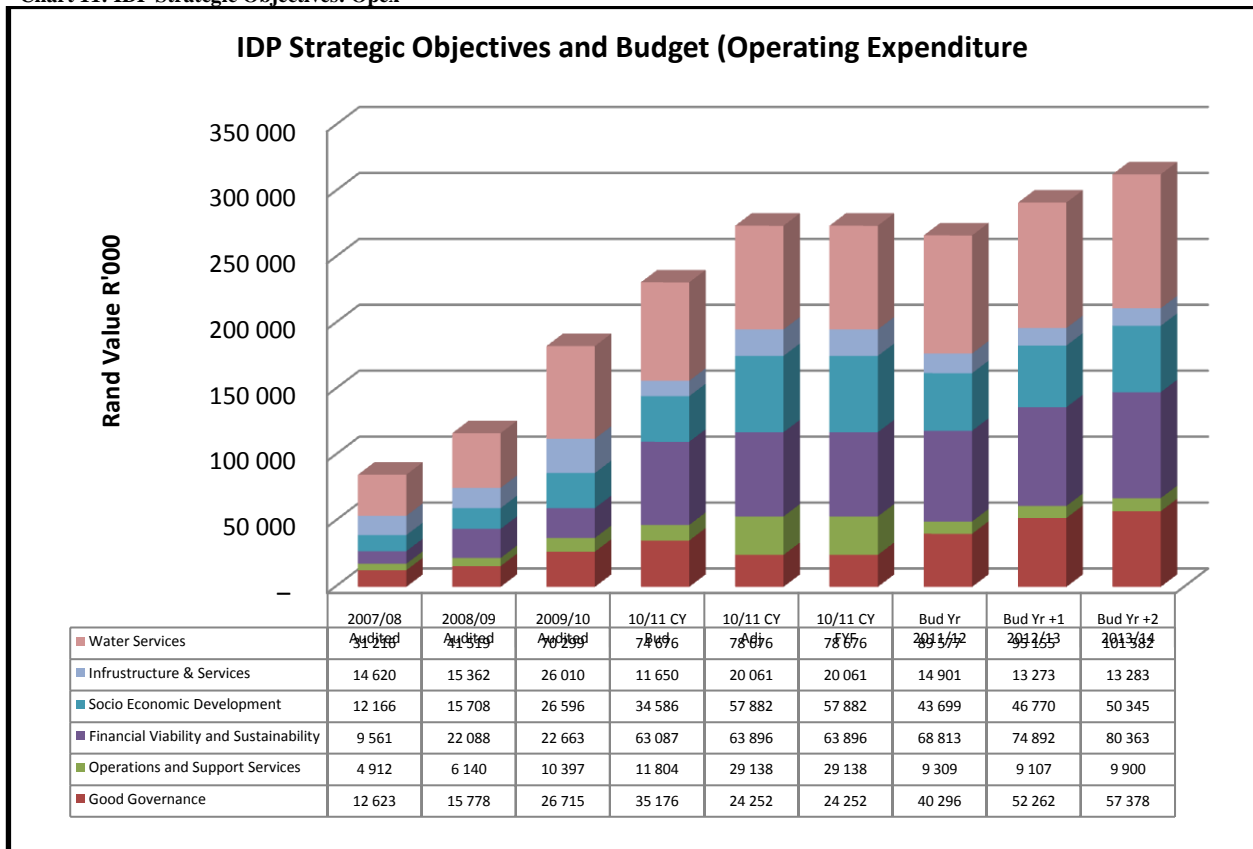
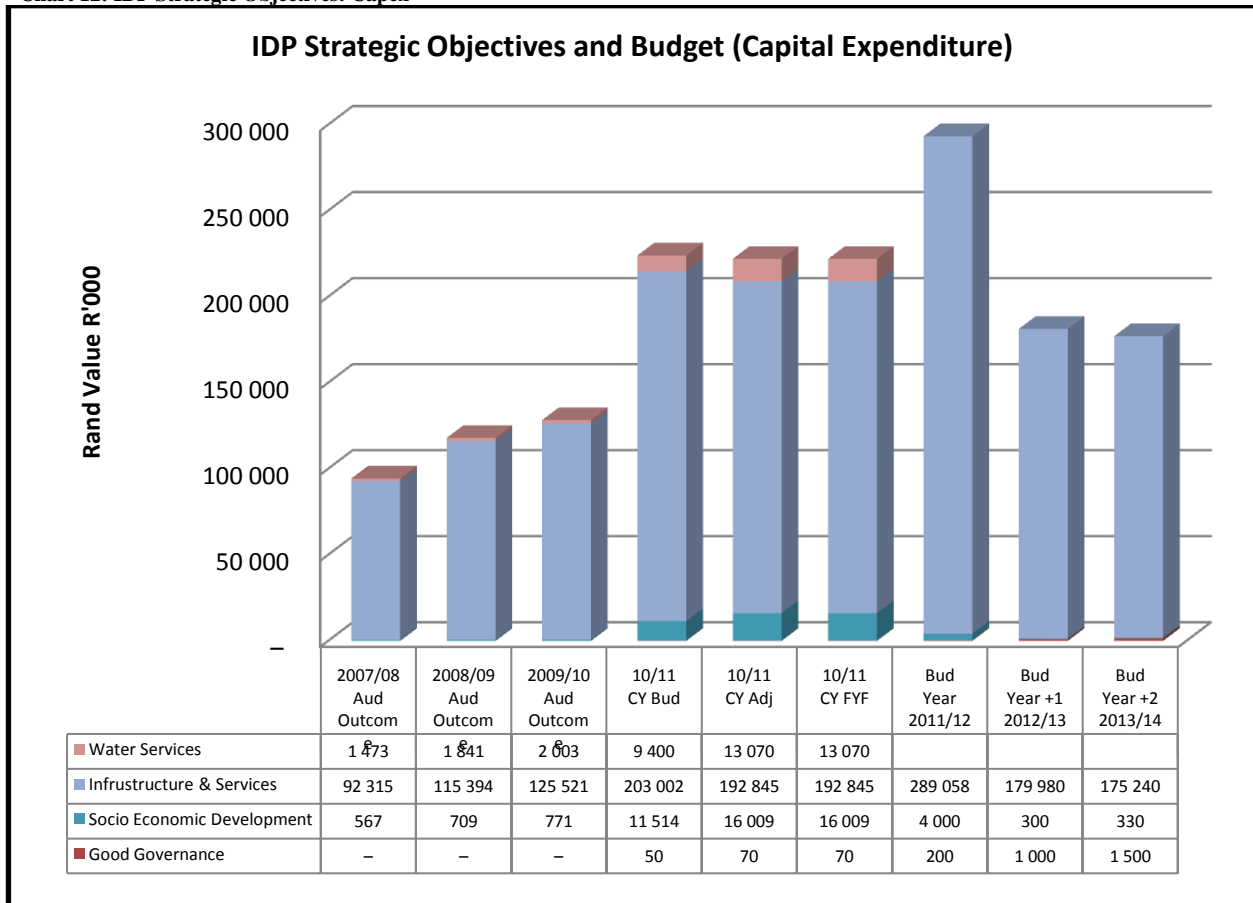


Chart 12: IDP Strategic Objectives: Capex



## PART B

### 1. Budget process overview

In terms of Section 21 of the MFMA, the Mayor of a municipality must—

- co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
- at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for—
  - (i) The preparation, tabling and approval of the annual budget;
  - (ii) The annual review of—
    - (aa) the integrated development plan in terms of section 34 of the Municipal Systems Act; and
    - (bb) the budget-related policies;
  - (iii) The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
  - (iv) Any consultative processes forming part of the processes referred to in Subparagraphs (i), (ii) and (iii).

In compliance with the above legislation the Mayor tabled to Council the budget & IDP process plans for the preparation of the 2011/2012 MTREF Budget respectively in August 2010.

Table 5 below shows an abridged version of the budget planning schedule that was used in the preparation of the 2011/12 budget.

**Table 5: Abridged Schedule of key deadlines**

No.	TASK	DATE
1.	Tabling of Schedule of Key deadlines to Council	August 2010
2.	Stakeholder consultation	November 2010
3.	IDP Review & Draft Budget: Tabling to Council	March 2011
4.	Budget/IDP Izimbizo	April 2011
5.	Review of budget submissions	April 2011
6.	Final Budget Approval	May 2011
7.	Submission of SDBIP to Mayor	May 2011
8.	Submission to National & Provincial Treasuries & other Departments	June 2011

## FINAL MTREF BUDGET 2011/12-2013/14

**Table 6: Detailed Schedule of key deadlines**

<b>SCHEDULE OF KEY DEADLINES</b>		
<b>AUGUST - 10</b>		
ACTION	PURPOSE	PERSON RESPONSIBLE
Planning of IDP and Budget Process	To align IDP & Budget processes	CFO/IDP
Workshop draft with HOD's for comment	To seek HOD's input	CFO/IDP
Plan approved by executive committee	For recommendation to Council for approval	CFO/IDP
Plan workshoped with COUNCIL	Buy-in of Council	CFO/IDP
Plan approved by COUNCIL	Compliance with MFMA	COUNCIL
<b>SEPTEMBER 10</b>		
BTO determines revenue projections.	Preparatory budgetary planning	CFO/IDP
Engagement with Provincial and National sector departments on sector specific programmes (water, electricity, roads, etc)	To ensure alignment and identification of gaps for alignment with IDP	IDP
<b>OCTOBER 10</b>		
Initial review of national policies and budget plans and checking of price increases of bulk resources with function and department officials	To ensure that the budget considers the MTBPS and also ensure expenditures are realistically projected	MM
<b>NOVEMBER 09 to DECEMBER- 10</b>		
Stakeholder Consultation	To obtain input from the public & other user groups	IDP/MM
Review of IDP Strategies	To ensure relevance	MM
Submission of projections by depts.	To compile draft Budget	CFO
<b>JANUARY - 10</b>		
Draft Budget is Compiled	Define Service Delivery Objectives for each function	IDP/CFO/HOD's
Mid-year Budget & Performance Assessment	Assessment of municipality for the first half of the year	MM/CFO

## FINAL MTREF BUDGET 2011/12-2013/14

Cont....

MARCH – 11		
ACTION	PURPOSE	PERSON RESPONSIBLE
Table draft budget to EXCO	For recommendation to Council	CFO/HOD's
Table draft IDP/Budget/SDBIP to COUNCIL	To seek approval of draft budget before community participation process.	MAYOR
APRIL - 11		
Public comment on Draft budget	To obtain input from communities	COUNCIL
COUNCIL considers views of the Local Communities, NT, PT and other National and Provincial Organs of State	Community Participation	COUNCIL
Mayor responds to submissions during consultation	Community Participation	MM/CFO/MAYOR
Mayor tables amendments for COUNCIL consideration	Community Participation	MM/CFO/MAYOR
Approve annual IDP/Budget/SDBIP and Budget related policies in COUNCIL and send copy to National Treasury	To enable council to operate from 1 July '11	MM/CFO/MAYOR
MAY - 11		
Submission of SDBIP to Mayor	Ensuring a budget implementation plan is in place.	MM
Conclusion of Annual Performance contracts by Mayor	To ensure a performance driven management	MAYOR
Publication of SDBIP and Annual Budget	Community Participation	MM
Submission by Mayor of approved SDBIP and Performance Agreements to COUNCIL, MEC for Local Govt.	Compliance	MAYOR/MM

Due the current year being an election year, the budget izimbizo's are scheduled in the month of April 2011 where a district wide invitation will be sent to all communities in all the local municipalities. The Mayor is scheduled to deliver the budget to the communities and stakeholders present. The public participation process will be opened up whereby an opportunity for questions to be raised to the respective Councillors and these were responded to everyone satisfaction.

After this due process the Mayor of the Municipality will then table the final budget for adoption by Council in the last week of April 2011.

## ***2. Overview of the Alignment of Annual Budget with IDP***

The IDP, Budget and Performance Management processes must be seamlessly integrated. IDP fulfils the planning stage of Performance Management. Performance Management in turn, fulfils the implementation management, monitoring and evaluation of the Integrated Development Plan. The performance of an organisation is integrally linked to that of staff. If employees do not perform the organisation will not achieve its intended objectives. It is therefore important to manage both at the same time.

Alignment of budget priorities to other spheres of Government: Municipalities are guided by various legislations and policies which have been carefully considered whilst compiling this document. Amongst these legislations is the Municipal Systems Act (MSA), (Act no 32 of 2000); the Municipal Finance Management Act of 2003. Chapter 5 of the Municipal Systems Act specifies that each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality, which:

- Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the IDP;
- Forms the policy framework and general basis on which annual budgets must be based; and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of the legislation.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Sisonke District Municipality to align its budget priorities with that of National and Provincial Government which place a high priority on;

- Good governance & Democracy
- Infrastructure development,
- Economic development
- Job creation and poverty alleviation,
- Efficient service delivery and building sound institutional arrangements.

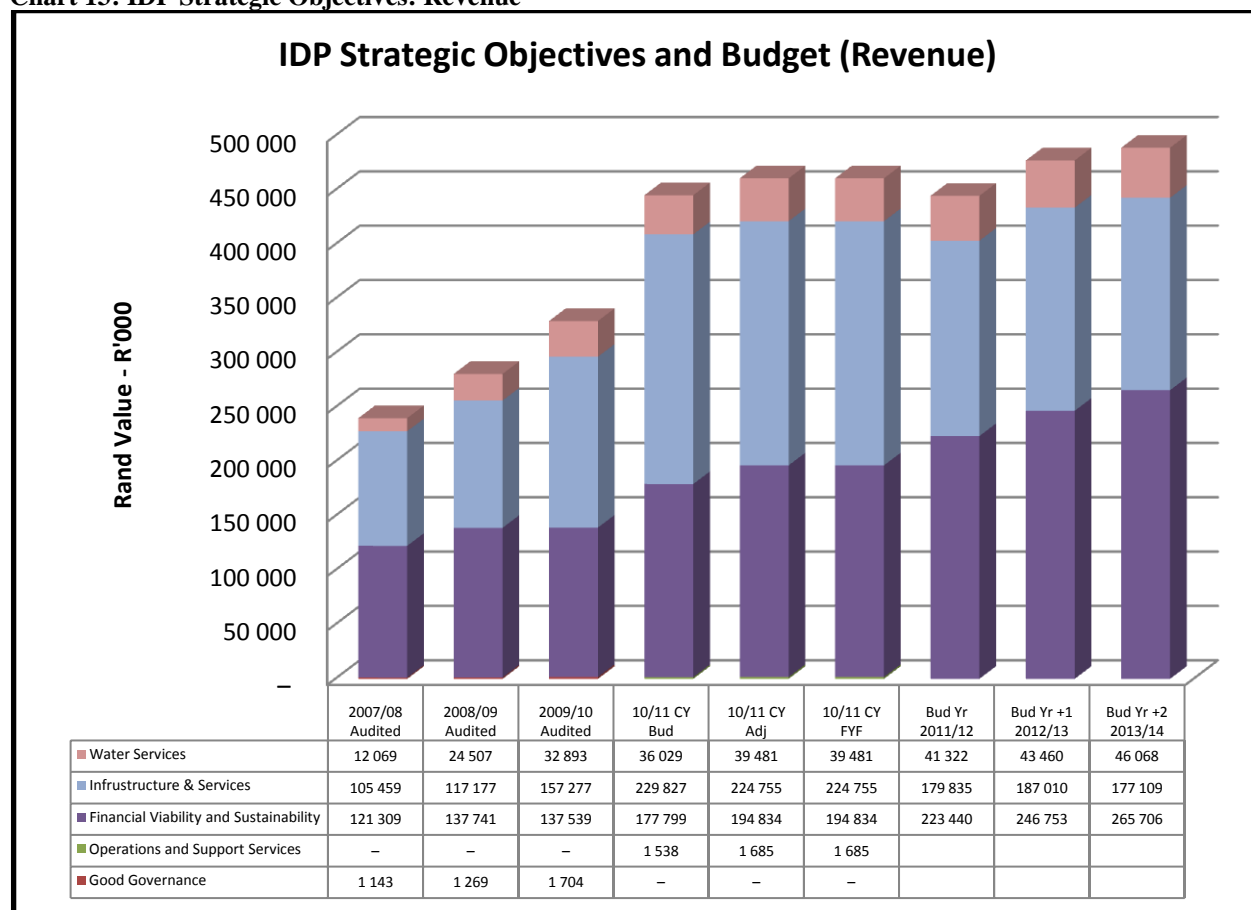
The Municipality has done so by taking into account;

1. The National Spatial Development Framework
2. Accelerated Shared Growth Initiative of South Africa (ASGISA)
3. The Provincial Growth & Development Strategy (PGDS)

This due process was adhered to by the Mayor in tabling before Council an IDP process plan which is aligned to the Budget schedule of key deadlines. This is evident in the IDP informed MTREF budget allocations as detailed in the revenue chart below.



Chart 13: IDP Strategic Objectives: Revenue



### 3. Measurable performance objectives and indicators

The municipality’s finance department, as one of its priority goals, aims to ensure the efficient coordination of all factors that positively contribute to the financial viability of the municipality. This has been evident in composure of the funding mix of the municipality. Although funded largely through grants & subsidies, the municipality has been very conservative in the application for Loan funding due to its cost implications in the operational budgets.

It has been Sisonke’s main aim to continue compliance with the relevant provisions of the MFMA dealing with debtor and creditor management to ensure a healthy working capital status.

Table SA7 highlights the measurable performance objectives for each vote. These objectives have been linked to the service delivery objectives as informed by the IDP. The Service Delivery and Budget Implementation Plan (SDBIP) provided more details in this regard.

# FINAL MTREF BUDGET 2011/12-2013/14

DC43 Sisonke - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2007/8	2009/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Vote1 - Executive &amp; Council</b>										
<b>Function 1 - Operations Department</b>										
<b>Sub-function 1 - Youth Development</b>										
To render youth development projects	Number of programmes	21	22	23	24	24	24	16	18	20
<b>Sub-function 2 - Sports and Recreation</b>										
To promote sports initiatives and activities	Number of games & events held	4	4	4	4	4	4	6	6	6
<b>Sub-function 3 - Communication and Public Relations</b>										
To render intergrated communication services	Information Dissemination	0	10	10	22	22	22	12	12	12
<b>Sub-function 4 - Special Programmes</b>										
Programs for the Elderly, Disabled, HIV&Aids and Cultural Activities	Number of Programmes implemented	10	10	10	16	16	16	6	6	6
<b>Sub-function 5 - IDP/PMS</b>										
Compilation of Annual Report, SDBP, Annual Performance Contracts and Rewarding Performance	Number of Reports	9	9	9	9	9	9	9	9	9
<b>Sub-function 6 - Intergovernmental Relations</b>										
To hold the meetings as part of the intergovernmental relations within the district	Number of meeting Held	0	0	10	30	30	30	4	4	4
<b>Vote2 - Finance</b>										
<b>Function 1 - Budget &amp; Treasury Office</b>										
<b>Sub-function 1 - Budgeting &amp; Reporting</b>										
Financial Viability & Management	Number of Reports Produced	10	15	15	15	15	15	15	15	15
<b>Vote3 - Corporate Services</b>										
<b>Function 1 - Corporate Services</b>										
<b>Sub-function 1 - General Administration Services</b>										
To provide general Administrative Support Services										
<b>Sub-function 2 - Human Resource Services</b>										
To provide Human Resource Management Services	Number of plans, Strategies, Policies developed	5	5	5	5	5	5	5	5	5
	Staff Capacity Building									
<b>Vote4 - Economic &amp; Community Services</b>										
<b>Function 1 - Development &amp; Planning</b>										
<b>Sub-function 1 - Planning &amp; GIS</b>										
To provide Development Planning Services	Number of Precinct Plans Developed	0	1	0	1	1	1	4	0	0
	Physical Developments of Parks							2	0	0
<b>Sub-function 2 - Environmental Health</b>										
The municipality shall therefore ensure that, its residents have access to an environment that is not harmful to their health and well being. (Section 24 of the constitution), and it shall ensure the promotion of social and economic upliftment (object of the municipal systems act) of its residents.	% Enforcements undertaken	0%	30%	45%	60%	60%	60%	100%	100%	100%
	Surveillance of Business Premises	0	0	0	240	240	240	240	240	240
	Percentage of samples taken of functional water schemes	60%	60%	65%	68%	68%	68%	70%	80%	90%
<b>Sub-function 3 - Disaster Management</b>										
Turnaround time to respond to any disaster	% Enforcements undertaken	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time
	Construction of Disaster Management Centre	0.0%	0.0%	0.0%	17%	17%	17%	100%	-	-
<b>Vote5 - Infrastructure Services</b>										
<b>Function 1 - Waste Water Infrastructure</b>										
<b>Sub-function 1 - Water</b>										
Reduction in water backlogs	Total number of HH with access to water	4774	5304	5894	6549	6549	6549	6893	3214	2650
	Bulk Water & Sewer Infrastructre	152	160	168	177	177	177	187	433	1119
<b>Sub-function 2 - Sanitation</b>										
Reduction in sanitation backlogs	Number of household with new access to VIP sanitation	1664	1752	1844	1941	1941	1941	2043	1751	1926
<b>Sub-function 3 - Electricity</b>										
To provide electricity to the existing water schemes	No of hh with electricity connection in the water scheme	0	85	90	95	95	95	100	-	-
<b>Vote6 - Water Services</b>										
<b>Function 1 - Water</b>										
<b>Sub-function 1 - Water &amp; Sanitation Infrastructure Planning &amp; Design</b>										
To ensure the effective management of all water Infrastructure	Water Feasibility Studies, Business Plans Approved	10	10	10	10	10	10	10	10	10
	Sanitation Feasibility Studies, Business Plans Approved	4	4	4	4	4	4	4	4	4
<b>Sub-function 2 - Water &amp; Sanitation Services Operations and Maintenance</b>										
To render effective water & sanitation services	% Reduction in water losses Minimum Night Flows in main supply areas	70.0%	80.0%	90.0%	100%	100%	100%	100%	100%	100%
	% reduction in the number of sewer overflows	70.0%	80.0%	90.0%	100%	100%	100%	100%	100%	100%
	% Progress made towards Blue drop and Green drop Status DWA	<50%	<50%	<50%	<50%	<50%	<50%	>50%	>80%	100%

#### 4. Overview of Budget Related Policies

Table 6 below takes a look at the overview of the budget related policies. The policies referred to below which have been amended been attached (see annexure B) for further scrutiny.

**Table 6: Overview of Budget Related Policies**

NO.	POLICY	STATUS
1.	Supply Chain Management Policy	No Amendment
2.	Municipal Property Rates	To be Repealed
3.	Water & Sanitation Tariff Policy	Amended – Increase of 6% in water & sanitation tariffs.
4.	Indigent Policy	No Amendment
5.	Investment and cash management	No Amendment
6.	Virement Policy	No Amendment
7.	Budget Policy	No Amendment
8.	Borrowing Policy	No Amendment
9.	Credit Control & Debt Collection Policy	No Amendment
10.	Funding & Reserves Policy	No Amendment
11.	Asset Management Policy	No Amendment
12.	Preferential Procurement Policy	New Policy

All policies which have not been amended can be requested from the Finance Department during office or can otherwise be viewed on the Municipalities Website: [www.sisonke.gov.za](http://www.sisonke.gov.za).

#### 5. Overview of Budget Assumptions

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration

**Table 7: Summary of Key budget Assumptions**

	<b>MTREF BUDGET</b>		
	2011/12	2012/13	2013/14
<b>INCOME</b>			
<b>Water tariff increase</b>	6%	6%	6%
<b>Sewerage</b>	6%	6%	6%
<b>Sundry income increase</b>	6%	6%	6%
<b>EXPENSES</b>			
<b>Councillor Allowances</b>	10.00%	10.00%	10.00%
<b>Salaries increase</b>	6.08%	8.30%	8.50%
<b>s57 Managers</b>	7.8%	9.3%	9.5%
<b>Free Basic Water:</b>			
<b>Kilolitres of Water</b>	6	6	6
<b>Commission on Collection</b>	10%	10%	10%
<b>Other Operating Expenses</b>	6%	6%	6%
<b>Increase In Electricity Tariffs</b>	25.8%	25.9%	

The following other assumptions have been assumed in the medium term;

1. 100% expenditure rate on all Conditional Grant funding received.
2. A continuation of the positive response to the revenue enhancement strategies favourably contributing to the reduction in Debtor balances and recovery of outstanding debts.

The water & sanitation tariff charges are assumed to stay constant at 6% in the medium term. This percentage increase is slightly above the CPIX guideline issued by the National Treasury, the difference being largely attributable to a higher increase (than the CPIX) in some of the inputs costs, E.g. Staff costs and Electricity. There is also an expectation of an increase in billable consumers as a result of the revenue enhancement strategy in ensuring that all consumers have water meters and are billed. The new developments in the district will also contribute greatly to the increase in revenue.

Councillor allowances have been budget at 10% while staff salary increase are assumed at 6.08% and HOD increases at 7.8%. Any changes or movements to these assumptions will be monitored closely adjusted accordingly at the time of the mid-year budget and performance assessment.

The free basic water will remain at 6kl per month but will however only be available to the indigent households, as defined by the indigent register, who applied for such.

The cost of collection of overdue accounts is assumed to remain at 10% in the medium term while other expenditures will increase within the range of 6-7% over the three year period. The hike in electricity costs is assumed to be in line the approved rates by the Energy Regulator at 25.8% and 25.9% in the medium term.

## 6. Overview of Budget Funding

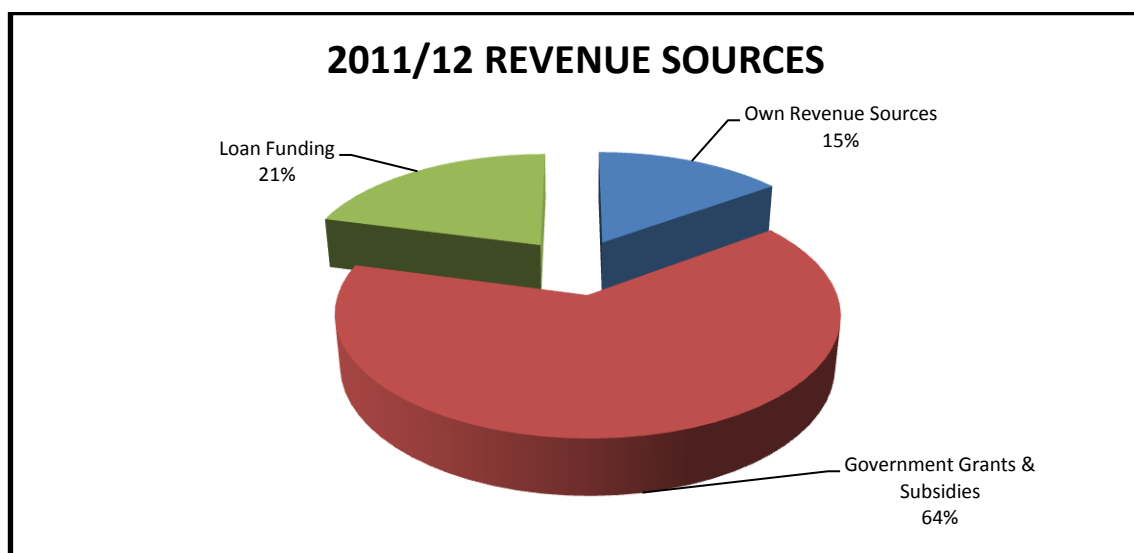
As have been noted above, the growth in the municipal budget has mainly been attributable largely to grants from National & Provincial government. The Provincial grants continue to be dominated with transfers mainly for the purposes of accelerating service delivery backlogs in Umzimkhulu. However, as these backlogs are currently being eradicated, future allocations from the Provincial Department will start to decline in the medium term. National grants however, in the form of MIG will continue to rise sharply as the National Governments agenda of providing the basic services of water & sanitation infrastructure continues to remain a priority.

Sisonke's main revenue source still remains to be from water & sanitation service provision; VAT refunds claims and interest earned on investments. Although the introduction of Municipal Property Rates has yielded additional revenues for the Municipality, this income has had a minimal contribution to the total revenue pool due to only 10 rateable land parcels existing in the DMA.

The debt collection levels have been assumed to hover around 88% in the medium term as we start to realise to benefits of the revenue enhancement strategies. Property rates income will cease to exist all the District Management Areas will be incorporated under the relevant Local municipalities.

The budget funding mix is constituted of grants & subsidies from Provincial & National government, constituting 64%, own revenue sources and external loans. Own revenue sources merely constitute 15% (an average of 17% over the medium term) while Loan funding is 21%. In this MTREF budget, the municipality anticipates borrowing funds from the Development Bank to funds some of the capital commitments and the balance is to be funded from Government grants & subsidies.

**Chart 14: Budget Funding Mix**



## **7. Expenditure on Allocations and grants Programmes**

Through the various outcomes of the departmental strategic plans, the Council is confident that the implementation of the budgeted projects will occur at the planned pace using the budgeted financial resources. All the grants and subsidy transfers received from the Provincial and National Treasuries will be expended in accordance with the conditions stipulated in the budget statements and DORA respectively and as planned in the Service Delivery Budget and Implementation Plan.

## **8. Allocations or Grants made by the Municipality**

Other than the transfer which has been budgeted to go towards the establishment of the Sisonke Development Agency, the municipality has not made any other provision for any grant transfers to the local municipalities and other organs of state or bodies outside any sphere of government.

## **9. Councilor Allowances, s57 Managers and Employee Benefits**

The tables below provide a summary of the information available in the supporting documentation (Appendix B) SA 22-24.

<b>Councillors (Political Office Bearers plus Other)</b>		
<b>Salary</b>	R	2 746 676
<b>Pension Contributions</b>	R	359 414
<b>Medical Aid Contributions</b>	R	84 700
<b>Motor vehicle allowance</b>	R	1 059 960
<b>Cell phone allowance</b>	R	232 320
<b>Other benefits or allowances</b>	R	554 180
	R	5 037 250

<b>Senior Managers of the Municipality</b>	
<b>Salary</b>	R 5 857 601
<b>Performance Bonus</b>	R 488 223
	R 6 345 824

The figures presented above reflect total packages which the s57 managers structure according to their preferences.

## FINAL MTREF BUDGET 2011/12-2013/14

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A summary of the other municipal staff costs has been presented in the table below.

<b>Other Municipal Staff</b>	
<b>Basic Salaries and Wages</b>	R 48 310 119
<b>Pension Contributions</b>	R 9 025 348
<b>Medical Aid Contributions</b>	R 1 128 695
<b>Motor vehicle allowance</b>	R 2 057 521
<b>Cell phone allowance</b>	R 350 989
<b>Housing allowance</b>	R 30 500
<b>Bonus</b>	R 4 476 293
<b>Other benefits or allowances</b>	R 2 354 156
	R 67 733 620

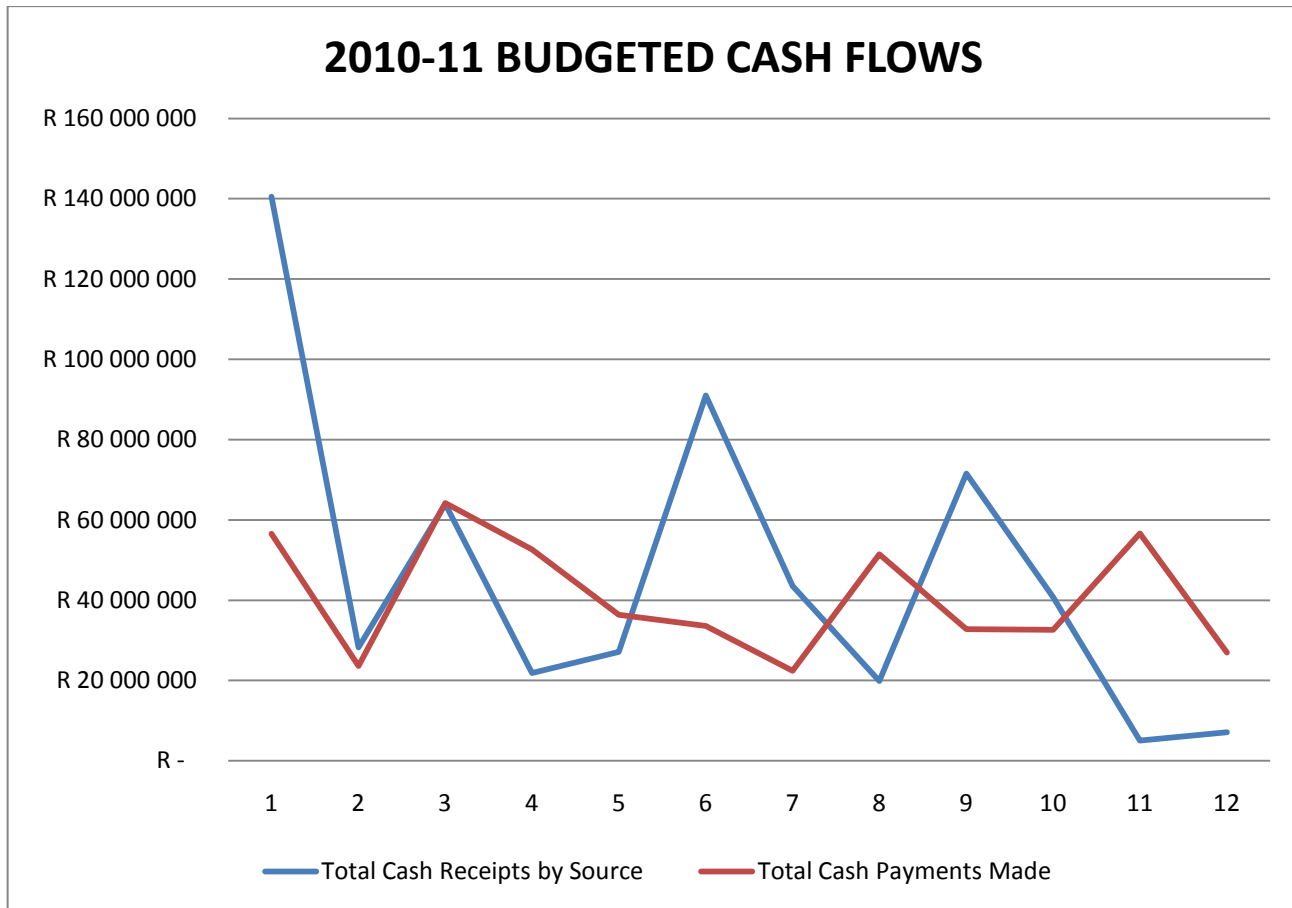
The following points are worth noting relating to the increase in the number of personnel costs and personnel numbers. Due to the restructuring of the organogram with a view to increase compliance and operational efficiencies, additional posts were added to the organogram to give effect to these goals. The bulk increase in these posts pertains to the staff compliment requirements of the Water Services department. A number of these of the posts relate to shift workers and general assistants while a lesser portion is for the Technical workforce at the water & sanitation operations and maintenance plants.

It is also worth noting that the Municipality has adopted a staggered approach into increasing its staff compliment requirements and has “frozen” some posts which were viewed as not being critical. These posts will be phased-in in the future budget years to come. The discussion referred to above result in an increase in the total staff cost for the 2011/12 MTREF budget of 21%.

It is also worth noting the future benefit to accrue to the Municipality as a result of this investment in its human resources. An example of such is the budgeted internal design & planning unit for the Water Services Department which will require adequate human as well as capital resources to be fully functional. The long-term result of this plan is the decrease in outsourcing costs as well as consultants’ fees and also a much faster response time to municipal needs.

**10. Monthly targets for revenue, expenditure and cash flow**

**Chart 16: Budgeted Cash Flows**



The chart above displays the total cash receipts vs. total cash payments made by month. It is evident from the chart above that Sisonke will experience positive cash flows for the better part of the year except in month 8 where total payments will exceed total receipts. However, this will not negatively affect the cash flow position as the liquidity position would have been strong due to higher cash receipts in earlier months.



## **11. Annual Budget and SDBIP's – Internal Departments**

A legislative requirement of the MFMA (s69) is that the Municipal Manager is responsible for implementation of the approved budget, and must provide the Mayor with a Service Delivery and Budget Implementation Plan (SDBIP) within 14 days of the approval of the budget. In terms of the implementation plan of the MFMA all small capacity Municipalities must compile a SDBIP for the 2008/09 financial year.

The SDBIP is the connection between the Budget (reflecting IDP priorities) and management performance agreements, and includes detailed information regarding how the budget will be implemented. The five necessary components of a SDBIP are:

- 1) Monthly projections of revenue to be collected for each source.
- 2) Monthly projections of expenditure (operating and capital) and revenue for each vote.
- 3) Quarterly projections of service delivery targets and performance indicators for each vote.
- 4) Ward information for expenditure and service delivery.
- 5) Detailed capital works plan broken down by ward over three years.

The Mayor is required to approve the SDBIP within 28 days of approval of the budget. A copy of the SDBIP will be made available at the Municipality for inspection after having gone through all of the due processes and can also be accessed in the Municipality's website [www.sisonke.gov.za](http://www.sisonke.gov.za).

## **12. Contracts having future budgetary implications**

The municipality has not entered into any contract exceeding a period of three years.

**13. Capital Expenditure Details**

PROJECT	TYPE	LOCATION	2011/12 BUDGET
Gala donnybrook phase 2 water	Water	Ingwe	R 7 000 000
Ingwe household sanitation project	Sanitation	Ingwe	R 9 500 000
Mbululweni water supply	Water	Ingwe	R 8 000 000
Greater khilimoni (ward 1)	Water	Ingwe	R 7 000 000
Mangwaneni water supply	Water	Ingwe	R 8 045 483
Kwanomandlovu water project_(sdm)	Water	Ingwe	R 5 500 000
Bulwer town emergency intervention	Water	Ingwe	R 2 000 000
Bulwer waste water works	Sanitation	Ingwe	R 1 200 000
St appolinaris waste water	Sanitation	Ingwe	R 1 300 000
Pholela waste water	Sanitation	Ingwe	R 1 400 000
Mahwaqa water supply	Water	Ingwe	R 3 000 000
Khukhulela water_(sdm)	Water	Ingwe	R 3 000 000
Centocow community water supply	Water	Ingwe	R 1 313 528
Franklin bulk water & sewerage upgrade	Water	Kokstad	R 8 800 000
Kokstad bulk water and sewer upgrade	Water	Kokstad	R 8 000 000
Horseshoe sanitation project-new	Sanitation	Kokstad	R 10 000 000
Franklin waste water works	Sanitation	Kokstad	R 972 000
pakkies water ext ph2	Water	kokstad	R 500 000
makhoba housing project (w&s)	Bulk	kokstad	R 1 000 000
Eradication of water backlogs in kokstad	Water	Kokstad	R 500 000
Underberg bulk water supply upgrade phase 2	Water	Kwasani	R 11 000 000
Underberg bulk water supply upgrade phase 2	Water	Kwasani	R 4 000 000
Enhlanhleni and kwapitela water project	Water	Kwasani	R 3 237 672
Mqatsheni stepmore water project	Water	Kwasani	R 8 068 445
Underberg waste water works	Sanitation	Kwasani	R 1 900 000
rain water harvesting	<b>water</b>	<b>Sdm</b>	R 2 500 000
New office building (umgeni farm)	Sdm	Sdm	R 6 000 000
Pmu	Sdm	Sdm	R 2 868 799
Ncakubana water project	Water	Ubuhlebezwe	R 7 000 000

FINAL MTREF BUDGET 2011/12-2013/14

PROJECT	TYPE	LOCATION	2011/12 BUDGET
<b>ebovini/ amazabekweni community water supply</b>	Water	ubuhlebezwe	R 2 000 000
<b>Eradication of sanitation backlog in ubuhlebezwe</b>	Sanitation	Ubuhlebezwe	R 9 500 000
<b>Hlokozi water project</b>	Water	Ubuhlebezwe	R 9 500 000
<b>Jolivet water conservation and water demand management</b>	Water	Ubuhlebezwe	R 3 844 000
<b>Umkhunya water projects</b>	Water	Ubuhlebezwe	R 4 500 000
<b>Ixopo mariathal water supply</b>	Water	Ubuhlebezwe	R 3 252 249
<b>Ixopo Hopewell water supply scheme</b>	Water	Ubuhlebezwe	R 3 500 000
<b>Thubalethu water supply</b>	Water	Ubuhlebezwe	R 4 500 000
<b>Ufafa water supply</b>	Water	Ubuhlebezwe	R 4 000 000
<b>Chibini water supply</b>	Water	Ubuhlebezwe	R 2 000 000
<b>Highflats town bulk water supply scheme</b>	Bulk	Ubuhlebezwe	
<b>Paninkukhu water</b>	Water	Umzimkhulu	R 5 364 629
<b>Umzimkhulu sewer emergency intervention</b>	Bulk	Umzimkhulu	R 4 600 000
<b>Umzimkhulu reticulation (housing dev)</b>	Bulk	Umzimkhulu	
<b>urban master plan survey - opex</b>		umzimkhulu	R 500 000
<b>project manager appointed by sisonke</b>	Water	umzimkhulu	R 1 000 000
<b>corinth extension, ndawana resourviors and emaus gravity main</b>	Water	umzimkhulu	R 1 000 000
<b>Refurbishment of mfulamhle water scheme</b>	Water	Umzimkhulu	R 3 000 000
<b>Refurbishment of lourdes water scheme</b>	Water	Umzimkhulu	R 4 000 000
<b>Ibisi housing bulk sewer services</b>	Water	Umzimkhulu	R 5 460 689
<b>Rural electrification: kwathusi, gaybrook, kwafile, ndawana, kwasenti (ward 8 , 10 &amp; 18)</b>	Electrification	Umzimkhulu	R 6 000 000
<b>Santombe water scheme</b>	Water	Umzimkhulu	R 8 400 000
<b>Ibisi housing bulk water services</b>	Water	Umzimkhulu	R 9 000 000
<b>Umzimkhulu bulk water supply</b>	Water	Umzimkhulu	R 1 500 000
<b>Umzimkhulu urban and peri urban sanitation</b>	Sanitation	Umzimkhulu	R 6 918 484
<b>Greater umzimkhulu sanitation project</b>	Sanitation	Umzimkhulu	R 9 500 000
<b>kwatshaka (machumini ext) water supply</b>	Water	Umzimkhulu	R 4 336 728
<b>Riverside waste water</b>	Sanitation	Umzimkhulu	R 1 500 000
<b>Umzimkhulu waste water works</b>	Sanitation	Umzimkhulu	R 1 800 000

FINAL MTREF BUDGET 2011/12-2013/14

<b>PROJECT</b>	<b>TYPE</b>	<b>LOCATION</b>	<b>2011/12 BUDGET</b>
<b>Lukhasini water project</b>	Water	Umzimkhulu	R 2 900 000
<b>Kwa-nozingili</b>	Water	Umzimkhulu	R 3 000 000
<b>Greater driefontein – ngunjini</b>	Sanitation	Umzimkhulu	R 2 900 000
<b>Nkapha – mabhisane (greater qxumeni water project)</b>	Water	Umzimkhulu	R 2 900 000
<b>Greater summerfield water project</b>	Water	Umzimkhulu	R 2 900 000
<b>Rietvlei bulk water and waste water</b>	Sanitation	Umzimkhulu	R 2 900 000
<b>Old ibisi township water and sewer reticulation project</b>	Water	Umzimkhulu	R 2 900 000
<b>Kwa meyi water project</b>	Water	Umzimkhulu	R 2 900 000
<b>Old umzimkhulu prison-kwadaya-strangers rest water project</b>	Water	Umzimkhulu	R 2 900 000
<b>Kroemhoek (starting from moyeni)</b>	Water	Umzimkhulu	R 2 900 000
<b>Refurbishment of mbizweni hospital scheme</b>	Water	Umzimkhulu	R 2 900 000

**14. Legislation Compliance Status**

The introduction of the MFMA into the Local Government Sphere has brought about many changes in the ways municipal finances are managed. Bearing in mind the constraints facing the Municipality, Sisonke has however gone to great lengths to ensure that it complies with the reporting regulatory environment. The table below shows some of the milestones that have been achieved in complying with the MFMA.

**15. MFMA Compliance Status**

COMPLIANCE	STATUS
<b>Budget &amp; Treasury Office</b>	Established
<b>Supply Chain Management Unit</b>	All SCM committees are in existence and fully functional
<b>Budget Preparation</b>	Budget tabled & Adopted within the required timeframes
<b>Internal Audit</b>	Internal Audit unit & audit committee is currently in place
<b>GRAP Conversion</b>	Financial Management System fully compliant and AFS Reported on Grap Standards.

**16. Other Supporting Documents**

The documents covered in the schedules fully disclose and explain all the budgetary and financial information required. Related further documentation will be made available at the municipal offices as well municipal website.

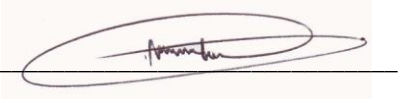
**17. Municipal Managers Quality certification**

I **Nhlanhla Maxwell Mabaso**, Municipal Manager of **Sisonke District municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

**Name: Nhlanhla Maxwell Mabaso**

**Municipal Manager of: Sisonke District Municipality (DC43)**

**Signature:**

A handwritten signature in black ink, appearing to read 'Nhlanhla Mabaso', is written over a horizontal line. The signature is enclosed within a light beige rectangular box.

**Date: 13 May 2011**