

SCHEDULE A AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION

ANNUAL BUDGET OF

MBHASHE LOCAL MUNICIPALITY



2015/16 TO 2017/18

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

(MTRFE)

Part 1 – Annual Budget

1.1 Mayor's Report

In his State of the Nation Address President Jacob Zuma said, "Our country still faces the triple challenge of poverty, inequality and unemployment, which we continue to grapple with. Dealing with these challenges has become a central focus of all democratic administrations. We elected to focus on five priorities, education, health, the fight against crime and corruption, rural development and land reform as well as creating decent work".

In this IDP and Budget I want to emphasise that, we cannot expect to do the same old things and expect different results. We need to improve the way we do things for the betterment of our communities.

In the past couple of years the world economy has gone through its deepest recession. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived. Mbhashe Local Municipality is no way immune to the harsh economic realities associated with the recession.

Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of doing business smarter, thus leading to low revenue base.

In his last budget speech for the current administration Finance Minister Pravin Gordhan said "the current budget sets out the resource plan for an intensified implementation of our National Development Plan". This means all South Africans will gain from the economic transformation and will all share in our Constitutional democracy.

Central to the NDP, is the commitment to reduce poverty and unemployment. Mbhashe is one of the areas with high unemployment and illiteracy rate. There is also a high infrastructure backlog. This means out of our total budget of more than R360m for 2015/16, R370m and R380m for 2016/15 and 2017/18 respectively we must create an environment for job opportunities and partner with businesses.

Premier of the Eastern Cape said in her State of the Province address, "Our success moving into the new term of government will be determined by the active participation and involvement of citizens of this Province in the programs of government. We cannot be spectators in the struggle for our own economic emancipation".

As it was evident in our community meetings, people want service delivery and we have been entrusted with such a task. More than R120m has been allocated for capital investment in 2015/16, R123m in 2016/17 and R130m in 2017/18.

It is our duty as Councilors to correctly inform the public and not to mislead them as a way of electioneering. We need to ask ourselves a question that in the 20 years of democracy, have we done enough to service our communities.

Portfolio heads in this cluster which is service delivery are full time and should make sure that there will be no roll overs. It is no secret that in the last two years we have not done well in service delivery which is our core function. That has to change.

As way of creating sustainable jobs the municipality is in the process of filling all vacancies that exist in our organization in the next three years. Hence we have a budget R79m for salaries of employees and R21m for the remuneration of Councilors in 2015/16, R84m and R21m for 2016/17 and R90m and 22m for 2017/18. Portfolio head for HR and Administration should lead in making sure that working conditions are improved.

We have budgeted more than R3,7m under good governance in order to improve oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be objectionable and provide advice to Council and not do witch hunting.

One of our strengths in Mbhashe is on agriculture and farming, hence we intend to review our LED strategy in order to be able to coordinate all the resources in reducing poverty and unemployment.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mbhashe Municipality.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

As we know, local government elections are coming up in 2016 therefore, I call upon all citizens in our Province to go all out to discharge their civic duty and exercise their hard won democratic right in voting for progress so that, together, we can move South Africa forward.

I thank you

1.2 Council Resolutions

On the 30th of March 2015 the draft annual budget for the financial year 2015/16 was tabled to Council of Mhhashe Local Municipality for reviewing.

1. The Council of Mhhashe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) noted the draft budget together with the following supporting tables:

- 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
 - 1.2.4. Asset management
 - 1.2.5. Basic service delivery measurement

2. The Council of Mhhashe Local Municipality, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000) notes the draft tariffs for 2015/16:
 - 2.1 the tariffs for property rates – as set out in Annexure A;
 - 2.2 the tariffs for refuse removal – as set out in Annexure B;
 - 2.3 the tariffs for all other services – as set out in Annexure C.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's budget 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.

Mhhashe municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items as was previously outlined in circular 70. The municipality has embarked on the implementation of data cleansing recommendations which included amongst other things management of municipal leases, writing off of long outstanding and untraceable balances and implement credit control and debt collection policy. The municipality has reviewed its revenue enhancement strategy with the aim of giving rise to additional sources of revenue and to grow its own revenue base. In addition to the above, the municipality has appointed a debt collector and handed over all long outstanding debts to the debt collector for collection. The municipality has updated its general valuation roll thus basing its assessment rates and refuse budget on the current valuation roll.

National Treasury's MFMA Circular No. 54, 55, 58, 59, 64, 66, 67, 70, 72, 74 and 75 were used to guide the compilation of the 2015/16 to 2017/18 MTRRF.

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

- The ongoing difficulties in the economy;

- Aging and poorly maintained infrastructure;
- High rate of vacancies within the municipality and the need to fill the vacancies in order to be able to implement IDP and Budget;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Increase in debtors book as a result of non-payment by rate payers;
- Low levels of spending in terms of infrastructure related grants; and
- Lack of resources to fund infrastructure backlog.

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

- The municipal budget must be linked to the IDP in order to achieve the municipal priorities committed to in the IDP;
- The allocation of the municipal budget is made to specific service delivery programmes and this will ensure accountability and avoid discretionary budget allocations;
- The municipal budget is funded from anticipated revenues to ensure that estimated expenditure does not exceed the anticipated revenue;
- As per M/FMA circular 75, the budget must allocate resources to core social and economic priorities whilst containing expenditure growth (Cost containment measures to be in place);
- The socio economic factors of our communities and affordability have been considered in setting tariffs for rates and services;
- The tariff increase has been based on the CPI inflationary rate of 4.8 except for new tariffs that were not previously considered by the municipality (e.g. application for demolition of building structures)
- Allocations have been made for contingency plans for anticipated power outages;
- As per M/FMA circular 75, provisions have been made for Eskom and Water Services Authorities to ensure continuous payments of accounts;
- The implementation of SCA has also been taken into consideration to ensure that the municipality adopts the relevant budget planning and reporting framework.

Table 1 Consolidated Overview of the 2015/16 MTRF

Description	Budget Year 2014/15	Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Total Operating Revenue	247 989 467	367 747 894	376 297 391	380 959 045
Total Operating Expenditure	214 592 705	235 982 013	248 980 640	264 130 065
Total Capital Expenditure	67 874 120	120 972 411	123 496 049	131 772 663

The total revenue is made up of grants and subsidies which is approximately 90% and own revenue which is made up of income derived from our tariffs. 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 Mbhashe Municipality. There has been a huge increase of approximately 48% in operating revenue, mainly driven by the increase in the equitable share allocation and other infrastructure related grants.

The operating expenditure increased by a steady 9% which a considerable chunk of it is contributed by personnel costs due to high vacancy rate. Personnel expenditure has the biggest slice which is 31% of our budget. The municipality has lot of vacancy that results to lack of service delivery. The auditors have also raised the issue of employment as a major concern for the municipality's going concern.

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).

Capital expenditure increased by a margin of approximately 79% when compared to the 2014/15 financial period. This is mainly driven by the huge investment in capital acquisition and infrastructure grant. The municipality has since taken a decision to invest in plant machinery of its own, capital acquisition.

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

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit which is not the case in Mbhashe;
- 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 infrastructure backlog;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no plan no funding allocation can be made.
- The current agreement with the unions in terms of collective bargaining has used to inform the municipality's remuneration of employees.
- Depreciation is widely considered a proxy for the measurement of the rate of asset consumption (implementation of GRAP 17).

Below is the summary of the MTRRF and prior year audited outcomes and other supporting budget tables.

EC121 Mhahshe - Table A1 Budget Summary

Description	R thousands					
	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework	Budget Year +2 2017/18
Financial Performance						
Property rates	6 973	4 710	4 565	5 844	5 957	6 662
Service charges	802	916	765	771	808	862
Investment revenue	2 087	3 626	6 022	4 500	6 000	6 665
Transfers recognised - operational	108 765	137 664	161 824	171 095	267 875	263 335
Other own revenue	2 578	2 429	2 862	14 835	13 986	15 093
Total Revenue (excluding capital transfers and contributions)	121 203	149 346	175 939	197 045	294 626	292 617
Employee costs	38 264	37 033	37 401	69 244	75 419	86 347
Remuneration of councillors	15 745	17 907	15 060	20 133	21 542	22 792
Depreciation & asset impairment	24 338	30 327	33 618	33 467	38 200	42 637
Finance charges	71	600	25	-	26 840	29 745
Materials and bulk purchases	-	-	-	-	-	-
Transfers and grants	-	-	-	-	210	-
Other expenditure	60 236	55 497	52 960	104 017	98 525	113 535
Total Expenditure	138 654	141 363	139 065	226 861	260 735	295 056
Surplus/(Deficit)	(17 451)	7 983	36 874	(29 816)	33 891	(2 439)
Transfers recognised - capital	53 489	28 222	21 545	93 280	73 122	88 342
Contributions recognised - capital & contributed	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	36 038	36 206	58 419	63 465	107 013	85 903
Share of surplus/ (deficit) of associates	-	-	-	-	-	-
Surplus/(Deficit) for the year	36 038	36 206	58 419	63 465	107 013	85 903
Capital expenditure & funds sources						
Capital expenditure	49 526	38 254	37 187	99 543	122 578	-
Transfers recognised - capital	49 526	28 222	53 866	72 949	122 578	-
Public contributions & donations	-	10 691	-	-	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	-	10 031	14 008	26 594	-	-
Total sources of capital funds	49 526	38 254	37 187	99 543	122 578	-
Financial position						
Total current assets	37 817	69 657	116 854	-	166 252	-
Total non current assets	209 425	285 435	53 980	99 543	55 443	-
Total current liabilities	20 480	18 211	2 433	-	-	-
Total non current liabilities	-	-	-	-	-	-
Community wealth/equity	226 762	332 971	168 400	63 295	-	-
Cash flows						
Net cash from (used) operating	64 977	79 594	73 812	(63 596)	126 762	160 103
Net cash from (used) investing	(49 325)	(38 363)	(39 252)	(99 443)	(23 881)	(135 284)
Net cash from (used) financing	-	8	8	-	-	-
Cash/cash equivalents at the year end	27 155	68 352	34 569	(163 038)	53 697	119 495
Cash backing/surplus reconciliation						
Cash and investments available	27 155	68 352	111 373	-	165 554	-
Balance - surplus (shortfall)	11 270	17 141	(912)	-	-	-
Asset management	15 885	51 212	112 285	-	165 554	-
Asset register summary (WCV)	151 647	148 871	115 428	1 100	-	-
Depreciation & asset impairment	24 338	30 327	33 618	33 467	38 200	42 637
Renewal of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	-	-	11 232	-	-	-
Free services						
Cost of Free Basic Services provided	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-
Households below minimum service level	-	-	-	-	-	-
Water	-	-	-	-	-	-
Sewer/sewerage	-	-	-	-	-	-
Energy	-	-	-	-	-	-
Refuse	-	-	-	-	-	-

EC121 Mhathse - Table A4 Budgeted Financial Performance (Revenue and expenditure)

Description	Ref	2015/16 Medium Term Revenue & Expenditure Framework					Pre-audit outcome	Budget 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
		Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year				
Current Year 2014/15										
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1517/18										
1516/17										
1515/16										
1514/15										
1513/14										
1512/13										
1511/12										
151										

EC121 Mbatia - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Ref	Vote Description	Capital expenditure - Vote					2015/16	2016/17	2017/18
		Audited Outcome	2012/13	2013/14	Adjusted Budget	Forecast			
1		Audited Outcome	2012/13	2013/14	Adjusted Budget	Forecast	Budget Year	Budget Year	Budget Year
							2015/16	+ 2016/17	+ 2017/18
2	Multi-year expenditure to be appropriated								
	Vote 1 - Executive and Council								
	Vote 2 - Finance and Administration								
	Vote 3 - Planning and Development								
	Vote 4 - Community and Social Services								
	Vote 5 - Housing								
	Vote 6 - Public Safety								
	Vote 7 - Environmental Management								
	Vote 8 - Solid Waste Management								
	Vote 9 - Waste Water Management								
	Vote 10 - Road Transport								
	Vote 11 - Electricity								
	Vote 12 - Other								
	Vote 13 - INAME OF VOTE 13								
	Vote 14 - INAME OF VOTE 14								
	Vote 15 - INAME OF VOTE 15								
7	Capital multi-year expenditure sub-total								
2	Single-year expenditure to be appropriated								
	Vote 1 - Executive and Council								
	Vote 2 - Finance and Administration								
	Vote 3 - Planning and Development								
	Vote 4 - Community and Social Services								
	Vote 5 - Housing								
	Vote 6 - Public Safety								
	Vote 7 - Environmental Management								
	Vote 8 - Solid Waste Management								
	Vote 9 - Waste Water Management								
	Vote 10 - Road Transport								
	Vote 11 - Electricity								
	Vote 12 - Other								
	Vote 13 - INAME OF VOTE 13								
	Vote 14 - INAME OF VOTE 14								
	Vote 15 - INAME OF VOTE 15								
	Capital single-year expenditure sub-total								
	Total Capital Expenditure - Vote	49 526	38 254	36 383	67 874	99 543	122 578		
	Capital Expenditure - Standard	738	286	3 639	3 208	5 658	2 964		
	Government and administration	51	222	166	253	903	400		
	Corporate services	687	64	2 670	2 005	3 705	2 364		
	Community and public safety	868	3 415	452	2 170	3 265	488		
	Community and social services				200	200	210		
	Sport and recreation						257		
	Public safety	868	3 415	452	1 950	3 045	210		
	Housing				20	20	21		
	Health								
	Economic and environmental services	29 187	33 940	32 880	80 396	86 119	116 326		
	Planning and development	395	395	60	60	60	63		
	Road transport	28 772	33 545	32 880	59 386	85 109	115 613		
	Environmental protection				950	950	650		
	Trading services	18 753	612	216	2 100	4 500	2 800		
	Electricity	18 140					2 500		
	Water				300	300	300		
	Waste water management				1 800	300			
	Waste management	612	612	216	1 800	4 200	300		
	Other								
3	Total Capital Expenditure - Standard	49 526	38 254	37 187	67 874	99 543	122 578		
	Funded by:								
	National Government	49 526	28 222	26 496	53 866	72 949	122 578		
	Provincial Government								
	District Municipality								
	Other transfers and grants								
4	Transfers recognised - capital	49 526	28 222	26 496	53 866	72 949	122 578		
5	Public contributions & donations								
6	Borrowing								
7	Total Capital Funding	49 526	38 254	37 187	67 874	99 543	122 578		

EC121 Mbhashe - Table A6 Budgeted Financial Position

Description	Ref	2015/16 Medium Term Revenue & Expenditure Framework						
		Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
Assets		Outcome	Outcome	Outcome	Budget	Budget	Forecast	Pre-audit outcome
Current assets		32 224	68 352	113 514	-	-	165 554	165 554
Cash	1							
Call investment deposits	1							
Consumer debtors	1	648	599	-	-	-	-	-
Other debtors	1	4 945	705	706	-	-	-	698
Current portion of long-term receivables	2			2 634				
Inventory								
Total current assets		37 817	69 657	116 854	-	-	166 252	166 252
Non current assets								
Long-term receivables								
Investments								
Investment property								
Investment in Associate		48 628	54 704	53 527	500	1 100	54 484	54 484
Property, plant and equipment		162 562	230 277	-	67 374	98 443	98 443	98 443
Agricultural								
Biological								
Intangible		236	454	453	500	1 100	959	959
Other non-current assets								
Total non current assets		209 425	285 435	53 980	67 874	99 543	99 543	55 443
Total assets		247 242	355 092	170 834	67 874	99 543	221 695	221 695
LIABILITIES								
Current liabilities								
Bank overdraft	1	5 069	-	2 142	-	-	-	-
Borrowing								
Consumer deposits	4							
Trade and other payables	4	14 460	17 941	-	-	-	-	-
Provisions		951	270	292	-	-	-	-
Total current liabilities		20 480	18 211	2 433	-	-	-	-
Non current liabilities								
Borrowing								
Provisions								
Total non current liabilities		-	-	-	-	-	-	-
Total liabilities		20 480	18 211	2 433	-	-	-	-
NET ASSETS		226 762	336 881	168 400	67 874	99 543	221 695	221 695
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)		226 762	332 971	168 400	33 397	63 295	63 295	63 295
Reserves								
Minorities' Interests								
TOTAL COMMUNITY WEALTH/EQUITY		226 762	332 971	168 400	33 397	63 295	63 295	63 295

EC121 Mbhashe - Table A7 Budgeted Cash Flows

Description	Ref	Current Year 2014/15							2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Forecast Full Year	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
CASH FLOW FROM OPERATING ACTIVITIES		64 977	79 594	73 812	66 764	(63 596)	(63 596)	126 762	174 669	160 726	160 103
Receipts		5 905	4 939	10 453	20 698	42 048	42 048	9 018	5 957	6 308	6 662
Property rates, penalties & collection charges											
Service charges											
Other revenue		162 254	137 664	157 464	169 325	171 095	171 095	123 767	267 875	268 345	15 093
Government - operating											
Government - capital											
Interest		2 087	3 626	6 022	4 000	4 500	4 500	4 452	6 000	6 324	6 665
Dividends											
Suppliers and employees		(105 197)	(94 258)	(121 506)	(181 126)	(374 519)	(374 519)	(61 071)	(193 079)	(207 571)	(220 856)
Finance charges		(71)	(600)	(166)							
Transfers and Grants											
CASH FLOW FROM INVESTING ACTIVITIES		64 977	79 594	73 812	66 764	(63 596)	(63 596)	126 762	174 669	160 726	160 103
Receipts											
Proceeds on disposal of PPE			239	373	100	100	100				
Decrease (increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments		(49 325)	(38 602)	(39 625)	(67 774)	(99 543)	(99 543)	(23 881)	(120 972)	(127 747)	(135 284)
Capital assets											
CASH FLOW FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/financing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) INVESTING ACTIVITIES		(49 325)	(38 602)	(39 625)	(67 774)	(99 543)	(99 543)	(23 881)	(120 972)	(127 747)	(135 284)
NET CASH FROM/(USED) FINANCING ACTIVITIES											
NET INCREASE/(DECREASE) IN CASH HELD		15 652	41 231	34 569	(1 010)	(163 038)	(163 038)	102 881	53 697	40 979	24 819
Cash/cash equivalents at the year end	2	11 503	27 121	34 569	(1 010)	(163 038)	(163 038)	102 881	53 697	40 979	24 819
Cash/cash equivalents at the year begin	2	27 155	68 352	34 569	(1 010)	(163 038)	(163 038)	102 881	53 697	40 979	24 819

EC121 Mbhashe - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	Current Year 2014/15							2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Forecast Full Year	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
Cash and investments available		27 155	68 352	34 569	(1 010)	(163 038)	(163 038)	102 881	53 697	40 979	24 819
Cash/cash equivalents at the year end	1	27 155	68 352	34 569	(1 010)	(163 038)	(163 038)	102 881	53 697	40 979	24 819
Other current investments > 90 days	1	0	-	76 803	-	-	-	62 673	(53 697)	94 676	(119 495)
Non current assets - investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		27 155	68 352	111 373	-	-	-	165 554	-	-	-
Application of cash and investments		-	-	-	-	-	-	-	-	-	-
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Stabfury requirements	2	-	-	-	-	-	-	-	-	-	-
Stabfury working capital requirements	3	11 270	17 141	(912)	-	-	-	-	-	-	-
Other provisions	4	-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		11 270	17 141	(912)	-	-	-	-	-	-	-
Surplus/(shortfall)		15 885	51 212	112 285	-	-	-	165 554	-	-	-

EC121 Mhahshe - Table A10 Basic service delivery measurement

Rel	Description	Household service targets					
		Outcome	Outcome	Outcome	Adjusted Budget	Full Year Forecast	
		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Expenditure Framework		
1	Water:	Fpud water inside dwelling Using public tap (at least min. service level) Other water supply (at least min. service level) Minimum Service Level and Above sub-total	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total number of households Below Minimum Service Level sub-total			
5	Sanitation/sewerage:	Flush toilet (connected to sewerage) Flush toilet (with septic tank) Chemical toilet Pit toilet (ventilated) Other toilet provisions (> min. service level) Bucket toilet Other toilet provisions (< min. service level) No toilet provisions	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total number of households Below Minimum Service Level sub-total			
5	Energy:	Electricity (at least min. service level) Electricity - prepaid (min. service level) Minimum Service Level and Above sub-total Electricity (< min. service level) Electricity - prepaid (< min. service level) Other energy sources	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total number of households Below Minimum Service Level sub-total			
5	Refuse:	Removed at least once a week Minimum Service Level and Above sub-total Removed less frequently than once a week Using communal refuse dump Using own refuse dump Other rubbish disposal No rubbish disposal	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total number of households Below Minimum Service Level sub-total			
7	Households receiving Free Basic Service	Water (6 kilolitres per household per month) Sanitation (free minimum level service) Refuse (removed at least once a week)	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total cost of Free Basic Services provided (R'000)			
8	Cost of Free Basic Services provided (R'000)	Water (6 kilolitres per household per month) Sanitation (free sanitation service) Refuse (removed once a week)	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total cost of FBS provided (minimum social packa			
9	Highest level of free service provided	Property rates (R value threshold) Water (kilolitres per household per month) Sanitation (kilolitres per household per month) Electricity (kwh per household per month) Refuse (average litres per week)	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Revenue cost of free services provided (R'000)			
5	Total revenue cost of free services provided (total social package)	Property rates (other exemptions, reductions and rebates) Water Sanitation Electricity/other energy Refuse Municipal Housing - rental rebates Housing - top structure subsidies Other	2				
			3				
			4				
			2				
			3				
			4				
			2				
			3				
			4				
			5	Total revenue cost of free services provided			

Part 2 – Supporting Documentation

1.4 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 all the EXCO members, Municipal Manager, Directors and senior officials of the municipality.

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 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.

1.4.1 Budget Process Overview

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

Budget templates reflecting the actual figures, forecast expenditure for the year were distributed for population of the line item details, at meetings held with HOD's and the budget office. Departments were also given guidelines funding as well as the expenditure levels.

After all that, the budget was considered by the Budget Technical Team which consists of all directors, section heads of various departments, project managers and union representatives, where areas of possible cuts were assessed. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account and inputs from the consultation process.

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

SCHEDULE OF MEETINGS FOR IDP AND BUDGET PROCESS

JULY-PRE-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	RESPONSIBLE PERSON

AUGUST-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	PERSON RESPONSIBLE
1.	Provincial IDP Assessment	Assessments	07/07-11/07/2014	KPA Champs
SEPTEMBER-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	PERSON RESPONSIBLE
1.	Process Plan	IDP/Budget/PMS Steering Committee	14/08/2014	Steering Committee
2.	ADM	IGR Forum	18/08/2014	Strategic
3.	ADM	District Planning Coordinating Forum	19/08/2014	IDP Practitioners
4.	Adoption of the IDP/Budget Process Plan	Council Meeting	27/08/2014	Mayor
5.	Preparation for Ward Base Plans	IDP/Budget/PMS Steering Committee	28/08/2014	MM
SEPTEMBER-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	PERSON RESPONSIBLE
1.	Process Plan to be Advertised and submitted to ADM/MEC & relevant offices	None	02/09/2014	Strategic
2.	Ward Base Plans	Consultations, Imbizo's	01/09 – 30/09/2014	Steering Committee, Mayor
3.	Presentation of the process plan and to get status quo of projects implemented by sector departments	IGR	09/09/14	MM
4.	ADM	IDP Budget Rep Forum	18/09/2014	Mayor, IDP Practitioners
5.	Presentation of the process plan and Performance	IDP/Budget Rep Forum	23/09/2014	Mayor

OCTOBER-ANALYSIS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation Ward Base Plan, Situational Analysis	IDP/Budget/PMS Steering Committee	08/10/2014	MM
2.	PMS Quarterly Reports	Cluster Meetings	13 - 14/10/2014	MM
3.	<ul style="list-style-type: none"> • Presentation of budget statement- quarterly report. • Conclude first draft budget to confirm priorities and identify other financial & non - financial budget parameters including government allocations. 	Budget Steering Committee	20/10/2014	Mayor
5.	ADM	District Planning Coordinating Forum	30/10/2014	IDP Practitioners
NOVEMBER-ANALYSIS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation of the Situational Analysis to the steering committee, Presentation of Municipal Priorities from Ward level	IDP Steering Committee meeting	06/11/2014	MM
2.	ADM	IDP/ Budget Rep Forum	20/11/2014	Mayor, IDP Practitioners
3.	Presentation of situational analysis and Ward priorities	IGR Forum	21/11/2014	MM
	reporting			

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE
DECEMBER-STRATEGIES PHASE			
4.	to IGR Forum	IDP/Budget Rep Forum	25/11/2014
4.	Presentation of the situational analysis and ward priorities	Mayor	
NOVEMBER-STRATEGIES PHASE			
1.	Presentation of draft objectives, strategies and programs	IDP/Budget Steering Committee	08/12/2014
1.	ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING
1.	PMS Quarterly Reports	Meetings	12-13/01/2015
3.	Refinement of Strategies, Objectives and Programs	IDP Steering Committee	15/01/2015
4.	<ul style="list-style-type: none"> Consider audit report on financial statements & prepare action and identify areas that need to be funded. Presentation of SALGA upper limits. 	Budget steering Committee	26/01/2015
FEBRUARY-STRATEGIES PHASE			
1.	Final presentations for Strategic Planning	IDP/Budget/PMS Steering Committee	09/02/2015
2.	Reviewal of the strategies and objectives, setting up new objectives and strategies based on new priorities	Strategic Sessions	10/02 – 12/02/2015
MM			

MARCH-PROJECTS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
3.	ADM	District Planning Coordinating Forum	26/02/2015	IDP Practitioners
1.	Alignment of Strategies, Objectives to project priorities	IDP/Budget/PMS Steering Committee	03/03/2015	MM
2.	Presentation of project plans from Sector Departments	Clusters	12/03/2015	KPA Champs
3.	Presentation of project plans from Sector Departments	IGR Forum	13/03/2015	MM
4.	Presentation of draft revised IDP with broad budget per cluster, draft project lists and revised sector plan	IDP/Budget/PMS Rep Forum	17/03/2015	MM
5.	ADM	IDP/ Budget Rep Forum	18/03/2015	Mayor, IDP Practitioners
7.	Presentation and approval of the draft Budget/ IDP/SDBIP, Annual and Oversight Reports to and by Council	Council Meeting	25/03/2015	Mayor
8.	Advertising of the Draft IDP and Budget, calling for public comments	None	26/03/2015	Strategic
9.	Public Comments Phase Presentations of the IDP and Budget to the communities	IDP/Budget Roadshows	30/03/2015 -	Mayor

MAY-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation of final Draft IDP and Budget	IDP Steering Committee Meeting	05/05/2015	MM
2.	Presentation of final Draft IDP and Budget	IGR Forum	06/05/2015	MM
3.	Presentation of inputs and action plan from Roadshows & IGR	Clusters	07/05/2015	KPA Champs
5.	ADM	IGR Forum	08/05/2015	Strategic
6.	Presentation of the final draft IDP/Budget to rep	IDP/Budget/PMS	13/05/2015	MM
APRIL-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
10.	Submit draft IDP/SDBIP & Budget to MEC/Treasury/ADM and any other relevant office	None	31/03/2015	Strategic
1.	Public Comments Phase presentation of the IDP to the communities	IDP/Budget Roadshows	30/03 – 15/04/2015	Mayor
2.	PMS Quarterly Reports	Cluster Meetings	16 -17/04/2015	Cluster Champs
3.	Consider inputs from Roadshows for IDP	IDP/Budget/PMS Steering Committee	20/04/2015	MM
4.	ADM	District Planning Coordination Forum	28/04/2015	IDP Practitioners

1.4.2 IDP and Service Delivery and Budget Implementation Plan

Mbhashe municipal IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

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

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
JUNE-APPROVAL PHASE				
7.	ADM forum	IDP/ Budget Rep Forum	21/05/2015	Mayor, IDP Practitioners
8.	Approval of Final Draft IDP and Budget and SDBIP	Council Meeting	27/05/2015	Mayor
1.	Submission of the final IDP/SDBIP to MEC and other relevant departments	None	01/06/2015	MM
2.	Public notice on the adoption of the IDP/Budget/SDBIP	None	09/06/2015	MM
3.	Signing of MI and Section 56 Managers Performance Agreements no later than 14 days after approval	None	15/06/2015	MM, Mayor
4.	ADM District Coordination Planning Forum	None	25/06/2015	IDP Practitioners
5.	SDBIP submitted to Provincial Treasury & MEC for COGTA, AG & ADM	None	30/06/2015	MM

With the completion of the 2015/16MTRREF, each department had to review the planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.4.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTRREF, the following key factors and planning strategies were undertaken to ensure affordability and financial sustainability:

- Policy priorities and strategic objectives
- Asset management
- Economic situation (i.e inflation and debt)
- Performance trends
- The approved 2014/15, adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- 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 Budget Circulars has been taken into consideration in the planning and prioritisation process.

1.4.4 Community Consultation

The draft 2015/16 MTRREF as tabled before Council on 30 March 2015 for community consultation was published on the newspaper, and hard copies were made available at all the unit offices and libraries.

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

Ward Councillors Ward Committees were utilised to facilitate the community consultation process. The applicable dates and venues were published in the local newspapers (from 08/04/2015 to 17/04/2015). The consultation processes, including the specific targeting of ratepayer associations, sessions were scheduled with organised business. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2015/16 MTRREF. Feedback and responses to the submissions received are available on request.

1.5 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 Mhhashe, 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 Mhhashe 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 Mhhashe response to these requirements.

The review of the IDP focuses of the infrastructure backlog of the whole Mhhashe area and also the prioritised as identified by the communities in all wards. The budget has been prepared in accordance with the IDP focusing on five national key performance areas, which are:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The above mentioned strategic focus areas informed the preparation of the budget and SDBIP with measurable performance indicators and targets.

After the tabling of the draft budget, a series of meetings was held throughout the municipal area to consult with the public representatives, civil society, business, labour and other government departments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to a management and EXCO to find a way of attending to all the issues. Some has financial implications and some not.

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 through its budget and speed up service delivery.

IDP 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. The municipality has also aligned its budget and IDP in line with the National, provincial and district.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for Mibhashe 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 good governance.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national, provincial and district priorities.

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

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of this IDP and budget with the aim of improving.

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

1.6 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 Performance Management, the municipality has to develop and implement a performance management system of which system must be constantly refined as the integrated planning process unfolds. The Municipality intends to monitor, assess and review organisational performance which in turn is directly linked to individual employee's performance and cascade it downwards to all levels. This will be done by appointing a service provider to assist in this process.

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. This area needs to be strengthened in order to improve service delivery.

1.7 Overview of budget related policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The municipality has the following budget related policies:

- Credit control and debt collection policy
- Supply Chain Management policy
- Asset management policy
- Budget policy
- Virement policy
- Investment policy
- Tariff policy
- Property rates policy
- Indigent support policy

1.8 Overview of budget assumptions

1.8.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. 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.

1.8.2 General inflation outlook and its impact on the municipal activities

The following are the key factors that have been taken into consideration in the compilation of the 2014/15 MTRF:

- National Government economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses;
- The impact of municipal cost drivers;
- The impact of tariffs
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions.
- Infrastructure backlogs

1.8.3 Collection rate for revenue services

The base assumption is that tariff for property rates will not increase as the municipality is currently doing valuation. The collection rate on arrear debt is very high and consumers are not paying. The municipality only collect rates and refuse.

1.8.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial, district 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:

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, district and local objectives.

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

The municipality has been underspending in past two years resulting in roll overs of the conditional grants. The cash flow projection for this 2014/15 has been completed in the budget.

1.9 Overview of budget funding

1.9.1 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. 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 provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

Cash Backed Reserves/Accumulated Surplus Reconciliation

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences.

1.9.2 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against different measures that look at various aspects of the financial health of the municipality. 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.

1.9.2.1 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 MTRRF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

1.10 Legislation compliance status

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

1. In year reporting
Reporting to Provincial and National Treasury in electronic format was compiled with on a monthly basis. Reporting is improving each and every year.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions within Budget and Treasury and Internal Audit.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee and performance 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 IDP and budget, and will be signed by the mayor thereafter.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury guidelines.
7. Policies
The municipality is currently reviewing all its policies and a workshop will be conducted for all councillors and employees before submission to council for adoption.

1.11 Municipal manager's quality certificate

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

Print Name

SV Perna

Municipal manager of Mhashe Local Municipality (EC121)

Signature



Date

17/04/2015