

# **JOE GQABI DISTRICT MUNICIPALITY**



## **2015/16 TO 2017/18 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**(Final Budget for Approval by Council)**

**28 May 2015**

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## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
  - 1.1. The annual budget of the municipality for the financial year 2015/16 and indicative allocations for the two projected outer years 2016/17 and 2017/18; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year **2015/16**.
6. The Department of Roads allocation of R34 million, R11.505 million on Water Working for Water/Wetlands and R19 million from Human settlement will only be spend once it has been gazetted or the money has been transferred to the primary bank account of Joe Gqabi District Municipality:

### 1.3 Executive Summary

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

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

National Treasury's MFMA Circular No.75 was used to guide the compilation of the 2015/16 MTREF.

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

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

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

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not gazetted but have been included in the budget. All other grant funding, allocated has been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2015/16 MTREF**

<b>SUMMARY OF THE INCOME AND EXPENDITURE</b>				
	<u>Adjustment budget 2014/15</u>	<u>Budget - 2015/2016</u>	<u>Budget - 2016/2017</u>	<u>Budget - 2017/2018</u>
Total Revenue (excluding capital transfers and contributions)	325 719 002.00	415 815 276.00	415 183 959.00	421 794 262.00
Total Expenditure	509 602 709.00	461 654 410.61	470 952 025.34	482 836 409.96
<b>Surplus/(Deficit) - Operational</b>	<b>(183 883 707.00)</b>	<b>(45 839 134.61)</b>	<b>(55 768 066.34)</b>	<b>(61 042 147.96)</b>
Total Capital Expenditure	190 255 395.00	234 660 931.42	182 146 579.30	187 171 930.18
Total Capital Funding	273 115 976.00	238 814 000.00	188 327 000.00	185 598 000.00
	<b>82 860 581.00</b>	<b>4 153 068.58</b>	<b>6 180 420.70</b>	<b>(1 573 930.18)</b>
<b>Surplus/(Deficit) - Total</b>	<b>(101 023 126.00)</b>	<b>(41 686 066.03)</b>	<b>(49 587 645.64)</b>	<b>(62 616 078.13)</b>
<b>Adding back non-Cash items:</b>				
Accumulated depreciation	46 857 456.00	47 648 764.00	48 353 966.00	51 206 851.00
<b>Surplus/(Deficit) - Total Cash</b>	<b>(54 165 670.00)</b>	<b>5 962 697.97</b>	<b>(1 233 679.64)</b>	<b>(11 409 227.13)</b>

Total Revenue has increased by 9.3 percent or R55 795 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget.

Total operating expenditure for the 2015/16 financial year has been appropriated at R461.654million. When compared to the 2014/15 Adjustments Budget, operational expenditure has been reduced by 9.4 percent in the 2015/16 Budget Year.

The capital budget of R234.661million for 2015/16 is 23.0 percent more when compared to the 2014/15 Adjustment Budget. The increase is due to additional allocation of R 20 million received for MIG and R100 million for Emergency Drought Relief.

#### **1.4 Operating Revenue Framework**

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

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

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

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

Description	Ref	2011/12			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
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	22,167	36,100	40,495	54,233	54,233	54,233	52,599	50,599	52,383
Service charges - sanitation revenue	2	-	5,335	5,757	15,450	12,880	12,880	12,880	16,857	17,744	18,676
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment											
Interest earned - external investments		1,403	3,233	3,240	2,394	4,353	4,353	4,353	3,368	3,705	4,075
Interest earned - outstanding debtors		-	1,392	4,379	4,214	4,214	4,214	4,214	2,704	2,974	3,272
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	1,072	1,072	1,072	112	-	-
Transfers recognised - operational		251,503	305,196	317,699	254,204	245,989	245,989	245,989	259,532	274,699	293,373
Other revenue	2	20,517	21,908	29,154	2,895	2,977	2,977	2,977	1,940	2,134	2,348
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>273,424</b>	<b>359,233</b>	<b>396,329</b>	<b>319,653</b>	<b>325,719</b>	<b>325,719</b>	<b>325,719</b>	<b>337,112</b>	<b>351,856</b>	<b>374,127</b>

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



Fig 1: Revenue by main revenue source

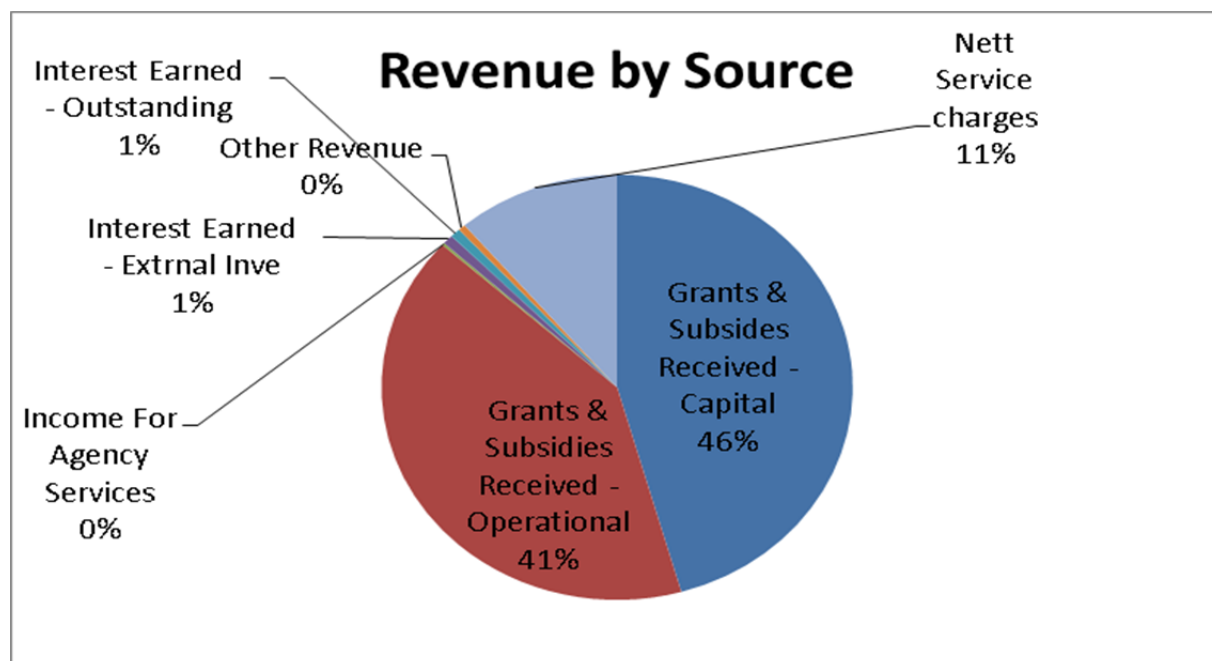


Table 3 Percentage growth in revenue by main revenue source

DETAIL OF INCOME				
Description	Adjustment budget 2014/15	Budget - 2015/2016	Budget - 2016/2017	Budget - 2017/2018
Grants & Subsidies Received - Capital	273,115,976.00	238,814,000.00	188,327,000.00	185,598,000.00
Grants & Subsidies Received - Operational	245,989,459.00	345,410,400.00	344,412,664.00	347,873,004.00
Income For Agency Services	1,072,209.00	112,000.00	-	-
Interest Earned - Extrnal Inve	4,353,041.00	3,368,000.00	3,704,800.00	4,075,280.00
Interest Earned - Outstanding	4,214,236.00	2,704,072.00	2,974,478.00	3,271,927.00
Other Revenue	2,976,669.00	1,940,220.00	2,134,242.00	2,347,666.00
Nett Service charges	67,113,388.00	62,280,584.00	61,957,775.00	64,226,385.00
<b>Grand Total</b>	<b>598,834,978.00</b>	<b>654,629,276.00</b>	<b>603,510,959.00</b>	<b>607,392,262.00</b>

Operating grants and transfers total R 245.989 million in the 2014/15 Adjustment Budget and increases to R 345.410 million in 2015/16. Note that the year-on-year increase for the 2015/16 financial year is 28 percent.

**Joe Gqabi District Municipality – 2015/16 Final Budget and MTREF (Final for Approval by Council)  
(28 May 2015)**

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

DC14 Joe Gqabi - Supporting Table SA18 Transfers and grant receipts

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
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		-	-	-	204,925	204,931	204,931	215,256	233,548	249,814
Local Government Equitable Share					194,848	194,848	194,848	209,607	224,702	240,509
Rural roads assets management systems grant					2,084	2,084	2,084	2,080	2,136	2,277
Rural households infrastructure grant					4,500	4,504	4,504	-	4,500	4,745
Municipal Systems Improvement					934	934	934	940	960	1,033
RSC Levy Replacement					-	-	-	-	-	-
Financial Management Grant					1,250	1,252	1,252	1,250	1,250	1,250
EPWP					1,309	1,309	1,309	1,379	-	-
Provincial Government:		-	-	-	658	658	658	112	800	-
Municipal Health Services					-	-	-	112	-	-
Local and Regional Economic Development (LRED) Capacity					358	358	358	-	800	-
Water services operating subsidy grant					300	300	300	-	-	-
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	48,621	40,400	40,400	43,476	45,651	48,304
DRAT					34,000	30,200	30,200	32,622	34,146	36,108
Working for Water/Metlands					14,621	10,200	10,200	10,854	11,506	12,196
<b>Total Operating Transfers and Grants</b>	5	-	-	-	254,204	245,989	245,989	258,844	279,999	298,118
<b>Capital Transfers and Grants</b>										
National Government:		-	-	-	209,478	215,616	215,616	184,281	178,040	190,098
Municipal Infrastructure Grant (MIG)					169,469	170,995	170,995	154,270	160,712	170,367
Municipal Water Infrastructure Grant					20,009	20,009	20,009	25,011	7,328	7,731
Water Services Operating Subsidy Grant					10,000	14,612	14,612	5,000	10,000	12,000
Regional Bulk Infrastructure					10,000	10,000	10,000	-	-	-
Other capital transfers/grants <i>[insert desc]</i>					-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Drought Relief										
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	57,500	57,500	119,000	80,000	50,000
Department of Human Settlement					-	7,500	7,500	19,000	-	-
Eastern Cape Provincial Government					-	50,000	50,000	100,000	80,000	50,000
<b>Total Capital Transfers and Grants</b>	5	-	-	-	209,478	273,116	273,116	303,281	258,040	240,098
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	-	-	463,682	519,105	519,105	562,125	538,039	538,216

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

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

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

## 1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

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

**Table 5 Summary of operating expenditure by standard classification item**

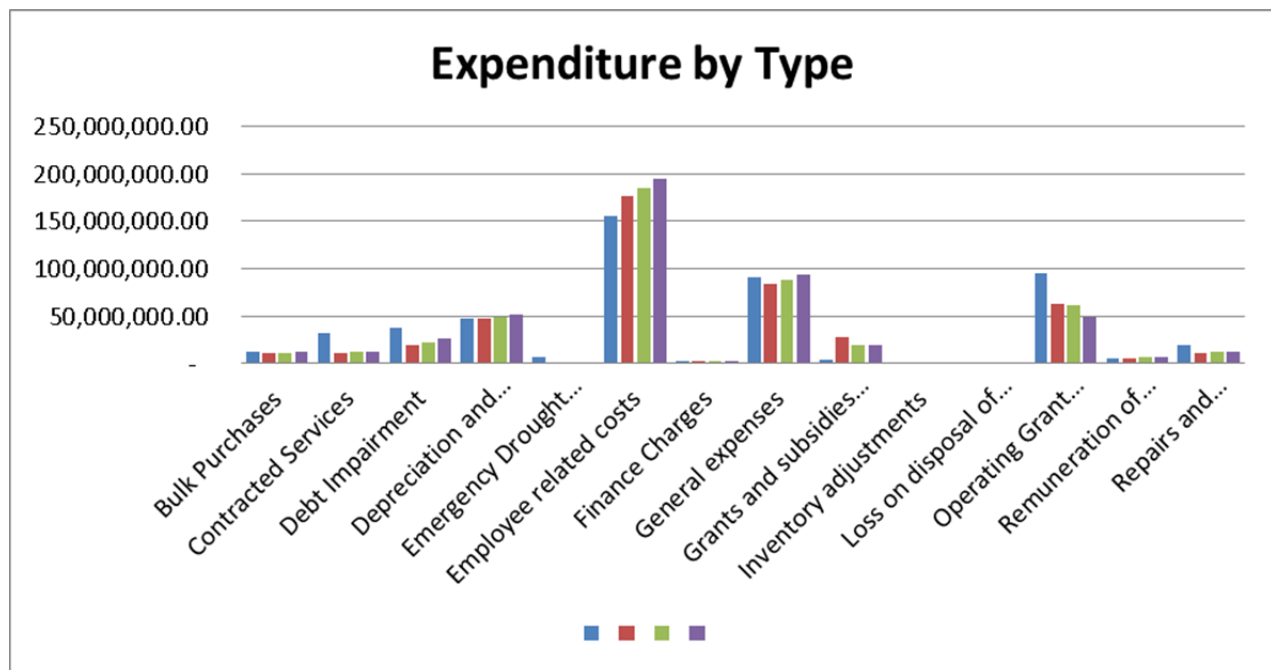
DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

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
<b>Expenditure By Type</b>											
Employee related costs	2	79,276	106,494	130,425	149,790	156,116	156,116	156,116	176,371	185,185	194,443
Remuneration of councillors		4,086	4,310	5,024	5,743	5,743	5,743	5,743	6,034	6,335	6,652
Debt impairment	3	548	13,398	41,522	26,091	37,603	37,603	37,603	19,583	22,520	25,898
Depreciation & asset impairment	2	41,662	42,536	42,311	46,357	46,857	46,857	46,857	47,649	48,354	51,207
Finance charges		2,575	2,716	3,968	4,121	2,752	2,752	2,752	2,294	2,404	2,546
Bulk purchases	2	-	8,682	2,474	5,069	3,769	3,769	3,769	10,480	11,039	11,777
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		38,551	47,389	20,741	-	-	-	-	-	-	-
Transfers and grants		38,227	10,711	116,303	4,385	-	-	-	28,131	19,812	20,009
Other expenditure	4, 5	131,198	171,643	149,877	239,600	252,920	252,920	252,920	171,114	175,303	170,304
Loss on disposal of PPE		155	122	3,201	328	328	328	328	-	-	-
<b>Total Expenditure</b>		<b>336,279</b>	<b>408,001</b>	<b>515,847</b>	<b>481,575</b>	<b>506,089</b>	<b>506,089</b>	<b>506,089</b>	<b>461,654</b>	<b>470,952</b>	<b>482,836</b>

**Table 6 Percentage growth in expenditure by main expenditure type**

Description	Adjustment budget	Budget - 2015/2016	Budget - 2016/2017	Budget - 2017/2018
	2014/15			
Bulk Purchases	11,768,800.00	10,479,853.00	11,038,755.00	11,777,041.00
Contracted Services	31,880,624.00	11,476,397.00	11,851,359.00	12,432,588.00
Debt Impairment	37,602,861.00	19,582,685.00	22,520,087.00	25,898,101.00
Depreciation and Amortisation	46,857,456.00	47,648,764.00	48,353,966.00	51,206,851.00
Emergency Drought Relief	6,830,000.00	1,280,000.00	1,341,440.00	1,420,585.00
Employee related costs	155,602,561.00	176,370,580.36	185,184,975.88	194,442,997.02
Finance Charges	2,751,787.00	2,293,887.00	2,403,993.00	2,545,829.00
General expenses	90,687,682.00	84,240,862.00	88,662,934.00	94,230,128.00
Grants and subsidies paid	4,174,579.00	28,131,326.80	19,812,006.04	20,009,421.09
Inventory adjustments	60,960.00	54,000.00	56,592.00	59,931.00
Loss on disposal of Property, Plant and Equipment	328,052.00	-	-	-
Operating Grant Expenditure	95,566,694.00	62,550,951.00	61,435,385.00	49,512,836.00
Remuneration of Councillors	5,746,613.00	6,033,786.45	6,335,475.42	6,652,249.84
Repairs and maintenance	19,744,040.00	11,511,318.00	11,955,057.00	12,647,852.00
<b>Grand Total</b>	<b>509,602,709.00</b>	<b>461,654,410.61</b>	<b>470,952,025.34</b>	<b>482,836,409.96</b>

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2015/16 financial year totals R176.370 million, which equals 38 percent of the total operating expenditure. The SALGBC has yet to agree on the salary increment for 2015/16. The municipality has budget 4.4 percent as per circular, plus an additional 2.5 percent notch increment for the 2015/16 financial year. As part of the Municipality's cost reprioritization and cash management strategy uncritical vacancies have been frozen until adequate funding has been sourced. The total increase includes the annual increase and budget for critical positions identified.

The cost associated with the remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget and was also incremented by 5 percent for the 2015/16 financial year.

The provision of debt impairment was determined based on Annual Financial Statements for the year ended June 2014 and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R 19.583 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

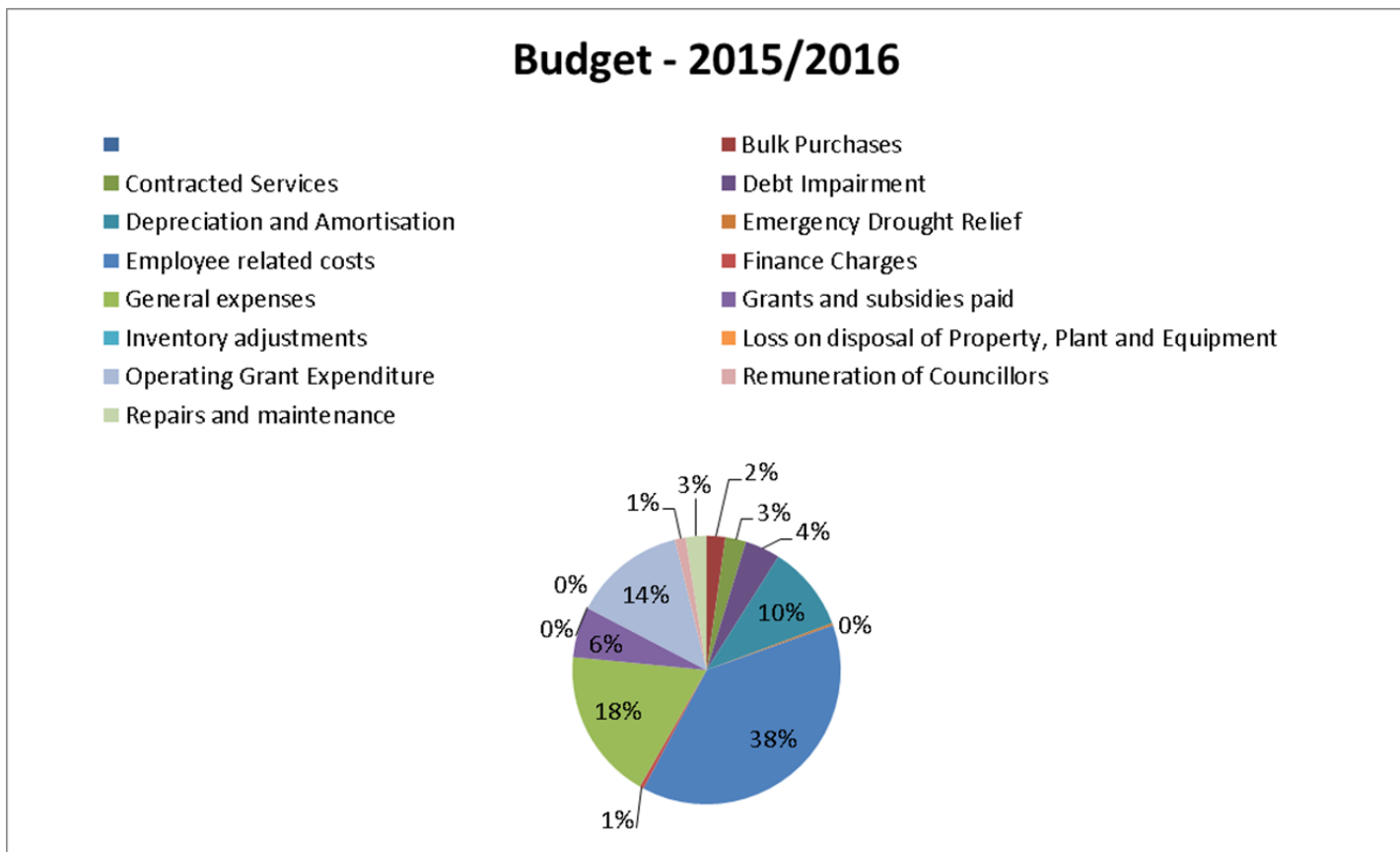
Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R47.648 million for the 2015/16 financial year and equates to 10 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make (R2.3million) of operating expenditure excluding annual redemption for 2015/16 financial year.

Bulk Purchases are allocated R10.480 million for 2015/16 financial year.

Repairs and Maintenance allocation is R11.511 million (excluding the employee costs of departments responsible for repairs and maintenance) for the 2015/16 financial year. The portion reflective as repairs and maintenance is only 2% of total operational expenditure, however bulk of the cost associated with repairs and maintenance

Fig 3: Expenditure by major type – 2015/16



### Free Basic Services: Basic Social Services Package

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

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

## 1.6 Capital expenditure

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

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

DC14 Joe Gqabi - 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
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		57,948	93,386	99,610	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	57,948	93,386	99,610	-	-	-	-	-	-	-
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		2	879	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	55	22	250	250	250	250	200	200	200
Vote 3 - CORPORATE SERVICES		1,916	560	412	885	901	901	901	2,475	2,500	2,500
Vote 4 - TECHNICAL SERVICES		-	-	-	118,502	188,325	188,995	188,995	226,986	179,447	184,472
Vote 5 - COMMUNITY SERVICES		84	232	169	700	780	780	780	5,000	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		2,002	1,726	602	120,336	190,255	190,926	190,926	234,661	182,147	187,172
<b>Total Capital Expenditure - Vote</b>		59,950	95,112	100,213	120,336	190,255	190,926	190,926	234,661	182,147	187,172

For 2015/16 an amount of R 226.986million has been appropriated for the development of infrastructure within Technical Services which represents 97 percent of the total capital budget. Water and Sanitation infrastructure receives the highest allocation.

## 1.7 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

### Table 8 MBRR NT A1 - Budget Summary

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

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.





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

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

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

DC14 Joe Gqabi - Table A2 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
<b>Revenue - Standard</b>	1									
<i>Governance and administration</i>		279,824	177,094	190,111	262,683	274,761	274,761	282,734	297,512	316,524
Executive and council		4,451	5,360	4,486	5,428	5,468	5,468	800	–	–
Budget and treasury office		151,930	168,773	182,863	256,046	268,076	268,076	281,434	296,962	315,919
Corporate services		123,443	2,961	2,761	1,209	1,216	1,216	500	550	605
<i>Community and public safety</i>		143	2,894	2,929	–	–	–	–	–	–
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		143	2,894	2,929	–	–	–	–	–	–
<i>Economic and environmental services</i>		54,291	64,742	46,599	221,483	215,860	215,860	222,695	208,500	220,948
Planning and development		8,574	–	591	–	–	–	–	–	–
Road transport		29,386	37,355	27,603	206,862	204,588	204,588	211,729	196,994	208,752
Environmental protection		16,322	27,387	18,406	14,621	11,272	11,272	10,966	11,506	12,196
<i>Trading services</i>		4,147	211,379	262,833	44,965	108,214	108,214	149,200	97,500	69,920
Electricity		–	–	–	–	–	–	–	–	–
Water		1,916	204,443	249,724	30,465	92,577	92,577	149,200	97,500	69,920
Waste water management		2,231	6,936	13,109	14,500	15,637	15,637	–	–	–
Waste management		–	–	–	–	–	–	–	–	–
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Standard</b>	2	338,405	456,109	502,473	529,131	598,835	598,835	654,629	603,511	607,392
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		61,161	71,387	83,474	139,197	166,651	166,651	145,265	155,049	165,577
Executive and council		18,964	21,832	22,054	32,162	34,961	34,961	31,831	33,773	35,617
Budget and treasury office		14,615	21,343	21,888	67,311	83,119	83,119	66,297	71,462	77,546
Corporate services		27,582	28,212	39,532	39,724	48,571	48,571	47,137	49,814	52,414
<i>Community and public safety</i>		8,704	7,414	25,570	14,009	14,059	14,059	14,087	14,772	15,484
Community and social services		–	–	6,591	2,187	2,187	2,187	2,208	2,318	2,435
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		8,040	7,414	10,014	11,822	11,872	11,872	11,879	12,453	13,049
Housing		–	–	–	–	–	–	–	–	–
Health		664	–	8,965	–	–	–	–	–	–
<i>Economic and environmental services</i>		66,870	86,881	48,728	157,898	152,768	152,768	149,646	147,553	140,436
Planning and development		14,958	5,800	5,155	–	–	–	–	–	–
Road transport		29,126	35,733	27,403	130,740	126,945	126,945	126,614	123,394	114,973
Environmental protection		22,787	45,348	16,169	27,158	25,823	25,823	23,032	24,160	25,463
<i>Trading services</i>		199,543	242,319	358,074	170,470	172,611	172,611	152,656	153,578	161,340
Electricity		–	–	–	–	–	–	–	–	–
Water		102,621	221,745	323,962	120,322	123,761	123,761	132,225	127,952	134,401
Waste water management		96,922	20,574	34,092	50,148	48,850	48,850	20,431	25,626	26,939
Waste management		–	–	–	–	–	–	–	–	–
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Standard</b>	3	336,279	408,001	515,847	481,575	506,089	506,089	461,654	470,952	482,836
<b>Surplus/(Deficit) for the year</b>		2,126	48,108	(13,374)	47,556	92,746	92,746	192,975	132,559	124,556

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

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

DC14 Joe Gqabi - Table A3 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
<b>Revenue by Vote</b>										
Vote 1 - MANAGEMENT SERVICES	1	4,776	5,360	5,078	5,428	5,468	5,468	800	–	–
Vote 2 - FINANCIAL SERVICES		151,930	168,773	182,863	256,046	268,076	268,076	281,434	296,962	315,919
Vote 3 - CORPORATE SERVICES		1,016	418	2,761	1,209	1,216	1,216	500	550	605
Vote 4 - TECHNICAL SERVICES		172,290	251,277	290,436	251,827	312,802	312,802	360,929	294,494	278,672
Vote 5 - COMMUNITY SERVICES		8,388	30,281	21,335	14,621	11,272	11,272	10,966	11,506	12,196
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
<b>Total Revenue by Vote</b>	2	<b>338,405</b>	<b>456,109</b>	<b>502,473</b>	<b>529,131</b>	<b>598,835</b>	<b>598,835</b>	<b>654,629</b>	<b>603,511</b>	<b>607,392</b>
<b>Expenditure by Vote to be appropriated</b>										
Vote 1 - MANAGEMENT SERVICES	1	15,833	21,832	30,879	32,162	34,961	34,961	31,831	33,773	35,617
Vote 2 - FINANCIAL SERVICES		15,675	21,343	21,888	67,311	83,119	83,119	66,297	71,462	77,546
Vote 3 - CORPORATE SERVICES		24,038	28,212	35,863	39,724	48,571	48,571	47,137	49,814	52,414
Vote 4 - TECHNICAL SERVICES		259,110	296,643	385,478	296,199	287,327	287,327	263,986	260,569	258,490
Vote 5 - COMMUNITY SERVICES		21,622	39,971	41,740	46,179	52,110	52,110	52,403	55,334	58,769
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
<b>Total Expenditure by Vote</b>	2	<b>336,279</b>	<b>408,001</b>	<b>515,847</b>	<b>481,575</b>	<b>506,089</b>	<b>506,089</b>	<b>461,654</b>	<b>470,952</b>	<b>482,836</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>2,126</b>	<b>48,108</b>	<b>(13,374)</b>	<b>47,556</b>	<b>92,746</b>	<b>92,746</b>	<b>192,975</b>	<b>132,559</b>	<b>124,556</b>

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

1. Total revenue is R654.629 million in 2015/16.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

DC14 Joe Gqabi - Table A4 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
<b>Revenue By Source</b>											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	22,167	36,100	40,495	54,233	54,233	54,233	50,271	49,400	51,100
Service charges - sanitation revenue	2	–	5,335	5,757	15,450	12,880	12,880	12,880	12,010	12,558	13,126
Service charges - refuse revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - other											
Rental of facilities and equipment											
Interest earned - external investments		1,403	3,233	3,240	2,394	4,353	4,353	4,353	3,368	3,705	4,075
Interest earned - outstanding debtors		–	1,392	4,379	4,214	4,214	4,214	4,214	2,704	2,974	3,272
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–	–
Licences and permits		–	–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	1,072	1,072	1,072	112	–	–
Transfers recognised - operational		251,503	305,196	317,699	254,204	245,989	245,989	245,989	345,410	344,413	347,873
Other revenue	2	20,517	21,908	29,154	2,885	2,977	2,977	2,977	1,940	2,134	2,348
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>273,424</b>	<b>359,233</b>	<b>396,329</b>	<b>319,653</b>	<b>325,719</b>	<b>325,719</b>	<b>325,719</b>	<b>415,815</b>	<b>415,184</b>	<b>421,794</b>
<b>Expenditure By Type</b>											
Employee related costs	2	79,276	106,494	130,425	149,790	156,116	156,116	156,116	176,371	185,185	194,443
Remuneration of councillors		4,086	4,310	5,024	5,743	5,743	5,743	5,743	6,034	6,335	6,652
Debt impairment	3	548	13,398	41,522	26,091	37,603	37,603	37,603	19,583	22,520	25,898
Depreciation & asset impairment	2	41,662	42,536	42,311	46,357	46,857	46,857	46,857	47,649	48,354	51,207
Finance charges		2,575	2,716	3,968	4,121	2,752	2,752	2,752	2,294	2,404	2,546
Bulk purchases	2	–	8,682	2,474	5,069	3,769	3,769	3,769	10,480	11,039	11,777
Other materials	8	–	–	–	–	–	–	–	–	–	–
Contracted services		38,551	47,389	20,741	–	–	–	–	–	–	–
Transfers and grants		38,227	10,711	116,303	4,385	–	–	–	28,131	19,812	20,009
Other expenditure	4, 5	131,198	171,643	149,877	239,690	252,920	252,920	252,920	171,114	175,303	170,304
Loss on disposal of PPE		155	122	3,201	328	328	328	328	–	–	–
<b>Total Expenditure</b>		<b>336,279</b>	<b>408,001</b>	<b>515,847</b>	<b>481,575</b>	<b>506,089</b>	<b>506,089</b>	<b>506,089</b>	<b>461,654</b>	<b>470,952</b>	<b>482,836</b>
<b>Surplus/(Deficit)</b>		<b>(62,855)</b>	<b>(48,768)</b>	<b>(119,518)</b>	<b>(161,922)</b>	<b>(180,370)</b>	<b>(180,370)</b>	<b>(180,370)</b>	<b>(45,839)</b>	<b>(55,768)</b>	<b>(61,042)</b>
Transfers recognised - capital		64,981	96,876	106,144	209,478	273,116	273,116	273,116	238,814	188,327	185,598
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		0	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>2,126</b>	<b>48,108</b>	<b>(13,374)</b>	<b>47,556</b>	<b>92,746</b>	<b>92,746</b>	<b>92,746</b>	<b>192,975</b>	<b>132,559</b>	<b>124,556</b>
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		<b>2,126</b>	<b>48,108</b>	<b>(13,374)</b>	<b>47,556</b>	<b>92,746</b>	<b>92,746</b>	<b>92,746</b>	<b>192,975</b>	<b>132,559</b>	<b>124,556</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		<b>2,126</b>	<b>48,108</b>	<b>(13,374)</b>	<b>47,556</b>	<b>92,746</b>	<b>92,746</b>	<b>92,746</b>	<b>192,975</b>	<b>132,559</b>	<b>124,556</b>
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		<b>2,126</b>	<b>48,108</b>	<b>(13,374)</b>	<b>47,556</b>	<b>92,746</b>	<b>92,746</b>	<b>92,746</b>	<b>192,975</b>	<b>132,559</b>	<b>124,556</b>

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R234.661 million for the 2015/16 financial year.
4. Multi-year capital expenditure has been appropriated at million R0 for the 2015/16 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programme is funded from capital and national and provincial grants and external loans. For 2015/16, capital transfers totals R238.814million.

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

DC14 Joe Gqabi - 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
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		57,948	93,386	99,610	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	57,948	93,386	99,610	-	-	-	-	-	-	-
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		2	879	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	55	22	250	250	250	250	200	200	200
Vote 3 - CORPORATE SERVICES		1,916	560	412	885	901	901	901	2,475	2,500	2,500
Vote 4 - TECHNICAL SERVICES		-	-	-	118,502	188,325	188,995	188,995	226,986	179,447	184,472
Vote 5 - COMMUNITY SERVICES		84	232	169	700	780	780	780	5,000	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		2,002	1,726	602	120,336	190,255	190,926	190,926	234,661	182,147	187,172
<b>Total Capital Expenditure - Vote</b>		59,950	95,112	100,213	120,336	190,255	190,926	190,926	234,661	182,147	187,172
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		1,918	1,494	434	1,135	1,151	1,151	1,151	2,675	2,700	2,700
Executive and council		2	879	-	-	-	-	-	-	-	-
Budget and treasury office		-	55	22	250	250	250	250	200	200	200
Corporate services		1,916	560	412	885	901	901	901	2,475	2,500	2,500
<i>Community and public safety</i>		84	232	169	700	780	780	780	5,000	-	-
Community and social services		84	232	169	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	700	700	700	700	5,000	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	80	80	80	-	-	-
<i>Economic and environmental services</i>		-	-	35	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	35	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		57,948	93,386	99,575	118,502	188,325	188,995	188,995	226,986	179,447	184,472
Electricity		-	-	-	-	-	-	-	-	-	-
Water		50,474	93,386	75,025	75,519	163,286	163,931	163,931	170,258	100,025	123,946
Waste water management		7,474	-	-	42,982	25,038	25,064	25,064	56,728	79,422	60,526
Waste management		-	-	24,550	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	59,950	95,112	100,213	120,336	190,255	190,926	190,926	234,661	182,147	187,172
<b>Funded by:</b>											
National Government		57,948	93,386	99,610	91,795	136,053	136,698	136,698	131,410	121,815	153,156
Provincial Government		-	-	-	-	2,000	2,000	2,000	78,099	52,632	26,316
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		2,002	1,726	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	59,950	95,112	99,610	91,795	138,053	138,698	138,698	209,509	174,447	179,472
Public contributions & donations	5	-	-	0	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	10,000	10,000	10,000	-	-	-
Internally generated funds		(0)	0	602	28,541	42,202	42,228	42,228	25,152	7,700	7,700
<b>Total Capital Funding</b>	7	59,950	95,112	100,213	120,336	190,255	190,926	190,926	234,661	182,147	187,172

## Explanatory notes to Table A6 - Budgeted Financial Position

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

**Table 13 MBRR NT A6 - Budgeted Financial Position**

DC14 Joe Gqabi - Table A6 Budgeted Financial Position

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
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		20,550	10,437	3,130	3,729	16	16	16	3,505	3,295	4,523
Call investment deposits	1	–	13,408	35,093	20,000	8,514	8,514	8,514	17,469	6,837	(13,296)
Consumer debtors	1	3,006	12,255	16,524	30,621	10,110	10,110	10,110	52,808	92,246	130,574
Other debtors		69,724	7,744	6,991	10,000	6,991	6,991	6,991	10,000	12,400	11,450
Current portion of long-term receivables		–	48,547	4,622	–	–	–	–	–	–	–
Inventory	2	1,212	1,707	3,018	1,572	3,214	3,214	3,214	3,568	1,766	1,956
<b>Total current assets</b>		<b>94,492</b>	<b>94,098</b>	<b>69,378</b>	<b>65,922</b>	<b>28,845</b>	<b>28,845</b>	<b>28,845</b>	<b>87,350</b>	<b>116,543</b>	<b>135,207</b>
<b>Non current assets</b>											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		1,426	3,097	3,195	3,619	3,195	3,195	3,195	3,402	3,198	2,965
Investment property		4,891	2,666	2,621	3,078	2,639	2,639	2,639	2,894	2,720	2,610
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	1,170,400	1,224,298	1,280,256	1,403,453	1,282,367	1,282,367	1,282,367	1,469,379	1,603,172	1,739,137
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		3,471	2,777	2,208	2,868	3,346	3,346	3,346	3,346	3,312	3,152
Other non-current assets		–	–	–	–	–	–	–	–	–	–
<b>Total non current assets</b>		<b>1,180,188</b>	<b>1,232,839</b>	<b>1,288,280</b>	<b>1,413,008</b>	<b>1,291,547</b>	<b>1,291,547</b>	<b>1,291,547</b>	<b>1,479,021</b>	<b>1,612,402</b>	<b>1,747,884</b>
<b>TOTAL ASSETS</b>		<b>1,274,680</b>	<b>1,326,937</b>	<b>1,357,658</b>	<b>1,478,930</b>	<b>1,320,392</b>	<b>1,320,392</b>	<b>1,320,392</b>	<b>1,566,371</b>	<b>1,728,945</b>	<b>1,883,091</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	–	–	–	52,983	52,983	52,983	–	–	–
Borrowing	4	11,448	571	1,280	398	517	517	517	1,350	1,342	1,338
Consumer deposits		–	–	–	–	1,001	1,001	1,001	1,250	1,450	1,520
Trade and other payables	4	67,373	60,050	98,562	47,315	72,430	72,430	72,430	4,153	194,720	194,720
Provisions		–	14,994	18,263	28,318	29,301	29,301	29,301	30,017	31,818	32,568
<b>Total current liabilities</b>		<b>78,821</b>	<b>75,616</b>	<b>118,106</b>	<b>76,031</b>	<b>156,232</b>	<b>156,232</b>	<b>156,232</b>	<b>36,770</b>	<b>229,330</b>	<b>230,146</b>
<b>Non current liabilities</b>											
Borrowing		6,498	6,099	5,654	6,054	20,223	20,223	20,223	42,723	41,373	40,031
Provisions		19,132	26,411	28,462	14,052	27,732	27,732	27,732	29,450	31,589	34,120
<b>Total non current liabilities</b>		<b>25,630</b>	<b>32,510</b>	<b>34,115</b>	<b>20,106</b>	<b>47,955</b>	<b>47,955</b>	<b>47,955</b>	<b>72,173</b>	<b>72,962</b>	<b>74,151</b>
<b>TOTAL LIABILITIES</b>		<b>104,451</b>	<b>108,125</b>	<b>152,221</b>	<b>96,137</b>	<b>204,187</b>	<b>204,187</b>	<b>204,187</b>	<b>108,943</b>	<b>302,292</b>	<b>304,297</b>
<b>NET ASSETS</b>	5	<b>1,170,229</b>	<b>1,218,811</b>	<b>1,205,438</b>	<b>1,382,793</b>	<b>1,116,205</b>	<b>1,116,205</b>	<b>1,116,205</b>	<b>1,457,428</b>	<b>1,426,653</b>	<b>1,578,794</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		1,170,229	1,218,811	1,205,438	1,382,793	1,116,205	1,116,205	1,116,205	1,273,714	1,436,498	1,591,986
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	0	0	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>1,170,229</b>	<b>1,218,811</b>	<b>1,205,438</b>	<b>1,382,793</b>	<b>1,116,205</b>	<b>1,116,205</b>	<b>1,116,205</b>	<b>1,273,714</b>	<b>1,436,498</b>	<b>1,591,986</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

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

**Table 14 MBRR NT A7 - Budgeted Cash Flow Statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates, penalties & collection charges											
Service charges		31,566	31,916	23,348	82,434	29,511	29,511	29,511	31,140	30,979	32,113
Other revenue		–	–	–	–	–	–	–	2,052	2,134	2,348
Government - operating	1	280,586	303,050	335,324	254,204	245,989	245,989	245,989	345,410	344,413	347,873
Government - capital	1	64,981	105,090	106,144	209,478	273,116	273,116	273,116	238,814	188,327	185,598
Interest		1,403	4,535	7,619	2,394	4,353	4,353	4,353	6,072	6,679	7,347
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(342,332)	(330,092)	(354,119)	(349,417)	(384,575)	(384,575)	(384,575)	(363,998)	(377,862)	(383,176)
Finance charges		2,575	(764)	(721)	(4,121)	(2,752)	(2,752)	(2,752)	(2,294)	(2,404)	(2,546)
Transfers and Grants	1	38,227	(12,286)	(3,129)	(89,730)	(81,244)	(81,244)	(81,244)	(28,131)	(19,812)	(20,009)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>77,008</b>	<b>101,449</b>	<b>114,465</b>	<b>105,242</b>	<b>84,398</b>	<b>84,398</b>	<b>84,398</b>	<b>229,066</b>	<b>172,454</b>	<b>169,548</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		–	150	(100,213)	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		(106)	117	(94)	231	462	462	462	–	–	–
Payments											
Capital assets		(59,950)	(95,009)	–	(120,336)	(190,255)	(190,255)	(190,255)	(234,661)	(182,147)	(187,172)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(60,057)</b>	<b>(94,743)</b>	<b>(100,307)</b>	<b>(120,105)</b>	<b>(189,793)</b>	<b>(189,793)</b>	<b>(189,793)</b>	<b>(234,661)</b>	<b>(182,147)</b>	<b>(187,172)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		–	–	–	–	15,000	15,000	15,000	22,500	–	–
Borrowing long term/refinancing		–	–	–	–	167	167	167	249	200	70
Increase (decrease) in consumer deposits		–	171	664	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		(357)	(399)	(445)	–	484	484	484	(1,350)	(1,350)	(1,350)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(357)</b>	<b>(229)</b>	<b>219</b>	<b>–</b>	<b>15,651</b>	<b>15,651</b>	<b>15,651</b>	<b>21,399</b>	<b>(1,150)</b>	<b>(1,280)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>16,594</b>	<b>6,478</b>	<b>14,377</b>	<b>(14,863)</b>	<b>(89,744)</b>	<b>(89,744)</b>	<b>(89,744)</b>	<b>15,804</b>	<b>(10,842)</b>	<b>(18,904)</b>
Cash/cash equivalents at the year begin:	2	3,956	17,368	23,846	33,116	5,107	5,107	5,107	5,170	20,974	10,132
Cash/cash equivalents at the year end:	2	20,550	23,846	38,223	18,253	(84,637)	(84,637)	(84,637)	20,974	10,132	(8,773)



## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

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

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

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

### 2.2 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule in August 2014. In accordance with the original budget time schedule the IDP and annual budget for 2015/16 were to be adopted by Council on 31 May 2015.

#### 2.2.1 Financial Modelling and Key Planning Drivers

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

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2014/15 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

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

### **2.2.2 Community Consultation**

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

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

Ward Committees were utilised to facilitate the community consultation process in April 2014.

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

## **2.3 Overview of alignment of annual budget with IDP**

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

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

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

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

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

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All

spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

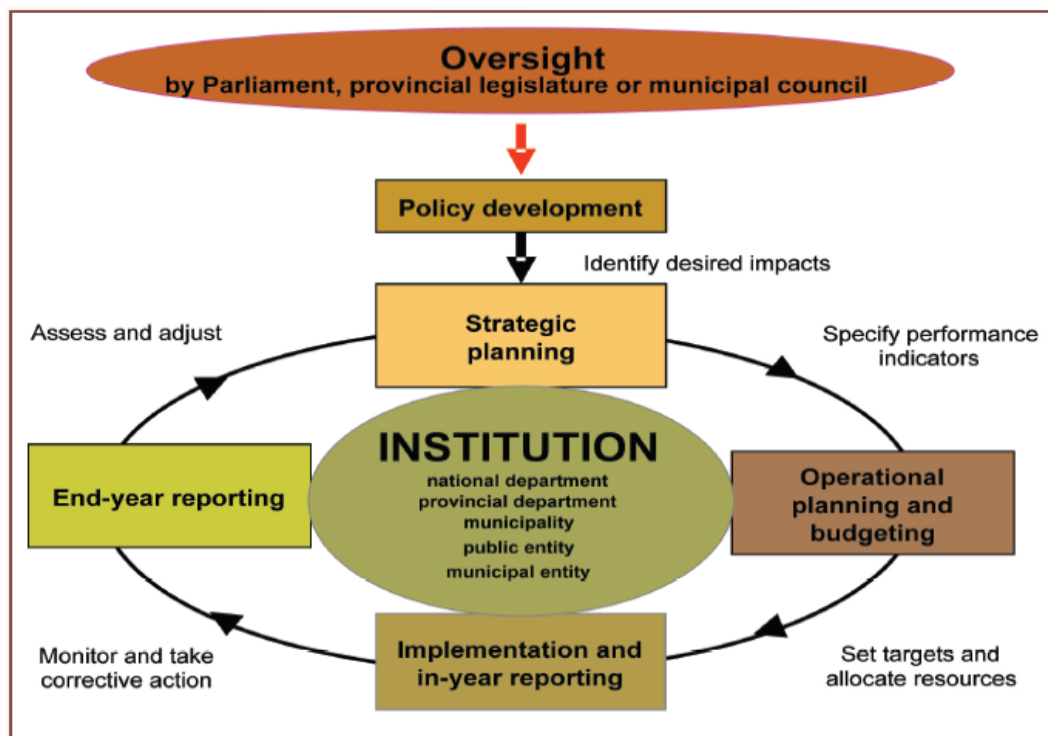
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

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

## 2.4 Measurable performance objectives and indicators

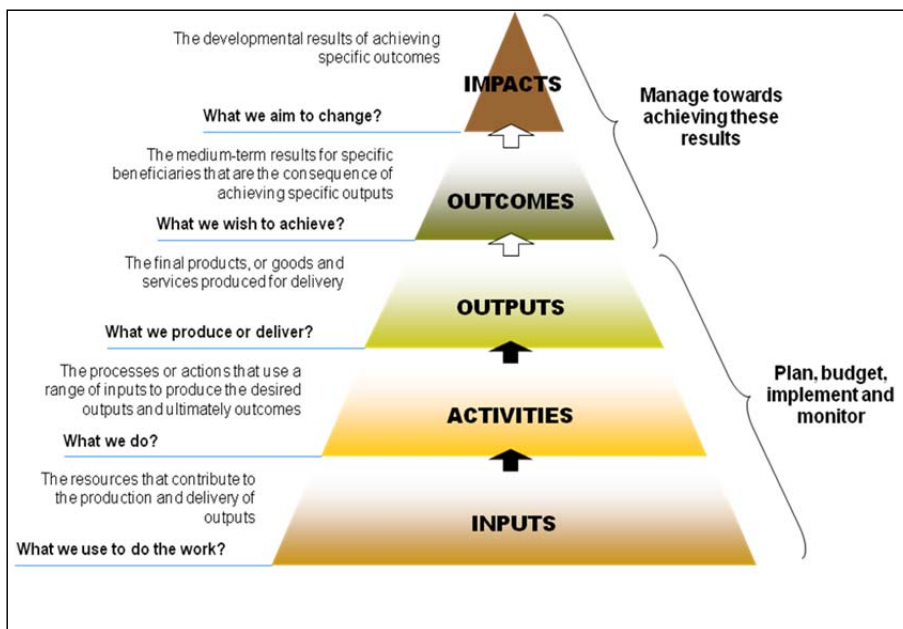
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table sets out the municipality’s main performance objectives and benchmarks for the 2015/16 MTREF.

Table 15 MBRR NT SA8 – Performance indicators and benchmarks

DC14 Joe Gqabi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	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
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.9%	0.8%	0.9%	0.9%	0.4%	0.4%	0.4%	0.8%	0.8%	0.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	13.4%	5.8%	5.6%	6.3%	2.8%	2.8%	2.8%	5.2%	5.3%	5.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	28.7%	28.7%	28.7%	88.5%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.2	1.2	0.6	0.9	0.2	0.2	0.2	2.4	0.5	0.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.2	1.2	0.6	0.9	0.2	0.2	0.2	2.4	0.5	0.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.6	0.0	(0.0)
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	26.6%	19.1%	7.1%	12.7%	5.3%	5.3%	5.3%	15.1%	25.2%	33.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		252.6%	189.6%	169.8%	0.0%	-75.5%	-75.5%	-75.5%	0.0%	0.0%	0.0%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kWh)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.0%	29.6%	32.9%	46.9%	47.9%	47.9%	47.9%	42.4%	44.6%	46.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	30.2%	23.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	16.2%	12.6%	11.7%	15.8%	15.2%	15.2%	15.2%	12.0%	12.2%	12.7%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	4.4	6.7	32.8	16.9	16.9	16.9	10.7	8.8	8.1	8.5
ii. OS Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	249.2%	67.2%	72.6%	25.5%	25.5%	25.5%	100.8%	168.9%	221.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.1	1.1	1.2	0.8	(3.3)	(3.3)	(3.3)	0.8	0.4	(0.3)

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 0.8 percent in 2013/14 to 1 percent in 2014/15. This increase can be attributed to the raising of loans to fund portions of the capital programme. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

#### 2.5.1.1 Safety of Capital

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

#### 2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2015/16 MTREF the current ratio is 0.3:1. Going forward it will be necessary to improve these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 0.002 and it has improved to 0.3:1 in 2014/15 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1.

#### 2.5.1.3 Other Indicators

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

### 2.5.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

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

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

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

## **2.6 Overview of budget related-policies**

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

### **2.6.1 Review of credit control and debt collection procedures/policies**

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

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. A service provider, to specifically deal with historical debt, is to be appointed.

### **2.6.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.6.3 Supply Chain Management Policy**

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

### **2.6.4 Budget and Virement Policy**

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

### **2.6.5 Cash Management and Investment Policy**

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

## **2.6.6 Tariff Policy**

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

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

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

### **2.7.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. The wage agreement within SALGBC is being negotiated.

### **2.7.3 Collection rate for revenue services**

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

### **2.7.4 Salary increases**

The collective agreement regarding salaries/wages has expired and a new salary increase is currently negotiated at SALGBC. 6.9% is budgeted for the 2015/16 financial year.

### **2.7.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

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



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

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

## 2.8 Overview of budget funding

### 2.8.1 Medium-term outlook: operating revenue

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

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

DETAIL OF INCOME			
Description	Budget - 2015/2016	Budget - 2016/2017	Budget - 2017/2018
Grants & Subsidies Received - Capital	238,814,000.00	188,327,000.00	185,598,000.00
Grants & Subsidies Received - Operational	345,410,400.00	344,412,664.00	347,873,004.00
Income For Agency Services	112,000.00	-	-
Interest Earned - Extnal Inve	3,368,000.00	3,704,800.00	4,075,280.00
Interest Earned - Outstanding	2,704,072.00	2,974,478.00	3,271,927.00
Other Revenue	1,940,220.00	2,134,242.00	2,347,666.00
Nett Service charges	62,280,584.00	61,957,775.00	64,226,385.00
<b>Grand Total</b>	<b>654,629,276.00</b>	<b>603,510,959.00</b>	<b>607,392,262.00</b>

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

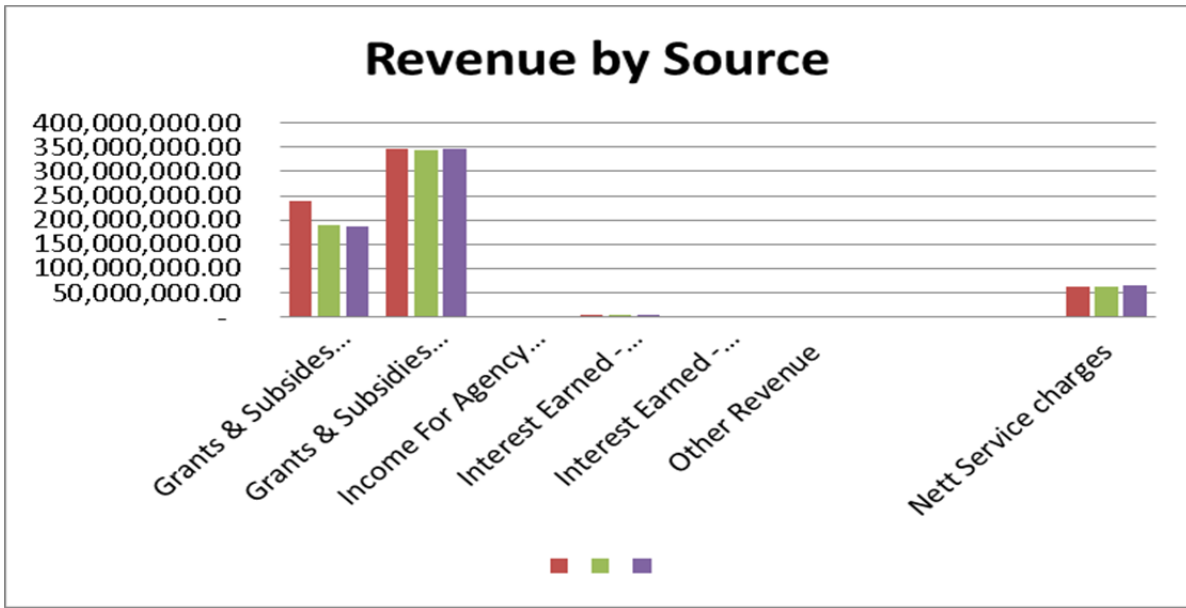
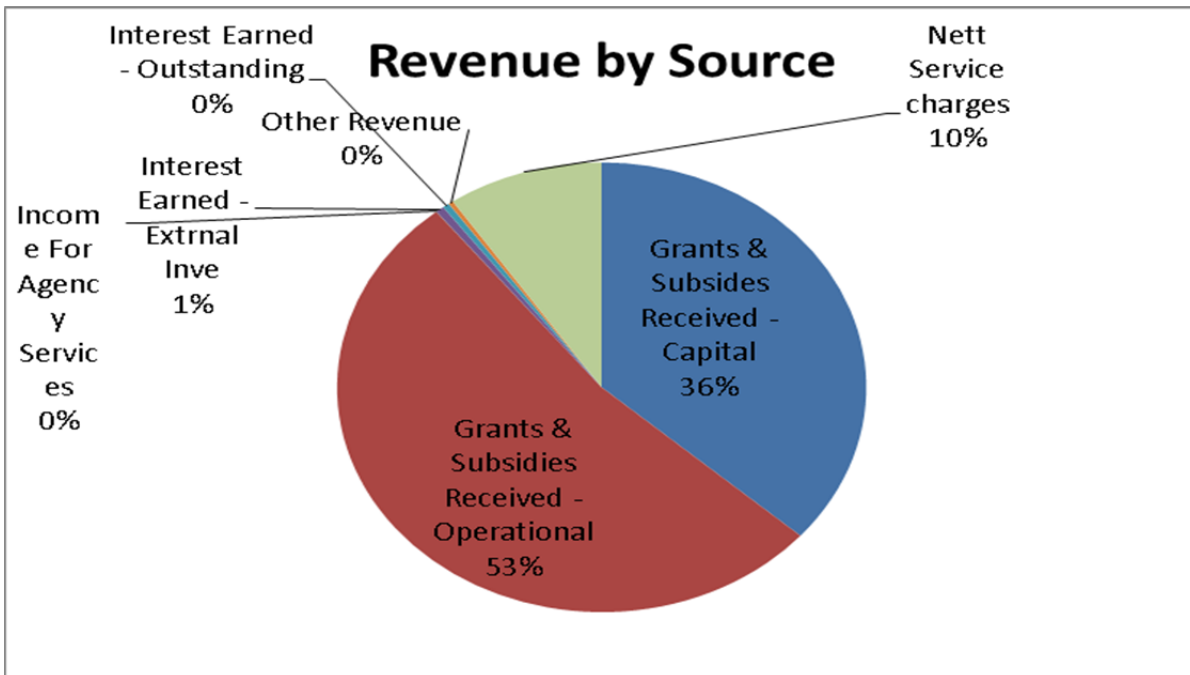


Fig 6: Breakdown of the operating revenue - 2014/15



### 2.8.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

**Table 17 Sources of capital revenue over the MTREF**

<b>Source of Funding</b>	<b>Budget - 2015/2016</b>	<b>Budget - 2016/2017</b>	<b>Budget - 2017/2018</b>
National Government	131,410,000	121,815,000	153,156,000
Provincial Government	78,098,887	52,631,579	26,315,789
Internally generated funds	25,152,000	7,700,000	7,700,000
<b>Grand Total</b>	<b>234,660,887</b>	<b>182,146,579</b>	<b>187,171,789</b>

The capital programme is funded from National Grants and transfers.

### 2.8.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 18 MBRR NT A7 - Budget cash flow statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates, penalties & collection charges											
Service charges		31,566	31,916	23,348	82,434	29,511	29,511	29,511	31,140	30,979	32,113
Other revenue		–	–	–	–	–	–	–	2,052	2,134	2,348
Government - operating	1	280,586	303,050	335,324	254,204	245,989	245,989	245,989	345,410	344,413	347,873
Government - capital	1	64,981	105,090	106,144	209,478	273,116	273,116	273,116	238,814	188,327	185,588
Interest		1,403	4,535	7,619	2,394	4,353	4,353	4,353	6,072	6,679	7,347
Dividends											
Payments											
Suppliers and employees		(342,332)	(330,082)	(354,119)	(349,417)	(384,575)	(384,575)	(384,575)	(363,998)	(377,862)	(383,176)
Finance charges		2,575	(764)	(721)	(4,121)	(2,752)	(2,752)	(2,752)	(2,294)	(2,404)	(2,546)
Transfers and Grants	1	38,227	(12,286)	(3,129)	(89,730)	(81,244)	(81,244)	(81,244)	(28,131)	(19,812)	(20,009)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>77,008</b>	<b>101,449</b>	<b>114,465</b>	<b>105,242</b>	<b>84,398</b>	<b>84,398</b>	<b>84,398</b>	<b>229,066</b>	<b>172,454</b>	<b>169,548</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		–	150	(100,213)							
Decrease (Increase) in non-current debtors		–	–	–							
Decrease (increase) other non-current receivables		–	–	–							
Decrease (increase) in non-current investments		(106)	117	(94)	231	462	462	462			
Payments											
Capital assets		(59,950)	(95,009)		(120,336)	(190,255)	(190,255)	(190,255)	(234,661)	(182,147)	(187,172)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(60,057)</b>	<b>(94,743)</b>	<b>(100,307)</b>	<b>(120,105)</b>	<b>(189,793)</b>	<b>(189,793)</b>	<b>(189,793)</b>	<b>(234,661)</b>	<b>(182,147)</b>	<b>(187,172)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		–	–	–							
Borrowing long term/refinancing		–	–	–		15,000	15,000	15,000	22,500	–	–
Increase (decrease) in consumer deposits		–	171	664		167	167	167	249	200	70
Payments											
Repayment of borrowing		(357)	(399)	(445)		484	484	484	(1,350)	(1,350)	(1,350)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(357)</b>	<b>(229)</b>	<b>219</b>	<b>–</b>	<b>15,651</b>	<b>15,651</b>	<b>15,651</b>	<b>21,399</b>	<b>(1,150)</b>	<b>(1,280)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>16,594</b>	<b>6,478</b>	<b>14,377</b>	<b>(14,863)</b>	<b>(89,744)</b>	<b>(89,744)</b>	<b>(89,744)</b>	<b>15,804</b>	<b>(10,842)</b>	<b>(18,904)</b>
Cash/cash equivalents at the year begin:	2	3,956	17,368	23,846	33,116	5,107	5,107	5,107	5,170	20,974	10,132
Cash/cash equivalents at the year end:	2	20,550	23,846	38,223	18,253	(84,637)	(84,637)	(84,637)	20,974	10,132	(8,773)

## 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

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

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

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

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
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	20,550	23,846	38,223	18,253	(84,637)	(84,637)	(84,637)	20,974	10,132	(8,773)
Other current investments > 90 days		0	(0)	(0)	5,476	40,184	40,184	40,184	-	0	-
Non current assets - Investments	1	1,426	3,097	3,195	3,619	3,195	3,195	3,195	3,402	3,198	2,995
<b>Cash and investments available:</b>		<b>21,977</b>	<b>26,943</b>	<b>41,418</b>	<b>27,348</b>	<b>(41,258)</b>	<b>(41,258)</b>	<b>(41,258)</b>	<b>24,376</b>	<b>13,330</b>	<b>(5,788)</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		15,219	14,837	33,645	47,315	8,514	8,514	8,514	4,153	194,720	194,720
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	51,920	45,213	64,916	-	63,916	63,916	63,916	-	-	-
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>67,139</b>	<b>60,050</b>	<b>98,562</b>	<b>47,315</b>	<b>72,430</b>	<b>72,430</b>	<b>72,430</b>	<b>4,153</b>	<b>194,720</b>	<b>194,720</b>
<b>Surplus(shortfall)</b>		<b>(45,163)</b>	<b>(33,107)</b>	<b>(57,143)</b>	<b>(19,967)</b>	<b>(113,688)</b>	<b>(113,688)</b>	<b>(113,688)</b>	<b>20,223</b>	<b>(181,390)</b>	<b>(200,508)</b>

## 2.8.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

### 2.8.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

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

### 2.8.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### 2.8.5.3 Monthly average payments covered by cash or cash equivalents

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

### 2.8.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted'

surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

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

**Table 20 MBRR NT SA10 - Funding compliance measurement**

DC14 Joe Gqabi Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	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
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R000	18(1)b	1	20,550	23,846	38,223	18,253	(84,637)	(84,637)	(84,637)	20,974	10,132	(8,773)
Cash + investments at the yr end less applications - R000	18(1)b	2	(45,163)	(33,107)	(57,143)	(19,967)	(113,688)	(113,688)	(113,688)	20,223	(181,390)	(200,508)
Cash year end/monthly employee/supplier payments	18(1)b	3	1.1	1.1	1.2	0.8	(3.3)	(3.3)	(3.3)	0.8	0.4	(0.3)
Surplus/(Deficit) excluding depreciation offsets: R000	18(1)	4	2,126	48,108	(13,374)	47,556	92,746	92,746	92,746	192,975	132,559	124,556
Service charge rev % change - macro CPI target exclusive	18(1)a(2)	5	NA	(6.0%)	46.2%	27.7%	14.0%	(6.0%)	(6.0%)	(13.2%)	(6.5%)	(2.3%)
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	18(1)a(2)	7	0.0%	48.7%	99.2%	46.6%	56.0%	56.0%	56.0%	31.4%	36.3%	40.3%
Capital payments % of capital expenditure	18(1)c; 19	8	100.0%	99.9%	0.0%	100.0%	100.0%	99.6%	99.6%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	28.7%	28.7%	28.7%	89.5%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - inc/(decr)	18(1)a	11	NA	(5.8%)	(59.0%)	44.4%	(57.9%)	0.0%	0.0%	267.3%	66.6%	35.7%
Long term receivables % change - inc/(decr)	18(1)a	12	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	100.0%	100.0%	100.0%	99.6%	99.4%	99.1%	0.0%	30.6%	5.2%	56.6%

#### 2.8.5.5 Debt impairment expense as a percentage of billable revenue

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

#### 2.8.5.6 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

#### 2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### 2.8.5.8 Repairs and maintenance expenditure level

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

#### 2.8.5.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to

summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

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

Description	Ref	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
<b>EXPENDITURE:</b>										
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		-	-	-	204,925	204,931	204,931	215,256	233,548	249,814
Local Government Equitable Share					194,848	194,848	194,848	209,607	224,702	240,509
Rural roads assets management systems grant					2,084	2,084	2,084	2,080	2,136	2,277
Rural households infrastructure grant					4,500	4,504	4,504	-	4,500	4,745
Municipal Systems Improvement					934	934	934	940	960	1,033
RSC Levy Replacement					-	-	-	-	-	-
Financial Management Grant					1,250	1,252	1,252	1,250	1,250	1,250
EPWP					1,309	1,309	1,309	1,379	-	-
Provincial Government:		-	-	-	658	658	658	112	800	-
Municipal Health Services					-	-	-	112	-	-
Local and Regional Economic Development (LRED)					-	-	-	-	800	-
LED Capacity					358	358	358	-	-	-
Water services operating subsidy grant					300	300	300	-	-	-
0					-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	48,621	40,400	40,400	43,476	45,651	48,304
DRAT					34,000	30,200	30,200	32,622	34,146	36,108
Working for Water/Wetlands					14,621	10,200	10,200	10,854	11,506	12,196
<b>Total operating expenditure of Transfers and Grants</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>254,204</b>	<b>245,989</b>	<b>245,989</b>	<b>258,844</b>	<b>279,999</b>	<b>298,118</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		-	-	-	209,478	215,616	215,616	184,281	178,040	190,098
Municipal Infrastructure Grant (MIG)					169,469	170,995	170,995	154,270	160,712	170,367
Municipal Water Infrastructure Grant					20,009	20,009	20,009	25,011	7,328	7,731
Water Services Operating Subsidy Grant					10,000	14,612	14,612	5,000	10,000	12,000
Regional Bulk Infrastructure					10,000	10,000	10,000	-	-	-
Other capital transfers/grants <i>[insert desc]</i>					-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Drought Relief										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	57,500	57,500	119,000	80,000	50,000
Department of Human Settlement					-	7,500	7,500	19,000	-	-
EasternCape Provincial Government					-	50,000	50,000	100,000	80,000	50,000
<b>Total capital expenditure of Transfers and Grants</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>209,478</b>	<b>273,116</b>	<b>273,116</b>	<b>303,281</b>	<b>258,040</b>	<b>240,098</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>463,682</b>	<b>519,105</b>	<b>519,105</b>	<b>562,125</b>	<b>538,039</b>	<b>538,216</b>



## **2.10 Contracts having future budgetary implications**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## **2.11 Capital expenditure details**

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

### **Table 22 2014/15 Capital expenditure by asset class**

**Joe Gqabi District Municipality – 2015/16 Final Budget and MTREF (Final for Approval by Council)  
(28 May 2015)**

DC14 Joe Gqabi - Table A9 Asset Management

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
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
Total New Assets	1	–	–	–	–	43,860	43,860	(39,639)	(50,589)	(43,507)
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	43,860	43,860	(39,639)	(50,589)	(43,507)
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	43,860	43,860	(39,639)	(50,589)	(43,507)
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	59,950	95,112	100,213	119,886	189,135	189,135	71,877	9,479	105,791
Infrastructure - Road transport		–	–	35	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		50,474	93,386	75,025	68,479	107,682	107,682	58,816	8,772	67,544
Infrastructure - Sanitation		–	–	–	47,368	18,704	18,704	–	–	–
Infrastructure - Other		7,474	–	24,550	–	–	–	4,386	–	37,719
Infrastructure		57,948	93,386	99,610	115,847	126,386	126,386	63,202	8,772	105,263
Community		86	232	169	700	700	700	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	1,916	1,494	434	3,339	62,049	62,049	8,675	707	527
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4	–	–	35	–	–	–	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		50,474	93,386	75,025	68,479	151,541	151,541	19,176	(41,818)	24,037
Infrastructure - Sanitation		–	–	–	47,368	18,704	18,704	–	–	–
Infrastructure - Other		7,474	–	24,550	–	–	–	4,386	–	37,719
Infrastructure		57,948	93,386	99,610	115,847	170,246	170,246	23,562	(41,818)	61,756
Community		86	232	169	700	700	700	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	1,916	1,494	434	3,339	62,049	62,049	8,675	707	527
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	59,950	95,112	100,213	119,886	232,994	232,994	32,237	(41,111)	62,284
<b>ASSET REGISTER SUMMARY - PPE (MDV)</b>										
Infrastructure - Road transport	5									
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other										
Infrastructure		–	–	–	–	–	–	–	–	–
Community										
Heritage assets										
Investment properties		4,891	2,666	2,621	3,078	2,639	2,639	2,894	2,720	2,610
Other assets										
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		3,471	2,777	2,208	2,858	3,346	3,346	3,346	3,312	3,152
TOTAL ASSET REGISTER SUMMARY - PPE (MDV)	5	8,361	5,444	4,829	5,936	5,985	5,985	6,240	6,032	5,762
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation & asset impairment	3	41,662	42,536	42,311	46,357	46,857	46,857	47,649	48,354	51,207
Repairs and Maintenance by Asset Class		–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		41,662	42,536	42,311	46,357	46,857	46,857	47,649	48,354	51,207
Renewal of Existing Assets as % of total capex		100.0%	100.0%	100.0%	100.0%	81.2%	81.2%	223.0%	-23.1%	169.9%
Renewal of Existing Assets as % of deprecn"		143.9%	223.6%	236.8%	258.6%	403.6%	403.6%	150.8%	19.6%	206.6%
R&M as a % of PPE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		717.0%	1747.0%	2075.0%	2020.0%	3160.0%	3160.0%	1152.0%	157.0%	1836.0%

## 2.12 Legislation compliance status

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

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

## 2.13 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

Date: \_\_\_\_\_