

# THABAZIMBI LOCAL MUNICIPALITY

## **DRAFT ANNUAL BUDGET 2017/- 18**



**2017/18 TO 2019/20**

**MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

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March 2017

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

7 Rietbok Street

Thabazimbi  
(LIM 361), 0380  
31/03/2017

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## GLOSSARY OF TERMS AND ABBREVIATIONS

**Adjustments Budgets** – Prescribed in [sSection 28](#) of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.

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**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 [sSection 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 [that](#) 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 [nNational](#) to [HLocal](#) [gGovernment](#).

**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.

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**THABAZIMBI LOCAL MUNICIPALITY**

**VISION**

*“A LEADING MUNICIPALITY IN THE PROVISION OF SUSTAINABLE AND EXCELLENT SERVICES”*

**MISSION**

*“TO RESTORE QUALITY SERVICE DELIVERY THROUGH BATHO PELE & WORKING WITH COMMUNITIES”*

**VALUES STATEMENT**

*“ACCOUNTABLE, TRANSPARENT, COMMUNITY CENTERED AND HONEST HUMAN CAPITAL”*

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## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### 1. Introduction

Mr Speaker Sir, in the name of God the Most Gracious and the Most Merciful, we inherited a Municipality that is in deep financial quandary. Let us all pray and seek His blessings whilst we strategise and devise ways to fortify the lives of our communities. Many are not aware that the process to develop and prosper a community is not easy it takes hard work comprehensive plans as well as painful and unpopular decisions.

Our Municipality of Thabazimbi is technically insolvent and is currently unable to provide the minimum standards of service delivery as enshrined in the constitution of the Republic. Liquidity challenges, low capacity utilization, lack of human resource skills, low investor confidence, low community and donor confidence and high levels of unemployment have continuously been a scourge to us all along.

The Municipality was placed under section 139(1)-(b) of the Constitution of the Republic of South Africa in February 2016 and minimum achievements were celebrated, subsequently council volunteered to be placed under Section 154 of the Constitution in a bid to try and improve 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 restore the pride that once was. Our target as a newly elected council is to leave the municipality better off than we found it.

Mr Speaker Sir, the 2017/18 Annual Budget and IDP were prepared under unimaginable circumstances, the 2016 Medium Term Budget Policy Statement emphasized that the global recovery from the 2008 financial crisis remains precarious, with growth forecast at 3.1-% in 2016 and 3.4-% in 2017. In developed economies, the combination of weak economic growth, low or negative interest rates, and elevated asset prices has increased the likelihood of renewed financial volatility. Countries that are highly reliant on foreign savings, such as South Africa, will remain vulnerable to global financial volatility and rapid capital outflows. While global economic weakness plays a large role in South Africa's economic growth performance, domestic constraints stand in the way of investment, output and trade.

Domestic GDP growth for 2016 was forecasted at 0.9% at the time of the 2016 Budget and it has since been revised to 0.5-%. It is anticipated that factors such as a more reliable electricity supply, improved labour relations, low inflation, a recovery in business and consumer confidence, stabilizing commodity prices and stronger global growth will increase growth to 2.2% by 2019. Furthermore, the country has experienced a decline in mining growth and weakened agricultural outputs as a result of the drought while growth in transport and telecommunications, electricity, gas and water have declined because of weakened demand.

~~Indeed~~Indeed, Mr Speaker Sir, our first priority has to be restoration of service delivery to all. Our communities are reeling in sheer poverty due to inaccessible municipal and other public services. Provision of affordable Electricity, healthy portable water and the general maintenance of a healthy environment has to be our starting point.

These economic challenges will continue to pressurize municipal revenue generation and collection hence a conservative approach has been adopted in projecting revenue. We will have to improve our efforts to limit non-priority spending and to implement stringent cost-containment measures.

Mr Speaker Sir, I ~~acknowledged~~ acknowledge that while the Municipality is not a profit-making organization however it must be maintained as a going concern; therefore the municipality cannot sustain itself if it fails to recoup the cost of delivering services.

Mr Speaker Sir, 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 2017/18 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.

*Below are the Strategic Interventions Projects I believe the Municipality cannot afford to progress without:*

- The appointment of a team of competent and experienced administrative personnel in all departments.
- Effective Management of Litigations and Claims to avoid the continued erosion of public funds.
- Replace all the damaged meters for Electricity and Water around the entire Municipality.
- Reduce the magnitude of Electricity and Water distribution losses through effective infrastructure maintenance programs.
- Optimize collections in all revenue streams and improve the control environment.
- Review all current commitments and do away with non-priority commitments.
- Improve relations with all creditors and stakeholders.

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## 2. Revenue Sources

Total operating revenue of R291 million has been budgeted for in the 2017/18 financial year and will increase to R323 million over the MTREF period. The budgeted revenue has increased by 16.4% from the approved adjusted budget for the 2016/17 financial year.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2016/17 financial year revised budget, revenue from rates and services charges totalled R215 million and this constituted 74% of the total revenue (excluding capital receipts). In the forecasted year 2017/18, Rates and service charges increased to R-230 million and this still constitutes 73% of total revenue for the year. An annual review of the property rates taxes is as detailed on Schedule 15 of Annexure 1, the Tariff book for 2017/18, we continue to review our policies to remove inefficiencies and to align ourselves with our surrounding municipalities.

The municipality has experienced poor cash flows in 2016/17 financial year due to poor revenue collection strategies. ~~However~~ However, the municipality has since set up an effective credit control unit and a revenue enhancement committee was established, additional auxiliary measures to ensure improved billing and collections methods continue to be 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 are currently being replaced ~~will be replaced~~ and this will result in accurate meter readings taken and billed.
- The municipality is in the process of installing smart metering metres to ensure that proper debt control is implemented as per our policy.

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Operating grants and transfers totals R76 million in the 2017/18 financial year and is forecasted to maintain at R93 million over the MTREF period. An additional re-imbursement grants from LG SETA is also included amounting to R1.5 million 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**

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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 is currently being 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 2017/18 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 13% 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.

### **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 No. 66) encourages 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 tariffs are designed to encourage efficient and sustainable consumption.

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

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 Board has proposed to increase its bulk tariffs with 10% from 1 July 2017. 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 no mark-up as the Municipal focus for 2017/18 is on ensuring

that the abnormal distribution losses are reduced thereby indirectly contributing to efficiencies and sustainability on the provision of water as a trading service.

The supply of water in Thabazimbi, 70% of the water is purchased from Magalies Water Board and only 30% is extracted from ground water sources. Though there is no mark-up added to the Magalies Water Board tariff for 2017/18 which is 10%, the municipality intends to recover savings from the 30% portion from underground sources as the cost drivers would be approximately 8% based on electricity and labour related expenses, the remaining 4% should cushion the municipality on repairs and maintenance related costs.

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 2017/18.

## 2.2 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 2017.

Considering Eskom-increases, the consumer tariff had to be increased by 8% to offset the additional bulk purchase cost from 1 July 2017. 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.

## 3.3. Expenditure

The municipality's expenditure framework for the 2017/18 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; and
- 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 2017/18 financial year totals), which equals to 42% of the total operating expenditure. This represents 7.4% increment from revised 2016/17 figures. The increase is due to annual salary increase of 7.4% as guided by the multi year Salary and Wage collective Agreement. The municipal Organogram 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

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Bulk purchases are directly informed by the purchase prices of electricity from Eskom —and water from Magalies Water Board 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.

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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 2017/18 the appropriation for repairs and maintenance is R14 million which constitutes 8% of the total operating expenditure for 2017/18 and continues to grow at 6.4% for the two outer years of MTREF.

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

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In 2017/18, R-86 million has been appropriated for the development and acquisition of infrastructure to try and outreach ~~out~~ to some areas of our community yet to have the necessary infrastructure for service delivery. In the two outer ~~years~~ years' capital expenditure is forecasted at R101 million, and R125 million respectively for each of the financial years.

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Funds have been set aside for the development of land for purposes of construction of RDP housing units, the Municipality has in the past years been failing to utilise the human settlements grant due to lack of serviced land. The Leeuport Game security will be improved in 2017/18 as part of the efforts to commence commercialising the operations there.

The Thabazimbi Waste Water Treatment project will continue to be managed from the Waterberg District Municipality in line with the signed Memorandum of Understanding that transferred the responsibilities of ~~the~~ implementing Agent to Waterberg. Plans are in place for the completion of the Northam Waste Water Treatment project with the facilitation of Anglo American.

### 4.4. Conclusion

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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.

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Allow me to 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, the Ratepayers Association, the Chamber of Business and various spheres of government for the support they continue to give the Municipality -and deciding to look at the bigger picture of service delivery.

The role and scope of the elected councilor has 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 on 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.

— I thank you

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**1.23.4 Council resolutions**

That the Draft annual budget for the 2017/18 MTREF for the different votes be approved and adopted as set out in the following Tables;

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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:

**Comment [PM1]:** This draft budget should be in terms of Section 16(2) of the MFMA

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- 1.1 The ~~Final-Draft~~ Annual Budget of the municipality for the financial year 2017/18 and the multi-year and single year capital appropriations as set out in the following tables:
  - 1.1.1. ~~Final-Draft~~ Budgeted Financial Performance (revenue and expenditure by standard classification) as contained;
  - 1.1.2. ~~Final-Draft~~ Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained;
  - 1.1.3. ~~Final-Draft~~ Budgeted Financial Performance (revenue by source and expenditure by type) as contained.
  - 1.1.4. Multi-year and single-year ~~Final-Draft~~ 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 2017:

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- 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;
- 2.2.2 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 2017 the tariffs of other services, as set out in Annexures 5.

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4. To give proper effect to the municipality's ~~Final-Draft~~ annual budget, the council of Thabazimbi Local Municipality approves:

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### 1.3.5 Executive summary

#### General

The total budget quantum for the 2017/18 year is R351 million, of which R-291 million (82%) is allocated to the operating budget and R60 million (18%) to the capital budget.

#### b. Operating Budget Expenditure

Total operating expenditure has increased from R250 million in 2016/17 (~~Approved Adjustments~~ ~~approved b~~ Budget) to R-271 million in 2017/18. This 7.4% increase is primarily the result of increases 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	Current Year 2016/17		2017/18 Medium	
R thousand	Original Budget	Adjusted Budget	Budget Year 2017/18	Year on Year Movement
<b>Expenditure By Type</b>				
Employee related costs	114,525	106,525	114,408	7%
Remuneration of councillors	8,100	8,100	8,618	6%
Debt impairment	5,812	5,932	6,311	6%
Depreciation & asset impairment	21,976	21,976	20,877	-5%
Finance charges	1,888	11,658	7,405	-36%
Bulk purchases	76,432	72,832	79,107	9%
Contracted services	2,653	(0)	-	-100%
Other expenditure	50,450	23,150	34,663	50%
<b>Total Expenditure</b>	<b>281,835</b>	<b>250,172</b>	<b>271,389</b>	

#### Reasons for significant increases/decreases in expenditure

- *Employee Related Costs:* A 7.4% increment is forecasted based on the bargaining council agreement is anticipated; however savings will be expected in 2017/18 on the overall employee costs due to significant cost containment measures that are expected from the reduction of unnecessary overtime claims, in addition the review of the Organogram and streamlining of duplications by removing of non critical positions should see ~~the~~ employee costs ~~going down~~ decreasing in the next financial year. Thus, all managers are expected to monitor and restrict overtime and uncontrolled travelling of employees to minimum levels.

- *Finance Charges:* This increased by 125%, due to interest rate fluctuation and long outstanding payables as a result of the municipality's current cashflow constraints, however for budgeting purposes we have limited it to the CPI.

- *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 2017/18 financial year mainly driven by the direct cost drivers. The increase in portable water from Magalies Water Board which is 10% 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 the Installation of



Smart Meters for Electricity and [the implementation of](#) a repairs and Maintenance Plan on the water network.

- MFMA Circular No. 57 and the subsequent promulgation of the MSCOA Act require that all Municipalities fully comply with the MSCOA regulations by the 01<sup>st</sup> of July 2017. The objective of this circular is to inform municipalities of the requirements for local government financial systems and processes and to outline the procedures that municipalities need to comply with in terms of budgeting, financial reporting and processes.

## Other Expenditure

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Other Expenditure		2017/18
Legal fees and Publications	TLM	1,920,000.00
Leases Printers , Rentals (8*12)+(53*12)	TLM	1,608,000.00
Security Services	TLM	1,344,000.00
Property Plant and Equipment	TLM	1,650,000.00
LED and Spatial Rationale	TLM	450,000.00
Repairs and Maintenance	TLM	14,110,000.00
External Audit fees	TLM	3,231,000.00
Preparation of General Valuation Roll & Supplementary Rolls for 2017-2022	TLM	5,050,000.00
Financial Reporting System (Munsoft) MSCOA and HR	TLM	950,000.00
Maintenance of Land fill sites (TBZ, Northam, Rooiberg)	TLM	4,350,000.00
<b>Total</b>		<b>34,663,000.00</b>

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.

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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 2017/18 MTREF, please refer to Annexure 12.

**Comment [PM2]:** What about Circular No. 85 and 86?

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

**Comment [PM3]:** Why is reference made to Annexure 12 as it is the funding and reserves policy?

- 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 Water Board (10%) 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 2017/18 MTREF process; and

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- 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.

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The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 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 2017/18 [draft](#) 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; [and](#)
  - Unnecessary Overtime and Stand by.

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### 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 [ports](#), 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.

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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 % 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;

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- 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 2017/18 MTREF revenue (classified by main revenue source):

**Table 2 Summary of revenue classified by revenue source**

R thousand	Adjusted Budget	Budget Year 2017/18	Year on Year Movement
<b>Revenue By Source</b>			
Property rates	38,825	44,014	13.4%
Service charges - electricity revenue	64,364	80,500	25.1%
Service charges - water revenue	26,857	33,746	25.7%
Service charges - sanitation revenue	18,641	19,834	6.4%
Service charges - refuse revenue	11,344	12,070	6.4%
Rental of facilities and equipment	1,542	1,641	6.4%
Interest earned - outstanding debtors	8,342	8,876	6.4%
Fines, penalties and forfeits	3,000	3,192	6.4%
Licences and permits	2,808	2,987	6.4%
Agency services	2,808	2,987	6.4%
Operational Grants	67,576	76,675	13.5%
Other revenue	4,424	4,708	6.4%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>250,531</b>	<b>291,231</b>	

This 16% growth is mainly as a result of:

- **Transfers recognized – operational:** The increase is due to the increase in the operational grants from (R-67 m) million in 2016/17 to R-76 million in 2017/18), please refer to Table SA18.
- **Service Charges – Other:** This increase in revenue comprises of a tariff increment of 8% for Electricity and 10% 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%. The metering of services are vital, the delivery of correct accounts for services on time and most importantly the culture of payment must be enhanced.
- **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 service tariffs 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

**Comment [PM4]:** Needs to be inserted in the table above.

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**Comment [PM5]:** Really?

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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. The finalization of this exercise must reflect the level of service delivery provided specific for Thabazimbi Community.

**Table 3 Percentage growth of revenue by main revenue source**

Description / Category	Base Budget 2016/17	Budget Year 2017/18
Property Rates Taxes	Refer to Schedule 15 of the Tarriff book	Refer to Schedule 15 of the Tarriff book
Electricity	8.0%	8.0%
Water	12.0%	10.0%
Sanitation	6.0%	6.0%
Refuse Removal	6.0%	6.4%
Other Services	6.0%	6.4%

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### **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.

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### **Portable Water**

There is a proposed 10% increase in consumptive water and 6.4% for sanitation tariffs. The Bulk Water tariff has been increased by 10%. 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.

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### **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 6.4%. The details are reflected in the Tariff Book Annexure 1.

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### **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.

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CPI was projected at being 6.4%. 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.

Commercialization of Leeuport game farm is considered pivotal to ensure that it becomes a viable municipal cash generating unit that is sustainable.

**Comment [PM6]:** Is this related to Electricity?

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### Capital Expenditure

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PROJECT NAME	FUNDER	Capital Projects	Operational Projects
Service Delivery Vehicles -Finance Lease	TLM	5,100,000.00	-
Legal fees and Publications	TLM	-	1,920,000.00
Leases Printers , Rentals	TLM	-	1,608,000.00
Regorogile and Northam Cemetery	TLM	1,500,000.00	
Township Establishment for Northam ext 20 (new)	TLM		900,000.00
Formalization of informal settlements: Skierlik, Sm	Coghsta	22,200,000.00	-
Finalization of township Establishment in Regorogile	TLM		900,000.00
Development Plans for Thabazimbi, Leeuport & Dwaalboom (new)	TLM		800,000.00
Security Services	TLM		1,344,000.00
Property Plant and Equipment	TLM	-	1,650,000.00
External Audit fees	TLM	-	3,231,000.00
Preparation of General Valuation Roll & Financial Reporting System (Munsoft) MSCOA	TLM	-	950,000.00
Maintenance of Land fill sites (TBZ, Northam,	TLM	-	4,350,000.00
REGOROGILE EXT 5 WATER SUPPLY	WSIG	7,000,000.00	
ROOIBERG WATER SUPPLY	WSIG	5,400,000.00	
LEEUPORT/ RAPHUTI WATER SUPPLY	WSIG	7,400,000.00	
DEVELOPMENT OF GROUNDWATER FOR THABVAZIMBI AND REGOROGILE	WSIG	7,200,000.00	
Upgrading of Regorogile and Northam Sports and Recreation Facilities	MIG	4,950,000.00	-
Raphuti Paving of Internal Streets ward 4	MIG	4,250,000.00	-
Raphuti and Northam installation of High mast lights	MIG	2,450,000.00	-
Construction of Roads Reg Ext 5	MIG	5,500,000.00	
Northam Extension 7 upgrading of internal streets.ward 7	MIG	3,222,826.00	-
Regorogile Paving Of Internal Streets	MIG	6,000,000.00	-
Paving of Northam Internal Streets	MIG	3,404,081.00	-
Total		85,576,907.00	23,153,000.00

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 2016/17 to 2017/18.

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**Comment [PM7]:** Has the roll over already been approved?

**Table 4 Operating Transfers and Grants Receipts**

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Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	63,569	64,749	65,454	69,980	69,980	69,980	74,349	94,189	100,878
Local Government Equitable Share	60,129	60,733	60,064	61,051	61,051	61,051	68,976	86,282	93,908
Finance Management	1,550	1,600	1,675	1,810	1,810	1,810	2,145	2,400	2,660
EPWP Incentive	1,000	1,486	2,735	2,070	2,070	2,070	1,008	-	-
Municipal Systems Improvement	890	930	980	1,300	1,300	1,300	1,365	1,433	-
Integrated National Electrification Programme	-	-	-	3,749	3,749	3,749	855	4,074	4,310
<b>Provincial Government:</b>	-	-	7,000	27,000	-	-	22,200	-	-
Housing	-	-	7,000	27,000	-	-	22,200	-	-
<b>District Municipality:</b>	-	-	-	1,055	-	-	1,650	-	-
Fire Grant	-	-	-	1,055	-	-	1,650	-	-
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	27,261	6,594	39,172	48,714	48,714	48,714	60,881	103,542	127,423
Municipal Infrastructure Grant (MIG)	27,261	6,594	29,172	28,714	28,714	28,714	33,759	35,542	37,423
Municipal Water Services Infrastructure Grant	-	-	10,000	20,000	20,000	20,000	27,122	68,000	90,000
<b>Total Capital Transfers and Grants</b>	27,261	6,594	39,172	48,714	48,714	48,714	60,881	103,542	127,423
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	90,830	71,343	111,626	146,749	118,694	118,694	159,080	197,731	228,301

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.

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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 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

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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 2016/17 Property Rates Policy in May 2016.

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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.

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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.

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The following stipulations in the Property Rates Policy are highlighted:

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- The first R15 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 30% 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 10 % (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certificate by Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

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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.

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

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The proposed Portable Water Tariffs for the 2017/18 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.

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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.

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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 6.4% increase on miscellaneous tariffs.

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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:

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- 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.

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

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Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in the future to ensure sustainability. Magalies Water Board Water has increased its bulk tariffs with 10% from 1 July 2017.

A tariff increase of 10% from 1 July 2017 for water is proposed. This is based on input cost assumptions of 10% increase in the cost of bulk water (Magalies Water Board Water), the cost of other inputs increasing by 6.4%. 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:

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**Table 5 proposed Water Tariffs**

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	2016/17	2017/18	Difference	Percentage Increase
0 – 6 KL free to all indigent households	Free			
<b>Per connection per KL :</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
1 - 10 KL	15.04	16.54	1.61	10%
10 - 30 KL	16.85	18.54	1.81	10%
30 - 51 KL	18.87	20.76	2.02	10%
51 - 80 KL	21.13	23.24	2.26	10%
80 KL and above	23.67	26.04	2.54	10%

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

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

National Treasury recommended implementation of the Inclining Block Tarriff (IBT). The tariff structure is designed to charge higher levels of consumption. A higher rate, steadily increasing to a rate of R26.04 per kilolitre for consumption in excess of 80 kl per 30 day period,

A normal 6.4% increment will be effected on the 2017/18 tariffs for residents supplied directly from ground water ie Leeuport residents etc.

Areas Supplied from Ground Water	2016/17	2017/18	Difference	Percentage Increase
0 – 6 KL free to all indigent households	Free			
<b>Per connection per KL :</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
1 - 10 KL	12.95	13.78	0.83	6.4%
10 - 30 KL	13.99	14.89	0.90	6.4%
30 - 51 KL	15.10	16.07	0.97	6.4%
51 - 80 KL	16.31	17.36	1.04	6.4%
80 KL and above	17.62	18.74	1.13	6.4%

**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 2016, 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 6.4%.

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.

Considering Eskom increases, the consumer tariff had to be increased by 8 % to offset the additional bulk purchase cost from 1 July 2017. 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 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

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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 6.4% for sanitation from 1 July 2017 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 2017/18 financial year.

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It must be made very clear that this service is only applicable to households and properties having water sewage systems and is directly connected to the municipal waste water infrastructure, where septic tanks are in place; this charge shall not be levied.

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#### 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 6.4% rise in refuse removal revenue from 2017/18 financial year. The outcomes of this investigation will be incorporated into the next planning cycle.

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**Comment [PM8]:** What investigation?

A 6.4% increase in the waste removal tariff is proposed from 1 July 2017. Any increase higher than 6.4 % 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 2017:

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

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Refuse Removal	Tariff	Tariff
Detail	2017	2018
	R	R
Removal of domestic refuse, once per week per dwelling	R 89.18	94.89
Removal of domestic refuse or Rooiberg, Northam	R70.83	75.36
Removal of domestic refuse liable from water connection date for depositing on an arranged point	R34.10	36.28
Removal of domestic refuse once per week per dwelling at informal settlements	R34.10	36.28
Sport clubs once per month or part thereof	R89.17	94.88
Private users i.e. Guest farms etc) per dumping	R61.98	65.95
Removal of refuse from business, public hospitals, schools, hostels, etc	R226.67	241.18
For bulk refuse the weigh bridge would have to be used and charges be based on the weighed refuse	R226.67 Per Load	241.18
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 6.4%. An increase has been approved on the Miscellaneous Tariffs for cleaning of 6.4% 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 households, as well as an indigent household receiving free basic services.

**Table 9 MBRR table SA14- Household bills**

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Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Rand/cent</b>											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		387.84	411.11	0.06	435.77	435.77	435.77	6.4%	463.66	490.09	518.03
Electricity: Basic levy		28.40	30.10	0.09	32.51	32.51	32.51	6.4%	34.59	36.81	39.16
Electricity: Consumption		1,062.48	1,126.23	0.09	1,216.32	1,216.32	1,216.32	8.0%	1,313.63	1,418.72	1,532.22
Water: Basic levy		22.53	23.89	0.14	26.75	26.75	26.75	6.4%	28.46	30.29	32.22
Water: Consumption		327.38	347.02	0.14	388.66	388.66	388.66	10.0%	427.53	470.28	517.31
Sanitation		115.68	122.62	0.06	129.98	129.98	129.98	6.4%	138.30	147.15	156.57
Refuse removal		279.13	295.88	0.06	313.63	313.63	313.63	6.4%	333.70	355.06	377.78
Other											
<b>sub-total</b>		<b>2,223.44</b>	<b>2,356.84</b>	<b>0.65</b>	<b>2,543.64</b>	<b>2,543.64</b>	<b>2,543.64</b>	<b>7.7%</b>	<b>2,739.88</b>	<b>2,948.40</b>	<b>3,173.29</b>
VAT on Services											
<b>Total large household bill:</b>		<b>2,223.44</b>	<b>2,356.84</b>	<b>0.65</b>	<b>2,543.64</b>	<b>2,543.64</b>	<b>2,543.64</b>	<b>7.7%</b>	<b>2,739.88</b>	<b>2,948.40</b>	<b>3,173.29</b>
<b>% increase/-decrease</b>			<b>6.0%</b>	<b>(100.0%)</b>	<b>391,831.5%</b>	<b>-</b>	<b>-</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.6%</b>	<b>7.6%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		263.08	278.87	0.06	295.60	295.60	295.60	6.4%	314.52	332.45	351.40
Electricity: Basic levy		26.97	28.59	0.09	30.88	30.88	30.88	6.4%	32.85	34.72	36.70
Electricity: Consumption		540.00	572.40	0.09	572.40	572.40	572.40	8.0%	618.19	653.43	690.67
Water: Basic levy		21.40	22.68	0.14	25.41	25.41	25.41	6.4%	27.03	28.57	30.20
Water: Consumption		147.85	156.72	0.14	175.53	175.53	175.53	10.0%	193.08	204.09	215.72
Sanitation		109.86	116.45	0.06	123.44	123.44	123.44	6.4%	131.34	138.83	146.74
Refuse removal		265.08	280.98	0.06	297.84	297.84	297.84	6.4%	316.91	334.97	354.06
Other											
<b>sub-total</b>		<b>1,374.24</b>	<b>1,456.70</b>	<b>0.65</b>	<b>1,521.09</b>	<b>1,521.09</b>	<b>1,521.09</b>	<b>7.4%</b>	<b>1,633.92</b>	<b>1,727.05</b>	<b>1,825.49</b>
VAT on Services											
<b>Total small household bill:</b>		<b>1,374.24</b>	<b>1,456.70</b>	<b>0.65</b>	<b>1,521.09</b>	<b>1,521.09</b>	<b>1,521.09</b>	<b>7.4%</b>	<b>1,633.92</b>	<b>1,727.05</b>	<b>1,825.49</b>
<b>% increase/-decrease</b>			<b>6.0%</b>	<b>(100.0%)</b>	<b>234,274.7%</b>	<b>-</b>	<b>-</b>	<b>7.4%</b>	<b>7.4%</b>	<b>5.7%</b>	<b>5.7%</b>
<b>Monthly Account for Household - 'Indigent'</b>	3										
<b>Household receiving free basic services</b>											
<b>Rates and services charges:</b>											
Property rates		-	-	-	-	-	-				
Electricity: Basic levy		26.97	28.59	0.09	30.88	30.88	30.88	6.9%	33.00	35.11	37.36
Electricity: Consumption		392.55	416.10	0.09	449.39	449.39	449.39	7.3%	482.00	512.85	545.67
Water: Basic levy		21.40	22.68	0.14	25.41	25.41	25.41	10.2%	28.00	29.79	31.70
Water: Consumption		136.98	145.20	0.14	162.62	162.62	162.62	10.1%	179.00	190.46	202.65
Sanitation											
Refuse removal											
Other											
<b>sub-total</b>		<b>577.90</b>	<b>612.57</b>	<b>0.46</b>	<b>668.29</b>	<b>668.29</b>	<b>668.29</b>	<b>8.0%</b>	<b>722.00</b>	<b>768.21</b>	<b>817.37</b>
VAT on Services											
<b>Total small household bill:</b>		<b>577.90</b>	<b>612.57</b>	<b>0.46</b>	<b>668.29</b>	<b>668.29</b>	<b>668.29</b>	<b>8.0%</b>	<b>722.00</b>	<b>768.21</b>	<b>817.37</b>
<b>% increase/-decrease</b>			<b>6.0%</b>	<b>(99.9%)</b>	<b>145,180.7%</b>	<b>-</b>	<b>-</b>	<b>8.0%</b>	<b>8.0%</b>	<b>6.4%</b>	<b>6.4%</b>

## 1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2017/18 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 services;

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- Strict adherence 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 2017/18 budget and MTREF (classified per main type of operating expenditure).

Table 10 Summary of operating expenditure by standard classification item

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Expenditure By Type</b>										
Employee related costs	99,442	101,480	100,461	114,525	106,525	106,525	106,525	114,408	122,073	130,130
Remuneration of councillors	8,419	7,086	8,398	8,100	8,100	8,100	8,100	8,618	9,109	9,628
Debt impairment	12,632	40,492	9,530	5,812	5,932	5,932	5,932	6,311	6,715	7,145
Depreciation & asset impairment	67,509	43,797	22,500	21,976	21,976	21,976	21,976	20,877	19,833	18,842
Finance charges	11,893	14,623	838	1,888	11,658	11,658	11,658	7,405	5,199	3,043
Bulk purchases	64,861	74,619	69,908	76,432	72,832	72,832	72,832	79,107	85,930	93,348
Contracted services	5,349	132	3,830	2,653	(0)	(0)	(0)	–	–	–
Other expenditure	66,744	55,099	52,920	50,450	23,150	23,150	23,150	34,663	38,067	41,525
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>336,850</b>	<b>337,327</b>	<b>268,385</b>	<b>281,835</b>	<b>250,172</b>	<b>250,172</b>	<b>250,172</b>	<b>271,389</b>	<b>286,927</b>	<b>303,662</b>

The budget allocation for employee related costs for the 2017/18 financial year totals R114 million (Excluding those of political office bearers), which equals 42% of the total operating expenditure. This represents a 7.4% increment from prior year. The increase is due to annual salary increase of 7.4% as guided by the multi year Salary and Wage collective Agreement.

An annual increase of 7.4% has been applied in the 2017/18 financial year while CPI indices of 5.76-4% and 5.67% 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 2016/17. While this expenditure is a 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 is R21 million for the 2017/18 financial and equates to 8% of the total operating expenditure. Please note that the implementation of the 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 3%, (R7.46 million) of operating expenditure for 2017/18 and maintains on R5.16 million, to 2018/19. Bulk purchases are directly informed by the purchase of electricity from Eskom, and water from Magalies Water Board 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.

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**Comment [PM9]:** When recalculated this amount is 7.7%

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**Comment [PM10]:** And what else as the percentage increase is 7.7%?

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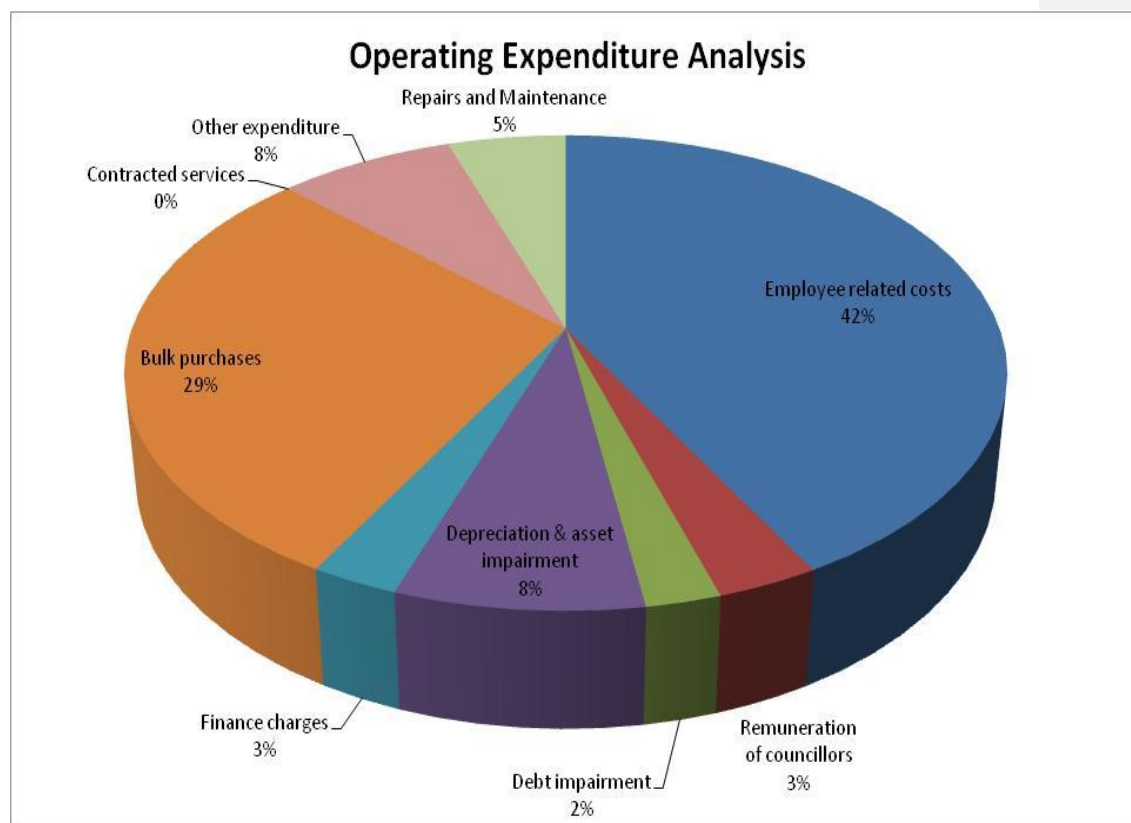
**Comment [PM11]:** What additional debt collection strategies are we referring to as I am not aware of any?

**Comment [PM12]:** When recalculated this percentage is 7.7% and not 8%.

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.

**Comment [PM13]:** It should be stated that contracted services are now included in this item.

Breakdown of the Main Expenditure Categories for 2017/18:



### 1.5.1 Priority given to repairs and maintenance

March 2017

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2017/18 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, 2017/18 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 (Table 11) is a consolidation of all the expenditures associated with repairs and maintenance.

During the compilation of the 2017/18 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 2017/18 equates to R14 million. In relation to the total operating expenditure, repairs and maintenance comprises of 58%.

### Payment of Creditors

The municipality needs to ensure that the huge creditor's backlog is dealt with to improve the solvency of the Municipality. Though it would be very difficult citing the low revenue collections, the Municipality needs to put in place measures to ensure that all the financial obligations incurred are honoured.

Payment arrangements with Eskom, Magalies Water Board and Department of Transport have been entered into and are expected to continue to be honoured in the new financial year. Optimisation of revenue collections and prioritisation of service delivery expenditure needs to be on the priority list of the Municipality.

Continuous engagements with all relevant stakeholders will continue to ensure that the Municipality fosters cordial relations with all the relevant parties. It becomes imperative that the Municipality always plan with the full knowledge that the responsibility to honor these debts lies fully on proper planning and responsible execution of set plans. Eskom is currently owed approximately R205 million-, Magalies Water Board is owed a total of R-30 million and the Department of Transport is owed approximately R26 million.

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 R thousand	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
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	21,743	4,233	27,495	12,443	12,733	12,733	9,457	12,190	12,971
Roads Infrastructure	1,864	2,213	8,292	2,056	2,056	2,056	2,187	2,327	2,476
Roads	1,864	2,213	8,292	2,056	2,056	2,056	2,187	2,327	2,476
Storm water Infrastructure	19,430	104	4,237	3,250	3,250	3,250	2,187	2,327	2,476
Drainage Collection	19,430	104	4,237	3,250	3,250	3,250	2,187	2,327	2,476
Electrical Infrastructure	–	645	9,600	2,826	2,826	2,826	2,187	2,327	2,476
HV Transmission Conductors	–	645	9,600	2,826	2,826	2,826	2,187	2,327	2,476
Water Supply Infrastructure	449	446	5,144	4,311	4,311	4,311	2,587	4,880	5,193
Dams and Weirs	–	–	–	–	–	–	–	–	–
Boreholes	–	446	5,144	4,311	4,311	4,311	2,587	4,880	5,193
Sanitation Infrastructure	–	824	222	–	290	290	309	329	350
Pump Station	–	–	–	–	–	–	–	–	–
Reticulation	–	824	222	–	290	290	309	329	350
<b>Community Assets</b>	–	867	3,535	806	516	516	549	584	622
Community Facilities	–	867	3,535	806	516	516	549	584	622
Halls	–	559	3,439	290	–	–	–	–	–
Police	–	308	95	516	516	516	549	584	622
<b>Other assets</b>	–	–	–	7,348	4,317	4,317	2,283	2,429	2,584
Operational Buildings	–	–	–	5,177	2,145	2,145	2,283	2,429	2,584
Municipal Offices	–	–	–	2,411	2,145	2,145	2,283	2,429	2,584
Workshops	–	–	–	516	–	–	–	–	–
Yards	–	–	–	2,250	–	–	–	–	–
Housing	–	–	–	2,172	2,172	2,172	–	–	–
Staff Housing	–	–	–	2,172	2,172	2,172	–	–	–
<b>Furniture and Office Equipment</b>	353	340	14	450	450	450	479	509	542
Furniture and Office Equipment	353	340	14	450	450	450	479	509	542
<b>Machinery and Equipment</b>	3,000	–	45	300	300	300	319	340	361
Machinery and Equipment	3,000	–	45	300	300	300	319	340	361
<b>Transport Assets</b>	6,000	2,516	4,550	2,145	2,145	2,145	1,283	2,429	2,584
Transport Assets	6,000	2,516	4,550	2,145	2,145	2,145	1,283	2,429	2,584
<b>Total Repairs and Maintenance Expenditure</b>	<b>31,097</b>	<b>7,956</b>	<b>35,639</b>	<b>23,492</b>	<b>20,461</b>	<b>20,461</b>	<b>14,370</b>	<b>18,481</b>	<b>19,664</b>

For the 2017/18 financial year, a total of R14 million 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 2017/18 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 2017/18 Medium-term capital budget per vote

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Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Capital expenditure - Vote</b>	-	-	-	-	-	-	-	-	-	-
Vote 1 - Executive & council	-	-	-	-	-	-	-	-	-	-
Vote 2 - 200 Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - 300 Budget & Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - 400 Corporate Services	9,354	1,183	4,716	5,000	-	-	-	5,100	-	-
Vote 5 - 500 Planning and Economic Development	-	-	-	600	600	600	600	-	-	-
Vote 6 - 600 Community Services	-	-	8,800	31,566	29,000	29,000	29,000	4,950	5,301	5,613
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Community and public safety</b>	<b>-</b>	<b>-</b>	<b>9,261</b>	<b>30,566</b>	<b>28,000</b>	<b>28,000</b>	<b>28,000</b>	<b>4,950</b>	<b>5,301</b>	<b>5,613</b>
Community and social services	-	-	-	1,000	1,000	1,000	1,000	-	-	-
Sport and recreation	-	-	4,300	2,566	-	-	-	4,950	5,301	5,613
Public safety	-	-	1,950	-	-	-	-	-	-	-
Housing	-	-	3,011	27,000	27,000	27,000	27,000	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1,864</b>	<b>-</b>	<b>21,898</b>	<b>23,862</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>27,121</b>	<b>28,464</b>	<b>29,939</b>
Planning and development	-	-	-	600	600	600	600	-	-	-
Road transport	1,864	-	21,898	22,262	(0)	(0)	(0)	27,121	28,464	29,939
Environmental protection	-	-	-	1,000	1,000	1,000	1,000	-	-	-
<b>Trading services</b>	<b>19,879</b>	<b>13,530</b>	<b>55,013</b>	<b>26,199</b>	<b>23,564</b>	<b>23,564</b>	<b>23,564</b>	<b>27,122</b>	<b>68,000</b>	<b>90,000</b>
Energy sources	-	-	32,800	6,199	3,564	3,564	3,564	-	-	-
Water management	449	-	3,213	20,000	20,000	20,000	20,000	27,122	68,000	90,000
Waste water management	19,430	13,530	14,500	-	-	-	-	-	-	-
Waste management	-	-	4,500	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Funded by:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
National Government	8,621	6,594	29,172	52,463	52,463	52,463	52,463	59,193	101,765	125,552
Provincial Government	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>8,621</b>	<b>6,594</b>	<b>29,172</b>	<b>52,463</b>	<b>52,463</b>	<b>52,463</b>	<b>52,463</b>	<b>59,193</b>	<b>101,765</b>	<b>125,552</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>22,476</b>	<b>8,119</b>	<b>61,716</b>	<b>33,164</b>	<b>701</b>	<b>701</b>	<b>701</b>	<b>5,100</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>

For 2017/18 an amount of R64.385 million has been appropriated for the development of infrastructure assets. In the outer years this amount totals R101.881 million and R125.686 million respectively for each of the financial years.

## 1.7 Final-Draft Annual Budget Tables

The following pages present the ten main budget tables as required in terms of [section-Regulation 8](#) of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF to be considered for approval by council. Each table is accompanied by explanatory notes.

**Table 13 MBRR Table A1- Budget Summary**

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Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	13,708	22,557	28,392	46,017	38,825	38,825	38,825	44,014	46,523	49,128
Service charges	89,764	120,630	188,996	175,344	121,206	121,206	121,206	146,151	157,374	169,170
Investment revenue	1,231	409	–	–	–	–	–	–	–	–
Transfers recognised - operational	72,470	64,854	64,841	67,456	67,576	67,576	67,576	76,675	93,453	101,566
Other own revenue	26,448	21,922	23,480	14,571	22,924	22,924	22,924	24,391	25,781	27,246
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>203,622</b>	<b>230,370</b>	<b>305,709</b>	<b>303,388</b>	<b>250,531</b>	<b>250,531</b>	<b>250,531</b>	<b>291,231</b>	<b>323,131</b>	<b>347,110</b>
Employee costs	99,442	101,480	100,461	114,525	106,525	106,525	106,525	114,408	122,073	130,130
Remuneration of councillors	8,419	7,086	8,398	8,100	8,100	8,100	8,100	8,618	9,109	9,628
Depreciation & asset impairment	67,509	43,797	22,500	21,976	21,976	21,976	21,976	20,877	19,833	18,842
Finance charges	11,893	14,623	838	1,888	11,658	11,658	11,658	7,405	5,199	3,043
Materials and bulk purchases	64,861	74,619	69,908	76,432	72,832	72,832	72,832	79,107	85,930	93,348
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	84,725	95,722	66,280	58,914	29,082	29,082	29,082	40,974	44,782	48,670
<b>Total Expenditure</b>	<b>336,850</b>	<b>337,327</b>	<b>268,385</b>	<b>281,835</b>	<b>250,172</b>	<b>250,172</b>	<b>250,172</b>	<b>271,389</b>	<b>286,927</b>	<b>303,662</b>
<b>Surplus/(Deficit)</b>	<b>(133,228)</b>	<b>(106,956)</b>	<b>37,324</b>	<b>21,553</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>19,841</b>	<b>36,204</b>	<b>43,448</b>
Transfers and subsidies - capital (monetary allocation)	40,019	6,594	29,172	48,714	28,714	28,714	28,714	60,881	103,542	127,423
Contributions recognised - capital & contributed assets	–	4,050	27,000	27,000	47,000	47,000	47,000	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
Transfers recognised - capital	8,621	6,594	29,172	52,463	52,463	52,463	52,463	59,193	101,765	125,552
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	22,476	8,119	61,716	33,164	701	701	701	5,100	–	–
<b>Total sources of capital funds</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Financial position</b>										
Total current assets	204,975	197,972	250,089	267,406	266,864	266,864	266,864	289,077	334,028	387,253
Total non current assets	1,105,842	854,065	1,311,446	1,385,714	1,386,604	1,386,604	1,386,604	1,450,954	1,552,780	1,678,397
Total current liabilities	257,818	281,734	198,653	295,544	335,695	335,695	335,695	270,098	224,026	188,944
Total non current liabilities	54,032	67,022	31,287	84,005	84,005	84,005	84,005	86,277	89,780	94,214
Community wealth/Equity	998,967	703,281	1,331,594	1,273,571	1,233,767	1,233,767	1,233,767	1,383,657	1,573,003	1,782,492
<b>Cash flows</b>										
Net cash from (used) operating	31,010	8,373	13,712	22,415	(18,906)	(18,906)	(18,906)	79,877	141,227	173,331
Net cash from (used) investing	(31,010)	(4,609)	(13,858)	(20,795)	19,838	19,838	19,838	(67,643)	(106,315)	(132,102)
Net cash from (used) financing	–	–	(471)	(2,014)	(3,000)	(3,000)	(3,000)	(8,250)	(8,050)	(7,250)
<b>Cash/cash equivalents at the year end</b>	<b>3,137</b>	<b>3,771</b>	<b>2,683</b>	<b>(1,121)</b>	<b>(2,795)</b>	<b>(2,795)</b>	<b>(2,795)</b>	<b>6,134</b>	<b>32,996</b>	<b>66,975</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	3,327	3,402	1,959	1,974	1,187	1,187	1,187	6,414	33,292	67,287
Application of cash and investments	109,871	100,011	(71,507)	33,818	83,947	83,947	83,947	(14,974)	(79,696)	(138,596)
<b>Balance - surplus (shortfall)</b>	<b>(106,544)</b>	<b>(96,609)</b>	<b>73,466</b>	<b>(31,844)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>21,388</b>	<b>112,988</b>	<b>205,883</b>
<b>Asset management</b>										
Asset register summary (WDV)	1,102,706	854,065	1,311,446	1,385,714	1,386,604	1,386,604	1,450,954	1,450,954	1,552,780	1,678,397
Depreciation	67,509	43,797	22,500	21,976	21,976	21,976	21,976	21,976	20,877	19,833
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	31,097	7,956	35,639	23,492	20,461	20,461	21,771	21,771	23,164	24,647
<b>Free services</b>										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
<b>Households below minimum service level</b>										
Water:	9	9	9	9	9	9	9	9	10	11
Sanitation/sewerage:	9	9	9	9	9	9	8	8	8	7
Energy:	1	1	1	1	1	1	10	10	10	10
Refuse:	13	13	13	13	13	13	40	40	40	40

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**Explanatory notes to MBRR Table A1-Budget Summary**

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- 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. 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.

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**4.2.** The table provides an overview of the amounts to be considered for approval by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

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**2.3.** Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over MTREF;
- b. Capital expenditure is balanced by capital funding sources, of which:
  - I. Transfers recognised 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;

**3.4.** The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent ~~slow-down~~ slowdown in revenue collections highlighted. Over the MTREF there is progressive improvement in the level of cash-backing of obligations.

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**4.5.** Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of service to the poor. The section of Free Basic Service shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**5.6.** The Municipality persistently strives to eradicate and respond to indigent backlogs which 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.

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

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Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		109,206	117,052	108,101	96,367	151,768	151,768	171,558	231,370	263,243
Executive and council		77,434	108,928	70,670	47,407	101,658	101,658	134,241	174,640	202,883
Finance and administration		31,772	8,124	37,431	48,960	50,110	50,110	37,317	56,729	60,360
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		4,131	-	8,427	12,742	12,492	12,492	13,288	14,135	15,035
Community and social services		580	-	305	3,476	73	73	78	83	88
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		3,551	-	8,122	9,266	12,419	12,419	13,210	14,052	14,948
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		40,540	2,903	56,356	61,728	7,729	7,729	208	221	235
Planning and development		40,540	2,903	56,356	27,195	7,728	7,728	208	221	235
Road transport		-	-	-	34,533	1	1	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		89,764	121,059	188,996	208,265	154,256	154,256	167,058	180,948	196,020
Energy sources		47,195	49,708	81,613	103,074	77,179	77,179	83,353	90,022	97,223
Water management		20,952	36,556	67,575	67,882	47,082	47,082	51,790	56,969	62,666
Waste water management		13,001	25,023	29,617	24,504	18,641	18,641	19,834	21,104	22,454
Waste management		8,616	9,773	10,192	12,805	11,354	11,354	12,080	12,853	13,676
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	243,641	241,014	361,881	379,102	326,245	326,245	352,112	426,673	474,533
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		270,057	133,902	102,296	122,465	145,683	145,683	155,007	164,927	175,483
Executive and council		237,617	26,592	26,891	30,420	50,927	50,927	54,187	57,655	61,345
Finance and administration		32,440	107,310	75,405	92,045	94,756	94,756	100,820	107,273	114,138
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	24,041	16,751	17,969	7,126	7,126	7,582	8,067	8,584
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	4,423	5,088	5,044	3,066	3,066	3,263	3,472	3,694
Public safety		-	19,618	11,663	12,924	4,059	4,059	4,319	4,596	4,890
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1,932	36,307	45,040	47,279	16,137	16,137	17,170	18,269	19,438
Planning and development		1,932	11,186	7,598	8,202	7,935	7,935	8,443	8,983	9,558
Road transport		-	25,120	37,442	38,434	2,941	2,941	3,129	3,330	3,543
Environmental protection		-	-	-	643	5,261	5,261	5,598	5,966	6,337
<i>Trading services</i>		64,861	143,078	104,298	94,122	81,226	81,226	91,631	95,664	100,158
Energy sources		48,141	69,347	56,045	49,415	49,415	49,415	54,393	57,875	61,579
Water management		16,720	24,808	31,033	33,476	23,935	23,935	28,857	28,873	29,092
Waste water management		-	42,008	8,713	3,203	4,277	4,277	4,550	4,841	5,151
Waste management		-	6,914	8,507	8,029	3,599	3,599	3,830	4,075	4,336
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	336,850	337,327	268,385	281,835	250,172	250,172	271,389	286,927	303,662
<b>Surplus/(Deficit) for the year</b>		(93,209)	(96,312)	93,496	97,267	76,073	76,073	80,722	139,746	170,871

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

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- 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.

Comment [PM14]: This is not true.

4. 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)**

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Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue by Vote</b>	1									
Vote 1 - Executive & council		121,033	67,321	132,367	47,407	47,407	47,407	137,556	196,995	228,989
Vote 2 - 200 Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - 300 Budget & Treasury		8,273	37,626	6,386	47,005	48,155	48,155	52,890	55,905	59,045
Vote 4 - 400 Corporate Services		-	-	-	-	-	-	-	-	-
Vote 5 - 500 Planning and Economic Development		755	252	185	196	196	196	208	221	235
Vote 6 - 600 Community Services		12,780	16,441	10,563	49,468	47,898	47,898	22,225	23,563	24,969
Vote 7 - 700 Technical Services		93,757	119,376	209,727	229,993	177,435	177,435	134,984	147,050	159,425
Vote 8 - Public Safety and Protection Services 800		7,043	-	2,653	5,033	5,154	5,154	4,248	2,939	1,870
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>243,641</b>	<b>241,014</b>	<b>361,881</b>	<b>379,102</b>	<b>326,245</b>	<b>326,245</b>	<b>352,112</b>	<b>426,673</b>	<b>474,533</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive & council		19,499	18,209	17,448	20,508	11,508	11,508	12,244	12,961	13,721
Vote 2 - 200 Municipal Manager		11,162	8,382	6,575	9,912	8,912	8,912	9,447	10,004	10,593
Vote 3 - 300 Budget & Treasury		43,595	64,352	34,374	65,081	73,699	73,699	78,121	82,808	87,776
Vote 4 - 400 Corporate Services		34,022	37,188	22,010	24,838	26,325	26,325	27,905	29,579	31,354
Vote 5 - 500 Planning and Economic Development		5,799	11,186	7,106	8,845	8,845	8,845	9,411	10,013	10,654
Vote 6 - 600 Community Services		25,544	36,725	14,815	30,989	18,208	18,208	19,374	20,614	21,933
Vote 7 - 700 Technical Services		187,418	161,284	146,543	116,516	99,016	99,016	112,477	118,399	124,937
Vote 8 - Public Safety and Protection Services 800		9,811	-	19,513	5,146	3,659	3,659	2,411	2,548	2,693
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>336,850</b>	<b>337,327</b>	<b>268,385</b>	<b>281,835</b>	<b>250,172</b>	<b>250,172</b>	<b>271,389</b>	<b>286,927</b>	<b>303,662</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>

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

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1. 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)**

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Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue By Source</b>												
Property rates	2		13,708	22,557	28,392	46,017	38,825	38,825	38,825	44,014	46,523	49,128
Service charges - electricity revenue	2		47,195	49,151	81,613	90,259	64,364	64,364	64,364	80,500	87,745	95,642
Service charges - water revenue	2		20,952	36,894	67,575	47,658	26,857	26,857	26,857	33,746	35,906	37,917
Service charges - sanitation revenue	2		13,001	24,507	29,617	24,504	18,641	18,641	18,641	19,834	20,965	22,139
Service charges - refuse revenue	2		8,615	10,077	10,192	12,924	11,344	11,344	11,344	12,070	12,758	13,472
Service charges - other			-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			381	423	1,219	1,292	1,542	1,542	1,542	1,641	1,734	1,833
Interest earned - external investments			1,231	409	-	-	-	-	-	-	-	-
Interest earned - outstanding debtors			7,252	11,443	6,249	764	8,342	8,342	8,342	8,876	9,382	9,916
Dividends received			-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits			1,002	1,035	904	3,000	3,000	3,000	3,000	3,192	3,374	3,566
Licences and permits			1,425	3,218	3,149	2,808	2,808	2,808	2,808	2,987	3,158	3,338
Agency services			-	-	2,653	2,283	2,808	2,808	2,808	2,987	3,158	3,338
Transfers and subsidies			72,470	64,854	64,841	67,456	67,576	67,576	67,576	76,675	93,453	101,566
Other revenue	2		14,222	5,025	9,305	4,424	4,424	4,424	4,424	4,708	4,976	5,255
Gains on disposal of PPE			2,167	777	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>203,622</b>	<b>230,370</b>	<b>305,709</b>	<b>303,388</b>	<b>250,531</b>	<b>250,531</b>	<b>250,531</b>	<b>291,231</b>	<b>323,131</b>	<b>347,110</b>
<b>Expenditure By Type</b>												
Employee related costs	2		99,442	101,480	100,461	114,525	106,525	106,525	106,525	114,408	122,073	130,130
Remuneration of councillors			8,419	7,086	8,398	8,100	8,100	8,100	8,100	8,618	9,109	9,628
Debt impairment	3		12,632	40,492	9,530	5,812	5,932	5,932	5,932	6,311	6,715	7,145
Depreciation & asset impairment	2		67,509	43,797	22,500	21,976	21,976	21,976	21,976	20,877	19,833	18,842
Finance charges			11,893	14,623	838	1,888	11,658	11,658	11,658	7,405	5,199	3,043
Bulk purchases	2		64,861	74,619	69,908	76,432	72,832	72,832	72,832	79,107	85,930	93,348
Other materials	8		-	-	-	-	-	-	-	-	-	-
Contracted services			5,349	132	3,830	2,653	(0)	(0)	(0)	-	-	-
Transfers and subsidies			-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5		66,744	55,099	52,920	50,450	23,150	23,150	23,150	34,663	38,067	41,525
Loss on disposal of PPE			-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>			<b>336,850</b>	<b>337,327</b>	<b>268,385</b>	<b>281,835</b>	<b>250,172</b>	<b>250,172</b>	<b>250,172</b>	<b>271,389</b>	<b>286,927</b>	<b>303,662</b>
<b>Surplus/(Deficit)</b>			<b>(133,228)</b>	<b>(106,956)</b>	<b>37,324</b>	<b>21,553</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>19,841</b>	<b>36,204</b>	<b>43,448</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			40,019	6,594	29,172	48,714	28,714	28,714	28,714	60,881	103,542	127,423
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education and Training Institutions)	6		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)			-	4,050	27,000	27,000	47,000	47,000	47,000	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>			<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>
Taxation			-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>			<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>
Attributable to minorities			-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>			<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>
Share of surplus/ (deficit) of associate	7		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>			<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>97,267</b>	<b>76,073</b>	<b>76,073</b>	<b>76,073</b>	<b>80,722</b>	<b>139,746</b>	<b>170,871</b>

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

- Total operating revenue is R291 million in 2017/18 and escalates to R323 million by 2018/19. This represents a year-on-year increase of 16% from the 2016/17 financial year to the 2017/18 financial year.
- Revenue forecasted to be generated from property rates is R44 million in the 2017/18 financial year and increases to R46 million by 2018/19 which represents 6.4% of the operating revenue base off the municipality and therefore remains a significant funding source for the municipality.
- Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R146 million for the 2017/18 financial year and increasing to R154 million by 2018/19. For the 2017/18 financial year services charges amount to 50% of the total revenue base.
- 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.

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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 prioritise 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**

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Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure to be appropriated</b>										
Vote 1 - Executive & council	-	-	-	-	-	-	-	-	-	-
Vote 2 - 200 Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - 300 Budget & Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - 400 Corporate Services	9,354	1,183	4,716	5,000	-	-	-	5,100	-	-
Vote 5 - 500 Planning and Economic Development	-	-	-	600	600	600	600	-	-	-
Vote 6 - 600 Community Services	-	-	8,800	31,566	29,000	29,000	29,000	4,950	5,301	5,613
Vote 7 - 700 Technical Services	21,743	13,530	75,423	48,461	23,564	23,564	23,564	54,243	96,464	119,939
Vote 8 - Public Safety and Protection Services 800	-	-	1,950	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Total Capital Expenditure - Vote</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	<b>9,354</b>	<b>1,183</b>	<b>4,716</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,100</b>	<b>-</b>	<b>-</b>
Executive and council	9,354	1,183	4,716	5,000	-	-	-	5,100	-	-
Finance and administration	-	-	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	<b>-</b>	<b>-</b>	<b>9,261</b>	<b>30,566</b>	<b>28,000</b>	<b>28,000</b>	<b>28,000</b>	<b>4,950</b>	<b>5,301</b>	<b>5,613</b>
Community and social services	-	-	-	1,000	1,000	1,000	1,000	-	-	-
Sport and recreation	-	-	4,300	2,566	-	-	-	4,950	5,301	5,613
Public safety	-	-	1,950	-	-	-	-	-	-	-
Housing	-	-	3,011	27,000	27,000	27,000	27,000	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1,864</b>	<b>-</b>	<b>21,898</b>	<b>23,862</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>27,121</b>	<b>28,464</b>	<b>29,939</b>
Planning and development	-	-	-	600	600	600	600	-	-	-
Road transport	1,864	-	21,898	22,262	(0)	(0)	(0)	27,121	28,464	29,939
Environmental protection	-	-	-	1,000	1,000	1,000	1,000	-	-	-
<b>Trading services</b>	<b>19,879</b>	<b>13,530</b>	<b>55,013</b>	<b>26,199</b>	<b>23,564</b>	<b>23,564</b>	<b>23,564</b>	<b>27,122</b>	<b>68,000</b>	<b>90,000</b>
Energy sources	-	-	32,800	6,199	3,564	3,564	3,564	-	-	-
Water management	449	-	3,213	20,000	20,000	20,000	20,000	27,122	68,000	90,000
Waste water management	19,430	13,530	14,500	-	-	-	-	-	-	-
Waste management	-	-	4,500	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>
<b>Funded by:</b>										
National Government	8,621	6,594	29,172	52,463	52,463	52,463	52,463	59,193	101,765	125,552
Provincial Government	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>8,621</b>	<b>6,594</b>	<b>29,172</b>	<b>52,463</b>	<b>52,463</b>	<b>52,463</b>	<b>52,463</b>	<b>59,193</b>	<b>101,765</b>	<b>125,552</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>22,476</b>	<b>8,119</b>	<b>61,716</b>	<b>33,164</b>	<b>701</b>	<b>701</b>	<b>701</b>	<b>5,100</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>31,097</b>	<b>14,713</b>	<b>90,888</b>	<b>85,627</b>	<b>53,164</b>	<b>53,164</b>	<b>53,164</b>	<b>64,293</b>	<b>101,765</b>	<b>125,552</b>

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



1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialised tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For [the](#) 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. A total of R22.2 million was allocated to Thabazimbi Local Municipality for Human Settlements for 2017/18 financial year.

Table 18 MBRR Table A6- Budgeted Financial Position

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Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash		3,156	3,324	1,709	1,709	922	922	922	6,134	32,996	66,975
Call investment deposits	1	172	78	250	265	265	265	265	280	296	312
Consumer debtors	1	171,781	179,678	246,351	263,652	263,652	263,652	263,652	280,525	298,479	317,582
Other debtors			11,800								
Current portion of long-term receivables		27,222	–								
Inventory	2	2,645	3,092	1,780	1,780	2,025	2,025	2,025	2,138	2,258	2,384
Total current assets		204,975	197,972	250,089	267,406	266,864	266,864	266,864	289,077	334,028	387,253
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	1,101,827	853,185	1,311,446	1,385,714	1,385,714	1,385,714	1,385,714	1,450,007	1,551,773	1,677,325
Agricultural											
Biological		880	880			890	890	890	947	1,007	1,072
Intangible											
Other non-current assets		3,136									
Total non current assets		1,105,842	854,065	1,311,446	1,385,714	1,386,604	1,386,604	1,386,604	1,450,954	1,552,780	1,678,397
TOTAL ASSETS		1,310,817	1,052,037	1,561,535	1,653,120	1,653,468	1,653,468	1,653,468	1,740,032	1,886,809	2,065,650
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–							
Borrowing	4	2,818	3,352	9,350	7,500	5,500	5,500	5,500	–	–	–
Consumer deposits		3,563	3,594	3,824	3,824	4,053	4,053	4,053	4,313	4,589	4,883
Trade and other payables	4	240,410	274,788	137,950	236,691	286,019	286,019	286,019	223,095	174,014	135,731
Provisions		11,027		47,529	47,529	40,123	40,123	40,123	42,691	45,423	48,330
Total current liabilities		257,818	281,734	198,653	295,544	335,695	335,695	335,695	270,098	224,026	188,944
Non current liabilities											
Borrowing		8,606	3,486	4,783	7,500	7,500	7,500	7,500	4,875	3,169	2,060
Provisions		45,426	63,537	26,505	76,506	76,506	76,506	76,506	81,402	86,612	92,155
Total non current liabilities		54,032	67,022	31,287	84,005	84,005	84,005	84,005	86,277	89,780	94,214
TOTAL LIABILITIES		311,850	348,756	229,941	379,549	419,700	419,700	419,700	356,375	313,806	283,158
NET ASSETS	5	998,967	703,281	1,331,594	1,273,571	1,233,767	1,233,767	1,233,767	1,383,657	1,573,003	1,782,492
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		998,967	703,281	1,331,594	1,273,571	1,233,767	1,233,767	1,233,767	1,383,657	1,573,003	1,782,492
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	998,967	703,281	1,331,594	1,273,571	1,233,767	1,233,767	1,233,767	1,383,657	1,573,003	1,782,492

## 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. 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

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions forms a critical tool in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In ~~addition~~addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

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**Table 19 MBRR Table A7- Budgeted Cash Flow Statement**

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Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		18,500	22,560	25,552	32,415	25,223	25,223	25,223	37,412	40,940	43,233
Service charges		76,943	126,890	170,097	141,340	107,212	107,212	107,212	131,253	138,170	151,836
Other revenue		1,640	548	9,147	7,788	7,788	7,788	7,788	13,419	16,118	17,032
Government - operating	1	72,470	64,854	64,841	67,456	67,456	67,456	67,456	76,675	93,453	101,566
Government - capital	1	27,250	6,594	29,172	28,714	-	-	-	60,881	103,542	127,423
Interest		1,513	11,852	5,625	688	688	688	688	4,438	9,382	9,916
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(155,412)	(210,302)	(290,283)	(254,098)	(225,384)	(225,384)	(225,384)	(236,796)	(255,180)	(274,632)
Finance charges		(11,893)	(14,623)	(438)	(1,888)	(1,888)	(1,888)	(1,888)	(7,405)	(5,199)	(3,043)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>31,010</b>	<b>8,373</b>	<b>13,712</b>	<b>22,415</b>	<b>(18,906)</b>	<b>(18,906)</b>	<b>(18,906)</b>	<b>79,877</b>	<b>141,227</b>	<b>173,331</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		300	22,400	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		(213)	-	5,342	5,468	10,018	10,018	10,018	(3,350)	(4,550)	(6,550)
Decrease (increase) other non-current receivables		-	6,460	9,972	2,451	9,820	9,820	9,820	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(31,097)	(33,470)	(29,172)	(28,714)	-	-	-	(64,293)	(101,765)	(125,552)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(31,010)</b>	<b>(4,609)</b>	<b>(13,858)</b>	<b>(20,795)</b>	<b>19,838</b>	<b>19,838</b>	<b>19,838</b>	<b>(67,643)</b>	<b>(106,315)</b>	<b>(132,102)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	1,250	1,450	2,250
<b>Payments</b>											
Repayment of borrowing		-	-	(471)	(2,014)	(3,000)	(3,000)	(3,000)	(9,500)	(9,500)	(9,500)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>(471)</b>	<b>(2,014)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(8,250)</b>	<b>(8,050)</b>	<b>(7,250)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>-</b>	<b>3,763</b>	<b>(617)</b>	<b>(394)</b>	<b>(2,068)</b>	<b>(2,068)</b>	<b>(2,068)</b>	<b>3,984</b>	<b>26,862</b>	<b>33,979</b>
Cash/cash equivalents at the year begin:	2	<b>3,137</b>	<b>8</b>	<b>3,300</b>	<b>(727)</b>	<b>(727)</b>	<b>(727)</b>	<b>(727)</b>	<b>2,150</b>	<b>6,134</b>	<b>32,996</b>
Cash/cash equivalents at the year end:	2	<b>3,137</b>	<b>3,771</b>	<b>2,683</b>	<b>(1,121)</b>	<b>(2,795)</b>	<b>(2,795)</b>	<b>(2,795)</b>	<b>6,134</b>	<b>32,996</b>	<b>66,975</b>

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**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 2017/18 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 2017/18 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 2017/18 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**

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Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	3,137	3,771	2,683	(1,121)	(2,795)	(2,795)	(2,795)	6,134	32,996	66,975
Other current investments > 90 days		190	(370)	(724)	3,095	3,982	3,982	3,982	(3,886)	(30,634)	(64,493)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>3,327</b>	<b>3,402</b>	<b>1,959</b>	<b>1,974</b>	<b>1,187</b>	<b>1,187</b>	<b>1,187</b>	<b>2,248</b>	<b>2,362</b>	<b>2,482</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	109,871	100,011	(71,507)	33,818	83,947	83,947	83,947	(14,974)	(79,696)	(138,596)
Other provisions	4	–	–	–	–	–	–	–	–	–	–
Long term investments committed		–	–	–	–	–	–	–	–	–	–
Reserve to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>109,871</b>	<b>100,011</b>	<b>(71,507)</b>	<b>33,818</b>	<b>83,947</b>	<b>83,947</b>	<b>83,947</b>	<b>(14,974)</b>	<b>(79,696)</b>	<b>(138,596)</b>
<b>Surplus(shortfall)</b>		<b>(106,544)</b>	<b>(96,609)</b>	<b>73,466</b>	<b>(31,844)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>17,222</b>	<b>82,058</b>	<b>141,078</b>

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular [No. 42](#) – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. The Municipal obligations outweigh the available financial muscle, due to the long outstanding creditors, this will require [a](#) direct financial injection to the Municipality.

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**Table 21 MBRR Table A9 – Asset Management**

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Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CAPITAL EXPENDITURE</b>									
Roads Infrastructure	1,864	–	24,909	22,262	22,262	22,262	22,262	22,262	22,262
Storm water Infrastructure	19,430	13,530	14,500	6,199	6,199	6,199	–	–	–
Electrical Infrastructure	449	–	32,800	–	–	–	–	–	–
Water Supply Infrastructure	–	–	3,213	20,000	20,000	20,000	27,000	–	–
Sanitation Infrastructure	–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure	–	–	4,500	–	–	–	–	–	–
<b>Infrastructure</b>	<b>21,743</b>	<b>13,530</b>	<b>79,923</b>	<b>48,461</b>	<b>48,461</b>	<b>48,461</b>	<b>49,262</b>	<b>22,262</b>	<b>22,262</b>
Revenue Generating	–	–	–	–	–	–	–	–	–
Non-revenue Generating	–	–	–	–	–	–	–	–	–
<b>Investment properties</b>	–	–	–	–	–	–	–	–	–
Services	–	–	–	–	–	–	–	–	–
Licences and Rights	–	–	450	–	–	–	–	–	–
<b>Intangible Assets</b>	–	–	<b>450</b>	–	–	–	–	–	–
Computer Equipment	–	–	–	–	–	–	–	–	–
Furniture and Office Equipment	–	353	–	600	600	600	–	–	–
Machinery and Equipment	–	–	–	1,000	1,000	1,000	–	–	–
Transport Assets	–	–	–	5,000	5,000	5,000	–	–	–
Libraries	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>									
Roads Infrastructure	1,864	–	24,909	22,262	22,262	22,262	22,262	22,262	22,262
Storm water Infrastructure	19,430	13,530	14,500	6,199	6,199	6,199	–	–	–
Electrical Infrastructure	449	–	32,800	–	–	–	–	–	–
Water Supply Infrastructure	–	–	3,213	20,000	20,000	20,000	27,000	–	–
Sanitation Infrastructure	–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure	–	–	4,500	–	–	–	–	–	–
Rail Infrastructure	–	–	–	–	–	–	–	–	–
Coastal Infrastructure	–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure	–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>	<b>21,743</b>	<b>13,530</b>	<b>79,923</b>	<b>48,461</b>	<b>48,461</b>	<b>48,461</b>	<b>49,262</b>	<b>22,262</b>	<b>22,262</b>
Community Facilities	–	–	6,250	1,000	1,000	1,000	–	–	–
Sport and Recreation Facilities	6,000	1,183	4,716	–	–	–	–	–	–
<b>Community Assets</b>	<b>6,000</b>	<b>1,183</b>	<b>10,966</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	–	–	–
Housing	–	3,000	–	27,000	–	–	–	–	–
<b>Other Assets</b>	–	<b>3,000</b>	–	<b>27,000</b>	–	–	–	–	–
<b>Biological or Cultivated Assets</b>	–	–	–	–	–	–	–	–	–
Services	–	–	–	–	–	–	–	–	–
Licences and Rights	–	–	450	–	–	–	–	–	–
<b>Intangible Assets</b>	–	–	<b>450</b>	–	–	–	–	–	–
Computer Equipment	–	–	–	–	–	–	–	–	–
Furniture and Office Equipment	–	353	–	600	600	600	–	–	–
Machinery and Equipment	–	–	–	1,000	1,000	1,000	–	–	–
Transport Assets	–	–	–	5,000	5,000	5,000	–	–	–
Libraries	–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals	–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>27,743</b>	<b>18,066</b>	<b>91,338</b>	<b>83,061</b>	<b>56,061</b>	<b>56,061</b>	<b>49,262</b>	<b>22,262</b>	<b>22,262</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
Roads Infrastructure	403,395	333,945	667,345	385,910	385,910	385,910	385,910	385,910	385,910
Storm water Infrastructure	172,453	100,750	145,601	113,933	113,933	113,933	113,933	113,933	113,933
Electrical Infrastructure	308,731	114,270	229,199	331,455	331,455	331,455	331,455	331,455	331,455
Water Supply Infrastructure	211,418	42,385	125,794	48,901	48,901	48,901	48,901	48,901	48,901
Sanitation Infrastructure	–	261,835	–	505,515	505,515	505,515	505,515	505,515	505,515
<b>Infrastructure</b>	<b>1,095,997</b>	<b>853,185</b>	<b>1,167,938</b>	<b>1,385,714</b>	<b>1,385,714</b>	<b>1,385,714</b>	<b>1,385,714</b>	<b>1,385,714</b>	<b>1,385,714</b>
Community Facilities	–	–	143,507	–	–	–	–	–	–
Sport and Recreation Facilities	–	–	–	–	–	–	–	–	–
<b>Community Assets</b>	–	–	<b>143,507</b>	–	–	–	–	–	–
Heritage Assets	–	–	–	–	–	–	–	–	–
Machinery and Equipment	6,710	880	–	–	890	890	65,240	167,066	292,682
Zoo's, Marine and Non-biological Animals	–	–	–	–	–	–	–	–	–
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>1,102,706</b>	<b>854,065</b>	<b>1,311,446</b>	<b>1,385,714</b>	<b>1,386,604</b>	<b>1,386,604</b>	<b>1,450,954</b>	<b>1,552,780</b>	<b>1,678,397</b>
<b>EXPENDITURE OTHER ITEMS</b>									
Depreciation	67,509	43,797	22,500	22,113	22,113	22,113	–	–	–
<b>Repairs and Maintenance by Asset Class</b>	<b>31,097</b>	<b>7,956</b>	<b>35,639</b>	<b>23,492</b>	<b>20,461</b>	<b>20,461</b>	<b>21,771</b>	<b>23,164</b>	<b>24,647</b>
Roads Infrastructure	1,864	2,213	8,292	2,056	2,056	2,056	2,187	2,327	2,476
Storm water Infrastructure	19,430	104	4,237	3,250	3,250	3,250	3,458	3,679	3,915
Electrical Infrastructure	–	645	9,600	2,826	2,826	2,826	3,007	3,199	3,404
Water Supply Infrastructure	449	446	5,144	4,311	4,311	4,311	4,587	4,880	5,193
Sanitation Infrastructure	–	824	222	–	290	290	309	329	350
<b>Infrastructure</b>	<b>21,743</b>	<b>4,233</b>	<b>27,495</b>	<b>12,443</b>	<b>12,733</b>	<b>12,733</b>	<b>13,548</b>	<b>14,415</b>	<b>15,337</b>
Community Facilities	–	867	3,535	806	516	516	549	584	622
Sport and Recreation Facilities	–	–	–	–	–	–	–	–	–
<b>Community Assets</b>	–	<b>867</b>	<b>3,535</b>	<b>806</b>	<b>516</b>	<b>516</b>	<b>549</b>	<b>584</b>	<b>622</b>
Operational Buildings	–	–	–	5,177	2,145	2,145	2,283	2,429	2,584
Housing	–	–	–	2,172	2,172	2,172	2,311	2,458	2,616
<b>Other Assets</b>	–	–	–	<b>7,348</b>	<b>4,317</b>	<b>4,317</b>	<b>4,593</b>	<b>4,887</b>	<b>5,200</b>
Furniture and Office Equipment	353	340	14	450	450	450	479	509	542
Machinery and Equipment	3,000	–	45	300	300	300	319	340	361
Transport Assets	6,000	2,516	4,550	2,145	2,145	2,145	2,283	2,429	2,584
Libraries	–	–	–	–	–	–	–	–	–
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>98,606</b>	<b>51,753</b>	<b>58,139</b>	<b>45,606</b>	<b>42,575</b>	<b>42,575</b>	<b>21,771</b>	<b>23,164</b>	<b>24,647</b>

**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**

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Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 medium term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Household service targets</b>									
<b>Water:</b>									
Piped water inside dwelling	11,973	11,973	11,973	11,973	11,973	11,973	24,163	24,163	24,163
Piped water inside yard (but not in dwelling)	3,069	3,069	3,069	3,069	3,069	3,069	6,041	6,041	6,041
Using public tap (at least min.service level)	1,300	1,300	1,300	1,300	1,300	1,300	2,416	2,416	2,416
Other water supply (at least min.service level)	206	206	206	206	206	206	1,208	1,208	1,208
<i>Minimum Service Level and Above sub-total</i>	16,548	16,548	16,548	16,548	16,548	16,548	33,828	33,828	33,828
Using public tap (< min.service level)	8,431	8,431	8,431	8,431	8,431	8,431	9,274	10,202	11,222
Other water supply (< min.service level)	101	101	101	101	101	101	111	122	134
No water supply	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	8,532	8,532	8,532	8,532	8,532	8,532	9,385	10,324	11,356
<b>Total number of households</b>	<b>25,080</b>	<b>25,080</b>	<b>25,080</b>	<b>25,080</b>	<b>25,080</b>	<b>25,080</b>	<b>43,213</b>	<b>44,152</b>	<b>45,184</b>
<b>Sanitation/sewerage:</b>									
Flush toilet (connected to sewerage)	11,970	11,970	11,970	11,970	11,970	11,970	23,176	23,176	23,176
Flush toilet (with septic tank)	2,846	2,846	2,846	2,846	2,846	2,846	2,781	2,781	2,781
Chemical toilet	–	–	–	–	–	–	–	1	2
Pit toilet (ventilated)	1,222	1,222	1,222	1,222	1,222	1,222	2,318	2,318	2,318
Other toilet provisions (> min.service level)	189	189	189	189	189	189	208	229	252
<i>Minimum Service Level and Above sub-total</i>	16,227	16,227	16,227	16,227	16,227	16,227	28,483	28,504	28,528
Bucket toilet	89	94	89	94	94	94	94	94	94
Other toilet provisions (< min.service level)	4,283	4,540	4,283	4,540	4,540	4,540	4,086	3,677	3,310
No toilet provisions	4,481	4,750	4,481	4,750	4,750	4,750	4,275	3,847	3,463
<i>Below Minimum Service Level sub-total</i>	8,853	9,384	8,853	9,384	9,384	9,384	8,455	7,619	6,867
<b>Total number of households</b>	<b>25,080</b>	<b>25,611</b>	<b>25,080</b>	<b>25,611</b>	<b>25,611</b>	<b>25,611</b>	<b>36,938</b>	<b>36,124</b>	<b>35,395</b>
<b>Energy:</b>									
Electricity (at least min.service level)	11,970	11,970	11,970	11,970	11,970	11,970	25,882	25,882	25,882
Electricity - prepaid (min.service level)	12,145	12,145	12,145	12,145	12,145	12,145	–	–	–
<i>Minimum Service Level and Above sub-total</i>	24,115	24,115	24,115	24,115	24,115	24,115	25,882	25,882	25,882
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	965	1,023	1,021	1,082	1,082	1,082	9,581	9,581	9,581
<i>Below Minimum Service Level sub-total</i>	965	1,023	1,021	1,082	1,082	1,082	9,581	9,581	9,581
<b>Total number of households</b>	<b>25,080</b>	<b>25,138</b>	<b>25,136</b>	<b>25,197</b>	<b>25,197</b>	<b>25,197</b>	<b>35,463</b>	<b>35,463</b>	<b>35,463</b>
<b>Refuse:</b>									
Removed at least once a week	11,970	11,970	11,970	11,970	11,970	11,970	–	–	–
<i>Minimum Service Level and Above sub-total</i>	11,970	11,970	11,970	11,970	11,970	11,970	–	–	–
Removed less frequently than once a week	3,326	3,326	3,326	3,326	3,326	3,326	23,176	23,176	23,176
Using communal refuse dump	579	579	579	579	579	579	521	469	422
Using own refuse dump	6,867	6,867	6,867	6,867	6,867	6,867	12,052	12,052	12,052
Other rubbish disposal	–	–	–	–	–	–	–	1	2
No rubbish disposal	2,341	2,341	2,341	2,341	2,341	2,341	3,940	3,940	3,940
<i>Below Minimum Service Level sub-total</i>	13,113	13,113	13,113	13,113	13,113	13,113	39,689	39,637	39,592
<b>Total number of households</b>	<b>25,083</b>	<b>25,083</b>	<b>25,083</b>	<b>25,083</b>	<b>25,083</b>	<b>25,083</b>	<b>39,689</b>	<b>39,637</b>	<b>39,592</b>

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

- 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 2017/18, and therefore entitled to receiving Free Basic Services.
3. It is anticipated that these Free Basic Services will cost the municipality **R17 million** in 2017/18, increasing to **R18 million** in 2018/19. 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-municipality is persistently striving to eradicate backlogs. The Municipal backlog status is as follows:
  - a. ~~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. ~~b.~~ Refuse services –Households receiving free basic services are expected to increase over the 2017/18 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 Municipality's cost of free basic services as a ratio of the Equitable Share allocation equals **100%**.

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## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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#### Mayoral oversight and responsibility

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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:

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(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.*

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

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- 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 2017/18 financial year signifies the 5<sup>th</sup> 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.

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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

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

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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.

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### 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 2016) 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 2016<sup>65</sup>. Key dates applicable to the process were:

- **September 2016** – 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 2016/17 planning process. Also review and finalisation of prioritisation criteria by councillors and senior managers.
- **November 2016**– Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2017** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- **January 2017** – Council considers the 2016/2017 Mid-year Review
- **February 2017** – Council considers the 2016/2017 Mid-year Review. Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments;
- **March 2017** – The [Final-Draft](#) 2017/18 MTREF is to be revised accordingly.
- **March 2017** - Tabling in Council ~~of the~~ [of the Final-Draft](#) 2017/18 IDP MTREF for public consultation;
- **April 2017** – Public consultation;
- **May 2017** – Closing date for written comments;
- **May 2017** – ~~F~~finalisation of the 2017/18 IDP and 2017/18 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 2017** – Tabling of the [Final](#) 2017~~6~~/~~18~~<sup>7</sup> MTREF before Council for consideration and approval.

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

This is the first year of the IDP as adopted by the new Council that was elected in [May-August](#) 2016. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 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 IDP](#) 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.

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The IDP has been taken into [account during the](#) business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016~~6~~/~~2016~~<sup>7</sup> MTREF, Mid-~~y~~Year Review and

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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 2017/18 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 2016/17 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 2017/18 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 2017/18 MTREF:

- Municipal growth;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (-inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2016/17 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; and
- 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 Draft 2017/18 MTREF Budget tabled before Council was availed for community consultation and was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were 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 were utilised to facilitate the community consultation process. The community were 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, Non-Governmental Institutions and community based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were noted and the respective responsible managers were 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 were prioritised and a detailed strategy was 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.

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Comment [PM20]: What about MFMA Circular No. 85 and 86?

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

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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.

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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.

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

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

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- 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.

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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 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

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**Table 23 IDP Strategic Objectives**

KPA	CURRENT STRATEGIC OBJECTIVES (2016/17)	NEW/ SUGGESTED STRATEGIC OBJECTIVES (2017/18)	PROPOSED STRATEGIC PROJECTS
GOOD GOVERNANCE & PUBLIC PARTICIPATION	Promote the well-being of all communities	Ensure that there are functional & accountable governance and management structures.	Develop and implement a governance and management structures framework
	Promote community involvement	Strengthen public engagement	Develop and implement an integrated public participation framework
SPATIAL DEVELOPMENT & LED	To ensure sustainable spatial development with integrated human settlements	To ensure sustainable spatial development.	Acquire land for integrated human settlement Implement Spatial Development Framework
	Ensure economic growth	To create conducive environment for sustainable local economic development.	Forge/create strategic partnerships with different stakeholders (government & private sectors) to support economic pillars. Ensure implementation of the LED Strategy.
FINANCIAL VIABILITY	Enhance financial viability and accountability	To ensure restoration of effective financial management, viability and Accountability.	Compilation and Implementation of a comprehensive General Valuation Roll. Maintenance of credible Supplementary Valuation Roll. Enforce and improve key financial controls and improve control environment. Improve Municipal Data integrity, through data cleansing. Reduction of Water and Electricity Losses through correct billing, replacement of metering systems. Eradication of Fruitless and Wasteful Expenditure and compliance with SCM regulations. Approve cost reflective Tariffs for Municipal Services. Reduction of debt book through

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KPA	CURRENT STRATEGIC OBJECTIVES (2016/17)	NEW/ SUGGESTED STRATEGIC OBJECTIVES (2017/18)	PROPOSED STRATEGIC PROJECTS
			robust credit control. Compile and implement a credible indigent register. Forward Planning.
BASIC SERVICES	Resource manage infrastructure and services for access and mobility	To insure quality services to community by improving current infrastructure to sustainable levels and Promote environmental management system.	Provision of bulk water services. Water Purification Water metres Water leakages Distribution structures of water. Electrical metres And reticulation and Illumination Waste water treatment Equipment and vehicles Upgrading of disaster equipment Waste management Refurbishment of vehicle testing station Roads all over area and Potholes Weighbridge Refurbishment of buildings and community facilities.
MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT	Forward planning	To achieve a well transformed and Integrated Organisation.  To ensure efficient administrative Support services.	-Promulgation of by-laws entity wide -Fill in all critical vacant positions within the Municipality. -Restructure the Organ gram to be in line with the size of the Municipality. -Effective Training of municipal officials to improve capacity (WSP and EEP). Address the huge skills gap concerns through retention and attraction of skilled personnel. -Effective management of litigations and legal disputes. -Effective Recruitment methods and compliance with legislations.

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KPA	CURRENT STRATEGIC OBJECTIVES (2016/17)	NEW/ SUGGESTED STRATEGIC OBJECTIVES (2017/18)	PROPOSED STRATEGIC PROJECTS
			-Compliance with relevant legislations ie OHS Act. -Acquire and management of the Municipal service delivery fleet. -Respond to efficient Information Technology demands.

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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.

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:

### Strategic Priorities

PRIORITY	POSITION
Institutional Development and Financial Viability	1
Land & Housing	2
Water & Sanitation	3
Electricity	4
Waste Management , Health and Environment	5
Local Economic Development	6
Transport, Roads & Storm Water	7
Community Participation and Communication	8
Safety & Security	9
Disaster Management	10
Social Development	11
Sports, Art & Culture	12

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.

### 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:

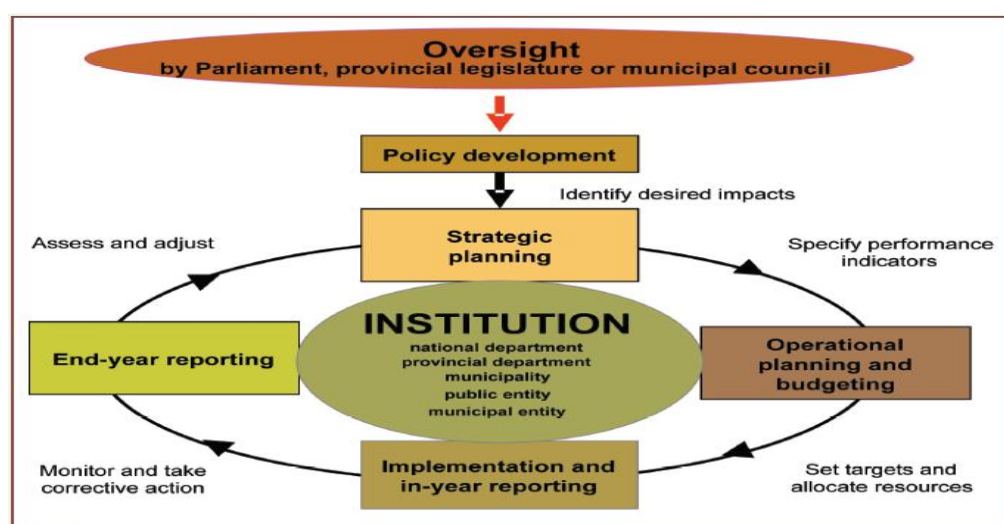


Figure 1 Planning, Budgeting and reporting cycle

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

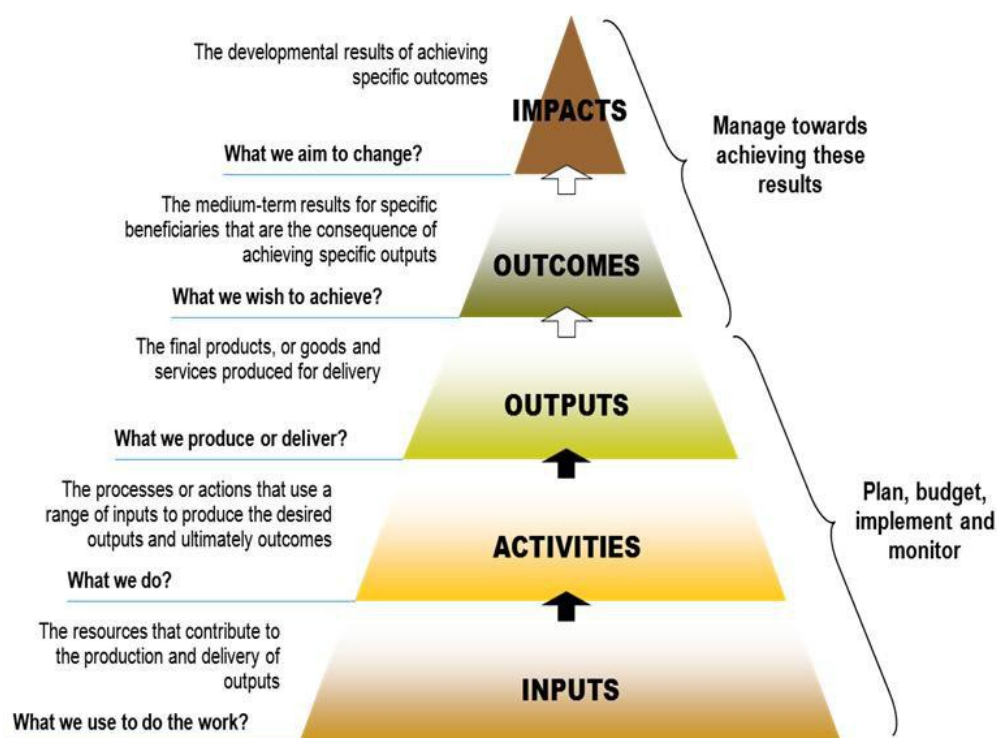


Figure 2 Definition of performance information concepts

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 2017/18 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
<b><u>Borrowing Management</u></b>											
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%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
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 days/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
<b><u>Revenue Management</u></b>											
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%
<b><u>Creditors Management</u></b>											
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%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (Z)	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 (Z)	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%
<b><u>IDP regulation financial viability indicators</u></b>											
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 2017/18 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 .0% 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 2017/18 MTREF the current ratio is below the accepted norms and standards and in the 2017/18 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 2017/18 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 2017/18 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 fee 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 70% of the municipality's bulk water needs are provided directly by Magalies Water Board Water in the form of purified water. The remaining 30% 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 2017/18 financial year. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on. The current policy can be located on the municipal website at [www.thabazimbi.gov.za](http://www.thabazimbi.gov.za).

### **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. 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](http://www.thabazimbi.gov.za)) provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

### 3.4.8 Financial Planning Policy

The Financial Planning Policy has directly informed the compilation of the 2017/18 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 2016/17 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends ( 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 % in 2016 and 2.6.4% 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 2017/18 budgets and MTREF.

Consequently, municipal revenues and cash flows are expected to gradually improve during 2017/18. 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 2016/17 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 42% of total operating expenditure in the 2017/18 MTREF. The increase in employee related costs is at least within inflation levels at (6.4%+ 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 2017/18 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. %) = 7.4% 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.

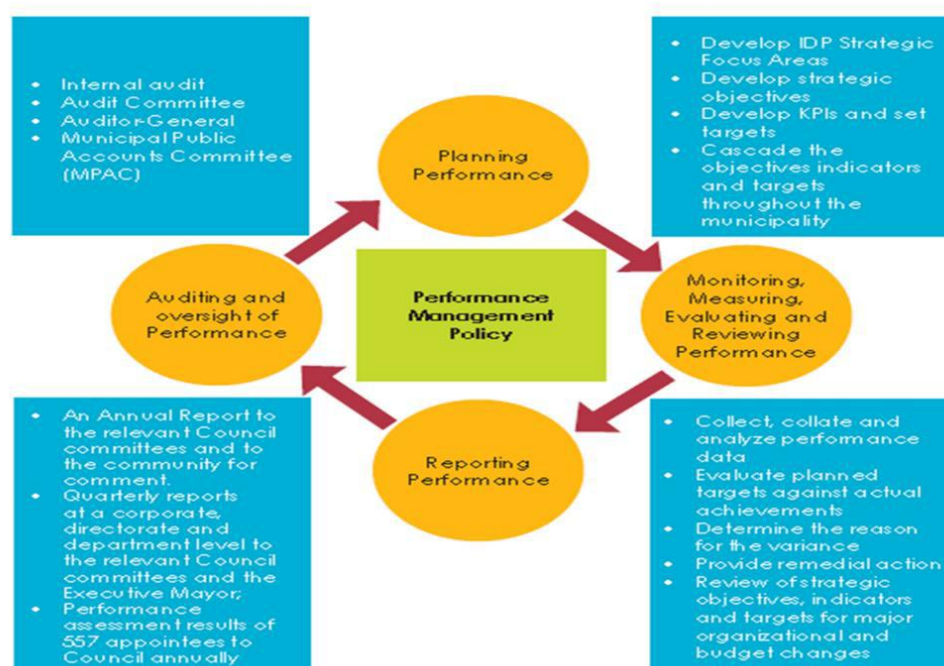


### 3.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90% is achieved on operating expenditure and 100% on the capital programme for the 2016/17 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 2017/18 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

R thousand	Adjusted Budget	Budget Year 2017/18	Year on Year Movement
<b>Revenue By Source</b>			
Property rates	38,825	44,014	13.4%
Service charges - electricity revenue	64,364	80,500	25.1%
Service charges - water revenue	26,857	33,746	25.7%
Service charges - sanitation revenue	18,641	19,834	6.4%
Service charges - refuse revenue	11,344	12,070	6.4%
Rental of facilities and equipment	1,542	1,641	6.4%
Interest earned - outstanding debtors	8,342	8,876	6.4%
Fines, penalties and forfeits	3,000	3,192	6.4%
Licences and permits	2,808	2,987	6.4%
Agency services	2,808	2,987	6.4%
Operational Grants	67,576	76,675	13.5%
Other revenue	4,424	4,708	6.4%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>250,531</b>	<b>291,231</b>	

Revenue to be generated from property rates is R38 million in the 2016/17 financial year and increases to R44 million by 2017/18 which represents 13% 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 2016/17 financial year and increasing to R175 million by 2017/18. The 2017/18 financial year services charges amount to 57.4% of the total revenue base. Operational grants and subsidies amount to R67 million, R76 million and R88 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 percentage 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 2017/18 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over medium-term

Description / Category	Base Budget 2016/17	Budget Year 2017/18
Property Rates Taxes	Refer to Schedule 15 of the Tarriff book	Refer to Schedule 15 of the Tarriff book
Electricity	8.0%	8.0%
Water	12.0%	10.0%
Sanitation	6.0%	6.0%
Refuse Removal	6.0%	6.4%
Other Services	6.0%	6.4%

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 Water Board has proposed a 10% 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								
<b>Parent municipality</b>									
ABSA FIXED DEPOSIT	after 32 day s	FIXED	YES	Deposit - Short	0.05	11	183	11	194
SANLAM MONEY MARKET	after 32 day s		YES	arket Investme	0.04	8	78	8	86
									-
<b>Municipality sub-total</b>							260		280
<b>TOTAL INVESTMENTS AND INTEREST</b>							260		280

### 3.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2017/18 medium-term capital programme:

Table 31 Sources of capital revenue over the MTREF

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
<b>Funded by:</b>										
National Government	24,074	8,621	6,594	29,172	29,172	29,172	29,172	52,463	72,736	77,331
Provincial Government										
District Municipality										
Other transfers and grants										
<b>Transfers recognised - capital</b>	<b>24,074</b>	<b>8,621</b>	<b>6,594</b>	<b>29,172</b>	<b>29,172</b>	<b>29,172</b>	<b>29,172</b>	<b>52,463</b>	<b>72,736</b>	<b>77,331</b>
<b>Public contributions &amp; donations</b>	<b>2,374</b>	<b>22,476</b>	<b>8,119</b>	<b>62,166</b>	<b>32,216</b>	<b>32,216</b>	<b>32,216</b>	<b>33,164</b>	<b>14,074</b>	<b>15,310</b>
<b>Borrowing</b>										
<b>Internally generated funds</b>										
<b>Total Capital Funding</b>	<b>26,448</b>	<b>31,097</b>	<b>14,713</b>	<b>91,338</b>	<b>61,388</b>	<b>61,388</b>	<b>61,388</b>	<b>85,627</b>	<b>86,810</b>	<b>92,641</b>

The above table is graphically represented as follows for the 2017/18 financial year.

Capital grants and receipts equates to 100% of the total capital funding source which represents R 86million for the 2017/18 financial year and increases to R86m 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	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
<b>Parent municipality</b>									
Long-Term Loans (annuity/reducing balance)	4,121	8,606	6,838	4,783	4,783	4,783	7,500	6,750	6,075
<b>Municipality sub-total</b>	<b>4,121</b>	<b>8,606</b>	<b>6,838</b>	<b>4,783</b>	<b>4,783</b>	<b>4,783</b>	<b>7,500</b>	<b>6,750</b>	<b>6,075</b>
<b>Total Borrowing</b>	<b>4,121</b>	<b>8,606</b>	<b>6,838</b>	<b>4,783</b>	<b>4,783</b>	<b>4,783</b>	<b>7,500</b>	<b>6,750</b>	<b>6,075</b>

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

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
National Government:	63,569	64,749	65,454	69,980	69,980	69,980	74,349	94,189	100,878
Local Government Equitable Share	60,129	60,733	60,064	61,051	61,051	61,051	68,976	86,282	93,908
Finance Management	1,550	1,600	1,675	1,810	1,810	1,810	2,145	2,400	2,660
EPWP Incentive	1,000	1,486	2,735	2,070	2,070	2,070	1,008	–	–
Municipal Systems Improvement	890	930	980	1,300	1,300	1,300	1,365	1,433	
Integrated National Electrification Programme	–	–	–	3,749	3,749	3,749	855	4,074	4,310
Provincial Government:	–	–	7,000	27,000	–	–	22,200	–	–
Housing			7,000	27,000			22,200	–	–
District Municipality:	–	–	–	1,055	–	–	1,650	–	–
Fire Grant				1,055			1,650		
<b>Total Operating Transfers and Grants</b>	<b>63,569</b>	<b>64,749</b>	<b>72,454</b>	<b>98,035</b>	<b>69,980</b>	<b>69,980</b>	<b>98,199</b>	<b>94,189</b>	<b>100,878</b>
<b>Capital Transfers and Grants</b>									
National Government:	27,261	6,594	39,172	48,714	48,714	48,714	60,881	103,542	127,423
Regional Bulk Infrastructure			10,000	20,000	20,000	20,000	27,122	68,000	90,000
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>90,830</b>	<b>71,343</b>	<b>111,626</b>	<b>146,749</b>	<b>118,694</b>	<b>118,694</b>	<b>159,080</b>	<b>197,731</b>	<b>228,301</b>
<b>Surplus/(Deficit) for the year</b>	<b>(93,209)</b>	<b>(96,312)</b>	<b>93,496</b>	<b>(7,150)</b>	<b>(7,150)</b>	<b>(7,150)</b>	<b>117,822</b>	<b>124,224</b>	<b>140,842</b>

### 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	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		18,500	22,560	25,552	32,415	25,223	25,223	25,223	37,412	40,940	43,233
Service charges		76,943	126,890	170,097	141,340	107,212	107,212	107,212	131,253	138,170	151,836
Other revenue		1,640	548	9,147	7,788	7,788	7,788	7,788	13,419	16,118	17,032
Government - operating	1	72,470	64,854	64,841	67,456	67,456	67,456	67,456	76,675	93,453	101,566
Government - capital	1	27,250	6,594	29,172	28,714	—	—	—	60,881	103,542	127,423
Interest		1,513	11,852	5,625	688	688	688	688	4,438	9,382	9,916
Dividends									—	—	—
<b>Payments</b>											
Suppliers and employees		(155,412)	(210,302)	(290,283)	(254,098)	(225,384)	(225,384)	(225,384)	(236,796)	(255,180)	(274,632)
Finance charges		(11,893)	(14,623)	(438)	(1,888)	(1,888)	(1,888)	(1,888)	(7,405)	(5,199)	(3,043)
Transfers and Grants	1								—	—	—
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>31,010</b>	<b>8,373</b>	<b>13,712</b>	<b>22,415</b>	<b>(18,906)</b>	<b>(18,906)</b>	<b>(18,906)</b>	<b>79,877</b>	<b>141,227</b>	<b>173,331</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		300	22,400	—	—	—	—	—	—	—	—
Decrease (Increase) in non-current debtors		(213)	—	5,342	5,468	10,018	10,018	10,018	(3,350)	(4,550)	(6,550)
Decrease (increase) other non-current receivables			6,460	9,972	2,451	9,820	9,820	9,820	—	—	—
Decrease (increase) in non-current investments					—	—	—	—	—	—	—
<b>Payments</b>											
Capital assets		(31,097)	(33,470)	(29,172)	(28,714)	—	—	—	(64,293)	(101,765)	(125,552)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(31,010)</b>	<b>(4,609)</b>	<b>(13,858)</b>	<b>(20,795)</b>	<b>19,838</b>	<b>19,838</b>	<b>19,838</b>	<b>(67,643)</b>	<b>(106,315)</b>	<b>(132,102)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									—	—	—
Borrowing long term/refinancing									—	—	—
Increase (decrease) in consumer deposits									1,250	1,450	2,250
<b>Payments</b>											
Repayment of borrowing				(471)	(2,014)	(3,000)	(3,000)	(3,000)	(9,500)	(9,500)	(9,500)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>—</b>	<b>—</b>	<b>(471)</b>	<b>(2,014)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(8,250)</b>	<b>(8,050)</b>	<b>(7,250)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>—</b>	<b>3,763</b>	<b>(617)</b>	<b>(394)</b>	<b>(2,068)</b>	<b>(2,068)</b>	<b>(2,068)</b>	<b>3,984</b>	<b>26,862</b>	<b>33,979</b>
Cash/cash equivalents at the year begin:	2	3,137	8	3,300	(727)	(727)	(727)	(727)	2,150	6,134	32,996
Cash/cash equivalents at the year end:	2	3,137	3,771	2,683	(1,121)	(2,795)	(2,795)	(2,795)	6,134	32,996	66,975

The above table shows that cash and cash equivalent of the municipality are anticipated to improve for 2017/18 budgeted financial year. It must be noted that it will take more than one financial year to resolve the liquidity challenges currently being faced.

### 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	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	3,137	3,771	2,683	(1,121)	(2,795)	(2,795)	(2,795)	39,002	96,942	161,821
Other current investments > 90 days		190	(370)	(724)	3,095	3,982	3,982	3,982	(36,754)	(94,580)	(159,340)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>3,327</b>	<b>3,402</b>	<b>1,959</b>	<b>1,974</b>	<b>1,187</b>	<b>1,187</b>	<b>1,187</b>	<b>2,248</b>	<b>2,362</b>	<b>2,482</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	109,871	100,011	(71,507)	33,818	83,947	83,947	83,947	(49,400)	(116,056)	(173,000)
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>		<b>109,871</b>	<b>100,011</b>	<b>(71,507)</b>	<b>33,818</b>	<b>83,947</b>	<b>83,947</b>	<b>83,947</b>	<b>(49,400)</b>	<b>(116,056)</b>	<b>(173,000)</b>
<b>Surplus(shortfall)</b>		<b>(106,544)</b>	<b>(96,609)</b>	<b>73,466</b>	<b>(31,844)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>(82,760)</b>	<b>51,648</b>	<b>118,418</b>	<b>175,482</b>

From the above table it can be seen that the cash and investments availability total is in a deficit in the 2017/18 financial year and continue to improve in 2018/19, 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 2016/17 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 2017/18 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	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Funding measures</b>										
Cash/cash equivalents at the year end	3,137	3,771	2,683	(1,121)	(2,795)	(2,795)	(2,795)	39,002	96,942	161,821
Cash + investments at the year end	(106,544)	(96,609)	73,466	(31,844)	(82,760)	(82,760)	(82,760)	51,648	118,418	175,482
Cash year end/monthly employee	0.2	0.2	0.2	(0.1)	(0.2)	(0.2)	(0.2)	2.1	5.0	7.8
Surplus/(Deficit) excluding depreciation	(93,209)	(96,312)	93,496	97,267	76,073	76,073	76,073	80,722	139,746	170,871
Service charge rev % change - n	N.A.	32.4%	45.8%	(4.2%)	(33.7%)	(6.0%)	(6.0%)	12.8%	1.2%	1.1%
Cash receipts % of Ratepayer &	76.0%	91.3%	85.0%	76.9%	76.6%	76.6%	76.6%	97.1%	97.2%	97.2%
Debt impairment expense as a %	12.2%	28.3%	4.4%	2.6%	3.7%	3.7%	3.7%	3.3%	3.3%	3.3%
Capital payments % of capital ex	100.0%	227.5%	32.1%	33.5%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital ex	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt legislated/gazetted allocations								0.0%	0.0%	0.0%
Current consumer debtors % chas	N.A.	(3.8%)	28.7%	7.0%	0.0%	0.0%	0.0%	6.4%	6.4%	6.4%
Long term receivables % change	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 & Equip	2.8%	0.9%	2.7%	1.7%	1.5%	1.5%	1.6%	1.5%	1.5%	1.5%
Asset renewal % of capital budge	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 2017/18 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%, (0.6.4%) and (0.6.4%) %for the respective financial year of the 2017/18 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 85% for 2017/18 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%of own funded capital, as there are intensions 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 2017/18.

### 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	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>EXPENDITURE:</b>									
<b>National Government:</b>	63,569	64,749	65,454	69,980	69,980	69,980	74,349	94,189	100,878
Local Government Equitable Share	60,129	60,733	60,064	61,051	61,051	61,051	68,976	86,282	93,908
Finance Management	1,550	1,600	1,675	1,810	1,810	1,810	2,145	2,400	2,660
EPWP Incentive	1,000	1,486	2,735	2,070	2,070	2,070	1,008	–	–
Municipal Systems Improvement	890	930	980	1,300	1,300	1,300	1,365	1,433	–
Integrated National Electrification Program	–	–	–	3,749	3,749	3,749	855	4,074	4,310
<b>Provincial Government:</b>	–	–	7,000	27,000	–	–	22,200	–	–
Housing	–	–	7,000	27,000	–	–	22,200	–	–
<b>Total operating expenditure of Transfers and Grants</b>	63,569	64,749	72,454	98,035	69,980	69,980	98,199	94,189	100,878
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>	27,261	6,594	39,172	48,714	48,714	48,714	60,881	103,542	127,423
<b>Total capital expenditure of Transfers and Grants</b>	27,261	6,594	39,172	48,714	48,714	48,714	60,881	103,542	127,423
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	90,830	71,343	111,626	146,749	118,694	118,694	159,080	197,731	228,301

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.

Table 40 MBRR SA23

Disclosure of Salaries, Allowances & Benefits Rand per annum	Salary	Allowances	Total Package
<b><u>Councillors</u></b>			
Speaker	606,410	–	606,410
Chief Whip	568,510	–	568,510
Mayor	758,012	–	758,012
Total for all other councillors	4,265,139	–	4,265,139
<b>Total Councillors</b>	<b>6,198,071</b>	<b>–</b>	<b>6,198,071</b>
<b><u>Senior Managers of the Municipality</u></b>			
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
<b>Total Senior Managers of the Municipality</b>	<b>5,082,441</b>	<b>855,810</b>	<b>5,938,251</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>11,280,512</b>	<b>855,810</b>	<b>12,136,322</b>

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		2014/15		Current Year 2015/16			Budget Year 2016/17		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	23		23	23	–	23	23	–	23
Board Members of municipal entities				–	–	–	–	–	–
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	264	232	36
Roads							15	11	
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	86	89	10
Clerks (Clerical and administrative)	26	18		26	18	2	20	18	2
TOTAL PERSONNEL NUMBERS		583	297	72	469	297	74	396	324

The reviewed municipal Organogram shows that only 6 critical positions can be filled within the Municipality during 2017/18 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.

### 3.8 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.

### 3.9 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 & 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
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	21,743	4,233	27,495	12,443	12,733	12,733	9,457	12,190	12,971
Roads Infrastructure	1,864	2,213	8,292	2,056	2,056	2,056	2,187	2,327	2,476
Roads	1,864	2,213	8,292	2,056	2,056	2,056	2,187	2,327	2,476
Storm water Infrastructure	19,430	104	4,237	3,250	3,250	3,250	2,187	2,327	2,476
Drainage Collection	19,430	104	4,237	3,250	3,250	3,250	2,187	2,327	2,476
Electrical Infrastructure	–	645	9,600	2,826	2,826	2,826	2,187	2,327	2,476
HV Transmission Conductors	–	645	9,600	2,826	2,826	2,826	2,187	2,327	2,476
Water Supply Infrastructure	449	446	5,144	4,311	4,311	4,311	2,587	4,880	5,193
Dams and Weirs	–	–	–	–	–	–	–	–	–
Boreholes	–	446	5,144	4,311	4,311	4,311	2,587	4,880	5,193
Sanitation Infrastructure	–	824	222	–	290	290	309	329	350
Pump Station	–	–	–	–	–	–	–	–	–
Reticulation	–	824	222	–	290	290	309	329	350
<b>Community Assets</b>	–	867	3,535	806	516	516	549	584	622
Community Facilities	–	867	3,535	806	516	516	549	584	622
Halls	–	559	3,439	290	–	–	–	–	–
Police	–	308	95	516	516	516	549	584	622
<b>Other assets</b>	–	–	–	7,348	4,317	4,317	2,283	2,429	2,584
Operational Buildings	–	–	–	5,177	2,145	2,145	2,283	2,429	2,584
Municipal Offices	–	–	–	2,411	2,145	2,145	2,283	2,429	2,584
Workshops	–	–	–	516	–	–	–	–	–
Yards	–	–	–	2,250	–	–	–	–	–
Housing	–	–	–	2,172	2,172	2,172	–	–	–
Staff Housing	–	–	–	2,172	2,172	2,172	–	–	–
<b>Furniture and Office Equipment</b>	353	340	14	450	450	450	479	509	542
Furniture and Office Equipment	353	340	14	450	450	450	479	509	542
<b>Machinery and Equipment</b>	3,000	–	45	300	300	300	319	340	361
Machinery and Equipment	3,000	–	45	300	300	300	319	340	361
<b>Transport Assets</b>	6,000	2,516	4,550	2,145	2,145	2,145	1,283	2,429	2,584
Transport Assets	6,000	2,516	4,550	2,145	2,145	2,145	1,283	2,429	2,584
<b>Total Repairs and Maintenance Expenditure</b>	<b>31,097</b>	<b>7,956</b>	<b>35,639</b>	<b>23,492</b>	<b>20,461</b>	<b>20,461</b>	<b>14,370</b>	<b>18,481</b>	<b>19,664</b>

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

Thabazimbi Local Municipality			
CAPITAL PROJECTS 2017/18			
PROJECT NAME	FUNDER	Capital Projects	Operational Projects
Service Delivery Vehicles -Finance Lease	TLM	5,100,000.00	-
Legal fees and Publications	TLM	-	1,920,000.00
Leases Printers , Rentals	TLM	-	1,608,000.00
Regorogile and Northam Cemetery	TLM	1,500,000.00	
Township Establishment for Northam ext 20 (new)	TLM		900,000.00
Formalization of informal settlements: Skierlik, Sm	Coghsta	22,200,000.00	-
Finalization of township Establishment in Regorogile	TLM		900,000.00
Development Plans for Thabazimbi, Leeupoort & Dwaalboom (new)	TLM		800,000.00
Security Services	TLM		1,344,000.00
Property Plant and Equipment	TLM	-	1,650,000.00
External Audit fees	TLM	-	3,231,000.00
Preparation of General Valuation Roll &	TLM	-	5,500,000.00
Financial Reporting System (Munsoft) MSCOA	TLM	-	950,000.00
Maintenance of Land fill sites (TBZ, Northam,	TLM	-	4,350,000.00
REGOROGILE EXT 5 WATER SUPPLY	WSIG	7,000,000.00	
ROOIBERG WATER SUPPLY	WSIG	5,400,000.00	
LEEUPFOORT/ RAPHUTI WATER SUPPLY	WSIG	7,400,000.00	
DEVELOPMENT OF GROUNDWATER FOR THABAZIMBI AND REGOROGILE	WSIG	7,200,000.00	
Upgrading of Regorogile and Northam Sports and Recreation Facilities	MIG	4,950,000.00	-
Rhaphuti Paving of Internal Streets ward 4	MIG	4,250,000.00	-
Raphuti and Northam installation of High mast lights	MIG	2,450,000.00	-
Construction of Roads Reg Ext 5	MIG	5,500,000.00	
Northam Extension 7 upgrading of internal streets. ward 7	MIG	3,222,826.00	-
Regorogile Paving Of Internal Streets	MIG	6,000,000.00	-
Paving of Northam Internal Streets	MIG	3,404,081.00	-
Total		85,576,907.00	23,153,000.00

### Municipal Standard Chart of Accounts (mSCOA)

The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only three 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. Funds have been set aside for minor system upgrades to ensure that the Municipality fully complies by the legislated dates.

## 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.
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 not been established and is not 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



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**Accounting Officer's quality certificate**

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

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

Acting Municipal Manager of Thabazimbi Local Municipality (LIM361)

Signature \_\_\_\_\_

Date \_\_\_\_\_