

# SCHEDULE A

AN ANNUAL BUDGET AND  
SUPPORTING DOCUMENTATION

FINAL ANNUAL BUDGET OF

# **MBHASHE LOCAL MUNICIPALITY**

2016/17 TO 2018/19  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS (MTREF)

# Part 1 – Annual Budget

## 1.1 Mayor's Report

In his State of the Nation Address President Jacob Zuma reiterated and emphasized the need to cut down costs and wasteful expenditure across all spheres of government. As a result some of the grants that the municipality has been allocated have been cut.

In this IDP and Budget I want to emphasize that, we cannot expect to do the same old things and expect different results. We need to improve the way we do things for the betterment of our communities. We need to utilize our limited resources efficiently and prioritize properly. Council is all too aware that 2015/16 was their last year in office and 2016 is an election year and there is a likelihood that resources might be redirected to serve election campaigns and that must be guarded against. The preparation of this budget has taken into account the guidance of Circular 78 and 79.

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

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

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

Central to the NDP, is the commitment to reduce poverty and unemployment. Mbhashe is one of the areas with high unemployment and illiteracy rate. There is also a high infrastructure backlog. This means out of our total budget we must create an environment for job opportunities and partner with businesses.

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

As it was evident in our community meetings, people want service delivery and we have been entrusted with such a task. More than R158m has been allocated for capital investment in 2016/17, R167m in 2017/18 and R177m in 2018/19.

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

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

As way of creating sustainable jobs the municipality is in the process of filling all vacancies that exist in our organogram in the next three years. Hence we have a budget R89m for salaries of employees and R19m for the remuneration of Councilors in 2016/17, R95m and R22m for 2017/18 and R100m and 24m for 2018/19. Portfolio head for HR and Administration should lead in making sure that working conditions are improved.

We have budgeted more under good governance in order to improve oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be objections and provide advices to Council and not does a witch hunt.

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

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

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

As we know, the President has announced that the local government election will be held in August 2016. I call upon registered voters in our Province to go all out to discharge their civic duty and exercise their hard won democratic right in voting for progress so that, together, we can move South Africa forward.

I thank you

## 1.2 Council Resolutions

On the 25 May 2016 the Council of Mbhashe Local Municipality met to consider the Final annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Mbhashe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position
    - 1.2.2. Budgeted Cash Flows
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
    - 1.2.4. Asset management
    - 1.2.5. Basic service delivery measurement
2. The Council of Mbhashe Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the draft tariffs for 2014/15.

### 1.3 Executive Summary

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

Mbhashe municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items as outline in circular 70.

The municipality has embarked on the implementation of data cleansing report which include management of municipal leases, writing off of long outstanding and untraceable balances and implement credit control and debt collection policy. The municipality has reviewed its revenue enhancement strategy with the aim of give rise to additional sources of revenue and to grow its own revenue base.

National Treasury's MFMA Circular No. 54, 55, 58, 59, 64, 66, 67, 70 and 72 were used to guide the compilation of the 2014/15 to 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the economy;
- Reduction in equitable share and other conditional grants;
- Acquisition of plant machinery and lack of proceeds thereof;
- Aging and poorly maintained infrastructure;
- Increase in debtors book as a result of non-payment by rate payers;
- Discrepancies between the General Valuation roll and billing system;
- Lack of resources to fund infrastructure backlog

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

- As per MFMA circular 64, when determining an annual tariff need to consider thee input costs of trading services, the financial sustainability considering that 74% of the budget is from grants, local economic conditions and affordability including the municipal indigent policy.
- Considered the level of services versus the associated cost (affordability).
- Revised spending plans and reprioritizes funds to ensure key objectives are achieved and well-performing programs are supported.
- Ensured that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities as indicated in circular 72.

**Table 1 Overview of the 2016/17 MTREF**

<b>Description</b>	<b>Budget year 2016/17</b>	<b>Budget year 2017/18</b>	<b>Budget year 2018/19</b>
<b>Total Revenue</b>	<b>385,339,544</b>	<b>409,230,596</b>	<b>433,375,201</b>
<b>Personnel Expenditure</b>	<b>109,124,145</b>	<b>115,889,842</b>	<b>122,727,343</b>
<b>Repairs &amp; Maintenance</b>	<b>26,132,577</b>	<b>27,752,797</b>	<b>29,390,212</b>
<b>Other Expenditure</b>	<b>91,871,409</b>	<b>97,567,436</b>	<b>103,323,915</b>
<b>Capital Expenditure</b>	<b>158,211,413</b>	<b>168,020,521</b>	<b>177,933,731</b>

The total revenue is made up of grants and subsidies which is 74% and own revenue which is made up of income derived from our tariffs. Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Mphashe Municipality.

The expenditure listed above is fully funded from the above mentioned sources of revenue. Personnel expenditure is 28% of our budget. The municipality has filled many vacancies in 2015/16 as the auditors have also raised the issue of employment as a major concern for the municipality's going concern.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

Other operating expenditure includes repairs and maintenance of 7% and other expenditure which is general expenditure of 24%. A capital contribution is 41%.

Below is the summary of the MTREF and prior year audited outcomes.



EC121 Mbashe - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		131,947	149,971	182,791	245,990	6,432	252,421	254,427	269,477	286,143
Executive and council		-	-	-	11,047	-	11,047	11,996	12,740	13,491
Budget and treasury office		131,314	149,393	181,848	234,333	6,432	240,764	241,491	255,739	271,595
Corporate services		633	577	943	610	-	610	940	998	1,057
<i>Community and public safety</i>		1,748	2,352	1,879	2,913	1,000	3,913	4,871	5,173	5,478
Community and social services		122	135	386	473	-	473	521	553	586
Sport and recreation		-	350	-	-	-	-	-	-	-
Public safety		1,626	1,867	1,493	2,440	1,000	3,440	4,350	4,620	4,892
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		42,921	44,344	54,930	118,778	(827)	117,951	124,742	132,476	140,292
Planning and development		136	555	119	1,393	(827)	566	853	906	959
Road transport		42,786	43,789	54,811	117,385	-	117,385	123,889	131,570	139,333
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		952	817	1,070	894	-	894	1,300	1,381	1,462
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		36	52	46	87	-	87	100	106	112
Waste management		916	765	1,024	808	-	808	1,200	1,274	1,350
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	177,568	197,484	240,669	368,575	6,604	375,180	385,340	408,506	433,375
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		96,152	101,943	73,786	100,357	2,370	102,727	108,345	115,062	121,851
Executive and council		57,218	60,006	32,830	53,787	2,420	56,207	54,303	57,670	61,073
Budget and treasury office		25,457	26,973	22,573	29,417	-	29,417	26,863	28,529	30,212
Corporate services		13,476	14,965	18,383	17,153	(50)	17,103	27,178	28,863	30,566
<i>Community and public safety</i>		19,275	33,347	28,062	44,189	(2,771)	41,417	23,162	24,598	26,049
Community and social services		1,233	2,041	4,176	8,973	(2,000)	6,973	5,408	5,744	6,082
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		11,786	8,528	18,408	26,197	(771)	25,425	12,794	13,587	14,389
Housing		6,256	22,778	5,479	9,019	-	9,019	4,959	5,267	5,578
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		17,956	49,960	37,545	92,171	5,467	97,638	98,398	104,499	110,664
Planning and development		7,900	8,737	13,544	22,306	717	23,023	28,674	30,452	32,249
Road transport		8,806	40,417	23,098	68,128	4,700	72,828	67,491	71,676	75,905
Environmental protection		1,250	805	903	1,737	50	1,787	2,232	2,371	2,510
<i>Trading services</i>		7,979	10,825	64,917	22,219	350	22,569	36,434	38,693	40,976
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		466	802	684	1,373	150	1,523	1,193	1,267	1,342
Waste management		7,513	10,023	64,233	20,845	200	21,045	35,241	37,426	39,635
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	141,363	196,076	204,310	258,935	5,416	264,351	266,338	282,851	299,540
<b>Surplus/(Deficit) for the year</b>		36,206	1,408	36,360	109,640	1,189	110,829	119,001	125,655	133,836



EC121 Mbashe - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue by Vote</b>										
Vote 1 - Executive and Council	1	-	-	-	11,047	-	11,047	11,996	12,740	13,491
Vote 2 - Finance and Administration		131,314	149,971	182,791	234,943	6,432	241,374	242,431	256,737	272,652
Vote 3 - Planning and Development		136	555	119	1,393	(827)	566	853	906	959
Vote 4 - Community and Social Services		122	135	386	473	-	473	521	553	586
Vote 5 - Housing		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		1,626	1,867	1,493	2,440	1,000	3,440	4,350	4,620	4,892
Vote 7 - Environmental Management		-	350	-	-	-	-	-	-	-
Vote 8 - Solid Management		916	765	1,024	808	-	808	1,200	1,274	1,350
Vote 9 - Waste Water Management		36	52	46	87	-	87	100	106	112
Vote 10 - Road Transport		43,419	43,789	54,811	117,385	-	117,385	123,889	131,570	139,333
Vote 11 - Electricity		-	-	-	-	-	-	-	-	-
Vote 12 - Other		-	-	-	-	-	-	-	-	-
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>177,568</b>	<b>197,484</b>	<b>240,669</b>	<b>368,575</b>	<b>6,604</b>	<b>375,180</b>	<b>385,340</b>	<b>408,506</b>	<b>433,375</b>
<b>Expenditure by Vote to be appropriated</b>										
Vote 1 - Executive and Council	1	57,218	60,006	32,830	54,742	2,420	57,162	54,303	57,670	61,073
Vote 2 - Finance and Administration		38,933	41,938	40,957	46,570	(50)	46,520	54,041	57,392	60,778
Vote 3 - Planning and Development		7,900	8,737	13,544	22,306	717	23,023	28,674	30,452	32,249
Vote 4 - Community and Social Services		1,233	2,041	4,176	8,018	(2,000)	6,018	5,408	5,744	6,082
Vote 5 - Housing		6,256	22,778	5,479	9,019	-	9,019	4,959	5,267	5,578
Vote 6 - Public Safety		11,786	8,528	18,408	26,197	(771)	25,425	12,794	13,587	14,389
Vote 7 - Environmental Management		1,250	805	903	1,737	50	1,787	2,232	2,371	2,510
Vote 8 - Solid Management		7,513	10,023	64,233	20,845	200	21,045	35,241	37,426	39,635
Vote 9 - Waste Water Management		466	802	684	1,373	150	1,523	1,193	1,267	1,342
Vote 10 - Road Transport		8,806	40,417	23,098	68,128	4,700	72,828	67,491	71,676	75,905
Vote 11 - Electricity		-	-	-	-	-	-	-	-	-
Vote 12 - Other		-	-	-	-	-	-	-	-	-
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>141,363</b>	<b>196,076</b>	<b>204,310</b>	<b>258,935</b>	<b>5,416</b>	<b>264,351</b>	<b>266,338</b>	<b>282,851</b>	<b>299,540</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>36,206</b>	<b>1,408</b>	<b>36,360</b>	<b>109,640</b>	<b>1,189</b>	<b>110,829</b>	<b>119,001</b>	<b>125,655</b>	<b>133,836</b>

EC121 Mbashe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>											
Property rates	2	4,710	4,365	6,868	5,957	1,000	6,957	6,957	3,621	3,846	4,072
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	916	765	1,024	808	-	808	808	1,200	1,274	1,350
Service charges - other											
Rental of facilities and equipment		537	762	988	807		807	807	1,208	1,282	1,358
Interest earned - external investments		3,626	6,022	9,068	6,000	4,479	10,479	10,479	10,479	11,128	11,785
Interest earned - outstanding debtors											
Dividends received											
Fines		620	627	392	483	1,084	1,567	1,567	2,500	2,655	2,812
Licences and permits		-	952	723	1,753	(84)	1,669	1,669	1,500	1,593	1,687
Agency services											
Transfers recognised - operational		137,664	141,581	169,880	228,702	(11,874)	216,828	216,828	216,390	229,806	243,365
Other revenue	2	1,272	621	1,085	50,943	12,000	62,943	62,943	78,908	73,917	75,648
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>149,346</b>	<b>155,696</b>	<b>190,029</b>	<b>295,453</b>	<b>6,604</b>	<b>302,058</b>	<b>302,058</b>	<b>315,806</b>	<b>325,502</b>	<b>342,076</b>
<b>Expenditure By Type</b>											
Employee related costs	2	37,033	38,122	43,331	80,351	-	80,351	80,351	89,792	95,360	100,986
Remuneration of councillors		17,907	18,867	21,815	25,586		25,586	25,586	19,332	22,928	24,533
Debt impairment	3	2,933	963	2,554	1,010		1,010	1,010	1,010	1,073	1,136
Depreciation & asset impairment	2	30,327	53,691	56,709	38,200		38,200	38,200	38,200	40,568	42,962
Finance charges		600	166	3,836							
Bulk purchases	2	-	-	-	-		-	-	-	-	-
Other materials	8										
Contracted services		-	-	-	-		-	-	-	-	-
Transfers and grants		-	-	-	-		-	-	-	-	-
Other expenditure	4, 5	51,422	83,503	73,784	113,788	5,416	119,204	119,204	118,004	122,922	129,923
Loss on disposal of PPE		1,142	763	2,281							
<b>Total Expenditure</b>		<b>141,363</b>	<b>196,076</b>	<b>204,310</b>	<b>258,935</b>	<b>5,416</b>	<b>264,351</b>	<b>264,351</b>	<b>266,338</b>	<b>282,851</b>	<b>299,540</b>
<b>Surplus/(Deficit)</b>		<b>7,983</b>	<b>(40,380)</b>	<b>(14,280)</b>	<b>36,518</b>	<b>1,189</b>	<b>37,707</b>	<b>37,707</b>	<b>49,467</b>	<b>42,651</b>	<b>42,537</b>
Transfers recognised - capital		28,222	41,789	50,640	73,122		73,122	73,122	69,534	83,004	91,299
Contributions recognised - capital	6	-	-	-	-		-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>36,206</b>	<b>1,408</b>	<b>36,360</b>	<b>109,640</b>	<b>1,189</b>	<b>110,829</b>	<b>110,829</b>	<b>119,001</b>	<b>125,655</b>	<b>133,836</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>36,206</b>	<b>1,408</b>	<b>36,360</b>	<b>109,640</b>	<b>1,189</b>	<b>110,829</b>	<b>110,829</b>	<b>119,001</b>	<b>125,655</b>	<b>133,836</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>36,206</b>	<b>1,408</b>	<b>36,360</b>	<b>109,640</b>	<b>1,189</b>	<b>110,829</b>	<b>110,829</b>	<b>119,001</b>	<b>125,655</b>	<b>133,836</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>36,206</b>	<b>1,408</b>	<b>36,360</b>	<b>109,640</b>	<b>1,189</b>	<b>110,829</b>	<b>110,829</b>	<b>119,001</b>	<b>125,655</b>	<b>133,836</b>

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

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Administration		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Environmental Management		-	-	-	-	-	-	-	-	-	-
Vote 8 - Solid Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 12 - Other		-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - Executive and Council		-	656	147	200	80	280	280	-	-	-
Vote 2 - Finance and Administration		286	1,636	1,518	4,285	550	4,835	4,835	21,526	22,078	23,381
Vote 3 - Planning and Development		395	-	17	63	283	346	346	100	105	112
Vote 4 - Community and Social Services		-	-	192	210	-	210	210	210	223	236
Vote 5 - Housing		-	10	-	21	-	21	21	-	-	-
Vote 6 - Public Safety		3,415	-	219	257	3,150	907	3,407	5,157	5,477	5,800
Vote 7 - Environmental Management		-	-	119	650	(500)	150	150	100	105	112
Vote 8 - Solid Management		-	92	-	-	-	-	-	650	690	731
Vote 9 - Waste Water Management		612	-	290	300	-	300	300	-	-	-
Vote 10 - Road Transport		33,545	21,450	83,156	115,613	953	116,566	116,566	130,469	138,558	146,733
Vote 11 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 12 - Other		-	-	-	-	-	-	-	-	-	-
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>		38,254	23,843	85,658	121,599	4,516	123,615	126,115	158,211	167,239	177,105
<b>Total Capital Expenditure - Vote</b>		38,254	23,843	85,658	121,599	4,516	123,615	126,115	158,211	167,239	177,105
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		286	2,292	1,665	4,485	630	5,115	5,115	21,526	22,078	23,381
Executive and council		-	656	147	200	80	280	280	-	-	-
Budget and treasury office		222	73	508	400	500	900	900	15,000	15,930	16,870
Corporate services		64	1,563	1,011	3,885	50	3,935	3,935	6,526	6,148	6,511
<i>Community and public safety</i>		3,415	10	411	2,988	650	3,638	1,138	5,367	5,700	6,036
Community and social services		-	-	192	210	-	210	210	210	223	236
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		3,415	-	219	2,757	650	3,407	907	5,157	5,477	5,800
Housing		-	10	-	21	-	21	21	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		33,940	21,450	83,292	116,326	736	117,062	117,062	130,669	138,770	146,958
Planning and development		395	-	17	63	283	346	346	100	105	112
Road transport		33,545	21,450	83,156	115,613	953	116,566	116,566	130,469	138,558	146,733
Environmental protection		-	-	119	650	(500)	150	150	100	105	112
<i>Trading services</i>		612	92	290	300	-	300	2,800	650	690	731
Electricity		-	-	-	-	-	-	2,500	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	290	300	-	300	300	-	-	-
Waste management		612	92	-	-	-	-	-	650	690	731
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	38,254	23,843	85,658	124,099	2,016	126,115	126,115	158,211	167,239	177,105
<b>Funded by:</b>											
National Government		38,254	23,843	85,658	124,099	2,016	126,115	126,115	158,211	167,239	177,105
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	38,254	23,843	85,658	124,099	2,016	126,115	126,115	158,211	167,239	177,105
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	38,254	23,843	85,658	124,099	2,016	126,115	126,115	158,211	167,239	177,105

The municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit which is not the case in Mphashe;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the infrastructure backlog;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no plan no funding allocation can be made.
- The current agreement with the unions in terms of collective bargaining has used to inform the municipality's remuneration of employees.
- Depreciation is widely considered a proxy for the measurement of the rate of asset consumption (implementation of GRAP 17).

## Part 2 – Supporting Documentation

### 1.4 Overview of the annual budget process

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

The Budget Steering Committee consists of all the EXCO members, Municipal Manager, Directors and senior officials of the municipality.

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

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

#### 1.4.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

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

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

The Mayor tabled in Council the required the IDP and budget time schedule in August 2015. Key dates applicable to the process were:

#### **SCHEDULE OF MEETINGS FOR IDP AND BUDGET PROCESS**

IDP	PMS	BUDGET	DATE	RESPONSIBILITY
Compilation of Draft IDP, PMS and Budget Process Plan Commences			01/07/2015	Strategic Manager
	Development of Performance Agreements for S56 Managers		01-31/07/2015	Strategic Manager
	Extended Management Meeting (Annual Performance Reporting to Officer level)		06/07/2015	Municipal Manager
	Submission of Performance reports and performance information Q4 to Strategic		15/07/2015	Strategic Manager
ADM District Planning Coordinating Forum – presentation of Draft Process Plans			20/07/2015	IDP Practitioners
	Induction of Audit Committee/Performance Audit Committee Submission of Performance reports and performance information Q4 to Internal Audit		23/07/2015	Municipal Manager
		Budget Steering Committee to discuss rollovers, savings declarations and new applications	28/07/2015	CFO
	Submission Performance Agreements for S56 Managers to Provincial Treasury	Submit to National Treasury the following documents: Quarterly budget returns, Budget locking certificate, Reviewed SDBIP for 2015/16, Grants Reports as per approved NT template, Section 66 report Section 52(d) report, Quarter 4 SCM report for 2014/15	31/07/2015	Strategic Manager CFO
	Extended Management Meeting (PMS Reporting to Officer level for July 2015)		03/08/2015	Municipal Manager
	Submission of Performance Reports to Performance Audit Committee	Annual Financial Statements to Audit Committee	06/08/2015	Municipal Manager
Tabling to EXCO of the Draft 2015/16 Process plan, 2014/15 Draft Annual Report and Annual Performance Report		Annual Financial Statements to EXCO	18/08/2015	Municipal Manager

ADM District Planning Coordinating Forum- presentation of the Final Draft of the IDP/Budget/Process Plan			18/08/2015	IDP Practitioners
IDP, PMS and Budget Representative Forum to present draft IDP, PMS and Budget Process Plan 2016/17, PMS Framework and Annual Performance			20/08/2015	Mayor
ADM IGR Forum (Sector specific analysis information and prioritized local issues)			24/08/2015	Strategic Manager
Council Meeting - Adoption of the IDP/Budget Process Plan	Adoption of Draft Annual Report		26/08/2015	Mayor
		Annual Financial Statements and Annual Performance Assessment Information Report & Draft Annual Report submitted to Auditor General Submission of Conditional Grants Unspent Rollover Application	31/08/2015	CFO and Strategic Manager
Advertise Process Plan on local newspaper and submit to MEC, Provincial Treasury, Auditor General and ADM			04/09/2015	Strategic Manager
	Extended Management Meeting PMS Reporting to Office level for August 2015		07/09/2015	Municipal Manager
ADM DIMAFO ADM DIMAFO (Sector specific analysis information and prioritized local issues)			16/09/2015	Mayor, Municipal Manager
ADM REP FORUM- (Sector specific analysis information)			17/09/2015	Mayor/Strategic Manager
IGR F0rum Presentation - *Assessment of existing level of development - Situational analysis *Prepare analysis information on existing services, current backlogs and identification of development priorities			23/09/2015	Municipal Manager
	MPAC Roadshow – presentation of Draft Annual Report to communities for comments		29,30/09/2015	MPAC
	MPAC Roadshow – presentation of Draft Annual Report to communities for comments		01/10/2015	MPAC

	Audit Committee Meeting - Presentation of the Draft Annual report, AG audit status Performance report		02/10/2015	Municipal Manager
IDP/Budget/PMS Steering Committee - Planning on Mayoral Imbizo /Ward Based Plans	Extended Management Meeting PMS Reporting for September 2015		05/10/2015	Municipal Manager
	Submission of Performance reports and performance information Q1		07/10/2015	Strategic Manager
	Mayoral Imbizos - Public consultations (reporting on annual performance, status of current projects and confirmation of ward priorities)		07-22/10/2015	Mayor, EXCO
	Submission of Performance reports and performance information Q1 to Internal Audit		15/10/2015	Strategic Manager
		Council meeting Tabling of Section 52 Financial performance report  Submission of Quarterly budget returns	28/10/2015	Mayor  CFO
ADM IGR Forum - (Sector specific analysis information)			29/10/2015	Strategic Manager
	Extended Management Meeting PMS Reporting to Officer level for October 2015		02/11/2015	Municipal Manager
IDP Steering Committee meeting/ Technical Strategic Session – presentation of the draft situational and needs analysis			06-07/11/2015	Municipal Manager
DCPF ADM - presentation of the draft situational and needs analysis and municipal priorities			17/11/2015	IDP Practitioners
	Finalisation of assessment of Annual Report by MPAC			Strategic Manager
IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			18/11/2015	Strategic Manager
ADM IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			19/11/2015	Mayor, IDP Practitioners
		Submit process plan for review of Budget Related policies	27/11/2015	CFO
	Audit Committee – presentation of Oversight Report, adjustment budget		02/12/2015	Municipal Manager



	Extended Management Meeting - PMS Reporting to Officer level		07/12/2015	Municipal Manager
	Council Meeting – Adoption of Oversight Report		09/12/2015	Mayor
	Publication of the oversight report		18/12/2015	Strategic Manager
	Submission of oversight report to Legislators, National and Treasury		18/12/2015	Strategic Manager
	Extended Management Meeting – PMS Reporting to Officer level for December 2015		11/01/2016	Municipal Manager
	Submission of Performance reports and performance information Q2 to Strategic	Budget Steering - Analyze review of capital budget and operating projects from Directorates, Budget Adjustment	12/01/2016	Mayor Strategic Manager
Technical Strategic Session Refinement of Objectives, Strategies and Municipal priorities		compile and finalize Mid-year report, adjustment budget and Revised SDBIP	18-19/01/2016	Municipal Manager
	Submission of performance information, Q2 – mid-term performance reports to Internal Audit	Convene Exco Workshop on Midyear report, adjustment budget and Revised SDBIP	21 January 2016	Strategic Manager
		Check with National Treasury, Provincial Governments and Districts Municipalities for any adjustment to projected allocations for the next 3 years.	22/01/2016	CFO
	Presentation of reviewed SDBIP to the Mayor for approval,		26/01/2016	Municipal Manager
	Special Council Meeting - Table Mid-year performance report and revised SDBIP		27/01/2016	Mayor
	Submission of mid-term performance reports to ADM and Sector Departments (DLGTA, PT and NT		29/01/2016	Strategic Manager
	Extended Management Meeting PMS Reporting to Officer level for January 2016		01/02/2016	Municipal Manager

IDP/PMS/Budget Steering Committee - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment			03/02/2016	Municipal Manager
Institutional Strategic Sessions - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment			10-12/02/2016	Mayor, Municipal Manager
IGR Forum Draft Strategies and objectives and programs, Presentation of project plans from Sector Departments			23/02/2015	Municipal Manager
		Budget Steering Committee – discussions on Budget adjustment	25/02/2016	Mayor
		Mid-year budget and performance assessments visit by Provincial Treasury	28/02/2015	CFO
IDP/Budget/PMS Steering Committee - Alignment of Strategies, Objectives to project priorities and budget			01/03/2016	Municipal Manager
	Compilation of Draft SDBIP, Performance report		03/03/2016	Municipal Manager
	Extended Management Meeting – PMS Reporting to Officer Level for February 2016		07/03/2016	Municipal Manager
Presentation of Draft IDP, Annual Budget, Draft SDBIP, Draft Procurement Plan, Tariffs and budget related policies to the Executive Committee				Strategic Manager, CFO
ADM DPCF - Presentation of Reviewed Draft IDP 2016/2017			09/03/2016	Strategic Manager
ADM DIMAFO (Sector specific analysis information and prioritized local issues			10/03/2016	Mayor, Municipal Manager
IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2016/2017			14/03/2016	Mayor

ADM IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2016/2017 for adoption			16/03/2016	Mayor
Council Meeting – Tabling of Reviewed Draft IDP and Budget 2016/17, Draft Procurement Pan, Tariffs, budget related policies for approval and Organizational Structure		Table third quarter performance report including financial performance analysis report to Council	30 March 2016	Mayor
Advertisement of the draft reviewed IDP and Budget Submission of Reviewed IDP document and Budget, to ADM, Provincial and National Treasury and the MEC for Local Government and Traditional Affairs			01-08/04/2016	Strategic Manager
IDP/Budget Roadshows - Public Comments Phase presentation of the Draft IDP and Budget to the communities for comments			04-15/04/2016	Mayor, EXCO
	Submission of Performance reports and performance information of the Q3 to Strategic		07/04/2016	Strategic Manager
	Submission of Performance reports and performance information of the Q3 to Internal Audit		18/04/2016	Strategic Manager
IDP/Budget/PMS Steering Committee – adjustments to the Draft IDP and Budget considering inputs from the public			23/04/2016	
ADM District Planning Coordination Forum – Finalization and presentation of Draft IDP and Budget			26/04/2016	IDP Practitioners
	Extended Management Meeting - PMS Reporting to Officer level		03/05/2016	Municipal Manager
	Performance Audit Committee – presentation of 3 <sup>rd</sup> quarter performance reports		05/05/2016	Municipal Manager
IGR FORUM - Presentation of final Draft IDP and Budget			06/05/2016	Mayor, Municipal Manager
		Budget Steering Committee -Final Budget integration to IDP	09 May 2016	Mayor
Audit Committee –Presentation of the Final Drafts - IDP, SDBIP and Budget			10/05/2016	Municipal Manager
Presentation of final Draft IDP and Budget to the IDP Steering Committee Meeting and finalization of the SDBIP			11/05/2016	Municipal Manager

ADM DIMAFO (Sector specific analysis information and prioritized local issues)			13/05/2016	Mayor, Municipal Manager
IDP/Budget/PMS Rep Forum - Presentation of the final draft IDP and Budget			17/05/2016	Mayor
ADM IDP/ Budget Rep Forum - Presentation of the final draft IDP and Budget			18/05/2016	Mayor, IDP Practitioners
Council Meeting - Tabling of Final Draft IDP and Budget for approval			25/05/2016	Mayor
ADM SODA			27/05/2016	Mayor
		MTREF Budget, budget related policies, published on council website	01-03/06/2016	CFO and Strategic Manager
Advertisement of Final IDP and Budget , Tariffs			08/06/2016	Strategic Manager and CFO
	Submission of Draft SDBIP to EXCO		09/06/2016	Municipal Manager
	Presentation of the SDBIP to Mayor for approval		13/06/2016	Municipal Manager, Mayor
Facilitate printing of the IDP for 2016/2017			15/06/016	Strategic Manager and CFO
	SDBIP advertised and submitted to Provincial and National Treasury & MEC for COGTA, AG & ADM		29/06/2016	Municipal Manager

#### **1.4.2 IDP and Service Delivery and Budget Implementation Plan**

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

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department had to review the planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

#### **1.4.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2016/17 MTREF, the following key factors and planning strategies were undertaken to ensure affordability and financial sustainability:

- Policy priorities and strategic objectives
- Asset management
- Economic situation (i.e inflation and debt)
- Performance trends
- The approved 2015/16, adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

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

#### **1.4.4 Community Consultation**

The draft 2016/17 MTREF as tabled before Council on 30 March 2016 for community consultation was published on the newspaper, and hard copies were made available at all the unit offices and libraries.

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

Ward Councillors Ward Committees were utilised to facilitate the community consultation process. The applicable dates and venues were published in the local newspapers (from 12/04/2016 to 15/04/2016). The consultation processes, including the specific targeting of ratepayer associations, sessions were scheduled with organised business. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2016/17 MTREF. Feedback and responses to the submissions received are available on request.

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

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

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

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

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to Mbashe, 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 Mbashe 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 Mbashe response to these requirements.

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

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

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

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

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources through its budget and speed up service delivery.

IDP is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. The municipality has also aligned its budget and IDP in line with the National, provincial and district.

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

In order to ensure integrated and focused service delivery between all spheres of government it was important for Mphashe municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and good governance.

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

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

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

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

## **1.6 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Performance Management, the municipality has to develop and implement a performance management system of which system must be constantly refined as the integrated planning process unfolds.

The Municipality intends to monitor, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance and cascade it downwards to all levels. This will be done by appointing a service provider to assist in this process.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. This area needs to be strengthened in order to improve service delivery.

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

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

- Supply Chain Management policy
- Asset management policy
- Credit control and debt collection policy
- Property rates policy
- Tariff policy
- Petty cash policy
- Cash Management and Investment policy
- Banking policy
- Payment policy
- Budget policy
- Virement policy
- Municipal Investment policy
- Irrecoverable Debts Write Off policy



## **1.8 Overview of budget assumptions**

### **1.8.1 External factors**

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

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

The following are the key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

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

### **1.8.3 Collection rate for revenue services**

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

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

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

- Creating jobs;
- Enhancing education and skill development;
- Infrastructure development
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link

between policy priorities and expenditure thereby ensuring the achievement of the national, provincial, district and local objectives.

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

The municipality has been underspending in past two years resulting in roll overs of the conditional grants. The cash flow projection for this 2016/17 has been completed in the budget.

## **1.9 Overview of budget funding**

### **1.9.1 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from ratepayers and other to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

### **Cash Backed Reserves/Accumulated Surplus Reconciliation**

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

### **1.9.2 Funding compliance measurement**

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

#### *1.9.2.1 Cash/cash equivalent position*

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A positive cash position, for each year of the 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.

## **1.10 Legislation compliance status**

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

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

