

JOE GQABI DISTRICT MUNICIPALITY



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

**(Annual Draft Budget for Consideration by
Council)**

31 March 2014

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Part 1 – Annual Budget

1.1 Mayor’s Report

To be distributed during the Council meeting.

1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
 - 1.1. The annual budget of the municipality for the financial year 2014/15 and indicative allocations for the two projected outer years 2015/16 and 2016/17; and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
 - 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 15.
 - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2014/15.
6. The Department of Roads allocation of R32.569 million and R22.065 million on Water Working for Water will only be spend once it has been gazetted or the money has been transferred to the primary bank account of Joe Gqabi District Municipality:

1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

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

National Treasury's MFMA Circular No.72 was used to guide the compilation of the 2014/15 MTREF.

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation; and
- Affordability of capital projects – Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Water Services Operating Grant and Municipal Water Infrastructure Grant funding were allocated towards developing of new capital infrastructure assets; and

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

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not gazetted but have been included in the budget. All other grant funding, allocated has been gazetted as required by the annual Division of Revenue Act;

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

	Adjustments Budget 2013/14 R'000	Budget Year 2014/15 R'000	Budget Year +1 2015/16 R'000	Budget Year +2 2016/17 R'000
Total Revenue	568 882	522 939	554 532	583 654
Total Operating Expenditure	519 638	517 300	535 511	544 425
Total Capital Expenditure	150 885	109 688	112 502	140 467
(Surplus) Deficit for the year	101 641	104 049	93 481	101 238

Total Revenue has declined by 8.08 percent or R45.943 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 R517.300 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has decreased by 0.45 percent in the 2014/15.

The capital budget of R109.688 million for 2014/15 is 27.30 percent less when compared to the 2013/14 Adjustment Budget. The increase is due to higher allocation on Municipal Infrastructure Grant, Municipal Water Infrastructure Grant and Regional Bulk Infrastructure Grant .

1.4 Operating Revenue Framework

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term. This should improve in the medium term.

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

DC14 Joe Gqabi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	22 167	5 625	45 463	45 463	45 463	50 934	53 990	57 229
Service charges - sanitation revenue	2	-	-	5 335	18 055	21 796	21 796	21 796	10 727	11 769	12 729
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		2 901	1 403	3 233	2 666	3 311	3 311	3 311	2 394	2 538	2 690
Interest earned - outstanding debtors		-	-	-	1 533	3 665	3 665	3 665	4 214	4 579	4 918
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		256 702	251 503	305 196	244 382	291 812	291 812	291 812	265 797	286 069	305 058
Other revenue	2	24 955	20 517	23 300	3 540	10 784	10 784	10 784	2 895	3 087	3 304
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		284 558	273 424	359 233	275 802	376 830	376 830	376 830	336 961	362 031	385 927

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.

Fig 1: Revenue by main revenue source

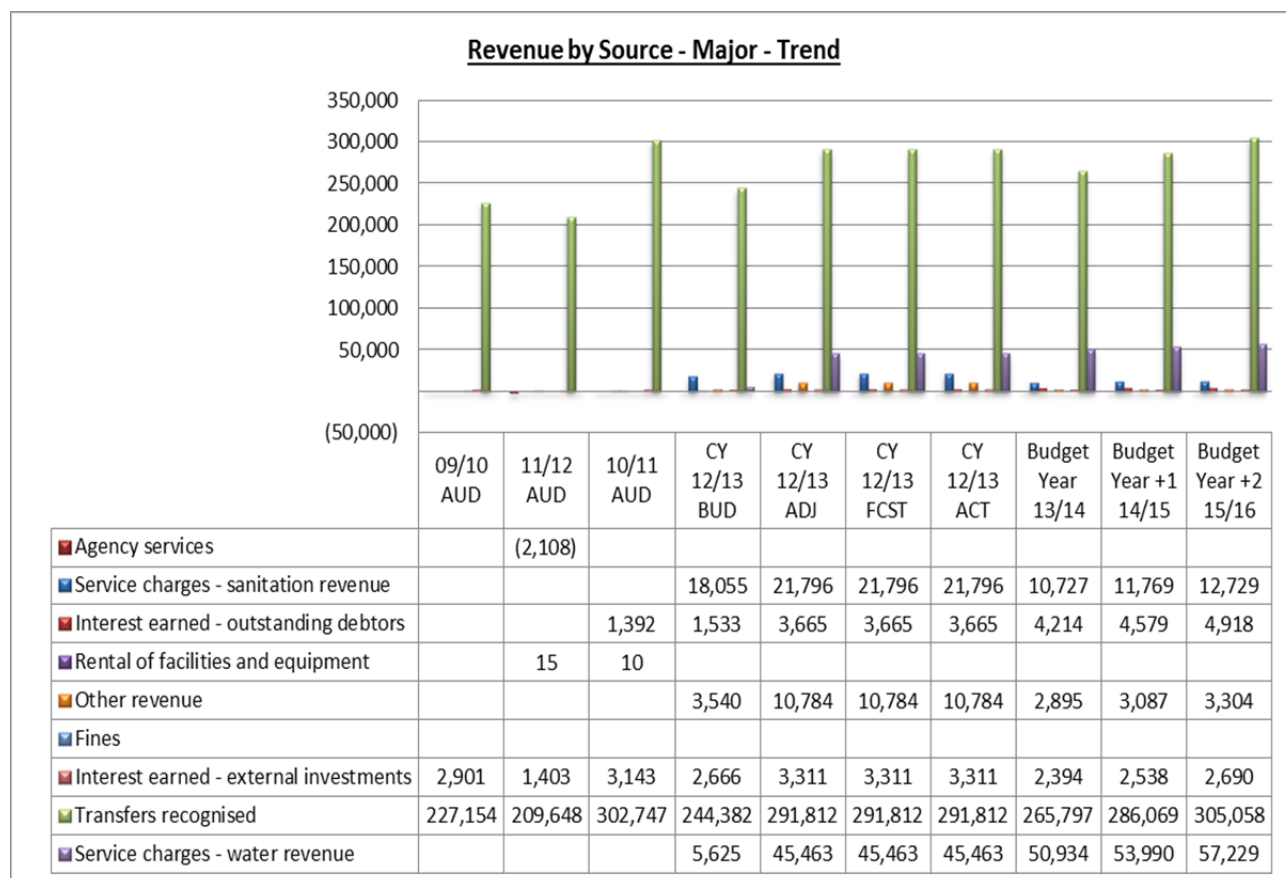


Table 3 Percentage growth in revenue by main revenue source

Description	2014/15 Medium Term Revenue & Expe					
	Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	
Financial Performance						
Service charges - sanitation revenue	10 727	-51%	11 769	10%	12 729	8%
Interst earned - outstanding debtors	2 394	-35%	4 579	91%	4 918	7%
Other revenue	2 895	-73%	3 087	7%	3 304	7%
Interest earned - external investments	4 214	27%	2 538	-40%	2 690	6%
Transfers recognised	265 797	-9%	286 069	8%	305 058	7%
Service charges - water revenue	50 934	12%	53 990	6%	57 229	6%
	336 961	-11%	362 032	7%	385 928	7%

Operating grants and transfers totals R291.812 million in the 2013/14 Adjustment Budget and increases to R265.797 million in 2014/15. Note that the year-on-year decline for the 2014/15 financial year is 8.92 percent. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

DC14 Joe Gqabi - Supporting Table SA18 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	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	182 098	225 649	225 649	198 341	216 185	232 098
Local Government Equitable Share					178 958	178 958	178 958	194 848	213 968	229 780
Municipal Systems Improvement					890	890	890	934	967	1 018
Mun Finance Management					1 250	1 251	1 251	1 250	1 250	1 300
Incentive - EPWP Programs					1 000	1 000	1 000	1 309	-	-
Municipal Drought Relief						43 550	43 550			
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	61 904	66 163	66 163	67 456	69 884	72 960
Led Capacity						380	380	439	-	-
Subsidy Roads DRAT					32 300	30 725	30 725	32 569	34 523	36 594
Rural Roads Asset Management G					1 778	1 807	1 807	2 084	2 124	2 204
Water Services Operating Subsi					10 000	11 426	11 426	10 300	10 918	11 573
Working for Water/ Wetlands					17 826	21 825	21 825	22 065	22 319	22 589
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	244 002	291 812	291 812	265 797	286 069	305 058
Capital Transfers and Grants										
National Government:		-	-	-	185 294	189 552	189 552	175 978	181 902	186 491
MIG					165 792	166 050	166 050	151 469	156 692	164 009
Municipal Water Infrastructure Grant					15 002	15 002	15 002	20 009	21 210	22 482
Grant Received Orio					4 500	4 500	4 500	-	-	-
						4 000	4 000	4 500	4 000	-
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	2 500	2 500	10 000	10 600	11 236
Regional Water Infrastructure Grant						2 500	2 500	10 000	10 600	11 236
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	185 294	192 052	192 052	185 978	192 502	197 727
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	429 296	483 864	483 864	451 775	478 570	502 785

Table 4 Operating Transfers and Grant Receipts

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 percent 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 Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the 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 the 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;

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

Table 5 Summary of operating expenditure by standard classification item

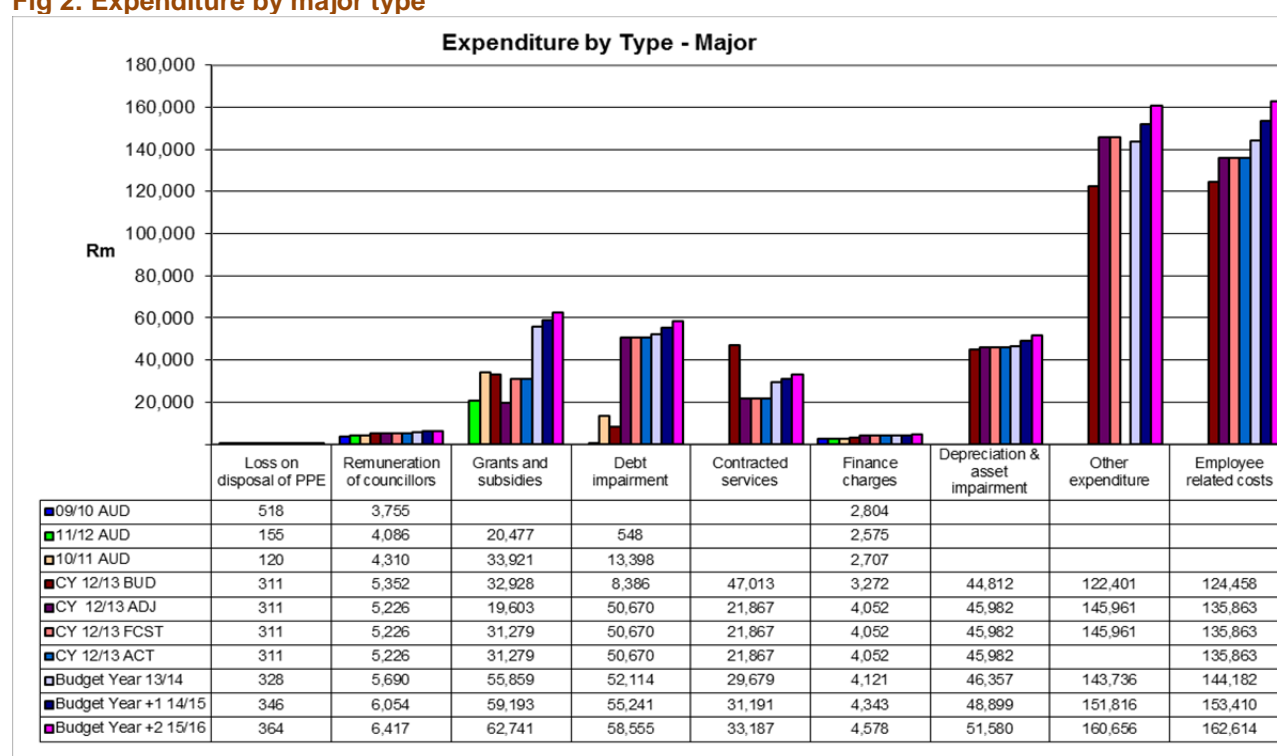
DC14 Joe Gqabi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

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	72 761	79 276	106 494	124 458	135 863	135 863	135 863	144 182	153 410	162 614
Remuneration of councillors		3 755	4 086	4 310	5 352	5 226	5 226	5 226	5 690	6 054	6 417
Debt impairment	3	-	548	13 398	8 386	50 670	50 670	50 670	52 114	55 241	58 555
Depreciation & asset impairment	2	37 504	41 662	42 536	44 812	45 982	45 982	45 982	46 357	48 899	51 580
Finance charges		2 804	2 575	2 716	3 272	4 052	4 052	4 052	4 121	4 343	4 578
Bulk purchases	2	-	-	8 682	-	4 800	4 800	4 800	5 069	5 373	5 695
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		43 341	38 551	47 389	47 013	21 867	21 867	21 867	29 679	31 191	33 187
Transfers and grants		33 921	38 227	10 711	69 580	104 907	104 907	104 907	86 024	78 839	60 777
Other expenditure	4, 5	130 746	131 198	170 883	122 401	145 961	145 961	145 961	143 736	151 816	160 656
Loss on disposal of PPE		519	155	122	311	311	311	311	328	346	364
Total Expenditure		325 350	336 278	407 241	425 585	519 638	519 638	519 638	517 300	535 511	544 425

Table 6 Percentage growth in expenditure by main expenditure type

Description R thousand	2014/15 Medium Term Revenue & Expe					
	Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	
Financial Performance						
Employee related costs	144 182	6%	153 410	6%	162 614	6%
Remuneration of councillors	5 690	9%	6 054	6%	6 417	6%
Debt impairment	52 114	3%	55 241	6%	58 555	6%
Depreciation & asset impairment	46 357	1%	48 899	5%	51 580	5%
Finance chargers	4 121	2%	4 343	5%	4 578	5%
Bulk purchases	5 069	6%	5 373	6%	5 695	6%
Contracted services	29 679	36%	31 191	5%	33 187	6%
Transfers and grants	86 024	-18%	78 839	-8%	60 777	-23%
Other expenditure	143 736	-2%	151 816	6%	160 656	6%
Losson disposal of PPE	328	5%	346	5%	364	5%
	517 300	-0,5%	535 511	4%	544 423	2%

Fig 2: Expenditure by major type



The budgeted allocation for employee related costs for the 2014/15 financial year totals R144.182 million, which equals 27.87 percent of the total operating expenditure. The SALGBC has agreed on the 6.79 percent salary increment for 2014/15. The municipality has budget 6.79 percent for the 2014/15 financial year. As part of the Municipality's cost reprioritization and cash management strategy uncritical vacancies have been frozen until adequate funding has been sourced.

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 and was also incremented by 5 percent for the 2014/15 financial year.

The provision of debt impairment was determined based on Annual Financial Statements for the year ended June 2013 and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R52.114 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality’s realistically anticipated revenues.

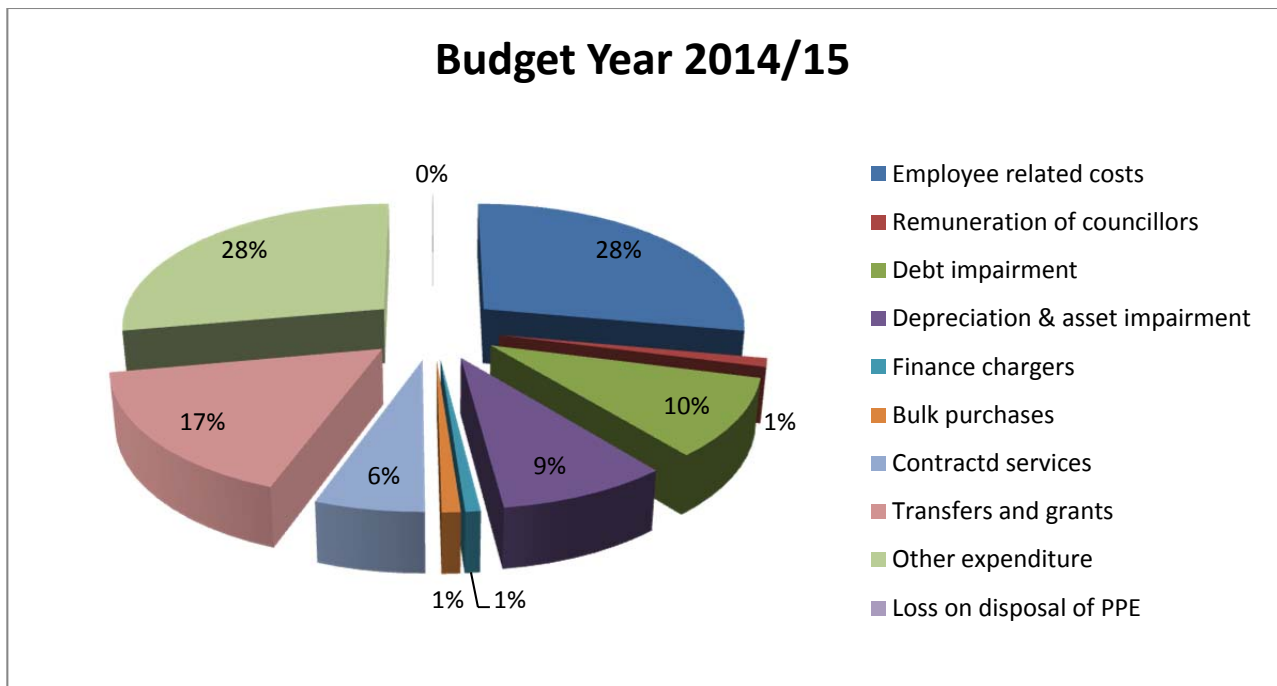
Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R46.437 million for the 2014/15 financial year and equates to 8.96 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.80 percent (R4.121 million) of operating expenditure excluding annual redemption for 2014/15 financial year.

Bulk Purchases are allocated R5.069 million for 2014/15 financial year.

Repairs and Maintenance allocation is R208.24 million (including the employee costs of departments responsible for repairs and maintenance) for the 2014/15 financial year.

Fig 3: Expenditure by major type – 2014/15



Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

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

1.6 Capital expenditure

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

Table 7 2014/15 Medium-term capital budget per vote

DC14 Joe Gqabi - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

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
Capital expenditure - Vote											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	2	879	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	55	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		2,329	1,916	560	-	-	-	-	2,760	3,260	260
Vote 4 - TECHNICAL SERVICES		86,234	57,948	93,386	-	-	-	-	68,421	78,947	113,166
Vote 5 - COMMUNITY SERVICES		8,044	84	232	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	96,606	59,950	95,112	-	-	-	-	71,181	82,207	113,426
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	378	618	618	618	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	250	250	250	250	700	710	725
Vote 3 - CORPORATE SERVICES		-	-	-	145	450	450	450	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	105,746	149,212	149,212	149,212	37,807	29,584	26,346
Vote 5 - COMMUNITY SERVICES		-	-	-	-	365	365	365	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	106,519	150,894	150,894	150,894	38,507	30,294	27,071

For 2014/15 an amount of R106.228 million has been appropriated for the development of infrastructure within Technical Services which represents 96.85 percent of the total capital budget. Water and Sanitation infrastructure receives the highest allocation.

1.7 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Table 8 MBRR NT A1 - Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
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 the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. 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, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

Table 8 MBRR NT A1 - Budget Summary

DC14 Joe Gqabi - Table A1 Consolidated Budget Summary

Description	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
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	27 502	23 680	67 258	67 258	67 258	61 661	65 759	69 958
Investment revenue	2 901	1 403	3 233	2 666	3 311	3 311	3 311	2 394	2 538	2 690
Transfers recognised - operational	256 702	251 503	305 196	244 382	291 812	291 812	291 812	265 797	286 069	305 058
Other own revenue	24 955	20 517	23 300	5 073	14 449	14 449	14 449	7 109	7 666	8 221
Total Revenue (excluding capital transfers and contributions)	284 558	273 424	359 233	275 802	376 830	376 830	376 830	336 961	362 031	385 927
Employee costs	72 761	79 276	106 494	124 458	135 863	135 863	135 863	144 182	153 410	162 614
Remuneration of councillors	3 755	4 086	4 310	5 352	5 226	5 226	5 226	5 690	6 054	6 417
Depreciation & asset impairment	37 504	41 662	42 536	44 812	45 982	45 982	45 982	46 357	48 899	51 580
Finance charges	2 804	2 575	2 716	3 272	4 052	4 052	4 052	4 121	4 343	4 578
Materials and bulk purchases	-	-	8 682	-	4 800	4 800	4 800	5 069	5 373	5 695
Transfers and grants	33 921	38 227	10 711	69 580	104 907	104 907	104 907	86 024	78 839	60 777
Other expenditure	174 606	170 451	231 792	178 112	218 809	218 809	218 809	225 857	238 593	252 763
Total Expenditure	325 350	336 278	407 241	425 585	519 638	519 638	519 638	517 300	535 511	544 425
Surplus/(Deficit)	(40 791)	(62 855)	(48 008)	(149 783)	(142 808)	(142 808)	(142 808)	(180 339)	(173 480)	(158 497)
Transfers recognised - capital	97 592	64 981	96 876	185 294	192 052	192 052	192 052	185 978	192 502	197 727
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230
Capital expenditure & funds sources										
Capital expenditure	96 606	59 950	95 112	106 519	150 894	150 894	150 894	109 688	112 502	140 497
Transfers recognised - capital	94 277	58 034	93 386	106 519	150 894	150 894	150 894	109 688	112 502	140 497
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	15 000	15 000	15 000	-	-	-
Internally generated funds	2 329	1 916	1 726	-	(15 000)	(15 000)	(15 000)	-	-	-
Total sources of capital funds	96 606	59 950	95 112	106 519	150 894	150 894	150 894	109 688	112 502	140 497
Financial position										
Total current assets	114 989	94 492	92 321	24 943	28 035	28 035	22 585	20 000	21 200	22 652
Total non current assets	1 161 950	1 180 188	1 232 830	1 292 848	1 293 614	1 293 614	1 282 367	1 275 017	1 351 518	1 444 098
Total current liabilities	87 697	78 821	72 893	80 378	85 332	85 332	58 617	47 713	50 576	50 450
Total non current liabilities	22 467	25 630	32 510	21 527	29 883	29 883	29 883	20 106	21 313	22 591
Community wealth/Equity	1 166 775	1 170 229	1 219 749	1 215 886	1 206 434	1 206 434	1 216 452	1 227 198	1 300 830	1 393 708
Cash flows										
Net cash from (used) operating	37 923	77 008	101 212	92 263	116 991	116 991	133 139	399 006	433 839	464 738
Net cash from (used) investing	(100 489)	(60 057)	(94 815)	(92 377)	(6 442)	(6 442)	(154 510)	(110 688)	(113 502)	(141 497)
Net cash from (used) financing	(323)	(357)	(229)	(396)	(15 036)	(15 036)	-	161	140	119
Cash/cash equivalents at the year end	3 956	20 550	26 718	224 236	(72 257)	(72 257)	(189 140)	99 338	419 816	743 176
Cash backing/surplus reconciliation										
Cash and investments available	5 276	21 977	27 926	27 310	7 817	7 817	-	20 000	21 200	22 652
Application of cash and investments	36 017	(44 755)	9 836	68 599	(25 260)	(25 260)	(31 501)	47 315	50 154	50 000
Balance - surplus (shortfall)	(30 741)	66 731	18 089	(41 289)	33 078	33 078	31 501	(27 315)	(28 954)	(27 348)
Asset management										
Asset register summary (WDV)	1 183 338	1 182 589	1 231 623	1 288 997	1 289 764	1 289 764	1 275 017	1 275 017	1 351 518	1 444 098
Depreciation & asset impairment	37 504	41 662	42 536	44 812	45 982	45 982	46 357	46 357	48 899	51 580
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	189 364	131 885	-	18 687	231 299	#DIV/0!	208 244	208 244	221 595	235 551
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	42 332	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	33	22	22	-	-	-	-
Energy:	-	-	-	-	103	103	-	-	-	-
Refuse:	-	-	-	-	70	70	-	-	-	-

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC14 Joe Gqabi - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification 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	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard	1									
<i>Governance and administration</i>		185,415	279,824	177,094	357,596	402,819	402,819	354,073	378,336	401,925
Executive and council		19,039	4,451	5,360	4,166	48,196	48,196	5,509	5,288	5,533
Budget and treasury office		22,140	151,930	168,773	186,718	187,364	187,364	195,886	215,146	231,173
Corporate services		144,235	123,443	2,961	166,712	167,258	167,258	152,678	157,902	165,220
<i>Community and public safety</i>		14,186	143	2,894	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		136	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		14,050	143	2,894	-	-	-	-	-	-
<i>Economic and environmental services</i>		58,851	54,291	64,742	53,284	55,357	55,357	58,026	58,966	61,387
Planning and development		14,857	8,574	-	380	-	-	-	-	-
Road transport		25,930	29,395	37,355	35,078	33,532	33,532	35,962	36,647	38,798
Environmental protection		18,064	16,322	27,387	17,826	21,825	21,825	22,065	22,319	22,589
<i>Trading services</i>		123,699	4,147	211,379	50,216	110,707	110,707	110,840	117,231	120,342
Electricity		-	-	-	-	-	-	-	-	-
Water		72,967	1,916	204,443	31,670	87,422	87,422	98,401	103,535	105,507
Waste water management		50,732	2,231	6,936	18,546	23,285	23,285	12,440	13,696	14,836
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	382,151	338,405	456,109	461,096	568,882	568,882	522,939	554,532	583,654
Expenditure - Standard										
<i>Governance and administration</i>		58,759	61,161	71,387	172,274	212,755	212,755	191,966	194,895	186,561
Executive and council		25,422	18,964	21,832	33,246	42,134	42,134	40,725	43,204	45,721
Budget and treasury office		11,751	14,615	21,343	21,801	21,972	21,972	25,984	27,353	28,813
Corporate services		21,586	27,582	28,212	117,227	148,649	148,649	125,257	124,338	112,027
<i>Community and public safety</i>		25,544	8,704	7,414	9,729	10,194	10,194	11,822	12,553	13,290
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		8,460	8,040	7,414	9,729	10,194	10,194	11,822	12,553	13,290
Housing		-	-	-	-	-	-	-	-	-
Health		17,084	664	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		70,644	66,870	86,881	66,170	64,816	64,816	64,694	65,048	69,150
Planning and development		23,108	14,958	5,800	6,594	87	87	16	17	18
Road transport		22,746	29,126	35,733	30,832	33,532	33,532	34,274	34,842	36,797
Environmental protection		24,789	22,787	45,348	28,744	31,197	31,197	30,404	30,190	32,336
<i>Trading services</i>		170,404	199,543	241,559	177,412	231,874	231,874	248,816	263,015	275,424
Electricity		-	-	-	-	-	-	-	-	-
Water		124,325	102,621	220,985	124,516	184,636	184,636	190,162	201,758	213,858
Waste water management		46,079	96,922	20,574	52,896	47,237	47,237	58,654	61,257	61,566
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	325,350	336,278	407,241	425,585	519,638	519,638	517,300	535,511	544,425
Surplus/(Deficit) for the year		56,801	2,126	48,868	35,511	49,244	49,244	5,639	19,022	39,230

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

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. This means it is possible to present the operating surplus or deficit of a vote.

Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC14 Joe Gqabi - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal 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	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - MANAGEMENT SERVICES		25,587	4,776	5,360	8,666	9,146	9,146	5,509	5,288	5,533
Vote 2 - FINANCIAL SERVICES		22,140	151,930	168,773	182,218	182,864	182,864	195,886	215,146	231,173
Vote 3 - CORPORATE SERVICES		8,865	1,016	418	920	1,208	1,208	1,209	1,210	1,211
Vote 4 - TECHNICAL SERVICES		304,999	172,290	251,277	50,216	154,257	154,257	110,840	117,231	120,342
Vote 5 - COMMUNITY SERVICES		20,559	8,393	30,281	219,076	221,407	221,407	209,495	215,658	225,396
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	382,151	338,405	456,109	461,096	568,882	568,882	522,939	554,532	583,654
Expenditure by Vote to be appropriated	1									
Vote 1 - MANAGEMENT SERVICES		22,796	15,833	21,832	24,541	29,039	29,039	31,531	33,426	35,360
Vote 2 - FINANCIAL SERVICES		13,256	15,675	21,343	24,055	24,213	24,213	28,281	29,794	31,399
Vote 3 - CORPORATE SERVICES		24,394	24,038	28,212	31,712	33,066	33,066	35,728	37,734	39,789
Vote 4 - TECHNICAL SERVICES		221,196	259,110	295,883	177,053	234,896	234,896	248,340	262,513	274,885
Vote 5 - COMMUNITY SERVICES		43,707	21,622	39,971	168,223	198,423	198,423	173,420	172,043	162,990
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	325,350	336,278	407,241	425,585	519,638	519,638	517,300	535,511	544,425
Surplus/(Deficit) for the year	2	56,801	2,126	48,868	35,511	49,244	49,244	5,639	19,022	39,230

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

1. Total revenue is R522.939 million in 2014/15.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)

DC14 Joe Gqabi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	22 167	5 625	45 463	45 463	45 463	50 934	53 990	57 229
Service charges - sanitation revenue	2	-	-	5 335	18 055	21 796	21 796	21 796	10 727	11 769	12 729
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		2 901	1 403	3 233	2 666	3 311	3 311	3 311	2 394	2 538	2 690
Interest earned - outstanding debtors		-	-	-	1 533	3 665	3 665	3 665	4 214	4 579	4 918
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		256 702	251 503	305 196	244 382	291 812	291 812	291 812	265 797	286 069	305 058
Other revenue	2	24 955	20 517	23 300	3 540	10 784	10 784	10 784	2 895	3 087	3 304
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		284 558	273 424	359 233	275 802	376 830	376 830	376 830	336 961	362 031	385 927
Expenditure By Type											
Employee related costs	2	72 761	79 276	106 494	124 458	135 863	135 863	135 863	144 182	153 410	162 614
Remuneration of councillors		3 755	4 086	4 310	5 352	5 226	5 226	5 226	5 690	6 054	6 417
Debt impairment	3	-	548	13 398	8 386	50 670	50 670	50 670	52 114	55 241	58 555
Depreciation & asset impairment	2	37 504	41 662	42 536	44 812	45 982	45 982	45 982	46 357	48 899	51 580
Finance charges		2 804	2 575	2 716	3 272	4 052	4 052	4 052	4 121	4 343	4 578
Bulk purchases	2	-	-	8 682	-	4 800	4 800	4 800	5 069	5 373	5 695
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		43 341	38 551	47 389	47 013	21 867	21 867	21 867	29 679	31 191	33 187
Transfers and grants		33 921	38 227	10 711	69 580	104 907	104 907	104 907	86 024	78 839	60 777
Other expenditure	4, 5	130 746	131 198	170 883	122 401	145 961	145 961	145 961	143 736	151 816	160 656
Loss on disposal of PPE		519	155	122	311	311	311	311	328	346	364
Total Expenditure		325 350	336 278	407 241	425 585	519 638	519 638	519 638	517 300	535 511	544 425
Surplus/(Deficit)											
Surplus/(Deficit)		(40 791)	(62 855)	(48 008)	(149 783)	(142 808)	(142 808)	(142 808)	(180 339)	(173 480)	(158 497)
Transfers recognised - capital		97 592	64 981	96 876	185 294	192 052	192 052	192 052	185 978	192 502	197 727
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		56 801	2 126	48 868	35 511	49 244	49 244	49 244	5 639	19 022	39 230

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (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. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R38.51 million for the 2014/15 financial year.
4. Multi-year capital expenditure has been appropriated at R71.18million for the 2014/15 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programme is funded from capital and national and provincial grants and transfers. For 2014/15, capital transfers totals R185.294 million.

Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC14 Joe Gqabi - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

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
Capital expenditure - Vote											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	2	879	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	55	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		2,329	1,916	560	-	-	-	-	2,760	3,260	260
Vote 4 - TECHNICAL SERVICES		86,234	57,948	93,386	-	-	-	-	68,421	78,947	113,166
Vote 5 - COMMUNITY SERVICES		8,044	84	232	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	96,606	59,950	95,112	-	-	-	-	71,181	82,207	113,426
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	378	618	618	618	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	250	250	250	250	700	710	725
Vote 3 - CORPORATE SERVICES		-	-	-	145	450	450	450	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	105,746	149,212	149,212	149,212	37,807	29,584	26,346
Vote 5 - COMMUNITY SERVICES		-	-	-	-	365	365	365	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	106,519	150,894	150,894	150,894	38,507	30,294	27,071
Total Capital Expenditure - Vote		96,606	59,950	95,112	106,519	150,894	150,894	150,894	109,688	112,502	140,497
Capital Expenditure - Standard											
<i>Governance and administration</i>		2,329	1,916	1,494	3,773	16,748	16,748	16,748	3,490	4,000	1,015
Executive and council		-	-	879	-	110	110	110	-	-	-
Budget and treasury office		-	-	55	250	250	250	250	280	290	305
Corporate services		2,329	1,916	560	3,523	16,388	16,388	16,388	3,210	3,710	710
<i>Community and public safety</i>		8,044	84	232	100	535	535	535	-	-	-
Community and social services		-	-	232	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		8,044	-	-	100	170	170	170	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	84	-	-	365	365	365	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		86,234	57,948	93,386	102,646	133,612	133,612	133,612	106,198	108,502	139,482
Electricity		-	-	-	-	-	-	-	-	-	-
Water		86,234	50,474	93,386	80,479	110,365	110,365	110,365	74,619	74,291	96,499
Waste water management		-	7,474	-	22,166	23,247	23,247	23,247	-	-	-
Waste management		-	-	-	-	-	-	-	31,579	34,211	42,982
Other		-	2	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	96,606	59,950	95,112	106,519	150,894	150,894	150,894	109,688	112,502	140,497
Funded by:											
National Government		86,234	57,948	93,386	102,791	134,062	134,062	134,062	103,228	108,532	139,512
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	2	-	-	-	-	-	-	-	-
Other transfers and grants		8,044	84	-	3,728	16,833	16,833	16,833	6,460	3,970	985
Transfers recognised - capital	4	94,277	58,034	93,386	106,519	150,894	150,894	150,894	109,688	112,502	140,497
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	15,000	15,000	15,000	-	-	-
Internally generated funds		2,329	1,916	1,726	-	(15,000)	(15,000)	(15,000)	-	-	-
Total Capital Funding	7	96,606	59,950	95,112	106,519	150,894	150,894	150,894	109,688	112,502	140,497

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. 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.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 13 MBRR NT A6 - Budgeted Financial Position

DC14 Joe Gqabi - Table A6 Consolidated Budgeted Financial Position

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
ASSETS											
Current assets											
Cash		3 956	20 550	26 718	3 967	3 967	3 967	3 967	3 729	3 505	3 295
Call investment deposits	1	-	-	-	19 493	-	-	-	20 000	21 200	22 652
Consumer debtors	1	25 028	3 006	10 684	-	22 585	22 585	22 585	-	-	-
Other debtors		84 777	69 724	53 212	-	-	-	-	-	-	-
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	1 227	1 212	1 707	1 483	1 483	1 483	1 483	1 572	1 666	1 766
Total current assets		114 989	94 492	92 321	24 943	28 035	28 035	28 035	25 301	26 371	27 713
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		1 320	1 426	1 207	3 850	3 850	3 850	3 850	3 619	3 402	3 198
Investment property		4 948	4 891	4 195	3 943	3 706	3 484	3 275	3 078	2 894	2 720
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 151 520	1 170 400	1 224 570	1 281 601	1 282 367	1 282 367	1 282 367	1 275 017	1 351 518	1 444 098
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		4 163	3 471	2 858	3 547	3 547	3 547	3 547	3 547	3 547	3 547
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		1 161 950	1 180 188	1 232 830	1 292 940	1 293 470	1 293 248	1 293 039	1 285 262	1 361 361	1 453 562
TOTAL ASSETS		1 276 939	1 274 680	1 325 151	1 317 883	1 321 505	1 321 283	1 321 074	1 310 562	1 387 732	1 481 275
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	13 854	11 448	400	364	585	585	585	398	422	450
Consumer deposits		-	-	-	-	-	-	-	-	-	-
Trade and other payables	4	73 843	67 373	72 492	68 599	58 033	58 033	58 033	47 315	50 154	50 000
Provisions		-	-	-	11 415	26 715	26 715	26 715	28 318	30 017	31 818
Total current liabilities		87 697	78 821	72 893	80 378	85 332	85 332	85 332	76 031	80 593	82 268
Non current liabilities											
Borrowing		6 855	6 498	6 099	6 475	5 913	5 913	5 913	6 054	6 418	6 803
Provisions		15 611	19 132	26 411	15 051	23 970	23 970	23 970	14 052	14 895	15 789
Total non current liabilities		22 467	25 630	32 510	21 527	29 883	29 883	29 883	20 106	21 313	22 591
TOTAL LIABILITIES		110 164	104 451	105 403	101 905	115 215	115 215	115 215	96 137	101 905	104 860
NET ASSETS	5	1 166 775	1 170 229	1 219 749	1 215 978	1 206 290	1 206 067	1 205 858	1 214 425	1 285 827	1 376 415
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 166 775	1 170 229	1 219 749	1 215 978	1 206 290	1 206 067	1 205 858	1 214 425	1 285 827	1 376 415
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	1 166 775	1 170 229	1 219 749	1 215 978	1 206 290	1 206 067	1 205 858	1 214 425	1 285 827	1 376 415

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Table 14 MBRR NT A7 - Budgeted Cash Flow Statement

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

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
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		8 597	31 566	49 488	28 753	81 707	81 707	81 707	68 770	73 425	78 180
Government - operating	1	220 094	280 586	312 126	244 382	291 812	380 142	380 142	265 797	286 069	305 058
Government - capital	1	97 592	64 981	96 876	185 294	192 052	427 675	427 675	185 978	192 502	197 727
Interest		2 901	1 403	4 625	2 666	3 311	19 674	19 674	2 394	2 538	2 690
Dividends		-	-	-							
Payments											
Suppliers and employees		(254 536)	(342 332)	(350 420)	(307 921)	(364 697)	(359 897)	(359 897)	(380 798)	(403 430)	(427 489)
Finance charges		(2 804)	2 575	(773)	(3 272)	(4 052)	(570 846)	(570 846)	(4 121)	(4 343)	(4 578)
Transfers and Grants	1	(33 921)	38 227	(10 711)	(69 580)	(104 907)	92 773	92 773	(86 024)	(78 839)	(60 777)
NET CASH FROM/(USED) OPERATING ACTIVITIES		37 923	77 008	101 212	80 323	95 226	71 228	71 228	51 997	67 921	90 810
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	150	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(109)	(106)	219	(2 643)	-	-	-	231	217	204
Payments											
Capital assets		(100 380)	(59 950)	(95 184)	(106 519)	(150 894)	(150 894)	(150 894)	(109 688)	(112 502)	(140 497)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(100 489)	(60 057)	(94 815)	(109 162)	(150 894)	(150 894)	(150 894)	(109 457)	(112 285)	(140 292)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	(15 000)	(15 000)	(15 000)	-	-	-
Increase (decrease) in consumer deposits		-	-	171	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(323)	(357)	(399)	(396)	(36)	(36)	(36)	(1 112)	(1 112)	(1 112)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(323)	(357)	(229)	(396)	(15 036)	(15 036)	(15 036)	(1 112)	(1 112)	(1 112)
NET INCREASE/ (DECREASE) IN CASH HELD		(62 889)	16 594	6 168	(29 234)	(70 705)	(94 702)	(94 702)	(58 572)	(45 476)	(50 594)
Cash/cash equivalents at the year begin:	2	66 845	3 956	20 550	26 718	(2 516)	(2 516)	(2 516)	(97 218)	(155 791)	(201 267)
Cash/cash equivalents at the year end:	2	3 956	20 550	26 718	(2 516)	(73 220)	(97 218)	(97 218)	(155 791)	(201 267)	(251 861)

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

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

2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. In accordance with the original budget time schedule the IDP and annual budget for 2014/15 were to be adopted by Council on 31 May 2013.

2.2.1 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2012/13 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 66 has been taken into consideration in the planning and prioritisation process.

2.2.2 Community Consultation

The draft 2014/15 MTREF was tabled before Council for community consultation. Thereafter it was published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) were provided to National 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 were utilised to facilitate the community consultation process in April 2014.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF

2.3 Overview of alignment of annual budget with IDP

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

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

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

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

The aim of this revision cycle was 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.

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.

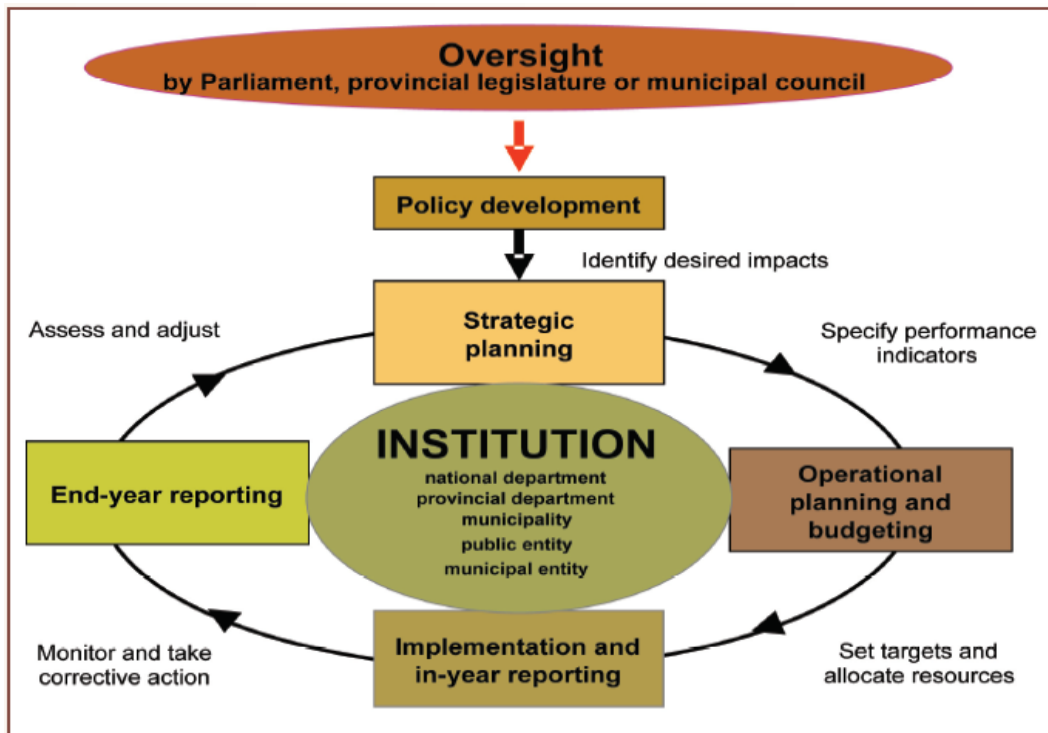
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

2.4 Measurable performance objectives and indicators

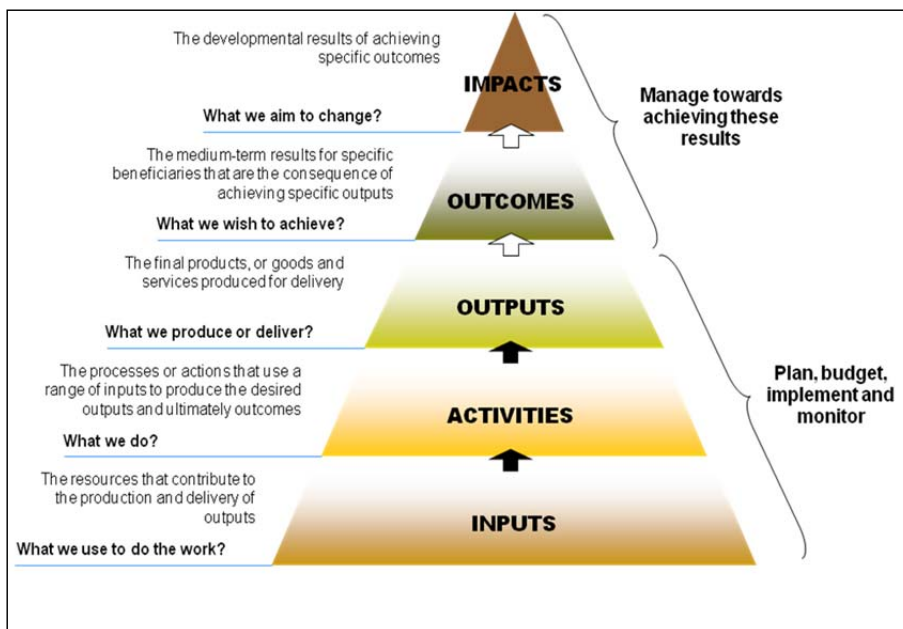
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, 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 linked to individual employee's performance.

At any given 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:



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 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:



The following table sets out the municipality’s main performance objectives and benchmarks for the 2014/15 MTREF.

Table 15 MBRR NT SA8 – Performance indicators and benchmarks

DC14 Joe Gqabi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	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
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1,0%	0,9%	0,8%	0,9%	0,8%	0,8%	0,8%	1,0%	1,0%	1,0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	11,2%	13,4%	5,8%	11,7%	4,8%	4,8%	4,8%	7,4%	7,2%	7,0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Safety of Capital											
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%
Liquidity											
Current Ratio	Current assets/current liabilities	1,3	1,2	1,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1,3	1,2	1,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Liquidity Ratio	Monetary Assets/Current Liabilities	0,0	0,3	0,4	0,3	0,0	0,0	0,0	0,3	0,3	0,3
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		34,4%	153,8%	97,4%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		34,4%	153,8%	97,4%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	38,6%	26,6%	17,8%	0,0%	6,0%	6,0%	6,0%	0,0%	0,0%	0,0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		1564,8%	252,6%	217,6%	-2726,7%	-67,6%	-50,9%	-50,9%	-30,4%	-24,9%	-19,9%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)			-							
	Total Cost of Losses (Rand '000)			-							
	% Volume (units purchased and generated less units sold)/units purchased and generated			-							
Water Distribution Losses (2)	Total Volume Losses (kℓ)			-							
	Total Cost of Losses (Rand '000)			34546205							
	% Volume (units purchased and generated less units sold)/units purchased and generated			8 552							
Employee costs	Employee costs/(Total Revenue - capital revenue)	25,6%	29,0%	29,6%	45,1%	36,1%	36,1%	36,1%	42,8%	42,4%	42,1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27,6%	30,2%	23,3%	0,0%	32,1%	32,1%		36,9%	36,6%	36,4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	66,5%	48,2%	0,0%	6,8%	61,4%	0,0%		61,8%	61,2%	61,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	14,2%	16,2%	12,6%	17,4%	13,3%	13,3%	13,3%	15,0%	14,7%	14,6%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	15,8	4,4	17,6	9,4	9,4	9,4	24,3	19,5	20,0	21,3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0,0%	0,0%	232,3%	0,0%	33,6%	33,6%	33,6%	0,0%	0,0%	0,0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,2	1,1	1,2	(0,1)	(2,3)	(3,0)	(3,0)	(4,9)	(6,1)	(7,7)

2.5 Performance indicators and benchmarks

2.5.1 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, Joe Gqabi District Municipality's 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 2014/15 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 0.8 percent in 2013/14 to 1 percent in 2014/15. This increase can be attributed to the raising of loans to fund portions of the capital programme. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *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 Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.4 percent.

2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2014/15 MTREF the current ratio is 0.3:1. Going forward it will be necessary to improve these levels.
- *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 2013/14 financial year the ratio was 0.002 and it has improved to 0.3:1 in 2014/15 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1.

2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in other expenditure which directly increases revenue levels, as well as increased allocation relating to operating grants and transfers.

2.5.2 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.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.

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.

2.6 Overview of budget related-policies

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

2.6.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council in May 2012 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. A service provider, to specifically deal with historical debt, has already been appointed.

2.6.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. 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 renewal 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 prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.6.3 Supply Chain Management Policy

No changes were made to the existing Supply Chain Management Policy.

2.6.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy is currently being compiled.

2.6.5 Cash Management and Investment Policy

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.6.6 Tariff Policy

The Municipality's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation over the next two years.

2.7 Overview of budget assumptions

2.7.1 External factors

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.7.2 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 2014/15 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 for bulk electricity and water; and
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 was implemented.

2.7.3 Collection rate for revenue services

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

2.7.4 Salary increases

The collective agreement regarding salaries/wages has expired and a new salary increase is currently negotiated at SALGBC. 6.79% is budgeted for the 2014/15 financial year.

2.7.5 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;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;

- Rural development and agriculture; and
- Strengthening financial management in public sector

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

2.7.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.8 Overview of budget funding

2.8.1 Medium-term outlook: operating revenue

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

Table 16 Breakdown of the operating revenue over the medium-term

Description	2014/15 Medium Term Revenue & Expe					
	Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	
R thousand						
Financial Performance						
Service charges - sanitation revenue	10 727	-51%	11 769	10%	12 729	8%
Interst earned - outstanding debtors	2 394	-35%	4 579	91%	4 918	7%
Other revenue	2 895	-73%	3 087	7%	3 304	7%
Interest earned - external investments	4 214	27%	2 538	-40%	2 690	6%
Transfers recognised	265 797	-9%	286 069	8%	305 058	7%
Service charges - water revenue	50 934	12%	53 990	6%	57 229	6%
	336 961	-11%	362 032	7%	385 928	7%

Fig 5: Breakdown of the operating revenue - 2014/15

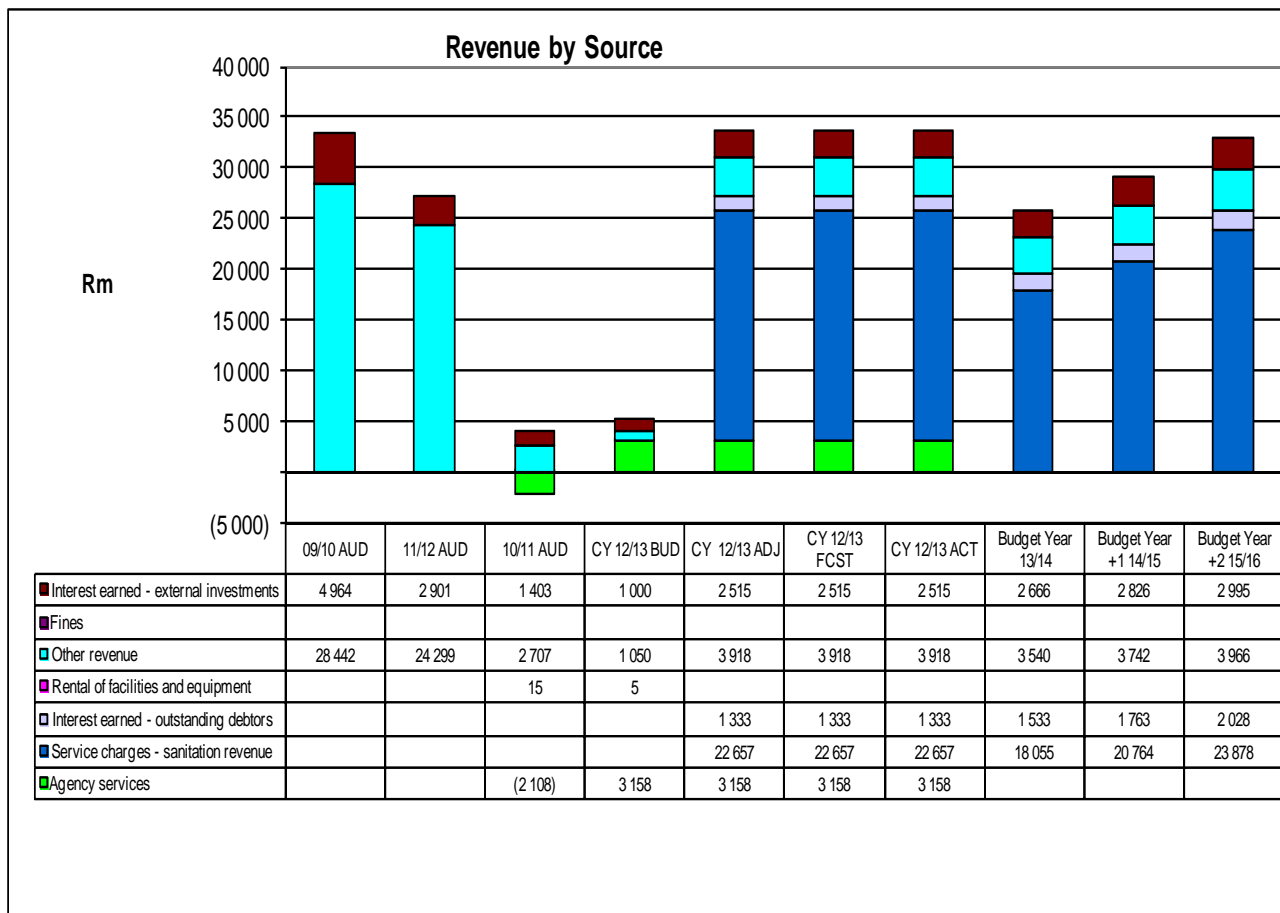
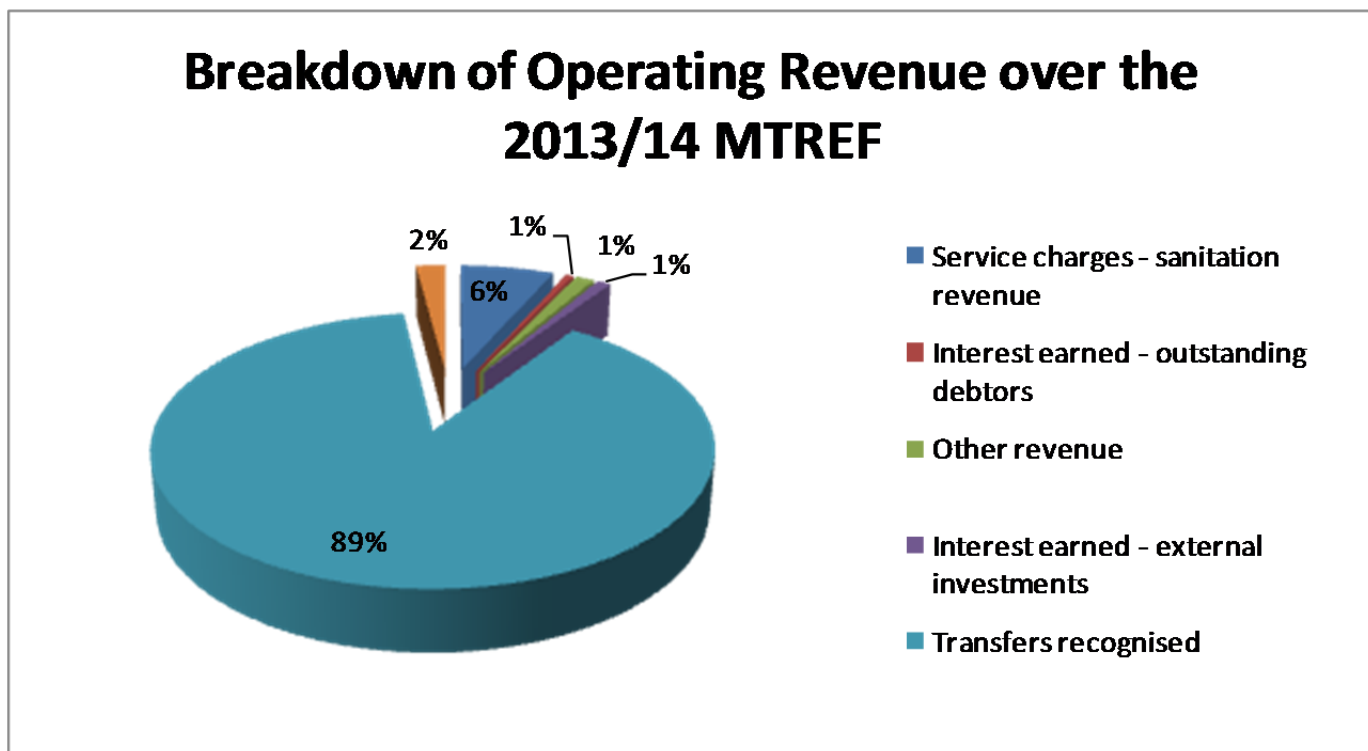


Fig 6: Breakdown of the operating revenue - 2014/15



2.8.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/14 medium-term capital programme:

Table 17 Sources of capital revenue over the MTREF

Description R thousand	2014/15 Medium Term Revenue & Expe					
	Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	
Funded by:						
National Government	103 228	94%	108 532	96%	139 512	99%
Provincial Government						
District Municipality						
Other transfers and grants	6 460	6%	3 970	4%	985	1%
	109 688	-100%	112 502	3%	140 497	25%

The capital programme is funded from National Grants and transfers.

2.8.3 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 understandability for councillors and management. Some specific features include:

- Clear separation of receipts and 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 18 MBRR NT A7 - Budget cash flow statement

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

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
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		8,917	613	47,817	37,696	301,335	301,335	323,913	68,770	73,425	78,180
Government - operating	1	228,768	209,648	408,140	155,144	373,775	373,775	216,385	339,355	364,568	388,617
Government - capital	1	94,694	196,232	-	81,234	255,863	255,863	150,235	409,979	439,478	467,672
Interest		2,901	3,075	4,535	4,964	7,639	7,639	1,485	12,799	13,720	14,638
Dividends		-	-	-	-	-	-	-	383,318	410,930	437,508
Payments											
Suppliers and employees		(260,409)	(198,565)	(345,992)	(163,888)	(689,976)	(689,976)	(534,612)	(375,729)	(398,057)	(421,794)
Finance charges		(2,804)	(2,575)	(764)	(2,410)	(5,496)	(5,496)	(2,541)	(569,347)	(590,464)	(602,422)
Transfers and Grants	1	(33,921)	(89,408)	(12,286)	(20,477)	(126,149)	(126,149)	(21,726)	129,860	120,237	102,339
NET CASH FROM/(USED) OPERATING ACTIVITIES		38,146	119,021	101,449	92,263	116,991	116,991	133,139	399,006	433,839	464,738
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	150	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(828)	-	219	(1,313)	(1,313)	(1,313)	(150)	(1,000)	(1,000)	(1,000)
Payments											
Capital assets		(99,850)	(99,850)	(95,112)	(91,064)	(5,129)	(5,129)	(154,360)	(109,688)	(112,502)	(140,497)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(100,679)	(99,850)	(94,743)	(92,377)	(6,442)	(6,442)	(154,510)	(110,688)	(113,502)	(141,497)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	(399)	-	(15,000)	(15,000)	-	-	-	-
Increase (decrease) in consumer deposits		-	-	171	-	-	-	-	500	500	500
Payments											
Repayment of borrowing		(356)	(356)	-	(396)	(36)	(36)	-	(339)	(360)	(381)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(356)	(356)	(229)	(396)	(15,036)	(15,036)	-	161	140	119
NET INCREASE/ (DECREASE) IN CASH HELD		(62,889)	18,814	6,478	(510)	95,512	95,512	(21,371)	288,478	320,477	323,360
Cash/cash equivalents at the year begin:	2	(62,889)	(62,889)	(44,074)	224,746	(167,769)	(167,769)	(167,769)	(189,140)	99,338	419,816
Cash/cash equivalents at the year end:	2	(62,889)	(44,074)	(37,597)	224,236	(72,257)	(72,257)	(189,140)	99,338	419,816	743,176

2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 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 (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation

DC14 Joe Gqabi - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

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
Cash and investments available											
Cash/cash equivalents at the year end	1	(62,889)	(44,074)	(37,597)	224,236	(72,257)	(72,257)	(189,140)	99,338	419,816	743,176
Other current investments > 90 days		66,889	48,075	61,442	(200,776)	76,224	76,224	189,140	(79,338)	(398,616)	(720,524)
Non current assets - Investments	1	3,546	3,546	-	3,850	3,850	3,850	-	-	-	-
Cash and investments available:		7,547	7,547	23,846	27,310	7,817	7,817	-	20,000	21,200	22,652
Application of cash and investments											
Unspent conditional transfers		24,053	24,053	13,327	-	8,514	8,514	8,514	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	#####	102,123	(440,297)	68,599	(33,774)	(33,774)	(40,015)	47,315	50,154	50,000
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/inv estments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		#####	126,176	(426,970)	68,599	(25,260)	(25,260)	(31,501)	47,315	50,154	50,000
Surplus(shortfall)		#####	(118,629)	450,816	(41,289)	33,078	33,078	31,501	(27,315)	(28,954)	(27,348)

2.8.5 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.

2.8.5.1 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.

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

2.8.5.2 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 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.

2.8.5.3 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 stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.8.5.4 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

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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.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Table 20 MBRR NT SA10 - Funding compliance measurement

DC14 Joe Gqabi Supporting Table SA10 Funding measurement

Description	MFMA section	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
Total Operating Revenue			284 558	273 424	359 233	275 802	376 830	376 830	376 830	336 961	362 031	385 927
Total Operating Expenditure			325 350	336 278	407 241	425 585	519 638	519 638	519 638	517 300	535 511	544 425
Operating Performance Surplus/(Deficit)			(40 791)	(62 855)	(48 008)	(149 783)	(142 808)	(142 808)	(142 808)	(180 339)	(173 480)	(158 497)
Cash and Cash Equivalents (30 June 2012)										(155 791)		
Revenue												
% Increase in Total Operating Revenue				(3,9%)	31,4%	(23,2%)	36,6%	0,0%	0,0%	(10,6%)	7,4%	6,6%
% Increase in Property Rates Revenue				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
% Increase in Electricity Revenue				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
% Increase in Property Rates & Services Charges				0,0%	0,0%	(13,9%)	184,0%	0,0%	0,0%	(8,3%)	6,6%	6,4%
Expenditure												
% Increase in Total Operating Expenditure				3,4%	21,1%	4,5%	22,1%	0,0%	0,0%	(0,5%)	3,5%	1,7%
% Increase in Employee Costs				9,0%	34,3%	16,9%	9,2%	0,0%	0,0%	6,1%	6,4%	6,0%
% Increase in Electricity Bulk Purchases				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Average Cost Per Budgeted Employee Position (Remuneration)					0	0				0		
Average Cost Per Councillor (Remuneration)					0					0		
R&M % of PPE			16,4%	11,3%	0,0%	1,5%	18,0%	0,0%		16,3%	16,4%	16,3%
Asset Renewal and R&M as a % of PPE			16,0%	11,0%	0,0%	1,0%	18,0%	0,0%		16,0%	16,0%	16,0%
Debt Impairment % of Total Billable Revenue			0,0%	0,0%	48,7%	35,4%	75,3%	75,3%	75,3%	84,5%	84,0%	83,7%
Capital Revenue												
Internally Funded & Other (R'000)			2 329	1 916	1 726	-	(15 000)	(15 000)	(15 000)	-	-	-
Borrowing (R'000)			-	-	-	-	15 000	15 000	15 000	-	-	-
Grant Funding and Other (R'000)			94 277	58 034	93 386	106 519	150 894	150 894	150 894	109 688	112 502	140 497
Internally Generated funds % of Non Grant Funding			100,0%	100,0%	100,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Borrowing % of Non Grant Funding			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grant Funding % of Total Funding			97,6%	96,8%	98,2%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Capital Expenditure												
Total Capital Programme (R'000)			96 606	59 950	95 112	106 519	150 894	150 894	150 894	109 688	112 502	140 497
Asset Renewal			-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Cash												
Cash Receipts % of Rate Payer & Other			34,4%	153,8%	97,4%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cash Coverage Ratio			0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			1,0%	0,9%	0,8%	0,9%	0,8%	0,8%	0,8%	1,0%	1,0%	1,0%
Borrowing Receipts % of Capital Expenditure			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Reserves												
Surplus/(Deficit)			(30 741)	66 731	18 089	(41 289)	(27 630)	(27 630)	(27 630)	(19 967)	(22 047)	(20 855)
Free Services												
Free Basic Services as a % of Equitable Share			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
Free Services as a % of Operating Revenue (excl operational transfers)			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
High Level Outcome of Funding Compliance												
Total Operating Revenue			284 558	273 424	359 233	275 802	376 830	376 830	376 830	336 961	362 031	385 927
Total Operating Expenditure			325 350	336 278	407 241	425 585	519 638	519 638	519 638	517 300	535 511	544 425
Surplus/(Deficit) Budgeted Operating Statement			(40 791)	(62 855)	(48 008)	(149 783)	(142 808)	(142 808)	(142 808)	(180 339)	(173 480)	(158 497)
Surplus/(Deficit) Considering Reserves and Cash Backing			(71 532)	3 877	(29 919)	(191 072)	(170 438)	(170 438)	(170 438)	(200 306)	(195 527)	(179 352)
MTREF Funded (1) / Unfunded (0)	15		0	1	0	0	0	0	0	0	0	0
MTREF Funded ✓ / Unfunded ✗	15		✗	✓	✗	✗	✗	✗	✗	✗	✗	✗

2.8.5.5 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.8.5.6 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. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

2.8.5.7 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 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.8.5.8 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.8.5.9 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.

2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

DC14 Joe Gqabi - Supporting Table SA19 Expenditure on transfers and grant programme

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	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	182 098	225 649	225 649	198 341	216 185	232 098
Local Government Equitable Share		-	-	-	178 958	178 958	178 958	194 848	213 968	229 780
Municipal Systems Improvement		-	-	-	890	890	890	934	967	1 018
Mun Finance Management		-	-	-	1 250	1 251	1 251	1 250	1 250	1 300
Incentive - EPWP Programs		-	-	-	1 000	1 000	1 000	1 309	-	-
Municipal Drought Relief		-	-	-	-	43 550	43 550	-	-	-
		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	61 904	66 163	66 163	67 456	69 884	72 960
Led Capacity		-	-	-	-	380	380	439	-	-
Subsidy Roads DRAT		-	-	-	32 300	30 725	30 725	32 569	34 523	36 594
Rural Roads Asset Management G		-	-	-	1 778	1 807	1 807	2 084	2 124	2 204
Water Services Operating Subsi		-	-	-	10 000	11 426	11 426	10 300	10 918	11 573
Working for Water/ Wetlands		-	-	-	17 826	21 825	21 825	22 065	22 319	22 589
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants		-	-	-	244 002	291 812	291 812	265 797	286 069	305 058
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	185 294	189 552	189 552	175 978	181 902	186 491
MIG		-	-	-	165 792	166 050	166 050	151 469	156 692	164 009
Municipal Water Infrastructure Grant		-	-	-	15 002	15 002	15 002	20 009	21 210	22 482
Grant Received Orto		-	-	-	4 500	4 500	4 500	-	-	-
		-	-	-	-	4 000	4 000	4 500	4 000	-
		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert desc]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	2 500	2 500	10 000	10 600	11 236
Regional Water Infrastructure Grant		-	-	-	-	2 500	2 500	10 000	10 600	11 236
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		-	-	-	185 294	192 052	192 052	185 978	192 502	197 727
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	429 296	483 864	483 864	451 775	478 570	502 785

2.10 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 Financial Management Division of the Treasury Department.

2.11 Capital expenditure details

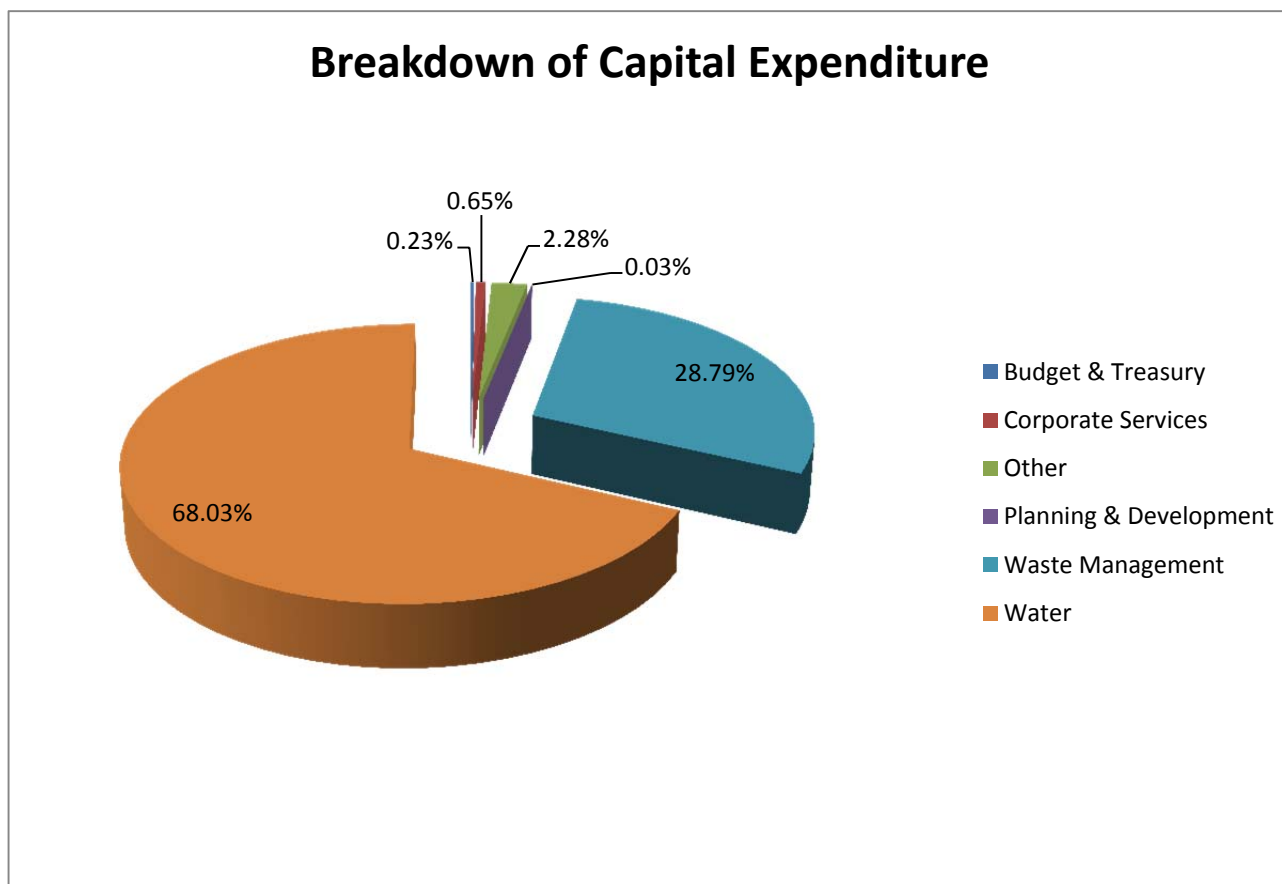
The following tables present details of the Municipality's capital expenditure programme.

Table 22 2014/15 Capital expenditure by asset class

DC14 Joe Gqabi - Table A9 Consolidated Asset Management

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	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	96 606	96 606	1 248 760	106 519	150 894	150 894	109 688	112 502	140 497
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		86 234	86 234	781 004	80 479	105 365	105 365	74 619	74 291	96 499
Infrastructure - Sanitation		-	-	223 634	22 166	28 247	28 247	31 579	34 211	42 982
Infrastructure - Other		-	-	193 989	-	-	-	-	-	-
Infrastructure		86 234	86 234	1 198 627	102 646	133 612	133 612	106 198	108 502	139 482
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	2 666	-	-	-	-	-	-
Other assets	6	10 373	10 373	44 610	3 873	17 283	17 283	3 490	4 000	1 015
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	2 856	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		86 234	86 234	781 004	80 479	105 365	105 365	74 619	74 291	96 499
Infrastructure - Sanitation		-	-	223 634	22 166	28 247	28 247	31 579	34 211	42 982
Infrastructure - Other		-	-	193 989	-	-	-	-	-	-
Infrastructure		86 234	86 234	1 198 627	102 646	133 612	133 612	106 198	108 502	139 482
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	2 666	-	-	-	-	-	-
Other assets		10 373	10 373	44 610	3 873	17 283	17 283	3 490	4 000	1 015
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	2 856	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	96 606	96 606	1 248 760	106 519	150 894	150 894	109 688	112 502	140 497

Fig 7: Total capital expenditure per category



2.12 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 was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo 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 been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF on the 30 June 2014 directly aligned and informed by the 2014/15 MTREF.
6. Annual Report
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

2.13 Municipal manager's quality certificate

I _____, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 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.

Signature

ZA Williams
Municipal Manager
Joe Gqabi District Municipality (DC14)

Date: _____