

ANNUAL BUDGET OF
MAKANA MUNICIPALITY

2014/15 TO 2016/17
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1. Mayor's Report

In his Medium Term Budget Policy Statement to Parliament on 23 October 2013, the Minister of Finance said: "Over the past 4½ years, this government has steered our country through the worst global recession in 70 years. We have made bold, and correct, decisions which have restored growth, supported our industries, and maintained a sustainable fiscal policy".

This MTBPS outlines government's intent to:

- Expanding public sector investment in infrastructure
- Implement the National Development Plan
- Direct public spending to reignite inclusive growth and complement increased private-sector investment
- Support job creation and skills training, particularly for the unemployed youth
- Create a climate for investment
- Cut waste and extravagance in government
- Support black entrepreneurs as investors and partners in our industrialisation and broadening of economic participation

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Makana Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The council should ensure that the budget and MTREF's acknowledges that the capital programmes needs a balanced funding structure addressing not only backlogs in services but also investments in new infrastructure as well as renewing current infrastructure

2. Council Resolutions

On 1 April 2014 the Council of Makana Local Municipality met in the Council Chambers of Makana Municipality to consider the draft annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Makana Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The draft annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Annexure H
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Annexure H
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Annexure H

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Annexure H
 - 1.2.2. Budgeted Cash Flows as contained in Annexure H
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Annexure H
 - 1.2.4. Asset management as contained in Annexure H
2. The Council of Makana Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 - 2.1. the tariffs for property electricity – as set out in Annexure A
 - 2.2. the tariffs for property rates – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure D
 - 2.5. the tariffs for solid waste services – as set out in Annexure E
3. The Council of Makana Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexure F respectively.
4. To give proper effect to the municipality's draft annual budget, the Council of Makana Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

3 BUDGET ASSUMPTIONS

- 3.1 Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.
- 3.2 National Treasury's MFMA Circular No. 67 and 70 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15MTREF can be summarised as follows:

- 3.2.1 Availability of affordable capital/borrowings.
- 3.2.2 Poverty levels;
- 3.2.3 The ongoing difficulties in the national and local economy
- 3.3.4 Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies
- 3.2.5 The increased cost of bulk water and electricity (due to tariff increases), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable
- 3.2.6 Aging and poorly maintained water, roads and electricity infrastructure;

3.2.7 The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declined cash position of the municipality.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- 3.3 Tariff and Property Rate increases should be affordable and in line with the CPIX, however taking into account the need to address infrastructure requirements, as well as adjusting some tariffs to make the costs of rendering the service to breakeven.
- 3.4 No budget will be allocated for capital projects unless the request is included in the IDP.
- 3.5 Budget allocations for externally funded projects will be maintained at approved or gazetted (Grants: Operating and Capital) levels be taken in consideration. As set out in Annexure G
- 3.6 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations as contemplated in the budget.
- 3.7 Most general expenditure budget items and the repairs and maintenance budgets have been increased by 5.6% or more for the 2014/15 budget year.
- 3.8 The 2014/15 budget has included a price increase of 7.39% for bulk electricity purchases based on National Treasury's guideline for electricity tariff increase as contemplated in the MFMA circular 70.
- 3.9 Employees salaries and contributions have been increased and a provisional increase of 6.8% is budgeted for
- 3.10 Increase for Councillors allowances has been allowed for in the 2014/15 budget in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998) and a provisional increase of 6.8% is budgeted for
- 3.11 The budget makes provision for ±8381 indigent households to be registered, approved and receiving free basic services in 2014/15.
- 3.12 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget, 65% will be received as actual income. Collection rate currently varies between 75% and 77%.
- 3.13 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, Municipal and Infrastructure Grant where determined in line with the 2013/14 Division of Revenue Bill (*Bill published in Government Gazette No. 36180 of 21 February 2014*).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014/15 MTREF

Description	Adjustment Budget 2013/14	Budget 2014/15	Year	Budget 2015/16	Year	Budget 2016/17	Year
Operating Revenue	334 097 039	344 449 990		361 699 497		381 554 884	
Operating Expenditure	320 398 630	453 054 218		481 708 039		511 690 747	
(Surplus)/ Deficit	(13 698 408)	108 604 229		120 008 542		130 135 863	
Total Capital Budget	270 532 232	236 145 005		47 785 050		64 582 000	

Total operating revenue has grown by R10, 352 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget.

Total operating expenditure for the 2014/15 financial year has been appropriated at R451, 873 million and translates into a budget deficit of R108, 604 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by R132, 656 million in the 2014/15 budget.

The capital budget of R270, 532 million for 2014/14 is R34, 387 million less when compared to the 2013/14 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as

affordability constraints in the light of current economic circumstances. The balance of R77, 868 million will be funded from internally generated funds.

1 Operating Revenue Framework

For Makana Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy has to be built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	32 338	38 133	38 084	56 970	-	-	-	51 641	54 429	57 368
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	91 504	100 505	106 423	126 955	-	-	-	121 130	130 699	141 024
Service charges - water revenue	2	26 613	38 749	34 413	47 576	-	-	-	41 074	43 908	46 940
Service charges - sanitation revenue	2	14 948	16 317	16 844	19 654	-	-	-	23 409	24 814	26 302
Service charges - refuse revenue	2	6 593	7 712	8 445	8 884	-	-	-	10 515	11 144	11 812
Service charges - other		171	84		-						
Rental of facilities and equipment		1 034	2 658		1 437				113	119	126
Interest earned - external investments		4 767	3 939		5 000				1 000	1 054	1 111
Interest earned - outstanding debtors		7 788	7 788		9 000				9 500	10 013	10 554
Dividends received		-	-		-						
Fines		1 144	567		942				538	567	598
Licences and permits		2 584	2 099		1 280				27	29	30
Agency services		943	1 139		-				1 345	1 417	1 494
Transfers recognised - operational		51 340	58 430		85 124				75 008	79 539	84 358
Other revenue	2	10 974	2 491	129	129 330	-	-	-	9 151	9 493	9 286
Gains on disposal of PPE		281	218		427						
Total Revenue (excluding capital transfers and contributions)		253 021	280 828	204 337	492 580	-	-	-	344 450	367 225	391 002

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2014/15 financial year, revenue from rates and services charges totaled to R264, 423 million.

Operating grants and transfers totals R80, 026 million in the 2014/15 financial year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	32 338	38 133	38 084	56 970	-	-	-	51 641	54 429	57 368
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	91 504	100 505	106 423	126 955	-	-	-	121 130	130 699	141 024
Service charges - water revenue	2	26 613	38 749	34 413	47 576	-	-	-	41 074	43 908	46 940
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Service charges - refuse revenue	2	6 593	7 712	8 445	8 884	-	-	-	10 515	11 144	11 812
Service charges - other		171	84		-						
Rental of facilities and equipment		1 034	2 658		1 437				113	119	126
Interest earned - external investments		4 767	3 939		5 000				1 000	1 054	1 111
Interest earned - outstanding debtors		7 788	7 788		9 000				9 500	10 013	10 554
Dividends received		-	-		-						
Fines		1 144	567		942				538	567	598
Licences and permits		2 584	2 099		1 280				27	29	30
Agency services		943	1 139		-				1 345	1 417	1 494
Transfers recognised - operational		51 340	58 430		85 124				75 008	79 539	84 358
Other revenue	2	10 974	2 491	129	129 330	-	-	-	9 151	9 493	9 286
Gains on disposal of PPE		281	218		427						
Total Revenue (excluding capital transfers and contributions)		253 021	280 828	204 337	492 580	-	-	-	344 450	367 225	391 002

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

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

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

1.1.1 Property Rates

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

National Treasury's MFMA Circular No. 70 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 0,004156. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The Municipality does not levy property rates on places of worship (churches) as in line with the Property Rates Act and the Council's Property Rates Policy. Also note that rebates as per Council Resolution, as well as rebates as per the Municipal Property Rates Act No. 6 of 2004 for all the qualifying rateable properties are available on application, which must be completed on or before 30 September each year.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 6 per cent increase from 1 July 2014 is contained below:

Table 4 Comparison of proposed rates to levy for the 2014/15 financial year

PROPERTY RATES

PROPERTY TYPE	CENT IN RAND (RANDAGE/TARIFF)
1. Businesses	0.012342
2. Government Properties (e.g Public Schools, Government Buildings, etc)	0.015868
3. Schools (Private & Public)	0.004156
4. Residential Properties	0.004156
5. Tertiary Institutions (e.g University)	0.008186
6. Domestic Farmers (bona fide farmers)	0.001008
7. Public Service Infrastructure (PSI)	0.001008
8. Industrial Properties	0.006171
9. Tourism/Game	0.001008
10. RDP Houses	0.001008
11. Sectional Titles	0.004156
12. B&B Properties	0.004534

1.1.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the 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.

A tariff increase of 6 per cent from 1 July 2014 for water is proposed. In addition 10 kℓ water per 30-day period will be granted free of charge to indigent residents.

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

Table 5 Proposed Water Tariffs

CATEGORY	KILOLITRES	STEPPED TARRIF (NORMAL PERIOD) 2013 / 2014	STEPPED TARRIF (NORMAL PERIOD) 2014 / 2015	STEPPED TARRIF (CRITICAL PERIOD) 2013 / 2014	STEPPED TARRIF (CRITICAL PERIOD) 2014 / 2015
RESIDENTIAL PROPERTIES	0 - 10kl/pm	4.80	5.08	5.49	5.82
	11 - 20kl/pm	6.09	6.45	6.99	7.41
	21 - 30kl/pm	6.71	7.11	7.68	8.14
	31 - 40kl/pm	7.37	7.81	8.45	8.96
	41 - 50kl/pm	8.10	8.59	9.30	9.86
	>51kl/pm	8.92	9.45	10.23	10.85

BUSINESS AND INDUSTRIAL PROPERTIES	0 - 10kl/pm	4.80	5.08	6.53	
	11 - 20kl/pm	6.40	6.79	8.72	9.24
	21 - 30kl/pm	7.04	7.46	9.59	10.17
	31 - 40kl/pm	7.74	8.20	10.55	11.18
	41 - 50kl/pm	8.52	9.03	11.60	12.30
	>51kl/pm	9.36	9.93	12.77	13.54

NB :(i) Critical periods will be based on the Dam Levels such as when Howisonspoort is less than 30% the situation will be critical and Engineers will alert Finance in order to alter tariffs.

(ii) All other properties not listed amongst the above categories will be categorised under Residential Properties.

(iii) The reason for having the same tariffs for both residential and business properties consuming less than 10kl/pm is to encourage businesses to save water consumption.

MISCELLANEOUS WATER CHARGES			
CATEGORY	KILOLITRES	TARIFF 2013/2014	TARIFF 2014/2015
Raw	1st 10 kl	3.60	3.82
	>10kl kl	4.43	4.70
Standpipe	Consumption	13.79	14.62

1.1.3 Sale of Electricity and Impact of Tariff Increases

The proposed tariffs are shown in the table below. It shows the current rates, the proposed rates and the 7.39% increase on each of the rates.

MAKANA TARIFFS (exc VAT)	2013/14 Applied (Ex VAT)			2014/15 Proposed			7.39% 2013/14 to 2014/15 Increa			7.39%
	BASIC CHARGE	CAPACITY DEMAND	ENERGY CHARGE	BASIC CHARGE	MAXIMUM DEMAND	ENERGY CHARGE	BASIC CHARGE	MAXIMUM DEMAND	ENERGY CHARGE	
Tariff Name	R/C/m	R/A/m	c/kWh	R/C/m	R/A/m	c/kWh	R/C/m	R/A/m	c/kWh	
PP 20 A 1 ph: FBE			116.64	-	-	125.26				7.39%
PP 40 A 1 ph: FBE			125.28	-	-	134.54				7.39%
Pre-paid 20 A 1 ph			116.64	-	-	125.26				7.39%
Prepaid 40 A 1 ph			125.28	-	-	134.54				7.39%
Prepaid 60 A 1 ph			128.24	-	-	137.72				7.39%
Domestic 20 A 1 ph (scale 4)		5.90	113.00	126.68	6.42	121.35		8.9%		7.39%
Domestic 40 A 1 ph (scale 4)		5.90	113.00	253.35	6.42	121.35		8.9%		7.39%
Domestic 60 A 1 ph (scale 4)		5.90	113.00	380.03	6.42	121.35		8.9%		7.39%
Domestic 25 A 3 ph (Scale 4)		6.98	113.00	449.43	6.10	121.35		-12.6%		7.39%
Domestic 40 A 3 ph (Scale 4)		6.98	113.00	449.43	6.10	121.35		-12.6%		7.39%
kWh Flat rate			279.00	-	-	299.62				7.39%
kWh Flat rate 10% discount			251.00	-	-	269.55				7.39%
Comm, ind & Gen 1 ph (scale 3.1)		7.22	120.00	-	7.74	128.87		7.2%		7.39%
Comm, ind & Gen 3 ph (scale 3.2)		7.75	120.00	-	7.35	128.87		-5.1%		7.39%
Comm, ind & Gen 1 ph 10% disc		6.50	108.00	Remove	7.74	128.87		19.1%		19.32%
Comm, ind & Gen PP			132.36	-	-	142.14				7.39%

Time Of Use (TOU) Tariffs.

The required meters have been installed and the required modelling been done and thus bulk customers can now be converted to TOU tariffs to be more cost reflective and to offer them more opportunities for load shifting. The following in this respect:

- All large customers with the required metering be converted to TOU tariff by 1 July 2014.
- No conversion charge be levied.
- No phased in surcharge be levied.
- The non-TOU large customer tariff above 100 kVA be phased out when all customers have converted.
- Customers must given maximum possible support in providing load profiles on line and fast accurate billing.

The proposed rates are shown below:

MAKANA TARIFFS		01-Jul-14	0	7.39%
All rates include surcharges.		BASIC	MAXIMUM	ENERGY
SEGMENT		CHARGE	DEMAND	CHARGE
Tariff Name	Code	R/C/m	R/A/m	R/kWh
TOU TARIFFS		Basic	Demand	Access
Bulk TOU MV supply	Basic: MD (Hi / Low): MD/Acc	1 000.00	81.92	66.94
	Energy: High: P/St/OP (c/kWh)	223.86	75.82	46.42
	Energy: Low : P/St/OP	80.76	59.16	41.73
	Reactive energy: high demand			3.00
Bulk TOU LV supply	Basic: MD (Hi / Low): MD/Acc	500.00	90.11	73.63
	Energy: High: P/St/OP (c/kWh)	235.05	79.61	48.74
	Energy: Low : P/St/OP	84.79	62.11	43.81
	Reactive energy: high demand	-	-	3.00

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for Makana Municipality. Most of the suburbs reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has to become a strategic priority, especially the substations and transmission lines.

1.1.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2014 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher than CPI increase of 6 per cent for sanitation tariffs.

The following table compares the current and proposed tariffs:

Table 7 Comparison between current sanitation charges and increases

ANNUAL SEWER CONNECTION CHARGES		2013/2014	2014/2015
Domestic	First 2 units	R 1 057.11	R 1 120.53
	Each unit over 2	R 527.81	R 559.48
Sporting/Churches /Monument	per each unit	R 527.81	R 559.48
Flats	First 2 units	R 1 057.11	R 1 120.53
	Each unit over 2	R 1 057.11	R 1 120.53
Business Sub-Economic	per each unit	R 1 057.11	R 1 120.53
Housing	per each unit	R 527.81	R 559.48
		R 0.00	R 0.00
Industrial Area	per point In respect of the first 25 units	R 1 193.21	R 1 264.80
	after which the costs are the same as the business tariff of	R 1 057.11	R 1 120.53
Annual Pail Removal Charges		R 527.81	R 559.48

1.1.5 Waste Removal and Impact of Tariff Increases

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 9 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2014:

Table 8 Comparison between current waste removal fees and increases

MONTHLY REFUSE REMOVAL CHARGES	2013/2014	20134/2015
Domestic	R 47.64	R 50.50
Business	R 95.33	R 101.05
Removal of Garden Refuse	R 373.12	R 395.51
Removal of Garden Refuse (domestic Notice	R 453.18	R 480.37
Removal of Condemned Goods	R 226.60	R 240.19
Illegal dumping of Refuse (domestic or Other)	R 373.12	R 395.51
Special Refuse Removals (Festival)	No charge	No charge
Refuse Bins / Bags & Otto Bins	Cost determined by supplier's prices	Cost determined by supplier's prices

1.2 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plan no budget.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type											
Employee related costs	2	98 540	102 704	112 364	115 772	-	-	-	118 463	125 747	133 792
Remuneration of councillors		6 210	7 704		8 371				9 265	9 858	10 489
Debt impairment	3	40 091	94 524		8 499						
Depreciation & asset impairment	2	47 783	46 947	46 625	8 969	-	-	-	-	-	-
Finance charges		281	218	-	427						
Bulk purchases	2	49 228	74 280	69 229	79 745	-	-	-	76 269	82 416	89 059
Other materials	8	-	664	-	-						
Contracted services		2 297	2 706	4 332	2 161	-	-	-	1 634	1 736	1 847
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	51 301	47 932	51 013	-	-	-	-	247 423	261 523	276 540
Loss on disposal of PPE		(159)	-	-	-	-	-	-	-	-	-
Total Expenditure		295 574	377 680	283 562	223 945	-	-	-	453 054	481 281	511 728
Surplus/(Deficit) for the year		(835)	(47 886)	(79 225)	320 129	-	-	-	(108 604)	(114 055)	(120 725)

The budgeted allocation for employee related costs for the 2014/15 financial year totals R118, 463 million of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/15 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled relating to the prioritization of critical vacancies within the Municipality. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

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).

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

1.3 Capital

Expenditure

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

Table 10 2014/15 Medium-term capital budget per vote

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Capital expenditure - Vote											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - Technical & Infrastructure		-	-	-	61 810	-	-	-	128 708	-	-
Vote 2 - Corporate Services		-	-	-	885	-	-	-	1 760	46	51
Vote 3 - Financial Services		-	-	-	400	-	-	-	200	-	-
Vote 4 - Community & Social Services		-	-	-	8 568	-	-	-	13 120	8	-
Vote 5 - Executive Mayor		-	-	-	-	-	-	-	-	-	-
Vote 6 - Speakers Office		-	-	-	-	-	-	-	-	-	-
Vote 7 - Municipal Manager		-	-	-	1 050	-	-	-	490	-	-
Vote 8 - Local Economic Development		-	-	-	22 441	-	-	-	31 753	345	42
Vote 9 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 10 - Electricity		-	-	-	8 075	-	-	-	19 331	4 694	4 929
Vote 11 - Water		-	-	-	40 805	-	-	-	40 848	42 693	59 560
Vote 12 - Dog Tax		-	-	-	-	-	-	-	-	-	-
Vote 13 - Parking Meters		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	144 034	-	-	-	236 210	47 785	64 582

For 2014/15 an amount of R236 million has been appropriated for the total capital budget. In the outer years this amount totals R47 million, and R64 million, respectively for each of the financial years. Detailed Capital Budget as set out in Annexure I

Municipal Manager's Quality Certificate

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

Print Name _____

Municipal manager of Makana Municipality (EC104)

Signature _____

Date _____