

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR

2015/2016

Acronyms and abbreviations

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

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1. Revised budget related policies and By-Laws

- a. Property rates
- b. Debt and credit control
- c. Budget implementation and monitoring
- d. Supply Chain Management
- e. Indigent consumers
- f. Funding and reserves
- g. Cash and Investment management
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- i. Principles and Policy on Tariffs
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- n. Prioritisation Model for Capital Assets Investment
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- q. Debt and credit control By-Law
- r. Tariffs By-Law
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- 2. Tariff Book 2015/16**
- 3. Organisational structure 2015/16**
- 4. Procurement Plan**
- 5. Stakeholders Inputs**
- 6. Quality Certificate**

Part 1 – Annual Budget

1.1 Mayor's Report

Mayoral speech will be table separately by the Mayor on 27 May 2015

1.2 Council Resolutions

The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) is required to hold meeting where the Mayor will table Medium-Term Revenue and Expenditure Framework for consideration for adoption by the Council in terms of section 24(1) of the Municipal Finance Management Act (56 of 2003). The council met on 27 May 2015. Where the final 2015/16 MTREF was tabled by the Mayor for consideration for adoption by the Council.

At the meeting the Council made the following resolutions:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 6;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 7;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 8;
 - 1.1.4. Multi-year and single-year draft capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 9.
 - 1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
 - 1.2.1. Budgeted Cash Flows as contained in Table 11;
 - 1.2.2. Asset management as contained in Table 13.
2. The Council of Bela-Bela Local Municipality approved the following 2015/16 revised budget related policies and by laws as set out in Annexure 1:
 - 2.1. Property rates policy and By-Law
 - 2.2. Debt and credit control policy and By-Law
 - 2.3. Tariffs by law
 - 2.4. Budget implementation and monitoring
 - 2.5. Supply Chain Management
 - 2.6. Indigent consumers Policy and By-Law
 - 2.7. Funding and reserves
 - 2.8. Cash and Investment management
 - 2.9. Long term financial plan
 - 2.10. Principles and Policy on Tariffs
 - 2.11. Borrowing
 - 2.12. Management and Disposal of Assets
 - 2.13. Infrastructure Investment and Capital Projects
 - 2.14. Petty cash policy
 - 2.15. Prioritisation Model for Capital Assets Investment
 - 2.16. Doubtful debt and writing off of irrecoverable debt

3. The Council of Bela-Bela Local Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs as set out in Annexure 2;
 - 3.1. the tariffs for property rates;
 - 3.2. the tariffs for electricity;
 - 3.3. the tariffs for the supply of water;
 - 3.4. the tariffs for sanitation services;
 - 3.5. the tariffs for solid waste services;
 - 3.6. the tariffs for all sundry services;
4. The Council of Bela-Bela Local Municipality approves the 2015/16 revised Organisational structure as set out in Appendix 3;
5. The Council of Bela-Bela Local Municipality approves the 2015/16 revised Performance Management Framework as set out in Appendix 4;
6. The Council of Bela-Bela Local Municipality approves the 2015/16 revised IDP as set out in Appendix 5;
7. To give proper effect to the municipality's draft annual budget, the Council of Bela-Bela Local Municipality approves:
 - 7.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.
8. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

1.3 Executive Summary

National Treasury have in the past, published budget review notes where spending plans were outlined and commitment to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. It provides the foundation for structural reforms and is focused on the transformation essentials which will ultimately accelerate growth, create work opportunities and build an equal society. The emphasis of the National Budget is placed on ensuring that expenditure is allocated in an efficient manner, that management is enhanced and that cutting of waste occur. It is therefore imperative that we follow the tone at the top and ensure that our own local budget exhibits the same potential for being a developmental local government and implement cost containing measures to eliminate non-priority spending

Bela-Bela Local Municipality will strive on each financial reporting years to recognise the application of sound financial management principles for the compilation of the municipality's financial plan as essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The process of developing the municipality's annual budget is mostly guided by the strategic thrust and operational priorities of Bela-Bela's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the outer years.

During the 2013/2014 financial year, Bela-Bela Local Municipality have received un-qualified audit report with findings on non-compliance issues from Auditor General. The municipality will strive to continue to maintain and improve on the audit outcome. This is being achieved by establishment of the AGSA action plan committee, which seat on a weekly basis to monitor the progress made on the action plan.

The Municipality also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and which led to implementation of cost containment measures. Fixed term service providers contracts were also reviewed with a view to reduce the monthly fixed costs.

Bela-Bela Local Municipality had also played a vital role on specific strategies and interventions required by local government in achieving economic stability and higher levels of growth as outlined in the Medium Term Budget Policy Statement and include, among others:

- Intervention in expanding public sector investment in infrastructure through ensuring the budgets and MTREF's acknowledge that capital programmes needs a balanced funding structure addressing not only backlogs in services but also investment in new infrastructure as well as renewing current infrastructure which also sustain the Bela-Bela Local Municipality as an eco-tourism hab.
- Creation of sustainable job remains a national priority and municipalities must ensure that in drafting their 2015/16 budgets and MTREFs, they continue to explore opportunities to promote labour intensive approaches to delivering services, and more particularly to participate fully in the Expanded Public Works Programme.
 - ❖ Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
 - ❖ Ensuring that service providers use labour intensive approaches;
 - ❖ Participating fully in the Expanded Public Works Programme; and
 - ❖ Implementing internship programmes to provide young people with on-the-job training.
- The Municipality continue to create a joint planning with its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive;
- Bela-Bela Local Municipality need to act as a catalyst for local economic development by appropriately structuring capital programmes to address backlog eradication, asset renewal and development of new infrastructure where there is a need; this will require carefully formulating the funding mix to include grants and own funding (internally generated funding).

Before compilation of the 2015/2016 to 2017/2018 planning and budget process, a review to the municipality services delivery priorities were done. Strategic secession where planning of the 2015/16 budget was discussed were held on the 4th to 6th March 2015. The compilation of the 2015/2016 budget was further guided by prescribed budget legislative, policy frameworks and budget circulars.

The following budget principles and assumptions directly informed the compilation of the 2015/2016 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66, 67, 70, 72, 74 and 75 were used to guide the compilation of the 2016-2018 MTREF.
- Headline inflation predictions;
- National outcomes and priorities
- NERSA guidelines
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2014/2015 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baseline for the 2015/2016 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The level of tariff increases to ensure the delivery of services on a financially sustainable basis;
- An assessment of the relative human resources capacity to implement the Budget;
- The need to enhance the municipality's revenue base,
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality ability to meets its obligations;
- Operational cost will be maintained at current levels or reduced as cost containment measures will continue to be implemented.
- Expenditure will be strictly monitored and be limited to the "absolutely necessary" items. Expenditure on the "nice to have" will be stopped forthwith.

The main challenges experienced during the compilation of the 2015/16 to 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and insufficiently funded maintenance for water, roads and electricity infrastructure;
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the Municipality's cash position into account;
- The increased cost of bulk water and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Insufficient Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;

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

- Property rates tariff for residential properties is proposed to decrease by 5.8%
- Property rates tariff for all other classes of property will remain unchanged

- Electricity tariff was increased by 12.2% for the 2015/16 financial year.
- Refuse was increased by 5.6%.
- Tariffs for sundry services have increased by 5.6% in the 2015/16 financial year.
- Major changes on tariffs which will take place in the 2015/16 financial are as follows:
 - **Water** – Commercial, old age, hospitals and churches will no longer be levied at fixed tariffs. It is proposed to be charged on the water gladding scale/step tariffs;
 - **Sanitation** – Will now be levied at fixed tariffs and volume base.
 - **Electricity** – We are introducing block tariffs for agricultural, commercial and industrial customers in line with NERSA guidelines.
 - More information on the tariffs is contained in the tariff book attached as annexure 2 of this report.

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

- Councillors allowances increased by 6%
- Water purchases 10%
- Electricity purchases 12.2%
- Employee salaries have been budgeted in terms of the TASK system, this will allow the Municipality to implement the Wage curve agreement should the processes be finalised during the 2015/16 financial year.

The draft 2015/16 MTREF as tabled before Council on 31 March 2015 for community consultation has been published on the municipality's website, and hard copies made available at municipal offices and municipal library. Electronic and hard copies have been sent to National Treasury and the Limpopo Provincial Treasury.

The Municipality held public participation sessions with the communities after the draft budget had been approved by council in terms of the relevant legislation. A budget summary document, had been issued and discussed at these sessions. The applicable dates and venues were published in all the local newspapers and municipal notice boards.

On a yearly basis, a budget review exercise is conducted by the Provincial Treasury. Subsequent to the review, a preliminary feedback report submitted to the municipality together with a compliance checklist are reviewed and action being implemented by the municipality. The National Treasury also submit a compliance checklist on the tabled draft budget. The key issues raised by both the Treasuries were:

- Inaccuracies in the historical data
- Non submission of hard copies supporting documents.

The Municipality found that the review exercise conducted by Provincial Treasury is extremely helpful and bolstered its effort to turnaround our unfortunate history of non-compliance. The improvement in the issue of non-compliance can further be evidence with the positive audit report received from the Auditor General in the 2013/2014 financial year. All the comments that were received from both the Provincial and National Treasury were incorporated into the final budget that was presented to Council for adoption. A huge effort was made to ensure that all budget schedules are accurately completed.

Council has in the past resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This means that over the MTREF outer years Council expects to have built up enough cash reserve to fund capital expenditure. The Municipality has built up a cash backed-reserve of R15 million during 2014/2015 to fund the own source financed projects during the 2015/2016 financial year.

The Municipality will continue to build up Cash Replacement Reserves in the upcoming financial years. The performance agreements of both the Accounting Officer and the Chief Financial Officer will include the building of a reserve fund as a milestone.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improving. In this regard the administration is continuing to implement the following;

- Efficient revenue management, which aims to ensure a 85 per cent annual collection rate for property rates and other key service charges.
- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Approval of indigent register;
- Resolution of the current stand-off between the farmers and Council;
- Accurate and predictable monthly billing of municipal services, which requires that accounts are sent regularly and on time can enable consumers to plan or arrange for payment of services; and
- A ward based campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

The Municipality also held a strategy breakaway session on the 04th to 6th March 2015 where strategic objectives were reviewed. The review of these strategic objectives was crucial for the compilation of the budget. The strategic session emphasised on the continuance improvement in the municipality infrastructure and to sustain the core strategic objectives that is driven by municipality.

1.3.1. Budget Overview for the 2015/16 MTREF

This section provides an overview of Bela-Bela Local Municipality's 2015/16 to 2017/18 MTREF. It focuses on the billing and revenue environment of the Municipality, the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of The Municipality.

1.3.1.1. Operating Revenue Framework

For Bela-Bela Local Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue levels. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the municipality. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;

- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 85 per cent annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	39,360	44,807	53,069	59,402	53,799	53,799	53,799	59,959	63,557	66,735
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	70,432	80,584	84,138	103,517	103,512	103,512	103,512	105,368	111,269	116,832
Service charges - water revenue	2	19,419	20,979	18,780	24,433	22,146	22,146	22,146	23,479	26,906	28,251
Service charges - sanitation revenue	2	7,183	7,676	6,816	7,310	5,379	5,379	5,379	10,710	10,283	10,797
Service charges - refuse revenue	2	6,708	6,932	6,030	6,490	4,496	4,496	4,496	6,975	7,365	7,734
Service charges - other		19	517	1,407	4,002	4,002	4,002	4,002	4,046	4,273	4,486
Rental of facilities and equipment		1,303	596	998	1,616	1,616	1,616	1,616	2,089	2,206	2,317
Interest earned - external investments		134	325	782	376	2,000	2,000	2,000	4,000	4,224	4,435
Interest earned - outstanding debtors		9,479	6,005	3,891	10,333	10,333	10,333	10,333	10,333	10,912	11,457
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		1,197	4,056	29,904	-	6,000	6,000	6,000	11,639	12,291	12,905
Licences and permits		8,540	11,529	9,123	10,000	10,000	10,000	10,000	10,000	10,560	11,088
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		42,317	34,903	64,022	60,905	61,905	61,905	62,741	67,877	70,870	75,703
Other revenue	2	6,769	(4,401)	6,460	18,794	22,054	22,054	22,054	24,473	25,843	27,135
Gains on disposal of PPE		(2,555)	758	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		210,306	215,266	285,420	307,179	307,242	307,242	308,079	340,949	360,558	379,876

Bela-Bela Local Municipal budget is financed through realistically anticipated revenue streams.

Anticipated operating revenue (total operating revenue less revenue forgone) for 2015/2016 is estimated at R340.9 million or R 35.7 million (10%) more than the adjustments budget revenue of R307 million for 2014/2015. This increment is above the CPI rate and this is as a result of restructuring of amongst other things: the above inflation increase in water and electricity tariff and the restructuring of sanitation tariff.

Operating grants increased to R67.8 Million (8%) from the 2014/2015 adjusted budget of R62.7 million with grant to fund capital spending increasing from R 22.1 million (53%) to R33.8 million in the 2015/2016 financial year.

Overall services charged revenue increased by 8% from the 2014/2015 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been restructured..

Bela-Bela Local Municipality had during the financial period utilised all conditional grant accordingly which led to increased grants being affected in the 2015/16 financial year.

Operating and capital transfers totals R84.9 million in the 2014/15 budget year and increases to R102.8 million in the 2015/16 financial year. Note that the year-on-year growth for 2015/16 financial year which is 21%, 33% in 2016/17 and increase of 7% in 2017/18.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 2 Transfers and Grant Receipts (2015/2016)

No	Grant	Amount
1	Extended Public Works Program	R 1 083 000.00
2	MWIG Grant	R 10 000 000.00
3	District - Fire services	R 625 000.00
4	SETA Grant	R 211 200.00
5	Finance Management Grant	R 1 600 000.00
6	Municipal System Improvement G	R 930 000.00
7	Equitable Share	R 63 253 000.00
8	Integration National Electrification	R 2 000 000.00
9	Municipal Infrastructure Grant (MIG)	R 22 971 000.00
TOTAL		R 102 848 200.00

Grant dependence

Grant dependence ratio is sitting at 20% of total revenue of R340.9 Million. The ratio measures the extent to which the municipality's total capital expenditure is funded through internally generated funds or borrowings. The rate of 20% indicate that municipality is not grant dependent regarding projects funding and implementation.

As table 2 above shows, grants (operating and capital) increased from R84.9 million in 2014/15 to R102.8 million in 2015/16. These allocations are in line with allocations in the 2015/16 annual Division of Revenue Act. The Municipality has been allocated a new Municipal Water Infrastructure Grant (MWIG) amounting to R10 000 000 for the erection of water infrastructure in the informal settlement areas.

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

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

The percentage increases of both Eskom and Magalies water bulk tariffs are above the mentioned inflation target. These tariff increases are determined by external agencies, the impact they have is largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

Property Rates

During the 2014/2015 financial year, the property taxes paid by owners remained unchanged, the same will apply for 2015/16 financial year, with the exception of residential tariff which is going to be reduced by 5.8%. Rates rebates to residential areas and bona fide farmers are also available as per the requirements of the amended property rates policy, to qualifying ratepayers.

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

Municipal properties

Municipal properties are exempted from paying property rates.

Residential properties

All residential properties with a market value of less than the amount as annually determined by the Municipality are exempted from paying property rates. **For the 2015/2016 financial year the maximum amount is determined as R50 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1)(h) of the Act are included in the amount as referred to above as annually determined by the Municipality. The remaining R35 000 is

aimed primarily at alleviating poverty and forms an important part of the Municipality's indigent policy.

Public Service Infrastructure

Public Services Infrastructure is exempted from paying rates as it provides essential services to the community.

Public Benefit Organisations

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

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

Electricity

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

Municipality is also introducing block tariffs for agricultural, commercial and industrial in line with NERSA guidelines in the 2015/16 financial year.

Council's attention is further drawn to the fact that the proposed electricity tariff increase is prescribed at 12.2% whereas the increase in electricity bulk purchases for the 2015/2016 financial year is also 12.2% as approved by NERSA (National Electricity Regulator of South Africa) for implementation by all municipalities.

Water

Our country is facing a similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. As a result, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

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

Therefore, maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Our water suppliers Magalies have increased it bulk tariffs with 10% from 01 July 2015.

In the 2015/16 financial year commercial, old age, hospitals and churches will no longer be levied at fixed tariffs. It is proposed to be charged on the water gladding scale/step tariffs as follows;

Descriptio	Tariff (Rand) 2014/15	Tariff (Rand) 2015/16
a) Residential: Flats and Security Villages		
· 1kl – 30kl	10.63	11.69
· 31kl – 50kl	12.66	13.93
· 51kl – 80kl	13.16	14.48
· 81kl and more	20.24	22.26
b) Commercial /Hospital private /Government Department		
· 1kl – 30kl	12.66	13.93
· 31kl – 50kl		14.4
· 51kl – 80kl		14.89
· 81kl – 100kl		15.4
· 101kl – 130kl		15.92
· 131kl – 210kl		16.72
· 211kl – more		18.39
c) Hospitals – State/ Schools/ Old Age Home/ Places of Worship		
· 1kl – 30kl	11.65	12.82
· 31kl – 50kl		13.26
· 51kl – 80kl		13.71
· 81kl – 100kl		14.17
· 101kl – 130kl		14.65
· 131kl – 210kl		15.39
· 211kl – more		16.93

In average commercial consumer in the Bela-Bela area use approximately 211 Kilo Litres of water, as per the above tariff structure, the monthly water bill for an average consumer will increase by approximately R622 per month.

Sewerage (Sanitation)

In the 2015/16 financial year this tariff had undergo a restructuring process in order to break-even the cost.

Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

As a general principle, the amount that users pay for sanitation services will be on the basis of a fixed charge and volume of sanitation generated will be used as a measurement unit. The categories of consumers in respect of sanitation are determined as follows;

- residential,
- commercial,
- hospitals,
- schools,
- old age and

- places of worship as per approved tariffs by council

The cost of sewerage is subsidised for all registered indigent household consumers in accordance with the municipality's indigent policy.

. Bellow table depict the outcome of the restructuring.

SANITATION	Tariff (Rand) 2014/15	Fixed	Volume
a) Residential/Flats/ Security Villages	41.22/ 114.70	98.72	0.43
b) Commercial	304.67	197.45	0.43
c) Churches/Schools/ Places of Worship	117.47	98.72	0.43
d) Hospitals - State	984.34	98.72	0.43
e) Hospitals - Private	537.65	197.45	0.43

In average commercial consumer in the Bela-Bela area use approximately 211 Kilo Litres of water, in terms of the restructured tariffs, the monthly sanitation bill for an average consumer will decrease by approximately R440 per month (Assuming that an average business has five sewer points)

Refuse (Solid Waste)

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

Sundry Services

Tariffs for sundry services have increased by 5.6% in the 2015/16. Bellow tables highlight certain sundry services tariffs which have been impacted by the increase of 5.6% for 2015/2016 financial year:

Cemetery

Description	Tariff (Rand) 2014/2015		Tariff (Rand) 2015/2016	
Item	Adults (per grave)	Children (per grave)	Adults (per grave)	Children (per grave)
a) Cemetery A	1002	890	1058	995
b) Cemetery B	1002	890	1058	995
c) Cemetery C	1002	890	1058	995
d) Cemetery D (Muslim Section)	1063	890	1188	995
e) Cemetery E	479	390	506	412

Description	Tariff (Rand) 2014/2015		Tariff (Rand) 2015/2016	
Item	Adults (per grave)	Children (per grave)	Adults (per grave)	Children (per grave)
f) Cemetery F (Masakhane)	479	390	506	412
g) Non Residents	1870	1736	1975	1833
h) To open grave for second burial	487		514	
i) Booking on Friday for same weekend	623		658	
j) Exhumation	623		658	
k) Burial of Ashes	456		482	
l) Tombstones (permission)	250		264	
m) Enlarging of graves (double graves compulsory)	Double applicable tariff per section		Double applicable tariff per section	
n) Use of TLB for burial purposes	0		150	

Community Services Sundry Charges

Description	Tariff (Rand) 2014/2015	Tariff (Rand) 2015/2016
a) Removal and disposal of animal rests (per carcass)	63.36	70.52
b) Cleaning of erven	Cost plus 20%	Cost plus 20%
c) Collecting and destroying of food	Cost plus 20%	Cost plus 20%
d) Additional special waste removal	369.60	411.38
e) 85l refuse bin (selling out)	142.56	158.67
f) Illegal dumping fine	1056	1175.35
g) Cutting of grass	3.00 per square metre	3.16 per square metre
h) Any other service not mentioned	Cost plus 20%	Cost plus 20%

Credit Control Sundry Tariffs

Description	Tariff (Rand) 2014/2015	Tariff (Rand) 2015/2016
Tampered Meters	7101.09	
a) Tampering Fee -1st tempering		1500

Description	Tariff (Rand) 2014/2015	Tariff (Rand) 2015/2016
b) Tampering Fee – 2 nd tempering		3000
Credit control admin fees		
c) RD cheques (per cheque)	356.17	376.12
d) Warning service (each)	74.57	78.75
Re-connection fees		0.00
e) Consumers in town	174.74	184.53
f) Consumers at small holdings and commercial	278.26	293.84
Consumer deposits		0.00
e) Only refuse service	612.16	646.44
f) Residential (Except townships) - deposit	1335.42	1410.20
g) Residential (Except townships) – admin fee	189.72	200.34
h) Belabela township/RDP - deposit	266.66	281.59
i) Belabela township/RDP – admin fee	189.72	200.34
j) Farms - deposit	2181.78	2303.96
k) Farms – admin fee	189.72	200.34
l) Businesses - deposit	6113.2	6455.54
m) Businesses – admin fee	189.72	200.34
i) No Access to meters – gate locked/ dogs on premises	250	264.00

Debt Management

The Municipality is currently executing all credit control and debt collection procedures as required in the Credit Control and Debt Collection policy approved by council. These internal procedures followed include the disconnection of services, where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honoring arrangements. Municipality introduced a really time follow up process, such as SMS which constantly alert consumer on the accounts which are in arrears.

The Municipality continuously enforces the above procedures to ensure that debt which is collectable is collected and all debt that is regarded as not recoverable, be written off.

The Municipality has also promulgated the Credit Control and Debt Collection to strengthen the internal credit control and debt collection procedures through handing over of all debt over 60 days to the appointed debt collector. The debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the

municipality. If these performance targets are not met, the municipality will have to enforce all penalty clauses to debt collectors.

During 2014/2015 financial year, municipality utilised the incentive scheme which was approved by council. As a result of the incentive, Municipality managed to collect R11 370 377.98 and has written-off R11 370 377.98 which contributed to a reduction in the debtors book by an amount of R22 740 755.96 or 9.4%. The incentive will be discontinued end of June 2015.

For 2015/2016 financial year, provision for debt impairment is decreased from R17.7 million to R3.5 million. This decrease is due to initiative taken by the municipality to enforce debt collection procedures as stated above. While this expenditure is considered to be a non-cash item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues to be collected

The Municipality continuously enforces the above procedures to ensure that debt which is collectable is collected and all debt that is regarded as not recoverable should be written off. A zero tolerance approach will be followed where consumers are able to pay for services, as this indirectly denies paying consumers the level and standard of service that they are entitled to.

Employee costs

The budgeted allocation for employee related costs for the 2015/16 financial year totals R109 million, which equals 32% of the total operating expenditure. MFMA circular 71 sets the norm to be between 25 % and 40%. Bela-Bela is sitting at 32%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at just below 35% per cent over the medium term. This leaves around 65% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

Based on the three year collective SALGA agreement, salary increases have been factored into this budget at a percentage increase of 6.8% per cent for the 2015/16 financial year. However circular 75 provide for salary increase of 4.4% to be utilised by municipality. Municipality had provided 6.8% increase which is above the prescribed rate. The increase above the prescribed rate was applied in order to provide provision for the outcome in the salary negotiation.

An annual increase of 6.8% has been included in the two outer years of the MTREF. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure was reconsidered and additional position been proposed.

The organisational structure for the 2015/16 have been budgeted based on the TASK system. The change from Van Der Merwe system to TASK system is a contributing factor to the employee cost increase of 20% from the 2014/15 budget year in addition to additional proposed positions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 5% has been taken into account in compiling the municipality's budget.

Bulk Purchases

Directive/decision issued by NERSA setting the bulk purchase increase at 10%, whilst the increase on water was estimated at 12.2% as the bulk purchase charge. This expenditure includes distribution losses.

Repairs and maintenance

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must “secure the health of their asset base (especially the municipality’s revenue generating assets) by increasing spending on repairs and maintenance”. The municipality has, over the last two financial years, increased the investment in repairs and maintenance as its priority. Due to funding challenges, the municipality’s budget for repairs and maintenance is around 8% per cent or R27.1 million of total operating expenditure for the 2015/16 financial year.

During the Provincial Treasury benchmarking exercise for the 2013/2014 budget year, Council resolved that our Technical Service Department must develop an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance. Both this documents were used as a tool in determining the priority of the municipality maintenance plan. Supporting table SA34c shows the budget for repairs and maintenance over the MTREF.

Contracted Services

We anticipate to utilise contracted services in the 2015/2016 with spending of 11% of the total operating expenditure of R339.1 million.

In a long run, municipality intend not to solely rely on the contracted services to avoid reliance on the consultant. We constantly monitor the consultant and ensure skills transfer is being done to our internal staff.

The spending of 11% of the total operating expenditure is above the norm of 5% as prescribed. The 11% increase can be attributed to the additional consultant being appointed, such as debt collectors. High rate against the norm is also driven by the non-avoidable fees which were included in the contracted fees of R38.7 million, such as forensic audit fees, appointment of expert to perform valuation roll, land fill audit and IT infrastructure.

Continuance review is done for all current contracts to ensure that the municipality receives value for money.

The Municipality have initiated a process to review certain contracted services in the past and certain contracted services was highlighted as services which will not be renewed when the contract expire. In the previous financial years, The Municipality used to have consultants for the preparation of Bank reconciliation statements and annual financial statements, all the above tasks are now being performed in-house.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality’s Indigent Policy. The number of households budgeted to receive a package of free basic services was 4000 in the 2014/15 and is expected to increase to 5000 for 2015/2016 MTREF. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service

delivery measurement is contained in Table A10 of the MBRR (see attached schedule A - Basic Service Delivery Measurement).

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

Depreciation

Depreciation for 2013/14 audited financial period was sitting at R28 million and reduced to R12 million and to R10 million in the 2014/15 and 2015/16 budget year respectively. Municipality is aware of the lower budgeting for the depreciation.

We cannot currently afford to fund non-cash item as it will result in our tariff being unaffordable.

In terms of circular 54, If a municipality's water tariffs are not fully cost reflective, the municipality must develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time.

Municipality will embark on the process of reviewing the tariffs in line with this requirement. The review of the rates will enable municipality to have adequate revenue to fund for non cash item.

1.3.1.2. Operating Expenditure Framework

The budget sees an increase in annual operating expenditure from R293 million in 2014/2015 adjusted budget to R337 million in 2015/2016. This 15% increase is as a result of factors listed below.

- Personnel cost increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act;
- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Contracted Services
- Bulk Purchases
- Strict adherence to the principle of no project plans, no budget. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per standard):

Table 3 Summary of operating expenditure by standard classification item

Standard Classification Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure - Standard	-									
<i>Municipal governance and administration</i>	-	104,181	135,517	141,349	135,315	130,059	130,059	218,730	249,620	266,303

Executive and council	-	12,036	11,702	13,079	19,119	19,127	19,127	122,916	131,141	139,876
<i>Mayor and Council</i>	-	9,080	8,627	9,604	11,960	11,967	11,967	120,482	128,571	137,178
<i>Municipal Manager</i>	-	2,955	3,075	3,475	7,159	7,160	7,160	2,434	2,570	2,698
	-	75,182	96,890	98,443	71,565	50,598	50,598	34,705	56,089	62,393
Budget and treasury office	-	16,964	26,925	29,827	44,631	60,335	60,335	61,109	62,389	64,034
Corporate services	-	2,555	1,662	4,545	6,466	5,993	5,993	3,995	3,744	3,931
<i>Human Resources</i>	-	5,002	9,007	7,218	14,059	18,933	18,933	14,390	15,172	15,910
<i>Information Technology</i>	-	-	-	-	-	-	-	-	-	-
<i>Property Services</i>	-	9,406	16,255	18,064	24,106	35,409	35,409	42,724	43,474	44,193
<i>Other Admin</i>	-	23,664	23,451	23,671	24,943	25,122	25,122	16,277	17,052	17,783
Community and public safety	-	8,478	9,957	9,447	10,713	10,188	10,188	4,923	5,198	5,458
Community and social services	-	-	-	-	-	-	-	-	-	-
<i>Libraries and Archives</i>	-	-	-	-	-	-	-	-	-	-
<i>Museums & Art Galleries etc</i>	-	4,038	5,402	8,410	9,484	8,712	8,712	4,460	4,710	4,945
<i>Community halls and Facilities</i>	-	-	-	-	-	-	-	-	-	-
<i>Cemeteries & Crematoriums</i>	-	-	-	-	-	-	-	-	-	-
<i>Child Care</i>	-	-	-	-	-	-	-	-	-	-
<i>Aged Care</i>	-	-	-	-	-	-	-	-	-	-
<i>Other Community</i>	-	4,440	4,555	1,037	1,229	1,477	1,477	463	488	513
<i>Other Social</i>	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-
Public safety	-	15,186	13,494	14,224	14,230	14,934	14,934	11,355	11,854	12,325
<i>Police</i>	-	-	-	-	-	-	-	-	-	-
<i>Fire</i>	-	-	-	-	-	-	-	-	-	-
<i>Civil Defence</i>	-	-	-	-	-	-	-	-	-	-
<i>Street Lighting</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	15,186	13,494	14,224	14,230	14,934	14,934	11,355	11,854	12,325
Housing	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<i>Clinics</i>	-	-	-	-	-	-	-	-	-	-
<i>Ambulance</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	-	18,740	13,746	15,362	20,603	20,023	20,023	9,859	9,883	10,377
Planning and development	-	5,267	6,637	5,180	8,420	8,560	8,560	2,742	2,367	2,486
<i>Economic Development/Planning</i>	-	307	5,748	4,929	5,188	5,346	5,346	2,320	1,922	2,018
<i>Town Planning/Building enforcement</i>	-	4,960	889	251	3,232	3,215	3,215	422	446	468
<i>Licensing & Regulation</i>	-	-	-	-	-	-	-	-	-	-
Road transport	-	13,473	7,109	10,182	12,183	11,463	11,463	7,117	7,515	7,891
<i>Roads</i>	-	13,473	7,109	10,182	12,183	11,463	11,463	7,117	7,515	7,891
<i>Public Buses</i>	-	-	-	-	-	-	-	-	-	-
<i>Parking Garages</i>	-	-	-	-	-	-	-	-	-	-
<i>Vehicle Licensing and Testing</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
<i>Pollution Control</i>	-	-	-	-	-	-	-	-	-	-
<i>Biodiversity & Landscape</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-
Trading services	-	80,231	88,179	92,852	116,120	117,825	117,825	94,263	101,378	107,172
Electricity	-	58,368	62,843	63,304	82,897	81,150	81,150	73,655	79,616	84,322

<i>Electricity Distribution</i>	-	58,368	62,843	63,304	82,897	81,150	81,150	73,655	79,616	84,322
<i>Electricity Generation</i>	-	-	-	-	-	-	-	-	-	-
Water	-	17,086	20,414	21,958	24,248	26,037	26,037	16,061	16,961	17,809
<i>Water Distribution</i>	-	17,086	20,414	21,958	24,248	26,037	26,037	16,061	16,961	17,809
<i>Water Storage</i>	-	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	-
<i>Sewerage</i>	-	-	-	-	-	-	-	-	-	-
<i>Storm Water Management</i>	-	-	-	-	-	-	-	-	-	-
<i>Public Toilets</i>	-	-	-	-	-	-	-	-	-	-
Waste management	-	4,776	4,922	7,590	8,974	10,638	10,638	4,547	4,802	5,042
<i>Solid Waste</i>	-	4,776	4,922	7,590	8,974	10,638	10,638	4,547	4,802	5,042
Other	-	-	-	-	-	-	-	-	-	-
Air Transport	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-
Tourism	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	226,817	260,893	273,234	296,980	293,030	293,030	339,129	377,933	401,635
Surplus/(Deficit) for the year		(6,187)	(29,215)	28,022	32,392	36,405	36,405	38,790	48,371	48,150

Total operating expenditure for 2015/2016 is estimated at R 337.1 million or (15%) (R44 million) more than the adjustments budget expenditure of R 293 030 000 for 2014/2015 financial year

The wage bill, bulk electricity purchases, bulk water purchases and capital charges (interest and depreciation) represent the major change in operating expenditure. Excessive fat were consistently cut from the general expenses category and very little fat, if any, now remains in the operating budget. Major expenditure line items is estimated to change with the following averages:

- Employee related cost, 20%
- Bulk Purchases: Electricity, 12.2%
- Bulk Purchases: Water, 10%

The high increase in employee related cost is due to implementation of the TASK system, proposed additional position and restructuring of certain positions in the 2015/2016 budget year.

The operating budget depicts a surplus of R3.8 million for the 2015/2016 financial year before capital spending.

1.4 Capital expenditure

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

Table 4 - 2015/2016 Medium-term capital budget per vote

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Capital expenditure - Vote	2										
Multi-year expenditure to be appropriated											
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-

Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		-	-	-	-	-	-	8,849	7,954	5,200	-
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		-	-	-	-	-	-	37,664	79,500	80,000	-
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 12 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 13 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 14 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 15 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	46,513	87,454	85,200	-
Single-year expenditure to be appropriated	2										
Vote 1 - Chief Financial Officer		1,885	2,000	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		145	800	-	-	-	-	2,070	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	370	-	-	-	-	1,500	-	-	-
Vote 6 - Social and Community Services		3,260	14,996	4,014	9,858	14,046	14,046	900	-	-	-
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		20,893	9,108	7,848	21,225	25,957	25,957	2,200	-	-	-
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 12 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 13 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 14 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 15 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		26,183	27,274	11,862	31,083	40,003	40,003	40,003	6,670	-	-
Total Capital Expenditure - Vote		26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
Capital Expenditure - Standard											
Governance and administration		2,030	2,800	-	-	-	-	-	2,070	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Budget and treasury office		1,885	2,000	-	-	-	-	-	648	-	-
Corporate services		145	800	-	-	-	-	-	1,422	-	-
Community and public safety		2,501	11,377	4,014	9,883	14,071	14,071	14,071	8,849	7,954	5,200
Community and social services		2,417	11,377	-	5,000	12,442	12,442	12,442	5,246	-	-
Sport and recreation		84	-	692	4,883	1,129	1,129	1,129	3,403	7,754	5,000
Public safety		-	-	3,322	-	500	500	500	200	200	200
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	3,989	-	-	-	-	-	19,018	28,000	35,000
Planning and development		-	370	-	-	-	-	-	1,500	-	-
Road transport		-	3,619	-	-	-	-	-	17,218	28,000	35,000
Environmental protection		-	-	-	-	-	-	-	300	-	-
Trading services		9,023	3,550	-	-	1,401	1,401	1,401	23,246	51,500	45,000
Electricity		2,391	2,350	-	-	1,401	1,401	1,401	2,500	30,000	30,000
Water		-	150	-	-	-	-	-	10,500	18,000	15,000
Waste water management		5,873	1,050	-	-	-	-	-	9,646	3,500	-
Waste management		759	-	-	-	-	-	-	600	-	-
Other		12,629	5,558	7,848	21,200	24,532	24,532	24,532	-	-	-
Total Capital Expenditure - Standard	3	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
Funded by:											
National Government		15,518	18,254	11,862	21,083	21,083	21,083	21,083	33,813	67,254	55,000
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	15,518	18,254	11,862	21,083	21,083	21,083	21,083	33,813	67,254	55,000
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		10,665	9,020	-	10,000	18,920	18,920	18,920	19,370	20,200	30,200
Total Capital Funding	7	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200

As part of the budget documentation there is a Draft Prioritisation Model for Capital Assets Investment (attached as Annexure1 to this report) against which all capital projects will be evaluated and prioritised for competing for available capital budget funding resources.

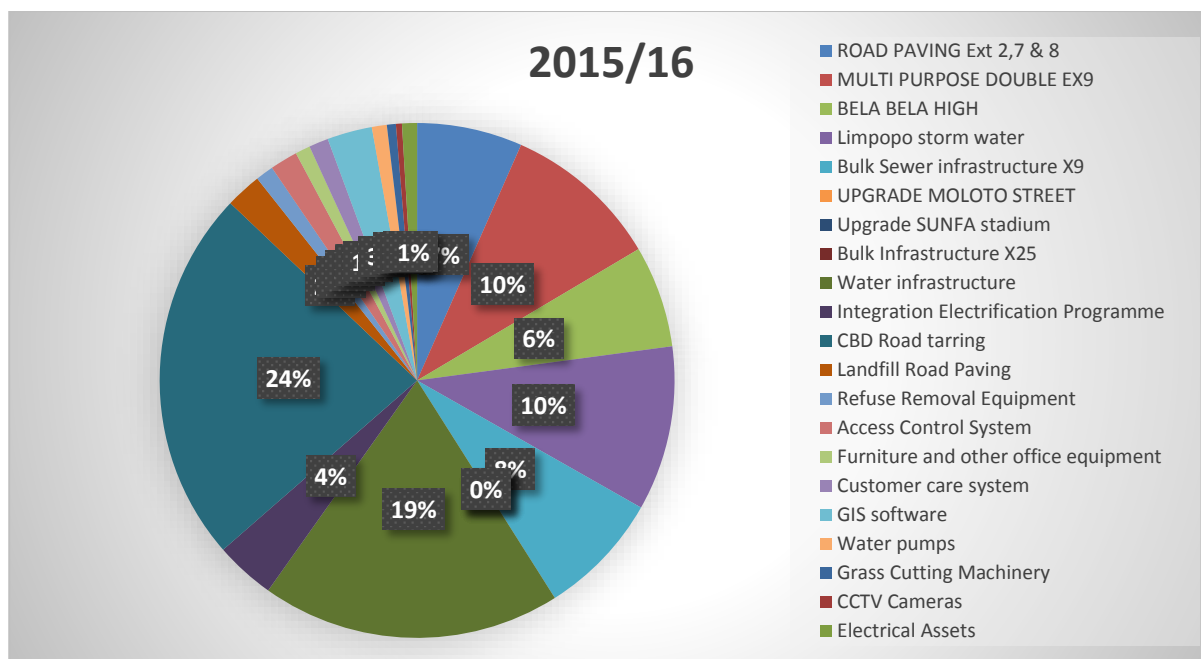
Total capital expenditure is depicted to be R53 million for 2015/16 financial year. R33.9 million of the capital budget relate to grants funded projects and with the remaining of R19 million which relate to municipality own funded projects.

Tables 4A below detail the municipality's three year consolidated infrastructure investment program for 2014/2015, 2015/2016, 2015/2017.

The projects depicted under 2015/2016 budget year relate to project which are planned for implementation during 2015/2016 financial year

The available R33.9 million Grants funds for 2015/2016 will be distributed as per the Prioritisation Model for Capital Assets Investment as indicated in the table below. All project depicted on a table below have been registered, except for certain project for 2016/2017 budget year, such as Bulk sewer infrastructure X9 (R4 million), Upgrade SUNFA stadium (R6million), Bulk Infrastructure X25 and Road paving (R8 million).

Capital budget						
No	Item Name	Vote	Funding	2015/16	2016/2017	2017/2018
1	ROAD PAVING Ext 2,7 & 8	Technical	MIG	R 3 518 382	R 8 000 000	R 5 000 000
2	MULTI PURPOSE DOUBLE EX9	Social	MIG	R 5 246 223		
3	BELA BELA HIGH	Social	MIG	R 3 403 000	1 500 000	R 0
4	Limpopo storm water	Technical	MIG	R 5 500 000	3 500 000	R 0
5	Bulk Sewer infrastructure X9	Technical	MIG	R 4 145 545		
6	UPGRADE MOLOTO STREET	Social	MIG	0	R 4 254 150	R 5 000 000
7	Upgrade SUNFA stadium	Social	MIG	0	R 2 000 000	0
8	Bulk Infrastructure X25	Technical	MIG	0	R 6 000 000	0
9	Water infrastructure	Technical	MWIG	R 10 000 000	R 12 000 000	R 15 000 000
10	Integration Electrification Programme	Technical	IEP	R 2 000 000	R 30 000 000	R 30 000 000
11	CBD Road tarring	Technical	OWN	R 12 500 000	R 20 000 000	R 30 000 000
12	Landfill Road Paving	Technical	OWN	R 1 200 000		
13	Refuse Removal Equipment	Social	OWN	R 600 000		
14	Access Control System	Corporate	OWN	R 921 600		
15	Furniture and other office equipment	Corporate	OWN	R 500 000		
16	Customer care system	Corporate	OWN	R 648 000		
17	GIS software	Planning	OWN	R 1 500 000		
18	Water pumps	Technical	OWN	R 500 000		
19	Grass Cutting Machinery	Social	OWN	R 300 000		
20	CCTV Cameras	Social	OWN	R 200 000	R 200 000	R 200 000
21	Electrical Assets	Technical	OWN	R 500 000		
TOTAL				R 53 182 750	R 87 454 000	R 85 200 000



For 2015/2016 budget year, it is anticipated that CBD road tarring will cover 24% of the total budget of R53.1 million, followed by water infrastructure with a coverage of 19% on budget and with CCTV cameras being the lowest with just below 1% on total budget.

It is important to note that the rating criteria was not applied consistently in all projects and that skewed the percentage points that was allocated to each capital project.

Also note that the prioritised capital programme is communicated through the IDP and through the utilisation of budget road show. Member of the public, stake holder, councillor even officials have been allowed opportunity to submit comments on the budget. The MFMA requires the Mayor to assess all comments received and then advise Council on any further steps to be taken to incorporate any inputs from all stakeholders. The Municipal Manager and the administration must in terms of section 68 of the MFMA assist the Mayor in this regard.

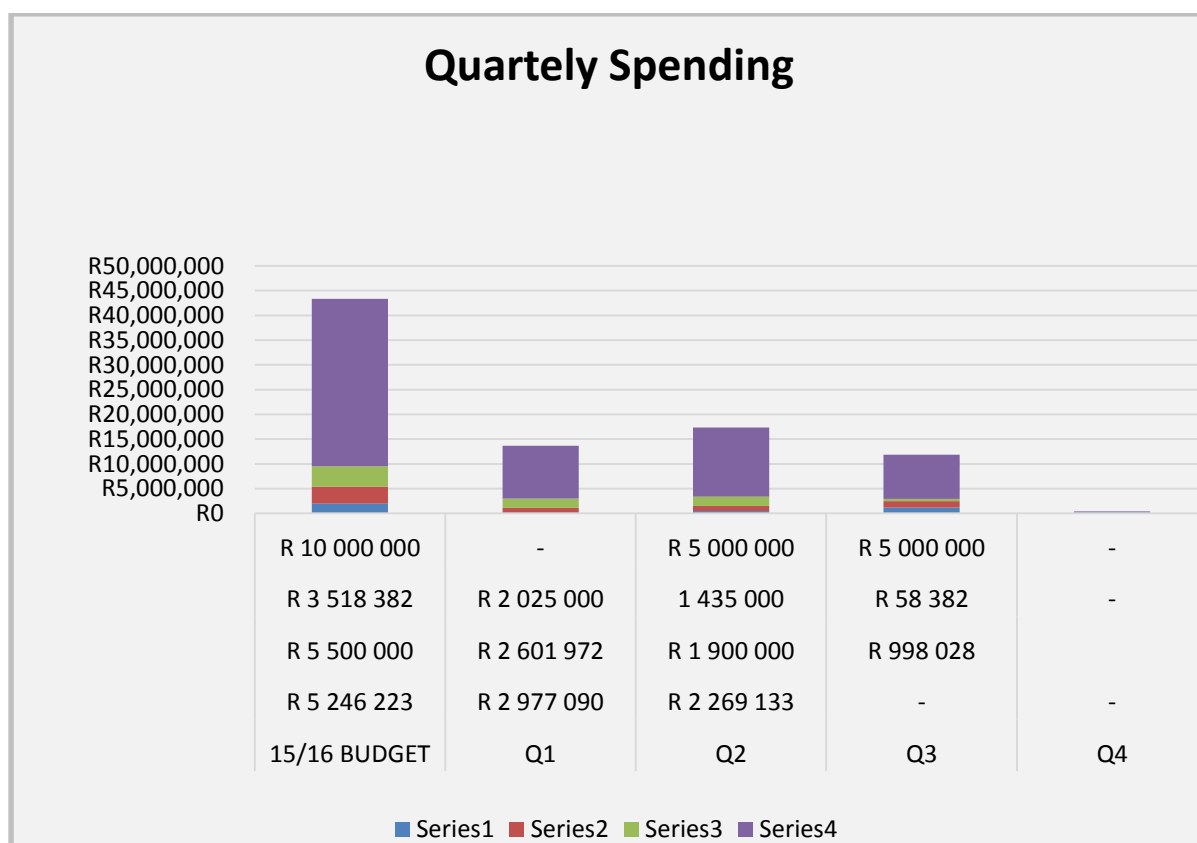
All public participation comments which took place in the month of April 2015 have been considered and implemented in the budget where appropriate; a detailed report on all stakeholders' inputs has been included as annexure 5 of this report.

Table 4B below shows the current status of Implementation Plan for 2015/2016 MIG projects which are all registered.

Table 4B - Status of the 2015/16 Grants funded projects					
Capital budget					
No	Item Name	Vote	Funding	2015/16	Status
1	ROAD PAVING Ext 2,7 & 8	Technical	MIG	R 3 518 382	Tender
2	MULTI PURPOSE DOUBLE EX9	Social	MIG	R 5 246 223	Construction
3	BELA BELA HIGH	Social	MIG	R 3 403 000	Construction
4	Limpopo storm water	Technical	MIG	R 5 500 000	Construction
5	Bulk Sewer infrastructure X9	Technical	MIG	R 4 145 545	Tender
6	UPGRADE MOLOTO STREET	Social	MIG	0	Initiation
7	Upgrade SUNFA stadium	Social	MIG	0	Initiation
8	Bulk Infrastructure X25	Technical	MIG	0	Initiation
9	Water infrastructure	Technical	MWIG	R 10 000 000	Initiation
10	Integration Electrification Programme	Technical	IEP	R 2 000 000	Initiation
TOTAL				33 813 150.00	

Table 4C bellow shows the projected capital cash flow per quarter in the 2015/16 financial year which are funded by the grants.

Table 4C					
PROJECT	15/16 BUDGET	Q1	Q2	Q3	Q4
Bela Bela: Multi-purpose center X6	R 5 246 223	R 2 977 090	R 2 269 133	-	-
Bela Bela: Storm water – Limpopo road	R 5 500 000	R 2 601 972	R 1 900 000	R 998 028	
Bela Bela: Road paving X2, 7 & 8	R 3 518 382	R 2 025 000	1 435 000	R 58 382	-
MWIG Project	R 10 000 000	-	R 5 000 000	R 5 000 000	-
Integration Electrification Programme	R 2 000 000	R 100 000	R 500 000	R 1 180 000	R 220 000
Bla-Bela High	R 3 403 000	R 1 035 000	R 1 035 000	R 1 333 000	
Bulk Sewer infrastructure X9	R 4 145 545	R 1 900 000	R 1 847 000	R 398 545	
PROJECTED EXPENDITURE	R 33 813 150	R 10 639 062	R 13 986 133	R 8 967 955	R 220 000



As depicted on the table 4C above, it can be noted that, from R10 million budget amount; 31% will be spend on the first quarter, followed by 41% on second quarter, 27% on third quarter and 1% on the last quarter.

Table 4D below indicates the capital projects are funded by internally generated funds:

Table 4D: Own source capital projects						
No	Item Name	Vote	Funding	2015/16	2016/2017	2017/2018
1	CBD Road tarring	Technical	OWN	R 12 500 000	R 20 000 000	R 30 000 000
2	Landfill Road Paving	Technical	OWN	R 1 200 000		
3	Refuse Removal Equipment	Social	OWN	R 600 000		
4	Access Control System	Corporate	OWN	R 921 600		
5	Furniture and other office equipment	Corporate	OWN	R 500 000		
6	Customer care system	Corporate	OWN	R 648 000		
7	GIS software	Planning	OWN	R 1 500 000		
8	Water pumps	Technical	OWN	R 500 000		
9	Grass Cutting Machinery	Social	OWN	R 300 000		
10	CCTV Cameras	Social	OWN	R 200 000	R 200 000	R 200 000
11	Electrical Assets	Technical	OWN	R 500 000		
TOTAL				R 19 369 600	R 20 200 000	R 30 200 000

Table 4E bellow indicate the progress status of the implemented project in the first nine month of the 2014/2015 financial period.

NO	Project Name	Directorate	2014/2015 Budget (Adjusted)	Expenditure 31 March 2015	Spending %
1	Multi-Purpose centre EXT 6	Social & Comm Services	12 442 158	9 075 430	73%
2	Bulk Water Services EXT 9	Technical Services	4 342 754	4 261 885	98%
3	Bela Bela Sport stadium - Moloto street	Social & Comm Services		-	0%
4	Bela Bela High-Sports facilities	Social & Comm Services	1 103 428	-	0%
5	Storm water - Limpopo street	Technical Services	2 675 917	747 858	28%
6	Road paving - Ext 2,7 and 8	Technical Services	4 524 083	4 281 618	95%
7	Bela-Bela: Road Tarring	Technical Services	12 514 450	2 024 694	16%
8	Electrical Assets	Technical Services	1 400 000	-	0%
9	Airport- Resurface	Technical Services	500 000	-	0%
10	Furniture	Social & Comm Services	500 000	437 874	88%
TOTAL			40 002 790	20 829 359	52%

Capital expenditure actually spent as at 31 March 2015 amounts to R 20 829 359 or 52% of the 2014/2015 budget year. Based on current spending patterns as well as tenders already awarded, the projected capital expenditure for the 2014/2015 financial year were anticipated to be R 40 002 790.00, the spending on MIG grant funded projects is approximately 95%.

1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 5MBRR TableA1 - Budget Summary

Description R thousands	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Financial Performance</u>										
Property rates	39,360	44,807	53,069	59,402	53,799	53,799	53,799	59,959	63,557	66,735
Service charges	103,761	116,688	117,170	145,752	139,535	139,535	139,535	150,578	160,096	168,100
Investment revenue	134	325	782	376	2,000	2,000	2,000	4,000	4,224	4,435
Transfers recognised - operational	42,317	34,903	64,022	60,905	61,905	61,905	62,741	67,877	70,870	75,703
Other own revenue	24,734	18,543	50,377	40,744	50,003	50,003	50,003	58,534	61,812	64,902
Total Revenue (excluding capital transfers and contributions)	210,306	215,266	285,420	307,179	307,242	307,242	308,079	340,949	360,558	379,876
Employee costs	62,266	66,644	81,914	91,494	91,459	91,459	91,459	109,833	117,302	125,278
Remuneration of councillors	3,671	3,988	1,015	5,956	5,956	5,956	5,956	6,269	6,645	7,044
Depreciation & asset impairment	42,975	66,755	54,772	22,040	32,040	32,040	32,040	10,000	30,000	35,000
Finance charges	3,007	1,247	3,310	3,100	1,100	1,100	1,100	2,097	2,215	2,325
Materials and bulk purchases	60,107	65,684	70,751	92,842	91,264	91,264	89,614	104,482	110,333	115,850
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	54,790	56,576	61,472	81,548	134,511	134,511	134,511	104,448	111,438	116,138
Total Expenditure	226,817	260,893	273,234	296,979	356,330	356,330	354,680	337,129	377,933	401,635
Surplus/(Deficit)	(16,511)	(45,628)	12,186	10,200	(49,088)	(49,088)	(46,602)	3,819	(17,375)	(21,759)
Transfers recognised - capital	10,324	16,413	15,836	22,193	22,193	22,193	22,193	34,971	65,746	69,909
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
<u>Capital expenditure & funds sources</u>										
Capital expenditure	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
Transfers recognised - capital	15,518	18,254	11,862	21,083	21,083	21,083	21,083	33,813	67,254	55,000
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	10,665	9,020	–	10,000	18,920	18,920	18,920	19,370	20,200	30,200
Total sources of capital funds	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
<u>Financial position</u>										
Total current assets	30,650	17,754	68,718	2,242	39,442	39,442	39,442	43,157	47,887	49,417
Total non current assets	730,266	712,438	699,892	368,452	368,452	368,452	368,452	1,150,446	1,202,194	1,235,062
Total current liabilities	49,534	40,555	37,073	27,774	27,774	27,774	27,774	41,090	44,335	47,185
Total non current liabilities	45,270	48,338	62,276	51,950	47,702	47,702	47,702	455,813	455,746	437,294
Community wealth/Equity	666,112	641,299	669,260	290,970	332,418	332,418	332,418	696,700	750,000	800,000
<u>Cash flows</u>										
Net cash from (used) operating	17,490	19,488	50,039	54,433	50,445	50,445	50,445	20,331	21,987	20,446
Net cash from (used) investing	(15,893)	(8,898)	(26,431)	(32,193)	(39,553)	(39,553)	(39,553)	(18,436)	(20,107)	(18,066)

Net cash from (used) financing	(4,046)	91	4,496	(5,620)	(5,620)	(5,620)	(5,620)	1,700	1,000	500
Cash/cash equivalents at the year end	(8,132)	2,548	30,653	47,273	35,925	35,925	35,925	39,520	42,400	45,280
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	(8,112)	2,548	30,653	10,000	47,200	47,200	47,200	49,520	52,400	55,280
Application of cash and investments	1,286	12,735	(15,663)	25,565	25,432	25,432	25,432	26,214	26,187	29,231
Balance - surplus (shortfall)	(9,398)	(10,187)	46,316	(15,565)	21,768	21,768	21,768	23,306	26,213	26,049
<u>Asset management</u>										
Asset register summary (WDV)	729,641	704,011	689,770	358,452	358,452	358,452	757,406	757,406	758,304	737,702
Depreciation & asset impairment	42,975	66,755	54,772	22,040	32,040	32,040	10,000	10,000	30,000	35,000
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	4,550	5,150	7,605	31,080	31,080	31,080	27,173	27,173	32,828	34,941
<u>Free services</u>										
Cost of Free Basic Services provided	3,000	3,500	4,250	4,250	4,250	4,250	4,500	4,500	4,750	5,000
Revenue cost of free services provided	9,400	9,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400
<u>Households below minimum service level</u>										
Water:	15	14	13	11	11	11	10	10	8	7
Sanitation/sewerage:	18	18	17	14	14	14	12	12	11	10
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF. These surpluses amount to 3.8 million for 2015/16;
 - The surpluses after capital transfers are R33 million, R48 million, R48 million for 2015/16, 2016/17 and 2017/2018 respectively.
 - These include non-cash items comprising of depreciation on unbundled assets and provision for bad debts. However these non cash items, will not profoundly affect revenue and expenditure as well as the cash flows of the municipality.
- The operating surplus/deficit after Total Expenditure is positive over the MTREF.
- The cash backing/surplus reconciliation shows that in previous financial years Bela-Bela Local Municipality has not been paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. But over the MTREF there will be progressive improvement in the

level of cash-backing of Council's obligations. This initiative anticipate that the goal of having all obligations cash-backed will be achieved from 2015/2016 and going forward.

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

Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard										
<i>Governance and administration</i>		96 366	87 201	121 275	142 175	140 980	140 980	170 560	210 730	223 506
Executive and council		12	80	-	-	-	-	-	-	-
Budget and treasury office		94 726	86 495	120 103	140 363	139 168	139 168	168 285	208 551	221 218
Corporate services		1 628	626	1 172	1 812	1 812	1 812	2 275	2 179	2 288
<i>Community and public safety</i>		10 083	16 296	39 732	17 005	17 263	17 263	22 805	23 422	24 593
Community and social services		67	229	258	366	625	625	538	569	597
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		10 015	16 067	39 474	16 638	16 638	16 638	22 267	22 854	23 996
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		10 422	17 685	16 979	23 551	23 551	23 551	24 390	24 100	25 281
Planning and development		203	272	142	233	233	233	333	352	370
Road transport		10 219	17 413	16 837	23 318	23 318	23 318	24 056	23 748	24 911
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		103 759	110 497	123 270	146 641	147 641	147 641	158 165	168 052	176 404
Electricity		70 116	74 694	85 581	108 318	108 318	108 318	110 662	116 859	122 702
Water		26 917	28 807	30 116	31 789	32 789	32 789	38 894	42 101	44 156
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		6 727	6 996	7 573	6 534	6 534	6 534	8 609	9 091	9 546
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	220 630	231 679	301 256	329 372	329 435	329 435	375 920	426 304	449 785
Expenditure - Standard										
<i>Governance and administration</i>		104 181	135 517	141 349	135 315	130 059	130 059	216 730	249 620	266 303
Executive and council		12 036	11 702	13 079	19 119	19 127	19 127	122 916	131 141	139 876
Budget and treasury office		75 182	96 890	98 443	71 565	50 598	50 598	34 705	56 089	62 393
Corporate services		16 964	26 925	29 827	44 631	60 335	60 335	59 109	62 389	64 034
<i>Community and public safety</i>		23 664	23 451	23 671	24 943	25 122	25 122	16 277	17 052	17 783
Community and social services		8 478	9 957	9 447	10 713	10 188	10 188	4 923	5 198	5 458
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		15 186	13 494	14 224	14 230	14 934	14 934	11 355	11 854	12 325
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		18 740	13 746	15 362	20 603	20 023	20 023	9 859	9 883	10 377
Planning and development		5 267	6 637	5 180	8 420	8 560	8 560	2 742	2 367	2 486
Road transport		13 473	7 109	10 182	12 183	11 463	11 463	7 117	7 515	7 891
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		80 231	88 179	92 852	116 120	117 825	117 825	94 263	101 378	107 172
Electricity		58 368	62 843	63 304	82 897	81 150	81 150	73 655	79 616	84 322
Water		17 086	20 414	21 958	24 248	26 037	26 037	16 061	16 961	17 809
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4 776	4 922	7 590	8 974	10 638	10 638	4 547	4 802	5 042
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	226 817	260 893	273 234	296 980	293 030	293 030	337 129	377 933	401 635
Surplus/(Deficit) for the year		(6 187)	(29 215)	28 022	32 392	36 405	36 405	38 790	48 371	48 150

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.

- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) of R34.9 million, R65.7 million and R69.9 million over the 2015/16 MTREF.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions. As already noted on the previous year budget, the municipality has undertaken a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 7MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote	1									
Vote 1 - Chief Financial Officer		94 726	86 495	120 103	140 363	139 168	139 168	168 285	208 551	221 218
Vote 2 - Corporate Services		1 209	453	1 172	1 622	1 812	1 812	2 275	2 179	2 288
Vote 3 - Mayor		12	80	—	—	—	—	—	—	—
Vote 4 - Municipal Manager		—	—	—	—	—	—	—	—	—
Vote 5 - Planning and Economic Development		419	397	142	423	233	233	333	352	370
Vote 6 - Social and Community Services		17 013	23 339	47 305	23 539	23 797	23 797	31 414	32 513	34 139
Vote 7 - Speaker		10 219	17 413	—	23 316	—	—	—	—	—
Vote 8 - Technical Services		97 033	103 501	132 533	140 109	164 425	164 425	173 612	182 709	191 770
Vote 9 - Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 10 - Balance Sheet		—	—	0	—	—	—	—	—	—
Vote 11 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 12 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 13 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 14 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 15 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Total Revenue by Vote	2	220 630	231 679	301 256	329 372	329 435	329 435	375 920	426 304	449 785
Expenditure by Vote to be appropriated	1									
Vote 1 - Chief Financial Officer		75 183	96 890	98 443	69 741	50 598	50 598	34 705	56 089	62 393
Vote 2 - Corporate Services		14 575	16 038	29 827	30 257	60 335	60 335	59 109	62 389	64 034
Vote 3 - Mayor		2 987	1 459	1 708	2 231	2 235	2 235	111 067	118 605	126 646
Vote 4 - Municipal Manager		2 789	2 278	3 475	5 807	7 160	7 160	2 434	2 570	2 698
Vote 5 - Planning and Economic Development		2 862	15 986	5 180	21 036	8 560	8 560	2 742	2 367	2 486
Vote 6 - Social and Community Services		33 401	29 263	31 261	38 851	35 760	35 760	20 824	21 854	22 825
Vote 7 - Speaker		7 269	8 322	7 896	11 301	9 731	9 731	9 415	9 967	10 531
Vote 8 - Technical Services		87 384	88 896	95 444	117 756	118 650	118 650	96 833	104 092	110 021
Vote 9 - Balance Sheet		367	1 763	—	—	—	—	—	—	—
Vote 10 - Balance Sheet		—	—	—	—	—	—	—	—	—
Vote 11 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 12 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 13 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 14 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Vote 15 - NO ENTITY ID defined		—	—	—	—	—	—	—	—	—
Total Expenditure by Vote	2	226 817	260 893	273 234	296 980	293 030	293 030	337 129	377 933	401 635
Surplus/(Deficit) for the year	2	(6 187)	(29 215)	28 022	32 392	36 405	36 405	38 790	48 371	48 150

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
- The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

Table 8 MBRRTable A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	39,360	44,807	53,069	59,402	53,799	53,799	53,799	59,959	63,557	66,735
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	70,432	80,584	84,138	103,517	103,512	103,512	103,512	105,368	111,269	116,832
Service charges - water revenue	2	19,419	20,979	18,780	24,433	22,146	22,146	22,146	23,479	26,906	28,251
Service charges - sanitation revenue	2	7,183	7,676	6,816	7,310	5,379	5,379	5,379	10,710	10,283	10,797
Service charges - refuse revenue	2	6,708	6,932	6,030	6,490	4,496	4,496	4,496	6,975	7,365	7,734
Service charges - other		19	517	1,407	4,002	4,002	4,002	4,002	4,046	4,273	4,486
Rental of facilities and equipment		1,303	596	998	1,616	1,616	1,616	1,616	2,089	2,206	2,317
Interest earned - external investments		134	325	782	376	2,000	2,000	2,000	4,000	4,224	4,435
Interest earned - outstanding debtors		9,479	6,005	3,891	10,333	10,333	10,333	10,333	10,333	10,912	11,457
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		1,197	4,056	29,904	-	6,000	6,000	6,000	11,639	12,291	12,905
Licences and permits		8,540	11,529	9,123	10,000	10,000	10,000	10,000	10,000	10,560	11,088
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		42,317	34,903	64,022	60,905	61,905	61,905	62,741	67,877	70,870	75,703
Other revenue	2	6,769	(4,401)	6,460	18,794	22,054	22,054	22,054	24,473	25,843	27,135
Gains on disposal of PPE		(2,555)	758	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		210,306	215,266	285,420	307,179	307,242	307,242	308,079	340,949	360,558	379,876
Expenditure By Type	-										
Employee related costs	2	62,266	66,644	81,914	91,494	91,459	91,459	91,459	109,833	117,302	125,278
Remuneration of councillors		3,671	3,988	1,015	5,956	5,956	5,956	5,956	6,269	6,645	7,044
Debt impairment	3	661	-	-	-	40,000	40,000	40,000	3,500	3,696	3,881
Depreciation & asset impairment	2	42,975	66,755	54,772	22,040	32,040	32,040	32,040	10,000	30,000	35,000
Finance charges		3,007	1,247	3,310	3,100	1,100	1,100	1,100	2,097	2,215	2,325
Bulk purchases	2	55,150	60,019	59,903	73,064	73,064	73,064	73,064	82,369	86,982	91,331
Other materials	8	4,958	5,665	10,848	19,778	18,201	18,201	16,551	22,113	23,352	24,519
Contracted services		18,214	21,203	23,975	24,924	33,645	33,645	33,645	38,786	40,958	43,006
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	35,915	35,373	37,497	56,625	60,866	60,866	60,866	62,162	66,784	69,251
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		226,817	260,893	273,234	296,979	356,330	356,330	354,680	337,129	377,933	401,635
Surplus/(Deficit)		(16,511)	(45,628)	12,186	10,200	(49,088)	(49,088)	(46,602)	3,819	(17,375)	(21,759)
Transfers recognised - capital		10,324	16,413	15,836	22,193	22,193	22,193	22,193	34,971	65,746	69,909
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-

Surplus/(Deficit) after capital transfers & contributions		(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150

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

1. Total revenue was R307.2 million in 2014/15 and increased to R340 million (or 11%) in 2015/16 budget year. The percentage increase of 11% is above the stipulated norm of 4.8% as prescribed in the circular no.71 due to restructuring of the certain services charges, such as water and sanitation. Sanitation will now be levied at fixed tariff and on volume base.
It should be noted that, In terms of circular 54, if a municipality's tariffs are not fully cost reflective, the municipality must develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time.
2. Revenue to be generated from property rates is R84.1 million in the 2015/16 financial year (before taking into account revenue forgone) and increases to R93.6 million by 2017/18 which represents an average of 21% of the total revenue (excluding grants).
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R152.6 million for the 2015/16 financial year and increasing to R168.1 million by 2016/17. For the 2015/16 financial year services charges constitute to 55% of the total revenue (excluding grants) base and grows by around 6% per annum over the medium-term.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote	2										
<u>Multi-year expenditure to be appropriated</u>											
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		-	-	-	-	-	-	-	8,849	7,954	5,200
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		-	-	-	-	-	-	-	37,664	79,500	80,000
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 12 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 13 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 14 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 15 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	46,513	87,454	85,200
<u>Single-year expenditure to be appropriated</u>	2										
Vote 1 - Chief Financial Officer		1,885	2,000	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		145	800	-	-	-	-	-	2,070	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	370	-	-	-	-	-	1,500	-	-
Vote 6 - Social and Community Services		3,260	14,996	4,014	9,858	14,046	14,046	14,046	900	-	-
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		20,893	9,108	7,848	21,225	25,957	25,957	25,957	2,200	-	-
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 12 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 13 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 14 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Vote 15 - NO ENTITY ID defined		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		26,183	27,274	11,862	31,083	40,003	40,003	40,003	6,670	-	-
Total Capital Expenditure - Vote		26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
<u>Capital Expenditure - Standard</u>											
<u>Governance and administration</u>											

		2,030	2,800	-	-	-	-	-	2,070	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Budget and treasury office		1,885	2,000	-	-	-	-	-	648	-	-
Corporate services		145	800	-	-	-	-	-	1,422	-	-
Community and public safety		2,501	11,377	4,014	9,883	14,071	14,071	14,071	8,849	7,954	5,200
Community and social services		2,417	11,377	-	5,000	12,442	12,442	12,442	5,246	-	-
Sport and recreation		84	-	692	4,883	1,129	1,129	1,129	3,403	7,754	5,000
Public safety		-	-	3,322	-	500	500	500	200	200	200
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	3,989	-	-	-	-	-	19,018	28,000	35,000
Planning and development		-	370	-	-	-	-	-	1,500	-	-
Road transport		-	3,619	-	-	-	-	-	17,218	28,000	35,000
Environmental protection		-	-	-	-	-	-	-	300	-	-
Trading services		9,023	3,550	-	-	1,401	1,401	1,401	23,246	51,500	45,000
Electricity		2,391	2,350	-	-	1,401	1,401	1,401	2,500	30,000	30,000
Water		-	150	-	-	-	-	-	10,500	18,000	15,000
Waste water management		5,873	1,050	-	-	-	-	-	9,646	3,500	-
Waste management		759	-	-	-	-	-	-	600	-	-
Other		12,629	5,558	7,848	21,200	24,532	24,532	24,532			
Total Capital Expenditure - Standard	3	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200
Funded by:											
National Government		15,518	18,254	11,862	21,083	21,083	21,083	21,083	33,813	67,254	55,000
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	15,518	18,254	11,862	21,083	21,083	21,083	21,083	33,813	67,254	55,000
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		10,665	9,020		10,000	18,920	18,920	18,920	19,370	20,200	30,200
Total Capital Funding	7	26,183	27,274	11,862	31,083	40,003	40,003	40,003	53,183	87,454	85,200

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R53.1million for the 2015/16 financial year and increase to R87.5 million and later increase to R85.2million in the outer years.
3. R19 Million has been budgeted from municipality's own sources, R33 million of capital expenditure will be financed by grants during 2015/2016 financial year
4. The municipality has not budgeted for any long term borrowing to fund the capital programme.

Table 10 MBRR Table A6 -Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		7,164	3,060	30,653	–	37,200	37,200	37,200	39,520	42,400	45,280
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	21,787	13,703	30,776	–	–	–	–	2,300	2,650	300
Other debtors		1,609	891	7,184	2,100	2,100	2,100	2,100	1,179	2,664	3,649
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	90	100	106	142	142	142	142	158	173	188
Total current assets		30,650	17,754	68,718	2,242	39,442	39,442	39,442	43,157	47,887	49,417
Non current assets											
Long-term receivables		7	–	–	–	–	–	–	–	–	–
Investments		21	–	–	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Investment property		181,101	173,369	175,141	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	546,402	528,555	512,499	356,467	356,467	356,467	356,467	755,472	756,421	735,870
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		2,138	2,087	2,130	1,985	1,985	1,985	1,985	1,934	1,883	1,832
Other non-current assets		597	8,427	10,122	–	–	–	–	383,040	433,890	487,360
Total non current assets		730,266	712,438	699,892	368,452	368,452	368,452	368,452	1,150,446	1,202,194	1,235,062
TOTAL ASSETS		760,916	730,192	768,610	370,694	407,894	407,894	407,894	1,193,603	1,250,081	1,284,479
LIABILITIES											
Current liabilities											
Bank overdraft	1	15,296	512	0	–	–	–	–	–	–	–
Borrowing	4	338	338	375	331	331	331	331	–	–	–
Consumer deposits		3,351	3,519	5,523	–	–	–	–	5,000	6,000	6,500
Trade and other payables	4	21,531	27,575	18,089	27,443	27,443	27,443	27,443	29,090	30,835	32,685
Provisions		9,019	8,611	13,085	–	–	–	–	7,000	7,500	8,000
Total current liabilities		49,534	40,555	37,073	27,774	27,774	27,774	27,774	41,090	44,335	47,185
Non current liabilities											
Borrowing		11,475	11,137	10,828	10,806	6,558	6,558	6,558	3,300	–	–
Provisions		33,796	37,201	51,448	41,144	41,144	41,144	41,144	452,513	455,746	437,294
Total non current liabilities		45,270	48,338	62,276	51,950	47,702	47,702	47,702	455,813	455,746	437,294
TOTAL LIABILITIES		94,804	88,893	99,349	79,724	75,476	75,476	75,476	496,903	500,081	484,479
NET ASSETS	5	666,112	641,299	669,260	290,970	332,418	332,418	332,418	696,700	750,000	800,000
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		666,112	641,299	669,260	290,970	332,418	332,418	332,418	696,700	750,000	800,000
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	666,112	641,299	669,260	290,970	332,418	332,418	332,418	696,700	750,000	800,000

Explanatory notes to Table A6 - Budgeted Financial Position

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

Table 11MBRRTable A7 - Budgeted Cash Flow Statement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		37,397	42,378	53,069	53,083	53,799	53,799	53,799	50,965	57,201	60,061
Service charges		101,576	112,173	115,763	136,409	139,535	139,535	139,535	126,822	144,086	151,290
Other revenue		9,053	21,329	735	30,411	39,670	39,670	39,670	44,642	48,394	50,814
Government - operating	1	42,317	34,903	64,022	60,905	61,905	61,905	61,905	67,877	70,870	75,703
Government - capital	1	10,324	16,413	15,836	22,193	22,193	22,193	22,193	34,971	65,746	69,909
Interest		9,613	6,330	4,674	10,709	12,333	12,333	12,333	12,183	13,622	14,303
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(189,786)	(210,862)	(200,793)	(256,177)	(277,890)	(277,890)	(277,890)	(315,032)	(375,718)	(399,310)
Finance charges		(3,004)	(3,176)	(3,266)	(3,100)	(1,100)	(1,100)	(1,100)	(2,097)	(2,215)	(2,325)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		17,490	19,488	50,039	54,433	50,445	50,445	50,445	20,331	21,987	20,446
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(105)	27	(2,457)	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors				-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		(4,140)	809	(11,146)	-	450	450	450	34,747	63,093	67,134
Decrease (increase) in non-current investments				-	-	-	-	-	-	-	-
Payments											
Capital assets		(11,648)	(9,735)	(12,828)	(32,193)	(40,003)	(40,003)	(40,003)	(53,183)	(83,200)	(85,200)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15,893)	(8,898)	(26,431)	(32,193)	(39,553)	(39,553)	(39,553)	(18,436)	(20,107)	(18,066)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	43	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	429	4,828	5,523	5,523	5,523	5,523	5,000	1,000	500
Payments											
Repayment of borrowing		(4,046)	(338)	(375)	(11,143)	(11,143)	(11,143)	(11,143)	(3,300)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(4,046)	91	4,496	(5,620)	(5,620)	(5,620)	(5,620)	1,700	1,000	500
NET INCREASE/ (DECREASE) IN CASH HELD		(2,449)	10,680	28,104	16,620	5,273	5,273	5,273	3,595	2,880	2,880
Cash/cash equivalents at the year begin:	2	(5,682)	(8,132)	2,548	30,653	30,653	30,653	30,653	35,925	39,520	42,400
Cash/cash equivalents at the year end:	2	(8,132)	2,548	30,653	47,273	35,925	35,925	35,925	39,520	42,400	45,280

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R39 million in 2015/16, increasing to positive R45.2 million in 2017/18. This is in line with the municipality's plans to improve its positive cash position in the short to medium term; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.

Table 12MBRRTable A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	(8,132)	2,548	30,653	47,273	35,925	35,925	35,925	39,520	42,400	45,280
Other current investments > 90 days		(0)	0	(0)	(47,273)	1,275	1,275	1,275	-	-	-
Non current assets - Investments	1	21	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cash and investments available:		(8,112)	2,548	30,653	10,000	47,200	47,200	47,200	49,520	52,400	55,280
<u>Application of cash and investments</u>											
Unspent conditional transfers		5,404	0	293	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2								-	-	-
Other working capital requirements	3	(4,118)	12,735	(15,956)	25,565	25,432	25,432	25,432	26,214	26,187	29,231
Other provisions									-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5								-	-	-
Total Application of cash and investments:		1,286	12,735	(15,663)	25,565	25,432	25,432	25,432	26,214	26,187	29,231
Surplus(shortfall)		(9,398)	(10,187)	46,316	(15,565)	21,768	21,768	21,768	23,306	26,213	26,049

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

6. The table shows that the budget is funded over the medium term, taking into account the working capital requirements.

Table 13 MBRRTable A9 - Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	26,183	27,274	11,862	31,083	40,003	40,003	53,183	87,454	85,200
Infrastructure - Road transport		23,235	24,575	7,848	13,870	13,943	13,943	25,664	37,500	35,000
Infrastructure - Electricity		(250)	140	140	10,000	12,514	12,514	2,000	30,000	30,000
Infrastructure - Water		-	-	-	-	-	-	10,000	12,000	15,000
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	507	-	-	-	-	1,800	-	-
Infrastructure		22,985	25,223	7,989	23,870	26,457	26,457	39,464	79,500	80,000
Community		-	-	-	-	-	-	8,649	7,754	5,000
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	2,553	1,406	3,228	7,213	13,546	13,546	2,922	200	200
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		646	646	646	-	-	-	2,148	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		23,235	24,575	7,848	13,870	13,943	13,943	25,664	37,500	35,000
Infrastructure - Electricity		(250)	140	140	10,000	12,514	12,514	2,000	30,000	30,000
Infrastructure - Water		-	-	-	-	-	-	10,000	12,000	15,000
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	507	-	-	-	-	1,800	-	-
Infrastructure		22,985	25,223	7,989	23,870	26,457	26,457	39,464	79,500	80,000
Community		-	-	-	-	-	-	8,649	7,754	5,000
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		2,553	1,406	3,228	7,213	13,546	13,546	2,922	200	200
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		646	646	646	-	-	-	2,148	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	26,183	27,274	11,862	31,083	40,003	40,003	53,183	87,454	85,200
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport								67,000	104,000	138,000
Infrastructure - Electricity								30,000	55,000	87,000
Infrastructure - Water								25,000	45,000	55,000
Infrastructure - Sanitation								44,000	42,000	40,000

Infrastructure - Other		546,402	528,555	512,499	356,467	356,467	356,467	150,000	165,000	167,000
Infrastructure		546,402	528,555	512,499	356,467	356,467	356,467	316,000	411,000	487,000
Community								27,000	33,000	36,500
Heritage assets								538	538	538
Investment properties		181,101	173,369	175,141	-	-	-	-	-	-
Other assets								411,934	311,883	211,832
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		2,138	2,087	2,130	1,985	1,985	1,985	1,934	1,883	1,832
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	729,641	704,011	689,770	358,452	358,452	358,452	757,406	758,304	737,702
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		42,975	66,755	54,772	22,040	32,040	32,040	10,000	30,000	35,000
<u>Repairs and Maintenance by Asset Class</u>	3	4,550	5,150	7,605	31,080	31,080	31,080	27,173	32,828	34,941
Infrastructure - Road transport		891	873	2,586	17,405	17,405	17,405	6,700	16,368	16,555
Infrastructure - Electricity		3,629	1,414	1,625	5,614	5,614	5,614	5,905	6,893	8,337
Infrastructure - Water		-	-	1,682	2,586	2,586	2,586	3,800	2,796	2,828
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		29	30	72	95	95	95	155	108	205
Infrastructure		4,550	2,317	5,965	25,700	25,700	25,700	16,560	26,164	27,926
Community		-	-	190	2,930	2,930	2,930	4,104	4,153	4,230
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	-	2,833	1,450	2,450	2,450	2,450	6,510	2,511	2,785
TOTAL EXPENDITURE OTHER ITEMS		47,525	71,905	62,377	53,120	63,120	63,120	37,173	62,828	69,941
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>		0.8%	1.0%	1.5%	8.7%	8.7%	8.7%	3.6%	4.3%	4.7%
<i>Renewal and R&M as a % of PPE</i>		1.0%	1.0%	1.0%	9.0%	9.0%	9.0%	4.0%	4.0%	5.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The table shows that all of the capital allocations are for new assets.
3. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 10% of PPE. Municipality's budget for repairs and maintenance is around 8% per cent or R27 million of total operating expenditure for the 2015/16 financial year.
4. As noted in the previous reporting financial year, the Council has noted with concern of the current level of allocation for renewal of assets and maintenance. For this reason, a directive has already been issued by Council for management to immediately develop Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance. The allocation for assets management will be revisited by Council in the 2015/2016 budget adjustment process.

Table 14 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1									
Water:										
Piped water inside dwelling		500	650	1,150	1,650	1,650	1,650	1,650	2,000	2,500
Piped water inside yard (but not in dwelling)		500	650	1,150	1,650	1,650	1,650	1,650	2,000	2,500
Using public tap (at least min.service level)	2	500	650	1,150	1,650	1,650	1,650	1,650	2,000	2,500
Other water supply (at least min.service level)	4	500	650	1,150	1,650	1,650	1,650	1,650	2,000	2,500
<i>Minimum Service Level and Above sub-total</i>		2,000	2,600	4,600	6,600	6,600	6,600	6,600	8,000	10,000
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4	15,000	14,000	13,468	11,468	11,468	11,468	9,868	8,268	6,668
No water supply										
<i>Below Minimum Service Level sub-total</i>		15,000	14,000	13,468	11,468	11,468	11,468	9,868	8,268	6,668
Total number of households	5	17,000	16,600	18,068	18,068	18,068	18,068	16,468	16,268	16,668
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		100	150	300	800	800	800	1,200	1,600	1,800
Flush toilet (with septic tank)		100	150	300	800	800	800	1,200	1,600	1,800
Chemical toilet		100	150	300	800	800	800	1,200	1,600	1,800
Pit toilet (ventilated)		100	150	300	800	800	800	1,200	1,600	1,800
Other toilet provisions (> min.service level)		100	150	300	800	800	800	1,200	1,600	1,800
<i>Minimum Service Level and Above sub-total</i>		500	750	1,500	4,000	4,000	4,000	6,000	8,000	9,000
Bucket toilet										
Other toilet provisions (< min.service level)		18,200	17,548	16,568	14,068	14,068	14,068	12,068	11,000	10,200
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		18,200	17,548	16,568	14,068	14,068	14,068	12,068	11,000	10,200
Total number of households	5	18,700	18,298	18,068	18,068	18,068	18,068	18,068	19,000	19,200
Energy:										
Electricity (at least min.service level)		100	150	300	450	450	450	600	750	900
Electricity - prepaid (min.service level)		100	150	300	450	450	450	600	750	900
<i>Minimum Service Level and Above sub-total</i>		200	300	600	900	900	900	1,200	1,500	1,800
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	200	300	600	900	900	900	1,200	1,500	1,800
Refuse:										
Removed at least once a week		8,000	8,370	9,140	9,500	9,500	9,500	9,600	9,800	10,000
<i>Minimum Service Level and Above sub-total</i>		8,000	8,370	9,140	9,500	9,500	9,500	9,600	9,800	10,000
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	8,000	8,370	9,140	9,500	9,500	9,500	9,600	9,800	10,000

Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		2,800	3,200	4,120	5,040	5,040	5,040	5,960	6,880	7,220
Sanitation (free minimum level service)		2,800	3,200	4,120	5,040	5,040	5,040	5,960	6,880	7,220
Electricity/other energy (50kwh per household per month)		2,800	3,200	4,120	5,040	5,040	5,040	5,960	6,880	7,220
Refuse (removed at least once a week)		2,800	3,200	4,120	5,040	5,040	5,040	5,960	6,880	7,220
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		600	700,000	850,000	850,000	850,000	850,000	900	950	1,000
Sanitation (free sanitation service)		600	700,000	850,000	850,000	850,000	850,000	900	950	1,000
Electricity/other energy (50kwh per household per month)		600	700,000	850,000	850,000	850,000	850,000	900	950	1,000
Refuse (removed once a week)		600	700,000	850,000	850,000	850,000	850,000	900	950	1,000
Total cost of FBS provided (minimum social package)		3,000	3,500	4,250	4,250	4,250	4,250	4,500	4,750	5,000
Highest level of free service provided										
Property rates (R value threshold)		35,000	35,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Water (kilolitres per household per month)		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sanitation (kilolitres per household per month)		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Sanitation (Rand per household per month)		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		5	5	5	5	5	5	5	5	5
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		400	400	600	600	600	600	600	600	600
Property rates (other exemptions, reductions and rebates)		1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Water		2,000	2,000	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Sanitation		1,250	1,250	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Electricity/other energy		3,000	3,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Refuse		1,250	1,250	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Municipal Housing - rental rebates		-	-	100	100	100	100	100	100	100
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)		9,400	9,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- The Municipality continues to make good progress with the eradication of backlogs:
 - Water services – a backlog of 500 household was targeted and in the 2014/2015 financial year, another backlog of 500 in addition to that previously planned is set by the municipality in the coming 2015/16 financial year. These households are largely found in 'reception areas' such as Rapotokwane and Masakhaneand will need to be moved to formal areas so that they can receive services. For 2015/16 financial year, grant of R10 million is allocated for municipality which will address the water infrastructure.
 - Sanitation services – this backlog will be focused by the municipality over the MTREF.

- c. Electricity services – as with sanitation, backlog in the past financial year was planned to be reduced by at least 1 050 households. The emphasis in the electricity sector is on addressing urgent network upgrades. Around R2 million grant was allocated for 2015/16, R30 million for 2016/17 which will assist in the electricity infrastructure. Once the most pressing network issues have been addressed, the electrification programme will be prioritised to cater for new developments.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

2.1.1 Overview of the annual IDP/ budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Budget/ Treasury and Governance Sub Committee. The Mayor attends the meetings of the Steering Committee.

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

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

2.1.2 Budget Process Overview

In terms of section 21 of the MFMA, the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget. Bela-Bela Local Municipality adopted an IDP Review Process Plan for the 2015/16 review process. The Process Plan was informed by the district municipality's framework plan and was adopted by the Municipal Council in August 2012. The main purpose of the Process Plan is to integrate all the processes and activities, institutional arrangements and time frames of the various sector departments, NGOs, Parastatals and etc.

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

- a programme specifying the time frames for the different planning steps;
- appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP finalizing process;

- an indication of the organisational arrangements for the IDP process;
- binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

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

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

2.2. IDP and Service Delivery and Budget Implementation Plan

This is the last IDP of the current Council which came into office after the May 2011 elections. The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

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

The final IDP has been taken into a business and financial planning process leading up to the final 2015/16 MTREF, based on the adjusted 2014/15 MTREF and the mid-year review. The business planning process will subsequently be refined in the light of current economic circumstances and the resulting revenue projections prior to budget approval in May 2015.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.2.1. Service Level Standards

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the 2015/16 tabled MTREF budget documentation. The services level standard will be able to monitor the level in which services delivery is achieved by each department.

Service level standard details the expectation which each department need to achieve in order to successfully attain services delivery to the community.

Bela-Bela Local Municipal will be implementing service level standard in the 2015/2016 budget year. Bellow table summarise only key services delivery standard (For a full services delivery standard can be provided on a separate document)

Standard	Key Service level
Solid Waste Removal	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)

	Clearing of illegal dumping (24hours)
Water Service	Water Quality rating (Blue 71%)
	Is free water available to all? (All/only to the indigent consumers)
	Frequency of meter reading? (Once per month,)
Electricity Service	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)
	How long does it take to replace faulty meters? (seven days)
	How effective is the action plan in curbing line losses? (Good/Bad)
Sewerage Service	How long does it take to restore sewerage breakages on average
	Severe overflow? (hours)
	Sewer blocked pipes: Large pipes? (Hours)
	Sewer blocked pipes: Small pipes? (Hours)
	Spillage clean-up? (hours)
	Replacement of manhole covers? (Hours)
Road Infrastructure Services	Time taken to repair a single pothole on a major road? (Hours)
Property valuations	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
Financial Management	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)
	How long does it take to finalise a tender after closing date
Administration	Reaction time on enquiries and requests?
	Time to respond to a verbal customer enquiry or request? (immediately / one working days)
	Time to respond to a written customer enquiry or request? (working days)
	Time to resolve a customer enquiry or request? (working days)
	What percentage of calls are not answered? (5%,10% or more)
Community safety and licensing services	How long does it take to register a vehicle? (minutes)
Economic development	How many economic development projects does the municipality drive?
Other Service delivery and communication	Does the municipality have training or information sessions to inform the community? (Yes)

2.3 Community Consultation

The draft 2015/16 MTREF as tabled before Council on 30 March 2015 for community consultation has been published on the municipality's website, and hard copies will be made available at municipal offices and municipal library. Electronic and hard copies will be sent to National Treasury and the Limpopo Provincial Treasury.

The Municipality did hold public participation sessions with the communities in nine (9) wards. A budget summary document, was issued and discussed at these sessions. Comments were received from the local communities. The applicable dates and venues were published in all the local newspapers. Sessions was also held with the farming and business communities during month of May 2015.

A budget review exercise was conducted by the Provincial Treasury during the month of May 2014.

2.4 Overview of alignment of annual budget with IDP

Bellow table provide overview alignment of the 2015/16 budget to IDP.

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
BASIC SERVICE DELIVERY	ROAD PAVING PHASE 3	A		2,684	3,619	1,444	–			3,518	8,000	5,000
	BULK INFRASTRUCTURE X9	B		3,734	5,558	2,500	4,025	4,343	4,343	4,146		
	LINCECE TESTING GROUND	C		3,800	6,903	3,919	–					
	RESURFACING SPORT COURT	D				1,200	–					
	MULTI PURPOSE DOUBLE STOREY	E				2,799	5,000	12,442	12,442	5,246		
	UPDGRADE MOLOTO STREET SPORTS STADIUM	F				–	3,755	–	–	–	4,254	5,000
	BELABELA HIGH:SPORT STADIUM	G				–	1,103	1,103	1,103	3,403	1,500	
	STORMWATER	H		2,000		–	3,700	2,676	2,676	5,500	3,500	

COMMUNITY AND SOCIAL SERVICES	ROAD PAVING PHASE 4	I			-	3,500	4,524	4,524			
	ROAD TIRING	J				10,000	12,514	12,514	12,500	20,000	30,000
	BULK SEWER INFRASTRUCTURE X25	K			-	-				6,000	
	GIS SOFTWARE	L	3,000	2,024					1,500		
	UPGRADE SUNFA STADIUM	M			-	-				2,000	
MUNICIPAL FINANCIAL VIABILITY		N		2,000					2,770		
COMMUNITY AND SOCIAL SERVICES	LANDFILL SITE	O	10,965	7,170			2,400	2,400	2,600	200	200
BASIC SERVICE DELIVERY	WATER INFRASTRUCTURE AND ELECTRICAL INTEGRATION PROGRAMME	P							12,000	42,000	45,000
Allocations to other priorities			3								
Total Capital Expenditure			1	26,183	27,274	11,862	31,083	40,003	40,003	53,183	87,454
											85,200

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

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

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

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

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the final IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly inform

Table 16: IDP Strategic Objectives

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
PREPARATION PHASE	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	<ul style="list-style-type: none"> Approved 2015/2016 IDP, Budget and PMS process plan 	16 - 18 July 2014
	MECs Assessment of 2013- 2014 IDP	IDP Manager /Municipal Manager		29 July 2014 – 01 August 2014
	Council Sitting	Mayor/ Municipal Manager		30 July 2014
	Develop Draft 2015/2016 IDP, Budget and PMS process plan	IDP Manager		04 - 08 August 2014
	Tabling of 2015/2016 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		13 August 2014
	1 st Waterberg District Forum Representative Forum	IDP Manager		21 August 2014
	Tabling Draft 2015/2016 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		26 August 2014
	Publication of IDP2015/2016 IDP, Budget and PMS Process Plan	IDP Manager		28 August 2014
	Submission of 2013/ 2014 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		29 August 2014
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		02 September 2014
	First IDP Representative Forum	Municipal Manager/		04 September 2014

		Mayor		
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ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	<ul style="list-style-type: none"> Priority issues/problems Understanding of causes of priority issues/problems 	05 September 2014
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		08 -12 September 2014
	1 st Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		22– 26 September 2014
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity Revisit Community Needs, Consult, and Assess Community Based Planning (CBP) Wards Consultative Meetings	Budget & Treasury and IDP Manager		13 - 17 October 2014
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		28 October 2014
	Council Sitting	Mayor & Municipal Manage		30 October 2014
	Second 2015/16 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		04 November 2014
	Second 2015/16 IDP Representatives Forum	Mayor/ Municipal Manager		06 November 2014
	Draft 2015/16 IDP Analysis Phase Completed	IDP Manager		07 November 2014

	2 nd WDM Representative Forum	WDM		12 November 2014
	2 nd Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		17 – 18 November 2014
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2014
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2014

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
STRATEGIES PHASE			<ul style="list-style-type: none"> • Vision(For Municipality) • Objectives(For each priority issue) • Strategic options and choice of strategy • Tentative financial framework for projects • Identification of projects 	
	WDM Strategic Planning Session	WDM		19 - 21 January 2015
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		05 – 16 January 2015
	Draft 2014/2015 Mid – Year Report and Draft 2014/ 2014 Annual Report	All Departments/Municipal Manager		21 - 29 January 2015
	3 rd Provincial IDP Consultative Form	COGHSTA, OTP and WDM		06 February 2015
	Strategic Planning Session	IDP Manager /Municipal Manager		18 - 20 February 2015

	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		17 March 2015
	Third IDP Representative Forum	Mayor & Municipal Manager		18 March 2015

PROJECTS PHASE	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> Project output, targets, and location Project related activities and time schedule Cost and budget estimates Performance Indicators 	Week 2 March 2015
	3 RD WDM IDP Representatives Forum	WDM		20 March 2015
	Submission of 2013/ 2014 Annual Report to council for Approval	IDP Manager & Municipal Manager		25 March 2014
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2015
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		31 March 2015

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
INTEGRATION PHASE	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	<ul style="list-style-type: none"> 5 Year Financial Plan 5 Year Capital Investment Plan Institutional Plan Reference to Sector Plans Integrated Sectoral Plans 	Week 1 April 2015
	2015/ 2016 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		09 – 15 April 2015
	4 th IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		08 May 2015
	4 th IDP Representative forum	Mayor & Municipal Manager		13 May 2015
	4 TH WDM Representative Forum	WDM		22 May 2015

	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		28 May 2015
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APPROVAL PHASE	Publishing of a Draft 2015/ 2016 IDP - Budget	IDP Manager	<ul style="list-style-type: none"> Public Comments Approved IDP for the Municipality 	Week 3 & 4 May 2015
	Screening of Inputs and Comments from Communities	IDP Manager		Week 3 & 4 May 2015
	Approval of 2015/2016 IDP and Budget	Mayor & Municipal Manager		26 June 2015
	Approval of Service Delivery and Budget Implementation Plan(SBDIP)	Municipal Manager		26 June 2015
	Publishing of Approved 2015/2016 IDP and Budget	IDP Manager		30 June 2015
	Submission of Approved IDP/Budget to National Treasury and Dept. Local Government & Housing	Mayor & Municipal Manager		30 June 2015
	Signing of Annual Performance Agreements for Section 57 Managers	Mayor & Municipal Manager		30 June 2015

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

Table 17 shows the alignment of operating revenue budget with the IDP objectives

Table 17 MBRR Table SA4 - Reconciliation of IDP objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
SPATIAL ANALYSIS AND ECONOMIC DEVELOPMENT				204	350	142	156	156	156	172	184	191
BASIC SERVICE DELIVERY												
MUNICIPAL FINANCIAL VIABILITY				121,120	128,638	140,282	166,450	166,450	166,450	194,994	233,649	241,659
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT				95,920	96,408	154,795	150,441	150,441	150,441	167,397	179,114	181,173
COMMUNITY AND SOCIAL SERVICES				1,628	928	404	445	445	445	489	489	12,857
				1,758	5,354	5,633	11,880	11,943	11,943	12,868	12,868	13,905
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	220,630	231,679	301,256	329,372	329,435	329,435	375,920	426,304	449,785

Table 18 MBRR Table SA5 - Reconciliation of IDP objectives and budget (expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
SPATIAL ANALYSIS AND ECONOMIC DEVELOPMENT	ROADS WATER			4,969	6,251	6,663	7,114	7,114	7,114	7,608	8,141	8,710
BASIC SERVICE DELIVERY				18,520	19,832	140,147	16,525	12,576	12,576	47,413	55,571	65,190
				17,405	18,506	27,566	30,215	30,215	30,215	31,900	34,133	36,522

MUNICIPAL FINANCIAL VIABILITY	SANITATION		637	496	506	549	549	549	596	638	682	
	ELECTRICITY		508,365	57,252	62,937	65,686	65,686	65,686	69,674	74,444	73,950	
	WATER REMOVAL		4,776	8,174	62,937	65,686	65,686	65,686	64,682	63,200	60,921	
			(375,212)	93,438	(97,873)	36,741	36,741	36,741	44,313	42,402	45,370	
	COMMUNITY AND SOCIAL SERVICES		19,666	10,233	17,041	17,980	17,980	17,980	19,063	20,397	21,825	
	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT GOOD GOVERNACE AND PUBLIC PARTICIPATION		16,964	34,446	39,478	41,918	41,918	41,918	44,529	47,646	50,981	
			10,727	12,265	13,832	14,566	14,565	14,565	15,352	16,421	17,571	
Allocations to other priorities												
Total Expenditure			1	226,817	260,893	273,234	296,980	293,030	293,030	345,129	362,993	381,723

Table 19 MBRR Table SA6 - Reconciliation of IDP objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
BASIC SERVICE DELIVERY	ROAD PAVING PHASE 3	A		2,684	3,619	1,444	–			3,518	8,000	5,000
	BULK INFRASTRUCTURE X9	B		3,734	5,558	2,500	4,025	4,343	4,343	4,146		

	LINCECE TESTING GROUND	C	3,800	6,903	3,919	–					
	RESURFACING SPORT COURT	D			1,200	–					
	MULTI PURPOSE DOUBLE STOREY	E			2,799	5,000	12,442	12,442	5,246		
	UPDGRADE MOLOTO STREET SPORTS STADIUM	F			–	3,755	–	–	–	4,254	5,000
	BELABELA HIGH:SPORT STADIUM	G			–	1,103	1,103	1,103	3,403	1,500	
	STORMWATER	H	2,000		–	3,700	2,676	2,676	5,500	3,500	
	ROAD PAVING PHASE 4	I			–	3,500	4,524	4,524			
	ROAD TIRRING	J				10,000	12,514	12,514	12,500	20,000	30,000
	BULK SEWER INFRASTRUCTURE X25	K			–	–				6,000	

COMMUNITY AND SOCIAL SERVICES	GIS SOFTWARE	L		3,000	2,024					1,500		
	UPGRADE SUNFA STADIUM	M				-	-				2,000	
MUNICIPAL FINANCIAL VIABILITY		N			2,000					2,770		
COMMUNITY AND SOCIAL SERVICES	LANDFILL SITE	O		10,965	7,170			2,400	2,400	2,600	200	200
BASIC SERVICE DELIVERY	WATER INFRASTRUCTURE AND ELECTRICAL INTEGRATION PROGRAMME	P								12,000	42,000	45,000
Allocations to other priorities			3									
Total Capital Expenditure			1	26,183	27,274	11,862	31,083	40,003	40,003	53,183	87,454	85,200

2.5 Free Basic Services: basic social services package for households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Indigent households receive free basic water of 50 kl and 100 kwh of electricity per month. For the 2015/16 financial year 5000 registered indigents have been provided for in the budget.

2.6 Providing clean water and managing waste water

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

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

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Bela-Bela Local Municipality has achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant in the 2013/14 financial year. This has put the Municipality on the 6th position in Limpopo Province during that financial year. Municipality have not been assessed in the current financial period. Municipality will continue to doing well on improving its water quality and aiming to achieve an excellent score.

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

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

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

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

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

2.7 Measurable performance objectives and indicators

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

Table 20 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework

		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.1%	0.6%	1.3%	4.8%	3.4%	3.4%	3.5%	1.6%	0.6%	0.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.2%	0.9%	1.7%	5.8%	5.0%	5.0%	5.0%	2.0%	0.8%	0.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.6	0.4	1.9	0.1	1.4	1.4	1.4	1.1	1.1	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.6	0.4	1.9	0.1	1.4	1.4	1.4	1.1	1.1	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.1	0.8	–	1.3	1.3	1.3	1.0	1.0	1.0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		94.2%	96.2%	92.6%	92.4%	100.2%	100.2%	100.2%	100.9%	118.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		97.1%	95.7%	99.2%	92.4%	100.0%	100.0%	100.0%	84.4%	90.0%	90.0%

Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	11.1%	6.8%	13.3%	0.7%	0.7%	0.7%	0.7%	1.0%	1.5%	1.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		-199.4%	1061.7%	43.1%	58.1%	76.4%	76.4%	76.4%	73.6%	72.7%	72.2%
Other Indicators											
	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.6%	31.0%	28.7%	29.8%	29.8%	29.8%	29.7%	32.2%	32.5%	33.0%

Remuneration	Total remuneration/(Total Revenue - capital revenue)	61.1%	63.8%	56.8%	61.5%	61.5%	61.5%		34.1%	34.4%	34.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.2%	2.4%	2.7%	10.1%	10.1%	10.1%		8.0%	9.1%	9.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	21.9%	31.6%	20.3%	8.2%	10.8%	10.8%	10.8%	3.5%	8.9%	9.8%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	25.2	35.7	10.1	10.5	10.5	10.5	15.8	20.0	20.3	21.3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	16.2%	9.0%	22.2%	1.0%	1.1%	1.1%	1.1%	1.6%	2.4%	1.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.6)	0.2	1.9	2.6	1.6	1.6	1.6	1.7	1.7	1.8

2.8 Overview of budget related-policies

In Table 21 below, the relevant budget related policies are set out.

Table 21 : Policies				
No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	2014/15	In use	With effect from 01/07/2015
2	Property Rates Policy	2014/15	In use	With effect from 01/07/2015
3	Assets Management Policy	2013/14	In use	No changes recommended
4	Indigent Policy	2014/15	In use	With effect from 01/07/2015
5	Borrowing framework policy	2013/14	In use	No changes recommended
6	Budget Implementation and Monitoring Policy	2013/14	In use	No changes recommended
7	Cash Management and Investment Policy	2014/15	In use	With effect from 01/07/2015

8	Funding Reserves Policy	2013/14	In use	No changes recommended
9	Prioritisation Model for Capital Assets Investment	2014/15	In use	No changes recommended
10	Policy on Infrastructure Investment and Capital Projects	2013/14	In use	No changes recommended
11	Policy on Long Term Financial Planning	2013/14	In use	No changes recommended
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	2014/15	In use	With effect from 01/07/2015
13	Principles and Policy on Tariffs	2013/14	In use	With effect from 01/07/2015
14	Petty Cash Policy	2014/15	In use	With effect from 01/07/2015
15	Supply Chain Management Policy	2014/15	In use	With effect from 01/07/2015

Amendments in Supply Chain management policy

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.

Policy on Provision for doubtful debts and writing off of irrecoverable debts

The main changes of on the policy includes: the use of individual debtors risk profile in assessing the possibilities of irrecoverable debts

Tariff Policy

The main changes on the policy includes:

- **Water** – Commercial, old age, hospitals and churches will no longer be levied at fixed tariffs. It is proposed to be charged on the water gladding scale/step tariffs;
- **Sanitation** – Will now be levied at fixed tariffs and volume base.
- **Electricity** – We are introducing block tariffs for agricultural, commercial and industrial customers in line with NERSA guidelines

Property rates policy

The main changes on the policy includes: the alignment to the amendments of the Municipal Property Rates Act (MPRA)

Indigent's policy

The main changes on the policy includes: Introduction of closing date for the registration of indigents (End of first quarter).

2.9 Overview of budget assumptions

Table below provide the budget assumptions issues which depict the next two years assumed percentage increases.

Council's wage bill, bulk purchases and capital charges constitutes 70% of our operating budget expenditure. Council have very little control over them since the cost of living salary increases are determined at a higher authority (Bargaining Council level); bulk electricity purchases by NERSA; bulk water purchase by Magalies; and, interest on loans to be set by borrowing authorities (Financial Institutions).

The cost of living and notch increases on the wage bill amounted to 6.00% and 5.00% over the last two financial years and is estimated to increase with 6.8% for 2015/2016 and 6.4% for the two outgoing years. Bulk electricity purchases increased with 11% in the previous financial year and are estimated to increase with 7.39% for 2015/2016 and 7.39% for the two outgoing years. Bulk water purchases increased with 10.0% and over the last two financial years and are estimated to increase with 15.00% for 2015/2016 and 15.00% over the next two outgoing years. Interest rate on external borrowings is 10.69% and seriously affects our operating budget when we borrow money to finance our capital expenditure. However, the restructuring of the current borrowing led to enormous saving in the finance cost.

Compare the above with actual CPIX inflation rate of 5.9% in the last two financial years and the estimated CPIX of 6.2% for 2015/2016 and the 5.9% for the outer two years and one will see that Council cannot approve tariffs at the inflation rate levels if Council would like to sustain their service standards.

Table 22: Budget Assumption			
No	Expenditure / Revenue Component	2015/16	2016/17
1	CPI Inflation Rate	5.90%	5.50%
2	Property Rates Revenue Increases	5.90%	5.50%
3	Electricity Revenue increases	7.40%	7.40%
4	Water Revenue Increases	16.00%	16.00%
5	Sanitation Revenue Increases	5.40%	5.40%
6	Refuse Revenue Increases	5.40%	5.40%
7	Rental Revenue Increases	5.40%	5.40%
8	Sundry Revenue Increases	5.90%	5.50%
9	Salaries	6.40%	6.40%
10	Bulk Electricity Purchases	12.20%	7.39%
11	Bulk Water Purchases	10.00%	15.00%

In Table 22 above the estimated operating revenue stream increases are depicted to fund the operating budget expenditure. It must be emphasised that to balance the operating budget, senior management had to cut material amount worth of operating expenditure requests that exceeded our affordable and sustainable revenue streams.

The revenue streams increases as follows

- Residential property rates with -5.8%
- Other property rates with 0%
- Electricity revenue with 12.2%
- Water revenue with 10%
- Sanitation revenue with 5.40%
- Refuse removal revenue with 5.40%
- Rental revenue with 8.00%and
- Sundry revenue with 6.20%.

It must be noted that property rates revenue due to the general valuation will undergo restructured tariffs. Electricity revenue tariffs will also undergo some restructuring especially with regard to the time-of-use customers and pre-paid electricity customers.

Council is sensitive to the affordability and sustainability of the tariffs to be imposed. We carefully monitor the payment and collection rates and are thankful that the customer base of Bela-Bela Local Municipality pays more than 85% of their billed accounts. Through the financial support and incentives envisaged through our new budget related policies developed we are hopeful that the payment rate will increase to 100% over the next 12 months.

2.9.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bela-Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 29 per cent of total operating expenditure in the 2015/16 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.9.2. Employee cost

Table 23 MBRR Table SA22 - Summary of Employees and Councillors remuneration

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Councillors (Political Office Bearers plus Other)</u>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		233	89	–	–	–	–	–	–	–
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		–	–	–	–	–	–	–	–	–
Cellphone Allowance		–	–	–	–	–	–	–	–	–
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		3,648	3,988	1,015	5,956	5,956	5,956	6,269	6,645	7,044
Sub Total - Councillors		3,881	4,077	1,015	5,956	5,956	5,956	6,269	6,645	7,044
% increase	4		5.0%	(75.1%)	486.6%	–	–	5.3%	6.0%	6.0%

Senior Managers of the Municipality	2									
Basic Salaries and Wages		-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-	-
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Municipal Staff										
Basic Salaries and Wages		53,829	57,128	57,901	64,217	64,217	64,217	80,994	86,734	92,876
Pension and UIF Contributions		351	180	1,048	848	848	848	14,408	15,272	16,188
Medical Aid Contributions		937	803	1,025	-	-	-	490	519	551
Overtime		3,022	3,561	4,562	2,913	2,879	2,879	4,971	5,269	5,585
Performance Bonus		264	64	2,704	8,858	8,858	8,858	600	636	674
Motor Vehicle Allowance	3	3,631	2,889	3,965	2,607	2,607	2,607	5,318	5,637	5,975
Cellphone Allowance	3	-	-	8,195	11,541	11,541	11,541	759	804	852
Housing Allowances	3	-	-	765	87	87	87	220	234	248
Other benefits and allowances	3	-	-	-	-	-	-	420	445	472
Payments in lieu of leave		-	-	1,283	51	51	51	520	551	584
Long service awards		-	1,929	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	466	371	371	371	1,133	1,201	1,273
Sub Total - Other Municipal Staff		62,033	66,555	81,914	91,494	91,459	91,459	109,833	117,302	125,278
% increase	4		7.3%	23.1%	11.7%	(0.0%)	-	20.1%	6.8%	6.8%

Total salary cost for all municipality employee excluding councillor is budgeted at R109.8 million which is increased by 11% from the 2014/15 adjustment budget.

The high increase in employee related cost is due to implementation of the TASK system, proposed additional position and restructuring of certain positions in the 2015/2016 budget year

Council salaries for 2015/16 budget year is increased by 5.4% from the previous financial year.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost to the municipality for the budget year of the salary, allowances and benefits of each

political office bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal Manager must be disclosed

NO.	Position	Amount
1	Mayor	718 496
2	Speaker	574 797
3	Chief Whip	538 872
4	EC Member	538 872
5	S79 Chairperson	276 621
6	Other ordinary councilor	215 549
7	Municipal Manager	1 484 159
8	Chief Financial Officer	1 143 124
9	Other S56 Managers	1 041 328

2.9.3 Interest rates for borrowing and investment of funds

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

2.9.4 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (80 per cent) of annual billings. Cash flow is assumed to be 80% of billings including collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.9.5 Growth or decline in tax base of the municipality

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

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

2.9.6 Impact of national, provincial and local policies

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

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. However, it is also important to take cognisance of the fact that some of these priorities are not directly linked to the powers and functions assigned to the municipality. Nevertheless efforts will be made to contribute to these priorities.

2.9.7. Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (application > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might

indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 24MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	(8,132)	2,548	30,653	47,273	35,925	35,925	35,925	39,520	42,400	45,280
Other current investments > 90 days		(0)	0	(0)	(47,273)	1,275	1,275	1,275	-	-	-
Non current assets - Investments	1	21	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cash and investments available:		(8,112)	2,548	30,653	10,000	47,200	47,200	47,200	49,520	52,400	55,280
<u>Application of cash and investments</u>											
Unspent conditional transfers		5,404	0	293	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2								-	-	-
Other working capital requirements	3	(4,118)	12,735	(15,956)	25,565	25,432	25,432	25,432	26,214	26,187	29,231
Other provisions									-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5								-	-	-
Total Application of cash and investments:		1,286	12,735	(15,663)	25,565	25,432	25,432	25,432	26,214	26,187	29,231
Surplus(shortfall)		(9,398)	(10,187)	46,316	(15,565)	21,768	21,768	21,768	23,306	26,213	26,049

The following breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is, obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites. The municipality has indicated its intention to built up cash-backed reserve in terms of the newly approved reserve policy.
- It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the

municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.9.8 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 25MBRR Table SA10 – Funding compliance measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	(8,132)	2,548	30,653	47,273	35,925	35,925	35,925	39,520	42,400	45,280
Cash + investments at the yr end less applications - R'000	18(1)b	2	(9,398)	(10,187)	46,316	(15,565)	21,768	21,768	21,768	23,306	26,213	26,049
Cash year end/monthly employee/supplier payments Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)b	3	(0.6)	0.2	1.9	2.6	1.6	1.6	1.6	1.7	1.7	1.8
Service charge rev % change - macro CPIX target exclusive	18(1)	4	(6,187)	(29,215)	28,022	32,393	(26,895)	(26,895)	(24,409)	38,790	48,371	48,150
	18(1)a,(2)	5	N.A.	6.8%	(0.6%)	14.5%	(11.8%)	(6.0%)	(6.0%)	2.9%	0.2%	(1.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	86.9%	98.1%	76.9%	89.4%	95.8%	95.8%	95.8%	82.7%	87.5%	87.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.5%	0.0%	0.0%	0.0%	20.7%	20.7%	20.7%	1.7%	1.7%	1.7%
Capital payments % of capital expenditure	18(1)c;19	8	44.5%	35.7%	108.1%	103.6%	100.0%	100.0%	100.0%	100.0%	95.1%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(37.6%)	160.1%	(94.5%)	0.0%	0.0%	0.0%	65.7%	52.7%	(25.7%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.8%	1.0%	1.5%	8.7%	8.7%	8.7%	7.6%	3.6%	4.3%	4.7%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Cash/cash equivalent position

The municipality's forecast position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

Cash plus investment less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is on Table 25 above. The reconciliation is intended to be relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 95.1%, 88.2% and 88.8% for each of the respective financial years. Given that the assumed collection rate was based on a 80% performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. For 2015/2016 financial year the municipality has not budgeted for any borrowing to finance capital expenditure.

Transfers/grants revenue as a percentage of Government transfers/grants Available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted for all transfers.

Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a deficit trend in line with the municipality's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. The municipality has budgeted to spend 9.2% of the operating budget on repairs and maintenance for the 2015/2016 financial year.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

In summary, the funding compliance measurement above shows that serious attempts were made to make the budget funded. This is in line with the recommendations made by the National and Provincial Treasuries.

2.9.9. Allocations and grant made by the municipality

The municipality has not budgeted to make any allocations or grants to individuals or external parties.

2.10 Expenditure on allocation and grant programme

Table 26 MBRR Table SA19 – Expenditure on transfer and grant programmes

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		41,621	33,600	62,829	60,905	61,905	61,905	67,041	70,870	75,703
Local Government Equitable Share		39,329	30,818	59,949	57,248	57,248	57,248	63,428	68,288	72,970
Finance Management		1,228	1,500	1,550	1,600	1,600	1,600	1,600	1,625	1,700
Municipal Systems Improvement		787	800	890	934	934	934	930	957	1,033
EPWP Incentive		277	482	440	1,123	1,123	1,123	1,083	–	–
Water Services Operating Subsidy						1,000	1,000			
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]										
District Municipality:		–	–	–	625	625	625	625	–	–
Received from District (Fire)					625	625	625	625		
Other grant providers:		419	173	193	211	211	211	211	–	–
SETA Grant		419	173	193	211	211	211	211		
Total operating expenditure of Transfers and Grants:		42,040	33,773	63,022	61,741	62,741	62,741	67,877	70,870	75,703
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		10,324	16,413	15,836	22,193	22,193	22,193	34,971	65,746	69,909
Municipal Infrastructure Grant (MIG)		10,324	16,413	15,836	22,193	22,193	22,193	22,971	23,746	24,909
Integrated National Electrification Programme		–	–	–	–	–	–	2,000	30,000	30,000
Water Infrastructure Grant		–	–	–	–	–	–	10,000	12,000	15,000
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
Received from District (Fire)										

Other grant providers:		-	-	-	-	-	-	-	-	-
SETA Grant										
Total capital expenditure of Transfers and Grants		10,324	16,413	15,836	22,193	22,193	22,193	34,971	65,746	69,909
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		52,364	50,186	78,858	83,934	84,934	84,934	102,848	136,616	145,612

2.11 Annual budget and SDBIP – Internal departments

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

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. About 50.5% of the capital budget is allocated to Technical Services while around 43% of the capital budget is allocated to Social and Community Services department.

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

2.12 Contracts having future budgetary implications

The municipality does have contracts that go beyond the three years.

2.13 Monthly target for revenue, expenditure and cash flow

The following tables depict the monthly target for revenue, expenditure and cash flow.

Table 27 MBRR Table SA25 – Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source																
Property rates		4 954	4 049	4 872	4 597	5 868	5 935	5 078	5 012	5 824	5 978	4 078	3 715	59 959	63 557	66 735
Property rates - penalties & collection charges		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - electricity revenue		9 122	9 667	8 135	8 396	7 161	9 437	9 397	8 973	8 397	8 345	9 345	8 995	105 368	111 269	116 832
Service charges - water revenue		906	1 580	1 469	1 118	1 304	3 504	3 070	2 406	2 306	2 104	3 506	204	23 479	26 906	28 251
Service charges - sanitation revenue		697	920	920	912	796	907	896	610	897	920	918	1 316	10 710	10 283	10 797
Service charges - refuse revenue		528	516	517	515	814	994	587	592	505	516	493	396	6 975	7 365	7 734
Service charges - other		138	38	582	41	36	1 131	251	330	214	145	541	597	4 046	4 273	4 486
Rental of facilities and equipment		88	85	85	89	93	99	93	99	89	91	89	1 090	2 089	2 206	2 317
Interest earned - external investments		2 050	155	89	75	1 135	60	30	35	75	66	30	200	4 000	4 224	4 435
Interest earned - outstanding debtors		759	877	865	825	870	1 221	1 167	687	659	855	768	780	10 333	10 912	11 457
Dividends received		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines		898	862	856	861	985	1 701	1 261	865	867	856	862	763	11 639	12 291	12 905
Licences and permits		1 213	686	807	763	652	483	750	842	890	990	980	943	10 000	10 560	11 088
Agency services		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers recognised - operational		30 547	1 297	—	—	20 415	—	—	403	15 215	—	—	—	67 877	70 870	75 703
Other revenue		1 731	1 715	1 871	1 831	1 831	1 931	1 831	1 831	1 831	1 931	1 831	4 307	24 473	25 843	27 135
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		53 633	22 448	21 067	20 024	41 961	27 404	24 412	22 685	37 769	22 798	23 442	23 306	340 949	360 558	379 876
Expenditure By Type																
Employee related costs		9 633	9 463	9 631	7 794	8 116	10 660	8 233	8 616	9 912	9 925	8 221	9 627	109 833	117 302	125 278
Remuneration of councillors		402	419	417	415	415	437	732	551	552	562	509	858	6 269	6 645	7 044
Debt impairment		—	—	—	—	—	—	—	—	—	—	—	3 500	3 500	3 696	3 881
Depreciation & asset impairment		—	—	—	—	—	6 000	—	—	—	—	—	4 000	10 000	30 000	35 000
Finance charges		175	175	175	175	175	175	175	175	175	175	175	175	2 097	2 215	2 325
Bulk purchases		7 200	6 986	6 985	6 896	6 925	7 226	6 586	6 422	6 721	6 756	6 521	7 144	82 369	86 982	91 331
Other materials		1 368	1 281	1 355	1 654	2 637	5 103	2 066	1 346	1 355	1 401	1 355	1 192	22 113	23 352	24 519
Contracted services		4 033	2 840	2 790	5 073	2 480	3 428	3 151	2 883	2 775	2 991	3 428	2 913	38 786	40 958	43 006
Transfers and grants		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure		5 564	5 564	5 564	5 564	5 564	5 564	5 564	5 564	5 564	5 564	5 564	961	62 162	66 784	69 251
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure		28 374	26 727	26 917	27 571	26 312	38 593	26 507	25 558	27 054	27 375	25 773	30 371	337 129	377 933	401 635
Surplus/(Deficit)		25 259	(4 279)	(5 850)	(7 547)	15 649	(11 188)	(2 095)	(2 873)	10 715	(4 576)	(2 332)	(7 064)	3 819	(17 375)	(21 759)
Transfers recognised - capital		15 227	—	—	—	12 541	—	—	—	7 203	—	—	—	34 971	65 746	69 909
Contributions recognised - capital		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Contributed assets		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		40 486	(4 279)	(5 850)	(7 547)	28 190	(11 188)	(2 095)	(2 873)	17 918	(4 576)	(2 332)	(7 064)	38 790	48 371	48 150
Taxation		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Attributable to minorities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	1	40 486	(4 279)	(5 850)	(7 547)	28 190	(11 188)	(2 095)	(2 873)	17 918	(4 576)	(2 332)	(7 064)	38 790	48 371	48 150

Table 28 MBRR Table SA30 – Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand															
Cash Receipts By Source													1		
Property rates	4 954	4 049	4 872	4 597	5 868	5 935	5 078	5 012	5 824	5 978	4 078	(5 278)	50 965	57 201	60 061
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	9 122	9 667	8 135	8 396	7 161	9 437	9 397	8 973	8 397	8 345	9 345	(6 810)	89 563	100 142	105 149
Service charges - water revenue	906	1 580	1 469	1 118	1 304	3 504	3 070	2 406	2 306	2 104	3 506	(1 618)	21 657	24 215	25 426
Service charges - sanitation revenue	697	920	920	912	796	907	896	610	897	920	918	(3 160)	6 234	9 255	9 717
Service charges - refuse revenue	528	516	517	515	814	994	587	592	505	516	493	(650)	5 929	6 629	6 960
Service charges - other	138	38	582	41	36	1 131	251	330	214	145	541	(10)	3 439	3 845	4 038
Rental of facilities and equipment	88	85	85	89	93	99	93	99	89	91	89	776	1 776	1 986	2 085
Interest earned - external investments	2 050	155	89	75	1 135	60	30	35	75	66	30	(400)	3 400	3 802	3 992
Interest earned - outstanding debtors	759	877	865	825	870	1 221	1 167	687	659	855	768	(770)	8 783	9 820	10 311
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	898	862	856	861	985	1 701	1 261	865	867	856	862	(983)	9 893	11 061	11 615
Licences and permits	1 213	686	807	763	652	483	750	842	890	990	980	(557)	8 500	9 504	9 979
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	30 547	1 297	-	-	20 415	-	-	403	15 215	-	-	-	67 877	70 870	75 703
Other revenue	-	-	-	-	-	-	-	-	-	-	-	24 473	24 473	25 843	27 135
Cash Receipts by Source	51 902	20 733	19 196	18 193	40 130	25 473	22 581	20 854	35 938	20 867	21 611	5 012	302 489	334 174	352 172
Other Cash Flows by Source															
Transfer receipts - capital	15 227	-	-	-	12 541	-	-	-	7 203	-	-	-	34 971	65 746	69 909
Contributions recognised - capital & Contributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	5 000	5 000	1 000	500
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivable	-	-	-	-	-	-	-	-	-	-	-	34 747	34 747	63 093	67 134
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	67 129	20 733	19 196	18 193	52 671	25 473	22 581	20 854	43 141	20 867	21 611	44 759	377 207	464 013	489 715
Cash Payments by Type															
Employee related costs	9 633	9 463	9 631	7 794	8 116	10 660	8 233	8 616	9 912	9 925	8 221	9 627	109 833	117 302	125 278
Remuneration of councillors	402	419	417	415	415	437	732	551	552	562	509	858	6 269	6 645	7 044
Finance charges	175	175	175	175	175	175	175	175	175	175	175	175	2 097	2 215	2 325
Bulk purchases - Electricity	9 643	8 440	7 295	5 305	4 333	5 476	5 936	3 829	5 139	4 184	6 969	6 949	73 498	77 614	81 494
Bulk purchases - Water & Sewer	557	546	690	691	692	1 750	850	693	682	572	552	596	8 871	9 368	9 836
Other materials	1 368	1 281	1 355	1 654	2 637	5 103	2 066	1 346	1 355	1 401	1 355	1 192	22 113	23 352	24 519
Contracted services	4 033	2 840	2 790	5 073	2 480	3 428	3 151	2 883	2 775	2 991	3 428	2 913	38 786	40 958	43 006
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	6 305	6 305	6 305	6 305	6 305	6 305	6 305	6 305	6 305	6 305	6 305	(13 695)	55 662	100 480	108 132
Cash Payments by Type	32 115	29 468	28 658	27 412	25 153	33 334	27 448	24 399	26 895	26 116	27 515	8 615	317 129	377 933	401 635
Other Cash Flows/Payments by Type															
Capital assets	8 937	6 846	7 286	2 215	5 612	6 563	4 308	2 775	4 045	1 947	1 215	1 436	53 183	83 200	85 200
Repayment of borrowing	1 100	1 100	1 100	-	-	-	-	-	-	-	-	-	3 300	-	-
Other Cash Flow s/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	42 152	37 414	37 044	29 627	30 765	39 897	31 756	27 173	30 941	28 063	28 729	10 051	373 612	461 133	486 835
NET INCREASE/(DECREASE) IN CASH HELD	24 977	(16 681)	(17 848)	(11 434)	21 905	(14 424)	(9 175)	(6 319)	12 200	(7 196)	(7 119)	34 708	3 595	2 880	2 880

2.14 Legislation compliance status

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

- **In-year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. However, changes in the new financial system are expected to improve the quality of the reports.

- **Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns during 2012. The contract of the intern expired during November 2014 and all intern have been absorbed in December 2014 and Council is considering recruiting new interns during the 2015/16 financial year.

- **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

A shared Audit Committee with the Waterberg District municipality has been established and is fully functional.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a final stage and will be finalised after approval of the 2015/16 MTREF directly aligned and informed by the 2015/16 MTREF.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

The MFMA training module in electronic format is presented and training is ongoing.

- **Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

I,, in my capacity as accounting officer of the municipality, hereby certify that:

- The adopted annual budget has been captured on the municipality's financial system;
- There is complete agreement between the budget on the system and the budget adopted by council;

- The adopted annual budget on the municipality's financial system is locked and will not be changed as it serves as the baseline against which to monitor and measure performance; and
- The relevant budget return forms have been submitted to the local government database.

I, further certify that the municipality has in place controls to ensure that any changes to the adopted budget will be captured separately and only in accordance with:

- a virement authorised by the municipal manager, or duly delegate official, in terms of a council approved virements policy; and
- an adjustments budget approved by council.

Print Name _____

Municipal manager of _____

(name and demarcation code of municipality)

Signature _____

Date _____