

THABAZIMBI LOCAL MUNICIPALITY

ANNUAL BUDGET 2016-17



2016/17 TO 2018/19

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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7 Rietbok Street

Thabazimbi
(LIM 361), 0380
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GLOSSARY OF TERMS AND ABBREVIATIONS

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial- and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting, or affected by, the budget. Examples include tariff policy, rates policy and credit control and debt policy.

Budget Steering committee (BSC) – Committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the municipality, and the month end cash and short-term investment balances,

CGD – Capital Grants and Donations,

CPI – Headline Consumer Price Index,

CRR – Capital Replacement Reserve,

DMTN – Domestic Medium Term Note,

DORA – Division of Revenue Act. Annual legislation, which shows the allocations from National to Local Government,

DORB – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted at assisting municipalities with the costs of free basic services.

GFS – Government Finance Statistics, An internationally recognized classification system that facilitates comparisons between municipalities,

IDP – Integrated Development Plan, The main strategic planning document of a municipality,

KPI – Key Performance Indicators, Measures of service output and/or outcome,

MBRR – Municipal Budget Reporting Regulations

MFMA - Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to Municipal Financial Management,

MTREF – Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.

SDBIP – Service Delivery Budget Implementation Plan, A detailed plan comprising quarterly performance targets and monthly budget estimates,

SFA – Strategic Focus Areas, The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these Strategic Focus Areas.

Portfolio Committee – In line with Section 79 of the Structures Act, the Council Portfolio Committees process policies and bylaws relating to the functional areas within their terms of reference, and are responsible for implementation monitoring of these, as well as oversight of the functional areas. Portfolio Committees are also responsible for assessing and monitoring services delivery, ensuring that annual budgets are spent wisely, and that there is no wastage or corruption.

Rates – Local Government tax based on assessed valuation of a property.

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 Madamesty
- 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

Madam Speaker, the background of our Municipality needs no lecture we are all aware that the state of our National Economy and consequently our Municipality is not pleasant. Liquidity challenges, low capacity utilization, lack of human resource skills, low investor, community and donor confidence and high levels of unemployment are there for all to see. The Municipality was placed under section 139(1) (b) of the Constitution of the Republic of South Africa in a bid to try and maintain the service delivery standards to our communities.

Notwithstanding the challenges on the bigger stage we have an obligation to succeed against all odds. Despite all the challenges, backlogs and deficits in almost every facet of council operations, we must thrive to make our Municipality of Thabazimbi a place to be and world class in terms of standards. When we came into office in 2011 May, I indicated that the target is to leave the municipality better off than we found it. Just over five years now and at the pinnacle of our term, I can reinforce and assure you that we have tried our best.

May I, therefore, take this opportunity to present the State of the Municipality and 2016/17 budget forecasts to you Madamourable Speaker;

Madam. Speaker, the 2016/17 Annual Budget and IDP were prepared under challenging circumstances considering that growth of the world economy is still staggering from the financial ills of yesteryear, and global institutions are struggling to find their feet. The budget framework for the next three years is designed to manage the risk(s) in constrained fiscal environment(s) while building a foundation for economic growth. The Annual Budget and IDP were also prepared after taking into consideration a number of issues that were raised during the Strategic Planning Session held on in March 2016.

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 6 %, projected real GDP growth of 2.6% 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.

Madam. Speaker, the tough economic times that we currently face push us to be more creative, more innovative but still need to remain highly productive. A conservative approach has been adopted when projecting expected revenues and cash receipts as municipal cash flows are expected to remain constrained during the 2016/17 budget year. These economic challenges will continue to pressurize municipal revenue generation and collection hence a conservative approach is advised for projecting revenue. These circumstances make it essential for our municipalities to reprioritize expenditure and implement stringent cost-containment measures ie catering, travelling costs, overtime costs, excessive use of consultants and other administrative costs needs to be strongly controlled.

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 and with the recent closure of Thabazimbi Kumba mine, the number is expected to have increased.

A world class Municipal status is attainable but it demands a world class and committed team of councilors, a world class team of managers, world class employees and above all a world class type of resident.

A World class citizen plays his or her part of the bargain especially through being rates compliant. In this regard we pray for an effective working relationship between the municipality and the ratepayers. We need to ensure

that the people we seek to serve have committed themselves to working with the municipality and, with that, to the obligations of a Municipal resident. Let us introspect and realize that we all have a part to play in achieving our goals.

We are therefore committed to providing first class service and promoting a conducive environment for living and investing. We all know that the existence of the Municipality is affected by other external factors there turning points on a macro-level because the Municipality is not an island and what affects the country as a whole has an impact on our operations. Our Municipality is also a victim of general slump in mineral prices indirectly so and the closure of Thabazimbi Kumba Iron ore will have a dire impact on the growth of the Municipality.

2. Revenue

Total operating revenue of R303 million has been budgeted for in the 2016/17 financial year and will increase to R319 million over the MTREF period. The budgeted revenue has increased by 27% from the approved adjusted budget for the 2015/16 financial year.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2015/16 financial year revised budget, revenue from rates and services charges totalled R160 million and this constituted 67% of the total revenue (excluding capital receipts). In the forecasted year 201/17, Rates and service charges increased to R 221 million and this still constitutes 73% of total revenue for the year. A 6% increase on property rates is proposed in line with the general increase on consumer price index, we continue to review our policies to remove inefficiencies and to align ourselves with our surrounding municipalities. However, historical errors of undercharging in certain categories continue to be corrected. ie The tariff for State owned properties and Industrial and commercial properties tariff was in the past set way below the residential tariff and this is also rectified in phases in this budget document.

The municipality has experienced poor cash flows in 2015/16 financial year due to poor revenue collection strategies and allocations which were held up from the fiscus due to various reasons however the municipality has since set up an effective credit control unit and additional auxiliary measures to ensure improved billing and collections methods are explored.

The municipality continues to perform 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. This is expected to be fully completed with a comprehensive meter replacement:

- All faulty and non functioning meters will be replaced during the first quarter of the 2016/17 financial year and this will result in accurate meter readings taken.
- The municipality is in the process of acquiring smart metering software to ensure that proper debt control is implemented as per our policy, the first phase of this project commenced in 2015/16 financial year in ward 2 and needs to continue to other wards as well.
- The municipality will be converting from conventional electricity meters to prepaid meters during the financial year 2016/17, this is continuing as planned.
- 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 R67 million in the 2016/17 financial year and is forecasted to maintain at R67 million over the MTREF period. An additional re-imbursement grant from LG SETA is also included amounting to R1.5m mainly earmarked to improve the human capacity in terms of training.

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 and correct incorrectly zoned properties in prior years 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 2016/17 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 overall increase of 35% in revenue from property rates is based on maintaining the value of the property revenue to the municipality in real terms. Corrections of the State owned properties and Businesses tariff has been partially rectified in the budget forecasts. The recently undertaken benchmarking exercise shows that the Municipal Tariffs in this category compared to our neighbouring Municipalities are too low .

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.

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

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 12% from 1 July 2016. 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 0.4% mark-up to try and break even on water distribution incorporating distribution losses.

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 2016/17.

2.3 Sale of Electricity and Impact of Tariff Increase

NERSA has announced the revised bulk electricity pricing structure. An 8% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering Eskom increases, the consumer tariff had to be increased by 8% to offset the additional bulk purchase cost from 1 July 2016. 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 verification will need to be conducted to authenticate the beneficiaries as per our Municipal indigent policy.

3 Expenditure

The municipality's expenditure framework for the 2016/17 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 2016/17 financial year totals), which equals to 40% of the total operating expenditure .This represents 7% increment from revised 2015/16 figures. The increase is due to annual salary increase of 7% as guided by the multi year Salary and Wage collective Agreement. The municipal Orgarnogram was reviewed and duplications were removed from the structure, this has assisted immensely to ensure that the employee benefits are kept within the legislated limits.

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 expenditure includes distribution losses. We will continue to reduce the distribution losses relating to revenue foregone during the budget year and this will ease our cash flow crisis.

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. For 2016/17 the appropriation for repairs and maintenance is R15 million which constitutes 6% of the total operating expenditure for 2016/17 and continues to grow at 5.9% for the two outer years of MTREF

Aligned to the priority number one of our 2016/17 IDP to provide water and sanitation we need to preserve and maintain the municipality's current infrastructure, the 2016/17 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.

There is a reduction on general expenditure and contracted services as a result of anticipated cost containment measures as a result of reducing non priority spending.

3.3 Capital Expenditure

In 2016/17, R 169 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 R81 million, and R86 million respectively for each of the financial years. The smart metering project was allocated R19 million, construction of Northam and Thabazimbi cemeteries was allocated R1.8 million. The electricity projects amounts to a total of R22M with

R3.7million funded by the National Treasury for Intergrated National Electrification Programme and the remaining being for Smart Metering Project. Additional Funding of R45 million was allocated for the Thabazimbi Waste Water Treatment Project and R4 million was reserved for IT related projects to improve connectivity and communication between our sparsely distributed departments.

Anglo American Platinum and Kumba iron ore committed to finance R24 m and R20m respectively for water projects during the 2016/17financial year. Godisanang Community Development Trust has also committed to assist with funding the Municipal IDP on various projects as set out on the capital expenditure table.

4 Conclusion

Let me commend the efforts made by the Municipality in creating and maintaining good relations with various stakeholders such as Residents Associations, Workers Unions, the National government and the media. The municipality values the existing relationships and there is room for further collaboration to enhance service delivery.

Let me thank those of our residents who have taken the steps to help. I will single out just a few. Rustenburg Platinum mine, Kumba Iron ore, Northam Platinum, PPC Mine, Cronimet, Godisanang Community Development Trust and the various Stakeholders Associations, various spheres of government for the support they have given the Municipality and deciding to look at the bigger picture of service delivery.

The role and scope of the elected councilor have over the years changed most markedly. Most of our councilors carry a lot of financial obligations which go unnoticed and unreported. I thank you for your sacrifices in going way beyond your means in dealing with municipal matters.

Ladies and Gentlemen, we are not saints but we must labor to make things possible under the circumstances. It is us who can make a difference, we wish Thabazimbi to be a safe place, to have trafficable roads, to be a beautiful town, to have public amenities, affordable housing, water being available to all. One of the options of looking forward is looking back to see how things were done 5 to 10 years back.

Immediate Resolutions

- a). Council must address its Human Resources cost by a combination of salary cuts and/or head count reduction as a matter of immediate priority.
- b). Our ratepayers must be more compliant and fulfill their obligations to the Municipality.
- c). Our water supply programmes must remain on course for current projects and government must assist with longer term capital projects.
- d). Council must improve financial performances and overall efficiencies as an institution and where internal capacities are questionable outsourcing of critical service must be justified if it brings in efficiencies.

The journey is still on. May all the optimists join us, our council, management and workers of the municipality of Thabazimbi in this challenging but promising journey to a much improved and world class town.

I thank you

1.2 Council resolutions

That the Draft annual budget for the 2016/2017 MTREF for the different votes be approved and adopted as set out in the following Tables;

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 2016/17 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;
 - 1.1.2. Final Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained;
 - 1.1.3. Final Budgeted Financial Performance (revenue by source and expenditure by type) as contained.
 - 1.1.4. Multi-year and single-year Final capital appropriations by municipal vote and standard classification and associated funding by source.
 - 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
 - 1.2.2 Budgeted Cash flows as contained
 - 1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in;
 - 1.2.4 Asset management as contained
 - 1.2.5 Basic service delivery measurement as contained;
- 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 2016:
 - 2.1 The tariffs for property rates – as set out in Annexure 2
 - 2.1.2 Tarriff 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
 - 2.1.8 Credit Control By-law
 - 2.1.9 Property Rates By-law
 - 2.2.0 Resolutions Levying Property Rates Taxes
 - 2.2.1 Circular 78 of MFMA
 - 2.2.2 Borrowing Framework Policy
 - 2.2.3 Cash Management and Investment Policy
 - 2.2.4 Funding Reserves Policy
- 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 2016 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 concept 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.

1.3 Executive summary

General

The total budget quantum for the 2016/17 year is R382 million, of which R 265 million (69%) is allocated to the operating budget and R72 million (18%) to the capital budget.

b. Operating Budget Expenditure

Total operating expenditure has decreased from R301 million in 2015/16(Adjusted approved budget) to R 282 million in 2016/17. This 7% reduction is primarily the result of decreases in several expenditure components and a general reduction in revenue from service charges prompting the municipality to be very conservative and reduce unnecessary spending, examples of which are noted in the table below.

Table 1 Year-on-year growth of expenditure components

Description / R Thousand	Approved Adjusted Budget 2015/16	2016/17 Medium Term Revenue & Expenditure	Year on Year Movement
Expenditure By Type			
Employee related costs	107,179	114,599	7%
Remuneration of councillors	8,398	8,100	-4%
Debt Impairment	15,030	5,932	-61%
Depreciation & asset impairment	43,881	21,976	-50%
Finance charges	838	1,888	125%
Bulk purchases	69,908	76,432	9%
Contracted services	3,830	2,653	-31%
Other expenditure	52,920	50,450	-5%
Total Expenditure	301,984	282,029	-7%

Reasons for significant increases/decreases in expenditure

- Employee Related Costs: A 7% increment as expected to be reached on the bargaining council is anticipated; however the overall increase is only 3% on the overall employee costs due to significant savings that are expected from the reduction of unnecessary overtime claims, in addition the review of the Organogram and streamline duplications by removing non critical positions should see the employee costs going down in the next financial year. Thus, all managers are expected to monitor and restrict overtime and uncontrolled travelling of employees to minimum levels.
- Payment of an additional EXCO member's salary after the court case was finalized has distorted the consistency of remuneration of council from prior year.
- Debt Impairment: This is expected to decrease from R15 million to R6 million, largely due to the budgetary treatment of Fines as prescribed in IGRAP1 Accounting Standard, which states that Fines should be budgeted for at 100% of fines issued. Prior to IGRAP1, the City accounted for revenue from Fines on cash basis. A provision for the amount deemed uncollectable has also now been included from the 2016/17 financial year. In addition, the Municipality anticipates a debt write off during 2015/16 due to the debt campaign that is currently on-going and also the availability of a complete indigent register should also see a significant balance being written off as unrecoverable before the commencement of 2016/17 financial year.

- **Finance Charge:** This increased by 125%, due to interest rate fluctuation and long outstanding payables, however for budgeting purposes we have limited it to the CPI. We anticipate the benefits of the Financial Recovery Plan being drafted by the National Treasury on behalf of the Municipality and the current intervention of Section 139(1) (b) should have commenced to bear fruits.
- **Contracted Services:** This allocation includes provision for Repairs & Maintenance, which decreased from prior year mainly due to the fact that the Municipality over depended on Consultants in previous years and with the current intervention a moratorium was placed on all unnecessary procurement.
- **Bulk Purchases:** An overall increase of 9% is anticipated during the 2016/17 financial year mainly driven by the direct cost drivers ie the increase in portable water from Magalies which is 12% and 8% for Bulk Electricity from Eskom. The abnormal losses recorded for the past financial years are expected to have been reduced to acceptable levels, through Installation of Smart Meters for Electricity and a repairs and Maintenance Plan on the water network.

Other Expenditure

Other Expenditure (R Thousand)	2016/17 ALLOCATION
Legal fees	2,941.00
Land fill sites Maintenance	4,030.00
IT Infrastructure Maintenance	4,078.00
Leases, Rentals Printers etc	2,372.00
External Audit fees	3,231.00
Water and Lights	1,000.00
Administration Costs	8,300.00
Auditor General	3,000.00
Training Related Programmes FMG. MSIG, etc	4,500.00
Stationery and Cleaning Materials	1,250.00
Repairs and Maintenance	15,192.00
Telephone Costs	556.00
Total	50,450.00

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 becomes financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

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. All these areas are regarded as areas where possible savings can be salvaged and it would be prudent for the Municipality to place moratoriums on a number of these and concentrate on ensuring that the long outstanding creditors are fully serviced and the Municipality becomes solvent.

National treasury's MFMA Circulars No. 58, 59, 66 & 67 and 78 were used to guide in the compilation of the 2016/17 MTREF, please refer to Annexure 12.

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 (12%) as well as Eskom (8%)), 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;
- 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 2016/17 MTREF process; and
- The long outstanding creditors placing the Municipality on a difficult footing with court orders and bank garnishees.
- Incomplete capital projects from prior years and the unavailability of financial resources to finish construction.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 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 2016/17 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; A benchmarking exercise on rebates and Tariffs especially on property rates taxes would be concluded on the surrounding Municipalities.
- However, without negating the above, correction of errors in the past years, tariffs will continue to be done and adequate motivation put forward.
- The appropriations were very conservative especially allocations to the below listed expenditure classes:
 - Consultant fees
 - Special events
 - Refreshments and entertainment ie Catering
 - Ad-hoc travelling; and
 - Subsistence, travelling and conference fees
 - **Unnecessary Overtime and Stand by**

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 85-90 % 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 2014/2015 MTREF revenue (classified by main revenue source):

Table 2 Summary of revenue classified by revenue source

Description / R Thousand	Approved Adjusted Budget 2015/16	2016/17 Medium Term Revenue & Expenditure	Year on Year Movement
Revenue By Source			
Property rates	33,979	46,017	35%
Service charges - electricity revenue	62,541	90,259	44%
Service charges - water revenue	28,075	47,658	70%
Service charges - sanitation revenue	23,117	24,504	6%
Service charges - refuse revenue	12,192	12,924	6%
Rental of facilities and equipment	1,219	1,292	6%
Interest earned - outstanding debtors	6,250	764	-88%
Fines	904	3,000	232%
Licences and permits	2,649	2,808	6%
Agency services	2,153	2,283	6%
Transfers recognised - operational	64,841	67,456	4%
Other revenue	743	4,424	495%
Total Revenue (excluding capital transfers and contributions)	238,663	303,388	27%

This 27% growth is mainly as a result of;

- **Transfers recognized – operational:** The increase is due to the increase in the operational grants from (R 64 Million in 2015/16 to R 67 million in 2016/17), please refer to SA18.
- **Service Charges – Other:** This increase in revenue comprises of a tariff increment of 8% for Electricity and 12% for water services. The additional increase anticipated for both services is related to distribution losses reduction, currently water losses are 42% and Electricity losses are 25%. Repairs and Maintenance and capital projects are budgeted for to see to it that distribution losses are reduced to acceptable levels ie less than 10%.
- **Fines:** This is largely due to the budgetary treatment of Fines as prescribed in IGRAP1 Accounting Standard. The City now includes 100% revenue for fines in accordance with IGRAP1.
- **Sanitation and Refuse** removals are generally expected to increase directly with the time value of money index, IE CPI.
- **Property rates taxes** are expected to increase with the Consumer Price Index. No direct or indirect cost drivers could be attributed to the cost recovery other than collection costs. A benchmarking exercise with surrounding Municipalities will be finalized on all rate-able categories and the results of such will inform the final rates on properties.

Table 3 Percentage growth of revenue by main revenue source

Description / Category	Base Budget 2015/16	Budget Year 2016/17
Property Rates Taxes	Refer to Schedule 15 of the Tarriff book	Refer to Schedule 15 of the Tarriff book
Electricity	9%	8%
Water	14%	12%
Sanitation	6%	6%
Refuse Removal	6%	6%
Other Services	6%	6%

Rates

Property rates are based on values indicated in the General Valuation Roll 2012 (GV) with the date of valuation being 1 July 2012. The Roll is being updated for properties affected by land sub-divisions, alterations to buildings, demolitions and improvements through Supplemental Valuations. Accordingly the rates levied per individual property will depend on that property's value compared with the valuation of all the rate-able properties in the municipal area. Rebates and concessions are granted to certain categories of properties usage and/or property owner. The definitions and listing of categories are reflected in the Property Rates Policy attached as Annexure 2.

Portable Water

There is a proposed 12% increase in consumptive water and 6% for sanitation tariffs. The Bulk Water tariff has been increased by 12%. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service. Such increases are also in accordance with guidelines established in the Medium Term Revenue and Expenditure Framework. The details are reflected in the Tariff Book Annexure 1.

Solid Waste and Refuse Removal

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include refuse collection fees, disposal fees, compost sales, weighbridge fees and other ad hoc services. An increase has been approved on the Consumptive Tariffs for Collections of 6%. The details are reflected in the Tarriff Book Annexure 1.

Electricity

NERSA issued a guideline for municipal increases of 8%, based on a projected bulk increase to municipalities of 8% by Eskom. The NERSA guideline does not take into account the effect on the final increase by Eskom as an additional application for a further tariff increase to Nersa was lodged. CPI was projected at being 6%. As a result of the above, the average revenue increase requirement (and therefore the average tariff increase) is 8%. The details are reflected in Annexure 1.

Capital Expenditure

PROJECT NAME	BUDGET	FUNDER
Cemeteries	R1 800 000.00	TLM
Regorogile Ext 5 Water Supply.	R 4,600,000	MWIG
Development of groundwater for Thabazimbi and Regorogile.	R 800,000	MWIG
Housing	R 27,000,000	Human Settlements Grant/ DORA
Rooiberg Water supply.	R 4,100,000	MWIG
Leeupoort/Raphuti Water Supply.	R 1,500,000	MWIG
Schilpadnest (Smasherblock) Water Supply.	R 1,500,000	MWIG
Thabazimbi Water Conservation and Demand Management Project.	R 500,000	MWIG
Thabazimbi upgrading of water network.	R 20,000,000	Godisang Thabazimbi Community Development Trust
Development of Thabazimbi and Northam Waste Buy Back Centres.	R 3,000,000	PPC
Upgrading of sport and recreation facilities	R 4,000,000	Godisang Thabazimbi Community Development Trust
Purchase of desktop computers.	R 445,200	Godisang Thabazimbi Community Development Trust
Establish a Business Development Centre.	R 800,000	Godisang Thabazimbi Community Development Trust
Installation of electricity pre-paid meters .	R 18,000,000	DoE
Upgrading of sport and recreation facilities	R 4200 000	MIG
Construction of VIP toilets in Rooiberg, Skierlik, Dwaalboom, Jabulani, Phatsima .	R 3,213,400	MIG
Raphuti and Northam installation of High mast lights	R 2,500,000	MIG
Regorogile Paving of Internal Streets (Ward 9,10 and 12).	R 6,500,000	MIG
Thabazimbi Waste Water Treatment Project	R 45 000 000	MIG
Roads project	R 6,000,000	MIG
Northam Extension 5 & 7 upgrading of internal streets.	R 2,200,000	MIG
Thabazimbi construction of new tarred roads	R 5,000,000	Kumba Iron Ore
Construction of 80KL Elevated Storage Tank at Regorogile Ext 5 complete with Booster Pump System.	R 1,600,000	Cronimet
Construction of Communal Ablution Facilities at Meriting.	R 1,000,000	Cronimet
Total	R 169,058,600	

The table above reflects a decrease in all funding sources with an exception of the External Financing. The main contributors to the increase in external funding provisions relate to the rolled over projects from 2015/16 to 2016/17.

Table 4 Operating Transfers and Grants Receipts

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:									
Operating Transfers and Grants									
National Government:	55,658	63,569	64,753	65,408	65,408	65,408	65,921	66,022	71,944
Local Government Equitable Share	52,832	60,129	60,733	60,064	60,064	60,064	61,051	62,830	68,436
Finance Management	1,500	1,550	1,600	1,675	1,675	1,675	1,810	2,145	2,400
Municipal Systems Improvement	790	890	934	934	934	934	990	1,047	1,108
EPWP Incentive	536	1,000	1,486	2,735	2,735	2,735	2,070	–	–
Provincial Government:	232	90	2,108	1,500	1,500	1,500	1,590	1,682	1,780
LG Seta	232	90	2,108	1,500	1,500	1,500	1,590	1,682	1,780
District Municipality:	–	190	1,450	1,550	1,550	1,550	1,550	1,643	1,742
Fire Reimbursement Subsidy		190	1,450	1,550	1,550	1,550	1,550	1,643	1,742
Total Operating Transfers and Grants	55,890	63,849	68,311	68,458	68,458	68,458	69,061	69,348	75,466
Capital Transfers and Grants									
National Government:	22,474	27,261	32,926	29,172	29,172	29,172	52,463	76,810	81,641
Municipal Infrastructure Grant (MIG)	22,474	27,261	32,926	29,172	29,172	29,172	28,714	30,736	32,331
Integrated National Electrification Programme							3,749	4,074	4,310
Water Service Infrastructure Grant							20,000	42,000	45,000
Provincial Government:	–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	22,474	27,261	32,926	29,172	29,172	29,172	52,463	76,810	81,641
TOTAL RECEIPTS OF TRANSFERS & GRANTS	78,364	91,110	101,237	97,630	97,630	97,630	121,524	146,158	157,107

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

The property rates are to be levied in accordance with existing Council policies, the Local Government Municipal Property Rates Act 2004 (MPRA), the MPRA Amendment Act 2014 (MPRAA), the MPRA Regulations and the Local Government Municipal Finance Management Act 2003. The Rates Policy was compiled taking into account feedback received from the Finance Portfolio Committee, Councilors, ratepayers and clients since the adoption of the 2015/16 Property Rates Policy in May 2015.

Property rates are based on values indicated in the General Valuation Roll 2012 (GV) with the date of valuation being 1 July 2012. The Roll is being updated for properties affected by land sub-divisions, alterations to buildings, demolitions and improvements through Supplemental Valuations. Accordingly the rates levied per individual property will depend on that property's value compared with the valuation of all the rate-able properties in the municipal area. Rebates and concessions are granted to certain categories of property usage and/or property owner. The definitions and listing of categories are reflected in the Rates Policy attached as Annexure 2.

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 done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first 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)
- Additional 10% shall be granted to townships with limited services such as Leeuport.
- Privately developed estates will be granted an additional no relief mechanisms.
- Agricultural property rebate shall amount 50%, which will only apply to owners of agricultural properties used for farming purposes.
- Public service infrastructure shall be granted 50% as they provide essential services to the community.
- 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 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 and the appropriate rate becomes effective from date of change of use.

1.4.2 Sale of Water and Impact of Tariff Increases

The proposed Portable Water Tariffs for the 2015/16 financial year are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent relief measures, Rates and Tariff Policies and Equitable Service Framework.

The progressive nature of the existing domestic stepped tariff structure both for water and sanitation allows for the needs of the indigent. It is also designed to discourage high water consumption levels, which have an impact on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption levels to ensure affordability.

The miscellaneous tariffs are levied by Water department for the provision of various services by the Department. Examples of these services are the installation of water connections and the testing of meters. The aim of these tariffs is to recover the cost of the provision of a particular service to each customer. There is a proposed 6% increase on miscellaneous tariffs.

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:

- 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 12% from 1 July 2016.

A tariff increase of 12% from 1 July 2016 for water is proposed. This is based on input cost assumptions of 12 % increase in the cost of bulk water (Magalies Water), the cost of other inputs increasing by 6%. 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 indigent residents.

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

Table 5 proposed Water Tariffs

		2015/16	2016/17
(a)	0 – 6 KL free to all indigent households	Free	Free
(b)	Per connection per KL :	R	R
	1 - 10 KL	R 13.43	R 15.04
	10 - 30 KL	R 15.04	R 16.85
	30 - 51 KL	R 16.85	R 18.87
	51- 80 KL	R 18.87	R 21.13
	80 KL and above	R 21.13	R 23.67

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

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

	2015/16	2016/17	Difference	Percentage Increase
0 – 6 KL free to all indigent households	Free	Free		
Per connection per KL :	R	R	R	R
1 - 10 KL	R 13.43	R 15.04	1.61	12%
10 - 30 KL	R 15.04	R 16.85	1.81	12%
30 - 51 KL	R 16.85	R 18.87	2.02	12%
51-80 KL	R 18.87	R 21.13	2.26	12%
80 KL and above	R 21.13	R 23.67	2.54	12%

The tariff structure of the 2015/16 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 R23.67 per kilolitre for consumption in excess of 80 kl per 30 day period,

A normal 8% increment will be effected on the 2016/17 tariffs for residents supplied directly from ground water ie Leeuport residents etc.

Areas Supplied from Ground Water				
	2015/16	2016/17	Difference	Percentage Increase
0 – 6 KL free to all indigent households	Free	Free		
Per connection per KL :	R	R	R	R
1 - 10 KL	R 13.43	R 14.50	1.07	8%
10 - 30 KL	R 14.50	R 15.66	1.16	8%
30 - 51 KL	R 15.66	R 16.91	1.25	8%
51- 80 KL	R 16.91	R 18.27	1.36	8%
80 KL and above	R 18.27	R 19.73	1.46	8%

1.4.3 Sale of Electricity and Impact of Tariff Increase

The proposed revisions to the tariffs have been formulated in accordance with the Municipal Tariff and Rates Policy and comply with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

In terms of section 75A of the Local Government Municipal Systems Act, any fees, charges or tariffs which a municipality may wish to levy and recover in respect of any function or service of the municipality, must be approved by a resolution passed by the municipal council with a supporting vote of a majority of its members.

The Electricity Regulation Act requires that proposed revisions to the electricity consumption based tariffs be submitted to the Regulator for approval prior to implementation. Provisional approval will therefore be requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible. In November 2015, NERSA issued a guideline for municipal increases of 8%, based on a projected bulk increase to municipalities of 8%. The NERSA guideline does not take into account the effect on the overall increase of the Contributions to Rates (sales), or the impact of any growth (positive or negative). CPI was projected at being 6%.

As a result of the above, the average revenue increase requirement (and therefore the average tariff increase) is 8% subject to a response on the Municipal Application by NERSA. Present electricity tariffs were approved by Council on 28 May 2015 and were implemented with effect from 1 July 2015.

Considering Eskom increases, the consumer tariff had to be increased by 8 % to offset the additional bulk purchase cost from 1 July 2016. 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.

A detailed analysis of the proposed electricity tariffs based on the time of use concept please refer to the Tariff Book attached as Annexure 1.

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 2016 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;

- A sewerage volume charge was incorporated commencing July 2014 to date ; this is measured as a function of the water consumption monthly.
- Free sanitation (of 6 KL water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R24 million for the 2016/17 financial year.

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit mainly due to the high cost of hiring trucks and other refuse related equipments. 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. The result was that the municipal rates for dumping at landfill sites have been significantly low. 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 2016. Any increase higher than 6 % would be counter-productive and will result in affordability challenges for individual rate payers raising the risk associated with bad debts.

The following table compares current and proposed amounts payable from 1 July 2016:

Table 8 Comparison between current waste removal fees and increases

Refuse Removal	Tariff	Tariff
Detail	2016	2017
Removal of domestic refuse, once per week per dwelling	R84.13	R 89.18
Removal of domestic refuse or Rooiberg, Northam	R66.82	R70.83
Removal of domestic refuse liable from water connection date for depositing on an arranged point	R32.17	R34.10
Removal of domestic refuse once per week per dwelling at informal settlements	R32.17	R34.10
Sport clubs once per month or part thereof	R84.13	R89.17
Private users i.e. Guest farms etc) per dumping	R58.48	R61.98
Removal of refuse from business, public hospitals, schools, hostels, etc	R213.84	R226.67
For bulk refuse the weigh bridge would have to be used and charges be based on the weighed refuse	R213.84 Per Load	R226.67 Per Load
Chemicals or other environmental hazardous material special charges based on the Accounting Officers discretion would be applied.		

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include refuse collection fees, disposal fees, compost sales, weighbridge fees and other ad hoc services. An increase has been approved on the Consumptive Tariffs for Collections of 6%. An increase has been approved on the Miscellaneous Tariffs for cleaning of 6% as well.

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

LIM361 Thabazimbi - Supporting Table SA14 Household bills										
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17 % incr.	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	387.84	387.84	411.11	6.3%	6.3%	6.3%	8.0%	435.77	461.05	487.93
Electricity: Basic levy	28.40	28.40	30.10	9.0%	9.0%	9.0%	8.0%	32.51	35.05	37.78
Electricity: Consumption	1,062.48	1,062.48	1,126.23	9.0%	9.0%	9.0%	8.0%	1,216.32	1,311.20	1,413.47
Water: Basic levy	22.53	22.53	23.89	14.0%	14.0%	14.0%	12.0%	26.75	29.91	33.44
Water: Consumption	327.38	327.38	347.02	14.0%	14.0%	14.0%	12.0%	388.66	434.53	439.65
Sanitation	115.68	115.68	122.62	6.3%	6.3%	6.3%	6.0%	129.98	137.52	145.54
Refuse removal	279.13	279.13	295.88	6.3%	6.3%	6.3%	6.0%	313.63	331.82	351.17
sub-total:	2,223.44	2,223.44	2,356.84	0.65	0.65	0.65	8.5%	2,543.64	2,741.07	2,908.97
Total large household bill:	2,223.44	2,223.44	2,356.84	0.65	0.65	0.65	8.5%	2,543.64	2,741.07	2,908.97
% increase/decrease		-	6.0%	(100.0%)	-	-	9.0%		7.8%	6.1%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	263.08	263.08	278.87	6.3%	6.3%	6.3%	6.0%	295.60	312.75	330.88
Electricity: Basic levy	26.97	26.97	28.59	9.0%	9.0%	9.0%	8.0%	30.88	33.28	35.88
Electricity: Consumption	540.00	540.00	572.40	9.0%	9.0%	9.0%	8.0%	572.40	617.05	665.18
Water: Basic levy	21.40	21.40	22.68	14.0%	14.0%	14.0%	12.0%	25.41	28.40	31.76
Water: Consumption	147.85	147.85	156.72	14.0%	14.0%	14.0%	12.0%	175.53	196.24	219.40
Sanitation	109.86	109.86	116.45	6.3%	6.3%	6.3%	6.0%	123.44	130.60	138.17
Refuse removal	265.08	265.08	280.98	6.3%	6.3%	6.3%	6.0%	297.84	315.12	333.40
sub-total:	1,374.24	1,374.24	1,456.70	0.65	0.65	0.65	8.5%	1,521.09	1,633.44	1,754.66
VAT on Services	140.90	155.56								
Total small household bill:	1,515.14	1,529.81	1,456.70	0.65	0.65	0.65	8.5%	1,521.09	1,633.44	1,754.66
% increase/decrease		1.0%	(4.8%)	(100.0%)	-	-	9.0%		7.4%	7.4%
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	-	-	-	-	-	-	-	-	-	-
Electricity: Basic levy	24.29	26.97	28.59	9.0%	9.0%	9.0%	9.0%	30.88	33.28	35.88
Electricity: Consumption	353.55	392.55	416.10	9.0%	9.0%	9.0%	9.0%	449.39	484.44	522.23
Water: Basic levy	19.45	21.40	22.68	14.0%	14.0%	14.0%	12.0%	25.41	28.40	31.76
Water: Consumption	120.22	136.98	145.20	14.0%	14.0%	14.0%	12.0%	162.62	181.81	203.27
sub-total:	517.51	577.90	612.57	0.46	0.46	0.46	8.5%	668.29	727.94	793.13
VAT on Services	72.45	80.91								
Total small household bill:	589.96	658.80	612.57	0.46	0.46	0.46	8.5%	668.29	727.94	793.13
% increase/decrease		11.7%	(7.0%)	(99.9%)	-	-	9.0%		8.9%	9.0%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2016/17 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;
- 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 2016/17 budget and MTREF (classified per main type of operating expenditure).

Table 10 Summary of operating expenditure by standard classification item

R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type										
Employee related costs	75,672	99,442	101,480	100,461	107,179	107,179	107,179	114,599	118,789	126,341
Remuneration of councillors	5,692	8,419	7,086	8,398	8,398	8,398	8,398	8,100	8,667	9,273
Debt impairment	6,979	12,632	40,492	9,530	15,030	15,030	15,030	5,932	6,276	6,640
Depreciation & asset impairment	54,763	67,509	43,797	22,500	43,881	43,881	43,881	21,976	18,313	15,261
Finance charges	8,675	11,893	14,623	838	838	838	838	1,888	942	998
Bulk purchases	58,571	64,861	74,619	69,908	69,908	69,908	69,908	76,432	83,358	90,935
Other materials	-	-	-	-	-	-	-	-	-	-
Contracted services	10,403	5,349	132	3,830	3,830	3,830	3,830	2,653	2,806	2,969
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	39,031	66,744	55,099	52,920	52,920	52,920	52,920	50,450	52,522	52,465
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Total Expenditure	259,786	336,850	337,327	268,385	301,985	301,985	301,985	282,029	291,673	304,883

The budget allocation for employee related costs for the 2016/17 financial year totals R114 million (Excluding those of political office bearers), which equals 40% of the total operating expenditure. This represents a 7% increment from prior year. The increase is due to annual salary increase of 7% as guided by the multi year Salary and Wage collective Agreement.

An annual increase of 7% has been applied in the 2016/17 financial year while CPI indices of 6 % and 5.8% 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 of debt impairment was determined based on the collection rate which is expected to be high based on the debt collection strategies which management has already started implementing in the fourth quarter of 2015/16. While this expenditure is non-cash flow item, it is prudent to ensure that the impairment accurately depicts the receivables that are likely to be unrecoverable.

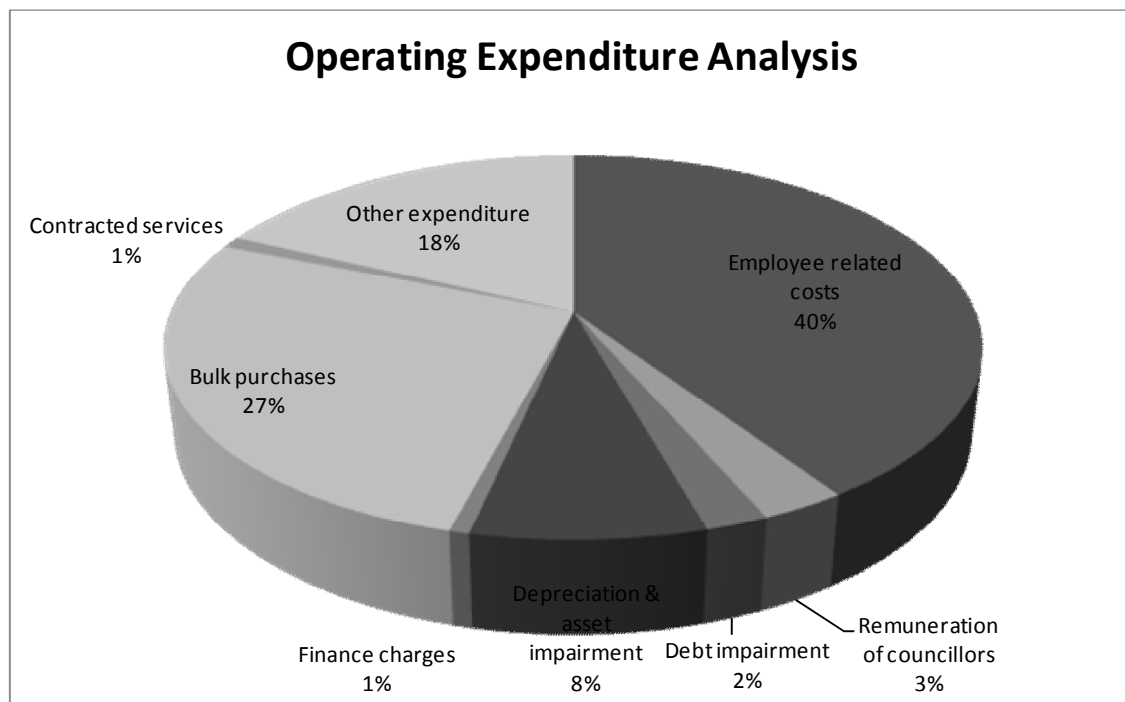
Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R21 million for the 2016/17 financial and equates 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.

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 2016/17 and maintains on R 0.9 million, to 2017/18. 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.

Breakdown of the Main Expenditure Categories for 2016/17;



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 2016/17 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. The Municipality has acknowledged its obligation to optimally preserve its extended asset base and recognizes current inherent backlogs in this regard. In line with the approach of recent financial years, 2015/16 appropriations again provide for significantly above-CPI level increases to this cost component. In terms of the MBRR, operational repairs and maintenance is not considered a direct expenditure driver, but an outcome of other expenditures, such as employee-related costs, general expenses, and purchase of material and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance.

During the compilation of the 2016/17 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 2016/17 equates to R15 million. In relation to the total operating expenditure, repairs and maintenance comprises of 6%.

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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	9,629	21,743	4,233	27,495	27,495	27,495	9,733	10,311	10,922
Infrastructure - Road transport	3,602	1,864	2,213	8,292	8,292	8,292	2,056	2,175	2,301
Roads, Pavements & Bridges	3,602	1,864	2,213	8,292	8,292	8,292	2,056	2,175	2,301
Storm water	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	1,099	-	645	9,600	9,600	9,600	826	874	925
Generation	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	1,099	-	645	9,600	9,600	9,600	826	874	925
Street Lighting	-	-	-	-	-	-	-	-	-
Infrastructure - Water	2,979	449	446	5,144	5,144	5,144	3,311	3,509	3,720
Dams & Reservoirs	2,979	-	446	5,144	5,144	5,144	3,311	3,509	3,720
Water purification	-	-	-	-	-	-	-	-	-
Reticulation	-	449	-	-	-	-	-	-	-
Infrastructure - Sanitation	1,949	19,430	104	4,237	4,237	4,237	3,250	3,445	3,652
Reticulation	1,949	19,430	104	4,237	4,237	4,237	3,250	3,445	3,652
Sewerage purification	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	824	222	222	222	290	307	325
Waste Management	-	-	824	222	222	222	290	307	325
Community	461	-	867	3,535	3,535	3,535	2,482	2,631	2,789
Parks & gardens	-	-	559	3,439	3,439	3,439	2,411	2,555	2,708
Recreational facilities	461	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	308	95	95	95	72	76	80
Other assets	2,608	9,354	2,857	4,609	4,609	4,609	2,804	2,971	3,148
General vehicles	-	6,000	2,516	4,550	4,550	4,550	2,145	2,274	2,411
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	2,357	-	-	-	-	-	-	-	-
Furniture and other office equipment	4	353	340	14	14	14	366	387	409
Civic Land and Buildings	191	3,000	-	45	45	45	293	310	328
Other	56	-	1	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	12,698	31,097	7,957	35,639	35,639	35,639	15,019	15,912	16,859

For the 2016/17 financial year, a total of R15million of total repairs and maintenance will be spent on infrastructure assets. Emphasis must be placed on repairs and maintenance of infrastructure assets mainly due to the significant distribution losses being recorded on water and electricity.

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 all qualifying households during the 2016/17 financial year; the process is to be reviewed annually. Details relating to free services, cost of free basis services, revenue forgone 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. Senior citizens and disabled persons' rates rebate is granted to qualifying applicants. The assistance to the households mentioned above are regulated by Council's budget related policies, which are reviewed annually based on the modeled impact of the tariffs and policies on all residential properties. All free basic services are provided for in

the Municipal balanced operating budget. The costs for the indigent support on charges for refuse removal, the R23 million for water and sanitation and the 50kWh of free electricity are partially 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
-	-	-	-	-	-	-	-	-	-	-
Multi-year expenditure to be appropriated	-	-	-	-	-	-	-	-	-	-
Vote 1 - Executive & council	-	-	-	-	-	-	-	-	-	-
Vote 2 - 200 Municipal Manager	-	-	-	450	450	450	450	-	-	-
Vote 3 - 300 Budget & Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - 400 Corporate Services	2,374	9,354	1,183	4,716	4,716	4,716	4,716	425	-	-
Vote 5 - 500 Planning and Economic Development	-	-	-	-	-	-	-	-	-	-
Vote 6 - 600 Community Services	209	-	-	8,800	8,800	8,800	8,800	39,058	-	-
Vote 7 - 700 Technical Services	23,865	21,743	13,530	75,423	75,423	75,423	75,423	83,575	81,810	86,641
Vote 8 - Public Safety and Protection Services 800	-	-	-	1,950	1,950	1,950	1,950	1,000	-	-
Capital multi-year expenditure sub-total	26,448	31,097	14,713	91,338	91,338	91,338	91,338	124,058	81,810	86,641
-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	26,448	31,097	14,713	91,338	91,338	91,338	91,338	124,058	81,810	86,641
Capital Expenditure - Standard	-	-	-	-	-	-	-	-	-	-
Governance and administration	2,374	9,354	1,183	10,226	10,226	10,226	10,226	425	425	425
Executive and council	-	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	-
Corporate services	2,374	9,354	1,183	10,226	10,226	10,226	10,226	425	425	425
Community and public safety	209	-	-	3,501	3,501	3,501	3,501	33,800	-	1,000
Community and social services	209	-	-	3,501	3,501	3,501	3,501	1,800	-	1,000
Sport and recreation	-	-	-	-	-	-	-	4,000	-	-
Public safety	-	-	-	-	-	-	-	1,000	-	-
Housing	-	-	-	-	-	-	-	27,000	-	-
Health	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	6,944	1,864	-	21,898	21,898	21,898	21,898	28,875	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-
Road transport	6,944	1,864	-	21,898	21,898	21,898	21,898	28,875	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Trading services	16,921	19,879	13,530	24,213	24,213	24,213	24,213	60,958	81,810	86,641
Electricity	1,623	-	-	20,300	20,300	20,300	20,300	21,700	9,074	9,310
Water	-	449	-	3,913	3,913	3,913	3,913	33,000	72,736	77,331
Waste water management	15,298	19,430	13,530	-	-	-	-	-	-	-
Waste management	(0)	-	-	-	-	-	-	6,258	-	-
Total Capital Expenditure - Standard	26,448	31,097	14,713	59,838	59,838	59,838	59,838	124,058	82,235	88,066
Funded by:	-	-	-	-	-	-	-	-	-	-
National Government	24,074	8,621	6,594	21,898	21,898	21,898	21,898	51,700	82,235	88,066
Provincial Government	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	24,074	8,621	6,594	21,898	21,898	21,898	21,898	51,700	82,235	88,066
Public contributions & donations	-	22,476	-	37,940	37,940	37,940	37,940	72,358	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	2,374	-	8,119	-	-	-	-	-	-	-
Total Capital Funding	26,448	31,097	14,713	59,838	59,838	59,838	59,838	124,058	82,235	88,066

For 2016/17 an amount of R124 million has been appropriated for the development of infrastructure assets. In the outer years this amount totals R81 million and R86 million respectively for each of the financial years.

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 2016/17 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	12,076	13,708	22,557	28,392	33,979	33,979	33,979	46,017	48,778	51,705
Service charges	90,135	89,764	120,630	188,996	125,925	125,925	125,925	175,344	187,595	200,721
Investment revenue	185	1,231	409	—	—	—	—	—	—	—
Transfers recognised - operational	77,521	72,470	64,854	64,841	64,841	64,841	64,841	67,456	67,646	73,662
Other own revenue	32,704	26,448	21,922	23,481	13,919	13,919	13,919	14,571	15,482	16,225
Total Revenue (excluding capital transfers and contributions)	212,621	203,622	230,370	305,709	238,663	238,663	238,663	303,388	319,502	342,313
Employee costs	75,672	99,442	101,480	100,461	107,179	107,179	107,179	114,599	118,789	126,341
Remuneration of councillors	5,692	8,419	7,086	8,398	8,398	8,398	8,398	8,100	8,667	9,273
Depreciation & asset impairment	54,763	67,509	43,797	22,500	43,881	43,881	43,881	21,976	18,313	15,261
Finance charges	8,675	11,893	14,623	838	838	838	838	1,888	942	998
Materials and bulk purchases	58,571	64,861	74,619	69,908	69,908	69,908	69,908	76,432	83,358	90,935
Transfers and grants	—	—	—	—	—	—	—	—	—	—
Other expenditure	56,413	84,725	95,722	66,280	71,780	71,780	71,780	59,034	61,605	62,074
Total Expenditure	299,786	336,850	337,327	268,385	301,985	301,985	301,985	282,029	291,673	304,883
Surplus/(Deficit)	(47,165)	(133,228)	(106,956)	37,324	(63,322)	(63,322)	(63,322)	21,359	27,829	37,430
Transfers recognised - capital	42,150	40,019	6,594	29,172	29,172	29,172	29,172	142,463	76,810	81,641
Contributions recognised - capital & contributed assets	—	—	4,050	27,000	27,000	27,000	27,000	27,000	—	—
Surplus/(Deficit) after capital transfers & contributions	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	190,822	104,639	119,071
Surplus/(Deficit) for the year	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	190,822	104,639	119,071
Capital expenditure & funds sources										
Capital expenditure	26,448	31,097	14,713	59,838	59,838	59,838	59,838	169,058	82,235	88,066
Transfers recognised - capital	24,074	8,621	6,594	21,898	21,898	21,898	21,898	96,700	82,235	88,066
Public contributions & donations	—	22,476	—	37,940	37,940	37,940	37,940	72,358	—	—
Borrowing	—	—	—	—	—	—	—	—	—	—
Internally generated funds	2,374	—	8,119	—	—	—	—	—	—	—
Total sources of capital funds	26,448	31,097	14,713	59,838	59,838	59,838	59,838	169,058	82,235	88,066
Financial position										
Total current assets	62,202	104,975	97,972	150,089	128,380	128,380	128,380	166,864	176,541	191,949
Total non current assets	1,095,158	1,105,842	854,065	1,311,446	1,312,504	1,312,504	1,312,504	1,386,604	1,417,176	1,423,307
Total current liabilities	97,879	257,818	281,734	198,653	333,853	333,853	333,853	288,367	261,741	242,061
Total non current liabilities	29,162	54,032	67,022	31,287	60,939	60,939	60,939	84,005	87,693	91,712
Community wealth/Equity	1,030,319	898,967	603,281	1,231,594	1,046,091	1,046,091	1,046,091	1,181,095	1,244,284	1,281,483
Cash flows										
Net cash from (used) operating	20,412	31,010	8,373	13,712	(23,427)	(23,427)	(23,427)	91,164	74,530	85,612
Net cash from (used) investing	(19,742)	(31,010)	(11,069)	(13,858)	21,414	21,414	21,414	(44,544)	(73,432)	(77,777)
Net cash from (used) financing	(670)	—	(471)	(2,014)	(2,014)	(2,014)	(2,014)	(3,000)	(2,000)	(1,500)
Cash/cash equivalents at the year end	4,350	3,137	(866)	1,940	1,013	1,013	1,013	45,922	45,020	51,355
Cash backing/surplus reconciliation										
Cash and investments available	8,600	3,327	3,402	1,959	1,250	1,250	1,250	1,187	300	6,652
Application of cash and investments	5,099	(2,457)	61,289	(231)	(1,180)	(1,180)	(1,180)	765	(1,016)	821
Balance - surplus (shortfall)	3,502	5,784	(57,887)	2,190	2,430	2,430	2,430	422	1,316	5,831
Asset management										
Asset register summary (WDV)	1,092,340	1,102,706	854,065	1,311,446	1,312,504	1,312,504	1,386,604	1,386,604	1,417,176	1,423,307
Depreciation & asset impairment	54,763	67,509	43,797	22,500	43,881	43,881	21,976	21,976	18,313	15,261
Renewal of Existing Assets	—	—	—	—	—	—	—	—	—	—
Repairs and Maintenance	12,698	31,097	7,957	35,639	35,639	35,639	15,019	15,019	15,912	16,859
Free services										
Cost of Free Basic Services provided	13,630	14,500	15,426	16,411	16,411	16,411	16,411	17,459	18,506	19,617
Revenue cost of free services provided	19,612	20,864	22,196	23,613	23,613	23,613	23,613	25,120	26,627	28,225
Households below minimum service level										
Water:	7	9	9	9	9	9	10	10	10	10
Sanitation/sewage:	8	9	9	8	9	9	9	9	9	12
Energy:	1	1	1	1	1	1	1	1	1	1
Refuse:	12	13	14	12	13	14	13	13	14	14

Explanatory notes to MBRR Table A1-Budget Summary

1. 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).

This represents a high-level summation of the Municipal budget, providing a view that includes all major components, i.e. operating, capital, financial position, cash flow and MFMA funding compliance. In essence it provides a synopsis of the amounts to be approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance and the Municipal commitment to eliminate basic service delivery backlogs. The importance of ensuring that a municipal budget is fully funded is highlighted in the financial management reforms. Section 18 of the MFMA requires that a budget only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.

1. 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.
2. 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 from the National Spheres are reflected on the Financial Performance Budget;
 - II. Externally sourced funding represents the largest contribution as far as the capital budget is concerned.
 - III. 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 are available to fund the Capital Budget
3. 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, as the recent slow-down in revenue collections highlighted. Over the MTREF there is progressive improvement in the level of cash-backing of obligations.
4. 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.
5. The Municipal persistent strive to eradicate and respond to indigent backlogs is evident in the annual increase of investment in the Cost of Free Basic Services and the Revenue Cost of Free Basic Services provided. Backlogs still exist for Electricity and Water Services but are expected to reduce.

Table 14 MBRR Table A2- Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
<i>Governance and administration</i>		117,610	109,206	104,946	108,101	111,034	111,034	157,811	117,917	126,947
Executive and council		95,479	77,434	67,321	70,670	70,670	70,670	108,851	66,022	71,944
Budget and treasury office		20,763	31,764	37,626	34,778	34,778	34,778	47,005	49,826	52,815
Corporate services		1,368	8	-	2,653	5,586	5,586	1,955	2,068	2,188
<i>Community and public safety</i>		4,269	4,131	6,338	8,428	1,520	1,520	39,742	13,492	14,285
Community and social services		281	580	313	304	305	305	3,476	3,805	4,152
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		3,988	3,551	6,025	8,124	1,215	1,215	9,266	9,688	10,133
Housing		-	-	-	-	-	-	27,000	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		42,756	40,540	8,341	56,356	56,356	56,356	34,729	30,943	32,551
Planning and development		606	521	252	184	184	184	195	206	218
Road transport		42,150	40,019	8,090	56,172	56,172	56,172	34,533	30,736	32,331
Environmental protection		-	-	-	-	-	-	1	1	1
<i>Trading services</i>		90,135	89,764	121,389	188,996	125,925	125,925	195,568	233,959	250,171
Electricity		43,622	47,195	49,708	81,613	62,541	62,541	90,259	101,861	107,587
Water		26,712	20,952	36,556	67,575	28,075	28,075	67,882	92,501	100,689
Waste water management		11,649	13,001	25,023	29,617	23,117	23,117	24,504	25,924	27,429
Waste management		8,152	8,616	10,103	10,192	12,192	12,192	12,924	13,673	14,466
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	254,771	243,641	241,014	361,861	294,835	294,835	427,851	396,312	423,954
Expenditure - Standard										
<i>Governance and administration</i>		79,413	269,355	128,132	97,551	118,232	118,232	120,339	120,917	122,199
Executive and council		19,610	237,617	26,592	26,891	27,385	27,385	30,420	31,860	33,486
Budget and treasury office		37,946	30,803	64,352	56,351	74,751	74,751	65,081	65,441	65,268
Corporate services		21,856	935	37,188	14,309	16,096	16,096	24,838	23,616	23,445
<i>Community and public safety</i>		16,826	702	29,811	21,496	21,868	21,868	25,095	26,899	27,822
Community and social services		2,803	702	5,770	4,745	4,887	4,887	7,126	7,582	8,067
Sport and recreation		5,290	-	4,423	5,088	5,318	5,318	5,044	5,339	5,653
Public safety		8,733	-	19,618	11,663	11,663	11,663	12,924	13,978	14,102
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		51,947	1,932	36,307	45,040	56,720	56,720	52,279	57,203	62,239
Planning and development		4,557	1,932	11,186	7,598	13,213	13,213	8,202	8,758	9,351
Road transport		47,390	-	25,120	37,442	43,508	43,508	43,434	47,759	52,155
Environmental protection		-	-	-	-	-	-	643	686	733
<i>Trading services</i>		111,599	64,861	143,078	104,298	105,165	105,165	84,316	86,654	92,623
Electricity		58,909	48,141	69,347	56,045	56,045	56,045	44,415	47,079	49,904
Water		30,051	16,720	24,808	31,033	31,033	31,033	28,476	27,326	29,590
Waste water management		9,002	-	42,008	8,713	8,713	8,713	3,277	3,559	3,861
Waste management		13,637	-	6,914	8,507	9,374	9,374	8,149	8,690	9,268
<i>Other</i>	4	0	(0)	-	0	0	0	-	-	-
Total Expenditure - Standard	3	259,786	336,850	337,327	268,385	301,985	301,985	282,029	291,673	304,883
Surplus/(Deficit) for the year		(5,015)	(93,209)	(96,312)	93,476	(7,150)	(7,150)	145,822	104,639	119,071

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 enables 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 R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote									
Vote 1 - Executive & council	92,095	121,033	67,321	132,367	137,956	137,956	108,851	66,022	71,944
Vote 2 - 200 Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - 300 Budget & Treasury	8,691	8,273	37,626	6,386	6,386	6,386	47,005	49,826	52,815
Vote 4 - 400 Corporate Services	-	-	-	-	-	-	1,955	2,068	2,188
Vote 5 - 500 Planning and Economic Development	567	755	252	185	186	186	196	207	220
Vote 6 - 600 Community Services	8,449	12,780	16,441	10,563	12,563	12,563	47,513	21,703	22,962
Vote 7 - 700 Technical Services	140,593	93,757	119,376	209,727	136,092	136,092	217,178	251,023	268,036
Vote 8 - Public Safety and Protection Services 800	4,376	7,043	-	2,653	1,653	1,653	5,153	5,462	5,790
Total Revenue by Vote	254,771	243,641	241,014	361,881	294,835	294,835	427,851	396,312	423,954
Expenditure by Vote to be appropriated									
Vote 1 - Executive & council	15,576	19,499	18,209	17,448	17,888	17,888	20,508	21,630	22,862
Vote 2 - 200 Municipal Manager	5,837	11,162	8,382	6,575	6,630	6,630	9,912	10,230	10,625
Vote 3 - 300 Budget & Treasury	36,374	43,595	64,352	34,374	58,361	58,361	65,081	65,441	65,268
Vote 4 - 400 Corporate Services	20,149	34,022	37,188	22,010	23,796	23,796	24,838	23,616	23,445
Vote 5 - 500 Planning and Economic Development	4,519	5,799	11,186	7,106	7,134	7,134	8,845	9,444	10,084
Vote 6 - 600 Community Services	21,770	25,544	36,725	14,815	18,054	18,054	30,989	33,202	34,565
Vote 7 - 700 Technical Services	146,788	187,418	161,284	146,543	150,244	150,244	116,516	124,004	132,860
Vote 8 - Public Safety and Protection Services 800	8,773	9,811	-	19,513	19,877	19,877	5,340	4,105	5,175
Total Expenditure by Vote	259,786	336,850	337,327	268,385	301,985	301,985	282,029	291,673	304,883
Surplus/(Deficit) for the year	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	145,822	104,639	119,071

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 R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	12,076	13,708	22,557	28,392	33,979	33,979	33,979	46,017	48,778	51,705
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	43,622	47,195	49,151	81,613	62,541	62,541	62,541	90,259	97,479	105,278
Service charges - water revenue	26,712	20,952	36,894	67,575	28,075	28,075	28,075	47,658	50,517	53,549
Service charges - sanitation revenue	11,649	13,001	24,507	29,617	23,117	23,117	23,117	24,504	25,925	27,429
Service charges - refuse revenue	8,152	8,615	10,077	10,192	12,192	12,192	12,192	12,924	13,673	14,466
Service charges - other	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	521	381	423	1,219	1,219	1,219	1,219	1,292	1,370	1,452
Interest earned - external investments	185	1,231	409	–	–	–	–	–	–	–
Interest earned - outstanding debtors	8,199	7,252	11,443	6,250	6,250	6,250	6,250	764	808	855
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines	1,078	1,002	1,035	904	904	904	904	3,000	3,200	3,300
Licences and permits	1,486	1,425	3,218	3,149	2,649	2,649	2,649	2,808	2,976	3,155
Agency services	723	–	–	2,653	2,153	2,153	2,153	2,283	2,420	2,565
Transfers recognised - operational	77,521	72,470	64,854	64,841	64,841	64,841	64,841	67,456	67,646	73,662
Other revenue	20,468	14,222	5,025	9,305	743	743	743	4,424	4,709	4,898
Gains on disposal of PPE	228	2,167	777	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	212,621	203,622	230,370	305,709	238,663	238,663	238,663	303,388	319,502	342,313
Expenditure By Type										
Employee related costs	75,672	99,442	101,480	100,461	107,179	107,179	107,179	114,599	118,789	126,341
Remuneration of councillors	5,692	8,419	7,086	8,398	8,398	8,398	8,398	8,100	8,667	9,273
Debt impairment	6,979	12,632	40,492	9,530	15,030	15,030	15,030	5,932	6,276	6,640
Depreciation & asset impairment	54,763	67,509	43,797	22,500	43,881	43,881	43,881	21,976	18,313	15,261
Finance charges	8,675	11,893	14,623	838	838	838	838	1,888	942	998
Bulk purchases	58,571	64,861	74,619	69,908	69,908	69,908	69,908	76,432	83,358	90,935
Other materials	–	–	–	–	–	–	–	–	–	–
Contracted services	10,403	5,349	132	3,830	3,830	3,830	3,830	2,653	2,806	2,969
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	39,031	66,744	55,099	52,920	52,920	52,920	52,920	50,450	52,522	52,465
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–
Total Expenditure	259,786	336,850	337,327	268,385	301,985	301,985	301,985	282,029	291,673	304,863
Surplus/(Deficit)	(47,165)	(133,228)	(106,956)	37,324	(63,322)	(63,322)	(63,322)	21,359	27,829	37,430
Transfers recognised - capital	42,150	40,019	6,594	29,172	29,172	29,172	29,172	97,463	76,810	81,641
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	4,050	27,000	27,000	27,000	27,000	27,000	–	–
Surplus/(Deficit) after capital transfers & contributions	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	145,822	104,639	119,071
Taxation										
Surplus/(Deficit) after taxation	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	145,822	104,639	119,071
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	145,822	104,639	119,071
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	145,822	104,639	119,071

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

1. Total operating revenue is R303 million in 2016/17 and escalates to R319 million by 2017/18. This represents a year-on-year increase of 5.2% from the 2015/16 financial year to the 2016/17 financial year.
2. Revenue forecasted to be generated from property rates is R46 million in the 2016/17 financial year and increases to R48 million by 2017/18 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 R175 million for the 2016/17 financial year and

increasing to R187 million by 2017/18. For the 2016/17 financial year services charges amount to 57% of the total revenue base.

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 constitutes 22% of all the municipal revenue.
5. Bulk purchases inconsistencies have been mainly caused by water distribution losses which can go as high as 42% 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 R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Multi-year expenditure to be appropriated	-	-	-	-	-	-	-	-	-	-
Vote 1 - Executive & council	-	-	-	-	-	-	-	-	-	-
Vote 2 - 200 Municipal Manager	-	-	-	450	450	450	450	-	-	-
Vote 3 - 300 Budget & Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - 400 Corporate Services	2,374	9,354	1,183	4,716	4,716	4,716	4,716	425	-	-
Vote 5 - 500 Planning and Economic Development	-	-	-	-	-	-	-	-	-	-
Vote 6 - 600 Community Services	209	-	-	8,800	8,800	8,800	8,800	39,058	-	-
Vote 7 - 700 Technical Services	23,865	21,743	13,530	75,423	75,423	75,423	75,423	83,575	81,810	86,641
Vote 8 - Public Safety and Protection Services 800	-	-	-	1,950	1,950	1,950	1,950	1,000	-	-
Capital multi-year expenditure sub-total	26,448	31,097	14,713	91,338	91,338	91,338	91,338	124,058	81,810	86,641
Total Capital Expenditure - Vote	26,448	31,097	14,713	91,338	91,338	91,338	91,338	124,058	81,810	86,641
Capital Expenditure - Standard	-	-	-	-	-	-	-	-	-	-
Governance and administration	2,374	9,354	1,183	10,226	10,226	10,226	10,226	425	425	425
Executive and council	-	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	-
Corporate services	2,374	9,354	1,183	10,226	10,226	10,226	10,226	425	425	425
Community and public safety	209	-	-	3,501	3,501	3,501	3,501	33,800	-	1,000
Community and social services	209	-	-	3,501	3,501	3,501	3,501	1,800	-	1,000
Sport and recreation	-	-	-	-	-	-	-	4,000	-	-
Public safety	-	-	-	-	-	-	-	1,000	-	-
Housing	-	-	-	-	-	-	-	27,000	-	-
Health	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	6,944	1,864	-	21,898	21,898	21,898	21,898	28,875	-	-
Planning and development	-	-	-	-	-	-	-	-	-	-
Road transport	6,944	1,864	-	21,898	21,898	21,898	21,898	28,875	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Trading services	16,921	19,879	13,530	24,213	24,213	24,213	24,213	60,958	81,810	86,641
Electricity	1,623	-	-	20,300	20,300	20,300	20,300	21,700	9,074	9,310
Water	-	449	-	3,913	3,913	3,913	3,913	33,000	72,736	77,331
Waste water management	15,298	19,430	13,530	-	-	-	-	-	-	-
Waste management	(0)	-	-	-	-	-	-	6,258	-	-
Total Capital Expenditure - Standard	26,448	31,097	14,713	59,838	59,838	59,838	59,838	124,058	82,235	88,066
Funded by:	-	-	-	-	-	-	-	-	-	-
National Government	24,074	8,621	6,594	21,898	21,898	21,898	21,898	51,700	82,235	88,066
Provincial Government	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	24,074	8,621	6,594	21,898	21,898	21,898	21,898	51,700	82,235	88,066
Public contributions & donations	-	22,476	-	37,940	37,940	37,940	37,940	72,358	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	2,374	-	8,119	-	-	-	-	-	-	-
Total Capital Funding	26,448	31,097	14,713	59,838	59,838	59,838	59,838	124,058	82,235	88,066

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 2016/17, capital transfers totals R51 million and declines to R30 million by 2017/18. Kumba iron ore has committed R20 million to the upgrade of pump stations phase 2. Anglo American Platinum mine committed to finance the Thabazimbi upgrading g of pump station phase 3 during 2016/17 financial year amounting to R24 million.
4. A total of R27 million was allocated to Thabazimbi Local Municipality for Human Settlements for 2016/17 financial year.

Table 18 MBRR Table A6- Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		5,628	3,156	3,324	1,709	1,000	1,000	1,000	922	20	6,355
Call investment deposits	1	2,972	172	78	250	250	250	250	265	280	297
Consumer debtors	1	50,462	71,781	79,678	146,351	125,351	125,351	125,351	163,652	173,144	183,186
Other debtors		1,342		11,800							
Current portion of long-term receivables			27,222	–							
Inventory	2	1,798	2,645	3,092	1,780	1,780	1,780	1,780	2,025	3,097	2,112
Total current assets		62,202	104,975	97,972	150,089	128,380	128,380	128,380	166,864	176,541	191,949
Non current assets											
Long-term receivables											
Investments											
Investment property		4,479	–	–		249	249	249			
Investment in Associate											
Property, plant and equipment	3	1,085,957	1,101,827	853,185	1,311,446	1,311,446	1,311,446	1,311,446	1,385,714	1,416,197	1,422,230
Agricultural											
Biological		610	880	880		809	809	809	890	979	1,077
Intangible		1,294									
Other non-current assets		2,819	3,136								
Total non current assets		1,088,158	1,105,842	854,065	1,311,446	1,312,504	1,312,504	1,312,504	1,386,604	1,417,176	1,423,307
TOTAL ASSETS		1,157,361	1,210,817	952,037	1,461,535	1,440,884	1,440,884	1,440,884	1,553,468	1,593,717	1,615,257
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	2,377	2,818	3,352	9,350	6,050	6,050	6,050	7,500	6,750	6,075
Consumer deposits		3,233	3,563	3,594	3,824	3,824	3,824	3,824	4,053	4,289	4,537
Trade and other payables	4	78,319	240,410	274,788	137,950	276,450	276,450	276,450	236,691	208,252	186,537
Provisions		13,950	11,027		47,529	47,529	47,529	47,529	40,123	42,450	44,912
Total current liabilities		97,879	257,818	281,734	198,653	333,853	333,853	333,853	288,367	261,741	242,061
Non current liabilities											
Borrowing		4,121	8,606	3,486	4,783	2,283	2,283	2,283	7,500	6,750	6,075
Provisions		25,041	45,426	63,537	26,505	58,656	58,656	58,656	76,506	80,943	85,638
Total non current liabilities		29,162	54,032	67,022	31,287	60,939	60,939	60,939	84,006	87,693	91,712
TOTAL LIABILITIES		127,041	311,850	348,756	229,941	394,792	394,792	394,792	372,373	349,433	333,773
NET ASSETS	5	1,030,319	898,967	603,281	1,231,594	1,046,091	1,046,091	1,046,091	1,181,095	1,244,284	1,281,483
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1,030,319	898,967	603,281	1,231,594	1,046,091	1,046,091	1,046,091	1,181,095	1,244,284	1,281,483
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	1,030,319	898,967	603,281	1,231,594	1,046,091	1,046,091	1,046,091	1,181,095	1,244,284	1,281,483

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
- 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		16,750	18,500	22,560	25,552	163,809	163,809	163,809	32,415	34,360	36,422
Service charges		71,302	76,943	126,890	170,097				141,340	151,637	161,932
Other revenue		2,685	1,640	548	9,147	—	—	—	7,788	7,128	8,746
Government - operating	1	77,521	72,470	64,854	64,841	64,841	64,841	64,841	67,456	67,646	73,662
Government - capital	1	29,490	27,250	6,594	29,172				52,463	81,810	86,641
Interest		1,375	1,513	11,852	5,625	2,125	2,125	2,125	688	727	770
Dividends									—	—	—
Payments											
Suppliers and employees		(174,670)	(155,412)	(210,302)	(290,283)	(244,763)	(244,763)	(244,763)	(255,098)	(267,838)	(281,563)
Finance charges		(4,041)	(11,893)	(14,623)	(438)	(9,438)	(9,438)	(9,438)	(888)	(942)	(998)
Transfers and Grants	1								—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		20,412	31,010	8,373	13,712	(23,427)	(23,427)	(23,427)	46,164	74,530	85,612
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		180	300	22,400					—	—	—
Decrease (Increase) in non-current debtors		310	(213)	—	5,342	11,442	11,442	11,442	5,468	5,785	6,121
Decrease (increase) other non-current receivables					9,972	9,972	9,972	9,972	2,451	2,593	2,744
Decrease (increase) in non-current investments									—	—	—
Payments											
Capital assets		(20,232)	(31,097)	(33,470)	(29,172)				(52,463)	(81,810)	(86,641)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(19,742)	(31,010)	(11,068)	(13,858)	21,314	21,414	21,414	(44,544)	(73,432)	(77,777)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									—	—	—
Borrowing long term/refinancing		498							—	—	—
Increase (decrease) in consumer deposits		128							—	—	—
Payments											
Repayment of borrowing		(1,297)		(471)	(2,014)	(2,014)	(2,014)	(2,014)	(3,000)	(2,000)	(1,500)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(670)	—	(471)	(2,014)	(2,014)	(2,014)	(2,014)	(3,000)	(2,000)	(1,500)
NET INCREASE/ (DECREASE) IN CASH HELD		0	—	(3,168)	(2,160)	(4,027)	(4,027)	(4,027)	(1,380)	(902)	6,335
Cash/cash equivalents at the year begin:	2	4,350	3,137	2,302	4,100	5,040	5,040	5,040	2,302	922	20
Cash/cash equivalents at the year end:	2	4,350	3,137	(866)	1,940	1,013	1,013	1,013	922	20	6,355

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 2016/17 MTREF provide for balance 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 2016/17 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 2016/17 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	4,350	3,137	(866)	1,940	1,013	1,013	1,013	922	20	6,355
Other current investments > 90 days		4,250	190	4,268	19	237	237	237	265	280	297
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		8,600	3,327	3,402	1,959	1,250	1,250	1,250	1,187	300	6,652
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	43,419	185,863	191,289	13,517	158,320	158,320	158,320	110,765	75,484	45,321
Other provisions		(38,320)	(188,320)	(130,000)	(13,748)	(159,500)	(159,500)	(159,500)	(110,000)	(76,500)	(44,500)
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		5,099	(2,457)	61,289	(231)	(1,180)	(1,180)	(1,180)	765	(1,016)	821
Surplus(shortfall)		3,502	5,784	(57,887)	2,190	2,430	2,430	2,430	422	1,316	5,831

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".

Table 21 MBRR Table A9 – Asset Management

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE									
Total New Assets	26,448	31,097	14,713	91,338	91,338	91,338	52,463	81,810	86,641
Infrastructure - Road transport	–	1,864	–	24,909	24,909	24,909	–	–	–
Infrastructure - Electricity	1,623	449	–	32,800	32,800	32,800	3,749	9,074	9,310
Infrastructure - Water	–	–	–	3,213	3,213	3,213	48,714	72,736	77,331
Infrastructure - Sanitation	15,298	19,430	13,530	14,500	14,500	14,500	–	–	–
Infrastructure - Other	–	–	–	4,500	4,500	4,500	–	–	–
Infrastructure	16,921	21,743	13,530	79,923	79,922	79,922	52,463	81,810	86,641
Community	–	–	–	6,250	6,250	6,250	–	–	–
Other assets	9,527	9,354	1,183	5,166	5,166	5,166	–	–	–
Total Capital Expenditure									
Infrastructure - Road transport	–	1,864	–	24,909	24,909	24,909	–	–	–
Infrastructure - Electricity	1,623	449	–	32,800	32,800	32,800	3,749	9,074	9,310
Infrastructure - Water	–	–	–	3,213	3,213	3,213	48,714	72,736	77,331
Infrastructure - Sanitation	15,298	19,430	13,530	14,500	14,500	14,500	–	–	–
Infrastructure - Other	–	–	–	4,500	4,500	4,500	–	–	–
Infrastructure	16,921	21,743	13,530	79,923	79,922	79,922	52,463	81,810	86,641
Community	–	–	–	6,250	6,250	6,250	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Other assets	9,527	9,354	1,183	5,166	5,166	5,166	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	26,448	31,097	14,713	91,338	91,338	91,338	52,463	81,810	86,641
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	1,556	403,395	333,945	667,345	667,345	667,345	385,910	385,910	385,910
Infrastructure - Electricity	97,192	172,453	100,750	145,601	145,601	145,601	113,933	113,933	113,933
Infrastructure - Water	171,051	308,731	114,270	229,199	229,199	229,199	331,455	331,455	331,455
Infrastructure - Sanitation	98,174	211,418	42,385	125,794	125,794	125,794	48,901	48,901	48,901
Infrastructure - Other	694,939	–	261,835	–	–	–	505,515	535,998	542,031
Infrastructure	1,062,912	1,095,997	853,185	1,167,938	1,167,938	1,167,938	1,385,714	1,416,197	1,422,230
Community	23,045	5,830	–	143,507	143,507	143,507	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	4,479	–	–	–	249	249	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	610	880	880	–	809	809	–	–	–
Intangibles	1,294	–	–	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1,092,340	1,102,706	854,065	1,311,446	1,312,504	1,312,504	1,385,714	1,416,197	1,422,230
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	54,763	67,509	43,797	22,500	43,881	43,881	21,976	18,313	15,261
Repairs and Maintenance by Asset Class	12,698	31,097	7,957	35,639	35,639	35,639	4,630	4,899	5,183
Infrastructure - Road transport	3,602	1,864	2,213	8,292	8,292	8,292	2,056	2,175	2,301
Infrastructure - Electricity	1,099	–	645	9,600	9,600	9,600	826	874	925
Infrastructure - Water	2,979	449	446	5,144	5,144	5,144	11	11	12
Infrastructure - Sanitation	1,949	19,430	104	4,237	4,237	4,237	161	170	180
Infrastructure - Other	–	–	824	222	222	222	290	307	325
Infrastructure	9,629	21,743	4,233	27,495	27,495	27,495	3,344	3,538	3,743
Community	461	–	867	3,535	3,535	3,535	482	510	540
Other assets	2,608	9,354	2,857	4,609	4,609	4,609	804	851	900
TOTAL EXPENDITURE OTHER ITEMS	67,460	98,606	51,754	58,139	79,520	79,520	26,606	23,212	20,444

Explanatory notes to Table A9 – Asset Management

- 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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets									
Water:									
Piped water inside dwelling	11,393	11,973	12,691	12,667	12,667	12,667	13,427	14,206	15,030
Piped water inside yard (but not in dwelling)	2,709	3,069	3,253	3,247	3,247	3,247	3,442	3,641	3,853
Using public tap (at least min.service level)	1,164	1,300	1,378	1,375	1,375	1,375	1,458	1,542	1,632
Other water supply (at least min.service level)	189	206	218	218	218	218	231	244	259
<i>Minimum Service Level and Above sub-total</i>	15,455	16,548	17,541	17,508	17,508	17,508	18,558	19,635	20,773
Using public tap (< min.service level)	7,078	8,431	8,937	8,920	8,920	8,920	9,455	10,004	10,584
Other water supply (< min.service level)	72	101	107	107	107	107	113	120	127
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	7,150	8,532	9,044	9,027	9,027	9,027	9,568	10,123	10,711
Total number of households	22,605	25,080	26,585	26,535	26,535	26,535	28,127	29,758	31,484
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	11,393	11,970	12,688	12,664	12,664	12,664	13,424	14,203	15,026
Flush toilet (with septic tank)	2,709	2,846	3,017	3,011	3,011	3,011	3,192	3,377	3,573
Chemical toilet	1,164	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	-	1,222	1,295	1,293	1,293	1,293	1,370	1,450	1,534
Other toilet provisions (> min.service level)	189	189	200	200	200	200	212	224	237
<i>Minimum Service Level and Above sub-total</i>	15,455	16,227	17,201	17,168	17,168	17,168	18,198	19,254	20,370
Bucket toilet	85	89	94	89	89	89	94	100	106
Other toilet provisions (< min.service level)	4,265	4,283	4,540	4,283	4,283	4,283	4,540	4,803	5,082
No toilet provisions	4,066	4,481	4,750	4,481	4,481	4,481	4,750	5,025	5,317
<i>Below Minimum Service Level sub-total</i>	8,416	8,853	9,384	8,853	8,853	8,853	9,384	9,928	10,504
Total number of households	23,871	25,080	26,585	26,021	26,021	26,021	27,582	29,182	30,875
Energy:									
Electricity (at least min.service level)	11,393	11,970	12,688	12,664	12,664	12,664	13,424	14,203	15,168
Electricity - prepaid (min.service level)	11,560	12,145	12,874	12,849	12,849	12,849	12,254	12,849	13,620
<i>Minimum Service Level and Above sub-total</i>	22,953	24,115	25,562	25,514	25,514	25,514	25,678	27,052	28,789
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	918	965	1,023	1,021	1,021	1,021	1,082	1,145	1,211
<i>Below Minimum Service Level sub-total</i>	918	965	1,023	1,021	1,021	1,021	1,082	1,145	1,211
Total number of households	23,871	25,080	26,585	26,535	26,535	26,535	26,760	28,197	30,000
Refuse:									
Removed at least once a week	11,393	11,970	12,688	12,664	12,664	12,664	13,525	14,310	15,140
<i>Minimum Service Level and Above sub-total</i>	11,393	11,970	12,688	12,664	12,664	12,664	13,525	14,310	15,140
Removed less frequently than once a week	3,166	3,326	3,526	3,519	3,519	3,519	3,730	3,946	4,175
Using communal refuse dump	551	579	614	613	613	613	649	687	727
Using own refuse dump	6,532	6,867	7,279	7,265	7,265	7,265	7,701	8,148	8,620
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	2,229	2,341	2,481	2,477	2,477	2,477	2,625	2,778	2,939
<i>Below Minimum Service Level sub-total</i>	12,478	13,113	13,900	13,874	13,874	13,874	14,706	15,559	16,461
Total number of households	23,871	25,083	26,588	26,538	26,538	26,538	28,231	29,869	31,601
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485
Sanitation (free minimum level service)	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485
Electricity /other energy (50kwh per household per month)	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485
Refuse (removed at least once a week)	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485	5,485
Cost of Free Basic Services provided - Informal	-	-	-	15,022	15,022	15,022	23,108	24,448	25,662
Total cost of FBS provided	-	-	-	15,022	15,022	15,022	23,108	24,448	25,662

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 2016/17, and therefore entitled to receiving Free Basic Services.
3. It is anticipated that these Free Basic Services will cost the municipality R17 million in 2016/17, increasing to R18 million in 2017/18. 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.
5. The City is persistently striving to eradicate backlogs. The Municipal backlog status is as follows:
 - a. Water services – The Municipal population, both formal and informal settlements, receives potable water in accordance with the National minimum standards as required by the Water Services Act 108 (of 1997).
 - b. Refuse services –Households receiving free basic services are expected to increase over the 2016/17 MTREF. The annual increase in households receiving free basic services consequently increases the cost for providing the services. The associated cost of providing the free basic services is projected to escalate
 - c. The Municipal s cost of free basic services as a ratio of the Equitable Share allocation equals 38%.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Mayoral oversight and responsibility

Section 24 of the MFMA requires the municipal council to, at least 30 days before the start of the financial year; consider the annual budget for approval. Section 53 requires the Mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazette on 17 April 2009, states that:

(1) The mayor of a municipality must establish a budget steering committee (BSC) to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

(2) The Steering committee must consist of at least the following persons:

- a) The councilor responsible for financial matters;*
- b) The municipal manager;*
- c) The chief financial officer;*
- d) The senior managers responsible for at least the three largest votes in the municipality;*
- e) The manager responsible for budgeting;*
- f) The manager responsible for planning; and*
- g) Any technical experts on infrastructure*

The Municipality has an established BSC that embodies all the requirements as set out in the MFMA. The purpose of the BSC is to ensure that the budget is aligned to the Municipal strategies. The 2016/17 financial year signifies the 5th year of the current 5-year IDP cycle. Re-allocation of resources was considered in terms of the IDP review, budget realities and sundry strategic considerations.

The principles applied to the MTREF and presented to the BSC were informed by scenarios of sensitivity analysis against various scenario options over the short, medium and long -term. These scenarios are based on revenue and expenditure parameters applied to current financial plans and are utilized to calculate the affordability and sustainability of the Municipal budget over the medium to long term

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 September 2015) 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 September 2015. Key dates applicable to the process were:

- **September 2015** – 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. Also review and finalisation of prioritisation criteria by councillors and senior managers.
- **November 2015** – 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 2016** – Council considers the 2015/2016 Mid-year Review
- **February 2016** – Council considers the 2015/2016 Mid-year Review. Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments;
- **March 2016** – The Final 2016/17 MTREF is to be revised accordingly.
- **March 2016** - Tabling in Council of the Final 2016/2017 IDP and 2016/2017 MTREF for public consultation;
- **April 2016** – Public consultation;
- **May 2016** – Closing date for written comments;
- **May 2016** – finalisation of the 2016/17 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 2016** – 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 fifth review of the IDP as adopted by the new Council that was elected in May 2011. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 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 2016/17 MTREF, based on the approved 2015/2016 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 2016/17 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 2015/2016 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 2016/17 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 2016/17 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 2015/16 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 58,59 and 78 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The 2016/17MTREF tabled before Council will be availed for community consultation 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 Committees and councillors will be utilised to facilitate the community consultation process. The community will be informed about applicable dates and venues in the local newspaper and through our formal communication channels. Targeted groups are the Ratepayer Associations, Organised Business, Churches, No-Governmental Institutions and community based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be noted and the respective responsible managers will be made to come up with strategies and plans of action to ensure that the community

concerns are adequately responded to. Where funds were permitting management responded by way of capital projects as shown on Table SA36 either in the current MTREF or the next two.

All contributions raised will be prioritised and a detailed strategy will be put in place to respond to them in the current and future MTREFs. Resource allocation remains the guiding factor in responding to the raised community needs.

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 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 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 23 IDP Strategic Objectives

2015/16 MTREF	2016/17 MTREF
1. Promote the well-being of all communities	Promote the well-being of all communities
2. Ensure economic growth	Ensure economic growth
3. Enhance financial viability and accountability	Enhance financial viability and accountability
4. Resource manages infrastructure and services for access and mobility	Resource manages infrastructure and services for access and mobility
5. Forward planning	Forward planning
6. Promote community involvement	Promote community involvement
7. Ensure effective communication	Ensure effective communication
8. Develop and implement integrated management and governance systems	Develop and implement integrated management and governance systems
9. Attract, develop and retain human capital	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 the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development 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
- Land and Housing
- Electricity
- Local Economic Development
- Transport Roads and Storm water
- Institutional development and financial viability
- Waste Management Health and environment
- Community participation and communication
- Disaster management
- Social development
- Safety
- 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 2016/7 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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
Promote the well being of all communities	–	–	–	61,578	61,578	61,578	65,272	69,058	73,063
Ensure economic growth	1,325	3,526	3,562	868	868	868	920	973	1,030
Enhance financial and accountability	8,456	12,542	12,452	5,447	5,447	5,447	5,774	6,109	6,463
Resource management and infrastructure and for services for access and mobility	164,766	135,777	135,142	148,978	88,978	88,978	94,317	99,787	105,575
Forward planning	–	–	–	24,566	24,566	24,566	26,040	27,550	29,148
Promote community involvement	65,214	67,884	67,498	80,313	80,313	80,313	85,132	90,069	95,293
Ensure effective communication	–	–	–	–	–	–	–	–	–
Develop & implement integrated management and governance systems	1,420	5,456	5,482	173	173	173	183	194	205
Attract, develop and retain human capital	13,589	18,456	16,878	39,959	32,912	32,912	105,213	102,571	113,177
Allocations to other priorities	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contri	254,771	243,641	241,014	361,881	294,835	294,835	382,851	396,312	423,954

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

Strategic Objective	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
Promote the well being of all communities	71,512	98,546	98,546	63,589	63,589	63,589	67,404	71,314	75,450
Ensure economic growth	9,548	1,214	1,214	125	125	125	132	140	148
Enhance financial and accountability	30,245	39,542	39,542	48,325	48,325	48,325	51,225	54,196	57,339
Resource management and infrastructure and for services for access and mobility	96,584	95,475	98,475	102,627	102,627	102,627	108,785	115,095	121,770
Forward planning	1,457	3,540	3,540	702	702	702	744	787	833
Promote community involvement	15,449	2,254	2,254	2,952	2,952	2,952	3,129	3,311	3,503
Ensure effective communication	10,255	1,485	1,485	459	459	459	487	515	545
Develop & implement integrated management and governance systems	13,860	1,985	1,985	1,251	1,251	1,251	1,326	1,403	1,485
Attract, develop and retain human capital	10,875	92,809	90,286	48,354	81,954	81,954	30,662	26,609	23,390
Allocations to other priorities									
Total Expenditure	259,786	336,850	337,327	268,385	301,985	301,985	263,894	273,369	284,462

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:

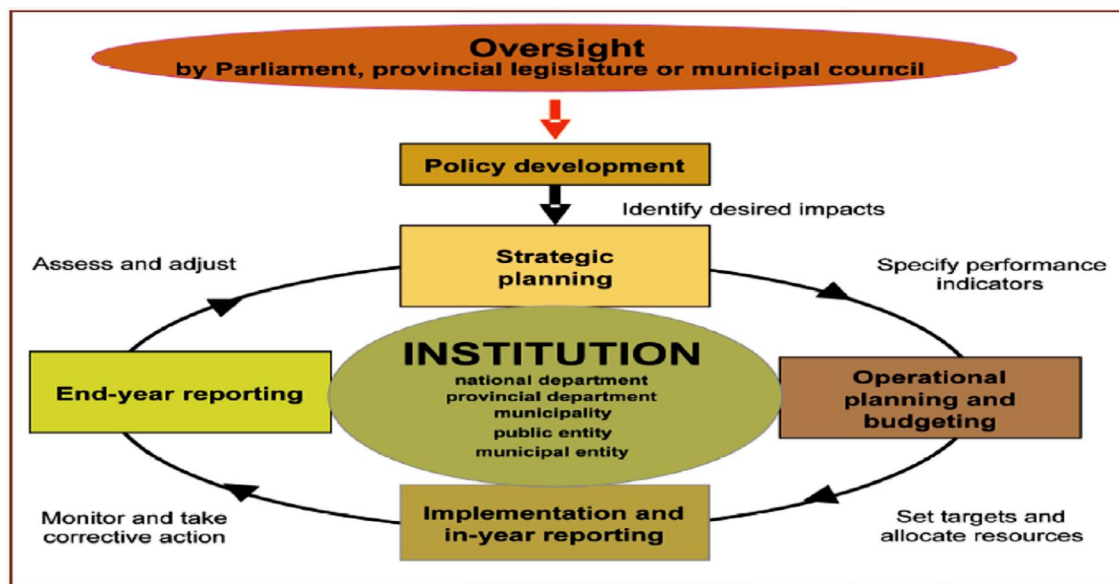


Figure 1 Planning, Budgeting and reporting cycle

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

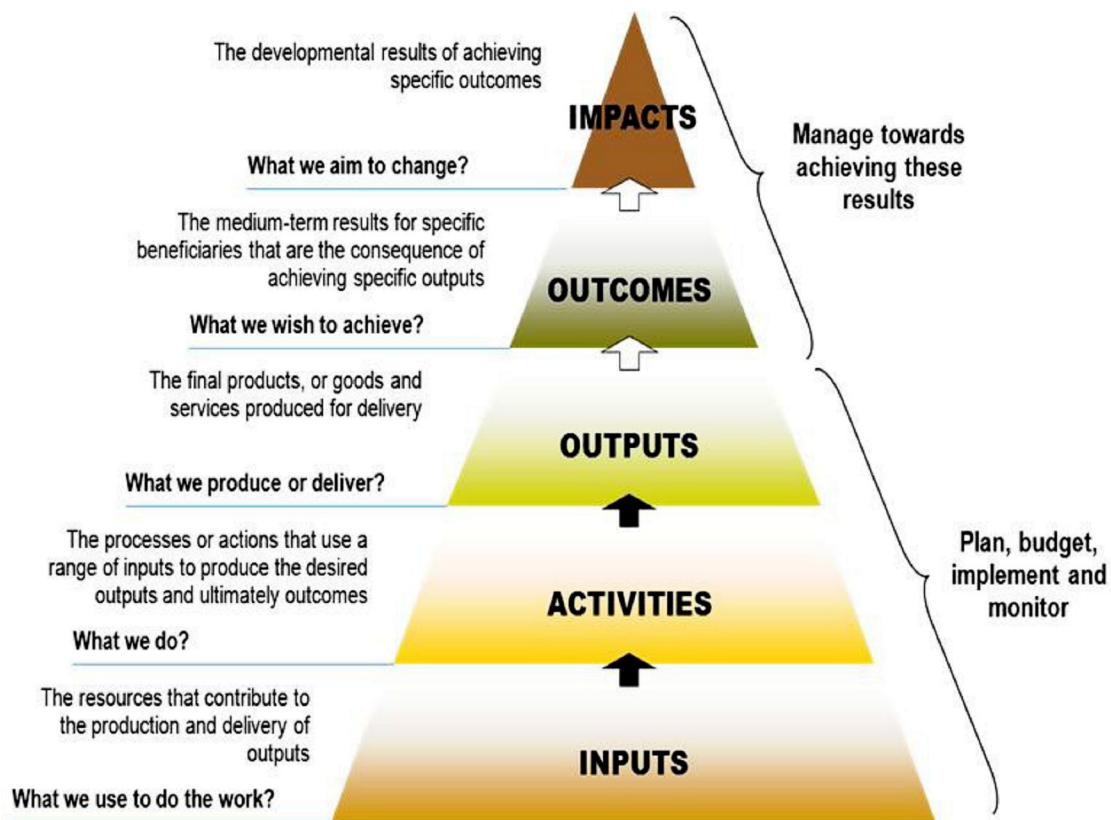


Figure 2 Definition of performance information concepts

The budget is allocated against the 9 strategic focus areas at a corporate level. This visionary framework is rolled out into objectives, key performance indicators (KPI) and targets for implementation. These are then broken down into Service Delivery and Budget Implementation Plans (SDBIP) that reflect the detailed projects. Each of these projects is allocated budgetary and other resources.

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 2016/17 MTREF.

Table 26 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.8%	3.5%	4.5%	1.1%	0.9%	0.9%	0.9%	1.5%	1.1%	0.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	7.4%	9.1%	9.1%	1.2%	1.6%	1.6%	1.6%	1.9%	1.4%	1.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	21.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.6	0.4	0.3	0.8	0.4	0.4	0.4	0.6	0.7	0.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 day s/current liabilities	0.6	0.4	0.3	0.3	0.4	0.4	0.4	0.6	0.7	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		86.5%	92.0%	104.4%	97.0%	115.8%	115.8%	115.8%	94.1%	94.1%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		86.1%	92.2%	104.4%	90.0%	102.4%	102.4%	102.4%	90.0%	90.0%	90.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	24.4%	48.6%	39.7%	47.9%	52.5%	52.5%	52.5%	60.6%	60.9%	60.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	65.0%	75.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	45.0%	50.0%	48.0%	45.0%	43.0%	40.0%	38.0%	37.0%	48.0%	60.0%
Creditors to Cash and Investments		1800.4%	7662.9%	-31735.4%	7110.8%	27290.0%	27290.0%	27290.0%	1131.3%	520.4%	281.1%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	20%	21.8%	23.6%	25.4%	27.2%	29.0%	30.8%	32.6%	34.4%	36.2%
Water Distribution Losses (2)	Total Volume Losses (kℓ)	30%	32%	34%	36%	38%	40%	42%	44%	46%	48%
Employee costs	Employee costs/(Total Revenue - capital revenue)	35.6%	48.8%	44.1%	32.9%	44.9%	44.9%	44.9%	41.6%	41.8%	41.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	39.3%	54.5%	44.1%	35.6%	45.6%	45.6%		45.0%	45.2%	47.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.0%	15.3%	3.5%	11.7%	14.9%	14.9%		1.7%	1.7%	1.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	29.8%	39.0%	25.4%	7.6%	18.7%	18.7%	18.7%	8.5%	6.8%	5.3%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	89.3	10.6	21.7	58.2	58.2	58.2	47.1	74.2	95.5	101.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	50.4%	95.3%	63.7%	66.9%	77.8%	77.8%	77.8%	84.2%	83.2%	82.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	0.2	(0.0)	0.1	0.1	0.1	0.1	1.2	2.1	3.2

3.3.1 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 2016/17 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.

3.3.1.1 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 overFinal and tax provisions as a percentage of funds and reserves. The ratio remains negligible as well for the reasons specified above.

3.3.1.2 Liquidity

- Current ratio is a measure of the current assets dividend by the current liabilities. For the 2016/17 MTREF the current ratio is below the accepted norms and standards and in the 2016/17 budgeted financial year and for the two outer years of the MTREF it remains in that region. 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 2016/17 financial year the ratio was again below acceptable norms standards as to 1. 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.

3.3.1.3 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.

3.3.1.4 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.

3.3.2 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 2016/17 financial year 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.

3.3.3 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 90% 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;

3.4 Overview of budget related-policies

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

3.4.1 Review of rates policy

The Rates Policy as will be considered for approval by Council will be reviewed and the 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.

3.4.2 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).

3.4.3 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.

3.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2016/17 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.

3.4.5 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 2016/17 and is also under review. A reviewed copy is also attached to this document as Annexure 3 to be approved with the budget.

3.4.6 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.

3.4.7 Tariff Policies

The municipality's tariff policies (located at 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.

3.4.8 Financial Planning Policy

The Financial Planning Policy has directly informed the compilation of the 2016/17 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 2015/16 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.

3.5 Overview of budget assumptions

3.5.1 External factors

The 2015 Medium Term Budget Policy Statement notes that the global economic outlook has been weaker than anticipated. Growth in developing economies has moderated in response to lower commodity prices, subdued domestic demand and reduced capital inflows. Growth in some developed economies has offset this slowdown. The South African economy is expected to grow by 1.5% in 2015, 1.7 per cent in 2016 and 2.6% in 2017. Domestic inflation is lower, largely as a result of declining oil prices.

However, the depreciation of the Rand and the current drought gripping many parts of the country, however, pose some risk to the inflation outlook. Furthermore the electricity supply shortages pose the largest domestic risk to growth.

Persistent high unemployment remains one of South Africa's most pressing challenges. Difficult trading conditions and low business confidence levels have limited hiring during 2015. The formal sector lost 76 000 jobs, with sharp declines in manufacturing and construction, as well as community, social and personal services. These economic challenges will continue to pressurize municipal revenue generation and collection hence a conservative approach is advised for projecting revenue. These circumstances make it essential for municipalities to reprioritize expenditure and implement stringent cost-containment measures. Municipalities

must take the following macro-economic forecasts into consideration when preparing their 2016/17 budgets and MTREF.

Consequently, municipal revenues and cash flows are expected to gradually improve during 2016/17. 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.

3.5.2 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 (Excluding Political Office bearers) comprise 40% of total operating expenditure in the 2016/17 MTREF. The increase in employee related costs is at least within inflation levels at (6%+ 1%) as recommended by circular 78 of the MFMA. We have applied the guideline increase by National Treasury as contained in Circulars 78.

3.5.3 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 2016/17 MTREF is based on all borrowings being undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

3.5.4 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.

3.5.5 Salary increases

The National Treasury guide of (6 % + 1. %) =7% increments has been applied across the board. CPI rates have been factored in for the two outer years of the MTREF.

3.5.6 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.

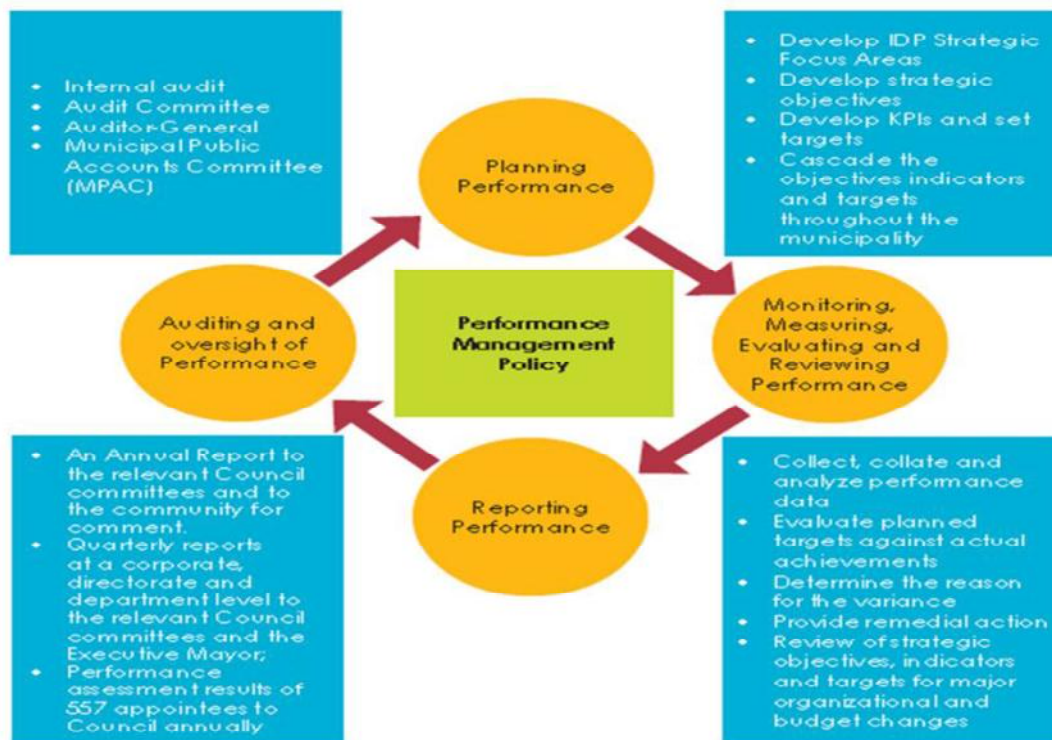
To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

3.5.7 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.

Measurable performance objectives and indicators

The Corporate Scorecard is the strategic tool used by the community and the city to monitor progress against delivery. The City's cycle and process of performance management system can be graphically illustrated as follows:



Cycle and process of the performance objectives and indicators

Performance Planning

The City must involve the community in deciding what priorities and needs it want to achieve. Community involvement will be in line with relevant legislation and approved policy. The planning cycle delivers a five year and annually reviewed IDP (including a Corporate Scorecard with definitions), an annual Corporate SDBIP, directorate executive summaries (including SDBIPs), departmental business plans and SDBIPs, performance indicator measurement sheets, S57 performance plans and individual performance assessments.

Planning ensures that clear strategic direction is set and prioritized. Planning is informed by feedback on performance. This is the stage where Strategic Focus Areas (SFAs), objectives, performance indicators and targets are determined. Indicators measure the extent to which objectives are being achieved, indicating performance in relation to outcomes, outputs, activities and inputs. Targets set the level of performance to be achieved within a defined period of time. Indicators must be measurable, relevant, objective and precise. They must include outcomes, output and input indicators. National general indicators must be included. Proxy indicators will be used until auditable and cost effective systems and processes are in place to measure the National general indicators.

The IDP will be set for the five year term of office of the elected council and reviewed annually. It will include the SFAs, corporate objectives (strategic objectives), corporate indicators and targets. There will be a direct relationship between the SFA, corporate objective, corporate indicator and target. The actual achievements of targets set for the objectives will be reported on quarterly bases where appropriate. They will form the platform for the quarterly and annual reports on performance.

The components will be interlinked to ensure implementation. All the corporate objectives and indicators will cascade into a Directorate and/or a Departmental SDBIP and/or the Municipal Manager's and/or a section 57 appointees scorecards.

Monitoring, measuring, evaluating and reviewing performance

Monitoring and measuring are the processes and procedures to collect, collate and analyze organizational performance data on an on-going basis to determine whether planned performance targets have been met, exceeded or not met. It will take place on a quarterly and an annual basis.

The performance evaluation results are determined by regular management meetings to establish:

- Year- to- date performance progress and reasons for variances for both under- or over performance; and
- Remedial action (effective methods of correction or enhancement), if any, which need to be taken to achieve the agreed performance targets.

A review of indicators and targets can take place to the extent that changing circumstances so demand and in accordance with a prescribed process. These are limited to major organizational changes and when the budget is adjusted. Reporting performance includes an Annual Report to the relevant Council committees and to the community for comment and Quarterly reports at corporate, directorate and department level to the relevant Council committees.

Auditing and Oversight

Internal Audit and Audit Committee (includes the Performance Management committee) reviews the Organisational Performance Management (OPM) system for functionality, performance information and compliance. The Auditor General and Municipal Public Accounts Committee (MPAC) reviews the Annual Report.

The measurable performance objectives to be accomplished in 2016/17 will be published for consultation after it would have been tabled in Council on 31 March 2016. The comments will be considered by Council before the approval of the final budget at the end of May 2016 council meeting.

3.6 Overview of budget funding

3.6.1 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 / R Thousand	Approved Adjusted Budget 2015/16	2016/17 Medium Term Revenue & Expenditure	Year on Year Movement
Revenue By Source			
Property rates	33,979	46,017	35%
Service charges - electricity revenue	62,541	90,259	44%
Service charges - water revenue	28,075	47,658	70%
Service charges - sanitation revenue	23,117	24,504	6%
Service charges - refuse revenue	12,192	12,924	6%
Rental of facilities and equipment	1,219	1,292	6%
Interest earned - outstanding debtors	6,250	764	-88%
Fines	904	3,000	232%
Licences and permits	2,649	2,808	6%
Agency services	2,153	2,283	6%
Transfers recognised - operational	64,841	67,456	4%
Other revenue	743	4,424	495%
Total Revenue (excluding capital transfers and contributions)	238,663	303,388	27%

Revenue to be generated from property rates is R33 million in the 2015/16 financial year and increases to R46 million by 2016/17 which represents 15% 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, and sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R125 million for the 2015/16 financial year and increasing to R175 million by 2016/17. The 2016/17 financial year services charges amount to 57% of the total revenue base. Operational grants and subsidies amount to R64million, R68 million and R67 million for each of the respective financial years of the MTREF, or 22% of operating revenue.

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 2016/17 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over medium-term

Description / Category	Base Budget 2015/16	Budget Year 2016/17
Property Rates Taxes	Refer to Schedule 15 of the Tarriff book	Refer to Schedule 15 of the Tarriff book
Electricity	9%	8%
Water	14%	12%
Sanitation	6%	6%
Refuse Removal	6%	6%
Other Services	6%	6%

All the tariff increase has been informed by a detailed analysis of the direct and indirect costs of providing such a service. ie Eskom has been approved an 8% increase by NERSA and Magalies has proposed a 12% for portable water. Sanitation and Refuse removal tariff has been highly related to the consumer price index due to the nature of the direct costs involved in the repairs and maintenance of such infrastructure and treatment chemicals.

Property rates tariffs were analysed per category and a benchmarking exercise was done. The categories of state owned properties and commercial properties were consistently being undercharged by the municipality without a justifiable reason and this will be rectified in phases as proposed in schedule 15 of the Municipal Tariff book.

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

Table 29 MBRR SA15 – Detail Investment Information

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Opening balance	Interest to be realised	Closing Balance
Name of institution & investment ID	Yrs/Months								
Parent municipality									
ABSA FIXED DEPOSIT	after 32 days	FIXED	YES	Deposit - Short	0.05	11	183	11	194
SANLAM MONEY MARKET	after 32 days		YES	Market Investment	0.04	8	78	8	86
									-
Municipality sub-total							260		280
TOTAL INVESTMENTS AND INTEREST							260		280

3.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

Table 31 Sources of capital revenue over the MTREF

Vote Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funded by:										
National Government	24,074	8,621	6,594	21,898	21,898	21,898	21,898	96,700	82,235	88,066
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	24,074	8,621	6,594	21,898	21,898	21,898	21,898	96,700	82,235	88,066
Public contributions & donations	–	22,476	–	37,940	37,940	37,940	37,940	72,358	–	–
Borrowing										
Internally generated funds	2,374	–	8,119							
Total Capital Funding	26,448	31,097	14,713	59,838	59,838	59,838	59,838	169,058	82,235	88,066

The above table is graphically represented as follows for the 2016/17 financial year.

Capital grants and receipts equates to 100% of the total capital funding source which represents R72 million for the 2016/17 financial year and decreases to R81m by 2017/18. It must be noted that the Municipality is not in a position contribute to capital projects due to its poor financial position, only externally funded capital projects were budgeted for. A priority was given to servicing long outstanding creditors and improves the financial standing of the Municipality.

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 R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent municipality									
Long-Term Loans (annuity/reducing balance)	4,121	8,606	6,838	4,783	4,783	4,783	7,500	6,750	6,075
Municipality sub-total	4,121	8,606	6,838	4,783	4,783	4,783	7,500	6,750	6,075
Total Borrowing	4,121	8,606	6,838	4,783	4,783	4,783	7,500	6,750	6,075

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

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:									
Operating Transfers and Grants									
National Government:	55,658	63,569	64,753	65,408	65,408	65,408	65,921	66,022	71,944
Local Government Equitable Share	52,832	60,129	60,733	60,064	60,064	60,064	61,051	62,830	68,436
Finance Management	1,500	1,550	1,600	1,675	1,675	1,675	1,810	2,145	2,400
Municipal Systems Improvement	790	890	934	934	934	934	990	1,047	1,108
EPWP Incentive	536	1,000	1,486	2,735	2,735	2,735	2,070	-	-
Provincial Government:	232	90	2,108	1,500	1,500	1,500	1,590	1,682	1,780
LG Seta	232	90	2,108	1,500	1,500	1,500	1,590	1,682	1,780
District Municipality:	-	190	1,450	1,550	1,550	1,550	1,550	1,643	1,742
Fire Reimbursement Subsidy	-	190	1,450	1,550	1,550	1,550	1,550	1,643	1,742
Total Operating Transfers and Grants	55,890	63,849	68,311	68,458	68,458	68,458	69,061	69,348	75,466
Capital Transfers and Grants									
National Government:	22,474	27,261	32,926	29,172	29,172	29,172	97,463	76,810	81,641
Municipal Infrastructure Grant (MIG)	22,474	27,261	32,926	29,172	29,172	29,172	73,714	30,736	32,331
Integrated National Electrification Programme							3,749	4,074	4,310
Water Service Infrastructure Grant							20,000	42,000	45,000
Provincial Government:	-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	22,474	27,261	32,926	29,172	29,172	29,172	97,463	76,810	81,641
TOTAL RECEIPTS OF TRANSFERS & GRANTS	78,364	91,110	101,237	97,630	97,630	97,630	166,524	146,158	157,107

3.6.3 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
			16,750	18,500	22,560	25,552	163,809	163,809	163,809	32,415	34,360	36,422
			71,302	76,943	126,890	170,097				141,340	151,637	161,932
			2,685	1,640	548	9,147	–	–	–	7,788	7,128	8,746
	1		77,521	72,470	64,854	64,841	64,841	64,841	64,841	67,456	67,646	73,662
	1		29,490	27,250	6,594	29,172				52,463	81,810	86,641
			1,375	1,513	11,852	5,625	2,125	2,125	2,125	688	727	770
										–	–	–
Payments												
			(174,670)	(155,412)	(210,302)	(290,283)	(244,763)	(244,763)	(244,763)	(255,098)	(267,838)	(281,563)
			(4,041)	(11,893)	(14,623)	(438)	(9,438)	(9,438)	(9,438)	(888)	(942)	(998)
	1									–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES												
			20,442	31,010	8,378	13,712	(23,427)	(23,427)	(23,427)	46,164	74,330	85,612
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
			180	300	22,400					–	–	–
			310	(213)	–	5,342	11,442	11,442	11,442	5,468	5,785	6,121
						9,972	9,972	9,972	9,972	2,451	2,593	2,744
										–	–	–
Payments												
			(20,232)	(31,097)	(33,470)	(29,172)				(52,463)	(81,810)	(86,641)
NET CASH FROM/(USED) INVESTING ACTIVITIES												
			(19,742)	(31,010)	(11,069)	(13,858)	21,414	21,414	21,414	(44,544)	(73,432)	(77,777)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
										–	–	–
			498							–	–	–
			128							–	–	–
Payments												
			(1,297)		(471)	(2,014)	(2,014)	(2,014)	(2,014)	(3,000)	(2,000)	(1,500)
NET CASH FROM/(USED) FINANCING ACTIVITIES												
			(670)	–	(471)	(2,014)	(2,014)	(2,014)	(2,014)	(3,000)	(2,000)	(1,500)
NET INCREASE/ (DECREASE) IN CASH HELD												
			0	–	(3,168)	(2,160)	(4,027)	(4,027)	(4,027)	(1,380)	(902)	6,335
	2		4,350	3,137	2,302	4,100	5,040	5,040	5,040	2,302	922	20
	2		4,350	3,137	(866)	1,940	1,013	1,013	1,013	922	20	6,350

The above table shows that cash and cash equivalent of the municipality are anticipated to improve for 2016/17 budgeted financial year showing a balance R20 million, however all of it is expected to assist in servicing the long outstanding creditors during the year.

Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	4,350	3,137	(866)	1,940	1,013	1,013	1,013	20,922	40,020	66,355
Other current investments > 90 days		4,250	190	4,268	19	236	236	236	(19,597)	(38,618)	(64,872)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		8,600	3,327	3,402	1,959	1,250	1,250	1,250	1,325	1,402	1,483
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	43,419	185,863	191,289	13,517	155,977	155,977	155,977	89,960	53,904	22,280
Other provisions		(38,320)	(188,320)	(189,250)	(13,748)	(157,325)	(157,325)	(157,325)	(91,250)	(53,250)	(22,532)
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		5,099	(2,457)	2,039	(231)	(1,348)	(1,348)	(1,348)	(1,290)	654	(252)
Surplus(shortfall)		3,502	5,784	1,363	2,190	2,598	2,598	2,598	2,615	747	1,735

From the above table it can be seen that the cash and investments availability total R20 million in the 2016/17 financial year and continue to improve in 2017/18, 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 2015/16 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 2018/19. 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.

3.6.4 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 36 MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	4,350	3,137	(866)	1,940	1,013	1,013	1,013	20,922	40,020	66,355
Cash + investments at the yr end less applications - R'000	18(1)b	2	3,502	5,784	1,363	2,190	2,598	2,598	2,598	2,615	747	1,735
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	0.2	(0.0)	0.1	0.1	0.1	0.1	1.2	2.1	3.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(5,015)	(93,209)	(96,312)	93,496	(7,150)	(7,150)	(7,150)	58,504	87,730	101,807
Service charge rev % change - macro CPX target exclusive	18(1)a,(2)	5	N.A.	(4.8%)	32.4%	45.8%	(32.4%)	(6.0%)	(6.0%)	14.7%	1.0%	0.6%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	67.4%	76.0%	91.3%	85.0%	96.1%	96.1%	96.1%	89.7%	89.1%	89.7%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6.8%	12.2%	28.3%	4.4%	9.4%	9.4%	9.4%	3.1%	3.0%	3.0%
Capital payments % of capital expenditure	18(1)c,(19)	8	76.5%	100.0%	227.5%	31.9%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Gov.t 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.	91.1%	(7.6%)	60.0%	(14.3%)	0.0%	0.0%	30.6%	5.8%	5.8%
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	1.2%	2.8%	0.9%	2.7%	2.7%	2.7%	0.4%	0.3%	0.3%	0.4%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

3.6.4.1 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 boycott.

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 2016/17 MTREF the indicative outcome is a surplus of R21 million and remains constant at R27 and R37 million for the two outer years.

3.6.4.2 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 2016/17 MTREF.

3.6.4.3 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 88% for 2016/17 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.

3.6.4.4 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 forecasted that all capital payments will be paid within the legislative requirement that creditors be paid within 30 days.

3.6.4.5 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.

3.6.4.6 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 (12.5) % jump in consumer debtors' balance in 2016/17.

3.6.4.7 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.

3.6.4.8 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.

3.7 Expenditure on grants and reconciliation of unspent funds

Table 37 MBRR SA19 – Expenditure on transfers and grant programmes

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	55,658	63,569	64,753	63,673	63,673	63,673	65,921	66,022	71,944
Local Government Equitable Share	52,832	60,129	60,733	60,064	60,064	60,064	61,051	62,830	68,436
Finance Management	1,500	1,550	1,600	1,675	1,675	1,675	1,810	2,145	2,400
Municipal Systems Improvement	790	890	934	934	934	934	990	1,047	1,108
EPWP Incentive	536	1,000	1,486	1,000	1,000	1,000	2,070	–	–
Other transfers/grants [insert description]									
Provincial Government:	232	90	101	1,500	1,500	1,500	1,590	1,682	1,780
LG Seta	232	90	101	1,500	1,500	1,500	1,590	1,682	1,780
District Municipality:	713	190	–	–	–	–	1,500	1,500	1,500
Fire Reimbursement Subsidy	713	190	–	–	–	–	1,500	1,500	1,500
Total operating expenditure of Transfers and Grants	56,603	63,849	64,854	65,173	65,173	65,173	69,011	69,205	75,224
Capital expenditure of Transfers and Grants									
National Government:	22,474	8,621	10,644	56,172	56,172	56,172	97,463	81,810	86,641
Municipal Infrastructure Grant (MIG)	22,474	8,621	6,594	29,172	29,172	29,172	73,714	30,736	32,331
Integrated National Electricity Grant (INEP)	–	–	–	–	–	–	3,749	4,074	4,310
Water Service Infrastructure Grant (WSIG)	–	–	–	–	–	–	20,000	42,000	45,000
Electrification Grant (SANEDI)	–	–	4,050	27,000	27,000	27,000	–	5,000	5,000
Total capital expenditure of Transfers and Grants	22,474	8,621	10,644	56,172	56,172	56,172	97,463	81,810	86,641
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	79,077	72,470	75,497	121,345	121,345	121,345	166,474	151,015	161,865

The MIG programme is being managed from the district as the municipality has showcased lack of expertise and capacity to manage the programme in the past five years. There may be need to extend the current Memorandum of Understanding with Waterberg District Municipality should the financial position of the municipality do not improve.

3.8 Councillor and employee benefits

Table 39 MBRR SA22 – Summary of councillor and staff benefits

Summary of Employee and Councillor R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Councillors (Political Office Bearers plus Office Expenses)	-	-	-	-	-	-	-	-	-
Basic Salaries and Wages	4,098	3,542	4,051	4,952	4,952	4,952	4,577	4,636	5,019
Motor Vehicle Allowance	928	1,199	850	1,303	1,303	1,303	1,470	1,570	1,677
Cellphone Allowance	44	39	45	59	59	59	74	79	84
Housing Allowances	-	5	14	15	15	15	-	-	-
Other benefits and allowances	41	562	-	-	-	-	460	559	665
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality	5,642	8,419	6,859	8,468	8,468	8,468	9,106	11,929	12,808
% increase	-	49.2%	(18.5%)	23.5%	-	-	7.5%	31.0%	7.4%
Other Municipal Staff	-	-	-	-	-	-	-	-	-
Basic Salaries and Wages	43,917	60,401	60,241	54,330	54,330	54,330	64,576	68,967	82,182
Pension and UIF Contributions	10,222	9,765	9,958	11,825	11,825	11,825	12,259	13,092	13,982
Medical Aid Contributions	2,838	2,960	3,010	3,998	3,998	3,998	4,289	4,581	4,892
Overtime	2,701	5,736	4,024	4,903	4,903	4,903	5,576	2,752	2,939
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3,456	5,383	5,654	7,094	7,094	7,094	7,430	6,730	7,188
Cellphone Allowance	240	234	321	547	547	547	507	542	579
Housing Allowances	49	63	84	190	190	190	149	159	170
Other benefits and allowances	4,256	11,696	4,242	9,106	9,106	9,106	9,743	10,406	11,113
Payments in lieu of leave	3,623	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff	71,302	96,237	87,534	91,994	91,994	91,994	104,529	107,228	123,045
% increase	-	35.0%	(9.0%)	5.1%	-	-	13.6%	2.6%	14.8%
Total Parent Municipality	83,460	110,893	101,479	108,861	108,861	108,861	121,650	127,804	145,176
% increase	-	32.9%	(8.5%)	7.3%	-	-	11.7%	5.1%	13.6%
TOTAL SALARY, ALLOWANCES & BENEFITS	83,460	110,893	101,479	108,861	108,861	108,861	121,650	127,804	145,176
% increase	-	32.9%	(8.5%)	7.3%	-	-	11.7%	5.1%	13.6%
TOTAL MANAGERS AND STAFF	76,944	104,656	94,393	100,461	100,461	100,461	113,635	119,157	135,853

Table 40 MBRR SA23 – Salaries, allowances and benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Total Package
Rand per annum			1.		2.
Councillors					
Speaker		430,622		186,752	617,374
Chief Whip		538,278		105,937	644,215
Mayor		546,868		224,798	771,666
Total for all other councillors		4,039,727		2,026,550	6,066,278
Total Councillors	–	5,555,495	–	2,544,037	8,099,533
Senior Managers of the Municipality					
Municipal Manager (MM)		1,070,000	–	180,000	1,250,000
Chief Finance Officer		825,250	–	136,450	961,700
Corporate Manager		805,733	–	120,000	925,733
Technical Manager		856,000	–	139,360	995,360
PED Manager		792,695	–	156,000	948,695
Community Services Manager		732,763	–	124,000	856,763
Total Senior Managers of the Municipality	–	5,082,441	–	855,810	5,938,251
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	–	10,637,936	–	3,399,847	14,037,784

There is need to implement fully the performance management system at the municipality to all levels. The current staffing compliment is not aligned to performance expectations and thus there is need to fully cascade PMS to all levels as a motivational tool and Bonus payments must be earned not entitled to as the norm at the municipality to all levels.

Strengthening of the council committees and other governance structures is of paramount importance and provision of this has been made in the form of attracting qualified Audit Committee members, capacitating the risk committee and appointing qualifying chairpersons on all council committees.

Table 41 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers Number	2014/15			Current Year 2015/16			Budget Year 2016/17		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipality	-	-	-	-	-	-	-	-	-
Councillors (Political Office Bearers plus Office Bearer)	23	-	23	23	-	23	23	-	23
Municipal employees	-	-	-	-	-	-	-	-	-
Municipal Manager and Senior Managers	7	-	7	7	-	7	7	-	4
Other Managers	29	-	-	29	-	-	19	18	1
Professionals	89	58	6	79	58	6	63	56	6
Finance	44	36	5	34	36	5	34	34	5
Spatial/town planning	33	11	1	33	11	1	17	11	1
Information Technology	4	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	409	221	36	305	221	36	271	232	36
Electricity	13	20	-	13	20	-	20	20	-
Water	53	34	8	43	34	8	43	34	8
Sanitation	39	19	7	39	19	7	29	19	7
Refuse	101	59	11	71	59	11	71	59	11
Other	203	89	10	139	89	10	93	89	10
Clerks (Clerical and administrative)	26	18	-	26	18	2	20	18	2
TOTAL PERSONNEL NUMBERS	583	297	72	469	297	74	403	324	72

The reviewed municipal Organogram shows that only 6 critical positions can be filled within the Municipality during 2016/17 financial year. However, the magnitude of the employee benefits compared to operating revenue exceeds all norms and standards. A detailed review of critical positions needs to be done and possible restructuring of the Organogram is needed as there are signs of duplications and a benchmarking exercise be done to try and align the employee benefits to within acceptable norms and standards. This is a matter that has been referred to the leadership of our workers' unions. It is a conversation that cannot be wished away as it is a very compelling matter. It is the single most decisive matter for our municipality.

3.9 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). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Budget and Treasury Office.

3.10 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 finally on the repair and maintenance of assets.

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

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year: 2016/17	Budget Year: +1 2017/18	Budget Year: +2 2018/19
Repairs and maintenance expenditure by Asset Class/Sub-class									
-									
Infrastructure	9,629	21,743	4,233	27,495	27,495	27,495	9,733	10,311	10,922
Infrastructure - Road transport	3,602	1,864	2,213	8,292	8,292	8,292	2,056	2,175	2,301
Roads, Pavements & Bridges	3,602	1,864	2,213	8,292	8,292	8,292	2,056	2,175	2,301
Storm water	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	1,099	-	645	9,600	9,600	9,600	826	874	925
Generation	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	1,099	-	645	9,600	9,600	9,600	826	874	925
Street Lighting	-	-	-	-	-	-	-	-	-
Infrastructure - Water	2,979	449	446	5,144	5,144	5,144	3,311	3,509	3,720
Dams & Reservoirs	2,979	-	446	5,144	5,144	5,144	3,311	3,509	3,720
Water purification	-	-	-	-	-	-	-	-	-
Reticulation	-	449	-	-	-	-	-	-	-
Infrastructure - Sanitation	1,949	19,430	104	4,237	4,237	4,237	3,250	3,445	3,652
Reticulation	1,949	19,430	104	4,237	4,237	4,237	3,250	3,445	3,652
Sewerage purification	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	824	222	222	222	290	307	325
Waste Management	-	-	824	222	222	222	290	307	325
Community	461	-	867	3,535	3,535	3,535	2,482	2,631	2,789
Parks & gardens	-	-	559	3,439	3,439	3,439	2,411	2,555	2,708
Recreational facilities	461	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	308	95	95	95	72	76	80
-	-	-	-	-	-	-	-	-	-
Other assets	2,608	9,354	2,857	4,609	4,609	4,609	2,804	2,971	3,148
General vehicles	-	6,000	2,516	4,550	4,550	4,550	2,145	2,274	2,411
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	2,357	-	-	-	-	-	-	-	-
Computers - hardware/equipment	-	-	-	-	-	-	-	-	-
Furniture and other office equipment	4	353	340	14	14	14	366	387	409
Civic Land and Buildings	191	3,000	-	45	45	45	293	310	328
Other	56	-	1	-	-	-	-	-	-
Total Repairs and Maintenance	12,698	31,097	7,957	35,639	35,639	35,639	15,019	15,912	16,859

Due to the magnitude of both electricity and water losses monthly there is need to put adequate emphasis on the finalisation and full implementation of the municipal asset management and maintenance plan. This will ensure that the municipality salvages and optimises the value of the currently aged infrastructure and also reduces water losses in that regard.

Table 45 MBRR SA36 – Detailed capital budget

PROJECT NAME	BUDGET	FUNDER
Cemeteries	R1 800 000.00	TLM
Regorogile Ext 5 Water Supply.	R 4,600,000	MWIG
Development of groundwater for Thabazimbi and Regorogile.	R 800,000	MWIG
Housing	R 27,000,000	Human Settlements Grant/ DORA
Rooiberg Water supply.	R 4,100,000	MWIG
Leeupoort/Raphuti Water Supply.	R 1,500,000	MWIG
Schilpadnest (Smasherblock) Water Supply.	R 1,500,000	MWIG
Thabazimbi Water Conservation and Demand Management Project	R 500,000	MWIG
Thabazimbi upgrading of water network.	R 20,000,000	Godisang Thabazimbi Community Development Trust
Development of Thabazimbi and Northam Waste Buy Back Centres.	R 3,000,000	PPC
Upgrading of sport and recreation facilities	R 4,000,000	Godisang Thabazimbi Community Development Trust
Purchase of desktop computers.	R 445,200	Godisang Thabazimbi Community Development Trust
Establish a Business Development Centre.	R 800,000	Godisang Thabazimbi Community Development Trust
Installation of electricity pre-paid meters .	R 18,000,000	DoE
Upgrading of sport and recreation facilities	R 4200 000	MIG
Construction of VIP toilets in Rooiberg, Skierlik, Dwaalboom, Jabulani, Phatsima .	R 3,213,400	MIG
Raphuti and Northam installation of High mast lights	R 2,500,000	MIG
Regorogile Paving of Internal Streets (Ward 9,10 and 12).	R 6,500,000	MIG
Thabazimbi Waste Water Treatment Project	R 45 000 000	MIG
Roads project	R 6,000,000	MIG
Northam Extension 5 & 7 upgrading of internal streets.	R 2,200,000	MIG
Thabazimbi construction of new tarred roads	R 5,000,000	Kumba Iron Ore
Construction of 80KL Elevated Storage Tank at Regorogile Ext 5 complete with Booster Pump System.	R 1,600,000	Cronimet
Construction of Communal Ablution Facilities at Meriting.	R 1,000,000	Cronimet
Total	R 169,058,600	

Municipal Standard Chart of Accounts (mSCOA)

The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only eleven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to mSCOA. The implementation of mSCOA must be considered a business reform and it requires a significant change in municipal business processes; and it involves systems conversion and/or re-implementation. Further, mSCOA requires organizational change as it is not only a financial reform that is being introduced.

The municipality has made tentative progress as far as the MSCOA implementation is concerned as a non pilot Municipality. The MSCOA project plan has been prepared and is still yet to be approved by council. The SCOA project team has been selected, however the municipality is highly strained as far as human resource skills are concerned.

More resources must be channeled towards this cause with the very limited time remaining to full compliance.

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 has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been 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 views from Thabazimbi Rate Payers Association and other similar Forums. A Final has been attached as Annexure 2 to this document.

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
- Cash Management and Investment Policy
- Borrowing Framework Policy
- Funding Reserves Policy

Municipal manager's quality certificate

I, Adv Thubakgale, the Administrator 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 _____

Municipal Manager of Thabazimbi Local Municipality (LIM361)

Signature _____

Date _____