

# **THABAZIMBI LOCAL MUNICIPALITY**

## **ANNUAL BUDGET 2015-16**



**2015-16 TO 2017-18**

**MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

Copies of this document can be viewed:

- At reception of all municipal buildings
- All public libraries within the municipality
- At [www.thabazimbi.gov.za](http://www.thabazimbi.gov.za)

7 Rietbok Street

Thabazimbi  
(LIM 361), 0380  
30/03/2015

## Table of Contents

### Part 1 – ANNUAL BUDGET

|                           |    |
|---------------------------|----|
| 1.1 Mayors' Report        | 5  |
| 1.2 Council resolutions   | 9  |
| 1.3 Executive summary     | 10 |
| 1.4 Operating revenue     | 12 |
| 1.5 Operating expenditure | 19 |
| 1.6 Capital expenditure   | 22 |
| 1.7 Annual budget tables  | 24 |

### Part 2 – SUPPORTING DOCUMENTATION

|  |    |
|--|----|
| 2.1 Overview of the annual budget process                      | 37 |
| 2.2 Overview of alignment of annual budget with IDP            | 40 |
| 2.3 Measurable performance objectives and indicators           | 45 |
| 2.4 Overview of budget related-policies                        | 51 |
| 2.5 Overview of budget assumptions                             | 52 |
| 2.6 Overview of budget funding                                 | 54 |
| 2.7 Expenditure on grants and reconciliation of unspent grants | 64 |
| 2.8 Councillor and employee benefits                           | 66 |
| 2.9 Contracts having future budgetary implications             | 68 |
| 2.10 Capital expenditure details                               | 68 |
| 2.11 Legislation compliance status                             | 70 |
| 2.12 Other supporting documents                                | 71 |
| 2.13 Municipal manager's quality certificate                   | 73 |

#### List of tables

|  |    |
|--|----|
| Table 1 Consolidated overview of the 2015-16 MTREF   | 11 |
| Table 2 Summary of revenue classified by main revenue source   | 12 |
| Table 3 Percentage growth in revenue by main revenue source  | 13 |
| Table 4 Operating transfers and grant receipts   | 14 |
| Table 5 Proposed water tariffs   | 16 |
| Table 6 Comparison between current water charges and increases   | 16 |
| Table 7 Comparison between current electricity charges and increases   | 17 |
| Table 8 Comparison between current waste removal charges and increases                                       | 18 |
| Table 9 MBRR Table SA14 – Household bills  | 18 |
| Table 10 Summary of operating expenditure by standard classification item                                    | 19 |
| Table 11 Repairs and maintenance per asset class   | 21 |
| Table 12 2015-16 Medium-term capital budget per vote   | 23 |
| Table 13 MBRR Table A1 - Budget Summary  | 25 |
| Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) | 27 |
| Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)          | 28 |
| Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)                            | 29 |
| Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding           | 30 |
| Table 18 MBRR Table A6 - Budgeted Financial Position   | 32 |
| Table 19 MBRR Table A7 - Budgeted Cash Flow Statement  | 33 |
| Table 20 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation                             | 34 |
| Table 21 MBRR Table A9 - Asset Management  | 35 |

|  |    |
|--|----|
| Table 22 MBRR Table A10 - Basic Service Delivery Measurement   | 36 |
| Table 23 IDP Strategic objectives  | 42 |
| Table 24 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue.              | 46 |
| Table 25 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure | 46 |
| Table 26 MBRR Table SA8 - Performance indicators and benchmarks  | 49 |
| Table 27 Breakdown of the operating revenue over the medium-term   | 55 |
| Table 28 Proposed Tariff increases over medium term  | 56 |
| Table 29 MBRR SA15 – Detail Investment Information   | 57 |
| Table 30 MBRR SA16 – Investment particulars by maturity  | 57 |
| Table 31 Sources of capital revenue over the MTREF   | 58 |
| Table 32 MBRR Table SA 17 - Detail of borrowings   | 58 |
| Table 33 MBRR Table SA 18 - Capital transfers and grant receipts   | 59 |
| Table 34 MBRR Table A7 - Budget cash flow statement  | 60 |
| Table 35 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation                                 | 61 |
| Table 36 MBRR SA10 – Funding compliance measurement  | 62 |
| Table 37 MBRR SA19 - Expenditure on transfers and grant programmes   | 65 |
| Table 38 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds                      | 62 |
| Table 39 MBRR SA22 - Summary of councillor and staff benefits  | 63 |
| Table 40 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)   | 64 |
| Table 41 MBRR SA24 – Summary of personnel numbers  | 65 |
| Table 42 MBRR SA 34a - Capital expenditure on new assets by asset class  | 76 |
| Table 44 MBRR SA34c - Repairs and maintenance expenditure by asset class   | 68 |
| Table 45 MBRR SA36 - Detailed capital budget per municipal vote  | 71 |

### List of figures

|   |    |
|---|----|
| Figure 1 Planning, budgeting and reporting cycle        | 47 |
| Figure 2 Definition of performance information concepts | 48 |

### List of annexures

|   |
|---|
| Annexure 1 – Tariff book for 2015-16          |
| Annexure 2 – Property rates By-law and Policy |
| Annexure 3 – Virement Policy                  |
| Annexure 4 – Indigents Policy                 |
| Annexure 5 – Tariff policy                    |
| Annexure 6 – Credit control policy            |
| Annexure 7- Asset Management Policy           |
| Annexure 8 – Supply Chain Management          |

**THABAZIMBI LOCAL MUNICIPALITY****VISION**

To be the leading Municipality offering quality services in the most economic, affordable, equitable and sustainable manner

**MISSION**

To promote coordinate, implement and ensure the financial and environmentally sustainable growth and development of Thabazimbi with a diversified and viable economy that provides an environment and services that benefit all.

**Values**

- Dedication and perseverance
- Accountable Leadership and Transparency
- Integrity and Honesty
- Mutual Respect and Tolerance
- Customer service
- Commitment and Positive attitude
- Team work and loyalty
- Healthy communication
- Embracing Batho pele

## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### 1. Introduction

It is indeed a humbling experience to stand before you, to present for your consideration the Annual Budget and IDP for 2015-16 Medium Term Revenue and Expenditure Framework (MTREF).

Madam Speaker, the presentation of these estimates is consistent with section 22 of the Municipal Finance Management Act, (MFMA). The budget is a strategic instrument of development which demands planning, allocation of resources, control and proper accounting for every resource entrusted to our Municipality on behalf of our community.

Madam Speaker, the 2015-16 Annual Budget and IDP are being prepared under very difficult and untold circumstances considering that, the growth of our country's economy is still reminiscent of the global financial ills of yesteryear, in the midst global and Local institutions are still struggling to find their feet, (municipalities included). The MTBS highlights that South Africa's economic performance has deteriorated over the past several years. Gross domestic product (GDP) growth of 1.4 per cent was estimated in 2014, down from 3.6 per cent in 2013. GDP growth is projected to improve over the medium term as infrastructure constraints ease, private investment recovers and exports grow. Economic growth is expected to rise gradually over the medium term, reaching 3 per cent by 2017.

The budget estimates before you for the medium term were designed to manage the risk(s) in our constrained fiscal environment while building a foundation for economic growth as recommended from the national and provincial spheres. The Annual Budget and IDP were prepared after taking into consideration a number service delivery concerns that were raised during the Strategic Planning Session held on the 09th to the 10th of February 2015 at Mabalingwe.

Madam Speaker the critical need to continue improving service delivery to our community with the limited resources available and to contribute to key national priorities were taken into consideration as detailed in the main body of the budget and IDP document. Strategies to respond to the persistent water shortages, improvement to sanitation challenges and effective waste removal mechanisms were also considered. In preparation of these Budget Estimates, we took into consideration several macro – economic forecasts and factors including the Consumer Price Index inflation which is projected to be approximately at 5.8 %, projected real GDP growth of 1.4% as well as price increases of direct costs of our service delivery inputs. It is acknowledged that while the Municipality is not a profit-making organization it must be maintained as a going concern; therefore the municipality cannot sustain itself if it fails to recoup the cost of delivering services.

The key priorities of government to reshape South Africa's urban and peri-urban environment through integrated spatial planning, investment in dynamic developments, integrated housing, support for business activities and job creation were considered. The Medium Term Strategic Framework (MTSF) priorities for structural reform over the period ahead include:

- Building the capacity of local government through the "back to basics" approach which will focus on improving service delivery, accountability and financial management. Local government should be effective and efficient; and this will be measured by its ability to perform the basic mandate of service delivery.
- Reshaping South Africa's urban environment through integrated spatial planning and an expansion of the municipal debt market. Municipalities play a critical role in growing the economy through well-planned and well-managed urbanization. In order to achieve this, large and small municipalities require massive investment to stimulate growth, maintain infrastructure and ensure that basic services are provided for growing populations.
- Over the next three years, the government will roll-out a new approach to local government infrastructure financing. Incentives will be introduced to encourage large and small urban municipalities

to promote more compact, efficient and equitable cities. Planning will focus on developing mixed-use precincts that can help to catalyze economic activity, and upgrading informal settlements. We remain vigilant and hopeful that our own communities will also benefit from such initiatives of government.

We need to continue to foster efforts to ensure that we are creators and facilitators of job opportunities in a bid to reduce the high levels of unemployment. We continue to be advocates of labour intensive projects in and around our areas of jurisdiction to try and reduce the current levels of unemployment within our community which saw a slight improvement from 21% to 20.6% in the 2011 census statistics.

## 2. Revenue

Total revenue of R305 million has been budgeted for in the 2015-16 financial years and will increase to R321 million over the MTREF period. The budgeted revenue has increased by 5% from the approved adjusted budget for the 2014/15 financial year.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2014/15 financial year revised budget, revenue from rates and services charges totalled R196 million and this constituted 69% of the total revenue (excluding capital receipts). In the forecasted year 2015-16, Rates and service charges increased to R 223 million and this still constitutes 72% of total revenue for the year. A 5.8% increase on property rates is proposed in line with the general increase on consumer price index.

The municipality experienced poor cash flows in 2014/15 financial year due to poor revenue collection strategies and grant allocations which were held by the National Treasury and some funds had to be repaid to the National fiscus due to non compliances of the past financial years. Various revenue enhancement mechanisms and auxiliary measures to ensure optimum billing and improved revenue collections are being explored and some already being implemented, we anticipate that these strategies will blossom to fruition during the 2015/16 financial year. It then becomes very critical that the strategies and recommendations documented in this document are fully supported by both our communities and stakeholders.

The municipality is in the process of performing customer data collection and verification to ensure that accurate information of customers is recorded on the billing system and that monthly bills are distributed to correct customers.

- All faulty and non functioning meters are currently being replaced during 2014/15 financial year and this will result in accurate meter readings taken.
- The smart metering project financed jointly by the municipality and Department of energy have since been approved and commenced. This project when fully implemented will result enhance the municipality's selling of electricity by eliminating completely the meter reading phase and credit control costs on electricity.
- The municipality is also in the process of reviewing the current revenue enhancement plan and to implement the turnaround strategies to ensure improved revenue generation and collections.

Operating grants and transfers totals R65 million in the 2015-16 financial year and is forecasted to maintain at R67 million over the MTREF period.

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

## 2.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

A supplementary valuation roll was prepared to update new upgrade as required by the Municipal Property Rates Act. The category of rate-able properties for the purposes of levying rates and the proposed rates for the 2015-16 financial year is based on the valuation roll prepared in 2012/13 and where changes and upgrades were made the supplementary valuation roll will take precedence. The changes made and gazetted in the Municipal Property Rates Tax Act were also considered and included in the presented revenue estimates. The main affected areas are Mining Industry and Farming where additional scope of valuations was widened for mining properties and excessive relief mechanisms were managed on farming properties.

The overall increase of 20% in revenue from property rates is based on maintaining the value of the property revenue to the municipality in real terms. This is a function of the 6% rate increment and respective reductions in the various property rates rebates for different categories.

## 2.2 Sale of Water and Impact of Tariff Increases

Thabazimbi continues to face challenges with regard to water supply and electricity, since demand growth outweighs supply. Consequently, National Treasury (through MFMA, Circular 66) 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 cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariff are designed to encourage efficient and sustainable consumption.
- Levying of a surcharge will be introduced to all businesses, mining and households who receive basic services (Electricity and Water) directly from third parties in the Thabazimbi Licensed areas of supply. This includes all the mines surrounding Thabazimbi that receives water directly from Magalies Water Board and electricity from Eskom.

The municipality of Thabazimbi was allocated R10 million from the Department of Water Affairs for the continuous improvement of water infrastructure, the following two years on the MTREF were allocated R13 million and R26 million respectively. It must be noted that the persistent water challenges are affecting the whole region and the proposed response for our community is to optimise our efforts on ground water extraction through refurbishment of boreholes in and around Thabazimbi.

Adequate maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in the future to ensure basic service delivery sustainability. Magalies Water has proposed to increase its bulk tariffs with 10% from 1 July 2015. Additional overheads that are directly related to water distribution such as maintenance of the water distribution infrastructure, and continuous improvement of our water quality as measured by the blue drop has forced the Municipality to incorporate a 2% mark-up to try and break even on water distribution incorporating distribution losses. A 12% increase in water tariff has been implemented during the 2015-16 and we forecast that we will maintain an increase of 5.7% over the next two MTREF period.

In addition, 6KL water per 30-day period will be granted free of charge to all registered indigent residents as proposed in the Indigents policy for 2014/2015.

### 2.3 Sale of Electricity and Impact of Tariff Increase

NERSA has announced the revised bulk electricity pricing structure. A 14% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering Eskom increases, the consumer tariff had to be increased by 12.69% to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase it is expected to compensate for the repairs and maintenance of the electricity distribution network and efficient servicing of our electricity distribution infrastructure assets and distribution losses.

Registered indigents will still be granted 50kWh per 30-day period free of charge; however an annual review of the indigent's qualification will need to be conducted to authenticate the beneficiaries as per our Municipal indigent policy.

## 3 Expenditure

The municipality's expenditure framework for the 2015-16 budget and MTREF is informed by the following:

- The assets renewal strategy and repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core service; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.
- Cost containment measures will be implemented in the budget year to eliminate waste, and ensure savings on the five focus areas namely; consultancy fees, travel and related costs, advertising, catering and event costs as well as accommodation costs.

### 3.1 Employee related costs

The budget allocation for employee related costs excluding the Political office bearers for 2015-16 financial year totals), which equals to 40% of the total operating expenditure. This represents 6% increment from revised 2014/15 figures. The increase is due to annual salary increase of 6% as guided by the multi year Salary and Wage collective Agreement for the period 1 July 2012 to 30 June 2015.

### 3.2 Bulk purchases, repairs and maintenance, operating expenditure

Bulk purchases are directly informed by the purchase prices of electricity from Eskom and water from Magalies Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue forecasts. The water and electricity meter replacement projects finance by the Anglo American and Implemented through the Development Bank of South Africa are currently being implemented, the successful completion of these projects will ensure a significant improvement in water and electricity distribution losses thereby contribute positively to the healthy operating of the institution. We will continue to manage the distribution



losses relating to revenue foregone through effective indigent management during the budget year and this will ease our cash flow crisis.

Other materials comprise of amongst others the purchase of fuel, leases, rentals, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2015-16 the appropriation for repairs and maintenance is R36 million which constitutes 12% of the total operating expenditure for 2015-16 and continues to grow at 12% for the two outer years of MTREF

Aligned to the priority number one of our 2015-16 IDP to provide water and sanitation we need to preserve and maintain the municipality's current infrastructure, the 2015-16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome to ensure continued existence and operating efficiency of the Municipal Infrastructure.

### 3.3 Capital Expenditure

In 2015-16, R91 million has been appropriated for the development and acquisition of infrastructure to try and reach out to some areas of our community yet to have the necessary infrastructure for service delivery. In the two outer years capital expenditure is forecasted at R49 million, and R59 million respectively for each of the financial years. Construction of new roads and upgrading of existing ones has been allocated 33% of the capital budget and these are mainly funded by the Municipal Infrastructure Grant. Electricity projects also contribute approximately 30% of the capital expenditure budget. Water projects amounting to R10 million from the department of water will be implemented on various water projects directly from the district. Internally almost R3million has been reserved to improve the water situation in and around Thabazimbi. The municipal maintenance budget also needs to be prioritised to try and reduce distribution losses for both electricity and water.

Anglo American Platinum and Kumba iron ore committed to finance R20m for water projects during the 2015-16 financial year.

#### 4 Conclusion

In conclusion, I would like to bring to your attention that the municipality;

- Had a very vibrant strategic planning session which brought about critical action plans to turnaround our fortunes as a Municipality
- The municipality undertook a series of intensely contested sessions of Public Participation to give feedback to our community and also to afford our community a platform to raise their concerns and also acknowledge the resounding work our Municipality has done through service delivery over the past financial year.

Allow me to convey a word of gratitude to our committed and valued community and stakeholders whom, even during these trying times of municipal financial challenges managed to bring the institution to a state it is in now.

There is absolutely no other time that compels us, and all the relevant stakeholders from different political, ethnic or religious groups to come together and find a panacea to our unique challenges than in difficult times. For the betterment of our communities and valued dignity of those we represent, I humbly request all capable stakeholders to stretch their hands in one way or another to improve and change the lives of all in need.

I believe with adequate cohesion of all our efforts in different departments, 2015-16 should see Thabazimbi Local Municipality as a standard benchmark of excellence in the province, through quality service delivery and improved accountability.

I thank you!

## 1.2 Council resolutions

On the 31<sup>st</sup> of May 2015 the Council of Thabazimbi Local Municipality meets in the Council Chambers to consider for adoption the Final Annual Budget of the municipality for the financial year 2015-16. The Council considered for approval the following resolutions:

1. The Council of Thabazimbi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) will consider approving and adopting:

1.1 The Final 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. Final Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 14;

1.1.2. Final Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 15;

1.1.3. Final Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 16; and

1.1.4. Multi-year and single-year Final capital appropriations by municipal vote and standard classification and associated funding by source in Table 17.

1.2. The Financial Position, cash flow budget, cash-backed reserves/accumulated surplus, asset management and basic services delivery targets will be considered for approval as set out in the following tables:

1.2.1 Budgeted Financial Position as contained in Table 18;

1.2.2 Budgeted Cash flows as contained in Table 19;

1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table 20;

1.2.4 Asset management as contained in Table 21; and

1.2.5 Basic service delivery measurement as contained in Table 22.

2 The Council of Thabazimbi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) will consider approving and adopting with effect from 1 July 2015:

2.1 The tariffs for property rates by law and Policy – as set out in Annexure 2

2.1.2 Tariff book attached as annexure 1

2.1.3 Virement policy attached as annexure 3

2.1.4 Indigents policy attached as annexure 4

2.1.5 Asset management policy attached as annexure 7

2.1.6 Credit control policy attached as annexure 5

2.1.7 Supply chain management policy attached as annexure 8

3 The Council of Thabazimbi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) will consider approving and adopting with effect from 1 July 2015 the tariffs of other services, as set out in Annexures 5.

4 To give proper effect to the municipality's Final Annual Budget, the council of Thabazimbi Local Municipality approves:

4.1 that cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

4.2 That the municipality be permitted to enter into long-term loans for the funding of the vehicle funding programme in respect of the 2015-16 financial year of the MTREF in terms Section 46 of the Municipal Finance Management Act.

4.3 That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### 1.3 Final Budget Executive summary

The Medium Term Budget Policy Statement 2014 highlighted that the country's weaker-than-expected economic performance and outlook pose new fiscal challenges. Lowering the expenditure ceiling is one of the measures implemented. Therefore decreases in indicative baselines will be allocated proportionately across national, provincial and local government according to their share of national revenue.

In the case of local government, reductions will only be made to conditional grants and not to the local government equitable share. Reductions will be spread across the grants and larger reductions will be applied to grants that have a history of under-spending and non-infrastructure grants.

The Municipal Human Settlements Capacity Grant was introduced in 2014/15 to facilitate the development of capacity to manage human settlements programmes in a number of selected towns and growth points; Thabazimbi was allocated a total of R16.4 million for 2015/16 financial year. While the process of assigning the housing function is being reviewed, strengthening the capacity of these cities to manage the built environment remains a priority.

The municipality also applied for the Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grant. These allocations are intended to accelerate the provision of clean water to households. While the review of local government infrastructure grants will continue in 2015, two changes emerging from the governments review's recommendations so far are proposed for 2015/16:

- Rationalizing four grants administered by the Department of Water and Sanitation. These grants, which have overlapping objectives, are the Municipal Water Infrastructure Grant, Water Services Operating Subsidy Grant, Rural Households Infrastructure Grant and Regional Bulk Infrastructure Grant; and

Thabazimbi is one of the municipalities cited as beneficiaries from the MWIG funds and the approved allocations are as follows R10 million, R13 million, R26 million for 2015/16 to 2017/18 respectively. This grant is earmarked to ease the current water problems and ensure the provision of clean water to all our communities.

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

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

National treasury's MFMA Circulars No. 58, 59, 66 & 67 were used to guide in the compilation of the 2015-16 MTREF.

The main challenges experienced during the compilation of the 2015-16 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ageing and inadequately maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within existing resource constraints given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water (Magalies Water Board (10%) as well as Eskom (14%)), which is placing pressure on service tariffs to residents. Continuously high tariff increases are not sustainable – as there will be a point where services will no longer be affordable;

- The incorporation of the placement process which has just been concluded.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior years' capital investments needed to be factored into the budget as part of the 2015-16 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2015-16 MTREF:

- The 2014/15 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015-16 Final Annual Budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of the 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 infrastructural backlogs;
- The appropriations were very conservative especially allocations to the below listed expenditure classes:
  - Special projects
  - Consultant fees
  - Furniture and office equipment
  - Special events
  - Refreshments and entertainment
  - Ad-hoc travelling; and
  - Subsistence, travelling and conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015-16 Medium Term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2015-16 MTREF**

| R(Thousands)                | Adjustments Budget<br>2014/15 | Budget Year 15/16 | Budget Year +1 2016/17 | Budget Year + 2 2017/18 |
|-----------------------------|-------------------------------|-------------------|------------------------|-------------------------|
|                             | R(000)'                       | R(000)'           | R(000)'                | R(000)'                 |
| Total revenue               | 285,086.00                    | 305,709.00        | 321,893.00             | 338,322.00              |
| Total operating expenditure | 236,053.00                    | 268,385.00        | 288,758.00             | 310,555.00              |
| Surplus/(Deficit)           | 49,033.00                     | 37,324.00         | 33,135.00              | 27,767.00               |
| Total Capital Contribution  | 3,162.00                      | 30,666.00         | 19,317.00              | 27,503.00               |

Total operating revenue (excluding conditional grants) has grown by 9% for the 2015-16 financial year compared to the 2014/15 Adjustments Budget; operational expenditure has grown by 20% in the 2015-16 budget year compared to the 2014/15 adjusted budget figures. The surplus for the two outer years increases to R33 million and R27 million respectively. The surpluses will be used to fund capital expenditure to improve service delivery and to further ensure cash backing of reserves.

The capital budget of R91 million for the 2015-16 financial is 35% lower than 2014/15 Adjustments Budget. The slight increase is due to the need to be realistic on our revenue collections and find ways to improve our ability to fund more capital projects from internal funds. The capital expenditure for the 2016-17 financial year is

forecasted to be R49 million and then evens out in 2017-18 to R59 million in the following financial year. A substantial portion of the capital budget will be funded from MIG over the MTREF.

### Operating Revenue framework

Thabazimbi Local Municipality strives to continue improving the quality of services provided to its community as highlighted above on its priorities and therefore needs to generate the required revenue to attain that. In these tough economic times strong revenue management is fundamental to the financial sustainability of our 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 expenditure against realistically anticipated revenues. We have made generous efforts, in the MTREF, to maximise revenue generation without negating the need to be realistic while limiting non-essential expenditure. This places a strenuous burden on our management to be prudent in revenue and expenditure management.

The municipality's revenues 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 an 85 per cent annual collection rate for property rates and other key service charges;
- 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 the 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 Indigents Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2015/2016 MTREF revenue (classified by main revenue source):

**Table 2 Summary of revenue classified by 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 |
| <b>Revenue By Source</b>   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 2   | 14,721          | 12,076          | 13,708          | 17,978               | 23,628          | 23,628             | 23,628            | 28,392  | 30,038                 | 31,781                 |
| Property rates - penalties & collection charges                      |     | 0               | —               | —               | —                    | —               | —                  | —                 | —   | —                      | —                      |
| Service charges - electricity revenue                                | 2   | 49,673          | 43,622          | 47,195          | 66,368               | 72,422          | 72,422             | 72,422            | 81,613  | 86,346                 | 91,354                 |
| Service charges - water revenue                                      | 2   | 61,720          | 26,712          | 20,952          | 61,432               | 61,432          | 61,432             | 61,432            | 67,575  | 71,495                 | 75,641                 |
| Service charges - sanitation revenue                                 | 2   | 10,789          | 11,649          | 13,001          | 22,327               | 29,036          | 29,036             | 29,036            | 29,617  | 31,334                 | 33,152                 |
| Service charges - refuse revenue                                     | 2   | 7,932           | 8,152           | 8,615           | 10,175               | 9,525           | 9,525              | 9,525             | 10,192  | 10,783                 | 11,409                 |
| Service charges - other  |     | —               | —               | —               | —                    | —               | —                  | —                 | —   | —                      | —                      |
| Rental of facilities and equipment                                   |     | 256             | 521             | 381             | 1,152                | 1,152           | 1,152              | 1,152             | 1,219   | 1,290                  | 1,364                  |
| Interest earned - external investments                               |     | 39              | 185             | 1,231           | 48                   | 48              | 48                 | 48                | —   | —                      | —                      |
| Interest earned - outstanding debtors                                |     | 4,678           | 8,199           | 7,252           | 4,801                | 4,801           | 4,801              | 4,801             | 6,250   | 6,613                  | 6,996                  |
| Dividends received   |     | —               | —               | —               | —                    | —               | —                  | —                 | —   | —                      | —                      |
| Fines  |     | 862             | 1,078           | 1,002           | 672                  | 855             | 855                | 855               | 904   | 957                    | 1,012                  |
| Licences and permits   |     | 2,397           | 1,486           | 1,425           | 2,472                | 1,993           | 1,993              | 1,993             | 3,149   | 3,331                  | 3,525                  |
| Agency services  |     | 540             | 723             | —               | 2,000                | 2,000           | 2,000              | 2,000             | 2,653   | 2,807                  | 2,970                  |
| Transfers recognised - operational                                   |     | 57,208          | 77,521          | 72,470          | 69,092               | 69,092          | 69,092             | 69,092            | 64,841  | 67,054                 | 68,703                 |
| Other revenue  | 2   | 11,498          | 20,468          | 14,222          | 8,872                | 9,103           | 9,103              | 9,103             | 9,305   | 9,845                  | 10,416                 |
| Gains on disposal of PPE   |     | 16              | 228             | 2,167           | —                    | —               | —                  | —                 | —   | —                      | —                      |
| <b>Total Revenue (excluding capital transfers and contributions)</b> |     | <b>222,328</b>  | <b>212,621</b>  | <b>203,622</b>  | <b>267,389</b>       | <b>285,086</b>  | <b>285,086</b>     | <b>285,086</b>    | <b>305,709</b>                                      | <b>321,893</b>         | <b>338,323</b>         |

Table 3 Percentage growth of revenue by main revenue source

| Description<br>R thousand  | Budget year 1415  |          | 2015/16 Medium Term Revenue & Expenditure Framework |          |                        |          |                        |
|--|-------------------|----------|---|----------|------------------------|----------|------------------------|
|  | Pre-audit outcome | Movement | Budget Year 2015/16                                 | Movement | Budget Year +1 2016/17 | Movement | Budget Year +2 2017/18 |
| <b>Revenue By Source</b>   |                   |          |   |          |                        |          |                        |
| Property rates   | 23,628            | 20%      | 28,392  | 17%      | 33,212                 | 6%       | 35,139                 |
| Property rates - penalties & collection charges                      | –                 | 0%       | –   | 0%       | –                      | 0%       | –                      |
| Service charges - electricity revenue                                | 72,422            | 13%      | 81,613  | 6%       | 86,346                 | 6%       | 91,354                 |
| Service charges - water revenue                                      | 61,432            | 10%      | 67,575  | 8%       | 72,794                 | 6%       | 77,017                 |
| Service charges - sanitation revenue                                 | 29,036            | 2%       | 29,617  | 11%      | 32,870                 | 6%       | 34,777                 |
| Service charges - refuse revenue                                     | 9,525             | 7%       | 10,192  | 6%       | 10,783                 | 6%       | 11,409                 |
| Rental of facilities and equipment                                   | 1,152             | 6%       | 1,219   | 6%       | 1,290                  | 6%       | 1,364                  |
| Interest earned - external investments                               | 48                | 0%       | –   | 0%       | –                      | 0%       | –                      |
| Interest earned - outstanding debtors                                | 4,801             | 30%      | 6,250   | 6%       | 6,613                  | 6%       | 6,996                  |
| Fines  | 855               | 6%       | 904   | -100%    | –                      | 0%       | 1,012                  |
| Licences and permits   | 1,993             | 58%      | 3,149   | 6%       | 3,331                  | 6%       | 3,525                  |
| Agency services  | 2,000             | 33%      | 2,653   | 6%       | 2,807                  | 6%       | 2,970                  |
| Transfers recognised - operational                                   | 69,092            | -6%      | 64,841  | 3%       | 67,054                 | 2%       | 68,703                 |
| Other revenue  | 9,103             | 2%       | 9,305   | 6%       | 9,845                  | 6%       | 10,416                 |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>285,086</b>    |          | <b>305,709</b>                                      |          | <b>327,903</b>         |          | <b>344,681</b>         |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2014/15 adjusted budget, revenue from rates and services charges totalled R286 million. Revenue particularly from property rates has increased by 6% water and electricity revenue has also seen slight adjustments of 12% and 12.69% respectively from 2014/2015 as recommended by Circular 74 of the MFMA.

The water department plans to reduce water losses from the current levels to about acceptable levels. The process will involve tight monitoring of the water distribution network as well as eliminating failures in water distribution equipment. More water is expected to be tapped from the municipal boreholes to ease water deficiencies in various parts of Thabazimbi Municipal area.

Water is the second largest revenue source totalling 22% contributing R61 million of billing revenue and increases to R67 million by 2016-17. The largest source is electricity revenue which constitutes 26% and will increase to R82 million by 2016-17. Other revenue contributes only 7% and consists of various items such as income received from permits and licenses, interest on debtors, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R65million in the 2015-16 financial year and steadily maintains at R67 million by 2016-17. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.



Table 4 Operating Transfers and Grants Receipts

| 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 |
| <b>RECEIPTS:</b>                                    | 1, 2 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Operating Transfers and Grants</b>               |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                         |      | 55,801          | 55,658          | 63,569          | 64,753               | 64,753          | 64,753             | 63,673  | 63,054                 | 64,703                 |
| Local Government Equitable Share                    |      | 52,832          | 52,832          | 60,129          | 60,733               | 60,733          | 60,733             | 60,064  | 59,287                 | 60,525                 |
| Municipal Systems Improvement                       |      | 790             | 1,500           | 1,550           | 934                  | 934             | 934                | 934   | 957                    | 1,033                  |
| Finance Management                                  |      | 1,500           | 790             | 890             | 1,600                | 1,600           | 1,600              | 1,675   | 1,810                  | 2,145                  |
| EPWP Incentive                                      |      | 679             | 536             | 1,000           | 1,486                | 1,486           | 1,486              | 1,000   | 1,000                  | 1,000                  |
| Other transfers/grants [insert description]         |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                       |      | –               | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Ig seta   |      |                 | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
| <b>District Municipality:</b>                       |      | 474             | –               | 190             | 2,231                | 2,231           | 2,231              | –   | –                      | –                      |
| Fire Reimbursement Subsidy                          |      | 474             |                 | 190             | 2,231                | 2,231           | 2,231              | –   |                        |                        |
| <b>Other grant providers:</b>                       |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| [insert description]                                |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Operating Transfers and Grants</b>         | 5    | 56,275          | 55,890          | 63,849          | 69,092               | 69,092          | 69,092             | 65,173  | 64,304                 | 66,003                 |
| <b>Capital Transfers and Grants</b>                 |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                         |      | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Municipal Infrastructure Grant (MIG)                |      | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Other capital transfers/grants [insert desc]        |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                       |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Other capital transfers/grants [insert description] |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>District Municipality:</b>                       |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Fire Reimbursement Subsidy                          |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Other grant providers:</b>                       |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| [insert description]                                |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Capital Transfers and Grants</b>           | 5    | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>     |      | 91,025          | 78,364          | 91,110          | 102,018              | 102,018         | 102,018            | 94,345  | 94,519                 | 97,782                 |

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. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Magalies Water Board bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water tariffs are largely outside the control of the municipality.

#### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was considered during the budgeting process and the Property Rates By-law and Policy of the Municipality has been amended accordingly as attached on Annexure 2.

The following stipulations in the Property Rates Policy are highlighted:

- The first R20, 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 30% rebate will be granted on all residential properties (including state owned residential properties)
- Agricultural property rebate shall amount 50%, which will only apply to owners of agricultural properties used for farming purposes.
- Public service infrastructure shall be providing essential services to the community 50% rebate.
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, an additional rebate of 20% (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certificate by Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

Should the use or ownership or circumstances used to approve exemption from payment of assessment rates change, such exemptions will immediately lapse from date of change.

#### 1.4.2 Sale of Water and Impact of Tariff Increases

We face significant challenges with water supply and electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

Circular 74 of the MFMA requires that, If a municipality's **water and sanitation tariffs** are not fully cost reflective, the municipality should 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. As per the guidance in various previous Budget Circulars, municipalities were expected to apply cost reflective tariffs in the 2014/15 MTREF for both water and sanitation. Should this not be the case, municipalities will be required to clearly articulate the reasons and remedial actions to rectify this position in their budget document.

To mitigate the need for water tariff increases, municipalities must put in place an appropriate strategy to limit water losses to acceptable levels. In this regard municipalities must ensure that water used by its own operations is charged to the relevant service, and not simply attributed to water losses.

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

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

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in the future to ensure sustainability. Magalies Water has increased its bulk tariffs with 10% from 1 July 2015.

A tariff increase of 12% from 1 July 2015 for water is proposed. This is based on input cost assumptions of 10% increase in the cost of bulk water (Magalies Water), the cost of other inputs increasing by 5.8%. Direct costs taken into account were repairs and maintenance backlogs on the water distribution network , significant water losses currently being incurred .In addition 6kl water per 30-day period will again be granted free of charge to all residents.

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

Table 5 proposed Water Tariffs

| <b>Residential</b>                       | <b>2014/15</b> | <b>2015/16</b> |
|--|----------------|----------------|
| 0 ó 6 KL free to all indigent households | Free           | Free           |
| <b>Per connection per KL :</b>           |                |                |
| 0 - 6 KL                                 | R -            | R -            |
| 1 - 10 KL                                | R 11.99        | R 13.43        |
| 10 - 30 KL                               | R 13.94        | R 15.61        |
| 30 - 51 KL                               | R 15.76        | R 17.65        |
| 51- 80 KL                                | R 18.59        | R 20.82        |
| 80 KL and above                          | R 23.63        | R 26.46        |

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

#### Churches, Schools and Government Departments

| <b>Consumption</b> | <b>201415</b> | <b>201516</b> |
|--------------------|---------------|---------------|
| 1 - 10 KL          | R 11.99       | R 13.43       |
| 10 - 30 KL         | R 13.93       | R 15.60       |
| 30 - 51 KL         | R 15.75       | R 17.64       |
| 51- 80 KL          | R 18.59       | R 20.82       |
| 80 KL and above    | R 23.63       | R 26.47       |

Table 6 Comparison between current water charges and increases (Domestic only)

| Monthly Consumption | Currently Payable | Proposed Payable | Annual Movement |
|---------------------|-------------------|------------------|-----------------|
|                     | 201415            | 201516           | %               |
| KL                  |                   |                  |                 |
| 20                  | 259.30            | 290.90           | 12%             |
| 30                  | 398.70            | 447.30           | 12%             |
| 40                  | 556.30            | 624.10           | 12%             |
| 65                  | 992.75            | 1,113.80         | 12%             |
| 81                  | 1,252.78          | 1,405.51         | 12%             |

The tariff structure of the 2014/2015 financial year has not yet been changed. The National Treasury recommended implementation of the Inclining Block Tariff (IBT). The tariff structure is designed to charge higher levels of consumption. A higher rate, steadily increasing to a rate of R23.51 per kilolitre for consumption in excess of 80 kl per 30 day period.

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

NERSA has announced the revised bulk electricity pricing structure. An increase of 14% in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering Eskom increases, the consumer tariff had to be increased by 12.69 % per cent to offset the additional bulk purchase cost from 1 July 2015. Significant electricity losses and maintenance backlogs on our electricity distribution infrastructure were also incorporated during the tariff determination. Registered indigents will still be granted 50kWh per 30-day period free of charge.

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

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

| Monthly Consumption | Current Amount Payable | Proposed Amount Payable | Increase R | Percentage Change |
|---------------------|------------------------|-------------------------|------------|-------------------|
| KWH                 | R                      | R                       | R          |                   |
| 50                  | 64                     | 73                      | 8          | 12.69%            |
| 350                 | 450                    | 507                     | 57         | 12.69%            |
| 600                 | 771                    | 869                     | 98         | 12.69%            |

It should further be noted that NERSA has advised that a stepped tariff structure as highlighted above needs to be implemented from 1 July 2011. The effect thereof is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has since established and are currently implementing the stepped tariff structure on electricity. The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most reticulation network was designed in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

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

A tariff increase of 6% for sanitation from 1 July 2015 is proposed. This is based on the input cost assumptions related to water, critical considerations had to be given to the need to repair and adequately maintain our sanitation infrastructure. With the increasing number of habitats per unit, our sanitation infrastructure has seen significant strain due to overload, this has sharply increased the need to maintain and monitor the efficient flow of effluent. In addition, chemicals needed for the safe treatment of effluent were also incorporated in the pricing of the service.

The following factors also contribute to the proposed tariff increase:

Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;

- Bulk contributions were also incorporated, hence a more than price increase on the total revenue on sanitation.
- Free sanitation (100 per cent of 6 kl water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R31 million for the 2015-16 financial year.

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

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The main contributors to this deficit are repairs and maintenance on refuse removal vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, an investigation into the tariff structure of solid waste function has been undertaken. The result was that the municipal rates for dumping at landfill sites have been significantly low and vague. The structure shall therefore be restructured to align with other municipalities of a similar size. The revenue impact can be seen in the form of a 6% rise in refuse removal revenue from 2015-16 financial year. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 % increase in the waste removal tariff is proposed from 1 July 2015. Any increase higher than 6 % would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debts.

The following table compares current and proposed amounts payable from 1 July 2015:

**Table 8 Comparison between current waste removal fees and increases**

The detailed cost structure per service type is well documented in the Tariff book for refuse removal. This was necessitated by the need to differentiate the cost recovery based on the differential ways and methods used in dealing with different types of waste and refuse and the frequency thereon.

#### **1.4.6 Overall impact of tariff increases on households**

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

Table 9 MBRR table SA14- Household bills

| 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 % incr.                         | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| <b>Rand/cent</b>  |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Monthly Account for Household - 'Middle Income Range'</b>                              | 1   |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Rates and services charges:</b>  |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Property rates  |     | 348.25          | 387.84          | 387.84          | 412.27               | 412.27          | 412.27             | 6.3%  | 436.18              | 461.48                 | 488.25                 |
| Electricity: Basic levy   |     | 24.29           | 28.40           | 28.40           | 30.19                | 30.19           | 30.19              | 12.7%   | 31.94               | 33.79                  | 35.75                  |
| Electricity: Consumption  |     | 895.05          | 1,062.48        | 1,062.48        | 1,129.41             | 1,129.41        | 1,129.41           | 12.7%   | 1,194.92            | 1,264.22               | 1,337.55               |
| Water: Basic levy   |     | 19.45           | 22.53           | 22.53           | 23.95                | 23.95           | 23.95              | 12.0%   | 25.34               | 26.81                  | 28.37                  |
| Water: Consumption  |     | 278.30          | 327.38          | 327.38          | 348.00               | 348.00          | 348.00             | 12.0%   | 368.19              | 389.54                 | 412.13                 |
| Sanitation  |     | 104.33          | 115.68          | 115.68          | 122.97               | 122.97          | 122.97             | 6.3%  | 130.10              | 137.65                 | 145.63                 |
| Refuse removal  |     | 251.72          | 279.13          | 279.13          | 296.71               | 296.71          | 296.71             | 6.3%  | 313.92              | 332.13                 | 351.40                 |
| Other   |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| <b>sub-total</b>  |     | <b>1,921.39</b> | <b>2,223.44</b> | <b>2,223.44</b> | <b>2,363.51</b>      | <b>2,363.51</b> | <b>2,363.51</b>    | <b>5.8%</b>   | <b>2,500.60</b>     | <b>2,645.63</b>        | <b>2,799.08</b>        |
| VAT on Services   |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Total large household bill:</b>  |     | <b>1,921.39</b> | <b>2,223.44</b> | <b>2,223.44</b> | <b>2,363.51</b>      | <b>2,363.51</b> | <b>2,363.51</b>    | <b>5.8%</b>   | <b>2,500.60</b>     | <b>2,645.63</b>        | <b>2,799.08</b>        |
| <b>% increase/decrease</b>  |     |                 | <b>15.7%</b>    | <b>-</b>        | <b>6.3%</b>          | <b>-</b>        | <b>-</b>           |   | <b>5.8%</b>         | <b>5.8%</b>            | <b>5.8%</b>            |
| <b>Monthly Account for Household - 'Affordable Range'</b>                                 | 2   |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Rates and services charges:</b>  |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Property rates  |     | 248.75          | 263.08          | 263.08          | 279.66               | 279.66          | 279.66             | 6.3%  | 295.88              | 313.04                 | 331.19                 |
| Electricity: Basic levy   |     | 24.29           | 26.97           | 26.97           | 28.67                | 28.67           | 28.67              | 12.7%   | 30.33               | 32.09                  | 33.95                  |
| Electricity: Consumption  |     | 476.55          | 540.00          | 540.00          | 574.02               | 574.02          | 574.02             | 12.7%   | 607.31              | 642.54                 | 679.80                 |
| Water: Basic levy   |     | 19.45           | 21.40           | 21.40           | 22.75                | 22.75           | 22.75              | 12.0%   | 24.07               | 25.46                  | 26.94                  |
| Water: Consumption  |     | 130.10          | 147.85          | 147.85          | 157.16               | 157.16          | 157.16             | 12.0%   | 166.28              | 175.92                 | 186.13                 |
| Sanitation  |     | 104.33          | 109.86          | 109.86          | 116.78               | 116.78          | 116.78             | 6.3%  | 123.55              | 130.72                 | 138.30                 |
| Refuse removal  |     | 251.72          | 265.08          | 265.08          | 281.78               | 281.78          | 281.78             | 6.3%  | 298.12              | 315.41                 | 333.71                 |
| Other   |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| <b>sub-total</b>  |     | <b>1,255.19</b> | <b>1,374.24</b> | <b>1,374.24</b> | <b>1,460.82</b>      | <b>1,460.82</b> | <b>1,460.82</b>    | <b>5.8%</b>   | <b>1,545.55</b>     | <b>1,635.19</b>        | <b>1,730.03</b>        |
| VAT on Services   |     | <b>140.90</b>   | <b>140.90</b>   | <b>155.56</b>   |                      |                 |                    |   |                     |                        |                        |
| <b>Total small household bill:</b>  |     | <b>1,396.09</b> | <b>1,515.14</b> | <b>1,529.81</b> | <b>1,460.82</b>      | <b>1,460.82</b> | <b>1,460.82</b>    | <b>5.8%</b>   | <b>1,545.55</b>     | <b>1,635.19</b>        | <b>1,730.03</b>        |
| <b>% increase/decrease</b>  |     |                 | <b>8.5%</b>     | <b>1.0%</b>     | <b>(4.5%)</b>        | <b>-</b>        | <b>-</b>           |   | <b>5.8%</b>         | <b>5.8%</b>            | <b>5.8%</b>            |
| <b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b> | 3   |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| <b>Rates and services charges:</b>  |     |                 |                 |                 |                      |                 |                    |   |                     |                        |                        |
| Property rates  |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| Electricity: Basic levy   |     | 24.29           | 24.29           | 26.97           | 28.67                | 28.67           | 28.67              | 12.7%   | 30.33               | 32.09                  | 33.95                  |
| Electricity: Consumption  |     | 353.55          | 353.55          | 392.55          | 417.28               | 417.28          | 417.28             | 12.7%   | 441.48              | 467.08                 | 494.18                 |
| Water: Basic levy   |     | 19.45           | 19.45           | 21.40           | 22.75                | 22.75           | 22.75              | 12.0%   | 24.07               | 25.46                  | 26.94                  |
| Water: Consumption  |     | 120.22          | 120.22          | 136.98          | 145.61               | 145.61          | 145.61             | 12.0%   | 154.06              | 162.99                 | 172.44                 |
| Sanitation  |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| Refuse removal  |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| Other   |     | -               | -               | -               | -                    | -               | -                  | -   | -                   | -                      | -                      |
| <b>sub-total</b>  |     | <b>517.51</b>   | <b>517.51</b>   | <b>577.90</b>   | <b>614.30</b>        | <b>614.30</b>   | <b>614.30</b>      | <b>5.8%</b>   | <b>649.93</b>       | <b>687.63</b>          | <b>727.51</b>          |
| VAT on Services   |     | <b>72.45</b>    | <b>72.45</b>    | <b>80.91</b>    |                      |                 |                    |   |                     |                        |                        |
| <b>Total small household bill:</b>  |     | <b>589.96</b>   | <b>589.96</b>   | <b>658.80</b>   | <b>614.30</b>        | <b>614.30</b>   | <b>614.30</b>      | <b>5.8%</b>   | <b>649.93</b>       | <b>687.63</b>          | <b>727.51</b>          |
| <b>% increase/decrease</b>  |     |                 | <b>-</b>        | <b>11.7%</b>    | <b>(6.8%)</b>        | <b>-</b>        | <b>-</b>           |   | <b>5.8%</b>         | <b>5.8%</b>            | <b>5.8%</b>            |

## 1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2015-16 budget and MTREF is informed by the following:

- The assets renewal strategy and repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue)
- Funding of the budget over medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core service; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015-16 budget and MTREF (classified per main type of operating expenditure).

Table 10 Summary of operating expenditure by standard classification item

| Description<br>R thousand       | 2010/11         | 2011/12         | 2012/13         | Current Year 2013/14 |                 |                    |                   | 2014/15 Medium Term Revenue & Expenditure |                        |                        |
|---------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|                                 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2014/15                       | Budget Year +1 2015/16 | Budget Year +2 2016/17 |
| <b>Expenditure By Type</b>      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs          | 66,903          | 75,672          | 99,442          | 91,790               | 94,775          | 94,775             | 94,775            | 100,461                                   | 106,288                | 112,240                |
| Remuneration of councillors     | 5,503           | 5,692           | 8,419           | 7,899                | 7,899           | 7,899              | 7,899             | 8,398                                     | 8,885                  | 9,400                  |
| Debt impairment                 | 3,320           | 6,979           | 12,632          | 2,100                | 2,100           | 2,100              | 2,100             | 9,530                                     | 10,007                 | 10,507                 |
| Depreciation & asset impairment | 19,891          | 54,763          | 67,509          | 19,350               | 19,350          | 19,350             | 19,350            | 22,500                                    | 24,750                 | 27,225                 |
| Finance charges                 | 4,061           | 8,675           | 11,893          | 361                  | 661             | 661                | 661               | 838                                       | 956                    | 1,000                  |
| Bulk purchases                  | 57,759          | 58,571          | 64,861          | 61,979               | 61,979          | 61,979             | 61,979            | 69,908                                    | 77,831                 | 86,659                 |
| Other materials                 | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Contracted services             | 24,439          | 10,403          | 5,349           | 5,559                | 3,159           | 3,159              | 3,159             | 3,830                                     | 4,052                  | 4,287                  |
| Transfers and grants            | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other expenditure               | 42,280          | 39,031          | 66,744          | 41,233               | 46,130          | 46,130             | 46,130            | 52,920                                    | 55,990                 | 59,237                 |
| Loss on disposal of PPE         | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Total Expenditure</b>        | <b>224,155</b>  | <b>259,786</b>  | <b>336,850</b>  | <b>230,271</b>       | <b>236,053</b>  | <b>236,053</b>     | <b>236,053</b>    | <b>268,385</b>                            | <b>288,759</b>         | <b>310,556</b>         |

The budget allocation for employee related costs for the 2015-16 financial year totals R109 million, which equals 40% of the total operating expenditure. This represents a 6% increment from prior year. The increase is due to annual salary increase of 6.8% as guided by the multi year Salary and Wage collective Agreement for the period 1 July 2012 to 30 June 2015 as well as the cost for additional posts to be filled during the financial year 2015-16 and the placement process the municipality has just completed.

An annual increase of 6.8% per cent has been applied in the 2015-16 financial year while CPI indices of 5.8% and 5.6% were included in the two outer years of the MTREF. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R22 million for the 2015-16 financial and equates to 8% of the total operating expenditure. Please note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. ie Heritage assets, unbundling of infrastructure assets and componentisation of property plant and equipment. The process however is still unfolding with the valuation of most infrastructural assets still to be completed in the current year. This has, to some extent, limited our scope in computing the full depreciation cost.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up less than 1%, (R0.8million) of operating expenditure for 2015-16 and maintains on R 0.9 million, to 2016-17. Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Magalies Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue forecasts. Bulk purchases expenditures inherently include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure.

Contracted services have been identified as a cost saving area for the municipality. The municipality is currently considering ways of avoiding the use of consultants by capacitating internal personnel in areas such as meter reading, debt collection as well as project management. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Other expenditure

comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2015-16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality.

During the compilation of the 2014/2015 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the municipality's infrastructure and historic deferred maintenance. The total allocation for 2015-16 equates to R36 million, a growth of 22% in relation to the Adjustment Budget and continues to grow at 6% and 6% over the MTREF depending on the market value of our noncurrent assets. In relation to the total operating expenditure, repairs and maintenance comprises of 13%.

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

**Table 11 Repairs and maintenance per asset class**

| Description<br>R thousand   | 2011/12         | 2012/13         | 2013/14         | Current Year 2014/15 |                 |                    | 2015/16 Medium Term Revenue & Expenditure |                        |                        |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   | 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 |
| <b>Repairs and maintenance expenditure by Asset Class/Sub-class</b> |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Infrastructure</b>   | 12,002          | 9,629           | 21,743          | 25,827               | 25,827          | 25,827             | 27,495                                    | 29,090                 | 30,777                 |
| Infrastructure - Road transport                                     | 1,838           | 3,602           | 1,864           | 7,852                | 7,852           | 7,852              | 8,292                                     | 8,773                  | 9,282                  |
| Roads, Pavements & Bridges  | 1,838           | 3,602           | 1,864           | 7,852                | 7,852           | 7,852              | 8,292                                     | 8,773                  | 9,282                  |
| Infrastructure - Electricity  | 6,421           | 1,099           | -               | 9,091                | 9,091           | 9,091              | 9,600                                     | 10,157                 | 10,746                 |
| Street Lighting Transmission & Reticulation                         | 6,421           | 1,099           | -               | 9,091                | 9,091           | 9,091              | 9,600                                     | 10,157                 | 10,746                 |
| Infrastructure - Water  | 2,843           | 2,979           | 449             | 4,872                | 4,872           | 4,872              | 5,144                                     | 5,443                  | 5,759                  |
| Dams & Reservoirs   | 2,843           | 2,979           | 449             | 4,872                | 4,872           | 4,872              | 5,144                                     | 5,443                  | 5,759                  |
| Infrastructure - Sanitation   | 900             | 1,949           | 19,430          | 4,012                | 4,012           | 4,012              | 4,237                                     | 4,482                  | 4,742                  |
| Reticulation  | 900             | 1,949           | 19,430          | 4,012                | 4,012           | 4,012              | 4,237                                     | 4,482                  | 4,742                  |
| <b>Community</b>  | 1,697           | 461             | -               | 3,253                | 3,253           | 3,253              | 3,535                                     | 3,740                  | 3,957                  |
| Parks & gardens   | 1,138           | -               | -               | 3,257                | 3,257           | 3,257              | 3,439                                     | 3,639                  | 3,850                  |
| Libraries   | 1               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Recreational facilities   | -               | 461             | -               | -                    | -               | -                  | -   | -                      | -                      |
| Fire, safety & emergency  | -               | -               | -               | (4)                  | (4)             | (4)                | 95  | 101                    | 107                    |
| Security and policing   | 15              | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Cemeteries  | 543             | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Other assets</b>   | 17              | 2,608           | 9,354           | -                    | -               | -                  | 4,609                                     | 5,312                  | 4,916                  |
| General vehicles  | -               | -               | 6,000           | -                    | -               | -                  | 4,550                                     | 5,250                  | 4,850                  |
| Specialised vehicles  | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Plant & equipment   | -               | 2,357           | -               | -                    | -               | -                  | -   | -                      | -                      |
| Computers - hardware/equipment                                      | 17              | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Furniture and other office equipment                                | -               | 4               | 353             | -                    | -               | -                  | 14  | 15                     | 16                     |
| Civic Land and Buildings  | -               | 191             | 3,000           | -                    | -               | -                  | 45  | 47                     | 50                     |
| Other   | -               | 56              | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Repairs and Maintenance Expenditure</b>                    | <b>13,716</b>   | <b>12,698</b>   | <b>31,097</b>   | <b>29,079</b>        | <b>29,079</b>   | <b>29,079</b>      | <b>35,639</b>                             | <b>38,142</b>          | <b>39,650</b>          |

For the 2015-16 financial year, 75% or R27 million of total repairs and maintenance will be spent on infrastructure assets. Roads infrastructure has received a significant proportion of this allocation totalling 19% (R8.2 million), followed by water infrastructure at 14% (5.1 million), waste water infrastructure at 17% (R4.2 million) and electricity infrastructure at 31% (R9.2 million).

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigents Policy. The target is to register more indigent households during the 2015-16 financial year, a process



reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurements) .

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

## 1.6 Capital expenditure

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

Table 12 2015-16 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 |
| <b>R thousand</b>                                  | <b>1</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Capital expenditure - Vote</b>                  |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Multi-year expenditure, to be appropriated</b>  | <b>2</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive & council                       |          | 34              | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - 200 Municipal Manager                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - 300 Budget & Treasury                     |          | 29              | -               | -               | 2,500                | 27,000          | 27,000             | 27,000            | -   | -                      | -                      |
| Vote 4 - 400 Corporate Services                    |          | 1,602           | 2,374           | 9,354           | 3,700                | 4,140           | 4,140              | 4,140             | 7,726   | 6,250                  | 7,500                  |
| Vote 5 - 500 Planning and Economic Development     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - 600 Community Services                    |          | 204             | 209             | -               | 7,344                | 4,844           | 4,844              | 4,844             | 8,513   | 4,532                  | 4,532                  |
| Vote 7 - 700 Technical Services                    |          | 22,955          | 23,865          | 21,743          | 73,283               | 60,400          | 60,400             | 60,400            | 42,198  | 38,000                 | 46,000                 |
| Vote 8 - Public Safety and Protection Services 800 |          | -               | -               | -               | 3,360                | 1,175           | 1,175              | 1,175             | 1,400   | 750                    | 1,250                  |
| Vote 9 - [NAME OF VOTE 9]                          |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital multi-year expenditure sub-total</b>    | <b>7</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>97,559</b>   | <b>97,559</b>      | <b>97,559</b>     | <b>59,838</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Single-year expenditure, to be appropriated</b> | <b>2</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive & council                       |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - 200 Municipal Manager                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - 300 Budget & Treasury                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - 400 Corporate Services                    |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - 500 Planning and Economic Development     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - 600 Community Services                    |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - 700 Technical Services                    |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Public Safety and Protection Services 800 |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                          |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital single-year expenditure sub-total</b>   |          | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Total Capital Expenditure - Vote</b>            |          | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>97,559</b>   | <b>97,559</b>      | <b>97,559</b>     | <b>59,838</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Capital Expenditure - Standard</b>              |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Governance and administration</b>               |          | <b>1,665</b>    | <b>2,374</b>    | <b>9,354</b>    | <b>6,200</b>         | <b>31,140</b>   | <b>31,140</b>      | <b>31,140</b>     | <b>7,726</b>  | <b>6,250</b>           | <b>7,500</b>           |
| Executive and council                              |          | 34              | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Budget and treasury office                         |          | 29              | -               | -               | 2,500                | 27,000          | 27,000             | 27,000            | -   | -                      | -                      |
| Corporate services                                 |          | 1,602           | 2,374           | 9,354           | 3,700                | 4,140           | 4,140              | 4,140             | 7,726   | 6,250                  | 7,500                  |
| <b>Community and public safety</b>                 |          | <b>204</b>      | <b>209</b>      | <b>-</b>        | <b>10,204</b>        | <b>5,704</b>    | <b>5,704</b>       | <b>5,704</b>      | <b>8,513</b>  | <b>5,282</b>           | <b>5,782</b>           |
| Community and social services                      |          | 197             | 209             | -               | 2,500                | -               | -                  | -                 | -   | -                      | -                      |
| Sport and recreation                               |          | -               | -               | -               | 4,844                | 4,844           | 4,844              | 4,844             | 5,013   | 4,532                  | 4,532                  |
| Public safety                                      |          | 7               | -               | -               | 2,860                | 860             | 860                | 860               | 3,500   | 750                    | 1,250                  |
| Housing  |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Health   |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Economic and environmental services</b>         |          | <b>9,888</b>    | <b>6,944</b>    | <b>1,864</b>    | <b>4,581</b>         | <b>13,000</b>   | <b>13,000</b>      | <b>13,000</b>     | <b>21,898</b>                                       | <b>15,000</b>          | <b>10,000</b>          |
| Planning and development                           |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Road transport                                     |          | 9,888           | 6,944           | 1,864           | 4,581                | 13,000          | 13,000             | 13,000            | 21,898  | 15,000                 | 10,000                 |
| Environmental protection                           |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Trading services</b>                            |          | <b>13,067</b>   | <b>16,921</b>   | <b>19,879</b>   | <b>68,702</b>        | <b>60,214</b>   | <b>60,214</b>      | <b>60,214</b>     | <b>20,300</b>                                       | <b>23,000</b>          | <b>36,000</b>          |
| Electricity  |          | 1,621           | 1,623           | -               | 1,800                | -               | -                  | -                 | 20,300  | 5,000                  | 4,800                  |
| Water  |          | -               | -               | 449             | 43,815               | 47,214          | 47,214             | 47,214            | -   | 13,000                 | 26,000                 |
| Waste water management                             |          | 11,446          | 15,298          | 19,430          | 23,087               | 13,000          | 13,000             | 13,000            | -   | 5,000                  | 5,200                  |
| Waste management                                   |          | -               | (0)             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Other</b>                                       |          | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>500</b>           | <b>500</b>      | <b>500</b>         | <b>500</b>        | <b>1,400</b>  | <b>-</b>               | <b>-</b>               |
| <b>Total Capital Expenditure - Standard</b>        | <b>3</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>59,838</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Funded by:</b>                                  |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| National Government                                |          | 24,824          | 24,074          | 8,621           | 32,296               | 36,396          | 36,396             | 36,396            | 29,172  | 30,215                 | 31,779                 |
| Provincial Government                              |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| District Municipality                              |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other transfers and grants                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Transfers recognised - capital</b>              | <b>4</b> | <b>24,824</b>   | <b>24,074</b>   | <b>8,621</b>    | <b>32,296</b>        | <b>36,396</b>   | <b>36,396</b>      | <b>36,396</b>     | <b>29,172</b>                                       | <b>30,215</b>          | <b>31,779</b>          |
| <b>Public contributions &amp; donations</b>        | <b>5</b> | <b>-</b>        | <b>-</b>        | <b>22,476</b>   | <b>44,000</b>        | <b>71,000</b>   | <b>71,000</b>      | <b>71,000</b>     | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Borrowing</b>                                   | <b>6</b> | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Internally generated funds</b>                  |          | <b>-</b>        | <b>2,374</b>    | <b>-</b>        | <b>13,891</b>        | <b>3,162</b>    | <b>3,162</b>       | <b>3,162</b>      | <b>30,666</b>                                       | <b>19,317</b>          | <b>27,503</b>          |
| <b>Total Capital Funding</b>                       | <b>7</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>59,838</b>                                       | <b>49,532</b>          | <b>59,282</b>          |

For 2015-16 an amount of R91 million has been appropriated for the development of infrastructure assets. The water projects financed by Anglo American are ongoing totalling to R20 million, these projects are expected to be completed during the 2015-16 financial year. In the outer years this amount totals R49 million and R59 million respectively for each of the financial years. Smart metering system project financed partly by the municipality and the Department of Energy and implemented through SANEDI will receive the largest allocation of R27million , Waste water management services receives R5 million in 2015-16 followed by water projects valued at R10 million funded by the Department of Water Affairs. ICT infrastructure projects earmarked to enhance communication and integration of our financial operations from head office to satellite offices have also been included to enhance communication and improve effective customer service.). Upgrade of sports facilities also received a R 4.8 million allocation as per the MIG regulations that 15% of the annual allocations be used to upgrade community sports facilities.

***Please refer to Table 45 for a detailed description on SA36 on capital expenditure and projects budgeted for the 2015-16 financial year and the current MTREF.***

## 1.7 Final 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 to be considered for approval by council. Each table is accompanied by explanatory notes.

Table 13 MBRR Table A1- Budget Summary

| Description  | 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 |
| <b>R thousands</b>   |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| <b>Financial Performance</b>   |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 14,721          | 12,076          | 13,708           | 17,978               | 23,628          | 23,628             | 23,628            | 28,392  | 30,038                 | 31,781                 |
| Service charges  | 130,114         | 90,135          | 89,764           | 160,302              | 172,415         | 172,415            | 172,415           | 188,996   | 199,958                | 211,556                |
| Investment revenue   | 39              | 185             | 1,231            | 48                   | 48              | 48                 | 48                | -   | -                      | -                      |
| Transfers recognised - operational                                   | 57,208          | 77,521          | 72,470           | 69,092               | 69,092          | 69,092             | 69,092            | 64,841  | 67,054                 | 68,703                 |
| Other own revenue  | 20,247          | 32,704          | 26,448           | 19,969               | 19,903          | 19,903             | 19,903            | 23,481  | 24,843                 | 26,283                 |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>222,328</b>  | <b>212,621</b>  | <b>203,622</b>   | <b>267,389</b>       | <b>285,086</b>  | <b>285,086</b>     | <b>285,086</b>    | <b>305,709</b>                                      | <b>321,893</b>         | <b>338,323</b>         |
| Employee costs   | 66,903          | 75,672          | 99,442           | 91,790               | 94,775          | 94,775             | 94,775            | 100,461   | 106,288                | 112,240                |
| Remuneration of councillors  | 5,503           | 5,692           | 8,419            | 7,899                | 7,899           | 7,899              | 7,899             | 8,398   | 8,885                  | 9,400                  |
| Depreciation & asset impairment                                      | 19,891          | 54,763          | 67,509           | 19,350               | 19,350          | 19,350             | 19,350            | 22,500  | 24,750                 | 27,225                 |
| Finance charges  | 4,061           | 8,675           | 11,893           | 361                  | 661             | 661                | 661               | 838   | 956                    | 1,000                  |
| Materials and bulk purchases   | 57,759          | 58,571          | 64,861           | 61,979               | 61,979          | 61,979             | 61,979            | 69,908  | 77,831                 | 86,659                 |
| Transfers and grants   | -               | -               | -                | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other expenditure  | 70,039          | 56,413          | 84,725           | 48,892               | 51,389          | 51,389             | 51,389            | 66,280  | 70,048                 | 74,031                 |
| <b>Total Expenditure</b>   | <b>224,155</b>  | <b>259,786</b>  | <b>336,850</b>   | <b>230,271</b>       | <b>236,053</b>  | <b>236,053</b>     | <b>236,053</b>    | <b>268,385</b>                                      | <b>288,759</b>         | <b>310,556</b>         |
| <b>Surplus/(Deficit)</b>   | <b>(1,827)</b>  | <b>(47,165)</b> | <b>(133,228)</b> | <b>37,118</b>        | <b>49,034</b>   | <b>49,034</b>      | <b>49,034</b>     | <b>37,324</b>                                       | <b>33,135</b>          | <b>27,767</b>          |
| Transfers recognised - capital                                       | 34,474          | 42,150          | 40,019           | 32,926               | 32,926          | 32,926             | 32,926            | 29,172  | 30,215                 | 31,779                 |
| Contributions recognised - capital & contributed assets              | -               | -               | -                | 44,000               | 71,000          | 71,000             | 71,000            | 27,000  | -                      | -                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>32,647</b>   | <b>(5,015)</b>  | <b>(93,209)</b>  | <b>114,044</b>       | <b>152,960</b>  | <b>152,960</b>     | <b>152,960</b>    | <b>93,496</b>                                       | <b>63,350</b>          | <b>59,546</b>          |
| Share of surplus/ (deficit) of associate                             | -               | -               | -                | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Surplus/(Deficit) for the year</b>                                | <b>32,647</b>   | <b>(5,015)</b>  | <b>(93,209)</b>  | <b>114,044</b>       | <b>152,960</b>  | <b>152,960</b>     | <b>152,960</b>    | <b>93,496</b>                                       | <b>63,350</b>          | <b>59,546</b>          |
| <b>Capital expenditure &amp; funds sources</b>                       |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| <b>Capital expenditure</b>   | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>    | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| Transfers recognised - capital                                       | 24,824          | 24,074          | 8,621            | 32,296               | 36,396          | 36,396             | 36,396            | 56,172  | 30,215                 | 31,779                 |
| Public contributions & donations                                     | -               | -               | 22,476           | 44,000               | 71,000          | 71,000             | 71,000            | -   | -                      | -                      |
| Borrowing  | -               | -               | -                | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Internally generated funds   | -               | 2,374           | -                | 13,891               | 3,162           | 3,162              | 3,162             | 35,166  | 19,317                 | 27,503                 |
| <b>Total sources of capital funds</b>                                | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>    | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Financial position</b>  |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Total current assets   | 54,961          | 62,202          | 104,975          | 153,981              | 150,557         | 150,557            | 150,557           | 150,089   | 153,044                | 157,716                |
| Total non current assets   | 1,608,097       | 1,095,158       | 1,105,842        | 1,248,990            | 1,248,990       | 1,248,990          | 1,248,990         | 1,311,446   | 1,409,005              | 1,441,505              |
| Total current liabilities  | 74,197          | 97,879          | 257,818          | 84,421               | 84,421          | 84,421             | 84,421            | 198,653   | 203,104                | 207,969                |
| Total non current liabilities  | 31,001          | 29,162          | 54,032           | 41,517               | 41,517          | 41,517             | 41,517            | 31,287  | 33,165                 | 35,155                 |
| Community wealth/Equity  | 1,557,860       | 1,030,319       | 898,967          | 1,277,033            | 1,273,610       | 1,273,610          | 1,273,610         | 1,231,594   | 1,325,780              | 1,356,097              |
| <b>Cash flows</b>  |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Net cash from (used) operating                                       | 28,604          | 20,412          | 31,010           | 42,851               | 70,988          | 70,988             | 70,988            | 13,712  | 16,078                 | 15,343                 |
| Net cash from (used) investing                                       | (28,099)        | (19,742)        | (31,010)         | (42,851)             | (69,851)        | (69,851)           | (69,851)          | (13,858)  | (13,854)               | (13,529)               |
| Net cash from (used) financing                                       | (505)           | (670)           | -                | -                    | (1,137)         | (1,137)            | (1,137)           | (2,014)   | (1,914)                | (1,714)                |
| <b>Cash/cash equivalents at the year end</b>                         | <b>3,500</b>    | <b>4,350</b>    | <b>3,137</b>     | <b>5,441</b>         | <b>1,940</b>    | <b>1,940</b>       | <b>1,940</b>      | <b>1,940</b>  | <b>2,250</b>           | <b>2,350</b>           |
| <b>Cash backing/surplus reconciliation</b>                           |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Cash and investments available                                       | 5,870           | 8,600           | 3,327            | 4,366                | 1,942           | 1,942              | 1,942             | 1,959   | 2,522                  | 2,647                  |
| Application of cash and investments                                  | 5,531           | 8,236           | 867              | 2,625                | 201             | 201                | 201               | 19  | 272                    | 297                    |
| <b>Balance - surplus (shortfall)</b>                                 | <b>339</b>      | <b>364</b>      | <b>2,460</b>     | <b>1,741</b>         | <b>1,741</b>    | <b>1,741</b>       | <b>1,741</b>      | <b>1,940</b>  | <b>2,250</b>           | <b>2,350</b>           |
| <b>Asset management</b>  |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Asset register summary (WDV)   | 1,608,097       | 1,092,340       | 1,102,706        | 1,248,990            | 1,248,990       | 1,248,990          | 1,311,446         | 1,311,446   | 1,409,005              | 1,441,505              |
| Depreciation & asset impairment                                      | 19,891          | 54,763          | 67,509           | 19,350               | 19,350          | 19,350             | 22,500            | 22,500  | 24,750                 | 27,225                 |
| Renewal of Existing Assets   | -               | -               | -                | 25,521               | 25,521          | 25,521             | 25,521            | 5,963   | -                      | -                      |
| Repairs and Maintenance  | 13,716          | 12,698          | 31,097           | 29,079               | 29,079          | 29,079             | 35,639            | 35,639  | 38,142                 | 39,650                 |
| <b>Free services</b>   |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Cost of Free Basic Services provided                                 | 25,881          | 30,304          | 32,062           | 31,941               | 31,941          | 31,941             | 33,793            | 33,793  | 35,753                 | 37,827                 |
| Revenue cost of free services provided                               | 29,892          | 37,656          | 39,840           | 40,668               | 40,668          | 40,668             | 43,027            | 43,027  | 45,523                 | 48,163                 |
| <b>Households below minimum service level</b>                        |                 |                 |                  |                      |                 |                    |                   |   |                        |                        |
| Water:   | 7               | 7               | 7                | 9                    | 9               | 9                  | 9                 | 9   | 10                     | 10                     |
| Sanitation/sewerage:   | 7               | 8               | 9                | 9                    | 9               | 9                  | 9                 | 9   | 9                      | 9                      |
| Energy:  | 1               | 1               | 1                | 1                    | 1               | 1                  | 1                 | 1   | 1                      | 1                      |
| Refuse:  | 11              | 12              | 13               | 13                   | 13              | 13                 | 14                | 14  | 15                     | 16                     |

### 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 perspective (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts to be considered for approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - I. Transfers recognised is reflected on the Financial Performance Budget;
    - II. Internally generated funds are financed from a combination of the current operating surplus. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, indicates that the necessary cash resources will be available to fund the Capital Budget
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of service to the poor. The section of Free Service shows that the amount spent on Free Basic Service and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 14 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 |
| <b>Revenue - Standard</b>                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Governance and administration</i>       |     | 86,728          | 100,785         | 129,306         | 149,521              | 155,170         | 155,170            | 138,753   | 117,534                | 122,163                |
| Executive and council                      |     | 79,664          | 92,095          | 121,033         | 143,850              | 149,499         | 149,499            | 132,367   | 110,778                | 115,015                |
| Budget and treasury office                 |     | 7,064           | 8,691           | 8,273           | 5,671                | 5,671           | 5,671              | 6,386   | 6,756                  | 7,148                  |
| Corporate services                         |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <i>Community and public safety</i>         |     | 4,808           | 4,657           | 7,316           | 7,045                | 4,834           | 4,834              | 3,025   | 3,205                  | 3,397                  |
| Community and social services              |     | 224             | 281             | 274             | 372                  | 372             | 372                | 371   | 393                    | 416                    |
| Sport and recreation                       |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Public safety                              |     | 4,584           | 4,376           | 7,043           | 6,673                | 4,462           | 4,462              | 2,653   | 2,812                  | 2,981                  |
| Housing                                    |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Health                                     |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <i>Economic and environmental services</i> |     | 704             | 567             | 755             | 1,327                | 1,327           | 1,327              | 185   | 196                    | 207                    |
| Planning and development                   |     | 704             | 567             | 755             | 1,327                | 1,327           | 1,327              | 185   | 196                    | 207                    |
| Road transport                             |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Environmental protection                   |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <i>Trading services</i>                    |     | 130,114         | 92,428          | 96,642          | 152,002              | 193,262         | 193,262            | 188,996   | 199,958                | 211,556                |
| Electricity                                |     | 49,673          | 44,089          | 47,260          | 58,068               | 93,269          | 93,269             | 81,613  | 86,346                 | 91,354                 |
| Water                                      |     | 61,720          | 28,517          | 23,797          | 61,432               | 61,432          | 61,432             | 67,575  | 71,495                 | 75,641                 |
| Waste water management                     |     | 10,789          | 11,655          | 13,078          | 22,327               | 29,036          | 29,036             | 29,617  | 31,334                 | 33,152                 |
| Waste management                           |     | 7,932           | 8,168           | 12,507          | 10,175               | 9,525           | 9,525              | 10,192  | 10,783                 | 11,409                 |
| <i>Other</i>                               | 4   | 34,448          | 56,332          | 9,621           | 34,420               | 34,420          | 34,420             | 30,922  | 31,215                 | 32,779                 |
| <b>Total Revenue - Standard</b>            | 2   | 256,802         | 254,771         | 243,641         | 344,315              | 389,012         | 389,012            | 361,881   | 352,108                | 370,102                |
| <b>Expenditure - Standard</b>              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Governance and administration</i>       |     | 90,298          | 77,936          | 108,278         | 63,808               | 72,960          | 72,960             | 80,407  | 87,071                 | 96,121                 |
| Executive and council                      |     | 19,584          | 21,413          | 30,661          | 26,038               | 23,985          | 23,985             | 24,024  | 26,417                 | 29,949                 |
| Budget and treasury office                 |     | 50,499          | 36,374          | 43,595          | 17,131               | 25,691          | 25,691             | 34,374  | 37,368                 | 40,535                 |
| Corporate services                         |     | 20,215          | 20,149          | 34,022          | 20,639               | 23,283          | 23,283             | 22,010  | 23,286                 | 25,637                 |
| <i>Community and public safety</i>         |     | 14,243          | 16,872          | 26,343          | 28,686               | 28,639          | 28,639             | 25,163  | 25,694                 | 27,256                 |
| Community and social services              |     | 2,461           | 2,809           | 6,446           | 6,782                | 5,443           | 5,443              | 2,396   | 2,535                  | 2,682                  |
| Sport and recreation                       |     | 3,732           | 5,290           | 10,087          | 7,923                | 5,784           | 5,784              | 4,310   | 4,560                  | 5,824                  |
| Public safety                              |     | 8,050           | 8,773           | 9,811           | 13,981               | 17,412          | 17,412             | 18,457  | 18,599                 | 18,750                 |
| Housing                                    |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Health                                     |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <i>Economic and environmental services</i> |     | 29,995          | 53,327          | 66,611          | 36,577               | 28,122          | 28,122             | 36,723  | 42,008                 | 45,883                 |
| Planning and development                   |     | 5,057           | 4,519           | 5,411           | 9,044                | 5,755           | 5,755              | 7,776   | 11,194                 | 12,813                 |
| Road transport                             |     | 24,938          | 48,808          | 60,811          | 27,534               | 22,368          | 22,368             | 28,561  | 30,405                 | 32,637                 |
| Environmental protection                   |     | —               | —               | 388             | —                    | —               | —                  | 387   | 409                    | 433                    |
| <i>Trading services</i>                    |     | 89,619          | 111,651         | 135,619         | 101,200              | 106,332         | 106,332            | 126,091   | 133,985                | 141,295                |
| Electricity                                |     | 44,643          | 58,743          | 68,418          | 48,667               | 50,868          | 50,868             | 59,625  | 63,664                 | 66,895                 |
| Water                                      |     | 30,052          | 30,234          | 39,622          | 35,119               | 36,190          | 36,190             | 49,017  | 51,860                 | 54,868                 |
| Waste water management                     |     | 5,580           | 9,002           | 18,566          | 10,161               | 10,934          | 10,934             | 9,340   | 9,882                  | 10,455                 |
| Waste management                           |     | 9,344           | 13,671          | 9,012           | 7,253                | 8,339           | 8,339              | 8,109   | 8,579                  | 9,077                  |
| <i>Other</i>                               | 4   | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <b>Total Expenditure - Standard</b>        | 3   | 224,155         | 259,786         | 336,850         | 230,271              | 236,053         | 236,053            | 268,385   | 288,759                | 310,556                |
| <b>Surplus/(Deficit) for the year</b>      |     | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 93,496  | 63,350                 | 59,546                 |

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

- 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) and so does not balance to the operating revenue on Table A4.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's 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 15 MBRR Table A3- Budget 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 |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | 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 |
| <b>R thousand</b>                                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Revenue by Vote</b>                             | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Executive & council                       |     | 77,921          | 92,095          | 121,033         | 143,850              | 149,499         | 149,499            | 132,367   | 110,778                | 115,015                |
| Vote 2 - 200 Municipal Manager                     |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 3 - 300 Budget & Treasury                     |     | 5,237           | 8,691           | 8,273           | 5,671                | 5,671           | 5,671              | 6,386   | 6,756                  | 7,148                  |
| Vote 4 - 400 Corporate Services                    |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 5 - 500 Planning and Economic Development     |     | 704             | 567             | 755             | 1,327                | 1,327           | 1,327              | 185   | 196                    | 207                    |
| Vote 6 - 600 Community Services                    |     | 7,727           | 8,449           | 12,780          | 10,547               | 9,897           | 9,897              | 10,563  | 11,176                 | 11,824                 |
| Vote 7 - 700 Technical Services                    |     | 160,630         | 140,593         | 93,757          | 176,247              | 220,116         | 220,116            | 209,727   | 220,390                | 232,926                |
| Vote 8 - Public Safety and Protection Services 800 |     | 4,584           | 4,376           | 7,043           | 6,673                | 2,503           | 2,503              | 2,653   | 2,812                  | 2,981                  |
| Vote 9 - [NAME OF VOTE 9]                          |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 10 - [NAME OF VOTE 10]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 11 - [NAME OF VOTE 11]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 12 - [NAME OF VOTE 12]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 13 - [NAME OF VOTE 13]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 14 - [NAME OF VOTE 14]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 15 - [NAME OF VOTE 15]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <b>Total Revenue by Vote</b>                       | 2   | <b>256,802</b>  | <b>254,771</b>  | <b>243,641</b>  | <b>344,315</b>       | <b>389,012</b>  | <b>389,012</b>     | <b>361,881</b>                                      | <b>352,108</b>         | <b>370,102</b>         |
| <b>Expenditure by Vote to be appropriated</b>      | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Executive & council                       |     | 15,446          | 15,576          | 19,499          | 13,286               | 14,138          | 14,138             | 17,448  | 18,460                 | 20,531                 |
| Vote 2 - 200 Municipal Manager                     |     | 4,138           | 5,837           | 11,162          | 12,752               | 9,847           | 9,847              | 6,575   | 7,957                  | 9,418                  |
| Vote 3 - 300 Budget & Treasury                     |     | 50,499          | 36,374          | 43,595          | 17,131               | 21,409          | 21,409             | 34,374  | 37,368                 | 40,535                 |
| Vote 4 - 400 Corporate Services                    |     | 30,660          | 20,149          | 34,022          | 20,639               | 23,283          | 23,283             | 22,010  | 23,286                 | 25,637                 |
| Vote 5 - 500 Planning and Economic Development     |     | 5,398           | 4,519           | 5,799           | 8,044                | 4,755           | 4,755              | 7,106   | 9,518                  | 10,070                 |
| Vote 6 - 600 Community Services                    |     | 13,537          | 21,770          | 25,544          | 21,958               | 19,565          | 19,565             | 14,815  | 15,674                 | 17,583                 |
| Vote 7 - 700 Technical Services                    |     | 96,427          | 146,788         | 187,418         | 125,766              | 124,646         | 124,646            | 146,543   | 155,811                | 164,856                |
| Vote 8 - Public Safety and Protection Services 800 |     | 8,050           | 8,773           | 9,811           | 10,696               | 18,409          | 18,409             | 19,513  | 20,684                 | 21,925                 |
| Vote 9 - [NAME OF VOTE 9]                          |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 10 - [NAME OF VOTE 10]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 11 - [NAME OF VOTE 11]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 12 - [NAME OF VOTE 12]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 13 - [NAME OF VOTE 13]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 14 - [NAME OF VOTE 14]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Vote 15 - [NAME OF VOTE 15]                        |     | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| <b>Total Expenditure by Vote</b>                   | 2   | <b>224,155</b>  | <b>259,786</b>  | <b>336,850</b>  | <b>230,271</b>       | <b>236,053</b>  | <b>236,053</b>     | <b>268,385</b>                                      | <b>288,759</b>         | <b>310,556</b>         |
| <b>Surplus/(Deficit) for the year</b>              | 2   | <b>32,647</b>   | <b>(5,015)</b>  | <b>(93,209)</b> | <b>114,044</b>       | <b>152,960</b>  | <b>152,960</b>     | <b>93,496</b>                                       | <b>63,350</b>          | <b>59,546</b>          |

### 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.

Table 16 MBRR 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 |                        |                        |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand  | 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 |
| Revenue By Source   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates  | 2    | 14,721          | 12,076          | 13,708          | 17,978               | 23,628          | 23,628             | 23,628            | 28,392  | 30,038                 | 31,781                 |
| Property rates - penalties & collection charges               |      | 0               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Service charges - electricity revenue                         | 2    | 49,673          | 43,622          | 47,195          | 66,368               | 72,422          | 72,422             | 72,422            | 81,613  | 86,346                 | 91,354                 |
| Service charges - water revenue                               | 2    | 61,720          | 26,712          | 20,952          | 61,432               | 61,432          | 61,432             | 61,432            | 67,575  | 71,495                 | 75,641                 |
| Service charges - sanitation revenue                          | 2    | 10,789          | 11,649          | 13,001          | 22,327               | 29,036          | 29,036             | 29,036            | 29,617  | 31,334                 | 33,152                 |
| Service charges - refuse revenue                              | 2    | 7,932           | 8,152           | 8,615           | 10,175               | 9,525           | 9,525              | 9,525             | 10,192  | 10,783                 | 11,409                 |
| Service charges - other                                       |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Rental of facilities and equipment                            |      | 256             | 521             | 381             | 1,152                | 1,152           | 1,152              | 1,152             | 1,219   | 1,290                  | 1,364                  |
| Interest earned - external investments                        |      | 39              | 185             | 1,231           | 48                   | 48              | 48                 | 48                | -   | -                      | -                      |
| Interest earned - outstanding debtors                         |      | 4,678           | 8,199           | 7,252           | 4,801                | 4,801           | 4,801              | 4,801             | 6,250   | 6,613                  | 6,996                  |
| Dividends received  |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Fines   |      | 862             | 1,078           | 1,002           | 672                  | 855             | 855                | 855               | 904   | 957                    | 1,012                  |
| Licences and permits  |      | 2,397           | 1,486           | 1,425           | 2,472                | 1,993           | 1,993              | 1,993             | 3,149   | 3,331                  | 3,525                  |
| Agency services   |      | 540             | 723             | -               | 2,000                | 2,000           | 2,000              | 2,000             | 2,653   | 2,807                  | 2,970                  |
| Transfers recognised - operational                            |      | 57,208          | 77,521          | 72,470          | 69,092               | 69,092          | 69,092             | 69,092            | 64,841  | 67,054                 | 68,703                 |
| Other revenue   | 2    | 11,498          | 20,468          | 14,222          | 8,872                | 9,103           | 9,103              | 9,103             | 9,305   | 9,845                  | 10,416                 |
| Gains on disposal of PPE                                      |      | 16              | 228             | 2,167           | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Total Revenue (excluding capital transfers and contributions) |      | 222,328         | 212,621         | 203,622         | 267,389              | 285,086         | 285,086            | 285,086           | 305,709   | 321,893                | 338,323                |
| Expenditure By Type   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs  | 2    | 66,903          | 75,672          | 99,442          | 91,790               | 94,775          | 94,775             | 94,775            | 100,461   | 106,288                | 112,240                |
| Remuneration of councillors                                   |      | 5,503           | 5,692           | 8,419           | 7,899                | 7,899           | 7,899              | 7,899             | 8,398   | 8,885                  | 9,400                  |
| Debt impairment   | 3    | 3,320           | 6,979           | 12,632          | 2,100                | 2,100           | 2,100              | 2,100             | 9,530   | 10,007                 | 10,507                 |
| Depreciation & asset impairment                               | 2    | 19,891          | 54,763          | 67,509          | 19,350               | 19,350          | 19,350             | 19,350            | 22,500  | 24,750                 | 27,225                 |
| Finance charges   | 2    | 4,061           | 8,675           | 11,893          | 361                  | 661             | 661                | 661               | 838   | 956                    | 1,000                  |
| Bulk purchases  | 2    | 57,759          | 58,571          | 64,861          | 61,979               | 61,979          | 61,979             | 61,979            | 69,908  | 77,831                 | 86,659                 |
| Other materials   | 8    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Contracted services   |      | 24,439          | 10,403          | 5,349           | 5,559                | 3,159           | 3,159              | 3,159             | 3,830   | 4,052                  | 4,287                  |
| Transfers and grants  |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other expenditure   | 4, 5 | 42,280          | 39,031          | 66,744          | 41,233               | 46,130          | 46,130             | 46,130            | 52,920  | 55,990                 | 59,237                 |
| Loss on disposal of PPE                                       |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Total Expenditure   |      | 224,155         | 259,786         | 336,850         | 230,271              | 236,053         | 236,053            | 236,053           | 268,385   | 288,759                | 310,556                |
| Surplus/(Deficit)   |      | (1,827)         | (47,165)        | (133,228)       | 37,118               | 49,034          | 49,034             | 49,034            | 37,324  | 33,135                 | 27,767                 |
| Transfers recognised - capital                                | 6    | 34,474          | 42,150          | 40,019          | 32,926               | 32,926          | 32,926             | 32,926            | 29,172  | 30,215                 | 31,779                 |
| Contributions recognised - capital                            |      | -               | -               | -               | 44,000               | 44,000          | 44,000             | 44,000            | -   | -                      | -                      |
| Contributed assets  |      | -               | -               | -               | -                    | 27,000          | 27,000             | 27,000            | 27,000  | -                      | -                      |
| Surplus/(Deficit) after capital transfers & contributions     |      | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 152,960           | 93,496  | 63,350                 | 59,546                 |
| Taxation  |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Surplus/(Deficit) after taxation                              |      | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 152,960           | 93,496  | 63,350                 | 59,546                 |
| Attributable to minorities                                    |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Surplus/(Deficit) attributable to municipality                |      | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 152,960           | 93,496  | 63,350                 | 59,546                 |
| Share of surplus/ (deficit) of associate                      | 7    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Surplus/(Deficit) for the year                                |      | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 152,960           | 93,496  | 63,350                 | 59,546                 |

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

1. Total operating revenue is R305 million in 2015-16 and escalates to R321 million by 2016-17. This represents a year-on-year increase of 6% from the 2015-16 financial year to the 2016-17 financial year.
2. Revenue forecasted to be generated from property rates is R28 million in the 2015-16 financial year and increases to R30 million by 2016-17 which represents 6% of the operating revenue base off the municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R198 million for the 2015-16 financial year and increasing to R216 million by 2016-17. For the 2016-17 financial year services charges amount to 76% of the total revenue base and grows by 2% 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. It needs to be noted that in real terms the grants receipts from national government will decline over the MTREF by 6% and 5.9% per cent for the two outer years. The percentage share of this revenue source remains relatively constant at about 21% over the MTREF.

5. Bulk purchases inconsistencies have been mainly caused by water distribution losses which can go as high as 30% in certain instances hence the need to priorities on repairs and maintenance of infrastructure to try and improve the efficiency of water distribution to our valued community.
6. Employee related costs and bulk purchases are 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 17 MBRR Table A5 Budgeted Capital Expenditure by vote, standard classification and funding source

| 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 |
| <b>R thousand</b>                                   | <b>1</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Capital expenditure - Vote</b>                   |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Multi-year expenditure - to be appropriated</b>  | <b>2</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive & council                        |          | 34              | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - 200 Municipal Manager                      |          | -               | -               | -               | -                    | -               | -                  | -                 | 450   | -                      | -                      |
| Vote 3 - 300 Budget & Treasury                      |          | 29              | -               | -               | 2,500                | 27,000          | 27,000             | 27,000            | -   | -                      | -                      |
| Vote 4 - 400 Corporate Services                     |          | 1,602           | 2,374           | 9,354           | 3,700                | 4,140           | 4,140              | 4,140             | 4,716   | 6,250                  | 7,500                  |
| Vote 5 - 500 Planning and Economic Development      |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - 600 Community Services                     |          | 204             | 209             | -               | 7,344                | 4,844           | 4,844              | 4,844             | 8,800   | 4,532                  | 4,532                  |
| Vote 7 - 700 Technical Services                     |          | 22,955          | 23,865          | 21,743          | 73,283               | 60,400          | 60,400             | 60,400            | 75,423  | 38,000                 | 46,000                 |
| Vote 8 - Public Safety and Protection Services 800  |          | -               | -               | -               | 3,360                | 1,175           | 1,175              | 1,175             | 1,950   | 750                    | 1,250                  |
| Vote 9 - [NAME OF VOTE 9]                           |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital multi-year expenditure sub-total</b>     | <b>7</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>97,559</b>   | <b>97,559</b>      | <b>97,559</b>     | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Single-year expenditure - to be appropriated</b> | <b>2</b> |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Executive & council                        |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - 200 Municipal Manager                      |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - 300 Budget & Treasury                      |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - 400 Corporate Services                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - 500 Planning and Economic Development      |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - 600 Community Services                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - 700 Technical Services                     |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Public Safety and Protection Services 800  |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                           |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                         |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital single-year expenditure sub-total</b>    |          | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Total Capital Expenditure - Vote</b>             |          | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>97,559</b>   | <b>97,559</b>      | <b>97,559</b>     | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Capital Expenditure - Standard</b>               |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Governance and administration</b>                |          | <b>1,665</b>    | <b>2,374</b>    | <b>9,354</b>    | <b>6,200</b>         | <b>31,140</b>   | <b>31,140</b>      | <b>31,140</b>     | <b>5,166</b>  | <b>6,250</b>           | <b>7,500</b>           |
| Executive and council                               |          | 34              | -               | -               | -                    | -               | -                  | -                 | 450   | -                      | -                      |
| Budget and treasury office                          |          | 29              | -               | -               | 2,500                | 27,000          | 27,000             | 27,000            | -   | -                      | -                      |
| Corporate services                                  |          | 1,602           | 2,374           | 9,354           | 3,700                | 4,140           | 4,140              | 4,140             | 4,716   | 6,250                  | 7,500                  |
| <b>Community and public safety</b>                  |          | <b>204</b>      | <b>209</b>      | <b>-</b>        | <b>10,204</b>        | <b>5,704</b>    | <b>5,704</b>       | <b>5,704</b>      | <b>9,261</b>  | <b>5,282</b>           | <b>5,782</b>           |
| Community and social services                       |          | 197             | 209             | -               | 2,500                | -               | -                  | -                 | -   | -                      | -                      |
| Sport and recreation                                |          | -               | -               | -               | 4,844                | 4,844           | 4,844              | 4,844             | 4,300   | 4,532                  | 4,532                  |
| Public safety                                       |          | 7               | -               | -               | 2,860                | 860             | 860                | 860               | 1,950   | 750                    | 1,250                  |
| Housing   |          | -               | -               | -               | -                    | -               | -                  | -                 | 3,011   | -                      | -                      |
| Health  |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Economic and environmental services</b>          |          | <b>9,888</b>    | <b>6,944</b>    | <b>1,864</b>    | <b>4,581</b>         | <b>13,000</b>   | <b>13,000</b>      | <b>13,000</b>     | <b>21,898</b>                                       | <b>15,000</b>          | <b>10,000</b>          |
| Planning and development                            |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Road transport                                      |          | 9,888           | 6,944           | 1,864           | 4,581                | 13,000          | 13,000             | 13,000            | 21,898  | 15,000                 | 10,000                 |
| Environmental protection                            |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Trading services</b>                             |          | <b>13,067</b>   | <b>16,921</b>   | <b>19,879</b>   | <b>68,702</b>        | <b>60,214</b>   | <b>60,214</b>      | <b>60,214</b>     | <b>55,013</b>                                       | <b>23,000</b>          | <b>36,000</b>          |
| Electricity   |          | 1,621           | 1,623           | -               | 1,800                | -               | -                  | -                 | 32,800  | 5,000                  | 4,800                  |
| Water   |          | -               | -               | 449             | 43,815               | 47,214          | 47,214             | 47,214            | 3,213   | 13,000                 | 26,000                 |
| Waste water management                              |          | 11,446          | 15,298          | 19,430          | 23,087               | 13,000          | 13,000             | 13,000            | 14,500  | 5,000                  | 5,200                  |
| Waste management                                    |          | -               | (0)             | -               | -                    | -               | -                  | -                 | 4,500   | -                      | -                      |
| <b>Other</b>  |          | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>500</b>           | <b>500</b>      | <b>500</b>         | <b>500</b>        | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Total Capital Expenditure - Standard</b>         | <b>3</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |
| <b>Funded by:</b>                                   |          |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| National Government                                 |          | 24,824          | 24,074          | 8,621           | 32,296               | 36,396          | 36,396             | 36,396            | 29,172  | 30,215                 | 31,779                 |
| Provincial Government                               |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| District Municipality                               |          | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other transfers and grants                          |          | -               | -               | -               | -                    | -               | -                  | -                 | 27,000  | -                      | -                      |
| <b>Transfers recognised - capital</b>               | <b>4</b> | <b>24,824</b>   | <b>24,074</b>   | <b>8,621</b>    | <b>32,296</b>        | <b>36,396</b>   | <b>36,396</b>      | <b>36,396</b>     | <b>56,172</b>                                       | <b>30,215</b>          | <b>31,779</b>          |
| <b>Public contributions &amp; donations</b>         | <b>5</b> | <b>-</b>        | <b>-</b>        | <b>22,476</b>   | <b>44,000</b>        | <b>71,000</b>   | <b>71,000</b>      | <b>71,000</b>     | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Borrowing</b>                                    | <b>6</b> | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>-</b>  | <b>-</b>               | <b>-</b>               |
| <b>Internally generated funds</b>                   |          | <b>-</b>        | <b>2,374</b>    | <b>-</b>        | <b>13,891</b>        | <b>3,162</b>    | <b>3,162</b>       | <b>3,162</b>      | <b>35,166</b>                                       | <b>19,317</b>          | <b>27,503</b>          |
| <b>Total Capital Funding</b>                        | <b>7</b> | <b>24,824</b>   | <b>26,448</b>   | <b>31,097</b>   | <b>90,187</b>        | <b>110,558</b>  | <b>110,558</b>     | <b>110,558</b>    | <b>91,338</b>                                       | <b>49,532</b>          | <b>59,282</b>          |



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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-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. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialised tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital programme is funded from national grants and transfers, public contributions and donations, and internally generated funds from current year surpluses. For 2015-16, capital transfers totals R29 million and maintains at R30 million by 2016-17. Anglo American has committed R20 million to the upgrade of pump stations phase 3 this project is ongoing and will continue during the 201516 financial year.

Table 18 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 |
| <b>ASSETS</b>                            |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| <b>Current assets</b>                    |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Cash                                     |     | 3,106            | 5,628            | 3,156            | 1,741                | 1,741            | 1,741              | 1,741             | 1,709   | 2,250                  | 2,350                  |
| Call investment deposits                 | 1   | 2,764            | 2,972            | 172              | 2,625                | 201              | 201                | 201               | 250   | 272                    | 297                    |
| Consumer debtors                         | 1   | 46,104           | 50,462           | 71,781           | 146,258              | 146,258          | 146,258            | 146,258           | 146,351   | 150,522                | 155,069                |
| Other debtors                            |     | –                | 1,342            | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Current portion of long-term receivables |     | –                | –                | 27,222           | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Inventory                                | 2   | 2,987            | 1,798            | 2,645            | 3,357                | 2,357            | 2,357              | 2,357             | 1,780   | –                      | –                      |
| <b>Total current assets</b>              |     | <b>54,961</b>    | <b>62,202</b>    | <b>104,975</b>   | <b>153,981</b>       | <b>150,557</b>   | <b>150,557</b>     | <b>150,557</b>    | <b>150,089</b>                                      | <b>153,044</b>         | <b>157,716</b>         |
| <b>Non current assets</b>                |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Long-term receivables                    |     | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Investments                              |     | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Investment property                      |     | –                | 4,479            | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Investment in Associate                  |     | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Property, plant and equipment            | 3   | 1,606,421        | 1,085,957        | 1,101,827        | 1,248,990            | 1,248,990        | 1,248,990          | 1,248,990         | 1,311,446   | 1,409,005              | 1,441,505              |
| Agricultural                             |     | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Biological                               |     | 382              | 610              | 880              | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Intangible                               |     | 1,294            | 1,294            | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Other non-current assets                 |     | –                | 2,819            | 3,136            | –                    | –                | –                  | –                 | –   | –                      | –                      |
| <b>Total non current assets</b>          |     | <b>1,608,097</b> | <b>1,095,158</b> | <b>1,105,842</b> | <b>1,248,990</b>     | <b>1,248,990</b> | <b>1,248,990</b>   | <b>1,248,990</b>  | <b>1,311,446</b>                                    | <b>1,409,005</b>       | <b>1,441,505</b>       |
| <b>TOTAL ASSETS</b>                      |     | <b>1,663,058</b> | <b>1,157,361</b> | <b>1,210,817</b> | <b>1,402,971</b>     | <b>1,399,547</b> | <b>1,399,547</b>   | <b>1,399,547</b>  | <b>1,461,535</b>                                    | <b>1,562,049</b>       | <b>1,599,220</b>       |
| <b>LIABILITIES</b>                       |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| <b>Current liabilities</b>               |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Bank overdraft                           | 1   | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Borrowing                                | 4   | 2,030            | 2,377            | 2,818            | 2,115                | 2,115            | 2,115              | 2,115             | 9,350   | 9,911                  | 10,506                 |
| Consumer deposits                        |     | 3,233            | 3,233            | 3,563            | 3,348                | 3,348            | 3,348              | 3,348             | 3,824   | 3,824                  | 3,824                  |
| Trade and other payables                 | 4   | 56,250           | 78,319           | 240,410          | 34,500               | 34,500           | 34,500             | 34,500            | 137,950   | 141,745                | 145,920                |
| Provisions                               |     | 12,684           | 13,950           | 11,027           | 44,458               | 44,458           | 44,458             | 44,458            | 47,529  | 47,624                 | 47,720                 |
| <b>Total current liabilities</b>         |     | <b>74,197</b>    | <b>97,879</b>    | <b>257,818</b>   | <b>84,421</b>        | <b>84,421</b>    | <b>84,421</b>      | <b>84,421</b>     | <b>198,653</b>                                      | <b>203,104</b>         | <b>207,969</b>         |
| <b>Non current liabilities</b>           |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Borrowing                                |     | 6,499            | 4,121            | 8,606            | 5,256                | 5,256            | 5,256              | 5,256             | 4,783   | 5,070                  | 5,374                  |
| Provisions                               |     | 24,502           | 25,041           | 45,426           | 36,261               | 36,261           | 36,261             | 36,261            | 26,505  | 28,095                 | 29,781                 |
| <b>Total non current liabilities</b>     |     | <b>31,001</b>    | <b>29,162</b>    | <b>54,032</b>    | <b>41,517</b>        | <b>41,517</b>    | <b>41,517</b>      | <b>41,517</b>     | <b>31,287</b>                                       | <b>33,165</b>          | <b>35,155</b>          |
| <b>TOTAL LIABILITIES</b>                 |     | <b>105,198</b>   | <b>127,041</b>   | <b>311,850</b>   | <b>125,938</b>       | <b>125,938</b>   | <b>125,938</b>     | <b>125,938</b>    | <b>229,941</b>                                      | <b>236,269</b>         | <b>243,123</b>         |
| <b>NET ASSETS</b>                        | 5   | <b>1,557,860</b> | <b>1,030,319</b> | <b>898,967</b>   | <b>1,277,033</b>     | <b>1,273,610</b> | <b>1,273,610</b>   | <b>1,273,610</b>  | <b>1,231,594</b>                                    | <b>1,325,780</b>       | <b>1,356,097</b>       |
| <b>COMMUNITY WEALTH/EQUITY</b>           |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Accumulated Surplus/(Deficit)            |     | 1,557,860        | 1,030,319        | 898,967          | 1,277,033            | 1,273,610        | 1,273,610          | 1,273,610         | 1,231,594   | 1,325,780              | 1,356,097              |
| Reserves                                 | 4   | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| Minorities' interests                    |     | –                | –                | –                | –                    | –                | –                  | –                 | –   | –                      | –                      |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | 5   | <b>1,557,860</b> | <b>1,030,319</b> | <b>898,967</b>   | <b>1,277,033</b>     | <b>1,273,610</b> | <b>1,273,610</b>   | <b>1,273,610</b>  | <b>1,231,594</b>                                    | <b>1,325,780</b>       | <b>1,356,097</b>       |

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

- Table A6 is consistent with international standards of good financial management practice, and improves understand-ability for councillor and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1. 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.
- Table 47 is supported by an extensive table of notes (SA3 ) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits
  - Consumer debtors
  - Property, plant and equipment
  - Trade and other payables
  - Provisions non-current
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community

5. Any movement on the Budgeted Financial Performance or Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on 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 forms a critical tool 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 19 MBRR Table 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    |     | 14,250          | 16,750          | 18,500          | 22,331               | 22,331          | 22,331             | 22,331            | 25,552  | 28,108                 | 30,918                 |
| Service charges                                   |     | 107,892         | 71,302          | 76,943          | 125,945              | 163,418         | 162,816            | 162,155           | 170,097   | 187,106                | 205,817                |
| Other revenue                                     |     | 3,750           | 2,685           | 1,640           | 1,804                | 1,984           | 2,183              | 2,401             | 9,147   | 10,061                 | 11,068                 |
| Government - operating                            | 1   | 57,208          | 77,521          | 72,470          | 69,092               | 69,092          | 69,092             | 69,092            | 64,841  | 62,054                 | 62,054                 |
| Government - capital                              | 1   | 34,474          | 29,490          | 27,250          | 32,926               | 32,926          | 32,926             | 32,926            | 29,172  | 30,215                 | 31,779                 |
| Interest  |     | 1,250           | 1,375           | 1,513           | 3,664                | 4,030           | 4,433              | 4,876             | 5,625   | 6,613                  | 6,996                  |
| Dividends   |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (186,159)       | (174,670)       | (155,412)       | (212,550)            | (222,432)       | (222,432)          | (222,432)         | (290,283)   | (307,615)              | (332,797)              |
| Finance charges                                   |     | (4,061)         | (4,041)         | (11,893)        | (361)                | (361)           | (361)              | (361)             | (438)   | (464)                  | (492)                  |
| Transfers and Grants                              | 1   |                 | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| NET CASH FROM/(USED) OPERATING ACTIVITIES         |     | 28,604          | 20,412          | 31,010          | 42,851               | 70,988          | 70,988             | 70,988            | 13,712  | 16,078                 | 15,343                 |
| CASH FLOWS FROM INVESTING ACTIVITIES              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     | 677             | 180             | 300             | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Decrease (increase) in non-current debtors        |     | (5,950)         | 310             | (213)           | -                    | -               | -                  | -                 | 5,342   | 5,392                  | 6,184                  |
| Decrease (increase) other non-current receivables |     | -               | -               | -               | 2,400                | 2,400           | 2,400              | 2,400             | 9,972   | 10,969                 | 12,066                 |
| Decrease (increase) in non-current investments    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (22,826)        | (20,232)        | (31,097)        | (45,251)             | (72,251)        | (72,251)           | (72,251)          | (29,172)  | (30,215)               | (31,779)               |
| NET CASH FROM/(USED) INVESTING ACTIVITIES         |     | (28,099)        | (19,742)        | (31,010)        | (42,851)             | (69,851)        | (69,851)           | (69,851)          | (13,858)  | (13,854)               | (13,529)               |
| CASH FLOWS FROM FINANCING ACTIVITIES              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Short term loans                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Borrowing long term/refinancing                   |     | -               | 498             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Increase (decrease) in consumer deposits          |     | (54)            | 128             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Repayment of borrowing                            |     | (451)           | (1,297)         | -               | -                    | (1,137)         | (1,137)            | (1,137)           | (2,014)   | (1,914)                | (1,714)                |
| NET CASH FROM/(USED) FINANCING ACTIVITIES         |     | (505)           | (670)           | -               | -                    | (1,137)         | (1,137)            | (1,137)           | (2,014)   | (1,914)                | (1,714)                |
| NET INCREASE/ (DECREASE) IN CASH HELD             |     | -               | 0               | -               | (0)                  | -               | -                  | -                 | (2,160)   | 310                    | 100                    |
| Cash/cash equivalents at the year begin:          | 2   | 3,500           | 4,350           | 3,137           | 5,441                | 1,940           | 1,940              | 1,940             | 4,100   | 1,940                  | 2,250                  |
| Cash/cash equivalents at the year end:            | 2   | 3,500           | 4,350           | 3,137           | 5,441                | 1,940           | 1,940              | 1,940             | 1,940   | 2,250                  | 2,350                  |

### Explanatory notes to Table A7- Budget 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 2015/2016 MTREF provides the necessary balance needed to continue to forge ahead improving service delivery and service our long un-served financial obligations just enough to cover the monthly salary bill. This is mainly because the cash flow position is not as healthy. The balance continues to be conservative over the MTREF.
4. As part of the 2015-16 MTREF this unsustainable cash position has to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities, as well as intensive debt collection.
5. The 2015/2016 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 20 MBRR Table 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 |
| <b>Cash and investments available</b>             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end             | 1   | 3,500           | 4,350           | 3,137           | 5,441                | 1,940           | 1,940              | 1,940             | 1,940   | 2,250                  | 2,350                  |
| Other current investments > 90 days               |     | 2,370           | 4,250           | 190             | (1,075)              | 2               | 2                  | 2                 | 19  | 272                    | 297                    |
| Non current assets - Investments                  | 1   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| <b>Cash and investments available:</b>            |     | <b>5,870</b>    | <b>8,600</b>    | <b>3,327</b>    | <b>4,366</b>         | <b>1,942</b>    | <b>1,942</b>       | <b>1,942</b>      | <b>1,959</b>  | <b>2,522</b>           | <b>2,647</b>           |
| <b>Application of cash and investments</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers                     |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Unspent borrowing                                 |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Statutory requirements                            | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Other working capital requirements                | 3   | 21,087          | 43,419          | 185,863         | (76,222)             | (92,650)        | (92,377)           | (92,076)          | 13,517  | 8,685                  | 3,399                  |
| Other provisions                                  |     | (18,320)        | (38,320)        | (188,320)       | 76,222               | 92,650          | 92,377             | 92,076            | (13,748)  | (8,807)                | (3,725)                |
| Long term investments committed                   | 4   | 2,764           | 3,137           | 3,324           | 2,625                | 201             | 201                | 201               | 250   | 394                    | 623                    |
| Reserves to be backed by cash/investments         | 5   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Total Application of cash and investments:</b> |     | <b>5,531</b>    | <b>8,236</b>    | <b>867</b>      | <b>2,625</b>         | <b>201</b>      | <b>201</b>         | <b>201</b>        | <b>19</b>   | <b>272</b>             | <b>297</b>             |
| <b>Surplus(shortfall)</b>                         |     | <b>339</b>      | <b>364</b>      | <b>2,460</b>    | <b>1,741</b>         | <b>1,741</b>    | <b>1,741</b>       | <b>1,741</b>      | <b>1,940</b>  | <b>2,250</b>           | <b>2,350</b>           |

**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. Eskom , Magalies and the National Treasury repayments plans were also included in the cash flow projectiouns and should see the municipality contribute in excess of R30 million in reducing these debts by end of financial year.

Table 21 MBRR Table A9 – Asset Management

| 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 |
| CAPITAL EXPENDITURE                      |  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Total New Assets                         |  | 1    | 24,824          | 26,448          | 31,097          | 64,666               | 72,038          | 72,038             | 5,676   | 49,532                 | 59,282                 |
| Infrastructure - Road transport          |  |      | 7,381           | —               | 1,864           | —                    | —               | —                  | —   | 15,000                 | 10,000                 |
| Infrastructure - Electricity             |  |      | —               | 1,623           | 449             | —                    | —               | —                  | —   | 5,000                  | 4,800                  |
| Infrastructure - Water                   |  |      | —               | —               | —               | 40,436               | 40,436          | 40,436             | 450   | 13,000                 | 26,000                 |
| Infrastructure - Sanitation              |  |      | 16,800          | 15,298          | 19,430          | 13,885               | 21,258          | 21,258             | —   | 5,000                  | 5,200                  |
| Infrastructure - Other                   |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Infrastructure                           |  |      | 24,181          | 16,921          | 21,743          | 54,321               | 61,694          | 61,694             | 450   | 38,000                 | 46,000                 |
| Community                                |  |      | —               | —               | —               | 6,044                | 6,044           | 6,044              | 1,800   | 750                    | 1,250                  |
| Heritage assets                          |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Investment properties                    |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Other assets                             |  | 6    | 643             | 9,527           | 9,354           | 4,301                | 4,300           | 4,300              | 3,426   | 10,782                 | 12,032                 |
| Agricultural Assets                      |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Biological assets                        |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Intangibles                              |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Total Renewal of Existing Assets         |  | 2    | —               | —               | —               | 25,521               | 25,521          | 25,521             | 54,162  | —                      | —                      |
| Infrastructure - Road transport          |  |      | —               | —               | —               | 3,500                | 3,500           | 3,500              | —   | —                      | —                      |
| Infrastructure - Electricity             |  |      | —               | —               | —               | 1,800                | 1,800           | 1,800              | —   | —                      | —                      |
| Infrastructure - Water                   |  |      | —               | —               | —               | 2,825                | 2,825           | 2,825              | —   | —                      | —                      |
| Infrastructure - Sanitation              |  |      | —               | —               | —               | 14,196               | 14,196          | 14,196             | —   | —                      | —                      |
| Infrastructure - Other                   |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Infrastructure                           |  |      | —               | —               | —               | 22,321               | 22,321          | 22,321             | —   | —                      | —                      |
| Community                                |  |      | —               | —               | —               | —                    | —               | —                  | 51,662  | —                      | —                      |
| Heritage assets                          |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Investment properties                    |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Other assets                             |  | 6    | —               | —               | —               | 3,200                | 3,200           | 3,200              | 2,500   | —                      | —                      |
| Agricultural Assets                      |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Biological assets                        |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Intangibles                              |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Total Capital Expenditure                |  | 4    | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Infrastructure - Road transport          |  |      | 7,381           | —               | 1,864           | 3,500                | 3,500           | 3,500              | —   | 15,000                 | 10,000                 |
| Infrastructure - Electricity             |  |      | —               | 1,623           | 449             | 1,800                | 1,800           | 1,800              | —   | 5,000                  | 4,800                  |
| Infrastructure - Water                   |  |      | —               | —               | —               | 43,261               | 43,261          | 43,261             | 450   | 13,000                 | 26,000                 |
| Infrastructure - Sanitation              |  |      | 16,800          | 15,298          | 19,430          | 28,082               | 35,454          | 35,454             | —   | 5,000                  | 5,200                  |
| Infrastructure - Other                   |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Infrastructure                           |  |      | 24,181          | 16,921          | 21,743          | 76,642               | 84,015          | 84,015             | 450   | 38,000                 | 46,000                 |
| Community                                |  |      | —               | —               | —               | 6,044                | 6,044           | 6,044              | 53,462  | 750                    | 1,250                  |
| Heritage assets                          |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Investment properties                    |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Other assets                             |  | 6    | 643             | 9,527           | 9,354           | 7,501                | 7,500           | 7,500              | 5,926   | 10,782                 | 12,032                 |
| Agricultural Assets                      |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Biological assets                        |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Intangibles                              |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| TOTAL CAPITAL EXPENDITURE - Asset class  |  | 2    | 24,824          | 26,448          | 31,097          | 90,187               | 97,559          | 97,559             | 59,838  | 49,532                 | 59,282                 |
| ASSET REGISTER SUMMARY - PPE (WDV)       |  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Road transport          |  | 5    | 817,392         | 1,556           | 403,395         | 393,230              | 393,230         | 393,230            | 667,345   | 667,345                | 667,345                |
| Infrastructure - Electricity             |  |      | 169,453         | 97,192          | 172,453         | 86,933               | 86,933          | 86,933             | 145,601   | 145,892                | 145,892                |
| Infrastructure - Water                   |  |      | 306,731         | 171,051         | 308,731         | 591,618              | 591,618         | 591,618            | 229,199   | 229,199                | 229,199                |
| Infrastructure - Sanitation              |  |      | 172,474         | 98,174          | 211,418         | 169,385              | 177,209         | 177,209            | 125,794   | 125,794                | 125,794                |
| Infrastructure - Other                   |  |      | —               | 694,939         | —               | —                    | —               | —                  | —   | —                      | —                      |
| Infrastructure                           |  |      | 1,466,049       | 1,062,912       | 1,095,997       | 1,241,166            | 1,248,990       | 1,248,990          | 1,167,938   | 1,168,230              | 1,168,230              |
| Community                                |  |      | 140,371         | 23,045          | 5,830           | 7,824                | —               | —                  | 143,507   | 240,775                | 273,275                |
| Heritage assets                          |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Investment properties                    |  |      | —               | 4,479           | —               | —                    | —               | —                  | —   | —                      | —                      |
| Other assets                             |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Agricultural Assets                      |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Biological assets                        |  |      | 382             | 610             | 880             | —                    | —               | —                  | —   | —                      | —                      |
| Intangibles                              |  |      | 1,294           | 1,294           | —               | —                    | —               | —                  | —   | —                      | —                      |
| TOTAL ASSET REGISTER SUMMARY - PPE (WDV) |  | 5    | 1,608,097       | 1,092,340       | 1,102,706       | 1,248,990            | 1,248,990       | 1,248,990          | 1,311,446   | 1,409,005              | 1,441,505              |
| EXPENDITURE OTHER ITEMS                  |  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Depreciation & asset impairment          |  | 3    | 19,891          | 54,763          | 67,509          | 19,350               | 19,350          | 19,350             | 22,500  | 24,750                 | 27,225                 |
| Repairs and Maintenance by Asset Class   |  |      | 13,716          | 12,698          | 31,097          | 29,079               | 29,079          | 29,079             | 35,639  | 38,142                 | 39,650                 |
| Infrastructure - Road transport          |  |      | 1,838           | 3,602           | 1,864           | 7,852                | 7,852           | 7,852              | 8,292   | 8,773                  | 9,282                  |
| Infrastructure - Electricity             |  |      | 6,421           | 1,099           | —               | 9,091                | 9,091           | 9,091              | 9,600   | 10,157                 | 10,746                 |
| Infrastructure - Water                   |  |      | 2,843           | 2,979           | 449             | 4,872                | 4,872           | 4,872              | 5,144   | 5,443                  | 5,759                  |
| Infrastructure - Sanitation              |  |      | 900             | 1,949           | 19,430          | 4,012                | 4,012           | 4,012              | 4,237   | 4,482                  | 4,742                  |
| Infrastructure - Other                   |  |      | —               | —               | —               | —                    | —               | —                  | 222   | 235                    | 249                    |
| Infrastructure                           |  |      | 12,002          | 9,629           | 21,743          | 25,827               | 25,827          | 25,827             | 27,495  | 29,090                 | 30,777                 |
| Community                                |  |      | 1,697           | 461             | —               | 3,253                | 3,253           | 3,253              | 3,535   | 3,740                  | 3,957                  |
| Heritage assets                          |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Investment properties                    |  |      | —               | —               | —               | —                    | —               | —                  | —   | —                      | —                      |
| Other assets                             |  | 6, 7 | 17              | 2,608           | 9,354           | —                    | —               | —                  | 4,609   | 5,312                  | 4,916                  |
| TOTAL EXPENDITURE OTHER ITEMS            |  |      | 33,607          | 67,460          | 98,606          | 48,429               | 48,429          | 48,429             | 58,139  | 62,892                 | 66,875                 |

## 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.

Table 22 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 |
| <b>Household service targets</b>   | 1   |               |               |               |                      |                 |                    |   |                        |                        |
| <b>Water:</b>  |     |               |               |               |                      |                 |                    |   |                        |                        |
| Piped water inside dwelling  |     | 9,679         | 11,393        | 12,054        | 11,973               | 11,973          | 11,973             | 12,667  | 13,402                 | 14,179                 |
| Piped water inside yard (but not in dwelling)                              |     | 2,301         | 2,709         | 2,866         | 3,069                | 3,069           | 3,069              | 3,247   | 3,435                  | 3,635                  |
| Using public tap (at least min.service level)                              | 2   | 989           | 1,164         | 1,232         | 1,300                | 1,300           | 1,300              | 1,375   | 1,455                  | 1,540                  |
| Other water supply (at least min.service level)                            | 4   | 161           | 189           | 200           | 206                  | 206             | 206                | 218   | 231                    | 244                    |
| Minimum Service Level and Above sub-total                                  |     | 13,130        | 15,455        | 16,351        | 16,548               | 16,548          | 16,548             | 17,508  | 18,523                 | 19,598                 |
| Using public tap (< min.service level)                                     | 3   | 7,078         | 7,078         | 7,078         | 8,431                | 8,431           | 8,431              | 8,920   | 9,437                  | 9,985                  |
| Other water supply (< min.service level)                                   | 4   | 72            | 72            | 72            | 101                  | 101             | 101                | 107   | 113                    | 120                    |
| No water supply  |     |               |               |               |                      |                 |                    |   |                        |                        |
| Below Minimum Service Level sub-total                                      |     | 7,150         | 7,150         | 7,150         | 8,532                | 8,532           | 8,532              | 9,027   | 9,550                  | 10,104                 |
| <b>Total number of households</b>  | 5   | <b>20,280</b> | <b>22,605</b> | <b>23,501</b> | <b>25,080</b>        | <b>25,080</b>   | <b>25,080</b>      | <b>26,535</b>                                       | <b>28,074</b>          | <b>29,702</b>          |
| <b>Sanitation/sewerage:</b>  |     |               |               |               |                      |                 |                    |   |                        |                        |
| Flush toilet (connected to sewerage)                                       |     | 9,679         | 11,393        | 12,054        | 11,970               | 11,970          | 11,970             | 12,664  | 13,399                 | 14,176                 |
| Flush toilet (with septic tank)  |     | 2,301         | 2,709         | 2,866         | 2,846                | 2,846           | 2,846              | 3,011   | 3,186                  | 3,370                  |
| Chemical toilet  |     | –             | –             | –             | –                    | –               | –                  | –   | –                      | –                      |
| Pit toilet (ventilated)  |     | 989           | 1,164         | 1,232         | 1,222                | 1,222           | 1,222              | 1,293   | 1,368                  | 1,447                  |
| Other toilet provisions (> min.service level)                              |     | 161           | 189           | 200           | 189                  | 189             | 189                | 200   | 212                    | 224                    |
| Minimum Service Level and Above sub-total                                  |     | 13,130        | 15,455        | 16,352        | 16,227               | 16,227          | 16,227             | 17,168  | 18,164                 | 19,217                 |
| Bucket toilet  |     | 72            | 85            | 90            | 89                   | 89              | 89                 | 89  | 89                     | 89                     |
| Other toilet provisions (< min.service level)                              |     | 3,623         | 4,265         | 4,512         | 4,283                | 4,283           | 4,283              | 4,283   | 4,283                  | 4,283                  |
| No toilet provisions   |     | 3,454         | 4,066         | 4,302         | 4,481                | 4,481           | 4,481              | 4,481   | 4,481                  | 4,481                  |
| Below Minimum Service Level sub-total                                      |     | 7,150         | 8,416         | 8,904         | 8,853                | 8,853           | 8,853              | 8,853   | 8,853                  | 8,853                  |
| <b>Total number of households</b>  | 5   | <b>20,280</b> | <b>23,871</b> | <b>25,256</b> | <b>25,080</b>        | <b>25,080</b>   | <b>25,080</b>      | <b>26,021</b>                                       | <b>27,017</b>          | <b>28,070</b>          |
| <b>Energy:</b>   |     |               |               |               |                      |                 |                    |   |                        |                        |
| Electricity (at least min.service level)                                   |     | 9,679         | 11,393        | 12,054        | 11,970               | 11,970          | 11,970             | 12,664  | 13,399                 | 14,176                 |
| Electricity - prepaid (min.service level)                                  |     | 9,821         | 11,560        | 12,230        | 12,145               | 12,145          | 12,145             | 12,849  | 13,595                 | 14,383                 |
| Minimum Service Level and Above sub-total                                  |     | 19,500        | 22,953        | 24,284        | 24,115               | 24,115          | 24,115             | 25,514  | 26,993                 | 28,559                 |
| Electricity (< min.service level)  |     | –             | –             | –             | –                    | –               | –                  | –   | –                      | –                      |
| Electricity - prepaid (< min. service level)                               |     | –             | –             | –             | –                    | –               | –                  | –   | –                      | –                      |
| Other energy sources   |     | 780           | 918           | 971           | 965                  | 965             | 965                | 1,021   | 1,080                  | 1,143                  |
| Below Minimum Service Level sub-total                                      |     | 780           | 918           | 971           | 965                  | 965             | 965                | 1,021   | 1,080                  | 1,143                  |
| <b>Total number of households</b>  | 5   | <b>20,280</b> | <b>23,871</b> | <b>25,256</b> | <b>25,080</b>        | <b>25,080</b>   | <b>25,080</b>      | <b>26,535</b>                                       | <b>28,074</b>          | <b>29,702</b>          |
| <b>Refuse:</b>   |     |               |               |               |                      |                 |                    |   |                        |                        |
| Removed at least once a week   |     | 9,679         | 11,393        | 12,054        | 11,970               | 11,970          | 11,970             | 12,664  | 13,399                 | 14,176                 |
| Minimum Service Level and Above sub-total                                  |     | 9,679         | 11,393        | 12,054        | 11,970               | 11,970          | 11,970             | 12,664  | 13,399                 | 14,176                 |
| Removed less frequently than once a week                                   |     | 2,690         | 3,166         | 3,350         | 3,326                | 3,326           | 3,326              | 3,519   | 3,723                  | 3,939                  |
| Using communal refuse dump   |     | 468           | 551           | 583           | 579                  | 579             | 579                | 613   | 648                    | 686                    |
| Using own refuse dump  |     | 5,549         | 6,532         | 6,911         | 6,867                | 6,867           | 6,867              | 7,265   | 7,687                  | 8,132                  |
| Other rubbish disposal   |     | –             | –             | –             | –                    | –               | –                  | –   | –                      | –                      |
| No rubbish disposal  |     | 1,894         | 2,229         | 2,358         | 2,341                | 2,341           | 2,341              | 2,477   | 2,620                  | 2,772                  |
| Below Minimum Service Level sub-total                                      |     | 10,601        | 12,478        | 13,202        | 13,113               | 13,113          | 13,113             | 13,874  | 14,678                 | 15,530                 |
| <b>Total number of households</b>  | 5   | <b>20,280</b> | <b>23,871</b> | <b>25,256</b> | <b>25,083</b>        | <b>25,083</b>   | <b>25,083</b>      | <b>26,538</b>                                       | <b>28,077</b>          | <b>29,705</b>          |
| <b>Households receiving Free Basic Service</b>                             | 7   |               |               |               |                      |                 |                    |   |                        |                        |
| Water (6 kilolitres per household per month)                               |     | 8,412         | 8,412         | 8,412         | 8,412                | 8,412           | 8,412              | 8,412   | 8,412                  | 8,412                  |
| Sanitation (free minimum level service)                                    |     | 8,412         | 8,412         | 8,412         | 8,412                | 8,412           | 8,412              | 8,412   | 8,412                  | 8,412                  |
| Electricity/other energy (50kwh per household per month)                   |     | 8,412         | 8,412         | 8,412         | 8,412                | 8,412           | 8,412              | 8,412   | 8,412                  | 8,412                  |
| Refuse (removed at least once a week)                                      |     | 8,412         | 8,412         | 8,412         | 8,412                | 8,412           | 8,412              | 8,412   | 8,412                  | 8,412                  |
| <b>Cost of Free Basic Services provided (R'000)</b>                        | 8   |               |               |               |                      |                 |                    |   |                        |                        |
| Water (6 kilolitres per household per month)                               |     | 3,195         | 3,741         | 3,958         | 3,943                | 3,943           | 3,943              | 4,172   | 4,414                  | 4,670                  |
| Sanitation (free sanitation service)                                       |     | 9,655         | 11,305        | 11,961        | 11,916               | 11,916          | 11,916             | 12,607  | 13,338                 | 14,111                 |
| Electricity/other energy (50kwh per household per month)                   |     | 4,344         | 5,086         | 5,381         | 5,361                | 5,361           | 5,361              | 5,672   | 6,001                  | 6,349                  |
| Refuse (removed once a week)   |     | 8,687         | 10,172        | 10,762        | 10,721               | 10,721          | 10,721             | 11,343  | 12,001                 | 12,697                 |
| <b>Total cost of FBS provided (minimum social package)</b>                 |     | <b>25,881</b> | <b>30,304</b> | <b>32,062</b> | <b>31,941</b>        | <b>31,941</b>   | <b>31,941</b>      | <b>33,793</b>                                       | <b>35,753</b>          | <b>37,827</b>          |
| <b>Highest level of free service provided</b>                              |     |               |               |               |                      |                 |                    |   |                        |                        |
| Property rates (R value threshold)   |     | 3,730         | 4,698         | 4,970         | 5,074                | 5,074           | 5,074              | 5,368   | 5,680                  | 6,009                  |
| Water (kilolitres per household per month)                                 |     | 6             | 6             | 6             | 6                    | 6               | 6                  | 6   | 7                      | 7                      |
| Sanitation (kilolitres per household per month)                            |     | 249           | 314           | 332           | 339                  | 339             | 339                | 359   | 379                    | 401                    |
| Sanitation (Rand per household per month)                                  |     | 234,096       | 294,894       | 311,998       | 318,485              | 318,485         | 318,485            | 336,957   | 356,501                | 377,178                |
| Electricity (kwh per household per month)                                  |     | 50            | 50            | 53            | 50                   | 50              | 50                 | 53  | 56                     | 59                     |
| Refuse (average litres per week)   |     | 12,728        | 18,530        | 19,605        | 20,782               | 20,782          | 20,782             | 21,987  | 23,263                 | 24,612                 |
| <b>Revenue cost of free services provided (R'000)</b>                      | 9   |               |               |               |                      |                 |                    |   |                        |                        |
| Property rates (R15 000 threshold rebate)                                  |     | 2,009         | 2,530         | 2,677         | 2,733                | 2,733           | 2,733              | 2,891   | 3,059                  | 3,236                  |
| Property rates (other exemptions, reductions and rebates)                  |     | 1,722         | 2,169         | 2,295         | 2,342                | 2,342           | 2,342              | 2,478   | 2,622                  | 2,774                  |
| Water  |     | 8,200         | 9,550         | 10,104        | 10,074               | 10,074          | 10,074             | 10,659  | 11,277                 | 11,931                 |
| Sanitation   |     | 2,341         | 2,949         | 3,120         | 3,185                | 3,185           | 3,185              | 3,370   | 3,565                  | 3,772                  |
| Electricity/other energy   |     | 7,680         | 8,895         | 9,411         | 9,367                | 9,367           | 9,367              | 9,910   | 10,485                 | 11,093                 |
| Refuse   |     | 7,942         | 11,563        | 12,234        | 12,968               | 12,968          | 12,968             | 13,720  | 14,516                 | 15,358                 |
| Municipal Housing - rental rebates   |     |               |               |               |                      |                 |                    |   |                        |                        |
| Housing - top structure subsidies  |     |               |               |               |                      |                 |                    |   |                        |                        |
| Other  |     |               |               |               |                      |                 |                    |   |                        |                        |
| <b>Total revenue cost of free services provided (total social package)</b> | 6   | <b>29,892</b> | <b>37,656</b> | <b>39,840</b> | <b>40,668</b>        | <b>40,668</b>   | <b>40,668</b>      | <b>43,027</b>                                       | <b>45,523</b>          | <b>48,163</b>          |

**Explanatory notes to Table A10 – Basic Services Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for more households to be registered as indigent in 2015-16, and therefore entitled to receiving Free Basic Services.
3. It is anticipated that these Free Basic Services will cost the municipality R33 million in 2015-16, increasing to R35 million in 2016-17. This is covered by the municipality's equitable share allocation from national government.
4. The cost includes all our registered indigents, informal settlements where basic services are currently being provided.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality chaired by the Municipal Manager.

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.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2014. Key dates applicable to the process were:

- **August 2014** – Approval and adoption of IDP/Budget process plan and holding of first Representatives' forum so as to familiarise the community with the schedule of events towards the 2015-16 planning process.
- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2015** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- **January 2015** – Council considers the 2014/15 Mid-year Review
- **February 2015** – Council considers the 2014/15 Mid-year Review. Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments;
- **March 2015** – The Final IDP and Budget for 2015-16 MTREF is to be revised accordingly.



- **March 2015** - Tabling in Council of the Final 2015/2016 IDP and Budget for public consultation;
- **April 2015** – Public consultation;
- **May 2015** – Closing date for written comments;
- **May 2015** – Final the 2015-16 IDP and 2016-17 MTREF, taking into consideration comments received from the public , comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2015** – Tabling of the 2015-16 MTREF before Council for consideration and approval.

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

This is the fourth review of the IDP as adopted by the new Council that was elected in May 2011. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015-16 MTREF.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and Deliverables:

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

The IDP has been taken into a business and financial planning process leading up to the 2015-16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 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 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.

### **2.1.3 Financial Modelling and Key Planning Drivers**

The compilation of 2015-16 MTREF entailed extensive financial modelling to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015-16 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The 2015-16 MTREF tabled before Council was availed for community consultation during the and will be published on the municipality's website, and hard copies will be made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National and Limpopo Provincial Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Councillors were utilised to facilitate the community consultation process during November 2014, and included a briefing sessions in Thabazimbi Ward 2, Regorogile, Northam, Rooiberg.

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

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

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

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

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

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

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategies (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPs);
- 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 IDP's five strategic for the 2015-16 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 23 IDP Strategic Objectives

| 2014/15 Financial Year   | 2015-16 MTREF  |
|--|--|
| 1. Attract, develop and retain human capital                                       | Promote the well-being of all communities                            |
| 2. Effective communication   | Ensure economic growth   |
| 3. Forward planning  | Enhance financial viability and accountability                       |
| 4. Resource management, infrastructure and services for accessibility and mobility | Resource manages infrastructure and services for access and mobility |
| 5. Develop and implement integrated management and governance systems              | Forward planning   |
| 6. Promote economic growth   | Promote community involvement  |
| 7. Enhance financial viability and accountability                                  | Ensure effective communication                                       |
| 8. Promote community involvement   | Develop and implement integrated management and governance systems   |
| 9. Promote well-being of communities   | Attract, develop and retain human capital                            |

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

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the 9 strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provides roads and storm water;
- Provide public transport
- Provide municipal planning services; and
- Maintaining the infrastructure of the municipality

2. Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the municipality;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure

3. Resource management infrastructure and services for access and mobility

Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective municipal cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

4. Promote community involvement

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy

5. Develop and implement integrated management and governance systems

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

6. Enhance financial viability and accountability

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

7. Attract, develop and retain human capital

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

8. Forward planning

- Ensuring planning processes function in accordance with set timeframes;

9. Ensure effective communication

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

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the 9 strategic objectives mentioned above.

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

This development strategy introduces important policy shifts which have further been translated into twelve strategic priority areas as outlined below:

- Water and Sanitation
- Human Settlements
- Electricity
- Waste Management Health and environment
- Transport Roads and Storm water
- Community participation and communication
- Institutional development and financial viability
- Local and Economic Development
- Disaster management
- Social development
- Safety and Security
- Sports arts and culture

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

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

The 2015-16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 24 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted 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  |      |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| Promote the well being of all communities                                       |      |           |     | 35,828          | –               | –               | 65,828               | 69,584          | 69,584             | 61,578  | 62,953                 | 66,604                 |         |
| Ensure economic growth  |      |           |     | 868             | 1,325           | 3,526           | 9,868                | 5,325           | 5,325              | 868   | 918                    | 972                    |         |
| Enhance financial and accountability  |      |           |     | 5,447           | 8,456           | 12,542          | 5,447                | 8,456           | 8,456              | 5,447   | 5,763                  | 6,097                  |         |
| Resource management and infrastructure and for services for access and mobility |      |           |     | 115,536         | 164,766         | 135,777         | 120,536              | 180,766         | 180,766            | 148,978   | 155,039                | 165,567                |         |
| Forward planning  |      |           |     | –               | –               | –               | 21,511               | 11,657          | 11,657             | 24,566  | 25,991                 | 27,498                 |         |
| Promote community involvement   |      |           |     | 85,313          | 65,214          | 67,884          | 95,313               | 90,214          | 90,214             | 80,313  | 84,971                 | 87,471                 |         |
| Ensure effective communication  |      |           |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |         |
| Develop & implement integrated management and governance systems                |      |           |     | 853             | 1,420           | 5,456           | 6,853                | 1,420           | 1,420              | 173   | 2,763                  | 1,387                  |         |
| Attract, develop and retain human capital                                       |      |           |     | 12,959          | 13,589          | 18,456          | 18,959               | 21,589          | 21,589             | 12,959  | 13,711                 | 14,506                 |         |
| Allocations to other priorities   |      |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| Total Revenue (excluding capital transfers and contributions)                   |      |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
|   |      |           |     | 1               | 256,804         | 254,771         | 243,641              | 344,315         | 389,012            | 389,012   | 334,881                | 352,108                | 370,102 |

Table 25 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

| Strategic Objective   | Goal | Goal Code | 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 |         |
| Promote the well being of all communities                                       |      |           |     | 37,014          | 71,512          | 96,546          | 43,130               | 59,959          | 59,959             | 63,689  | 70,277                 | 74,353                 |         |
| Ensure economic growth  |      |           |     | 5,084           | 9,548           | 15,214          | 5,084                | 9,448           | 9,448              | 5,125   | 5,422                  | 9,736                  |         |
| Enhance financial and accountability  |      |           |     | 28,218          | 30,246          | 39,542          | 28,218               | 27,845          | 27,845             | 48,325  | 51,128                 | 54,093                 |         |
| Resource management and infrastructure and for services for access and mobility |      |           |     | 97,300          | 96,684          | 107,475         | 97,300               | 95,246          | 95,246             | 102,627   | 108,580                | 114,877                |         |
| Forward planning  |      |           |     | 703             | 1,457           | 3,540           | 703                  | 2,154           | 2,154              | 702   | 743                    | 2,255                  |         |
| Promote community involvement   |      |           |     | 32,959          | 15,449          | 22,254          | 32,959               | 14,529          | 14,529             | 29,952  | 29,689                 | 32,527                 |         |
| Ensure effective communication  |      |           |     | 450             | 10,255          | 15,485          | 450                  | 9,856           | 9,856              | 459   | 486                    | 514                    |         |
| Develop & implement integrated management and governance systems                |      |           |     | 17,468          | 13,860          | 18,985          | 17,468               | 8,475           | 8,475              | 10,251  | 13,033                 | 13,789                 |         |
| Attract, develop and retain human capital                                       |      |           |     | 4,959           | 10,875          | 15,809          | 4,959                | 8,541           | 8,541              | 7,356   | 9,401                  | 8,411                  |         |
|   |      |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| Allocations to other priorities   |      |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| Total Expenditure   |      |           |     | 1               | 224,155         | 259,786         | 336,850              | 230,271         | 236,053            | 236,053   | 268,386                | 288,759                | 310,556 |

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly to individual employee's performance.

At any time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance

information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

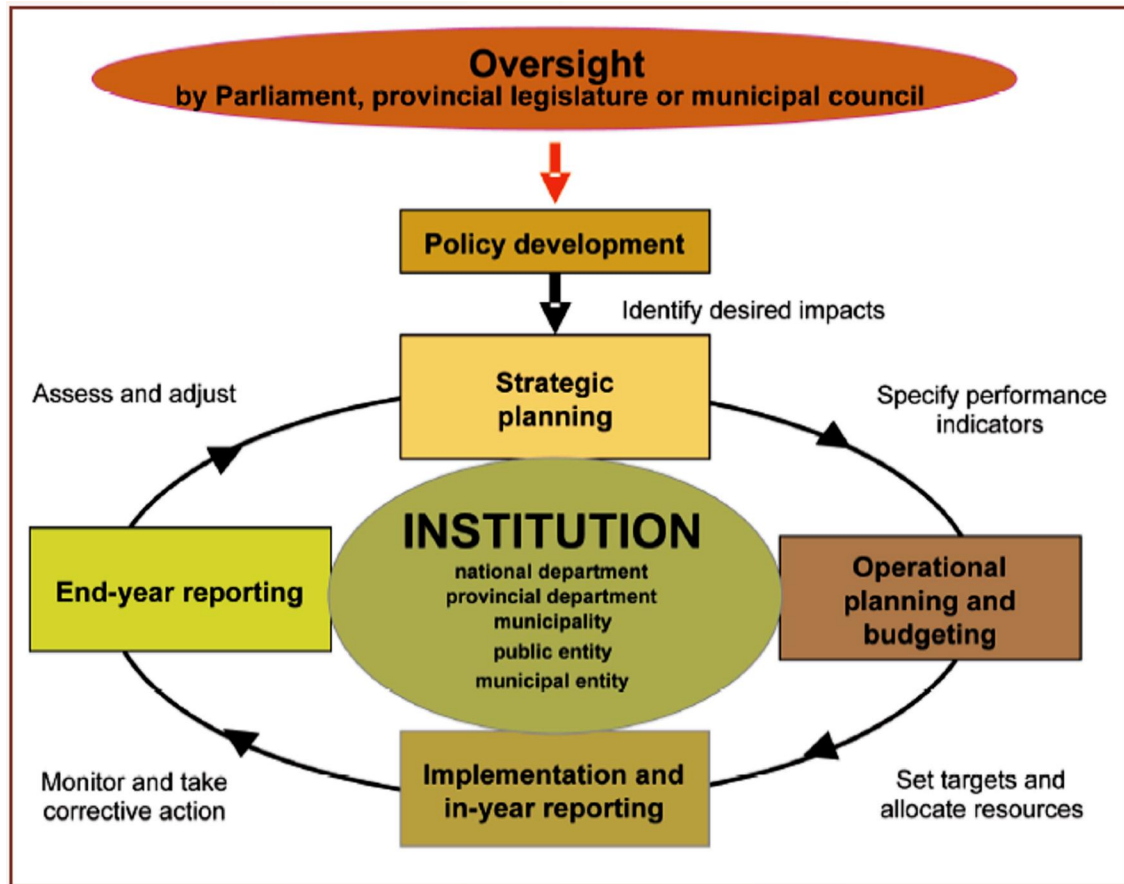


Figure 1 Planning, Budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purposes); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury



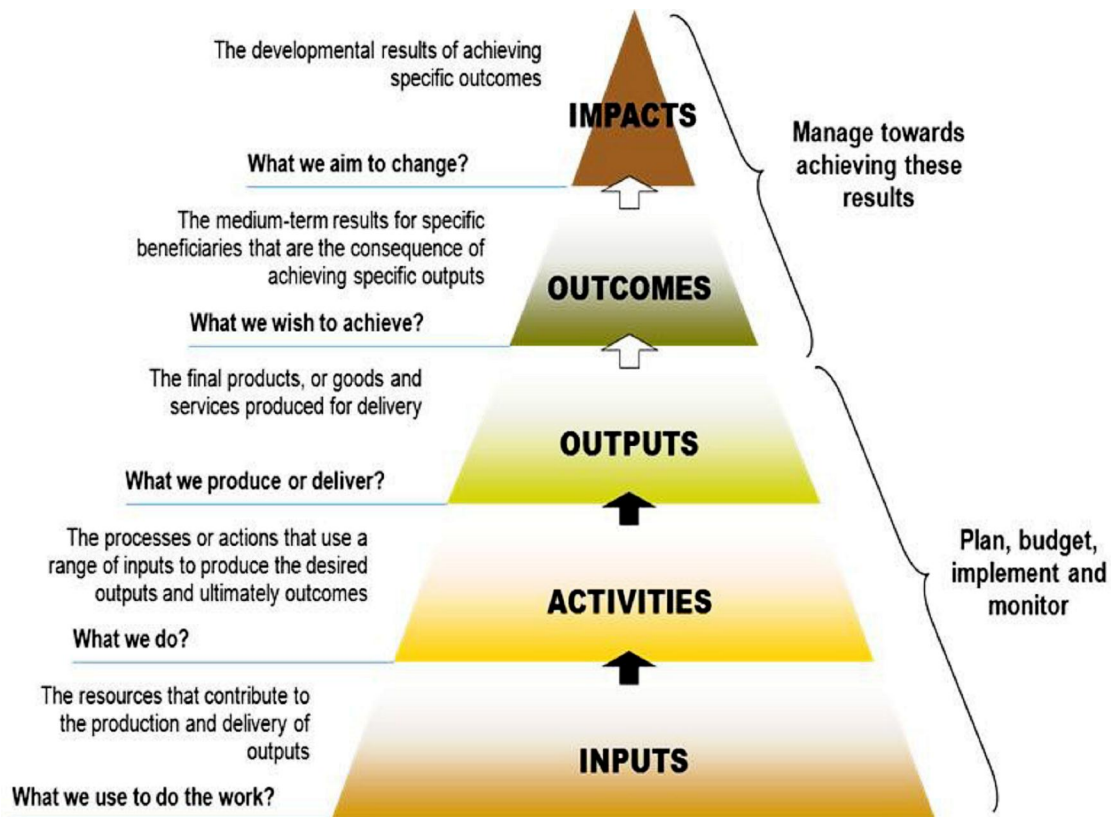


Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

The following table sets out the municipalities main performance indicators and benchmarks for 2015-16 MTREF.

Table 26 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 |
| <b>Borrowing Management</b>  |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Credit Rating  |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital Charges to Operating Expenditure                                       | Interest & Principal Paid /Operating Expenditure  | 2.0%            | 3.8%            | 3.5%            | 0.2%                 | 0.8%            | 0.8%               | 0.8%              | 1.0%  | 0.9%                   | 0.8%                   |
| Capital Charges to Own Revenue   | Finance charges & Repayment of borrowing /Own Revenue   | 2.7%            | 7.4%            | 9.1%            | 0.2%                 | 0.8%            | 0.8%               | 0.8%              | 1.2%  | 1.1%                   | 1.0%                   |
| Borrowed funding of 'own' capital expenditure                                  | Borrowing/Capital expenditure excl. transfers and grants and contributions                    | 0.0%            | 21.0%           | 0.0%            | 0.0%                 | 0.0%            | 0.0%               | 0.0%              | 0.0%  | 0.0%                   | 0.0%                   |
| <b>Safety of Capital</b>   |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| 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%                   |
| <b>Liquidity</b>   |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current Ratio  | Current assets/current liabilities  | 0.7             | 0.6             | 0.4             | 0.6                  | 0.6             | 0.6                | 0.6               | 0.5   | 0.5                    | 0.5                    |
| Current Ratio adjusted for aged debtors  | Current assets less debtors > 90 days/current liabilities                                     | 0.7             | 0.6             | 0.0             | (0.5)                | (0.5)           | (0.5)              | (0.5)             | (0.5)   | (0.4)                  | (0.3)                  |
| Liquidity Ratio  | Monetary Assets/Current Liabilities   | 0.1             | 0.1             | 0.0             | 0.1                  | 0.0             | 0.0                | 0.0               | 0.0   | 0.0                    | 0.0                    |
| <b>Revenue Management</b>  |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Annual Debtors Collection Rate (Payment Level %)                               | Last 12 Mths Receipts/Last 12 Mths Billing  |                 | 72.7%           | 67.6%           | 75.8%                | 76.9%           | 88.0%              | 87.9%             | 87.7%   | 89.2%                  | 92.7%                  |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) |   | 76.3%           | 67.4%           | 76.0%           | 75.7%                | 86.9%           | 86.7%              | 86.5%             | 85.1%   | 88.5%                  | 92.0%                  |
| Outstanding Debtors to Revenue   | Total Outstanding Debtors to Annual Revenue   | 20.7%           | 24.4%           | 48.6%           | 17.3%                | 16.2%           | 16.2%              | 16.2%             | 14.9%   | 15.4%                  | 16.0%                  |
| Longstanding Debtors Recovered   | Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old                                     | 65.0%           | 65.0%           | 75.0%           | 75.0%                | 73.0%           | 7.0%               | 75.0%             | 76.0%   | 80.0%                  | 85.0%                  |
| <b>Creditors Management</b>  |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Creditors System Efficiency  | % of Creditors Paid Within Terms (within MFMA' s 65(e))                                       | 40.0%           | 45.0%           | 50.0%           | 55.0%                | 55.0%           | 55.0%              | 55.0%             | 55.0%   | 60.0%                  | 75.0%                  |
| Creditors to Cash and Investments  |   | 1607.1%         | 1800.4%         | 7662.9%         | 634.1%               | 1778.4%         | 1778.4%            | 1778.4%           | 2220.2%   | 1855.5%                | 1953.7%                |
| <b>Other Indicators</b>  |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Electricity Distribution Losses (2)  | Total Volume Losses (kW)  | 15              | 20              |                 |                      |                 |                    |                   |   |                        |                        |
|  | Total Cost of Losses (Rand '000)  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated        |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Water Distribution Losses (2)  | Total Volume Losses (kℓ)  | 30              | 30              | 30              | 30                   | 30              | 30                 | 30                | 30  | 20                     | 15                     |
|  | Total Cost of Losses (Rand '000)  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated        | 0               | 0               |                 |                      |                 |                    |                   |   |                        |                        |
| Employee costs   | Employee costs/(Total Revenue - capital revenue)  | 30.1%           | 35.6%           | 48.8%           | 34.3%                | 33.2%           | 33.2%              | 33.2%             | 32.3%   | 32.4%                  | 32.6%                  |
| Remuneration   | Total remuneration/(Total Revenue - capital revenue)  | 32.6%           | 39.3%           | 54.5%           | 38.3%                | 36.9%           | 36.9%              |                   | 35.0%   | 35.2%                  | 35.5%                  |
| Repairs & Maintenance  | R&M/(Total Revenue excluding capital revenue)   | 6.2%            | 6.0%            | 15.3%           | 10.9%                | 10.2%           | 10.2%              |                   | 11.4%   | 11.6%                  | 11.5%                  |
| Finance charges & Depreciation   | FC&D/(Total Revenue - capital revenue)  | 10.8%           | 29.8%           | 39.0%           | 7.4%                 | 7.0%            | 7.0%               | 7.0%              | 10.7%   | 11.2%                  | 11.7%                  |
| <b>IDP regulation financial viability indicators</b>                           |   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| i. Debt coverage   | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | 61.8            | 89.3            | 35.8            | 38.4                 | 38.4            | 38.4               | 28.3              | 28.9  | 29.9                   | 31.7                   |
| ii. O/S Service Debtors to Revenue   | Total outstanding service debtors/annual revenue received for services                        | 31.8%           | 50.4%           | 95.3%           | 25.8%                | 23.5%           | 23.5%              | 23.5%             | 20.7%   | 21.3%                  | 21.9%                  |
| iii. Cost coverage   | (Available cash + Investments)/monthly fixed operational expenditure                          | 0.2             | 0.3             | 0.2             | 0.4                  | 0.1             | 0.1                | 0.1               | 0.1   | 0.1                    | 0.1                    |

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Thabazimbi Local municipality borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015-16 MTREF:

- Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio remains negligible because of the minimal amount of borrowing the municipality is carrying.
- Capital charges to operating expenditure are a measure of the cost borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased. The cost of borrowing is expected to continue falling to below 1% over the MTREF as loans are repaid.
- Borrowing funding of own capital expenditure measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is .0per cent mainly because of the insignificant amounts of outstanding borrowing.

Note also that current loan balances date back from 1990s and are approaching maturity.

#### 2.3.1.1 Safety of Capital

- The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and Over-Final and tax provisions as a percentage of funds and reserves. The ratio remains negligible as well for the reasons specified above.

#### 2.3.1.2 Liquidity

- Current ratio is a measure of the current assets dividend by the current liabilities. For the 2014/15MTREF the current ratio is 0.5 and in the 2014/2015budgeted financial year and for the two outer years of the MTREF it remains on 0.5 as to 1. Going forward it will be necessary to improve on this rate. This is below the benchmark ratio because of the excessive provision for bad debts that we are still going to review.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15financial year the ratio was 0.41 as to 1 and as part of the financial planning strategy it has been increased to 0.43 as to 1 in the 2015-16 financial year. This needs to be considered as a high risk for the municipality as any under collection of revenue will translate into serious financial challenges. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1 as to 1.

#### 2.3.1.3 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash flow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intension of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

#### 2.3.1.4 Creditors Management

- The municipality is struggling to ensure that creditors are settled within the legislated 30 days of invoice. This is mainly due to cash flow problems.

### **2.3.2 Free Basic Services: basic social services package for indigent 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. Only registered indigents' qualify for the free basic services.

For the 2015-16 financial years more indigents have been provided for in the budget. In terms of the Municipality's indigent policy (attached as Annexure 4) registered households are entitled to 6kl free water, 50 kWh of electricity, 6 kl sanitation and free waste removal equivalent to once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic service, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) .

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

### **2.3.3 Providing clean water and managing waste water**

The municipality is the Water Service Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 60% cent of the municipality's bulk water needs are provided directly by Magalies Water in the form of purified water. The remaining per cent is generated from the municipality's own water sources, such as boreholes and small dams as well as from Kumba Mine.

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.

Our blue Drop status was assessed as fair but our green drop status needs to improve to meet the recommended standard.

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

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electricity power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

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

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and Waste Water Division will embark on an in-house training programme, especially for operational personnel;

## **2.4 Overview of budget related-policies**

The municipality's budgeting process is guided and governed by relevant legislation, framework, strategies and related policies.

### **2.4.1 Review of rates policy**

The Rates Policy as will be considered for approval by Council was reviewed and the Final policy is attached to this document, as Annexure 2, for approval in council. While the Final policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to accommodate all stakeholder views. Some of the possible revisions will include the need for full participation of Rate Payers Association when changing rebates on property rates every year. In addition the rebate structure is also likely to change to incorporate the views from the Rate Payers' Association.

### **2.4.2 Asset Management. Infrastructure Investment and Funding Policy**

Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset maintenance was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritization of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.4.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 2014/15 financial year. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on. The current policy can be located on the municipal website at [www.thabazimbi.gov.za](http://www.thabazimbi.gov.za).

### **2.4.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2014/15 and is also under review. A reviewed copy is also attached to this document as Annexure 3 to be approved with the budget.

#### **2.4.6 Cash Management and Investment Policy**

The municipality's Cash Management and Investment Policy, as approved in council are also under review. The aim of the policy is to ensure that the municipality's surplus cash and investments, where applicable, are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

#### **2.4.7 Tariff Policies**

The municipality's tariff policies (located at [www.thabazimbi.gov.za](http://www.thabazimbi.gov.za)) provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

#### **2.4.8 Financial Planning Policy**

The Financial Planning Policy has directly informed the compilation of the 2015-16 MTREF with the emphasis on affordability and long-term sustainability. Although we are busy reviewing the policy, its contents have been of significance in the preparation of the MTREF. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The financial planning outcomes are taken to Council and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2014/15 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investments possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

The above policy together with those listed below will be made available on the municipality's website, as well as:

- Property Rates Policy;
- Budget and virement Policy; and
- Indigents Policy.

### **2.5 Overview of budget assumptions**

#### **2.5.1 External factors**

South Africa's economy has continued to grow, but at a slower rate than projected at the time of the 2013 Budget. GDP growth reached 2.5% in 2012 and declined to 1.8% in 2013, grew to 2.7% in 2014, rising to 3.5 % in 2016. Inflation has remained moderate, with consumer prices rising by 5.7 % in 2014 and projected to increase by an average of 5.8% a year over the period ahead.

Consequently, municipal revenues and cash flows are expected to gradually improve during 2015-16. However, given that the likely recovery is not guaranteed and, at best, is likely to be slow, the municipality still had to adopt a conservative approach in projecting expected revenues and cash receipts. This has also applied to managing all revenue and cash streams effectively, as well as evaluation of the spending decision.

### **2.5.2 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 municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices of bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 40% of total operating expenditure in the 2015-16 MTREF. The increase in employee related costs is at least within inflation levels at 5.8%. We have applied the guideline increase by National Treasury as contained in Circulars 72.

### **2.5.3 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 current municipal loan book is based on fixed interest. Hence, the 2015-16 MTREF is based on all borrowings being undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

### **2.5.4 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at varying rates at or above the CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecast term.

### **2.5.5 Salary increases**

The National Treasury guide of (5.8%) increments has been applied across the board. CPI rates have been factored in for the two outer years of the MTREF.

### **2.5.6 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 form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skills development;
- Improving health service;
- 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.

### 2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90% is achieved on operating expenditure and 100% on the capital programme for the 2015-16 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 27 Breakdown of the operating revenue over the medium-term

| Description  | Budget year 1415  |          | 2015/16 Medium Term Revenue & Expenditure Framework |          |                        |          |                        |
|--|-------------------|----------|---|----------|------------------------|----------|------------------------|
|  | Pre-audit outcome | Movement | Budget Year 2015/16                                 | Movement | Budget Year +1 2016/17 | Movement | Budget Year +2 2017/18 |
| <b>Revenue By Source</b>   |                   |          |   |          |                        |          |                        |
| Property rates   | 23,628            | 20%      | 28,392  | 17%      | 33,212                 | 6%       | 35,139                 |
| Property rates - penalties & collection charges                      | –                 | 0%       | –   | 0%       | –                      | 0%       | –                      |
| Service charges - electricity revenue                                | 72,422            | 13%      | 81,613  | 6%       | 86,346                 | 6%       | 91,354                 |
| Service charges - water revenue                                      | 61,432            | 10%      | 67,575  | 8%       | 72,794                 | 6%       | 77,017                 |
| Service charges - sanitation revenue                                 | 29,036            | 2%       | 29,617  | 11%      | 32,870                 | 6%       | 34,777                 |
| Service charges - refuse revenue                                     | 9,525             | 7%       | 10,192  | 6%       | 10,783                 | 6%       | 11,409                 |
| Rental of facilities and equipment                                   | 1,152             | 6%       | 1,219   | 6%       | 1,290                  | 6%       | 1,364                  |
| Interest earned - external investments                               | 48                | 0%       | –   | 0%       | –                      | 0%       | –                      |
| Interest earned - outstanding debtors                                | 4,801             | 30%      | 6,250   | 6%       | 6,613                  | 6%       | 6,996                  |
| Fines  | 855               | 6%       | 904   | -100%    | –                      | 0%       | 1,012                  |
| Licences and permits   | 1,993             | 58%      | 3,149   | 6%       | 3,331                  | 6%       | 3,525                  |
| Agency services  | 2,000             | 33%      | 2,653   | 6%       | 2,807                  | 6%       | 2,970                  |
| Transfers recognised - operational                                   | 69,092            | -6%      | 64,841  | 3%       | 67,054                 | 2%       | 68,703                 |
| Other revenue  | 9,103             | 2%       | 9,305   | 6%       | 9,845                  | 6%       | 10,416                 |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>285,086</b>    |          | <b>311,390</b>                                      |          | <b>327,903</b>         |          | <b>344,681</b>         |

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a high per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and



- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2015-16 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over medium-term

| Description                           | 2014/16  | 2016/2017 | 2017/2018 |
|---------------------------------------|----------|-----------|-----------|
| R thousand                            | % Change | % Change  | % Change  |
| Property rates                        | 6%       | 6%        | 6%        |
| Service charges - electricity revenue | 13%      | 6%        | 6%        |
| Service charges - water revenue       | 12%      | 6%        | 6%        |
| Service charges - sanitation revenue  | 7%       | 6%        | 6%        |
| Service charges - refuse revenue      | 8%       | 6%        | 6%        |

Revenue to be generated from property rates is R28 million in the 2015-16 financial year and increases to R31 million by 2016-17 which represents 6 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Service charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R259 million for the 2015-16 financial year and increasing to R273 million by 2016-17. For the 2015-16 financial year services charges amount to 71% of the total revenue base.

Operational grants and subsidies amount to R65 million, R67 million and R69 million for each of the respective financial years of the MTREF, or 21% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are declining on the MTREF by 6% and 6% for the two outer years.

The tables below provide detail investment information and investment particulars by maturity.

Table 29 MBRR SA15 – Detail Investment Information

| Investment type                            | 2010/11         | 2011/12         | 2012/13         | Current Year 2013/14 |                 |                    | 2014/15 Medium Term Revenue & Expenditure |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2014/15                       | Budget Year +1 2015/16 | Budget Year +2 2016/17 |
| R thousand                                 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Parent municipality</b>                 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Deposits - Public Investment Commissioners | 3,075           | 2,764           | 2,972           | 2,625                | 2,625           | 2,625              | 250                                       | 272                    | 296                    |
| Municipality sub-total                     | 3,075           | 2,764           | 2,972           | 2,625                | 2,625           | 2,625              | 250                                       | 272                    | 296                    |

Table 30 MBRR SA16 – Investment particulars by maturity

| Investments by Maturity             | Expiry date of investment | Opening balance | Interest to be realised | Partial / Premature Withdrawal (4) | Investment Top Up | Closing Balance |
|-------------------------------------|---------------------------|-----------------|-------------------------|------------------------------------|-------------------|-----------------|
| Name of institution & investment ID |                           |                 |                         |                                    |                   |                 |
| <b>Parent municipality</b>          |                           |                 |                         |                                    |                   |                 |
| ABSA Investment                     | after 32 days             | 111             | 47                      | –                                  | –                 | 158             |
| SANLAM MONEY MARKET                 | Unit Trusts               | 10              | 23                      | –                                  | –                 | 33              |
| SANLAM MONEY MARKET                 | Unit Trusts               | 37              | 22                      | –                                  | –                 | 59              |
| OLD MUTUAL                          |                           | 2,424           | –                       | (2,424)                            | –                 | –               |
|                                     |                           |                 |                         |                                    |                   | –               |
|                                     |                           |                 |                         |                                    |                   | –               |
|                                     |                           |                 |                         |                                    |                   | –               |
| <b>Municipality sub-total</b>       |                           | <b>2,582</b>    | <b>92</b>               | <b>(2,424)</b>                     | <b>–</b>          | <b>250</b>      |

## 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015-16 medium-term capital programme:

Table 31 Sources of capital revenue over the MTREF

| Vote Description                      | 2011/12       | 2012/13       | 2013/14       | Current Year 2014/15 |                |                |                | 2015/16 Medium Term Revenue & Expenditure |                |                |
|---------------------------------------|---------------|---------------|---------------|----------------------|----------------|----------------|----------------|---|----------------|----------------|
| R thousand                            | Audited       | Audited       | Audited       | Original             | Adjusted       | Full Year      | Pre-audit      | Budget Year                               | Budget Year +1 | Budget Year +2 |
| <b>Funded by:</b>                     |               |               |               |                      |                |                |                |   |                |                |
| National Government                   | 24,824        | 24,074        | 8,621         | 32,296               | 36,396         | 36,396         | 36,396         | 29,172                                    | 30,215         | 31,779         |
| Provincial Government                 | –             | –             | –             | –                    | –              | –              | –              | –   | –              | –              |
| District Municipality                 | –             | –             | –             | –                    | –              | –              | –              | –   | –              | –              |
| Other transfers and grants            | –             | –             | –             | –                    | –              | –              | –              | –   | –              | –              |
| <b>Transfers recognised - capital</b> | <b>24,824</b> | <b>24,074</b> | <b>8,621</b>  | <b>32,296</b>        | <b>36,396</b>  | <b>36,396</b>  | <b>36,396</b>  | <b>29,172</b>                             | <b>30,215</b>  | <b>31,779</b>  |
| Public contributions & donations      | –             | –             | 22,476        | 44,000               | 71,000         | 71,000         | 71,000         | –   | –              | –              |
| Borrowing                             | –             | –             | –             | –                    | –              | –              | –              | –   | –              | –              |
| Internally generated funds            | –             | 2,374         | –             | 13,891               | 3,162          | 3,162          | 3,162          | 30,666                                    | 19,317         | 27,503         |
| <b>Total Capital Funding</b>          | <b>24,824</b> | <b>26,448</b> | <b>31,097</b> | <b>90,187</b>        | <b>110,558</b> | <b>110,558</b> | <b>110,558</b> | <b>59,838</b>                             | <b>49,532</b>  | <b>59,282</b>  |

The above table is graphically represented as follows for the 2015-16 financial year.

Borrowing still remains an insignificant funding source for the capital programme over the medium-term with additional borrowings planned to finance infrastructure assets. The following table is a detailed analysis of the municipality's borrowing liability.

Table 32 MBRR Table SA 17 – Detail of borrowings

| Borrowing - Categorised by type            | 2011/12         | 2012/13         | 2013/14         | Current Year 2014/15 |                 |                    | 2015/16 Medium Term Revenue & Expenditure |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| 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 |
| <b>Parent municipality</b>                 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Long-Term Loans (annuity/reducing balance) | –               | 7,796           | 6,499           | 5,840                | 5,840           | 5,840              | 4,305                                     | 3,874                  | 3,487                  |
| Other Securities                           | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Municipality sub-total</b>              | <b>–</b>        | <b>7,796</b>    | <b>6,499</b>    | <b>5,840</b>         | <b>5,840</b>    | <b>5,840</b>       | <b>4,305</b>                              | <b>3,874</b>           | <b>3,487</b>           |

Table 33 MBRR Table SA 18 – Capital transfers and grants receipts

| 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 |
| <b>R thousand</b>                                     |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>RECEIPTS:</b>                                      | 1, 2 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Operating Transfers and Grants</b>                 |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                           |      | 55,801          | 55,658          | 63,569          | 64,753               | 64,753          | 64,753             | 63,673  | 63,054                 | 64,703                 |
| Local Government Equitable Share                      |      | 52,832          | 52,832          | 60,129          | 60,733               | 60,733          | 60,733             | 60,064  | 59,287                 | 60,525                 |
| Municipal Systems Improvement                         |      | 790             | 1,500           | 1,550           | 934                  | 934             | 934                | 934   | 957                    | 1,033                  |
| Finance Management                                    |      | 1,500           | 790             | 890             | 1,600                | 1,600           | 1,600              | 1,675   | 1,810                  | 2,145                  |
| EPWP Incentive  |      | 679             | 536             | 1,000           | 1,486                | 1,486           | 1,486              | 1,000   | 1,000                  | 1,000                  |
| Other transfers/grants [insert description]           |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                         |      | –               | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Ig seta   |      |                 | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
| <b>District Municipality:</b>                         |      | 474             | –               | 190             | 2,231                | 2,231           | 2,231              | –   | –                      | –                      |
| Fire Reimbursement Subsidy                            |      | 474             |                 | 190             | 2,231                | 2,231           | 2,231              | –   |                        |                        |
| <b>Other grant providers:</b><br>[insert description] |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Operating Transfers and Grants</b>           | 5    | 56,275          | 55,890          | 63,849          | 69,092               | 69,092          | 69,092             | 65,173  | 64,304                 | 66,003                 |
| <b>Capital Transfers and Grants</b>                   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                           |      | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Municipal Infrastructure Grant (MIG)                  |      | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Other capital transfers/grants [insert desc]          |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                         |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other capital transfers/grants [insert description]   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>District Municipality:</b>                         |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Fire Reimbursement Subsidy                            |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Other grant providers:</b><br>[insert description] |      | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Capital Transfers and Grants</b>             | 5    | 34,750          | 22,474          | 27,261          | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>       |      | 91,025          | 78,364          | 91,110          | 102,018              | 102,018         | 102,018            | 94,345  | 94,519                 | 97,782                 |

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves councillors and management's ability to understand the cash flow management. Some specific features include:

- Clear separation of receipts payments within each cash flow category:
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 34 MBRR Table – 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 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates, penalties & collection charges    |     | 14,250          | 16,750          | 18,500          | 22,331               | 22,331          | 22,331             | 22,331            | 25,552  | 28,108                 | 30,918                 |
| Service charges                                   |     | 107,892         | 71,302          | 76,943          | 125,945              | 163,418         | 162,816            | 162,155           | 170,097   | 187,106                | 205,817                |
| Other revenue                                     |     | 3,750           | 2,685           | 1,640           | 1,804                | 1,984           | 2,183              | 2,401             | 9,147   | 10,061                 | 11,068                 |
| Government - operating                            | 1   | 57,208          | 77,521          | 72,470          | 69,092               | 69,092          | 69,092             | 69,092            | 64,841  | 62,054                 | 62,054                 |
| Government - capital                              | 1   | 34,474          | 29,490          | 27,250          | 32,926               | 32,926          | 32,926             | 32,926            | 29,172  | 30,215                 | 31,779                 |
| Interest  |     | 1,250           | 1,375           | 1,513           | 3,664                | 4,030           | 4,433              | 4,876             | 5,625   | 6,613                  | 6,996                  |
| Dividends   |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| <b>Payments</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (186,159)       | (174,670)       | (155,412)       | (212,550)            | (222,432)       | (222,432)          | (222,432)         | (290,283)   | (307,615)              | (332,797)              |
| Finance charges                                   |     | (4,061)         | (4,041)         | (11,893)        | (361)                | (361)           | (361)              | (361)             | (438)   | (464)                  | (492)                  |
| Transfers and Grants                              | 1   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | <b>28,604</b>   | <b>20,412</b>   | <b>31,010</b>   | <b>42,851</b>        | <b>70,988</b>   | <b>70,988</b>      | <b>70,988</b>     | <b>13,712</b>                                       | <b>16,078</b>          | <b>15,343</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     | 677             | 180             | 300             | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Decrease (increase) in non-current debtors        |     | (5,950)         | 310             | (213)           | -                    | -               | -                  | -                 | 5,342   | 5,392                  | 6,184                  |
| Decrease (increase) other non-current receivables |     | -               | -               | -               | 2,400                | 2,400           | 2,400              | 2,400             | 9,972   | 10,969                 | 12,066                 |
| Decrease (increase) in non-current investments    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Payments</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (22,826)        | (20,232)        | (31,097)        | (45,251)             | (72,251)        | (72,251)           | (72,251)          | (29,172)  | (30,215)               | (31,779)               |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | <b>(28,099)</b> | <b>(19,742)</b> | <b>(31,010)</b> | <b>(42,851)</b>      | <b>(69,851)</b> | <b>(69,851)</b>    | <b>(69,851)</b>   | <b>(13,858)</b>                                     | <b>(13,854)</b>        | <b>(13,529)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Short term loans                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Borrowing long term/refinancing                   |     | -               | 498             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Increase (decrease) in consumer deposits          |     | (54)            | 128             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Payments</b>                                   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Repayment of borrowing                            |     | (451)           | (1,297)         | -               | -                    | (1,137)         | (1,137)            | (1,137)           | (2,014)   | (1,914)                | (1,714)                |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  |     | <b>(505)</b>    | <b>(670)</b>    | <b>-</b>        | <b>-</b>             | <b>(1,137)</b>  | <b>(1,137)</b>     | <b>(1,137)</b>    | <b>(2,014)</b>                                      | <b>(1,914)</b>         | <b>(1,714)</b>         |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      |     | <b>-</b>        | <b>0</b>        | <b>-</b>        | <b>(0)</b>           | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>(2,160)</b>                                      | <b>310</b>             | <b>100</b>             |
| Cash/cash equivalents at the year begin:          | 2   | <b>3,500</b>    | <b>4,350</b>    | <b>3,137</b>    | <b>5,441</b>         | <b>1,940</b>    | <b>1,940</b>       | <b>1,940</b>      | <b>4,100</b>  | <b>1,940</b>           | <b>2,250</b>           |
| Cash/cash equivalents at the year end:            | 2   | <b>3,500</b>    | <b>4,350</b>    | <b>3,137</b>    | <b>5,441</b>         | <b>1,940</b>    | <b>1,940</b>       | <b>1,940</b>      | <b>1,940</b>  | <b>2,250</b>           | <b>2,350</b>           |

The above table shows that cash and cash equivalent of the municipality are anticipated to be comfortable for 2015/2016 budgeted financial year showing a balance R1.9 million due to the anticipated decrease in debtors as a result of the measures being taken to collect debts from consumer debtors. The municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions are expected to translate into positive cash flows and ultimately an improvement on the cash position for the municipality

### 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:

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall 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)

Table 35 MBRR Table 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                                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash and investments available             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end      | 1   | 3,500           | 4,350           | 3,137           | 5,441                | 1,940           | 1,940              | 1,940             | 1,940   | 2,250                  | 2,350                  |
| Other current investments > 90 days        |     | 2,370           | 4,250           | 190             | (1,075)              | 2               | 2                  | 2                 | 19  | 272                    | 297                    |
| Non current assets - Investments           | 1   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Cash and investments available:            |     | 5,870           | 8,600           | 3,327           | 4,366                | 1,942           | 1,942              | 1,942             | 1,959   | 2,522                  | 2,647                  |
| Application of cash and investments        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers              |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Unspent borrowing                          |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Statutory requirements                     | 2   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Other working capital requirements         | 3   | 21,087          | 43,419          | 185,863         | (76,222)             | (92,650)        | (92,377)           | (92,076)          | 13,517  | 8,685                  | 3,399                  |
| Other provisions                           |     | (18,320)        | (38,320)        | (188,320)       | 76,222               | 92,650          | 92,377             | 92,076            | (13,748)  | (8,807)                | (3,725)                |
| Long term investments committed            | 4   | 2,764           | 3,137           | 3,324           | 2,625                | 201             | 201                | 201               | 250   | 394                    | 623                    |
| Reserves to be backed by cash/investments  | 5   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Total Application of cash and investments: |     | 5,531           | 8,236           | 867             | 2,625                | 201             | 201                | 201               | 19  | 272                    | 297                    |
| Surplus(shortfall)                         |     | 339             | 364             | 2,460           | 1,741                | 1,741           | 1,741              | 1,741             | 1,940   | 2,250                  | 2,350                  |

From the above table it can be seen that the cash and investments availability total R1.9 million in the 2015-16 financial year and remains constant by 2016-17, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investment Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipts delays will have a greater requirement for working capital, as was experienced by the municipality in 2014/15 resulting in cash flow challenges. Any underperformance in relation to collections could place upward pressure on the ability of the municipality to meet its financial obligations.

It can be concluded that the municipality focused to have a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing decreases in 2016-17 but is expected to increase in 2017-18. 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.

#### 2.6.4 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 40 MBRR 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 |
| <b>Funding measures</b>                                       |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end - R'000                 | 18(1)b       | 1   | 3,500           | 4,350           | 3,137           | 5,441                | 1,940           | 1,940              | 1,940             | 1,709   | 2,250                  | 2,350                  |
| Cash + investments at the yr end less applications - R'000    | 18(1)b       | 2   | 339             | 364             | 2,460           | 2,260                | 7,455           | 7,369              | 7,274             | 3,221   | 5,104                  | 6,785                  |
| Cash year end/monthly employee/supplier payments              | 18(1)b       | 3   | 0.2             | 0.3             | 0.2             | 0.4                  | 0.1             | 0.1                | 0.1               | 0.1   | 0.1                    | 0.1                    |
| Surplus/(Deficit) excluding depreciation offsets: R'000       | 18(1)        | 4   | 32,647          | (5,015)         | (93,209)        | 114,044              | 152,960         | 152,960            | 152,960           | 67,175  | 66,108                 | 74,291                 |
| Service charge rev % change - macro CPIIX target exclusive    | 18(1)a,(2)   | 5   | N.A.            | (35.4%)         | (4.8%)          | 66.3%                | 4.0%            | (6.0%)             | (6.0%)            | 7.8%  | (0.2%)                 | (0.2%)                 |
| Cash receipts % of Ratepayer & Other revenue                  | 18(1)a,(2)   | 6   | 76.3%           | 67.4%           | 76.0%           | 75.7%                | 86.9%           | 86.7%              | 86.5%             | 85.1%   | 88.5%                  | 92.0%                  |
| Debt impairment expense as a % of total billable revenue      | 18(1)a,(2)   | 7   | 2.3%            | 6.8%            | 12.2%           | 1.2%                 | 1.1%            | 1.1%               | 1.1%              | 6.5%  | 6.5%                   | 6.4%                   |
| Capital payments % of capital expenditure                     | 18(1)c,(19)  | 8   | 92.0%           | 76.5%           | 100.0%          | 50.2%                | 74.1%           | 74.1%              | 74.1%             | 40.1%   | 61.0%                  | 53.6%                  |
| Borrowing receipts % of capital expenditure (excl. transfers) | 18(1)c       | 9   | 0.0%            | 21.0%           | 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  |                 |                 |                 |                      |                 |                    |                   | 0.0%  | 0.0%                   | 0.0%                   |
| Current consumer debtors % change - incr(decr)                | 18(1)a       | 11  | N.A.            | 12.4%           | 91.1%           | (53.3%)              | 0.0%            | 0.0%               | 0.0%              | 0.2%  | 9.0%                   | 9.0%                   |
| Long term receivables % change - incr(decr)                   | 18(1)a       | 12  | N.A.            | 0.0%            | 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  | 0.9%            | 1.2%            | 2.8%            | 2.3%                 | 2.3%            | 2.3%               | 2.9%              | 2.7%  | 2.7%                   | 2.8%                   |
| Asset renewal % of capital budget                             | 20(1)(vi)    | 14  | 0.0%            | 0.0%            | 0.0%            | 28.3%                | 26.2%           | 26.2%              | 0.0%              | 9.6%  | 0.0%                   | 0.0%                   |

#### 2.6.4.1 Cash/ cash equivalent position

The municipality's forecast cash 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

#### Cash plus investments 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 contained in Table 22. The reconciliation is intended to be a 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.

#### Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under financial stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts..

#### Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2015-16 MTREF the indicative outcome is a surplus of R37 million and continues to R33 and R27 million for the two outer years respectively.

#### 2.6.4.2 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.

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 11.4%, (0.6%) and (0.6%) per cent for the respective financial year of the 2015-16 MTREF.

#### 2.6.4.3 Cash receipts as a percentage of ratepayers 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 85% for 2015/2016 and it improves by 1% in the outer two financial years. 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.

#### 2.6.4.4 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 is forecasted that all capital payments will be paid within the legislative requirement that creditors be paid within 30 days. Where exceptions are made specific payment arrangements will be made with the respective parties.

#### 2.6.4.5 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. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital, as there are intentions to obtain any borrowing.

#### 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.

#### 2.6.4.6 Consumer debtors change (Current and Non-current)

The purposes of these measures are 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. The table above shows no change in non-current as those older than a year have been impaired. The debtors are anticipated to decrease due the debt collection strategies hence (2.5) % jump in consumer debtors' balance in 2015-16.

#### 2.6.4.7 Repairs and Maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicate 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.

Details of the municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 48 MBRR SA34C.

#### 2.6.4.8 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. Further details in this regard are contained in Table 47 MBRR SA34b.

## 2.7 Expenditure on grants and reconciliation of unspent funds

Table 37 MBRR SA19 – Expenditure on transfers and grant programmes

| Description<br>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 |
| <b>EXPENDITURE:</b>   | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Operating expenditure of Transfers and Grants</b>        |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:  |     | 55,793          | 55,658          | 63,569          | 64,753               | 64,753          | 64,753             | 63,673  | 63,054                 | 64,703                 |
| Local Government Equitable Share                            |     | 52,832          | 52,832          | 60,129          | 60,733               | 60,733          | 60,733             | 60,064  | 59,287                 | 60,525                 |
| Municipal Systems Improvement                               |     | 1,492           | 1,500           | 1,550           | 934                  | 934             | 934                | 934   | 957                    | 1,033                  |
| Finance Management  |     | 790             | 790             | 890             | 1,600                | 1,600           | 1,600              | 1,675   | 1,810                  | 2,145                  |
| EPWP Incentive  |     | 679             | 536             | 1,000           | 1,486                | 1,486           | 1,486              | 1,000   | 1,000                  | 1,000                  |
| Other transfers/grants [insert description]                 |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Provincial Government:                                      |     | –               | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
|   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Ig seta   |     | –               | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
| District Municipality:                                      |     | –               | 713             | 190             | 2,231                | 2,231           | 2,231              | –   | –                      | –                      |
| Fire Reimbursement Subsidy                                  |     | –               | 713             | 190             | 2,231                | 2,231           | 2,231              | –   | –                      | –                      |
| Other grant providers:<br>[insert description]              |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
|   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total operating expenditure of Transfers and Grants:</b> |     | <b>55,793</b>   | <b>56,603</b>   | <b>63,849</b>   | <b>69,092</b>        | <b>69,092</b>   | <b>69,092</b>      | <b>65,173</b>                                       | <b>64,304</b>          | <b>66,003</b>          |
| <b>Capital expenditure of Transfers and Grants</b>          |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:  |     | 22,474          | 22,474          | 8,621           | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Municipal Infrastructure Grant (MIG)                        |     | 22,474          | 22,474          | 8,621           | 32,926               | 32,926          | 32,926             | 29,172  | 30,215                 | 31,779                 |
| Other capital transfers/grants [insert desc]                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Provincial Government:                                      |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Other capital transfers/grants [insert description]         |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| District Municipality:                                      |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Fire Reimbursement Subsidy                                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other grant providers:<br>[insert description]              |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
|   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total capital expenditure of Transfers and Grants</b>    |     | <b>22,474</b>   | <b>22,474</b>   | <b>8,621</b>    | <b>32,926</b>        | <b>32,926</b>   | <b>32,926</b>      | <b>29,172</b>                                       | <b>30,215</b>          | <b>31,779</b>          |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>            |     | <b>78,267</b>   | <b>79,077</b>   | <b>72,470</b>   | <b>102,018</b>       | <b>102,018</b>  | <b>102,018</b>     | <b>94,345</b>                                       | <b>94,519</b>          | <b>97,782</b>          |



Table 38 MBRR SA20 – Reconciliation between of transfers, grant receipts and unspent funds

| 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  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Operating transfers and grants:</b>                  | 1,3 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                             |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     | 54,934          | 76,576          | 72,190          | 64,753               | 64,753          | 64,753             | 63,340  | 65,804                 | 67,403                 |
| <b>Conditions met - transferred to revenue</b>          |     | 54,934          | 76,576          | 72,190          | 64,753               | 64,753          | 64,753             | 63,340  | 65,804                 | 67,403                 |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     | 1,800           | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
| <b>Conditions met - transferred to revenue</b>          |     | 1,800           | 232             | 90              | 2,108                | 2,108           | 2,108              | 1,500   | 1,250                  | 1,300                  |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>District Municipality:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     | 474             | 713             | 190             | 2,231                | 2,231           | 2,231              | –   |                        |                        |
| <b>Conditions met - transferred to revenue</b>          |     | 474             | 713             | 190             | 2,231                | 2,231           | 2,231              | –   | –                      | –                      |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Other grant providers:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Conditions met - transferred to revenue</b>          |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total operating transfers and grants revenue</b>     |     | 57,208          | 77,521          | 72,470          | 69,092               | 69,092          | 69,092             | 64,840  | 67,054                 | 68,703                 |
| <b>Total operating transfers and grants - CTBM</b>      | 2   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Capital transfers and grants:</b>                    | 1,3 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>National Government:</b>                             |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     | 24,824          | 24,074          | 8,621           | 32,296               | 36,396          | 36,396             | 29,172  | 30,215                 | 31,779                 |
| <b>Conditions met - transferred to revenue</b>          |     | 24,824          | 24,074          | 8,621           | 32,296               | 36,396          | 36,396             | 29,172  | 30,215                 | 31,779                 |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Provincial Government:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Conditions met - transferred to revenue</b>          |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>District Municipality:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Conditions met - transferred to revenue</b>          |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Other grant providers:</b>                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Balance unspent at beginning of the year                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current year receipts                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Conditions met - transferred to revenue</b>          |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Conditions still to be met - transferred to liabilities |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total capital transfers and grants revenue</b>       |     | 24,824          | 24,074          | 8,621           | 32,296               | 36,396          | 36,396             | 29,172  | 30,215                 | 31,779                 |
| <b>Total capital transfers and grants - CTBM</b>        | 2   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>TOTAL TRANSFERS AND GRANTS REVENUE</b>               |     | 82,032          | 101,595         | 81,091          | 101,388              | 105,488         | 105,488            | 94,012  | 97,269                 | 100,482                |
| <b>TOTAL TRANSFERS AND GRANTS - CTBM</b>                |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |

## 2.8 Councillor and employee benefits

Table 39 MBRR SA22 – Summary of councillor and staff benefits

| Summary of Employee and Councillor remuneration<br>R thousand | 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 |
|   | A               | B               | C               | D                    | E               | F                  | G   | H                      | I                      |
| <b>Councillors (Political Office Bearers plus Other)</b>      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages                                      | 3,529           | 4,098           | 3,542           | 4,672                | 4,672           | 4,672              | 4,952   | 5,250                  | 5,565                  |
| Pension and UIF Contributions                                 | 217             | 252             | 592             | 630                  | 630             | 630                | 668   | 708                    | 751                    |
| Medical Aid Contributions                                     | 104             | 121             | 96              | 109                  | 109             | 109                | 115   | 122                    | 130                    |
| Motor Vehicle Allowance                                       | 1,324           | 1,537           | 1,411           | 1,440                | 1,440           | 1,440              | 1,526   | 1,618                  | 1,715                  |
| Cellphone Allowance   | 261             | 303             | 414             | 309                  | 309             | 309                | 327   | 347                    | 368                    |
| Housing Allowances  | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Other benefits and allowances                                 | 68              | 207             | 182             | 739                  | 739             | 739                | 810   | 858                    | 910                    |
| <b>Sub Total - Councillors</b>                                | <b>5,503</b>    | <b>6,516</b>    | <b>6,237</b>    | <b>7,899</b>         | <b>7,899</b>    | <b>7,899</b>       | <b>8,399</b>  | <b>8,903</b>           | <b>9,438</b>           |
| <b>% increase</b>   |                 | <b>18.4%</b>    | <b>(4.3%)</b>   | <b>26.6%</b>         | <b>0.0%</b>     | <b>–</b>           | <b>6.3%</b>   | <b>6.0%</b>            | <b>6.0%</b>            |
| <b>Senior Managers of the Municipality</b>                    |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages                                      | 4,092           | 4,608           | 5,708           | 5,984                | 6,636           | 6,636              | 7,034   | 7,456                  | 7,904                  |
| Pension and UIF Contributions                                 | –               | –               | 646             | –                    | –               | –                  | –   | –                      | –                      |
| Medical Aid Contributions                                     | 18              | 21              | 261             | –                    | 30              | 30                 | 32  | 34                     | 36                     |
| Overtime  | –               | –               | –               | –                    | 24              | 24                 | 25  | 27                     | 29                     |
| Performance Bonus   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Motor Vehicle Allowance                                       | 824             | 928             | 1,199           | 1,129                | 1,229           | 1,229              | 1,303   | 1,381                  | 1,464                  |
| Cellphone Allowance   | 39              | 44              | 39              | 47                   | 55              | 55                 | 59  | 62                     | 66                     |
| Housing Allowances  | –               | –               | 5               | 14                   | 14              | 14                 | 15  | 16                     | 17                     |
| Other benefits and allowances                                 | 36              | 41              | 562             | –                    | –               | –                  | –   | –                      | –                      |
| Payments in lieu of leave                                     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Long service awards   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Post-retirement benefit obligations                           | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Sub Total - Senior Managers of Municipality</b>            | <b>5,009</b>    | <b>5,642</b>    | <b>8,419</b>    | <b>7,174</b>         | <b>7,988</b>    | <b>7,988</b>       | <b>8,468</b>  | <b>8,976</b>           | <b>9,514</b>           |
| <b>% increase</b>   |                 | <b>12.6%</b>    | <b>49.2%</b>    | <b>(14.8%)</b>       | <b>11.3%</b>    | <b>–</b>           | <b>6.0%</b>   | <b>6.0%</b>            | <b>6.0%</b>            |
| <b>Other Municipal Staff</b>                                  |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Basic Salaries and Wages                                      | 38,311          | 43,917          | 60,401          | 53,664               | 53,664          | 53,664             | 54,330  | 57,590                 | 61,045                 |
| Pension and UIF Contributions                                 | 9,148           | 10,222          | 9,765           | 11,156               | 11,156          | 11,156             | 11,825  | 12,535                 | 13,287                 |
| Medical Aid Contributions                                     | 2,539           | 2,838           | 2,960           | 3,772                | 3,772           | 3,772              | 3,998   | 4,238                  | 4,492                  |
| Overtime  | 1,493           | 2,701           | 5,736           | 3,363                | 4,626           | 4,626              | 4,903   | 5,198                  | 5,509                  |
| Performance Bonus   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Motor Vehicle Allowance                                       | 3,093           | 3,456           | 5,383           | 6,209                | 6,693           | 6,693              | 7,094   | 7,520                  | 7,971                  |
| Cellphone Allowance   | 215             | 240             | 234             | 512                  | 516             | 516                | 547   | 580                    | 615                    |
| Housing Allowances  | 44              | 49              | 63              | 155                  | 179             | 179                | 190   | 201                    | 213                    |
| Other benefits and allowances                                 | 3,808           | 4,256           | 11,696          | 8,591                | 8,591           | 8,591              | 9,106   | 9,653                  | 10,232                 |
| Payments in lieu of leave                                     | 3,242           | 3,623           | –               | –                    | –               | –                  | –   | –                      | –                      |
| Long service awards   | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Post-retirement benefit obligations                           | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Sub Total - Other Municipal Staff</b>                      | <b>61,893</b>   | <b>71,302</b>   | <b>96,237</b>   | <b>87,421</b>        | <b>89,196</b>   | <b>89,196</b>      | <b>91,994</b>                                       | <b>97,513</b>          | <b>103,364</b>         |
| <b>% increase</b>   |                 | <b>15.2%</b>    | <b>35.0%</b>    | <b>(9.2%)</b>        | <b>2.0%</b>     | <b>–</b>           | <b>3.1%</b>   | <b>6.0%</b>            | <b>6.0%</b>            |
| <b>Total Parent Municipality</b>                              | <b>72,405</b>   | <b>83,460</b>   | <b>110,893</b>  | <b>102,494</b>       | <b>105,083</b>  | <b>105,083</b>     | <b>108,861</b>                                      | <b>115,393</b>         | <b>122,316</b>         |
|   |                 | <b>15.3%</b>    | <b>32.9%</b>    | <b>(7.6%)</b>        | <b>2.5%</b>     | <b>–</b>           | <b>3.6%</b>   | <b>6.0%</b>            | <b>6.0%</b>            |
| <b>Sub Total - Board Members of Entities</b>                  | <b>–</b>        | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>% increase</b>   |                 | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| Post-retirement benefit obligations                           | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Sub Total - Senior Managers of Entities</b>                | <b>–</b>        | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>% increase</b>   |                 | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| Post-retirement benefit obligations                           | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| <b>Sub Total - Other Staff of Entities</b>                    | <b>–</b>        | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>% increase</b>   |                 | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>Total Municipal Entities</b>                               | <b>–</b>        | <b>–</b>        | <b>–</b>        | <b>–</b>             | <b>–</b>        | <b>–</b>           | <b>–</b>  | <b>–</b>               | <b>–</b>               |
| <b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>                | <b>72,405</b>   | <b>83,460</b>   | <b>110,893</b>  | <b>102,494</b>       | <b>105,083</b>  | <b>105,083</b>     | <b>108,861</b>                                      | <b>115,393</b>         | <b>122,316</b>         |
| <b>% increase</b>   |                 | <b>15.3%</b>    | <b>32.9%</b>    | <b>(7.6%)</b>        | <b>2.5%</b>     | <b>–</b>           | <b>3.6%</b>   | <b>6.0%</b>            | <b>6.0%</b>            |
| <b>TOTAL MANAGERS AND STAFF</b>                               | <b>66,902</b>   | <b>76,944</b>   | <b>104,656</b>  | <b>94,595</b>        | <b>97,184</b>   | <b>97,184</b>      | <b>100,461</b>                                      | <b>106,489</b>         | <b>112,878</b>         |

| <b>Disclosure of Salaries, Allowances &amp; Benefits 1.</b>   | <b>Ref</b> | <b>No.</b> | <b>Salary</b>    | <b>Contributions</b> | <b>Allowances</b> | <b>Performance Bonuses</b> | <b>In-kind benefits</b> | <b>Total Package</b> |
|---|------------|------------|------------------|----------------------|-------------------|----------------------------|-------------------------|----------------------|
| Rand per annum  |            |            |                  | 1.                   |                   |                            |                         | 2.                   |
| <b>Councillors</b>  | 3          |            |                  |                      |                   |                            |                         |                      |
| Speaker   | 4          |            | 402,451          |                      | 174,534           |                            |                         | 576,985              |
| Chief Whip  |            |            | 503,063          |                      | 99,007            |                            |                         | 602,070              |
| Executive Mayor   |            |            | 511,092          |                      | 210,092           |                            |                         | 721,184              |
| Deputy Executive Mayor  |            |            | -                |                      | -                 |                            |                         | -                    |
| Executive Committee   |            |            | 782,674          |                      | 353,277           |                            |                         | 1,135,951            |
| Total for all other councillors                               |            |            | 3,467,878        |                      | 1,893,972         |                            |                         | 5,361,850            |
| <b>Total Councillors</b>                                      | 8          | -          | <b>5,667,157</b> | <b>-</b>             | <b>2,730,882</b>  |                            |                         | <b>8,398,039</b>     |
| <b>Senior Managers of the Municipality</b>                    | 5          |            |                  |                      |                   |                            |                         |                      |
| Municipal Manager (MM)  |            |            | 1,037,865        |                      | 214,093           |                            |                         | 1,251,957            |
| Chief Finance Officer   |            |            | 780,295          |                      | 205,574           |                            |                         | 985,868              |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
| List of each official with packages >= senior manager         |            |            |                  |                      |                   |                            |                         |                      |
| Chief Operating Officer                                       |            |            | 868,375          |                      | 94,540            |                            |                         | 962,916              |
| Corporate Services Manager                                    |            |            | 868,375          |                      | 94,540            |                            |                         | 962,916              |
| Planning and Development Manager                              |            |            | 760,639          |                      | 205,574           |                            |                         | 966,213              |
| Community Services Manger                                     |            |            | 760,295          |                      | 183,229           |                            |                         | 943,523              |
| Technical Services Manager                                    |            |            | 770,984          |                      | 205,574           |                            |                         | 976,558              |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
| <b>Total Senior Managers of the Municipality</b>              | 8,10       | -          | <b>5,846,828</b> | <b>-</b>             | <b>1,203,123</b>  | <b>-</b>                   |                         | <b>7,049,951</b>     |
| <b>A Heading for Each Entity</b>                              | 6,7        |            |                  |                      |                   |                            |                         |                      |
| List each member of board by designation                      |            |            |                  |                      |                   |                            |                         |                      |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
|   |            |            |                  |                      |                   |                            |                         | -                    |
| <b>Total for municipal entities</b>                           | 8,10       | -          | <b>-</b>         | <b>-</b>             | <b>-</b>          | <b>-</b>                   |                         | <b>-</b>             |
|   |            |            |                  |                      |                   |                            |                         |                      |
| TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION | 10         | -          | 11,513,985       | -                    | 3,934,005         | -                          |                         | 15,447,991           |

Table 41 MBRR SA24 – Summary of personnel numbers

| Summary of Personnel Numbers                                  | Ref | 2013/14   |                     |                    | Current Year 2014/15 |                     |                    | Budget Year 2015/16 |                     |                    |
|---|-----|-----------|---------------------|--------------------|----------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
|   |     | Positions | Permanent employees | Contract employees | Positions            | Permanent employees | Contract employees | Positions           | Permanent employees | Contract employees |
| <b>Municipal Council and Boards of Municipal Entities</b>     |     |           |                     |                    |                      |                     |                    |                     |                     |                    |
| Councillors (Political Office Bearers plus Other Councillors) |     | 23        | –                   | 23                 | 23                   | –                   | 23                 | 23                  | –                   | 23                 |
| Board Members of municipal entities                           | 4   | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| <b>Municipal employees</b>                                    | 5   | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Municipal Manager and Senior Managers                         | 3   | 7         | –                   | 7                  | 7                    | –                   | 7                  | 7                   | –                   | 7                  |
| Other Managers  | 7   | 29        | 29                  | –                  | 29                   | –                   | –                  | 29                  | –                   | –                  |
| Professionals   |     | 61        | 61                  | –                  | 89                   | 58                  | 6                  | 79                  | 58                  | 6                  |
| Finance   |     | 44        | 44                  | –                  | 44                   | 36                  | 5                  | 34                  | 36                  | 5                  |
| Spatial/town planning   |     | 6         | 6                   | –                  | 33                   | 11                  | 1                  | 33                  | 11                  | 1                  |
| Information Technology  |     | 3         | 3                   | –                  | 4                    | 3                   | –                  | 4                   | 3                   | –                  |
| Roads   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Electricity   |     | 3         | 3                   | –                  | 3                    | 3                   | –                  | 3                   | 3                   | –                  |
| Water   |     | 3         | 3                   | –                  | 3                    | 3                   | –                  | 3                   | 3                   | –                  |
| Sanitation  |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Refuse  |     | 2         | 2                   | –                  | 2                    | 2                   | –                  | 2                   | 2                   | –                  |
| Other   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Technicians   |     | 105       | 105                 | –                  | 409                  | 221                 | 36                 | 305                 | 221                 | 36                 |
| Finance   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Spatial/town planning   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Information Technology  |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Roads   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Electricity   |     | 22        | 22                  | –                  | 13                   | 20                  | –                  | 13                  | 20                  | –                  |
| Water   |     | 28        | 28                  | –                  | 53                   | 34                  | 8                  | 43                  | 34                  | 8                  |
| Sanitation  |     | 20        | 20                  | –                  | 39                   | 19                  | 7                  | 39                  | 19                  | 7                  |
| Refuse  |     | 18        | 18                  | –                  | 101                  | 59                  | 11                 | 71                  | 59                  | 11                 |
| Other   |     | 17        | 17                  | –                  | 203                  | 89                  | 10                 | 139                 | 89                  | 10                 |
| Clerks (Clerical and administrative)                          |     | 56        | 56                  | –                  | 26                   | 18                  | –                  | 26                  | 18                  | –                  |
| Service and sales workers                                     |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Skilled agricultural and fishery workers                      |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Craft and related trades                                      |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Plant and Machine Operators                                   |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| Elementary Occupations  |     | –         | –                   | –                  | –                    | –                   | –                  | –                   | –                   | –                  |
| <b>TOTAL PERSONNEL NUMBERS</b>                                | 9   | 281       | 251                 | 30                 | 583                  | 297                 | 72                 | 469                 | 297                 | 74                 |

## 2.9 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). Management took a position to review all contract between the municipality and various institutions and where necessary negotiate for cancellation as based on the merits to the municipality.

### Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and Final on the repair and maintenance of assets.

Table 42 MBRR SA 34a – Capital expenditure on new assets by asset class

| 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 |
| Capital expenditure on new assets by Asset Class/Sub-class |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Infrastructure   |  |     | 24,181          | 16,921          | 21,743          | 54,321               | 61,694          | 61,694             | 42,648  | 38,000                 | 46,000                 |
| Infrastructure - Road transport                            |  |     | 7,381           | –               | 1,864           | –                    | –               | –                  | 21,898  | 15,000                 | 10,000                 |
| Roads, Pavements & Bridges                                 |  |     | 7,381           | –               | 1,864           |                      |                 |                    | 21,898  | 15,000                 | 10,000                 |
| Storm water  |  |     | –               | –               |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Electricity                               |  |     | –               | 1,623           | 449             | –                    | –               | –                  | 20,300  | 5,000                  | 4,800                  |
| Generation   |  |     | –               | –               |                 |                      |                 |                    |   |                        |                        |
| Transmission & Reticulation                                |  |     | –               | 1,623           | 449             |                      |                 |                    | 20,300  | 5,000                  | 4,800                  |
| Street Lighting  |  |     | –               | –               |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Water                                     |  |     | –               | –               | –               | 40,436               | 40,436          | 40,436             | 450   | 13,000                 | 26,000                 |
| Dams & Reservoirs  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Water purification   |  |     |                 |                 |                 | 40,436               | 40,436          | 40,436             | 450   | 13,000                 | 26,000                 |
| Reticulation   |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Sanitation                                |  |     | 16,800          | 15,298          | 19,430          | 13,885               | 21,258          | 21,258             | –   | 5,000                  | 5,200                  |
| Reticulation   |  |     | 16,800          | 15,298          | 19,430          | 13,885               | 21,258          | 21,258             | –   | 5,000                  | 5,200                  |
| Sewerage purification                                      |  |     | –               | –               |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Other                                     |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Waste Management   |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Transportation   |  | 2   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Gas  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other  |  | 3   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Community  |  |     | –               | –               | –               | 6,044                | 6,044           | 6,044              | 3,501   | 750                    | 1,250                  |
| Parks & gardens  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sportsfields & stadia                                      |  |     |                 |                 |                 |                      |                 |                    | 3,500   |                        |                        |
| Swimming pools   |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Community halls  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Libraries  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Recreational facilities                                    |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Fire, safety & emergency                                   |  |     |                 |                 |                 | 4,844                | 4,844           | 4,844              | 1   | 750                    | 1,250                  |
| Security and policing                                      |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Buses  |  | 7   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Clinics  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Museums & Art Galleries                                    |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Cemeteries   |  |     |                 |                 |                 | 1,200                | 1,200           | 1,200              |   |                        |                        |
| Social rental housing                                      |  | 8   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Heritage assets  |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Buildings  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other  |  | 9   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Investment properties                                      |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Housing development  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other  |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other assets   |  |     | 643             | 9,527           | 9,354           | 4,301                | 4,300           | 4,300              | 7,726   | 10,782                 | 12,032                 |
| General vehicles   |  |     | 643             | 750             | 6,000           |                      |                 |                    | 4,716   |                        |                        |
| Specialised vehicles                                       |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Plant & equipment  |  |     | –               | 190             | –               | 3,000                | 3,000           | 3,000              | –   |                        |                        |
| Computers - hardware/equipment                             |  |     | –               | 333             | –               |                      |                 |                    | –   | 6,250                  | 7,500                  |
| Furniture and other office equipment                       |  |     | –               | 100             | 353             |                      |                 |                    |   |                        |                        |
| Abattoirs  |  |     | –               | –               | –               |                      |                 |                    |   |                        |                        |
| Markets  |  |     | –               | –               | –               |                      |                 |                    |   |                        |                        |
| Civic Land and Buildings                                   |  |     | –               | 1,210           | 3,000           | 0                    |                 |                    | 3,011   |                        |                        |
| Other Buildings  |  |     | –               | –               | –               |                      |                 |                    |   |                        |                        |
| Other Land   |  |     | –               | –               | –               | 1,300                | 1,300           | 1,300              | –   | 4,532                  | 4,532                  |
| Surplus Assets - (Investment or Inventory)                 |  |     | –               | –               | –               |                      |                 |                    |   |                        |                        |
| Other  |  |     | –               | 6,944           | –               | 0                    | 0               | 0                  |   |                        |                        |
| Agricultural assets  |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| List sub-class   |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Biological assets  |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| List sub-class   |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Intangibles  |  |     | –               | –               | –               | –                    | –               | –                  | –   | –                      | –                      |
| Computers - software & programming                         |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other (list sub-class)                                     |  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Total Capital Expenditure on new assets                    |  | 1   | 24,824          | 26,448          | 31,097          | 64,666               | 72,038          | 72,038             | 53,875  | 49,532                 | 59,282                 |

Table 44 MBRR SA34c – Repairs and maintenance expenditure by asset class

| Description  | 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 | Budget Year 2015/16                                 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |       |
| R thousand   | 1      |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Repairs and maintenance expenditure by Asset Class/Sub-class |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Infrastructure   | 2<br>3 | 12,002          | 9,629           | 21,743          | 25,827               | 25,827          | 25,827             | 27,495  | 29,090                 | 30,777                 |       |
| Infrastructure - Road transport                              |        | 1,838           | 3,602           | 1,864           | 7,852                | 7,852           | 7,852              | 8,292   | 8,773                  | 9,282                  |       |
| Roads, Pavements & Bridges                                   |        | 1,838           | 3,602           | 1,864           | 7,852                | 7,852           | 7,852              | 8,292   | 8,773                  | 9,282                  |       |
| Storm water  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Infrastructure - Electricity                                 |        | 6,421           | 1,099           | -               | 9,091                | 9,091           | 9,091              | 9,600   | 10,157                 | 10,746                 |       |
| Generation   |        | -               | -               | -               | 9,091                | 9,091           | 9,091              | 9,600   | 10,157                 | 10,746                 |       |
| Transmission & Reticulation                                  |        | 6,421           | 1,099           | -               |                      |                 |                    |   |                        |                        |       |
| Street Lighting  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Infrastructure - Water                                       |        | 2,843           | 2,979           | 449             | 4,872                | 4,872           | 4,872              | 5,144   | 5,443                  | 5,759                  |       |
| Dams & Reservoirs  |        | 2,843           | 2,979           | -               | 4,872                | 4,872           | 4,872              | 5,144   | 5,443                  | 5,759                  |       |
| Water purification   |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Reticulation   |        | -               | -               | 449             |                      |                 |                    |   |                        |                        |       |
| Infrastructure - Sanitation                                  |        | 900             | 1,949           | 19,430          | 4,012                | 4,012           | 4,012              | 4,237   | 4,482                  | 4,742                  |       |
| Reticulation   |        | 900             | 1,949           | 19,430          | 4,012                | 4,012           | 4,012              | 4,237   | 4,482                  | 4,742                  |       |
| Sewerage purification  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Infrastructure - Other                                       |        | -               | -               | -               | -                    | -               | -                  | -   | 222                    | 235                    |       |
| Waste Management   |        |                 |                 |                 |                      |                 |                    |   | 222                    | 235                    |       |
| Transportation   |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Gas  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Other  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Community  |        |                 | 1,697           | 461             | -                    | 3,253           | 3,253              | 3,253   | 3,535                  | 3,740                  | 3,957 |
| Parks & gardens  |        | 7               | 1,138           |                 |                      | 3,257           | 3,257              | 3,257   | 3,439                  | 3,639                  | 3,850 |
| Sportsfields & stadia  |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Swimming pools   |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Community halls  |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Libraries  |        |                 | 1               |                 |                      | -               | -                  | -   |                        |                        |       |
| Recreational facilities                                      |        |                 | -               | 461             |                      | -               | -                  | -   |                        |                        |       |
| Fire, safety & emergency                                     |        |                 | -               | -               |                      | (4)             | (4)                | (4)   | 95                     | 101                    | 107   |
| Security and policing  |        |                 | 15              | -               |                      | -               | -                  | -   |                        |                        |       |
| Buses  |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Clinics  |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Museums & Art Galleries                                      |        |                 | -               | -               |                      | -               | -                  | -   |                        |                        |       |
| Cemeteries   | 543    |                 | -               |                 | -                    | -               | -                  |   |                        |                        |       |
| Social rental housing  | -      |                 | -               |                 | -                    | -               | -                  |   |                        |                        |       |
| Other  | -      |                 | -               |                 | -                    | -               | -                  |   |                        |                        |       |
| Heritage assets  | 9      |                 | -               | -               | -                    | -               | -                  | -   | -                      | -                      | -     |
| Buildings  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Other  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Investment properties  |        | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |       |
| Housing development  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Other  |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Other assets   | 10     | 17              | 2,608           | 9,354           | -                    | -               | -                  | 4,609   | 5,312                  | 4,916                  |       |
| General vehicles   |        |                 |                 | 6,000           |                      |                 |                    | 4,550   | 5,250                  | 4,850                  |       |
| Specialised vehicles   |        | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |       |
| Plant & equipment  |        | -               | 2,357           | -               |                      |                 |                    |   |                        |                        |       |
| Computers - hardware/equipment                               |        | 17              | -               | -               |                      |                 |                    |   |                        |                        |       |
| Furniture and other office equipment                         |        | -               | 4               | 353             |                      |                 |                    | 14  | 15                     | 16                     |       |
| Abattoirs  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Markets  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Civic Land and Buildings                                     |        | -               | 191             | 3,000           |                      |                 |                    | 45  | 47                     | 50                     |       |
| Other Buildings  |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Other Land   |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Surplus Assets - (Investment or Inventory)                   |        | -               | -               | -               |                      |                 |                    |   |                        |                        |       |
| Other  |        | -               | 56              | -               |                      |                 |                    |   |                        |                        |       |
| Agricultural assets  |        |                 | -               | -               | -                    | -               | -                  | -   | -                      | -                      |       |
| List sub-class   |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Biological assets  |        | -               | -               | -               | -                    | -               | -                  | -   | -                      |                        |       |
| List sub-class   |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Intangibles  |        | -               | -               | -               | -                    | -               | -                  | -   | -                      |                        |       |
| Computers - software & programming                           |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Other (list sub-class)                                       |        |                 |                 |                 |                      |                 |                    |   |                        |                        |       |
| Total Repairs and Maintenance Expenditure                    | 1      | 13,716          | 12,698          | 31,097          | 29,079               | 29,079          | 29,079             | 35,639  | 38,142                 | 39,650                 |       |

Table 45 MBRR SA36 – Detailed capital budget per municipal vote

| THABAZIMBI LOCAL MUNICIPALITY  |                             |                |                      |                      |
|--|-----------------------------|----------------|----------------------|----------------------|
| 2015/16 PROJECT LIST PER KEY PERFORMANCE AREA                            |                             |                | 90,888,059.00        | 21,941,000.00        |
| PROJECT NAME   | DEPARTMENT                  | FUNDING SOURCE | 2015-16              |                      |
|  |                             |                | CAPITAL              | OPERATING            |
| <b>KPA: SPATIAL DEVELOPMENT and LOCAL ECONOMIC DEVELOPMENT</b>           |                             |                |                      |                      |
| Township Establishment- Northam Ext 20                                   | Town planning               | TLM            |                      | 350,000.00           |
| Through media Publications and Exhibitions                               | LED                         | TLM            |                      | 150,000.00           |
| Title Deeds for Proclaimed Townships                                     | Town Planning               | TLM            |                      | 230,000.00           |
| <b>Sub-total Spatial Development</b>                                     | -                           |                | -                    | <b>500,000.00</b>    |
| <b>KPA : BASIC SERVICES DEVELOPMENT &amp; INFRASTRUCTURE DEVELOPMENT</b> |                             |                |                      |                      |
| Upgrading of Municipal Buildings.  | Corporate Services          | TLM            | 3,010,732.00         |                      |
| Regorogile Paving of Internal streets Ward 9, 10 and 12                  | Technical Services          | MIG            | 6,500,000.00         |                      |
| Northam upgrading of internal streets Ext 7 and 8.                       | Technical Services          | MIG            | 6,000,000.00         |                      |
| Upgrading of sport and Recreation facilities                             | Technical & Social services | MIG            | 3,500,000.00         |                      |
| Development of Land fill sites, Thabazimbi Northam and Rooiberg          | Social Services             | TLM            | 4,500,000.00         |                      |
| Construction of VIP toilets ( Wards 1, 2,3,4 and 6).                     | Technical Services          | MIG            | 3,213,400.00         | -                    |
| Review of Water Safety Plan (Blue and Green drop).                       | Technical Services          | TLM            | -                    | 1,026,000.00         |
| Review of Water Conservation and Demand Management Strategy.             | Technical Services          | TLM            | -                    | 600,000.00           |
| Review of Water Services Development Plan (WSDP).                        | Technical Services          |                | -                    | 1,200,000.00         |
| Upgrading of Existing Parks.   | Social Services             | TLM            | 800,000.00           | -                    |
| Upgrading of Electricity Switchgears.                                    | Technical Services          | TLM            | 3,000,000.00         | -                    |
| Thabazimbi construction of new Tarred Roads.                             | Technical Services          | TLM            | 3,398,400.00         | -                    |
| Raphuti paving of internal streets (Ward 4)                              | Technical Services          | MIG            | 6,000,000.00         | -                    |
| Installation of Highmast lights & Street Lights                          | Technical Services          | MIG            | 2,800,000.00         |                      |
| Installation of Smart Metering system (Electricity)                      | Technical Services          | Dept of Energy | 27,000,000.00        |                      |
| Thabazimbi Upgrading of Waste Water Treatment works                      | Technical Services          | TLM            | 14,500,000.00        |                      |
| <b>Subtotal basic service delivery</b>                                   |                             |                | <b>84,222,532.00</b> | <b>2,826,000.00</b>  |
| <b>KPA : PUBLIC SAFETY</b>   |                             |                |                      |                      |
| Road Marking Project   |                             |                | -                    | 350,000.00           |
| Installation of traffic signs  | Public Safety               |                | 300,000.00           | -                    |
| Construction of Parking bays   | Public Safety               | TLM            | 650,000.00           | -                    |
| Upgrading of Thabazimbi Vehicle Testing Station.                         | Social Services             | TLM            | 1,000,000.00         | -                    |
|  |                             |                | <b>1,950,000.00</b>  | <b>-</b>             |
| <b>KPA : Good Governance and Public Participation</b>                    |                             |                |                      |                      |
| Printing of SDBIP  | MMs                         | MSIG           |                      | 150,000.00           |
| Printing of the IDP document   | MMs                         | MSIG           |                      | 350,000.00           |
| Rebranding of the Municipality (billboards)                              | MMs                         | TLM            |                      | 190,000.00           |
| Performance Management System  | MMs                         | TLM            | 450,000.00           | 3,800,000.00         |
| Operation clean audit  | MMs                         | TLM            |                      |                      |
|  |                             |                | <b>450,000.00</b>    | <b>4,490,000.00</b>  |
| <b>MAYORAL OUTREACH PROGRAMME</b>  |                             |                |                      |                      |
| Youth Day  | Mayors'                     | TLM            |                      | 165,000.00           |
| Heritage Day   | Mayors'                     | TLM            |                      | 225,000.00           |
| Disability Day   | Mayors'                     | TLM            |                      | 350,000.00           |
| HIV & AIDS Projects  | Mayors'                     | TLM            |                      | 450,000.00           |
| Human Rights Day   | Mayors'                     | TLM            |                      | 295,000.00           |
| Womens Programmes  | Mayors'                     | TLM            |                      | 430,000.00           |
| Family Day   | Mayors'                     | TLM            |                      | 410,000.00           |
|  |                             |                | -                    | <b>2,325,000.00</b>  |
| <b>Financial Viability and Management</b>                                |                             |                |                      |                      |
| Updating of Supplementary Valuation roll                                 | CFO's Office                | TLM            |                      | 3,200,000.00         |
| Compilation of Fixed Assets Register                                     | CFO's Office                | FMG            |                      | 3,725,000.00         |
| Credit control and Debt Management Project                               | CFO's Office                | TLM            |                      | 3,500,000.00         |
| Meter Reading Project  | CFO's Office                | TLM            |                      | 900,000.00           |
| Training of interns  | CFO's Office                | TLM            |                      | 1,600,000.00         |
| <b>Subtotal financial viability</b>                                      |                             |                | -                    | <b>10,425,000.00</b> |
| <b>Municipal Transformation and institutional Development</b>            |                             |                |                      |                      |
| Promulgation of by-laws  | Corporate Services          | DBSA           |                      | 1,500,000.00         |
| Acquire new fleet  | Corporate Services          | TLM            | 4,715,527.00         | -                    |
| Legal publications   | Corporate Services          | TLM            |                      | 250,000.00           |
| Implementation of Occupational Health and Safety Act                     | Corporate Services          | TLM            |                      | 450,000.00           |
| Training of Employees Councillors and community members.                 | Corporate Services          | TLM            |                      | 1,500,000.00         |
| <b>Subtotal municipal transformation</b>                                 |                             |                | <b>4,715,527.00</b>  | <b>3,700,000.00</b>  |
| <b>GRAND TOTAL</b>   |                             |                | <b>91,338,059.00</b> | <b>21,941,000.00</b> |

## 2.11 Legislation compliance status

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

1. In year reporting  
Reporting to National Treasury in electronic format has seen a marginal improvement since the turn of the year. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes quarterly published financial performance on the municipality's website.
2. Internship Programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Budget and Treasury Office. The interns have since been given permanent contracts.
3. Budget and Treasury Office  
The Budget and Treasury Office was established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee was established and is fully functional.
5. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
6. MFMA Training  
The MFMA training module in electronic format is presented at the municipality and training is going.
7. 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. The municipality's Property Rates Policy has also been reviewed to take into account changes in the amended Municipal Property Rates Act.

Other budget related policies in existence include the following:

- Tariff policy
- Credit control policy
- Budget virement policy
- Supply Chain Management Policy
- Asset Management Policy
- Indigent Policy



**Municipal manager's quality certificate**

---

I, C.G Booysen, the Acting Municipal manager of Thabazimbi Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Acting Municipal Manager of Thabazimbi Local Municipality (LIM361)

Signature \_\_\_\_\_

Date \_\_\_\_\_