

MHLONTLO LOCAL MUNICIPALITY

**SCHEDULE A**

AN ANNUAL BUDGET AND  
SUPPORTING DOCUMENTATION  
OF A MUNICIPALITY

ANNUAL BUDGET OF

# MHLONTLO LOCAL MUNICIPALITY



2018/19 TO 2021/22  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
EE	Employment Equity	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services	NGO	Non-Governmental organisations
GRAP	Generally Recognised Accounting Practice	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OHS	Occupational Health and Safety
GFS	Government Financial Statistics	OP	Operational Plan
HR	Human Resources	PBO	Public Benefit Organisations
IDP	Integrated Development Strategy	PHC	Provincial Health Care
IT	Information Technology	PMS	Performance Management System
kℓ	kilolitre	PPE	Property Plant and Equipment
km	kilometre	PPP	Public Private Partnership
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

Councillors, municipal manager, head of departments, guests, ladies and gentlemen, good morning to all.

Mhlontlo Municipality is again preparing for the 2018/2019 budget year set the task to provide sustainable and economically viable local governance to our communities. The provision of affordable and sustainable, quality services to all our communities remain high on the agenda. We find ourselves in a position where we must continuously adapt our strategies to suit prevailing economic circumstances as we cannot isolate ourselves from the global economy.

According to the National treasury the GDP is forecasted at 1.5% in 2018, 1,8 in 2019 and 2.1% in 2020. South Africa's economic outlook showed an unexpected improvement in December 2018 because of growth in agriculture and mining.

The main risks to the good economic outlook are continued policy uncertainties and deteriorating finances in the state-owned enterprises. There is also a revenue gap of R48.2 billion in the National fiscus. This will then have a negative impact on municipalities like Mhlontlo, who solely depend on grants because of their extreme rural nature.

We have since noted that the Municipal infrastructure Grant allocation has decreased.

It is because of this that we still place strong emphasis on value for money in all our procurement processes, and that we continue to encourage savings and strive to maximize all possible revenue sources for the 2018/2019 financial year in us striving to secure the economic progression of the municipality.

It is expected that municipal revenue and cash flows will remain under pressure in 2018/19 we are adopting a conservative approach when projecting our revenues and cash receipts for 2018/19.

The Municipality must, against the background of a very difficult financial year, balance its books. The equitable share allocation remains far too little for the proper administration and service delivery in the area, and the municipality therefore needs to rely on savings and critical cut-backs to ensure financial sustainability.

The budget I am tabling here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practice as applicable to Local Government.

The budget was compiled, taking into account the Macro-economic growth parameters and also addresses the following National Policy frameworks and Provincial priorities including the following:

- Incremental channeling of funds towards infrastructure development, poverty alleviation and job creation.
- Participation in expanded public works programs and labour intensive projects.
- Building of capacity for long term growth through investment in infrastructure
- Maintaining of debt levels through debtor management as well as maximizing sources of revenue.
- Focus on **core** service delivery activities of local government
- The building of an efficient developmental municipality through increasing the levels of delivery by ensuring improvements to policy formulation, procurement, management systems, developing mechanisms for sharing skilled personnel in critical delivery areas

The following underlying factors were also taken into consideration with the compilation of the 2018/2019 draft budget:

- The current socio-economic circumstances of our communities and especially the high rate of unemployment
- External factors having a direct impact on the budget such as the consumer inflation, the wage agreement concluded with organized labour as well as other cost factors influencing service delivery.

#### **FOCUS OF THE 2018/2019 BUDGET**

- With the 2018-2019 budget, emphasis is placed on the **core** service delivery obligations assigned to the municipality in the constitution.
- Maintenance of existing infrastructure enjoys preference once again and we are focusing on preventative and scheduled maintenance preceded by proper planning processes.
- Provision of basic services, improvement of the quality of housing, infrastructure as well as sustainable service delivery.

The capital budget flows from the IDP process and contains information obtained from relevant stakeholders and communities through a public participation process as well as ward committee processes where applicable.

The capital budget for the 2018/2019 financial year amounts to R63.5 Million.

We cannot expect to do the same old things and expect different results.

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

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

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

## 1.2 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft Annual budget of Mhlontlo Municipality for the financial year 2018/18; and indicative allocations for the two projected outer years 2019/20 and 2020/21; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
  - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
  - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
  - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
  - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
  - 2.1. Budgeted Financial Position;
  - 2.2. Budgeted Cash Flows;
  - 2.3. Cash backed reserves and accumulated surplus reconciliation;
  - 2.4. Asset management; and
  - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for property rates and refuse removal as set out in annexure A, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2018.
4. That in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) the tariffs for other services, as set out in Annexure A, that were used in compiling the final budget, are approved with effect from 1 July 2018
5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, 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 are approved.
6. That free basic services be provided to all registered indigent consumers **only** as follows:
  - The first 50 units of electricity free of charge
  - Refuse removal - full subsidy of single residential monthly levy and town cleaning levy
  - Property rates 100% subsidy
  - Alternative Energy 20 litres of paraffin
  -



7. That interest be charged on all debtor's accounts outstanding for a period of more than 30 days at the prevailing prime interest rate of 5% charged by the Municipality's Banker.
8. That in terms of the provisions of **Section 75A** of the Municipal Systems Act, 32 of 2000, the notice of the tariff amendments be displayed on notice boards at all municipal offices, libraries, and be advertised in local newspapers.
9. That in terms of the provisions of the Municipal Property Rates Act, (Act 6 of 2004) the remissions be granted to property owners in terms of the provisions of the municipal rates policy subject to the conditions contained in said policy
10. That the amount due in respect of annual assessment rates for the 2018/2018 be due and payable on or before 30 September 2018.
11. That the amount due in respect of monthly Assessment rates and other service, basic and consumption charges, fees and penalties be due and payable on or before the following dates: 15 July 2018, 15 August 2018, 15 September 2018, 15 October 2018, 14 November 2018, 15 December 2018, 15 January 2018, 13 February 2018, 13 March 2018, 15 April 2018, 15 May 2018, 15 June 2018.
12. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the amendments to the rates policy as indicated are approved with effect 1 July 2018
13. That in terms of the municipal budget and reporting regulations, paragraph 7, the amendments to the budget policies, as indicated, are approved with effect 1 July 2018
14. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the final IDP for 2018/18 – 2021/22 be approved.
15. That the final documents be available for inspection and comments at the following places:  
Qumbu Municipal office and Tsolo Municipal Office

### 1.3 Executive Summary

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

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on noncore and '**nice to have**' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, we have undertaken various

customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 91 was used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure especially on rural roads;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality,
- In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R90 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling; and
  - Subsistence, Travelling & Conference fees (national & international).

The following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/19 MTREF**

ITEM	Sum of ORIG BUDGET - 2017	Sum of ADJ BUDGET - 2017	Sum of DRAFT BUDGET 2018-2019
GAINS AND LOSS	-15 396 581,00	-	
ITEM AL	43 679 712,00	60 112 935,00	63 569 624,33
ITEM EXPENSE	212 483 351,00	312 497 125,00	298 245 720,43

ITEM REVENUE	-240 801 485,00	-265 941 075,00	-259 005 241,92
<b>Grand Total</b>	<b>-35 003,00</b>	<b>106 668 985,00</b>	<b>102 810 102,85</b>

Total operating revenue has decreased by 7.25% for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. The municipality will not be getting the INEP allocation in the upcoming year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R298 million. The operating deficit is steadily increasing from R106 million to R102 million.

The capital budget of R63 million for 2018/19 is 5 per cent more when compared to the 2017/18 Adjustment Budget. The increase is due to various projects that have been prioritized through equitable share and own reserves.

## 1.4 Operating Revenue Framework

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Mhlontlo and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Mhlontlo.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	-	-	-	9 130	9 452	9 452	9 452	9 443	9 953	10 500
Service charges - electricity revenue	2	-	-	-	-	-	-	-	(2 438)	(2 570)	(2 711)
Service charges - refuse revenue	2	-	-	-	1 315	2 287	1 377	-	1 377	1 452	1 532
Service charges - other					-		-	-			
Rental of facilities and equipment					41		-	-	47	49	52
Interest earned - external investments					4 064	4 064	4 279	4 279	4 279	4 511	4 759
Interest earned - outstanding debtors					483	569	599	599	599	631	666
Dividends received					-		-	-		-	-
Fines, penalties and forfeits					58	58	62	62	65	68	72
Licences and permits					-		-	-	1 221	1 287	1 358
Agency services					1 102	1 493	1 572	1 572	1 262	1 330	1 404
Transfers and subsidies					178 285	179 086	188 578	188 578	150 949	159 101	167 851
Other revenue	2	-	-	-	24 877	22 732	22 732	22 732	30 169	31 798	33 547
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	-	-	219 357	219 741	228 650	227 273	196 974	207 610	219 029

**Table 3 Percentage growth in revenue by main revenue source****Table 4 Operating Transfers and Grant Receipts**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		-	-	-	163 141	163 141	163 141	170 166	182 286	194 080
Local Government Equitable Share					159 379	159 379	159 379	165 930	179 871	191 665
Finance Management					2 345	2 345	2 345	2 415	2 415	2 415
EPWP Incentive					1 417	1 417	1 417	1 821	-	-
Provincial Government:		-	-	-	170	350	350	-	-	-

Library & Subsidies					170	350	350			
Total Operating Transfers and Grants	5	-	-	-	163 311	163 491	163 491	170 166	182 286	194 080

### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 35 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 5.4 per cent increase from 1 July 2018 is contained below:

**Table 5 Comparison of proposed rates to levied for the 2018/19 financial year**

<b>ASSESMENT RATES</b>	2017/2018	2018/2019	2019/2020	2020/2021
<i>Residential</i>	0.007051	0.007424703	0.007825637	0.008256047
First R30 000 discount				
<i>Vacant Land</i>	0.007051	0.007424703	0.007825637	0.008256047
<i>Commercial</i>				
	0.0155461	0.016370043	0.017254025	0.018202997
<i>Government</i>				
	0.00176275	0.001856176	0.001956409	0.002064012
<i>Farms</i>				
Apply for R30 000 residential discount.	0.00176275	0.001856176	0.001956409	0.002064012

#### 1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5.4 per cent increase in the waste removal tariff is proposed from 1 July 2018. Higher increases will not be viable in 2018/19. Any increase higher than 9 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2018:

**Table 6 Comparison between current waste removal fees and increases**

	Old tariff	Proposed New Tariff	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded
<b>REFUSE REMOVAL CHARGES</b>	2017/2018	2018/2019	2019/2020	2020/2021
<i>Government</i>				
Each property shall be charged a basic service charge per month.	R 229.37	R 241.52	R 254.57	R 268.57
<i>Hospitals</i>	R 333.19	R 350.85	R 369.80	R 390.14
<i>Domestic Removals</i>				
Every owner or occupier of premises from which refuse is removed twice weekly shall pay the Council a fee per month.	R 54.66	R 57.55	R 60.66	R 64.00
<i>Commercial Removals</i>				
Each individual/separate business shall be charged a basic service charge per month.	R 340.27	R 358.30	R 377.65	R 398.42
<i>Availability Charge</i>				
A availability fee, is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu	R 136.11	R 143.32	R 151.06	R 159.37

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 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 program is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

**Table 7 Summary of operating expenditure by standard classification item**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>	-										
Employee related costs	2	-	-	-	93 574	79 596	79 596	79 596	82 575	87 034	91 821
Remuneration of councillors					17 010	18 348	18 348		19 701	20 765	21 907
Debt impairment	3				-						
Depreciation & asset impairment	2	-	-	-	14 336	126 080	114 563	98 261	98 261	103 568	109 264
Finance charges											
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8										
Contracted services					24 483	14 811	14 811	14 811	18 353	19 344	20 408
Transfers and subsidies					-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	-	69 954	53 357	56 984	56 984	78 784	83 038	87 605
Loss on disposal of PPE											
<b>Total Expenditure</b>		-	-	-	219 357	292 191	284 301	249 652	297 673	313 748	331 004
<b>Surplus/(Deficit)</b>		-	-	-	-	(72 450)	(55 651)	(22 379)	(100 700)	(106 137)	(111 975)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					27 029	44 989	44 989	44 989	63 570	67 002	70 688
Transfers and subsidies - capital (in-kind - all)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)
Taxation											
<b>Surplus/(Deficit) after taxation</b>		-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)

The budgeted allocation for employee related costs for the 2018/19 financial year totals R84 million, which equals 29 per cent of the total operating expenditure. Based on the three-year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2018/19 financial year.

As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise has not been finalised relating to critical and strategically important vacancies. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.



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 current budget. A provision for a 6% increment has been into account.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the municipality.

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 R98 million for the 2018/19 financial and equates to 33 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Mhlontlo's infrastructure. For 2018/19 the appropriation against this group of expenditure has grown by 124 per cent (R12 million).

Contracted services have been identified as a cost saving area for the Mhlontlo. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure has decreased by just 4 per cent, clearly demonstrating the application of cost efficiencies.

### Figure 1 Main operational expenditure categories for the 2018/19 financial year

The table below illustrates some of the major operating projects that have been prioritized for implementation in the upcoming financial year.

NAME OF PROJECT	AMOUNT
Ploughing of 100 food gardens	300 000,00
Installation of three hydroponic tunnels	750 000,00
Host one tourism month event.	42 250,00
Host one tourism event on Bajodini Horse Racing	180 000,00
Training of 60 Beneficiaries on bricking making	1 300 000,00
Training of 30 Beneficiaries on Sewing	555 000,00
Supply of Trading equipment to 100 Informal Traders	450 000,00
Fencing of Qumbu Cemetery	200 000,00
Maintenance of cemeteries	427 200,00
Relocation of Qumbu Pound	750 000,00
Relocation of Tsolo Pound	750 000,00
Establishment of Tsolo Transfer Station	2 300 000,00
Maintenance of landfill sites	400 000,00

8 404 450,00

### 1.5.1 Priority given to repairs and maintenance

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 124 per cent in the 2018/19 financial year, from R9 million to R25 million.

During the 2018 Adjustment Budget this allocation was adjusted slightly upwards owing to the cash flow challenges faced by the municipality. Notwithstanding this slight increase, as part of the 2018/19 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 8 Operational repairs and maintenance**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
<i>sub-total</i>	5	-	-	-	93 574	-	-	-	82 575	87 034	91 821
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	-	-	-	93 574	-	-	-	82 575	87 034	91 821
Depreciation of Property, Plant & Equipment					14 336				98 261	103 568	109 264
Total Depreciation & asset impairment	1	-	-	-	14 336	-	-	-	98 261	103 568	109 264
<u>Bulk purchases</u>											
<i>sub-total</i>	1	-	-	-	24 483	14 811	-	-	18 353	19 344	20 408
Allocations to organs of state:											
Total contracted services		-	-	-	24 483	14 811	-	-	18 353	19 344	20 408
<u>Other Expenditure By Type</u>											
Total 'Other' Expenditure	1	-	-	-	69 954	-	-	-	78 784	83 038	87 605
Total Repairs and Maintenance Expenditure	9	-	-	-	-	-	-	-	25 206	26 567	28 028

**Table 9 Repairs and maintenance per asset class**

DEPARTMENT	CODE DESCRIPTION	ADJ BUDGET - 2017	DRAFT BUDGET 2018-2019
Technical Services	Urban Roads- Tsolo	700 000.00	1 075 000.00
Technical Services	Urban Roads- Qumbu	700 000.00	1 215 000.00
Technical Services	Plant Machinery	883 280.00	2 340 000.00
Technical Services	Material for repairs-Urban Roads	600 000.00	630 000.00
Technical Services	Maintenance of Highmast lights-Tsolo	250 000.00	1 101 055.52
Technical Services	Maintenance of Highmast lights-Qumbu	250 000.00	1 101 055.52
Technical Services	Rural Access Roads	6 000 000.00	14 500 000.00
Refuse Removal	Tools Equipment	266 914.00	178 000.00
Traffic and Safety	Road markings	260 000.00	89 700.00
Traffic and Safety	Computer Equipment	11 000.00	-
Mayor	Repairs Maintenance- Vehicles		26 000.00

### 1.5.2 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 Mhlontlo's Indigent Policy.

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

The municipality has set aside an amount totaling to R2.5 million for electricity indigents, and R3.9 million for alternate energy indigents.

## 1.6 Capital expenditure

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

**Table 10 2018/19 Medium-term capital budget per vote**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>	1										
<b>Single-year expenditure to be appropriated</b>	2										
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	-	-	-	-	-	-	60	63	67
Vote 5 - BUDGET & TREASURY OFFICE		-	-	-	-	-	-	-	1 560	1 644	1 735
Vote 6 - CORPORATE SERVICES DIRECTORATE		-	-	-	1 126	-	-	-	1 766	1 861	1 964
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		-	-	-	-	-	-	-	4 315	4 548	4 798
Vote 8 - COMMUNITY & SOCIAL SERVICES		-	-	-	389	-	-	-	5 110	5 386	5 682
Vote 9 - INFRASTRUCTURE SERVICES DEPARTMENT		-	-	-	42 500	-	-	-	50 759	53 500	56 442
<b>Capital single-year expenditure sub-total</b>		-	-	-	44 015	-	-	-	63 570	67 002	70 688
<b>Total Capital Expenditure - Vote</b>		-	-	-	44 015	-	-	-	63 570	67 002	70 688
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	1 126	1 156	1 156	1 156	3 386	3 569	3 765
Executive and council						131	131	131	60	63	67
Finance and administration					1 126	1 026	1 026	1 026	3 326	3 506	3 698
Internal audit											
<b>Community and public safety</b>		-	-	-	389	39	39	39	2 810	2 962	3 125
Community and social services											
Sport and recreation											
Public safety					389	39	39	39	2 810	2 962	3 125
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	42 500	35 326	35 326	35 326	55 074	58 048	61 240
Planning and development						1 120	1 120	1 120	4 315	4 548	4 798
Road transport					42 500	34 206	34 206	34 206	50 759	53 500	56 442
Environmental protection											
<b>Trading services</b>		-	-	-	-	155	155	155	2 300	2 424	2 558
Waste management						155	155	155	2 300	2 424	2 558
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
<b>Funded by:</b>											
National Government					44 015	36 677	36 677	36 677	63 570	67 002	70 688
Transfers recognised - capital	4	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
<b>Total Capital Funding</b>	7	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688

For 2018/19 an amount of R63 million has been appropriated for the development of infrastructure which represents 53 per cent of the total budget.

## 1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 11 MBRR Table A1 - Budget Summary**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	9 130	9 452	9 452	9 452	9 443	9 953	10 500
Service charges	-	-	-	1 315	2 287	1 377	-	(1 061)	(1 118)	(1 179)
Investment revenue	-	-	-	4 064	4 064	4 279	4 279	4 279	4 511	4 759
Transfers recognised - operational	-	-	-	178 285	179 086	188 578	188 578	150 949	159 101	167 851
Other own revenue	-	-	-	26 562	24 852	24 964	24 964	33 362	35 164	37 098
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	-	-	219 357	219 741	228 650	227 273	196 974	207 610	219 029
Employee costs	-	-	-	93 574	79 596	79 596	79 596	82 575	87 034	91 821
Remuneration of councillors	-	-	-	17 010	18 348	18 348	-	19 701	20 765	21 907
Depreciation & asset impairment	-	-	-	14 336	126 080	114 563	98 261	98 261	103 568	109 264
Other expenditure	-	-	-	94 437	68 168	71 795	71 795	97 136	102 382	108 013
<b>Total Expenditure</b>	-	-	-	219 357	292 191	284 301	249 652	297 673	313 748	331 004
<b>Surplus/(Deficit)</b>	-	-	-	-	(72 450)	(55 651)	(22 379)	(100 700)	(106 137)	(111 975)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	27 029	44 989	44 989	44 989	63 570	67 002	70 688
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)
<b>Surplus/(Deficit) for the year</b>	-	-	-	27 029	(27 461)	(10 662)	22 610	(37 130)	(39 135)	(41 288)
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
Transfers recognised - capital	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
<b>Total sources of capital funds</b>	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
<b>Financial position</b>										
Total current assets	-	-	-	41 757	-	-	-	71 220	69 182	72 987
Total non current assets	-	-	-	773 507	-	-	-	519 251	532 763	562 065
Total current liabilities	-	-	-	24 048	-	-	-	34 086	8 736	9 217
Community wealth/Equity	-	-	-	791 216	-	-	-	556 385	-	-
<b>Cash flows</b>										
Net cash from (used) operating	-	-	-	28 718	(54 291)	(54 291)	(54 291)	65 211	68 733	72 513
Net cash from (used) investing	-	-	-	(59 476)	(70 315)	(70 315)	(70 315)	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	-	-	-	8 428	(85 420)	(85 420)	(85 420)	104 397	173 130	245 642
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	-	-	-	22 565	-	-	-	36 997	38 995	41 140
Application of cash and investments	-	-	-	14 806	-	-	-	(21 613)	(22 780)	(24 033)
<b>Balance - surplus (shortfall)</b>	-	-	-	7 760	-	-	-	58 611	61 775	65 173

<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	773 507	-	-		773 507	-	-
Depreciation	-	-	-	14 336	126 080	114 563		98 503	103 823	109 533
Renewal of Existing Assets	-	-	-	5 675	-	-		15 782	-	-
Repairs and Maintenance	-	-	-	5 700	-	-		24 573	-	-
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	6 538	6 538	6 891	7 270

### **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 was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

**Table 12 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

EC156 Mhlontlo - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>	1									
<i>Governance and administration</i>		-	-	-	116 937	93 570	98 529	99 769	105 156	110 940
Executive and council		-	-	-	39 217	45 191	47 586	46 055	48 542	51 212
Finance and administration		-	-	-	76 875	48 379	50 943	53 714	56 615	59 729
Internal audit		-	-	-	845	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	1 548	-	-	627	661	697
Community and social services		-	-	-	1 548	-	-	627	661	697
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	80 937	73 366	77 254	79 070	83 340	87 924
Planning and development		-	-	-	32 724	33 856	35 651	25 681	27 068	28 556
Road transport		-	-	-	48 213	39 509	41 603	53 389	56 272	59 367
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	19 228	18 587	19 572	19 946	21 023	22 179
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	19 228	18 587	19 572	19 946	21 023	22 179
<i>Other</i>	4	-	-	-	707	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	-	-	219 357	185 522	195 355	199 412	210 180	221 740
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		-	-	-	116 937	93 570	98 529	101 393	106 868	112 746
Executive and council		-	-	-	39 217	45 191	47 586	46 055	48 542	51 212
Finance and administration		-	-	-	76 875	48 379	50 943	55 338	58 326	61 534
Internal audit		-	-	-	845	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	1 214	-	-	627	661	697
Community and social services		-	-	-	1 214	-	-	627	661	697
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	81 271	180 035	189 577	175 708	185 196	195 382
Planning and development		-	-	-	32 724	33 856	35 651	27 540	29 027	30 624
Road transport		-	-	-	48 547	146 178	153 926	148 168	156 169	164 758
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	19 228	18 587	19 572	19 946	21 023	22 179
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	19 228	18 587	19 572	19 946	21 023	22 179
<i>Other</i>	4	-	-	-	707	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	-	219 357	292 191	307 677	297 673	313 748	331 004
<b>Surplus/(Deficit) for the year</b>		-	-	-	-	(106 669)	(112 322)	(98 261)	(103 568)	(109 264)



**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 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. The table highlights that this is not the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 13 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>	1									
Vote 1 - MAYOR'S OFFICE		-	-	-	4 605	19 625	20 665	21 000	22 134	23 351
Vote 2 - COUNCIL		-	-	-	30 800	15 211	16 017	14 728	15 523	16 377
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	-	-	15 637	10 355	10 904	10 327	10 885	11 484
Vote 5 - BUDGET & TREASURY OFFICE		-	-	-	33 156	26 497	27 902	28 653	30 200	31 861
Vote 6 - CORPORATE SERVICES DIRECTORATE		-	-	-	28 052	21 882	23 041	25 061	26 414	27 867
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		-	-	-	21 277	18 408	19 384	21 848	23 028	24 294
Vote 8 - COMMUNITY & SOCIAL SERVICES		-	-	-	41 466	36 608	38 549	39 272	41 393	43 669
Vote 9 - INFRASTRUCTURE SERVICES DEPARTMENT		-	-	-	44 363	36 936	38 894	38 523	40 603	42 836
<b>Total Revenue by Vote</b>	2	-	-	-	219 357	185 522	195 355	199 412	210 180	221 740
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - MAYOR'S OFFICE		-	-	-	4 605	19 625	20 665	21 000	22 134	23 351
Vote 2 - COUNCIL		-	-	-	30 800	15 211	16 017	14 728	15 523	16 377
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	-	-	15 637	10 355	10 904	10 327	10 885	11 484
Vote 5 - BUDGET & TREASURY OFFICE		-	-	-	33 156	26 497	27 902	30 277	30 200	31 861
Vote 6 - CORPORATE SERVICES DIRECTORATE		-	-	-	28 052	21 882	23 041	25 061	26 414	27 867
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		-	-	-	21 277	18 408	19 384	23 707	23 028	24 294
Vote 8 - COMMUNITY & SOCIAL SERVICES		-	-	-	41 466	36 608	38 549	39 272	41 393	43 669
Vote 9 - INFRASTRUCTURE SERVICES DEPARTMENT		-	-	-	44 363	143 605	151 216	133 302	40 603	42 836
<b>Total Expenditure by Vote</b>	2	-	-	-	219 357	292 191	307 677	297 673	210 180	221 740
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	-	(106 669)	(112 322)	(98 261)	-	-

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

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	-	-	-	9 130	9 452	9 452	9 452	9 443	9 953	10 500
Service charges - electricity revenue	2	-	-	-	-	-	-	-	(2 438)	(2 570)	(2 711)
Service charges - refuse revenue	2	-	-	-	1 315	2 287	1 377	-	1 377	1 452	1 532
Rental of facilities and equipment					41		-	-	47	49	52
Interest earned - external investments					4 064	4 064	4 279	4 279	4 279	4 511	4 759
Interest earned - outstanding debtors					483	569	599	599	599	631	666
Fines, penalties and forfeits					58	58	62	62	65	68	72
Licences and permits					-		-	-	1 221	1 287	1 358
Agency services					1 102	1 493	1 572	1 572	1 262	1 330	1 404
Transfers and subsidies					178 285	179 086	188 578	188 578	150 949	159 101	167 851
Other revenue	2	-	-	-	24 877	22 732	22 732	22 732	30 169	31 798	33 547
<b>Total Revenue (excluding capital transfers and contributions)</b>					<b>219 357</b>	<b>219 741</b>	<b>228 650</b>	<b>227 273</b>	<b>196 974</b>	<b>207 610</b>	<b>219 029</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	93 574	79 596	79 596	79 596	82 575	87 034	91 821
Remuneration of councillors					17 010	18 348	18 348		19 701	20 765	21 907
Debt impairment	3	-	-	-	-						
Depreciation & asset impairment	2	-	-	-	14 336	126 080	114 563	98 261	98 261	103 568	109 264
Contracted services	4,	-	-	-	24 483	14 811	14 811	14 811	18 353	19 344	20 408
Other expenditure	5	-	-	-	69 954	53 357	56 984	56 984	78 784	83 038	87 605
<b>Total Expenditure</b>					<b>219 357</b>	<b>292 191</b>	<b>284 301</b>	<b>249 652</b>	<b>297 673</b>	<b>313 748</b>	<b>331 004</b>
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					27 029	44 989	44 989	44 989	63 570	67 002	70 688
Transfers and subsidies - capital (in-kind - all)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>					<b>27 029</b>	<b>(27 461)</b>	<b>(10 662)</b>	<b>22 610</b>	<b>(37 130)</b>	<b>(39 135)</b>	<b>(41 288)</b>
<b>Surplus/(Deficit) after taxation</b>					<b>27 029</b>	<b>(27 461)</b>	<b>(10 662)</b>	<b>22 610</b>	<b>(37 130)</b>	<b>(39 135)</b>	<b>(41 288)</b>
<b>Surplus/(Deficit) attributable to municipality</b>					<b>27 029</b>	<b>(27 461)</b>	<b>(10 662)</b>	<b>22 610</b>	<b>(37 130)</b>	<b>(39 135)</b>	<b>(41 288)</b>
<b>Surplus/(Deficit) for the year</b>					<b>27 029</b>	<b>(27 461)</b>	<b>(10 662)</b>	<b>22 610</b>	<b>(37 130)</b>	<b>(39 135)</b>	<b>(41 288)</b>

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

1. Total revenue is R199 million in 2018/19 and escalates to R210 million by 2019/20. This represents a year-on-year increase of 5.4 per cent for the 2019/20 financial year and 5.5 per cent for the 2020/21 financial year.
2. Revenue to be generated from property rates is R9 million in the 2018/19 financial year and increases to R9.9 million by 2019/20 which represents 5.5 per cent of the operating revenue base of the Municipality.
3. Services charges relating to refuse removal constitutes the lowest component of the revenue basket of the Municipality totaling to only R1 million for the 2018/19 financial year and increasing by 5.5 per cent by 2019/20.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5.4 per cent and 5.5 per cent for the two outer years.

**Figure 2 Expenditure by major type**

5. Employee related costs 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 increases in future years.



Total Capital Expenditure - Functional	3	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
<b>Funded by:</b>											
National Government					44 015	36 677	36 677	36 677	63 570	67 002	70 688
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688
Public contributions & donations	5										
Borrowing	6										
Internally generated funds											
Total Capital Funding	7	-	-	-	44 015	36 677	36 677	36 677	63 570	67 002	70 688

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

1. Table A5 is a breakdown of the capital program 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 R63.5 million for the 2018/19 financial year and remains relatively constant over the MTREF at levels of R67 million and R70 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from capital transfers, and internally generated funds from current year surpluses.

**Table 16 MBRR Table A6 - Budgeted Financial Position**

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>											
Current assets											
Cash					22 565						
Call investment deposits	1	-	-	-	-	-	-	-	36 997	38 995	41 140
Consumer debtors	1	-	-	-	5 107	-	-	-	28 640	30 186	31 847
Other debtors					3 587						
Current portion of long-term receivables									354		
Inventory	2				10 497				5 229		
<b>Total current assets</b>		-	-	-	41 757	-	-	-	71 220	69 182	72 987
Non current assets											
Investment property					19 202				13 435		
Property, plant and equipment	3	-	-	-	753 172	-	-	-	505 467	532 763	562 065
Agricultural Intangible					1 133				349		
Other non-current assets											
<b>Total non current assets</b>		-	-	-	773 507	-	-	-	519 251	532 763	562 065
<b>TOTAL ASSETS</b>		-	-	-	815 264	-	-	-	590 471	601 944	635 051
<b>LIABILITIES</b>											
Current liabilities											
Trade and other payables	4	-	-	-	2 674	-	-	-	8 289	8 736	9 217
Provisions					21 374				25 798		
<b>Total current liabilities</b>		-	-	-	24 048	-	-	-	34 086	8 736	9 217
<b>TOTAL LIABILITIES</b>		-	-	-	24 048	-	-	-	34 086	8 736	9 217
<b>NET ASSETS</b>	5	-	-	-	791 216	-	-	-	556 385	593 208	625 834
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)					791 216				556 385		
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	-	791 216	-	-	-	556 385	-	-

**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. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. 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.
5. 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 17 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates					9 130	9 446	9 446	9 446	9 443	9 953	10 500
Service charges					1 315	2 287	2 287	2 287	1 377	1 452	1 532
Other revenue					3 453	4 076	4 076	4 076	32 764	34 533	36 432
Government - operating	1				177 311	181 101	181 101	181 101	150 949	159 101	167 851
Government - capital	1				44 989	44 989	44 989	44 989	63 570	67 002	70 688
Interest					4 547	4 633	4 633	4 633	4 878	5 142	5 424
Dividends					-	-	-	-	-	-	-
Payments											
Suppliers and employees					(212 027)	(300 823)	(300 823)	(300 823)	(197 770)	(208 450)	(219 915)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	28 718	(54 291)	(54 291)	(54 291)	65 211	68 733	72 513
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE					(15 397)	(15 397)	(15 397)	(15 397)	-	-	-
Payments											
Capital assets					(44 080)	(54 919)	(54 919)	(54 919)	-	-	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	(59 476)	(70 315)	(70 315)	(70 315)	-	-	-
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		-	-	-	(30 758)	(124 606)	(124 606)	(124 606)	65 211	68 733	72 513
Cash/cash equivalents at the year begin:	2				39 186	39 186	39 186	39 186	39 186	104 397	173 130
Cash/cash equivalents at the year end:	2	-	-	-	8 428	(85 420)	(85 420)	(85 420)	104 397	173 130	245 642

**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 18 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation****Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

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

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2018/1 MTREF was funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**Table 19 MBRR Table A9 - Asset Management**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>										
<u>Total New Assets</u>	1	-	-	-	24 015	-	-	47 734	50 312	53 079
<i>Roads Infrastructure</i>		-	-	-	5 849	-	-	24 977	26 326	27 774
<i>Electrical Infrastructure</i>		-	-	-	3 739	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	4 315	4 548	4 798
<b>Infrastructure</b>		-	-	-	9 588	-	-	29 292	30 874	32 572
Community Facilities		-	-	-	1 500	-	-	10 000	10 540	11 120
Sport and Recreation Facilities		-	-	-	11 451	-	-	-	-	-
<b>Community Assets</b>		-	-	-	12 951	-	-	10 000	10 540	11 120
Operational Buildings		-	-	-	335	-	-	-	-	-
Other Assets		-	-	-	335	-	-	-	-	-
Computer Equipment		-	-	-	507	-	-	1 766	1 861	1 964
Furniture and Office Equipment		-	-	-	634	-	-	2 816	2 968	3 131
Machinery and Equipment		-	-	-	-	-	-	2 300	2 424	2 558
Transport Assets		-	-	-	-	-	-	1 560	1 644	1 735
<u>Total Renewal of Existing Assets</u>	2	-	-	-	5 675	-	-	15 782	-	-
<i>Roads Infrastructure</i>		-	-	-	4 200	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	338	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	4 537	-	-	-	-	-
Community Facilities		-	-	-	961	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	15 782	-	-
<b>Community Assets</b>		-	-	-	961	-	-	15 782	-	-
Computer Equipment		-	-	-	20	-	-	-	-	-
Transport Assets		-	-	-	156	-	-	-	-	-
<u>Total Upgrading of Existing Assets</u>	6	-	-	-	20 000	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	20 000	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	20 000	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
<i>Roads Infrastructure</i>		-	-	-	30 049	-	-	24 977	26 326	27 774
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	3 739	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	4 315	4 548	4 798
<i>Solid Waste Infrastructure</i>		-	-	-	338	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	34 125	-	-	29 292	30 874	32 572
Community Facilities		-	-	-	2 461	-	-	10 000	10 540	11 120
Sport and Recreation Facilities		-	-	-	11 451	-	-	15 782	-	-
<b>Community Assets</b>		-	-	-	13 912	-	-	25 782	10 540	11 120
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	335	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	335	-	-	-	-	-
Computer Equipment		-	-	-	526	-	-	1 766	1 861	1 964
Furniture and Office Equipment		-	-	-	634	-	-	2 816	2 968	3 131
Machinery and Equipment		-	-	-	-	-	-	2 300	2 424	2 558
Transport Assets		-	-	-	156	-	-	1 560	1 644	1 735
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	-	49 689	-	-	63 516	50 312	53 079

### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.

### **Figure 3 Depreciation in relation to repairs and maintenance over the MTREF**

**Table 20 MBRR Table A10 - Basic Service Delivery Measurement****Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. The budget provides for 48 000 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase to 55 000 households given the rapid rate of unemployment and grants dependency by the Mhlontlo community.
2. It is anticipated that these Free Basic Services will cost the municipality R4 million in 2018/19, increasing to R5 million in 2019/20. This is covered by the municipality's equitable share allocation from national government.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 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 MMC for Finance.

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

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

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2017. Key dates applicable to the process were:

- **August 2017** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2018/19 MTREF;
- **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2018** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **25 January 2018** - Council considers the 2018/1 Mid-year Review and Adjustments Budget;

- **February 2018** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2018/19 MTREF is revised accordingly;
- **29 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2018/19 MTREF for public consultation;
- **April 2018** – Public consultation;
- **6 May 2018** - Closing date for written comments;
- **6 to 21 May 2018** – finalisation of the 2018/19 IDP and 2018/19 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **30 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by Council in May 2017. It started in August 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF in August.

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

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

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.



### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2017/18 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 Circulars 91 has been taken into consideration in the planning and prioritisation process.

### 2.1.4 Community Consultation

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included the launch of E-based consultation. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

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

Ward Committees will be utilised to facilitate the community consultation process from 13 to 29 April 2018, and included nine public briefing sessions. The applicable dates and venues will be published in all the local newspapers and an average attendance of 200 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2018/19 MTREF compared to the draft 2018/19 MTREF that was tabled for community consultation, include:

## **2.2 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.

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.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

### **Table 21 IDP Strategic Objectives**

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.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide waste removal;
  - Provide roads and storm water;
  - Provide Municipality planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;

- Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

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

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 22 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

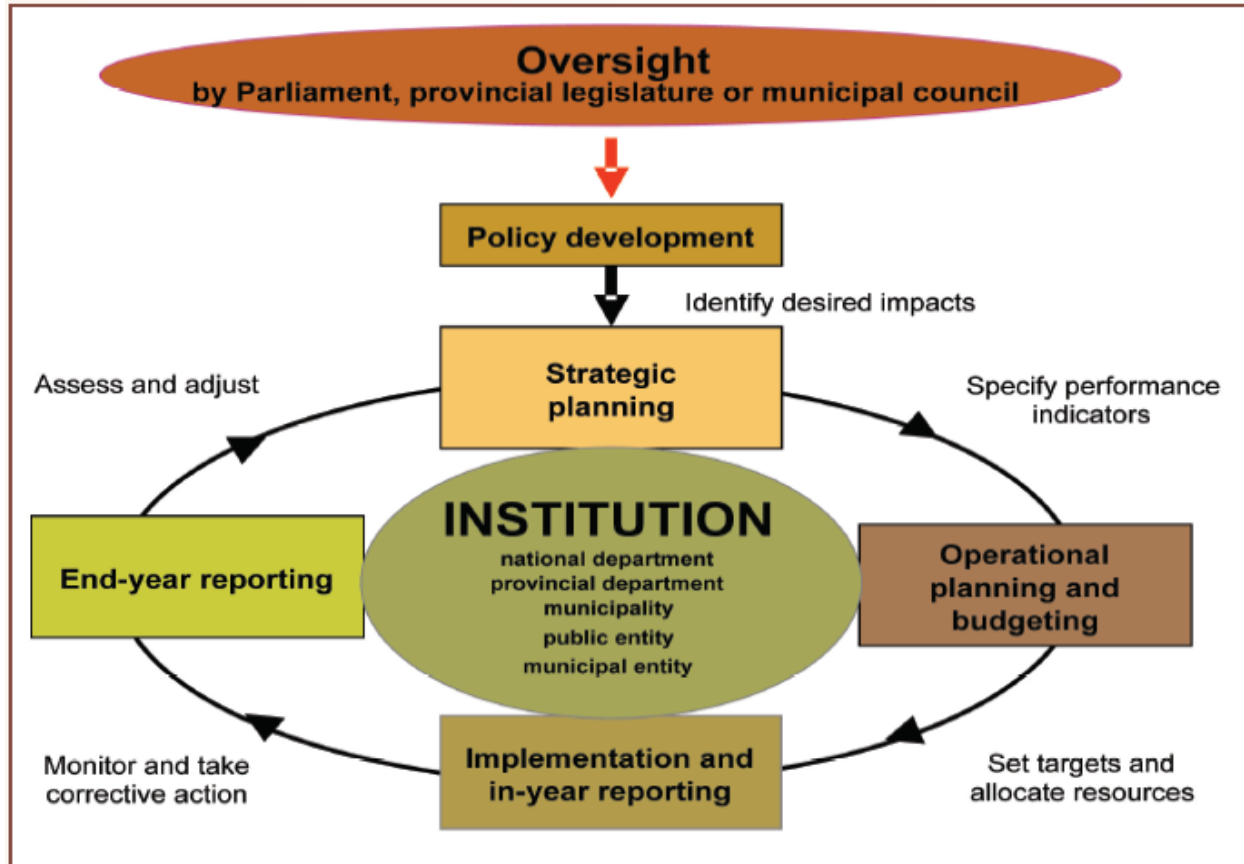
**Table 23 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

**Table 24 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

## **2.3 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 targets, 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:

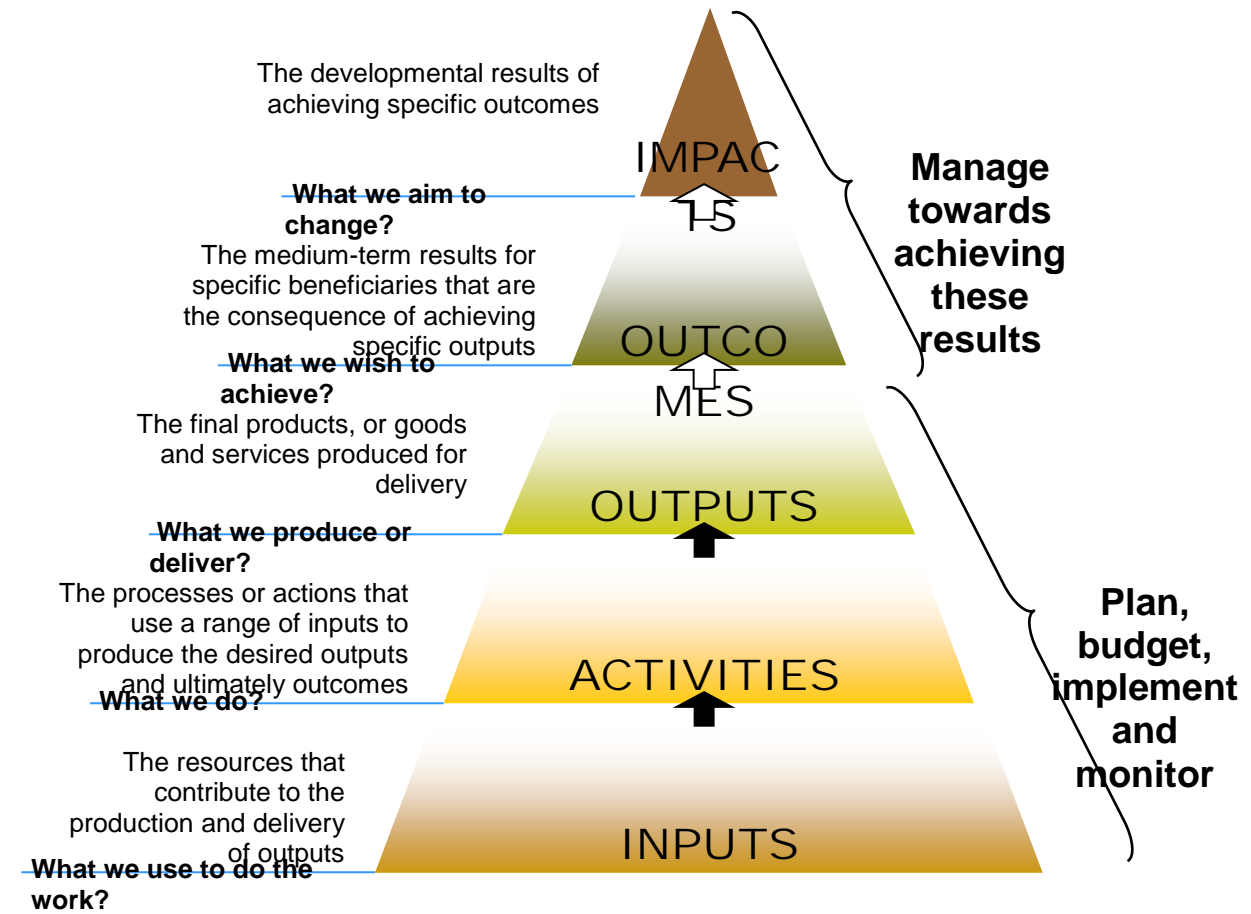


**Figure 4 Planning, budgeting and reporting cycle**

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 Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

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:



**Figure 5 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 25 MBRR Table SA7 - Measurable performance objectives**

The following table sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.

**Table 26 MBRR Table SA8 - Performance indicators and benchmarks**

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 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. *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 average over MTREF is 64 per cent which substantiates the above mentioned statement that the Municipality has reached its prudential borrowing limits.

#### 2.3.1.2 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 2018/19 MTREF the current ratio is 2,1 in the 2018/19 financial year and 7.9 for the two outer years of the MTREF.
- *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 2018/19 financial year the ratio was 2,1 and as part of the financial planning strategy it has been increased to 7.9 in the 2019/20 financial year. This 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 have to be set at a minimum of 1.

#### 2.3.1.3 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework will have to be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### 2.3.1.4 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality



in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

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

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 Mhlontlo's Indigent Policy.

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

The municipality has set aside an amount totaling to R2.5 million for electricity indigents, and R3.9 million for alternate energy indigents.

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

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

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

The Collection Policy as approved by Council in May 2017 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

### **2.4.2 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).

### **2.4.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in May 2017. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

### **2.4.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in August 2009 and was amended on 16 February 2011 in respect of both Operating and Capital Budget Fund Transfers.

### **2.4.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in January 2011. 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. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

### **2.4.7 Tariff Policies**

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

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

## 2.5 Overview of budget assumptions

The budget for the 2018/2019 financial year was drawn up with the following assumptions and principles taken into account:

- The budget is prepared in terms of the provisions of the Generally Recognised Accounting Practice framework to comply with the provisions of the MFMA
- Revenue figures are based on realistic estimates of revenue to be collected.
- Actual revenue collected for the current year and realistic revenue projections were taken into account in determining the revenue for the coming year.
- The principals of economic viability and sustainability is applied in all services and where possible no cross subsidization is done between services.
- National growth parameters were used as far as possible for the determination of outer year budget amounts.
- A general salary increase of 6 % is used for the determination of the salaries of staff, Public office bearers and Senior Management.
- The Municipality still relies heavily on grants and subsidies for funding of the capital requirements for the 2018/2019 financial year and does not possess the financial capacity to raise capital from own revenue sources.
- Only funded capital projects are included in the capital estimates for the 2018/2019 financial year.
- Both the capital and operating budgets are informed by the IDP process done through a public participation process.

### 2.5.1 External factors

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

## **2.5.2 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 2018/19 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 the cost of remuneration. Employee related costs comprise 27.7 per cent of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

## 2.6 Municipal manager’s quality certificate

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

Print Name \_\_\_\_\_

Municipal manager of Mhlontlo Local Municipality (GT485)

Signature \_\_\_\_\_

Date \_\_\_\_\_

## ANNEXURE A - PROPOSED TARIFF LIST

## MHLONTLO LOCAL MUNICIPALITY

## PROPOSED TARIFF STRUCTURE - 2018/2019 FINANCIL YEAR

	WITHOUT VAT	Old tariff	Proposed New Tariff	Proposed Tariff Vat Excluded	Proposed Tariff Vat Excluded
<b>1</b>	<b>REFUSE REMOVAL CHARGES</b>	2017/2018	2018/2019	2019/2020	2020/2021
1,1	<i>Government</i>				
(a)	Each property shall be charged a basic service charge per month.	R 229,37	R 241,52	R 254,57	R 268,57
(b)	<i>Hospitals</i>	R 333,19	R 350,85	R 369,80	R 390,14
1,2	<i>Domestic Removals</i>				
(a)	Every owner or occupier of premises from which refuse is removed twice weekly shall pay the Council a fee per month.	R 54,66	R 57,55	R 60,66	R 64,00
1,3	<i>Commercial Removals</i>				
(a)	Each individual/separate business shall be charged a basic service charge per month.	R 340,27	R 358,30	R 377,65	R 398,42
1,4	<i>Availability Charge</i>				
	A availability fee , is charged to any vacant commercial erven located in the town areas of Tsolo and Qumbu	R 136,11	R 143,32	R 151,06	R 159,37
<b>3</b>	<b>POUND FEES</b>				

	Pound Fees				
	Description of animal				
	Donkeys, Horses, Cattle, per head per day	R 79,40	R 83,60	R 88,12	R 92,96
	Pigs	R 340,27	R 358,30	R 377,65	R 398,42
	Sheep and Goats, per head per day	R 56,71	R 59,72	R 62,94	R 66,40
<b>3 CEMETERY CHARGES</b>					
The following fees shall be payable to the Council in respect of burials and other services in the public cemetery.					
3,2	<i>Burial Fees</i>				
(a)	Adult - single	R 601,14	R 633,00	R 667,18	R 703,88
	Adult - double	R 1 023,87	R 1 078,13	R 1 136,35	R 1 198,85
(b)	Child	R 283,56	R 298,58	R 314,71	R 332,02
3,3	<i>Miscellaneous Charges</i>				
(a)	Exhumation of body	R 3 402,67	R 3 583,01	R 3 776,50	R 3 984,20
(b)	Widening or deepening of grave	R 283,56	R 298,58	R 314,71	R 332,02
(c)	Permit to erect a memorial	R 793,96	R 836,04	R 881,18	R 929,65
3,4	Fees for non-residents of the municipal area shall be the prescribed fees in (6.1) and (6.2) above, <b>plus 50%</b>				
3,5	After hours burial request as in (6.1) <b>plus 100%</b>	R 1 701,34	R 1 791,51	R 1 888,25	R 1 992,10
	At least 16 working hours' notice must be given of a burial				
<b>4 PUBLIC HALLS TARIFF</b>					
4,1	<i>Comm</i>				
(a)	Main hall and kitchen per 12-hour period per day.				

	Church Function	R 361,37	R 380,52	R 401,07	R 423,13
	Wedding Function	R 1 806,82	R 1 902,58	R 2 005,32	R 2 115,61
	Business Function	R 1 806,82	R 1 902,58	R 2 005,32	R 2 115,61
4,2	Where the hall is hired there shall first be deposited with the Chief Financial Officer the following amounts which amounts shall be refunded when the premises is handed over in satisfactory condition.	R 1 134,22	R 1 194,34	R 1 258,83	R 1 328,07
<b>5 MISCELLANEOUS SERVICES</b>					
	<i>Sundry Charges</i>				
5,1	Search Fees				
(a)	Other than from the Minutes of proceedings of the Council, for any document or information required dated back:	R 33,73	R 35,52	R 37,43	R 39,49
5,2	Copy of valuation roll				
5,3	Copy of voters roll (per ward)				
5,4	Rates clearance certificates as laid down in Section 175(2) of Ordinance No. 25 of 1974	R 34,32	R 36,14	R 38,10	R 40,19
5,11	<i>Rezoning applications</i>				
	Fees payable shall not exceed the following maximum amounts:				
(a)	Areas of land being rezoned				
	Area of land to be rezoned 0-2500m2	R 1 803,42	R 1 899,00	R 2 001,54	R 2 111,63
5,12	Vehicle pound fees on all impounded vehicles per vehicle per day <b>plus tow-in costs</b> Impounded vehicles not released within 90 (ninety) days will be sold.				
<b>6 BUSINESS LICENSES</b>					
6,1	Food Vendors in caravans & carts or similar vessel	R 340,27	R 358,30	R 377,65	R 398,42
6,2	General Dealers	R 1 134,22		R 0,00	R 0,00



6,3	Supermarkets, Wholesalers & Butcheries	R 1 361,07	R 0,00	R 0,00	R 0,00
6,4	Restaurants, B&B's, Hotels, Guest Houses, Lodges	R 1 134,22	R 0,00	R 0,00	R 0,00
6,5	Spaza Shops	R 340,27	R 0,00	R 0,00	R 0,00
6,6	Funeral Parlours	R 1 134,22	R 0,00	R 0,00	R 0,00
6,7	Hawker License: Trucks & Bakkies	R 226,84	R 0,00	R 0,00	R 0,00
6,8	Hawker License: Street Vendors	R 90,74	R 0,00	R 0,00	R 0,00
6,9	Hawker License: (Special Application – Events)	R 113,42	R 0,00	R 0,00	R 0,00
6,1	Clothing Shops	R 340,27	R 0,00	R 0,00	R 0,00
6,11	Hardware	R 1 134,22	R 0,00	R 0,00	R 0,00
6,12	Garages	R 1 134,22	R 0,00	R 0,00	R 0,00
6,13	Livestock Sales	R 567,11	R 0,00	R 0,00	R 0,00
6,14	Car wash	R 340,27	R 0,00	R 0,00	R 0,00
6,15	Laundromat/Dry Cleaning	R 340,27	R 0,00	R 0,00	R 0,00
6,16	Financial Institution	R 2 268,45	R 0,00	R 0,00	R 0,00
6,17	Beauty Parlour: Hair Salons, Barber Shops etc	R 340,27	R 0,00	R 0,00	R 0,00
6,18	Furniture Shops	R 1 134,22	R 0,00	R 0,00	R 0,00
6,19	Legal Practice	R 567,11	R 0,00	R 0,00	R 0,00
6,2	Surgeries	R 567,11	R 0,00	R 0,00	R 0,00
6,21	Transport Industry	R 226,84	R 0,00	R 0,00	R 0,00
6,22	Liquor: Bottle Stores, Taverns	R 1 134,22	R 0,00	R 0,00	R 0,00
6,23	Book Shops	R 737,25	R 0,00	R 0,00	R 0,00
6,24	Brokers: Insurance, Estate agents etc	R 567,11	R 0,00	R 0,00	R 0,00
<b>8</b>	<b>ASSESMENT RATES</b>				
7,1	<u>Residential</u>	0,007051	0,007424703	0,007825637	0,008256047
	First R30 000 discount				
7,2	<u>Vacant Land</u>	0,007051	0,007424703	0,007825637	0,008256047
7,3	<u>Commercial</u>				
		0,0155461	0,016370043	0,017254025	0,018202997
7,4	<u>Government</u>				
		0,00176275	0,001856176	0,001956409	0,002064012

7,5	<u>Farms</u>				
	Apply for R30 000 residential discount.	0,00176275	0,001856176	0,001956409	0,002064012
<b>8</b>	<b>NATURE RESERVE</b>				
8,1	<b>Accommodation</b>				
	1 bed chalet per day	R 113,42	R 119,43	R 125,88	R 132,81
	Camping fee	R 68,05	R 71,66	R 75,53	R 79,68
	non-refundable application fee per board/sign (annually)				
	+ Approval fee per applicant	R 170,13	R 179,15	R 188,82	R 199,21
9,1	<b>Ground Signs</b>				
	non-refundable application fee per board/sign (annually)				
	+ Approval fee per applicant	R 340,27	R 358,30	R 377,65	R 398,42
9,2	<b>Wall Sign - Flat</b>	R 56,71	R 59,72	R 62,94	R 66,40
	non-refundable application fee per board/sign (annually)				