



**ANNUAL BUDGET OF
GARIEP LOCAL MUNICIPALITY
(EC144)**

**2015/15 TO 2017/18
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

In his speech, His Worship Cllr. NW Ngoqo:

It is an honor for me to table this budget before you, fellow patriots:

The Local Government Municipal Finance Management Act, Act 56 of 2003 compels the municipal council to at least 30 days before the start of the budget year consider approval of the annual budget. The annual budget must be approved before the start of the budget year; It is therefore for Council to approve the annual budget for 2015/16 financial year.

It is deemed vital for me to look back as we heading for the final term of our office.

The new society as envisioned in the Freedom Charter is a response to the legacy of apartheid. This inhuman system institutionalized discrimination and segregation on the basis of race. It denied the majority access to political power and imposed an inequitable socio-economic system. A clear understanding of our past enables us to frame our agenda of transformation, which includes: Eliminating poverty and extreme inequalities; Democratizing the economy and empowering the disadvantaged; Creating productive employment opportunities; Initiating growth and development to improve the quality of life of our citizens, especially the poor; and Giving due regard to the implementation of environmental sustainability and the judicious use of resources.

The municipality has had a mundane of cash flow difficulties; which are as a result of low revenue base and other inherent financial challenges. The municipality Council has; however strived to delivery quality services. The goal has been about enhancing service delivery that is aimed at improving the quality of life for all people within Gariep municipality.

The municipality prides itself for the level of service delivery despite of limited resources. Today, in our municipal jurisdiction, over 90% of our citizenry have access to clean running water and over 91% to basic sanitation and electricity. This is probably the highest in our district.

Economy

During the SONA, the President has in his speech touched on energy constrains which are impediments to the economic growth of the country and how much they inconveniencing everyone. We all have been experiencing blackouts or load shedding. The energy supply is one of the sources of municipality's income. However we have hit by a significant amount of electricity distribution losses, which are partly constituted by illegal connections. The municipality needs to adopt interventions to fight electricity theft.

The municipality has always had few economic activities and few LED initiatives; however in the last financial year there was a **SCARTEC** project where they developed a solar farm energy and this project employed 50% of the unemployed youth. The SMME's also benefited in this initiative through supplying transport and catering.

We have also contributed in alleviating poverty in our municipality through the following projects; which have employed 1000 unemployed youth: the project lasted a period of 11 months. This project is also expected to continue in the next financial year.

Thembisa Bus Route Project

We have decided to start projects that will be labour intensive to create or our unemployed youth. This project created jobs for employed 200 young people, however it could not be finalized in this current because of unforeseen and unavoidable circumstances. This project will bring in the improved road infrastructure in the community of Thembisa Location.

Town Beautification

The municipality had employed 250 unemployed through the funding of **DEDEA** in the town beautification programme. We are striving to create jobs for improving lives of our communities.

Development Priorities

Our goal is to ensure that we are the developmental local government and that our towns continue to develop. This municipality may be not financial viable but we continue to ensure that our towns develop fairly.

PROCESS UNDERTAKEN

The municipality has taken into cognizance internal and external factors that may influence the review of the IDP and Budget. Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, ad option and review of its integrated development plan. In compliance with this requirement, Gariep Local Municipality undertook the following activities in line with the IDP and Budget review towards 2015/16 financial year:

- Mayoral Imbizo's with the communities and
- IDP Representative forums with all the stakeholders.

The 2015/16 Mid-Term Revenue and Expenditure Framework

The budget was prepared in accordance with the prescripts of the Local Government Municipal Finance Management Act, Act 56 of 2003. The budget was compiled, taking into account the macro-economic growth parameters and addressees the following National Policy Frameworks and Provincial priorities:

- Participating in extended public works programs and labour intensive projects
- Strengthening of fiscal discipline
- Focus on core service delivery activities of local government
- Incremental channeling of funds towards infrastructure development, poverty alleviation and job creation
- Maintenance of debt levels through debtor management as well as maximizing sources of revenue.

The annual budget of Gariep Local Municipality's task is to provide sustainable and economically viable local government to our communities, however the proposed budget does address this. Cost containment measures have been considered and plan to drastically reduce expenditure and to balance the budget have been developed.

The previous tariff models have set the municipality in a predicament of supplying services at a loss. The previous tariffs have not been reflecting the cost of providing the services; this has created a gap between these tariff models. The municipality is attempting to phase in tariffs that will bridge this gap however poor households and affordability of the consumers need to be justice to the revenue of the municipality.

All services have been increased by 9%; the electricity tariff application has increased with 17% to bridge the gap of the previous years. The municipality continues to improve the data integrity to enhance revenue collection. Moreover, it has been proven that the actual under charge is over 30% and the municipality is attempting to phase in the increase from this financial year onwards.

Budget Related Policies

The Local Government Municipal Finance Management Act, Act 56 of 2003 in section 17 states that; when an annual budget is tabled, it must be accompanied by any proposed amendments to the budget-related policies of the municipality: The municipality has reviewed all the budget related policies and the following policies had specific amendments:

- Subsistence and Traveling Policy
- Insurance of Councilors Policy
- Asset Management Policy
- Credit Control and Debt Management
- Rates Policy
- Indigent Policy

Operating Revenue

There has not been any economic growth within the municipality, which worsens the state of the municipal economy. The municipality has very low revenue and a high level of indigent customers, which deems the municipality to highly depend on government grants. There are 3705 registered indigent households.

The main sources of revenue are the following services and the government grants:

- **Electricity**

The municipality has been struggling to recover from this service and has had excessive distribution losses. The tariffs used by the municipality in the previous financial years have disadvantaged the municipality to collect sufficient revenue. In this financial year **NERSA** has granted the municipality an increase of 17% on electricity tariff.

- **Property Rates**

The municipality levies rates as per the valuation roll, which was last updated in July 2014 with the assistance of the provincial CoGTA. The property rates have increased with 9%; however there is resistance in paying this service by all the households that receive electricity from Eskom.

- **Refuse Removal**

The municipality has increased the tariff with 9%, this is another service where the municipality is not covering enough. There is still resistance from communities in paying for this service, however the municipality has adapted a robust approach to ensure that the municipal services are paid.

Operating Revenue Budget

Revenue Source	2015/16	2016/17	2017/18
Electricity	50,251	53,216	59,196
Rates and Taxes	7,996	8,467	13,209
Refuse Removal	7,835	8,365	8,803
Rental of Equipment	48	51	53
Interest Earned	6,380	6,757	10,541
Other	38,554	33,039	33,559
Total Revenue	111,064	109,834	122,361

Operating Expenditure

The operating expenditure will be R1347 million; employee related cost would be R38 million. The municipality has a high rate of critical vacancies and the proposed budget needs to address this risk. Ward Committee members are catered for in this budget as part of enhancing public participation as it is the core center of our activities and shows that we acknowledge the role of the ward committees.

Bulk purchases are subjected to change, the National Treasury guidelines is 14.4%; however on the electricity tariff by **NERSA** it is set to be 12,2%. The municipalities are face with the challenge of selling the electricity at a loss because of the hikes in electricity.

The main features of the operating are as follows:

- Employee related cost which constitutes 36% of the operating expenditure, the employee related cost have been projected an increase of 6%
- Councilors remuneration constitutes 8% of the operating expenditure
- Bulk Purchases
- Repairs and Maintenance

Capita Budget

Fellow Patriots!!

The municipality has not been able to fund its capital projects from its own revenue, it has depended mainly on grants. Gariep Local Municipality Council has approved the following capital projects for the 2015/16 financial years:

- Thembisa Bus Route : **R 6m MIG**
- Refurbishing of the Burgersdorp town hall : **R 4,6m MIG**
- Municipal Fleet : **R1m Own Revenue**

The Thembisa had two phases; which phase one was rolled out in 2014 and in 2015 will be the completion of the project. There are a number of capital projects that we would love to undertake however the allocation does not allow. Different Sector Departments have engaged to consider funding some of these unfunded capital programmes. The total amount of the capital budget is R11 630m.

Allocations towards housing infrastructure for all areas of the municipality are not reflected in this budget, as the Department of Human Settlements will carry them out. **The Mzamomhle Housing Programme (Train Houses)** has started to kick-off we should be seeing contractor on site very soon.

In Conclusion

The budget tabled here today is another step closer in attaining the strategic goals of the municipality which includes amongst others, financial viability and sustainability of the municipality, service delivery to all communities, institutional development and transformation as well as good governance and public participation. Emphasis is placed on sustaining and improving service delivery levels and extended services to all our communities.

It is with pleasure to present this annual budget for 2015/16 before Council for deliberations and considerations.

I thank you

1.2 Council Resolutions

On 30 June 2015 the Council of Gariep Local Municipality met in the Burgersdorp Town Library to consider the IDP and annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

1. The council adopt the IDP for 2015/2016 financial year as a strategic document to guide developmental initiatives and programmes for duration of the period enunciated therein,

1.1.1. The organizational structure for 2015/2016 financial year, which is an annexure to the IDP.

1.1.2. The IDP and Budget 2015/2016 should be made public in terms of section 21A and 21B of the Municipal Systems Act.

1.1.3. The copy of the IDP be submitted to the MEC for Local Government in terms of section 32 of the Municipal Systems Act.

1. The Council of Gariep Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 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) as contained in Table 18;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page and
 - 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 as contained in Table 23;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
 - 1.2.4. Asset management as contained in Table 26 and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Gariep Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for solid waste services – as set out in Annexure C
3. The Council of Gariep Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services,

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the Gariep municipality overcomes its challenges and becomes financially viable and that municipal services are provided sustainably, economically and equitably to all communities as required by the Constitution of the Republic of South Africa.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of approximately R1.5 million. Key areas where savings were realized were on telephone, printing, refreshments and catering. The municipality is taking these small steps that ultimately contribute significantly to cost-containment measures.

The municipality has embarked on implementing a revenue enhancement strategy to optimize the collection of debt owed by consumers. This has resulted to a metering audit for our

business consumers as the first phase of this operation. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury’s MFMA Circular No. 75 and other previous budget circulars were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging electricity infrastructure coupled with the fact that there are still areas within the municipal area that are supplied by Eskom;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow challenges besetting the municipality;
- The increased cost of bulk electricity (due to pending tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Pending wage negotiations for salary increases for municipal staff and the need to fill critical vacancies and;
- Pending amalgamation of Gariep and Maletswai Local municipalities.

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

- The 2015/16 outcomes in relation to Mayoral Roadshows in communities throughout Gariep;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs:
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have 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 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

R thousands	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Revenue (excluding capital transfers and contributions)	80 407	111 063	109 834	122 361
Total Expenditure	112 838	134 734	137 180	159 545
Surplus/(Deficit)	-32 432	-23 671	-27 346	-37 184
Capital expenditure	11 027	11 630	10 883	11 263

Source: 2015/16 A schedule

Total operating revenue has grown by 38.12% for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will decrease by 1.1% in 2016/17 and grow by 11.4% in 2017/18.

Total operating expenditure for the 2015/16 financial year has been appropriated at R112.8 million and this translates into a budgeted deficit of R32.4 million. For the two outer years operating expenditure grows by 1.8% and 16.3% for 2016/17 and 2017/18 respectively.

The capital budget appropriated for 2016/17 is R11 million and is mostly funded through government grants. The municipality has also allocated R1 million from its own internal revenue as a contribution to capital budget.

1.4 Operating Revenue Framework

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

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 70% annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 17% pending approval by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of Gariep.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	10 382	2 236	7 637	10 077	9 369	9 369	-	7 996	8 467	13 209
Property rates - penalties & collection charges				35	1 144						
Service charges - electricity revenue	2	10 973	-	11 371	25 142	21 535	21 535	-	50 251	53 216	56 196
Service charges - water revenue	2	25 452	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	127	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	8 981	-	11 864	11 792	5 980	5 980	-	7 835	8 305	8 803
Service charges - other				0		14	14				
Rental of facilities and equipment		223	160	185	365	160	160		48	51	53
Interest earned - external investments		75	881	182		1 395	1 395		241	255	398
Interest earned - outstanding debtors		7 046	1 559	2 620	5 825	5 792	5 792		6 139	6 502	10 142
Dividends received											
Fines		40	433	14	20	9	9		9	10	10
Licences and permits		1 055	274	-	689				415	416	417
Agency services				3 169	4 272	1 527	1 527		5 116	928	1 021
Transfers recognised - operational		31 107	67 715	25 781	31 289	31 977	31 977		32 578	30 893	30 208
Other revenue	2	12 109	657	427	12 535	2 648	2 648	-	435	792	1 902
Gains on disposal of PPE				42							
Total Revenue (excluding capital transfers and contributions)		107 571	73 913	63 327	103 150	80 407	80 407	-	111 063	109 834	122 361

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.

Property rates and service charge revenues comprise 59.5% of the total revenue mix. In the 2015/16 financial year, revenue from rates and services charges total R66 million. This increases to R69.9 million and R78.2 million in the respective financial years of the MTREF. The revenue base of the municipality is very low. This is evidenced by the fact that 29.3% of the total operating budget for 2015/16 is funded from transfers recognized.

Operating grants and transfers totals R93.6 million for the MTREF and R32.5 million for the 2015/16 financial year. These grants decline by 5.8% in 2016/17 and 2.2% in 2017/18. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

R thousand	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating Transfers and Grants				
Local Government Equitable Share	26 296	27 626	26 779	25 626
Finance Management	934	930	957	1 033
Municipal Systems Improvement	1 800	1 875	2 010	2 345
EPWP Incentive	1 000	1 000		
Sport and Recreation	1 147	1 147	1 147	1 204
Local Government Support	112			
Total Operating Transfers and Grants	31 789	32 578	30 893	30 208

2015/16 Proposed 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 the municipality.

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

The percentage increases of both Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality’s electricity and in these tariffs are largely outside the control of the municipality. The table below depicts the proposed tariff for the 2015/16 financial year.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality’s budgeting process. With the assistance of EC-CoGTA, the municipality was able to implement a new valuation roll at during the 2014/15 financial year.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- The Municipality may award a 100% grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 9% increase from 1 July 2015 is contained below:

Table 4 Comparison of proposed rates to levied for the 2011/12 financial year

RATES			
	2014/2015	2015/2016	2015/2016
CATEGORIES			
RESIDENTIAL PROPERTY	0.009282228	1.09	0.01011763
RESIDENTIAL PROPERTY MIXED USED	0.01448302	1.09	0.01578649
VACANT LAND	0.01931176	1.09	0.02104982
BUSINESS	0.00203092	1.09	0.0022137
FARMS	0.001086316	1.09	0.00118408
GOVERNMENT	0.026658357	1.09	0.02905761
CHURCHES	0.004611753	1.09	0.00502681
SPORT	0.00101546	1.09	0.00110685

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 14.24% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering the Eskom increases, the consumer tariff had to be increased by 17% to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality’s revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

TARIFF SCHEDULE 2014-2015		
		17%
ELECTRICITY		
	2014/2015	2015/2016
BURGERSDORP, STEYNSBURG AND VENTERSTAD		
ALL INDIGENT CONSUMERS(Energy Basic /month)	R 83.95	98.22
Energy charges per kwh	R 0.91	1.06
TARIFF1:RESIDENTIAL(Basic Charge)	R 97.50	114.08
≤200kWh	R 1.04	1.22
>200kwh	R 1.02	1.20
TARIFF2:DOMESTIC 3PHASE (Basic Charge)	R 111.91	130.93
Energy charge kwh	R 1.17	1.37
Energy charge kwh	R 1.17	1.37
TARIFF2:SMALL COMMERCIAL1PHASE(Basic charge)	R 367.66	430.16
Energy charge kwh	R 1.10	1.29
Energy charge kwh	R 1.10	1.29
TARIFF3:SMALL COMMERCIAL2PHASE(Basic Charge)	R 514.08	601.47
Energy charge kwh	R 1.10	1.29
Energy charge kwh	R 1.10	1.29
TARIFF4:SMALL COMMERCIAL3PHASE(Basic Charge)	R 655.25	766.64
Energy charge kwh	R 1.10	1.29
Energy charge kwh	R 1.10	1.29
TARIFF5:SMALL COMMERCIAL3PHASE(Basic Charge)	R 824.18	964.29
Energy charge kwh	R 1.10	1.29
Energy charge kwh	R 1.10	1.29
TARIFF6: COMMERCIAL3PHASE(Basic Charge)	R 969.69	1 134.54
Energy charge kwh	R 1.10	1.29
Energy charge kwh	R 1.10	1.29
TARIFF7:OLD AGE HOME(Basic Charge)	R 1 013.00	1 185.21
Energy charge kwh	R 0.87	1.02
TARIFF8:LARGE POWER USER(Basic Charge)	R 125.50	146.84
Energy charge kwh	R 0.75	0.88
TARIFF9:LARGE POWER USER(MUN)	R 140.56	164.46
	R 0.78	0.91
TARIFF10:MUNICIPAL CONSUMPTION(Basic Charge)	R 134.78	157.69
Energy charge kwh	R 0.75	0.88
TARIFF11:PREPAID USERS(Energy per kW h)	R 1.47	1.72
	R 0.00	-
TARIFF3:COMMERCIAL FARM LINES(Basic Charge)	R 111.91	130.93
Energy charge kwh	R 1.17	1.37
Energy charge kwh	R 1.17	1.37
	R 0.00	-
DEPOSIT:NEW CONSUMERS	R 1433.44	1 677.12
PENALTY DEPOSIT:R100 EACH TIME DISCONNECTED	R 0.00	-
TRANSFER OF DEPOSIT:PAY UP TO	R 1433.44	1 677.12
NEW CONNECTIONS:ACTUAL COST PLUS 15%	R 0.00	-
CONNECTION FEE	13 R 238.91	279.52
RECONNECTION FEE	R 238.91	279.52
CALL_OUT FEE	R 358.36	419.28
METER TEST (PAID IN ADVANCE)	R 466.95	546.33
TAMPERING:1st Offence PENALTY PLUS COST OF	R 2 886.11	3 376.74
2nd AND MORE	R 3 463.33	4 052.09

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 5 Comparison between current waste removal fees and increases

	2014/2015	2015/2016
<u>Residential Consumers</u>		
Basic/ Availability charge per month	R 103.49	112.80
<u>Residential Property- Mixed Use</u>		
Basic/ Availability charge per month	R 124.19	135.36
<u>Business Consumers</u>		
Basic/ Availability charge per month	R 196.63	214.33
<u>Industrial Consumers</u>		
Basic/ Availability charge per month	R 374.65	408.37
nt Departments(Schhols.Hospitals and Correctiona	R 578.47	630.53
Special Removal Per Collection	R 103.49	112.80
Rubble per m ³ or part thereof etc thereof	R 245.58	267.68

1.5 Operating Expenditure Framework

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

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type									
Employee related costs	32 280	28 442	29 605	35 007	31 700	31 700	38 886	41 180	43 610
Remuneration of councillors	2 570	8 114	2 853	3 105	3 700	3 700	3 111	3 294	3 489
Debt impairment	53 322	4 757	4 268	2 676	2 940	2 940	2 805	2 970	3 146
Depreciation & asset impairment	10 809	6 091	19 967	8 645	8 645	8 645	9 060	9 594	10 979
Finance charges	2 684		4 595	242	3 116	3 116	1 066	1 129	1 195
Bulk purchases	24 303		18 390	22 578	24 303	24 303	27 329	28 941	30 562
Other materials			1 105	1 602			169	179	189
Contracted services		2 083	11 152	3 350	5 822	5 822	1 951	2 067	2 182
Transfers and grants	10 490		1 101	8 034	17 549	17 549			
Other expenditure	21 398	29 469	12 977	36 881	15 063	15 063	32 756	40 065	52 086
Loss on disposal of PPE		538	-						
Total Expenditure	157 856	79 493	106 013	122 121	112 838	112 838	117 132	129 420	147 438

The budgeted allocation for employee related costs for the 2015/16 financial year totals R38.8 million, which equals 33.1% of the total operating expenditure. At the time of preparing this budget, the parties at the bargaining council had not agreed on the annual increase to be implemented during 2015/16. A proposed increase of 6% has been included for the MTREF. Council will note that the organogram has been included for consideration.

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 this budget.

The provision of debt impairment was determined based on an annual collection rate of 60% and the Debt Write-off Policy of the municipality. For the 2015/16 financial year this amount equates to R2.8 million and escalates to R6.1 million over the two outer years. 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.

The Municipality’s Asset Management Policy has informed provision for depreciation and asset impairment. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R29.6 million over the 2015/16 MTREF.

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

Other materials comprises of amongst others the purchase of materials for maintenance, cleaning materials and chemicals. For 2015/16 the appropriation against this group of expenditure is R169,000.

Contracted services has been identified as a cost saving area for the municipality. As part of the compilation of the 2015/16 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2015/16 financial year, this group of expenditure totals R1.9 million and has declined by 41.7%, demonstrating the application of cost efficiencies.

1.5.1 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 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. For the 2015/16 fiscal year, the municipality has appropriated R15 million while this amount grows by R32.7 million in the two outer years.

1.6 Capital expenditure

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

Table 7 2015/16 Medium-term capital budget per vote

Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Economic and environmental services	5 197	152 179	6 410	7 299	7 299	7 299	6 000	10 883	11 263
Planning and development									
Road transport	5 197	152 179	6 410	7 299	7 299	7 299	6 000	10 883	11 263
Environmental protection									
Trading services									
Electricity									
Water									
Waste water management									
Waste management									
Other									
Total Capital Expenditure - Standard	6 305	155 239	12 395	11 027	11 027	11 027	11 630	10 883	11 263
Funded by:									
National Government	6 305	15 390	12 395	10 427	10 427	10 427	10 630	10 883	11 263
Provincial Government									
District Municipality									
Other transfers and grants									
Transfers recognised - capital	6 305	15 390	12 395	10 427	10 427	10 427	10 630	10 883	11 263
Public contributions & donations		139 849							
Borrowing									
Internally generated funds				600	600	600	1 000		
Total Capital Funding	6 305	155 239	12 395	11 027	11 027	11 027	11 630	10 883	11 263

For 2015/16 an amount of R10.6 million has been appropriated for the development of infrastructure which represents 96.3% of the total capital budget. In terms of infrastructure development, the following projects have been identified:

- Tembisa bus route and
- The upgrade of Burgesdorp Town Hall

The municipality has allocated R1 million of internally generated revenue towards its capital budget. The remainder of the capital budget will be spent on other smaller capital items such as computers and furniture and equipment.

Table 8 MBRR Table A1 - Budget Summary

EC144 Gariep - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Property rates	10 382	2 236	7 672	11 221	9 369	9 369	-	7 996	8 467	13 209
Service charges	45 534	-	23 235	36 934	27 529	27 529	-	58 086	61 521	64 999
Investment revenue	75	881	182	-	1 395	1 395	-	241	255	398
Transfers recognised - operational	31 107	67 715	25 781	31 289	31 977	31 977	-	32 578	30 893	30 208
Other own revenue	20 473	3 082	6 457	23 706	10 136	10 136	-	7 047	7 770	12 526
Total Revenue (excluding capital transfers and contributions)	107 571	73 913	63 327	103 150	80 407	80 407	-	105 947	108 906	121 340
Employee costs	32 280	28 442	29 605	35 007	31 700	31 700	-	38 886	41 180	43 610
Remuneration of councillors	2 570	8 114	2 853	3 105	3 700	3 700	-	3 111	3 294	3 489
Depreciation & asset impairment	10 809	6 091	19 967	8 645	8 645	8 645	-	9 060	9 594	10 979
Finance charges	2 684	-	4 595	242	3 116	3 116	-	1 066	1 129	1 195
Materials and bulk purchases	24 303	-	19 494	24 180	24 303	24 303	-	27 498	29 120	30 751
Transfers and grants	10 490	-	1 101	8 034	17 549	17 549	-	-	-	-
Other expenditure	74 719	36 846	28 397	42 908	23 826	23 826	-	37 512	45 102	57 414
Total Expenditure	157 856	79 493	106 013	122 121	112 838	112 838	-	117 132	129 420	147 438
Surplus/(Deficit)	(50 285)	(5 580)	(42 686)	(18 971)	(32 432)	(32 432)	-	(11 185)	(20 514)	(26 098)
Transfers recognised - capital	5 925	34 201	17 744	10 427	10 427	10 427	-	10 630	10 883	11 263
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)
Capital expenditure & funds sources										
Capital expenditure	6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263
Transfers recognised - capital	6 305	15 390	12 395	10 427	10 427	10 427	-	10 630	10 883	11 263
Public contributions & donations	-	139 849	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	600	600	600	-	1 000	-	-
Total sources of capital funds	6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263
Financial position										
Total current assets	23 532	28 526	29 193	99 869	99 869	99 869	-	167 122	-	-
Total non current assets	127 475	152 347	315 034	83 177	83 177	83 177	-	7 573	-	-
Total current liabilities	84 495	12 144	86 312	188 490	188 490	188 490	-	76 328	-	-
Total non current liabilities	37 048	-	18 825	3 100	3 100	3 100	-	18 825	-	-
Community wealth/Equity	29 464	168 728	239 090	(8 544)	(8 544)	(8 544)	-	-	-	-
Cash flows										
Net cash from (used) operating	10 276	11 939	15 572	2 576	2 576	2 576	2 576	(16 777)	3 830	239
Net cash from (used) investing	(6 305)	(13 278)	(12 395)	(10 427)	(10 427)	(10 427)	(10 427)	(10 630)	(10 883)	(11 263)
Net cash from (used) financing	(977)	(889)	(2 712)	(894)	(894)	(894)	(894)	(330)	(349)	(545)
Cash/cash equivalents at the year end	2 994	884	1 350	(8 745)	(8 297)	(8 745)	(8 745)	(27 736)	(35 139)	(46 708)
Cash backing/surplus reconciliation										
Cash and investments available	23 098	7 976	1 350	11 582	11 582	11 582	-	(2 414)	-	-
Application of cash and investments	83 041	(34 298)	60 585	(74 564)	(113 922)	(113 922)	-	(20 273)	-	-
Balance - surplus (shortfall)	(59 943)	42 274	(59 235)	86 146	125 504	125 504	-	17 859	-	-
Asset management										
Asset register summary (WDV)	-	160 446	24 789	310 310	310 310	310 310	341 837	341 837	344 392	363 678
Depreciation & asset impairment	10 809	6 091	19 967	8 645	8 645	8 645	9 060	9 060	9 594	10 979
Renewal of Existing Assets	-	4 442	-	3 128	-	-	-	4 630	-	-
Repairs and Maintenance	-	-	-	-	-	-	1 416	1 416	1 497	1 718
Free services										
Cost of Free Basic Services provided	-	17 406	21 178	23 296	23 296	23 296	24 414	24 414	25 732	27 251
Revenue cost of free services provided	-	15 981	13 143	14 392	14 392	14 392	15 083	15 083	15 898	16 836
Households below minimum service level										
Water:	0	0	0	-	-	-	-	-	-	-
Sanitation/sewerage:	2	2	2	-	-	-	-	-	-	-
Energy:	-	1	1	0	0	0	0	0	0	0
Refuse:	2	2	2	2	2	2	2	2	2	2

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. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.
4. The municipality continues to make progress in addressing service delivery backlogs. Although the municipality is hindered by lack of adequate funding for its capital programs, it continues to make strides in terms of delivery of basic services.

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

EC144 Gariep - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard	1									
<i>Governance and administration</i>		37 190	108 114	29 601	36 597	34 393	34 393	31 204	31 471	40 094
Executive and council		6 554	108 114	9 740	8 412	8 414	8 414	8 957	8 452	7 376
Budget and treasury office		28 296	-	17 558	26 189	23 983	23 983	20 660	21 496	31 196
Corporate services		2 339	-	2 303	1 996	1 996	1 996	1 587	1 523	1 523
<i>Community and public safety</i>		4 667	-	4 656	4 863	4 588	4 588	4 721	3 726	3 807
Community and social services		4 597	-	3 952	4 820	4 538	4 538	4 684	3 686	3 765
Sport and recreation		69	-	705	43	50	50	37	40	42
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		15 588	-	15 207	13 753	14 452	14 452	11 926	12 256	12 710
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		15 588	-	15 207	13 753	14 452	14 452	11 926	12 256	12 710
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		56 051	-	31 607	58 364	37 401	37 401	68 726	72 337	75 992
Electricity		16 410	-	13 586	39 278	24 127	24 127	53 237	56 378	59 535
Water		25 452	-	-	-	-	-	-	-	-
Waste water management		127	-	-	-	-	-	-	-	-
Waste management		14 061	-	18 022	19 086	13 274	13 274	15 489	15 959	16 458
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	113 496	108 114	81 071	113 577	90 834	90 834	116 577	119 789	132 603
Expenditure - Standard										
<i>Governance and administration</i>		64 044	79 493	49 963	47 082	50 834	50 834	31 814	36 268	43 167
Executive and council		13 882	-	14 125	16 008	15 427	15 427	11 951	14 611	16 990
Budget and treasury office		46 451	79 493	32 168	24 925	31 137	31 137	15 602	16 522	19 853
Corporate services		3 711	-	3 670	6 149	4 271	4 271	4 261	5 135	6 324
<i>Community and public safety</i>		9 045	-	9 328	9 080	8 711	8 711	10 411	11 337	14 191
Community and social services		6 817	-	6 732	7 061	6 406	6 406	7 668	7 799	9 626
Sport and recreation		1 605	-	2 106	1 462	1 724	1 724	1 621	2 086	2 686
Public safety		-	-	-	-	-	-	-	-	-
Housing		623	-	485	557	581	581	1 122	1 452	1 879
Health		-	-	5	-	-	-	-	-	-
<i>Economic and environmental services</i>		18 133	-	16 540	25 832	13 643	13 643	25 453	28 272	31 842
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		18 133	-	16 540	25 832	13 643	13 643	25 453	28 272	31 842
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		66 633	-	30 183	40 126	39 650	39 650	49 454	53 543	58 239
Electricity		28 767	-	26 782	28 936	30 374	30 374	37 894	40 973	44 373
Water		27 276	-	-	-	-	-	-	-	-
Waste water management		5 304	-	-	-	-	-	-	-	-
Waste management		5 285	-	3 401	11 190	9 276	9 276	11 560	12 570	13 866
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	157 856	79 493	106 013	122 121	112 838	112 838	117 132	129 420	147 438
Surplus/(Deficit) for the year		(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	(555)	(9 630)	(14 835)

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. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

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

EC144 Gariep - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote										
Vote 1 - Municipal Manager	1	3 903	108 114	9 740	4 818	3 596	3 596	4 051	4 017	4 117
Vote 2 - Council		2 651	-	-	3 594	4 818	4 818	4 906	4 436	3 259
Vote 3 - Budget and Treasury Office		28 296	-	17 558	26 189	23 983	23 983	20 660	21 496	31 196
Vote 4 - Corporate Services		2 339	-	2 303	1 996	1 996	1 996	1 587	1 523	1 523
Vote 5 - Community Services		28 799	-	24 004	24 786	19 398	19 398	21 501	21 052	21 706
Vote 6 - Technical Services		47 507	-	27 466	52 194	37 043	37 043	63 871	67 266	70 803
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	113 496	108 114	81 071	113 577	90 834	90 834	116 577	119 789	132 603
Expenditure by Vote to be appropriated										
Vote 1 - Municipal Manager	1	6 511	-	14 125	4 677	5 553	5 553	7 986	9 640	11 855
Vote 2 - Council		7 371	79 493	-	11 331	9 874	9 874	3 965	4 971	5 135
Vote 3 - Budget and Treasury Office		46 451	-	32 168	24 925	31 137	31 137	15 602	16 522	19 853
Vote 4 - Corporate Services		3 711	-	3 670	6 149	4 271	4 271	4 261	5 135	6 324
Vote 5 - Community Services		15 426	-	13 888	21 519	19 185	19 185	22 739	24 881	29 298
Vote 6 - Technical Services		78 385	-	42 163	53 519	42 818	42 818	62 579	68 270	74 973
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	157 856	79 493	106 013	122 121	112 838	112 838	117 132	129 420	147 438
Surplus/(Deficit) for the year	2	(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	(555)	(9 630)	(14 835)

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity services

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

EC144 Gariep - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	10 382	2 236	7 637	10 077	9 369	9 369	-	7 996	8 467	13 209
Property rates - penalties & collection charges				35	1 144						
Service charges - electricity revenue	2	10 973	-	11 371	25 142	21 535	21 535	-	50 251	53 216	56 196
Service charges - water revenue	2	25 452	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	127	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	8 981	-	11 864	11 792	5 980	5 980	-	7 835	8 305	8 803
Service charges - other				0		14	14				
Rental of facilities and equipment		223	160	185	365	160	160		48	51	53
Interest earned - external investments		75	881	182		1 395	1 395		241	255	398
Interest earned - outstanding debtors		7 046	1 559	2 620	5 825	5 792	5 792		6 139	6 502	10 142
Dividends received											
Fines		40	433	14	20	9	9		9	10	10
Licences and permits		1 055	274	-	689				415	416	417
Agency services				3 169	4 272	1 527	1 527				
Transfers recognised - operational		31 107	67 715	25 781	31 289	31 977	31 977		32 578	30 893	30 208
Other revenue	2	12 109	657	427	12 535	2 648	2 648	-	435	792	1 902
Gains on disposal of PPE				42							
Total Revenue (excluding capital transfers and contributions)		107 571	73 913	63 327	103 150	80 407	80 407	-	105 947	108 906	121 340
Expenditure By Type											
Employee related costs	2	32 280	28 442	29 605	35 007	31 700	31 700	-	38 886	41 180	43 610
Remuneration of councillors		2 570	8 114	2 853	3 105	3 700	3 700		3 111	3 294	3 489
Debt impairment	3	53 322	4 757	4 268	2 676	2 940	2 940		2 805	2 970	3 146
Depreciation & asset impairment	2	10 809	6 091	19 967	8 645	8 645	8 645	-	9 060	9 594	10 979
Finance charges	2	2 684	-	4 595	242	3 116	3 116		1 066	1 129	1 195
Bulk purchases	2	24 303	-	18 390	22 578	24 303	24 303	-	27 329	28 941	30 562
Other materials	8			1 105	1 602				169	179	189
Contracted services			2 083	11 152	3 350	5 822	5 822		1 951	2 067	2 182
Transfers and grants		10 490	-	1 101	8 034	17 549	17 549		-	-	-
Other expenditure	4,5	21 398	29 469	12 977	36 981	15 063	15 063	-	32 756	40 065	52 086
Loss on disposal of PPE			538	-							
Total Expenditure		157 856	79 493	106 013	122 121	112 838	112 838	-	117 132	129 420	147 438
Surplus/(Deficit)											
Transfers recognised - capital		5 925	34 201	17 744	10 427	10 427	10 427		10 630	10 883	11 263
Contributions recognised - capital	6										
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)
Taxation											
Surplus/(Deficit) after taxation		(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(44 360)	28 621	(24 942)	(8 544)	(22 004)	(22 004)	-	(555)	(9 630)	(14 835)

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

1. Total revenue is R105.9 million in 2015/16 and escalates to R121.3 million by 2017/18. This represents a year-on-year increase of 2.8% for the 2016/17 financial year and 11.4% for the 2017/18 financial year.
2. Revenue to be generated from property rates is R7.9 million in the 2015/16 financial year and R29.6 million for the MTREF
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the municipality totaling R58 million for the 2015/16 financial year and increasing to R64.9 million by 2017/18.
4. Bulk purchases have increased over the 2015/16 to 2017/18 period escalating from R27.3 million to R30.5 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
5. Employee related costs and bulk purchases 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 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

EC144 Gariep - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure - to be appropriated	2										
Vote 1 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Council		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
Single-year expenditure - to be appropriated	2										
Vote 1 - Municipal Manager		-	-	4 238	-	-	-	-	-	-	-
Vote 2 - Council		-	-	-	600	600	600	-	1 000	-	-
Vote 3 - Budget and Treasury Office		-	451	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		1 108	2 609	1 747	3 128	3 128	3 128	-	4 630	-	-
Vote 6 - Technical Services		5 197	152 179	6 410	7 299	7 299	7 299	-	6 000	10 883	11 263
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		6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263
Total Capital Expenditure - Vote		6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263
Capital Expenditure - Standard											
<i>Governance and administration</i>		-	451	4 238	600	600	600	-	1 000	-	-
Executive and council				4 238	600	600	600		1 000		
Budget and treasury office			451								
Corporate services											
<i>Community and public safety</i>		1 108	2 609	1 747	3 128	3 128	3 128	-	4 630	-	-
Community and social services		1 108	2 609	1 747	3 128	3 128	3 128		4 630		
Sport and recreation											
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		5 197	152 179	6 410	7 299	7 299	7 299	-	6 000	10 883	11 263
Planning and development											
Road transport		5 197	152 179	6 410	7 299	7 299	7 299		6 000	10 883	11 263
Environmental protection											
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity											
Water											
Waste water management											
Waste management											
<i>Other</i>											
Total Capital Expenditure - Standard	3	6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263
Funded by:											
National Government		6 305	15 390	12 395	10 427	10 427	10 427		10 630	10 883	11 263
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	6 305	15 390	12 395	10 427	10 427	10 427	-	10 630	10 883	11 263
Public contributions & donations	5		139 849								
Borrowing	6										
Internally generated funds					600	600	600		1 000		
Total Capital Funding	7	6 305	155 239	12 395	11 027	11 027	11 027	-	11 630	10 883	11 263

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.

EC144 Gariep - Table A10 Basic service delivery measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1									
Water:										
Piped water inside dwelling		4 426	3 993	3 993	4 804	4 804	4 804	5 035	5 306	5 620
Piped water inside yard (but not in dwelling)		3 923	5 294	5 294	4 273	4 273	4 273	4 273	4 504	4 769
Using public tap (at least min.service level)	2	359	237	237	-	-	-	-	-	-
Other water supply (at least min.service level)	4	203	186	186	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		8 911	9 710	9 710	9 077	9 077	9 077	9 308	9 810	10 389
Using public tap (< min.service level)	3	66	61	61						
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		66	61	61	-	-	-	-	-	-
Total number of households	5	8 977	9 771	9 771	9 077	9 077	9 077	9 308	9 810	10 389
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		6 303	6 303	7 272	6 744	6 744	6 744	7 068	7 449	7 889
Flush toilet (with septic tank)		207	207	239	2 333	2 333	2 333	2 445	2 577	2 729
Chemical toilet		260	260	300						
Pit toilet (ventilated)		162	162	186	-	-	-	-	-	-
Other toilet provisions (> min.service level)		160	160	184						
<i>Minimum Service Level and Above sub-total</i>		7 092	7 092	8 181	9 077	9 077	9 077	9 513	10 026	10 618
Bucket toilet		880	880	747	-	-	-			
Other toilet provisions (< min.service level)										
No toilet provisions		1 005	1 005	843						
<i>Below Minimum Service Level sub-total</i>		1 885	1 885	1 590	-	-	-	-	-	-
Total number of households	5	8 977	8 977	9 771	9 077	9 077	9 077	9 513	10 026	10 618
Energy:										
Electricity (at least min.service level)		8 178	8 844	8 844	2 009	2 009	2 009	2 105	2 219	2 350
Electricity - prepaid (min.service level)					7 015	7 015	7 015	7 352	7 749	8 206
<i>Minimum Service Level and Above sub-total</i>		8 178	8 844	8 844	9 024	9 024	9 024	9 457	9 968	10 556
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources			927	927	53	53	53	56	59	62
<i>Below Minimum Service Level sub-total</i>		-	927	927	53	53	53	56	59	62
Total number of households	5	8 178	9 771	9 771	9 077	9 077	9 077	9 513	10 026	10 618
Refuse:										
Removed at least once a week		6 951	7 848	7 848	7 293	7 293	7 293	7 643	8 056	8 531
<i>Minimum Service Level and Above sub-total</i>		6 951	7 848	7 848	7 293	7 293	7 293	7 643	8 056	8 531
Removed less frequently than once a week		63	71	71	537	537	537	563	593	628
Using communal refuse dump		96	108	108	601	601	601	630	664	703
Using own refuse dump		1 694	1 519	1 519	386	386	386	405	426	452
Other rubbish disposal		47	42	42	130	130	130	136	144	152
No rubbish disposal		126	183	183	130	130	130	136	144	152
<i>Below Minimum Service Level sub-total</i>		2 026	1 923	1 923	1 784	1 784	1 784	1 870	1 971	2 087
Total number of households	5	8 977	9 771	9 771	9 077	9 077	9 077	9 513	10 026	10 618
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)			5 756	5 756	6 803	6 803	6 803	7 130	7 515	7 958
Sanitation (free minimum level service)			5 756	5 756	6 787	6 787	6 787	7 113	7 497	7 939
Electricity/other energy (50kwh per household per month)			3 430	2 046	2 251	2 251	2 251	2 359	2 486	2 633
Refuse (removed at least once a week)			5 766	6 179	6 797	6 797	6 797	7 123	7 508	7 951
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)			5 509	6 467	7 114	7 114	7 114	7 456	7 858	8 322
Sanitation (free sanitation service)			4 428	5 602	6 162	6 162	6 162	6 458	6 806	7 208
Electricity/other energy (50kwh per household per month)			2 795	3 454	3 799	3 799	3 799	3 981	4 196	4 444
Refuse (removed once a week)			4 674	5 655	6 221	6 221	6 221	6 519	6 871	7 277
Total cost of FBS provided (minimum social package)		-	17 406	21 178	23 296	23 296	23 296	24 414	25 732	27 251
Highest level of free service provided										
Property rates (R value threshold)			15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)			6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)			50	50	50	50	50	50	50	50
Refuse (average litres per week)			55	55	55	55	55	55	55	55
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)			652	652	652	652	652	683	720	763
Property rates (other exemptions, reductions and rebates)										
Water			4 032	2 016	2 218	2 218	2 218	2 324	2 450	2 594
Sanitation			4 389	2 194	2 414	2 414	2 414	2 530	2 666	2 824
Electricity/other energy			2 795	3 140	3 454	3 454	3 454	3 619	3 815	4 040
Refuse			4 113	5 141	5 655	5 655	5 655	5 927	6 247	6 615
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	-	15 981	13 143	14 392	14 392	14 392	15 083	15 898	16 836

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:
 - a. Electricity services – backlog will be reduced by 2105 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades.
3. The budget provides for 9 000 households to be registered as indigent in 2015/16, and therefore entitled to receiving Free Basic Services.
4. It is anticipated that these Free Basic Services will cost the municipality R15 million in 2015/16, increasing to R16.8 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 75 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 portfolio councillor for Finance.

The primary aims 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.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) 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 on August 2014. Key dates applicable to the process were:

- **August 2014** – Joint strategic planning session of Council and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2015** – Multi-year budget proposals are submitted to the council for endorsement;
- **31 January 2015** - Council considers the 2014/15 Mid-year Review and Adjustments Budget;
- **February 2015** - Recommendations are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **31 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;

- **April 2015** – Public consultation;
- **30 June 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels

- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2015/16 MTREF as tabled before Council on 30 March 2015 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National 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 during April 2015.

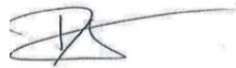
2.2 Municipal Manager's quality certificate

I, **Thembinkosi Mawonga**, Municipal Manager of Gariep 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 : **THEMBINKOSI MAWONGA**

Municipal Manager: Gariep Local Municipality (EC144)

Signature



Date

30 June 2015