

JOE GQABI DISTRICT MUNICIPALITY



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

(Final Budget for Approval by Council)

26 May 2016

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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 2016/17 and indicative allocations for the two projected outer years 2017/18 and 2018/19; 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 2016/17.
6. The Department of Roads allocation of R36 million, R11 million on Water Working for Water/Wetlands and R4.5 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. There are signed SLA's in place for the abovementioned grants:

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.78 and 79 was used to guide the compilation of the 2016/17 MTREF.

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise 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
- Outstanding Service Level Agreements

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 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 2016/17 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 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2016/17 MTREF

SUMMARY OF THE INCOME AND EXPENDITRE				
	Adjusted Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
Total Revenue (excluding capital transfers and contributions)	419,999,497.00	423,391,698.60	432,434,158.37	457,399,674.78
Total Expenditure	477,938,006.00	494,426,410.13	517,446,835.76	514,799,620.29
Surplus / (deficit) - Operational	(57,938,509.00)	(71,034,711.53)	(85,012,677.38)	(57,399,945.51)
Total Capital Expenditure	225,011,822.00	278,735,670.00	227,561,000.00	194,337,000.00
Total Capital Funding	225,011,822.00	278,735,670.00	227,561,000.00	194,337,000.00
	-	-	-	-
Surplus / (deficit) - Total	(57,938,509.00)	(71,034,711.53)	(85,012,677.38)	(57,399,945.51)
Adding back Non-Cash items:				
Accumulated depreciation	47,648,764.00	50,506,566.00	53,587,344.03	50,271,211.74
Debt impairment	19,582,685.00	20,875,142.00	22,169,401.00	23,477,395.00
Surplus / (deficit) - Total Cash	9,292,940.00	346,996.47	(9,255,932.36)	16,348,661.23

Total Revenue has increased by 0.8 percent or R3.392 million for the 2016/17 financial year when compared to the 2015/16 Adjustments Budget.

Total operating expenditure for the 2016/17 financial year has been appropriated at R494.426 million, which represents an 3.4 percent increase as compared to the 2015/16 Adjustment Budget.

The capital budget amounts to R278.736 million for 2016/17, which represents an 24 percent increase as compared to the 2015/16 Adjustment Budget.

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, which warranted the introduction of the fire tariffs. This should improve in the medium term.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

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

Description	Ref	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
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	23,144	36,963	65,864	50,271	50,271	50,271	50,271	54,315	58,000	61,480
Service charges - sanitation revenue	2	5,031	7,324	18,131	12,010	12,010	12,010	12,010	13,163	14,131	14,979
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other									4,503	27,033	28,722
Rental of facilities and equipment											
Interest earned - external investments		3,143	3,240	3,901	3,368	3,368	3,368	3,368	3,368	3,577	3,788
Interest earned - outstanding debtors		1,392	4,379	5,808	2,704	2,704	2,704	2,704	2,866	3,038	3,221
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		1,758	2,929	-	112	112	112	112	119	119	119
Transfers recognised - operational		237,220	247,308	235,192	345,410	349,595	349,595	349,595	335,199	325,082	343,551
Other revenue	2	3,145	6,542	1,668	1,940	1,940	1,940	1,940	9,858	1,454	1,540
Gains on disposal of PPE		(55)	(24)	(72)	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		274,777	308,661	330,493	415,815	419,999	419,999	419,999	423,392	432,434	457,400

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

Fig 1: Revenue by main revenue source

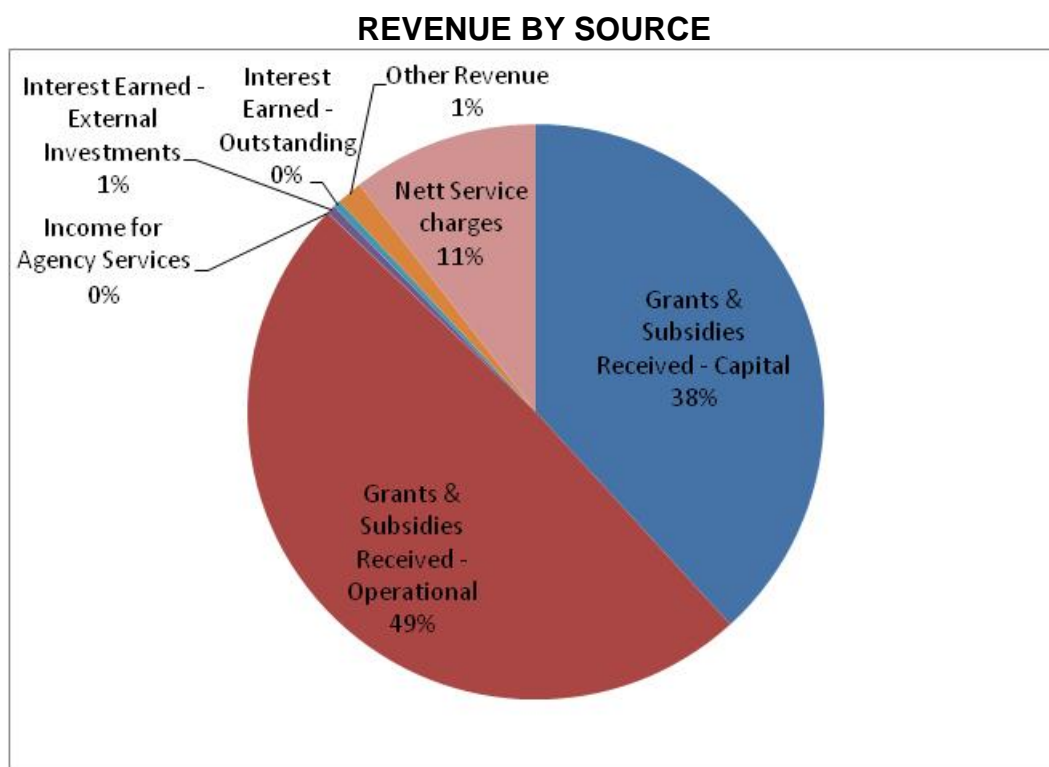


Table 3 Percentage growth in revenue by main revenue source

Description	Adjusted Budget 2015/16	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
Grants & Subsidies Received - Capital	242,314,000.00	261,663,000.00	311,760,000.00	317,537,000.00
Grants & Subsidies Received - Operational	349,594,621.00	335,199,000.00	325,082,000.00	343,551,000.00
Income for Agency Services	112,000.00	119,392.00	119,392.00	119,392.00
Interest Earned - External Investments	3,368,000.00	3,368,000.00	3,576,816.00	3,787,848.14
Interest Earned - Outstanding	2,704,072.00	2,866,317.00	3,038,295.30	3,220,593.02
Other Revenue	1,940,220.00	9,857,961.00	1,453,833.00	1,539,609.00
Nett Service charges	62,280,584.00	71,981,028.60	99,163,821.37	105,181,232.78
Grand Total	662,313,497.00	685,054,698.60	744,194,157.67	774,936,674.94

Operating grants and transfers total R 349.595 million in the 2015/16 Adjustment Budget and increases to R 335.199 million in 2016/17. Note that the year-on-year decrease for the 2016/17 financial year is 4 percent. This is largely due to a decrease in grants as per the DoRA and also due to MSIG now being an indirect grant.

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	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
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	215,256	215,256	215,256	287,693	287,082	303,551
Local Government Equitable Share					209,607	209,607	209,607	223,621	244,055	264,128
Rural roads assets management systems grant					2,080	2,080	2,080	2,136	2,277	2,418
Rural households infrastructure grant					-	-	-	4,500	-	-
Municipal Systems Improvement					940	940	940	-	-	-
Municipal Infrastructure Grant (MIG)					-	-	-	54,712	39,500	35,500
Financial Management Grant					1,250	1,250	1,250	1,250	1,250	1,505
EPWP					1,379	1,379	1,379	1,474	-	-
Provincial Government:		-	-	-	112	912	112	-	-	-
Municipal Health Services					112	112	112			
Local and Regional Economic Development (LRED)						800				
LED Capacity					-	-	-			
Water services operating subsidy grant					-	-	-			
EPWP										
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	44,854	44,854	44,854	47,506	38,000	40,000
DRPW					34,000	34,000	34,000	36,000	38,000	40,000
Working for Water/Wellands					10,854	10,854	10,854	11,506		
Total Operating Transfers and Grants	5	-	-	-	260,222	261,022	260,222	335,199	325,082	343,551
Capital Transfers and Grants										
National Government:		-	-	-	184,281	209,116	209,116	181,663	261,760	317,537
Municipal Infrastructure Grant (MIG)					154,270	170,995	170,995	96,890	123,814	137,625
Municipal Water Infrastructure Grant					25,011	20,009	20,009			
Water Services Operating Subsidy Grant					5,000	14,612	14,612			
Regional Bulk Infrastructure					-	3,500	3,500	12,945	53,546	56,512
Water Services Infrastructure Grant								71,828	84,400	123,400
Provincial Government:		-	-	-	-	-	-	80,000	50,000	-
Emergency Drought Relief								80,000	50,000	
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	50,000	50,000	-	-	-
Department of Human Settlement						50,000	50,000			
Total Capital Transfers and Grants	5	-	-	-	184,281	259,116	259,116	261,663	311,760	317,537
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	444,503	520,138	519,338	596,862	636,842	661,088

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. The basic charges were increased by 6 percent, the consumption charges were not increased in order to incentivise consumers to pay their debt.

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 2016/17 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 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of operating expenditure by standard classification item

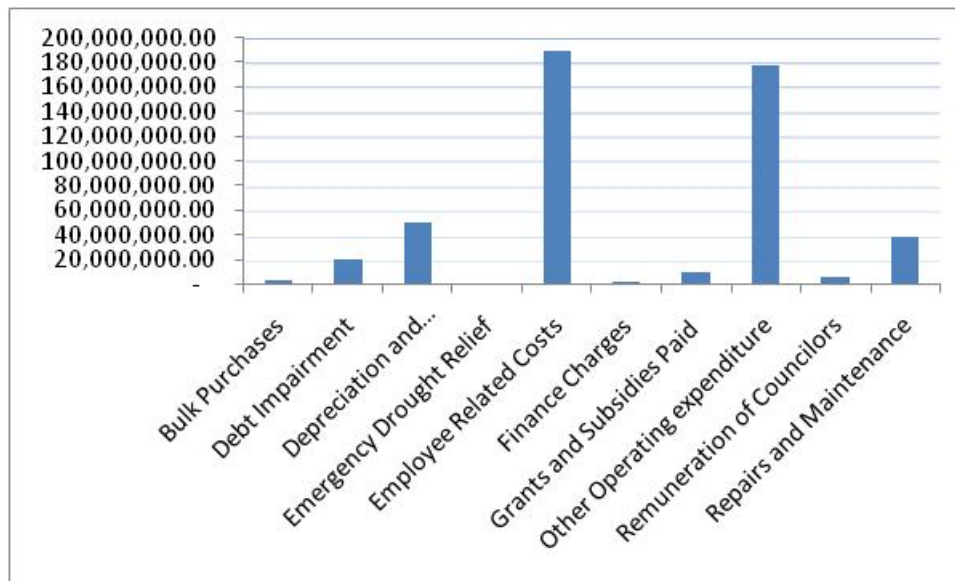
DC14 Joe Gqabi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	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
Expenditure By Type											
Employee related costs	2	105,867	128,170	150,962	176,374	175,708	175,708	175,708	189,902	203,198	215,098
Remuneration of councillors		4,298	5,022	5,263	6,031	6,031	6,031	6,031	6,649	7,061	7,478
Debt impairment	3	13,398	41,522	74,777	19,583	19,583	19,583	19,583	20,875	22,169	23,477
Depreciation & asset impairment	2	42,488	42,311	44,240	47,649	47,649	47,649	47,649	50,507	53,587	50,271
Finance charges		2,707	3,968	4,462	2,294	2,294	2,294	2,294	2,255	2,500	2,581
Bulk purchases	2	8,682	2,474	3,004	10,480	4,080	4,080	4,080	4,264	4,619	4,891
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		11,600	5,150	2,787	28,031	20,931	20,931	20,931	10,181	10,952	11,599
Other expenditure	4, 5	215,681	281,781	196,880	171,264	201,662	201,662	201,662	209,793	213,360	199,405
Loss on disposal of PPE		65	3,177	4,156	-	-	-	-	-	-	-
Total Expenditure		404,786	513,575	486,531	461,704	477,938	477,938	477,938	494,426	517,447	514,800

Table 6 Percentage growth in expenditure by main expenditure type

Description	Adjusted Budget 2015/16	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
Bulk Purchases	4,079,853.00	4,264,272.54	4,618,769.00	4,891,277.00
Debt Impairment	19,582,685.00	20,875,142.00	22,169,401.00	23,477,395.00
Depreciation and Amortisation	47,648,764.00	50,506,566.00	53,587,344.03	50,271,211.74
Emergency Drought Relief	1,280,000.00	1,026,000.00	1,420,585.00	-
Employee Related Costs	175,708,456.00	189,902,164.33	203,198,012.26	215,098,097.39
Finance Charges	2,293,887.00	2,255,323.00	2,500,112.00	2,580,597.00
Grants and Subsidies Paid	20,931,326.00	10,180,978.00	10,952,382.64	11,598,573.36
Other Operating expenditure	181,299,307.00	177,738,634.26	172,494,629.00	157,783,824.56
Remuneration of Councillors	6,030,580.00	6,648,713.00	7,060,933.21	7,477,528.27
Repairs and Maintenance	19,083,148.00	31,028,617.00	39,444,667.63	41,621,115.98
Total	477,938,006.00	494,426,410.13	517,446,835.76	514,799,620.29

Fig 2: Expenditure by major type



The budgeted allocation for employee related costs for the 2016/17 financial year totals R189.902 million, which equals 37 percent of the total operating expenditure. The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year– 7 per cent
- 2016/17 Financial Year– average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year– average CPI (Feb 2016 – Jan 2017) + 1 per cent

The municipality has budget 7.6 percent as per circular for the 2016/17 financial year. The employee related costs however increased by 8 percent. This is largely due to provision made for current vacancies as per the approved organogram.

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.

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 2016/17 financial year this amount equates to R 20.875 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.

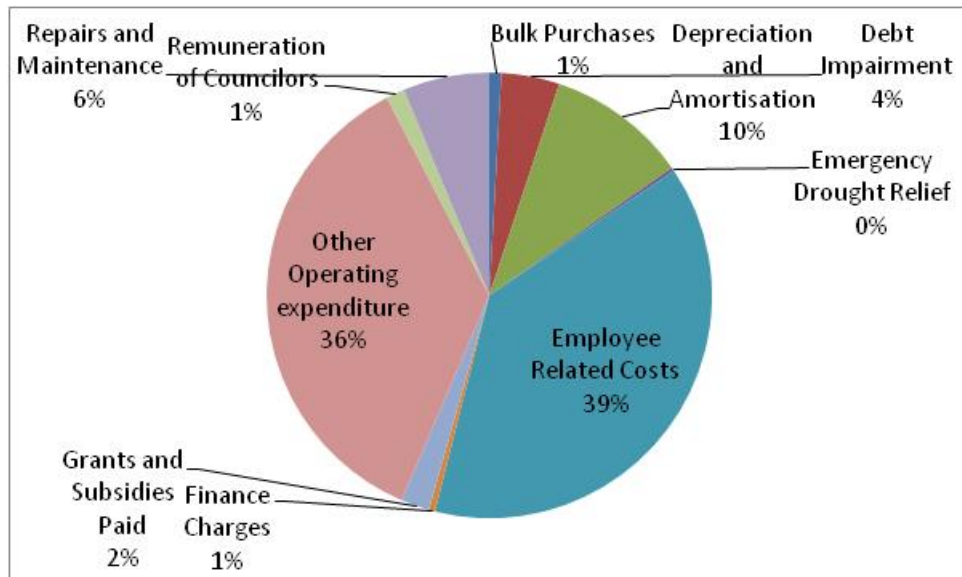
Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R50.507 million for the 2016/17 financial year and equates 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 (R2.255million) of operating expenditure excluding annual redemption for 2016/17 financial year.

Bulk Purchases are allocated R4.264 million for 2016/17 financial year.

Repairs and Maintenance allocation is R31.028 million (excluding the employee costs of departments responsible for repairs and maintenance) for the 2016/17 financial year. The portion reflective as repairs and maintenance is only 6.4% of total operational expenditure, however bulk of the cost associated with repairs and maintenance comprises of employee costs. This is however not included due to the municipality not operating on a job costing basis.

Fig 3: Expenditure by major type – 2016/17



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

**Joe Gqabi District Municipality – 2016/17 Final Budget and MTREF (Final for Approval by Council)
(26 May 2016)**

DC14 Joe Gqabi - Table A5 Consolidated 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
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		93,386	99,610	-	-	-	-	-	189,835	227,361	194,137
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]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	93,386	99,610	-	-	-	-	-	189,835	227,361	194,137
Single-year expenditure to be appropriated	2										
Vote 1 - MANAGEMENT SERVICES		879	-	-	-	-	-	-	2,533	-	-
Vote 2 - FINANCIAL SERVICES		55	21	-	200	200	200	200	2,200	200	200
Vote 3 - CORPORATE SERVICES		560	412	-	2,475	2,375	2,375	2,375	735	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	226,986	217,437	217,437	217,437	80,432	-	-
Vote 5 - COMMUNITY SERVICES		232	169	-	5,000	5,000	5,000	5,000	3,001	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1,726	601	-	234,661	225,012	225,012	225,012	88,901	200	200
Total Capital Expenditure - Vote		95,112	100,212	-	234,661	225,012	225,012	225,012	278,736	227,561	194,337
Capital Expenditure - Standard											
Governance and administration		1,494	434	-	2,675	2,575	2,575	2,575	5,468	200	200
Executive and council		879	-	-	-	-	-	-	2,533	-	-
Budget and treasury office		55	21	-	200	200	200	200	2,200	200	200
Corporate services		560	412	-	2,475	2,375	2,375	2,375	735	-	-
Community and public safety		232	169	-	5,000	5,000	5,000	5,000	3,001	-	-
Community and social services		232	169	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	5,000	5,000	5,000	5,000	3,001	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	35	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	35	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		93,386	99,575	-	226,986	217,437	217,437	217,437	270,267	227,361	194,137
Electricity		-	-	-	-	-	-	-	-	-	-
Water		93,386	75,025	-	170,258	176,989	176,989	176,989	237,473	170,814	136,512
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	24,550	-	56,728	40,447	40,447	40,447	32,794	56,547	57,625
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	95,112	100,213	-	234,661	225,012	225,012	225,012	278,736	227,561	194,337
Funded by:											
National Government		93,386	99,610	-	91,795	136,053	136,053	136,053	181,663	177,361	194,137
Provincial Government		-	-	-	-	2,000	2,000	2,000	80,000	50,000	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		1,726	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	95,112	99,610	-	91,795	138,053	138,053	138,053	261,663	227,361	194,137
Public contributions & donations	5	-	0	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	15,000	15,000	15,000	12,305	-	-
Internally generated funds		0	602	-	26,787	71,959	71,959	71,959	4,768	200	200
Total Capital Funding	7	95,112	100,213	-	118,582	225,012	225,012	225,012	278,736	227,561	194,337

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 2016/17 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 Consolidated 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
Revenue - Standard	1									
<i>Governance and administration</i>		173,295	188,416	286,931	282,734	282,734	282,734	308,441	325,505	350,640
Executive and council		4,104	5,073	5,490	800	800	800	-	-	-
Budget and treasury office		168,773	182,863	280,182	281,434	281,434	281,434	299,952	325,505	350,640
Corporate services		418	479	1,258	500	500	500	8,489	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	4,503	27,033	28,722
Community and social services		-	-	-	-	-	-	4,503	27,033	28,722
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		236,492	218,280	204,229	222,695	226,880	226,880	202,837	203,710	215,662
Planning and development		1,201	-	-	-	-	-	-	-	-
Road transport		205,010	196,945	199,980	211,729	211,729	211,729	191,212	203,591	215,543
Environmental protection		30,281	21,335	4,249	10,966	15,151	15,151	11,625	119	119
<i>Trading services</i>		43,723	93,491	48,575	149,200	152,700	152,700	169,273	187,946	179,912
Electricity		-	-	-	-	-	-	-	-	-
Water		36,787	80,382	44,426	149,200	149,200	149,200	151,828	134,400	123,400
Waste water management		6,936	13,109	4,149	-	3,500	3,500	17,445	53,546	56,512
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	453,510	500,187	539,735	654,629	662,313	662,313	685,055	744,194	774,937
Expenditure - Standard										
<i>Governance and administration</i>		71,321	86,342	157,063	145,265	149,834	149,834	182,640	191,478	198,912
Executive and council		25,160	34,543	37,310	36,020	38,441	38,441	48,811	52,878	55,998
Budget and treasury office		21,343	21,888	82,190	66,297	68,345	68,345	74,821	82,077	83,260
Corporate services		24,818	29,911	37,562	42,948	43,048	43,048	59,008	56,523	59,653
<i>Community and public safety</i>		9,743	15,775	13,851	14,087	14,562	14,562	15,594	16,650	17,381
Community and social services		1,654	5,761	2,911	2,208	2,228	2,228	2,109	2,276	2,391
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		8,089	10,014	10,940	11,879	12,333	12,333	13,485	14,374	14,990
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		177,481	180,418	141,862	149,646	165,336	165,336	149,244	137,794	136,664
Planning and development		4,146	1	-	-	-	0	0	0	0
Road transport		146,577	155,283	125,639	126,614	139,275	139,275	125,534	120,048	120,510
Environmental protection		26,758	25,134	16,223	23,032	26,061	26,061	23,710	17,746	16,153
<i>Trading services</i>		146,195	231,025	173,417	152,656	148,206	148,206	146,949	171,524	161,843
Electricity		-	-	-	-	-	-	-	-	-
Water		125,739	196,932	128,659	132,225	125,384	125,384	119,782	141,594	133,478
Waste water management		20,456	34,092	44,758	20,431	22,822	22,822	27,166	29,930	28,365
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	404,739	513,560	486,193	461,654	477,938	477,938	494,426	517,447	514,800
Surplus/(Deficit) for the year		48,770	(13,374)	53,542	192,975	184,375	184,375	190,628	226,747	260,137

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

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

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

DC14 Joe Gqabi - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	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
Revenue by Vote										
Vote 1 - MANAGEMENT SERVICES	1	21,573	28,481	6,625	800	800	800	-	-	-
Vote 2 - FINANCIAL SERVICES		168,773	182,863	196,187	216,449	216,449	216,449	229,608	250,336	270,960
Vote 3 - CORPORATE SERVICES		386	479	1,258	500	500	500	12,992	27,033	28,722
Vote 4 - TECHNICAL SERVICES		217,830	248,870	302,261	399,309	406,993	406,993	402,725	426,429	432,716
Vote 5 - COMMUNITY SERVICES		44,948	39,493	33,404	37,571	37,571	37,571	39,729	40,396	42,537
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	453,510	500,187	539,735	654,629	662,313	662,313	685,055	744,194	774,937
Expenditure by Vote, to be appropriated										
Vote 1 - MANAGEMENT SERVICES	1	74,770	104,996	104,235	84,224	87,923	87,923	112,184	127,997	132,273
Vote 2 - FINANCIAL SERVICES		21,091	21,786	30,845	37,035	38,542	38,542	43,632	45,488	48,124
Vote 3 - CORPORATE SERVICES		20,409	26,503	33,720	28,015	28,270	28,270	38,788	36,533	38,551
Vote 4 - TECHNICAL SERVICES		236,239	274,706	285,491	271,497	281,492	281,492	260,008	263,129	249,090
Vote 5 - COMMUNITY SERVICES		52,231	85,568	31,902	40,883	41,711	41,711	39,814	44,300	46,761
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	404,739	513,560	486,193	461,654	477,938	477,938	494,426	517,447	514,800
Surplus/(Deficit) for the year	2	48,770	(13,374)	53,542	192,975	184,375	184,375	190,628	226,747	260,137

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

1. Total revenue is R685.055 million in 2016/17.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

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

Description	Ref	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
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	23,144	36,963	65,864	50,271	50,271	50,271	50,271	54,315	58,000	61,480
Service charges - sanitation revenue	2	5,031	7,324	18,131	12,010	12,010	12,010	12,010	13,163	14,131	14,979
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other									4,503	27,033	28,722
Rental of facilities and equipment									-	-	-
Interest earned - external investments		3,143	3,240	3,901	3,368	3,368	3,368	3,368	3,368	3,577	3,788
Interest earned - outstanding debtors		1,392	4,379	5,808	2,704	2,704	2,704	2,704	2,866	3,038	3,221
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		1,758	2,929	-	112	112	112	112	119	119	119
Transfers recognised - operational		237,220	247,308	235,192	345,410	349,595	349,595	349,595	335,199	325,082	343,551
Other revenue	2	3,145	6,542	1,668	1,940	1,940	1,940	1,940	9,858	1,454	1,540
Gains on disposal of PPE		(55)	(24)	(72)	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		274,777	308,661	330,493	415,815	419,999	419,999	419,999	423,392	432,434	457,400
Expenditure By Type											
Employee related costs	2	105,867	128,170	150,962	176,374	175,708	175,708	175,708	189,902	203,198	215,098
Remuneration of councillors		4,298	5,022	5,263	6,031	6,031	6,031	6,031	6,649	7,061	7,478
Debt impairment	3	13,398	41,522	74,777	19,583	19,583	19,583	19,583	20,875	22,169	23,477
Depreciation & asset impairment	2	42,488	42,311	44,240	47,649	47,649	47,649	47,649	50,507	53,587	50,271
Finance charges		2,707	3,968	4,462	2,294	2,294	2,294	2,294	2,255	2,500	2,581
Bulk purchases	2	8,682	2,474	3,004	10,480	4,080	4,080	4,080	4,264	4,619	4,891
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		11,600	5,150	2,787	28,031	20,931	20,931	20,931	10,181	10,952	11,599
Other expenditure	4, 5	215,681	281,781	196,880	171,264	201,662	201,662	201,662	209,793	213,360	199,405
Loss on disposal of PPE		65	3,177	4,156	-	-	-	-	-	-	-
Total Expenditure		404,786	513,575	486,531	461,704	477,938	477,938	477,938	494,426	517,447	514,800
Surplus/(Deficit)		(130,009)	(204,914)	(156,039)	(45,889)	(57,939)	(57,939)	(57,939)	(71,035)	(85,013)	(57,400)
Transfers recognised - capital		178,733	191,525	209,242	238,814	242,314	242,314	242,314	261,663	311,760	317,537
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		48,724	(13,388)	53,204	192,925	184,375	184,375	184,375	190,628	226,747	260,137
Taxation											
Surplus/(Deficit) after taxation		48,724	(13,388)	53,204	192,925	184,375	184,375	184,375	190,628	226,747	260,137
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		48,724	(13,388)	53,204	192,925	184,375	184,375	184,375	190,628	226,747	260,137
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		48,724	(13,388)	53,204	192,925	184,375	184,375	184,375	190,628	226,747	260,137

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 R88.901 million for the 2016/17 financial year.
4. Multi-year capital expenditure has been appropriated at R189.835 million for the 2016/17 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 2016/17, capital transfers totals R261.663million.

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

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

Vote Description	Ref	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
Capital expenditure - Vote											
<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		93,386	99,610	-	-	-	-	-	189,835	227,361	194,137
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]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	93,386	99,610	-	-	-	-	-	189,835	227,361	194,137
<i>Single-year expenditure, to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		879	-	-	-	-	-	-	2,533	-	-
Vote 2 - FINANCIAL SERVICES		55	21	-	200	200	200	200	2,200	200	200
Vote 3 - CORPORATE SERVICES		560	412	-	2,475	2,375	2,375	2,375	735	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	226,986	217,437	217,437	217,437	80,432	-	-
Vote 5 - COMMUNITY SERVICES		232	169	-	5,000	5,000	5,000	5,000	3,001	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		1,726	601	-	234,661	225,012	225,012	225,012	88,901	200	200
Total Capital Expenditure - Vote		95,112	100,212	-	234,661	225,012	225,012	225,012	278,736	227,561	194,337
Capital Expenditure - Standard											
<i>Governance and administration</i>		1,494	434	-	2,675	2,575	2,575	2,575	5,468	200	200
Executive and council		879	-	-	-	-	-	-	2,533	-	-
Budget and treasury office		55	22	-	200	200	200	200	2,200	200	200
Corporate services		560	412	-	2,475	2,375	2,375	2,375	735	-	-
<i>Community and public safety</i>		232	169	-	5,000	5,000	5,000	5,000	3,001	-	-
Community and social services		232	169	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	5,000	5,000	5,000	5,000	3,001	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	35	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	35	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		93,386	99,575	-	226,986	217,437	217,437	217,437	270,267	227,361	194,137
Electricity		-	-	-	-	-	-	-	-	-	-
Water		93,386	75,025	-	170,258	176,989	176,989	176,989	237,473	170,814	136,512
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	24,550	-	56,728	40,447	40,447	40,447	32,794	56,547	57,625
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	95,112	100,213	-	234,661	225,012	225,012	225,012	278,736	227,561	194,337
Funded by:											
National Government		93,386	99,610	-	91,795	136,053	136,053	136,053	181,663	177,361	194,137
Provincial Government		-	-	-	-	2,000	2,000	2,000	80,000	50,000	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		1,726	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	95,112	99,610	-	91,795	138,053	138,053	138,053	261,663	227,361	194,137
Public contributions & donations	5	-	0	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	15,000	15,000	15,000	12,305	-	-
Internally generated funds		0	602	-	26,787	71,959	71,959	71,959	4,768	200	200
Total Capital Funding	7	95,112	100,213	-	118,582	225,012	225,012	225,012	278,736	227,561	194,337

Explanatory notes to Table A6 - Budgeted Financial Position

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

Table 13 MBRR NT A6 - Budgeted Financial Position

DC14 Joe Gqabi - Table A6 Consolidated Budgeted Financial Position

Description	Ref	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
ASSETS											
Current assets											
Cash		10,437	3,129	(2,128)	3,505	11,651	11,651	11,651	381	13,885	89,594
Call investment deposits	1	13,408	35,093	35,920	17,469	4,153	4,153	4,153	2,568	2,377	3,788
Consumer debtors	1	12,255	16,524	25,643	52,808	8,200	8,200	8,200	26,014	45,188	65,534
Other debtors		7,744	6,991	4,908	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Current portion of long-term receivables		48,547	4,622								
Inventory	2	1,707	3,018	3,891	3,568	4,144	4,144	4,144	2,723	2,042	1,531
Total current assets		94,098	69,378	68,234	87,350	38,148	38,148	38,148	41,686	73,492	170,447
Non current assets											
Long-term receivables											
Investments		3,097	3,195	3,289	3,402	3,289	3,289	3,289	2,989	3,109	3,109
Investment property		2,666	2,621	2,575	2,894	2,894	2,894	2,894	2,894	2,894	2,894
Investment in Associate											
Property, plant and equipment	3	1,224,298	1,280,256	1,359,066	1,469,379	1,472,449	1,472,449	1,472,449	1,698,713	1,872,846	2,017,072
Agricultural											
Biological											
Intangible		2,777	2,208	1,907	3,346	3,346	3,346	3,346	5,312	5,152	4,992
Other non-current assets											
Total non current assets		1,232,839	1,288,280	1,366,838	1,479,021	1,481,979	1,481,979	1,481,979	1,709,908	1,884,002	2,028,067
TOTAL ASSETS		1,326,937	1,357,658	1,435,072	1,566,371	1,520,127	1,520,127	1,520,127	1,751,594	1,957,494	2,198,515
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	571	1,280	3,214	1,350	1,392	1,392	1,392	1,286	1,185	755
Consumer deposits			835	869	1,250	1,042	1,042	1,042	1,042	1,042	1,042
Trade and other payables	4	60,050	98,562	88,641	4,153	24,050	24,050	24,050	53,514	36,330	25,537
Provisions		14,994	18,263	22,316	30,017	30,017	30,017	30,017	35,337	38,871	42,758
Total current liabilities		75,616	118,940	115,040	36,770	56,501	56,501	56,501	91,180	77,428	70,092
Non current liabilities											
Borrowing		6,099	5,654	15,464	42,723	42,723	42,723	42,723	48,739	41,491	29,550
Provisions		26,411	28,462	31,820	29,450	31,090	31,090	31,090	31,234	31,386	31,547
Total non current liabilities		32,510	34,115	47,284	72,173	73,813	73,813	73,813	79,973	72,877	61,097
TOTAL LIABILITIES		108,125	153,055	162,324	108,943	130,314	130,314	130,314	171,152	150,305	131,189
NET ASSETS	5	1,218,811	1,204,602	1,272,749	1,457,428	1,389,814	1,389,814	1,389,814	1,580,441	1,807,189	2,067,326
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	1,218,811	1,204,602	1,272,749	1,457,428	1,389,814	1,389,814	1,389,814	1,580,441	1,807,189	2,067,326
Reserves		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	1,218,811	1,204,602	1,272,749	1,457,428	1,389,814	1,389,814	1,389,814	1,580,441	1,807,189	2,067,326

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

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

Table 14 MBRR NT A7 - Budgeted Cash Flow Statement

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	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
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges									-	-	-
Service charges		31,916	23,348	31,886	31,140	31,140	31,140	31,140	36,158	60,859	64,578
Other revenue		-	-	-	2,052	2,052	2,052	2,052	9,977	1,573	1,659
Government - operating	1	303,050	335,324	235,192	345,410	349,595	349,595	349,595	335,199	325,082	343,551
Government - capital	1	105,090	106,144	195,560	238,814	242,314	242,314	242,314	261,663	311,760	317,537
Interest		4,535	7,619	9,709	6,072	6,072	6,072	6,072	3,368	3,577	3,788
Dividends									-	-	-
Payments											
Suppliers and employees		(330,092)	(354,119)	(350,874)	(363,998)	(412,124)	(412,124)	(412,124)	(374,258)	(441,176)	(433,106)
Finance charges		(764)	(721)	(852)	(2,294)	(2,294)	(2,294)	(2,294)	(2,255)	(2,500)	(2,581)
Transfers and Grants	1	(12,286)	(3,129)	(2,787)	(28,131)	(31,131)	(31,131)	(31,131)	(10,181)	(10,952)	(11,599)
NET CASH FROM/(USED) OPERATING ACTIVITIES		101,449	114,465	117,834	229,066	185,624	185,624	185,624	259,671	248,223	283,828
CASH FLOWS FROM INVESTING ACTIVITIES											
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		117	(94)	(94)					300	-	-
Payments											
Capital assets		(95,009)		(126,932)	(234,661)	(225,012)	(225,012)	(225,012)	(278,736)	(227,561)	(194,337)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(94,743)	(100,307)	(127,026)	(234,661)	(225,012)	(225,012)	(225,012)	(278,436)	(227,561)	(194,337)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		-		4,727	22,500	22,500	22,500	22,500	12,305	-	-
Increase (decrease) in consumer deposits		171	664	34	249	249	249	249	-	-	-
Payments											
Repayment of borrowing		(399)	(445)		(1,350)	(1,350)	(1,350)	(1,350)	(6,395)	(7,349)	(12,371)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(229)	219	4,761	21,399	21,399	21,399	21,399	5,910	(7,349)	(12,371)
NET INCREASE/ (DECREASE) IN CASH HELD		6,478	14,377	(4,431)	15,804	(17,988)	(17,988)	(17,988)	(12,855)	13,313	77,119
Cash/cash equivalents at the year begin:	2	17,368	23,846	38,223	5,170	33,792	33,792	33,792	15,804	2,949	16,262
Cash/cash equivalents at the year end:	2	23,846	38,223	33,792	20,974	15,804	15,804	15,804	2,949	16,262	93,381

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, 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 2015. In accordance with the original budget time schedule the IDP and annual budget for 2016/17 were to be adopted by Council on 26 May 2016.

2.2.1 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/17 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 2016/17 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2015/16 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 2016/17 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.

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

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.

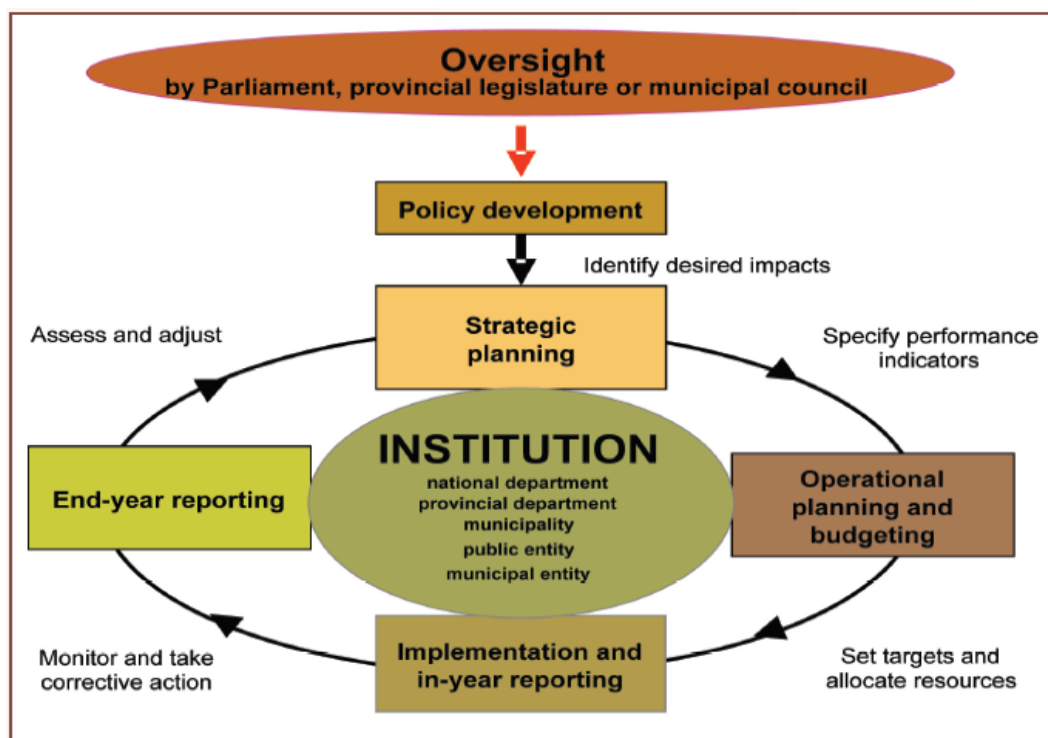
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- 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

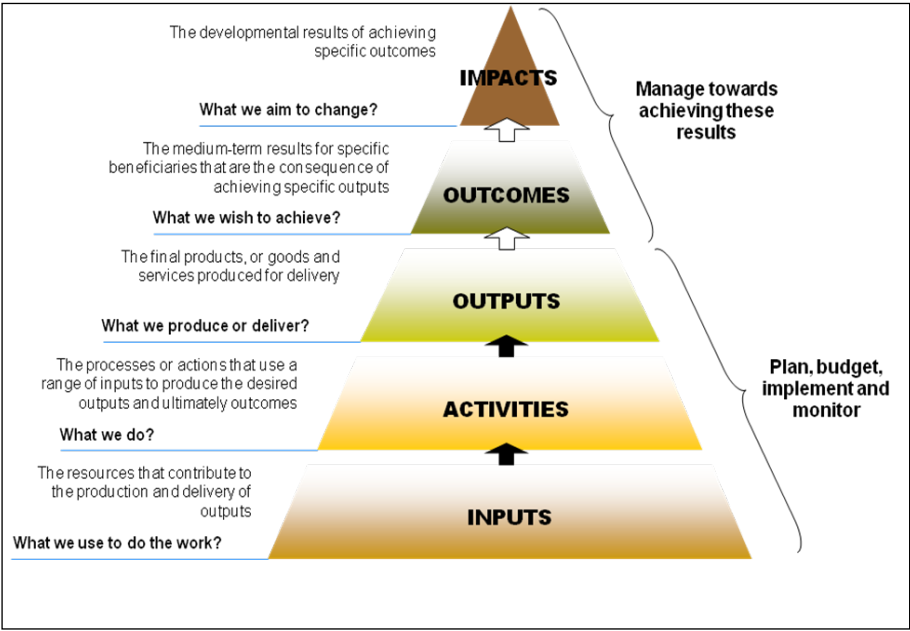
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, 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 2016/17 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	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
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	1.7%	1.9%	2.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	8.3%	7.2%	4.7%	5.2%	5.2%	5.2%	5.2%	9.8%	9.2%	13.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	15.7%	25.9%	25.9%	25.9%	72.1%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.2	0.6	0.6	2.4	0.7	0.7	0.7	0.5	0.9	2.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.2	0.6	0.6	2.4	0.7	0.7	0.7	0.5	0.9	2.4
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.3	0.3	0.6	0.3	0.3	0.3	0.0	0.2	1.3
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		113.3%	52.7%	38.0%	50.0%	50.0%	50.0%	50.0%	50.2%	61.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		113.3%	52.7%	38.0%	50.0%	50.0%	50.0%	50.0%	50.2%	61.4%	61.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	24.9%	9.1%	9.2%	15.1%	4.3%	4.3%	4.3%	8.5%	12.8%	16.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		189.6%	169.8%	234.8%	0.0%	125.9%	125.9%	125.9%	1741.4%	208.8%	25.2%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	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)	38.5%	41.5%	45.7%	42.4%	41.8%	41.8%	41.8%	44.9%	47.0%	47.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	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)	2.6%	6.2%	4.2%	3.1%	4.5%	4.6%	4.6%	7.3%	9.1%	9.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	16.4%	15.0%	14.7%	12.0%	11.9%	11.9%	11.9%	12.5%	13.0%	11.6%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	4.7	6.3	12.8	9.5	9.5	9.5	7.2	8.1	6.6	7.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	243.3%	63.5%	36.4%	100.8%	29.2%	29.2%	29.2%	50.0%	55.7%	71.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.2	1.6	1.3	0.8	0.6	0.6	0.6	0.1	0.6	3.5

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 2016/17 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 2015/16 to 1.7 percent in 2016/17. This increase can be attributed to the raising of loans to fund portions of the capital programme (municipal vehicles). 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 2016/17 MTREF the current ratio is 0.5:1. 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 2015/16 financial year the ratio was 0.7 and it has deteriorated to 0.5:1 in 2016/17 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 which will be exceeded in the MTREF.

2.5.1.3 Other Indicators

- Employee costs as a percentage of operating revenue continues to increase 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 has been approved by Council in May 2012. 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 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 45 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. With the implementation of mSCOA deadline of 1 July

2017, virements will not be possible. In an attempt to prepare staff for this, virements will only be allowed in emergency circumstances.

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 2016/17 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 negotiated by SALGBC.

2.7.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than 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 as negotiated by SALGBC is 7.6%, as budgeted for the 2016/17 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 2016/17 MTREF of which performance has been factored into the cash flow budget.

2.8 Overview of budget funding

2.8.1 Medium-term outlook: operating revenue

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

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

Description	Adjusted Budget 2015/16	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
Grants & Subsidies Received - Capital	242,314,000.00	261,663,000.00	311,760,000.00	317,537,000.00
Grants & Subsidies Received - Operational	349,594,621.00	335,199,000.00	325,082,000.00	343,551,000.00
Income for Agency Services	112,000.00	119,392.00	119,392.00	119,392.00
Interest Earned - External Investments	3,368,000.00	3,368,000.00	3,576,816.00	3,787,848.14
Interest Earned - Outstanding	2,704,072.00	2,866,317.00	3,038,295.30	3,220,593.02
Other Revenue	1,940,220.00	9,857,961.00	1,453,833.00	1,539,609.00
Nett Service charges	62,280,584.00	71,981,028.60	99,163,821.37	105,181,232.78
Grand Total	662,313,497.00	685,054,698.60	744,194,157.67	774,936,674.94

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

Source of Funding	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
National Government	181,663,000.00	177,361,000.00	194,137,000.00
Provincial Government	80,000,000.00	50,000,000.00	-
Internally generated funds	4,767,500.00	200,000.00	200,000.00
Borrowing	12,305,170.00	-	-
	278,735,670.00	227,561,000.00	194,337,000.00

The capital programme is funded from National Grants and transfers.

2.8.3 Cash Flow Management

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

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

Table 18 MBRR NT A7 - Budget cash flow statement

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	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
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges									-	-	-
Service charges		31,916	23,348	31,886	31,140	31,140	31,140	31,140	36,158	60,859	64,578
Other revenue		-	-	-	2,052	2,052	2,052	2,052	9,977	1,573	1,659
Government - operating	1	303,050	335,324	235,192	345,410	349,595	349,595	349,595	335,199	325,082	343,551
Government - capital	1	105,090	106,144	195,560	238,814	242,314	242,314	242,314	261,663	311,760	317,537
Interest		4,535	7,619	9,709	6,072	6,072	6,072	6,072	3,368	3,577	3,788
Dividends									-	-	-
Payments											
Suppliers and employees		(330,092)	(354,119)	(350,874)	(363,998)	(412,124)	(412,124)	(412,124)	(374,258)	(441,176)	(433,106)
Finance charges		(764)	(721)	(852)	(2,294)	(2,294)	(2,294)	(2,294)	(2,255)	(2,500)	(2,581)
Transfers and Grants	1	(12,286)	(3,129)	(2,787)	(28,131)	(31,131)	(31,131)	(31,131)	(10,181)	(10,952)	(11,599)
NET CASH FROM/(USED) OPERATING ACTIVITIES		101,449	114,465	117,834	229,066	185,624	185,624	185,624	259,671	248,223	283,828
CASH FLOWS FROM INVESTING ACTIVITIES											
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		117	(94)	(94)					300	-	-
Payments											
Capital assets		(95,009)		(126,932)	(234,661)	(225,012)	(225,012)	(225,012)	(278,736)	(227,561)	(194,337)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(94,743)	(100,307)	(127,026)	(234,661)	(225,012)	(225,012)	(225,012)	(278,436)	(227,561)	(194,337)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		-		4,727	22,500	22,500	22,500	22,500	12,305	-	-
Increase (decrease) in consumer deposits		171	664	34	249	249	249	249	-	-	-
Payments											
Repayment of borrowing		(399)	(445)		(1,350)	(1,350)	(1,350)	(1,350)	(6,395)	(7,349)	(12,371)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(229)	219	4,761	21,399	21,399	21,399	21,399	5,910	(7,349)	(12,371)
NET INCREASE/(DECREASE) IN CASH HELD		6,478	14,377	(4,431)	15,804	(17,988)	(17,988)	(17,988)	(12,855)	13,313	77,119
Cash/cash equivalents at the year begin:	2	17,368	23,846	38,223	5,170	33,792	33,792	33,792	15,804	2,949	16,262
Cash/cash equivalents at the year end:	2	23,846	38,223	33,792	20,974	15,804	15,804	15,804	2,949	16,262	93,381

2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

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

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

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

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

Description	Ref	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
Cash and investments available											
Cash/cash equivalents at the year end	1	23,846	38,223	33,792	20,974	15,804	15,804	15,804	2,949	16,262	93,381
Other current investments > 90 days		(0)	(1)	(0)	-	0	0	0	(0)	(0)	(0)
Non current assets - Investments	1	3,097	3,195	3,289	3,402	3,289	3,289	3,289	2,989	3,109	3,109
Cash and investments available:		26,943	41,418	37,081	24,376	19,093	19,093	19,093	5,938	19,372	96,491
Application of cash and investments											
Unspent conditional transfers		14,837	33,645	9,309	4,153	4,153	4,153	4,153	2,160	2,376	1,972
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	26,696	55,472	68,682	(31,099)	10,885	10,885	10,885	31,767	752	(21,893)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		41,533	89,118	77,991	(26,946)	15,038	15,038	15,038	33,926	3,128	(19,921)
Surplus(shortfall)		(14,590)	(47,700)	(40,910)	51,322	4,056	4,056	4,056	(27,988)	16,244	116,412

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	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
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	23,846	38,223	33,792	20,974	15,804	15,804	15,804	2,949	16,262	93,381
Cash + investments at the yr end less applications - R'000	18(1)b	2	(14,590)	(47,700)	(40,910)	51,322	4,056	4,056	4,056	(27,988)	16,244	116,412
Cash year end/monthly employee/supplier payments	18(1)b	3	1.2	1.6	1.3	0.8	0.6	0.6	0.6	0.1	0.6	3.5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	48,724	(13,388)	53,204	192,925	184,375	184,375	184,375	190,628	226,747	260,137
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	51.2%	83.7%	(31.9%)	(6.0%)	(6.0%)	(6.0%)	9.6%	31.8%	0.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	92.6%	40.2%	34.9%	49.5%	49.5%	49.5%	49.5%	54.4%	60.2%	60.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	47.6%	93.8%	89.0%	31.4%	31.4%	31.4%	31.4%	29.0%	22.4%	22.3%
Capital payments % of capital expenditure	18(1)c:19	8	99.9%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	15.7%	25.9%	25.9%	25.9%	72.1%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(59.0%)	8.6%	105.6%	(71.0%)	0.0%	0.0%	97.9%	53.2%	36.9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	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	0.6%	1.5%	1.0%	0.9%	1.3%	1.3%	2.1%	1.8%	2.1%	2.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.0%	0.5%	0.0%	0.0%

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	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
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	215,256	215,256	215,256	287,693	287,082	303,551
Local Government Equitable Share					209,607	209,607	209,607	223,621	244,055	264,128
Rural roads assets management systems grant					2,080	2,080	2,080	2,136	2,277	2,418
Rural households infrastructure grant					-	-	-	4,500	-	-
Municipal Systems Improvement					940	940	940	-	-	-
Municipal Infrastructure Grant (MIG)					-	-	-	54,712	39,500	35,500
Financial Management Grant					1,250	1,250	1,250	1,250	1,250	1,505
EPWP					1,379	1,379	1,379	1,474	-	-
Provincial Government:		-	-	-	112	912	112	-	-	-
Municipal Health Services					112	112	112			
Local and Regional Economic Development (LRED)						800	-			
LED Capacity					-	-	-			
Water services operating subsidy grant					-	-	-			
EPWP										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	44,854	44,854	44,854	47,506	38,000	40,000
DRPW					34,000	34,000	34,000	36,000	38,000	40,000
Working for Water/Wetlands					10,854	10,854	10,854	11,506		
Total operating expenditure of Transfers and Grants:		-	-	-	260,222	261,022	260,222	335,199	325,082	343,551
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	184,281	209,116	209,116	181,663	261,760	317,537
Municipal Infrastructure Grant (MIG)					154,270	170,995	170,995	96,890	123,814	137,625
Municipal Water Infrastructure Grant					25,011	20,009	20,009			
Water Services Operating Subsidy Grant					5,000	14,612	14,612			
Regional Bulk Infrastructure					-	3,500	3,500	12,945	53,546	56,512
Water Services Infrastructure Grant								71,828	84,400	123,400
0										
Provincial Government:		-	-	-	-	-	-	80,000	50,000	-
Emergency Drought Relief								80,000	50,000	
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	50,000	50,000	-	-	-
Department of Human Settlement						50,000	50,000			
Total capital expenditure of Transfers and Grants		-	-	-	184,281	259,116	259,116	261,663	311,760	317,537
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	444,503	520,138	519,338	596,862	636,842	661,088

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 – 2016/17 Final Budget and MTREF (Final for Approval by Council)
(26 May 2016)**

DC14 Joe Gqabi - Table A9 Consolidated Asset Management

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
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	-	-	-	170,151	162,256	172,541	230,964	273,675	278,741
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	79,897	79,073	89,358	200,239	224,749	877
Infrastructure - Sanitation		-	-	-	51,114	44,144	44,144	29,289	28,070	49,671
Infrastructure - Other		-	-	-	-	-	-	-	20,655	227,993
Infrastructure		-	-	-	131,011	123,216	133,502	229,529	273,475	278,541
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	39,139	39,039	39,039	1,435	200	200
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	475	475	475	1,333	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	475	475	475	1,333	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	79,897	79,073	89,358	200,239	224,749	877
Infrastructure - Sanitation		-	-	-	51,114	44,144	44,144	29,289	28,070	49,671
Infrastructure - Other		-	-	-	-	-	-	-	20,655	227,993
Infrastructure		-	-	-	131,011	123,216	133,502	229,529	273,475	278,541
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	39,615	39,515	39,515	2,768	200	200
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	-	-	-	170,626	162,731	173,016	232,296	273,675	278,741
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		1,188,140	1,094,544	1,097,536	1,053,092	1,089,486	1,089,486	1,326,959	1,456,923	1,543,684
Infrastructure - Sanitation		20,414	173,308	224,400	263,273	318,337	318,337	351,131	407,678	465,303
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		1,208,554	1,267,852	1,321,936	1,316,365	1,407,822	1,407,822	1,678,089	1,864,600	2,008,986
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		2,666	2,621	2,575	2,894	2,894	2,894	2,894	2,894	2,894
Other assets		10,300	7,575	32,648	146,774	58,387	58,387	12,418	200	200
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		2,777	2,208	1,907	3,346	3,346	3,346	5,312	5,152	4,992
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1,224,298	1,280,256	1,359,066	1,469,379	1,472,449	1,472,449	1,698,713	1,872,846	2,017,072
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		42,488	42,311	44,240	47,649	47,649	47,649	50,507	53,587	50,271
Repairs and Maintenance by Asset Class	3	7,123	19,097	13,843	13,049	19,083	19,339	38,617	39,445	41,621
Infrastructure - Road transport		3,303	1,218	1,314	3,267	3,267	2,023	3,269	3,472	3,677
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		562	13,120	4,911	4,331	6,453	11,908	17,536	22,206	23,516
Infrastructure - Sanitation		1,195	1,858	2,808	3,467	5,517	2,110	7,691	9,100	9,486
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		5,060	16,196	9,033	11,065	15,237	16,042	28,496	34,778	36,679
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	2,063	2,901	4,810	1,983	3,846	3,296	10,121	4,666	4,942
TOTAL EXPENDITURE OTHER ITEMS		49,611	61,409	58,083	60,697	66,732	66,987	89,123	93,032	91,892
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.3%	0.3%	0.3%	0.6%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	2.6%	0.0%	0.0%
R&M as a % of PPE		0.6%	1.5%	1.0%	0.9%	1.3%	1.3%	2.3%	2.1%	2.1%
Renewal and R&M as a % of PPE		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%

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 2016/17 MTREF on the 26 May 2016 directly aligned and informed by the 2016/17 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: _____