

2015-16

2015/16 MTREF DRAFT
BUDGET



[SCHEDULE A: AN ANNUAL BUDGET AND
SUPPORTING DOCUMENTATION OF THE
HARRY GWALA DISTRICT MUNICIPALITY]

ANNUAL BUDGET OF
HARRY GWALA
DISTRICT
MUNICIPALITY

2015/16 TO 2017/18
MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK BUDGET

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Annexure B: Budget Related Resolutions

Annexure C: Amendments to Budget Related Policies

Annexure B: SDBIP Summary

Abbreviations and Acronyms

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

1 Part 1 – Annual Budget

1.1 MAYOR’S REPORT

PURPOSE

To table to Council the 2015/16 Medium Term Revenue and Expenditure Framework draft budget for noting.

BACKGROUND

In terms of section 16 (1) of the Municipal Finance Management Act the Council of a Municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.

DISCUSSION:

In order for a Municipality to comply with section (i) section 16 (2) prescribes that the Mayor of the Municipality must table the annual Budget at a Council meeting at least 90 days before the start of the budget year.

In terms of section 17 of the MFMA;

An annual budget of a Municipality must set out realistically anticipated revenue for the budget year and appropriate expenditure for the budget year under the different votes of the Municipality.

BUDGET SUMMARY:

The 2015/2016 Total Revenue is R 588m broken down as follows;

• Government Grants and Subsidies – Capital	R 249, 8m
• Government Grants and Subsidies – Operational	R 270, 7m
• Own Revenue	R 67, 6m

Allocated as follows;

• Operational budget	R 330m
• Capital budget	R 278m

The staff salaries budget has been budgeted at R114m, representing 35% of the operational budget. Councilor’s allowances have been budgeted at R7, 3m.

Local government equitable share

The equitable share for 2015/2016 financial year as gazetted from the Division of Revenue Bill is as follows:

✓ Equitable share R 241 033 000

For 2015/16 Draft Budget capital projects amounting to R 278 539 875 have been planned under the following categories;

PROJECT TYPE	AMOUNT
Water	R 238 289 875
Sanitation	R 31 500 000
Other Assets	R 7 750 000
Fencing	R 1 000 000
TOTAL	R 278 539 875

The municipality has prepared its infrastructure budget with the guidance of MIG formula for allocating this funding to local municipalities

Budget or breakdown allocation per local Municipality is as follows:

Umzimkhulu	R	105 600 360	38%	Has a huge Backlogs
Ingwe	R	81 703 702	29%	Huge Backlogs
Ubuhlebezwe	R	53 019 813	19%	Backlogs has been reduced
Kokstad	R	19 000 000	7%	Few Backlogs
Kwasani	R	7 000 000	3%	And No Backlogs
HGDM & Wide	R	12 216 000	4%	

The Ingwe municipality infrastructure budget allocation includes an amount of R30million for the construction of the Bulwer Dam under the Regional Bulk Infrastructure Grant.

Local Economic Development and Tourism

The Harry Gwala District Municipality has developed a number of local development related strategies and plans that seek to enhance its economic growth. These plans and strategies were circulated to all councilors. The Harry Gwala District Municipality has allocated R 20m towards LED projects in 2015/16 and a total of R43million in the MTREF in line with this National priority. We are hopeful that our partners, the first and second sphere of Government, in economic development will support in this Endeavour. We also intend to attract private sector investment to our district through the strengthening of our Sisonke Development Agency (SDA). The Board of directors is now in place. To further strengthen the administrative capacity of the Agency, the HGDM LED unit was seconded to be part of the SDA. We

are also engage through the Mayoral forum to drive towards having one LED vehicle for the district including LMs being the SDA.

Promoting efficient revenue and expenditure management in local government

The minister said municipalities, just like national and provincial governments, needed to closely examine their budgets to ensure they are using their available resources to maximize service delivery and this was centered on both; Cost-effective spending, and Revenue collection.

Looking at this budget it will be noticed that we were very conservative on the expenditure but we will also explore all possible means to recover as much potential revenue as we could collect.

While we have to focus on our mandate and uplifting skills related to our mandate but we cannot overlook the development of youth towards scarce skills in our area as they have a negative impact on the quality of life for our people. Without supporting and building of these skills like health and education, we cannot fully claim to have contributed to sustainable communities.

Harry Gwala Municipality is committed in developing community and youth residing within the District in the above mentioned skills. A number of projects have been budgeted for in the special programmes unit to ensure that the special groups existing in the Harry Gwala community are sufficiently catered for.

See breakdown on the next page

DESCRIPTION	2015/16	2016/17	2017/18
SPORT DEVELOPMENT	R 4 000 000	R 4 220 000	R 4 443 660
ICT HUB	R 500 000	R 527 500	R 555 458
RURAL HORSE RIDING - GAMES (SUMMER CUP)	R 445 000	R 471 255	R 497 174
DISABLED PROGRAMMES	R 300 000	R 316 500	R 333 275
YOUTH DEV EMPOWERMENT PLAN	R 150 000	R 158 250	R 166 637
BURSARIES-COMMUNITY	R 350 000	R 369 250	R 388 820
CUBA BURSARIES	R 180 000	R 189 900	R 199 965
WOMENS DAY CELEBRATION	R 200 000	R 211 000	R 222 183
MENS FORUM AND CAPACITY BUILDING	R 210 000	R 221 550	R 222 183
GOLDEN GAMES	R 200 000	R 211 000	R 222 183
BACK TO SCHOOL CAMPAIGN	R 100 000	R 158 250	R 166 637
TO ATTEND UMKHOSI WOMHLANGA	R 50 000	R 52 750	R 55 546
HARRY GWALA DISTRICT MARATHON	R 500 000	R 527 500	R 555 458
YOUTH COUNCIL	R 200 000	R 211 000	R 222 183
TOTAL	R 7 385 000	R 7 845 705	R 8 262 471

In relation to the above stated points, the Local Government Budgets and Expenditure Review, published by the National Treasury in September 2011, highlights 5 important considerations:

Revenue management – To ensure the collection of revenues, the municipality should maintain accurate billing systems; timeously send out accounts to residents and strive to collect as much revenues owed as we can.

Collecting outstanding debts – This requires political commitment, sufficient administrative capacity, and pricing policies that ensure that bills are accurate and affordable, especially for poor households. In this regard, Harry Gwala Municipality has recently completed a data cleansing exercise and is reviewing its Indigent Policy.

Pricing services correctly – The full cost of services should be reflected in the price charged to residents who can afford to pay. Many municipalities offer overly generous subsidies and rebates that result in services being run at a loss, resulting in funds being diverted away from other priorities. This is a major area in which should pull our socks. Running services at a loss affects the extension of services to other areas and impact negatively on operations and maintenance.

Under spending on repairs and maintenance – Often seen as a way to reduce spending in the short-term, under spending on maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. This lack of Operations and maintenance also causes uprising by communities due to inadequate supply of services and the questing of democracy.

Spending on non-priorities – Many municipalities spend significant amounts on non-priority items including unnecessary travel, luxury furnishings, excessive catering and unwarranted public relations projects. Consultants are often used to perform routine tasks. Major attempts would be made to reduce use of consultants. A number of capacity building programmes have been undertaken to improve the capacity which has to result to improved quality of work

Funding local government -The functions performed by local government rely largely on self-financing. The minister noted that Substantial progress has been made in overcoming the service disparities of the past through transfers from the national fiscus, but large backlogs remain. The major need is to provide municipal infrastructure to poor households and, increasingly, to pay for the institutional and governance needs of poor municipalities. This situation requires us to put more emphasis on job creation and economic development in order to create more opportunities for self-income.

Other strategies documents to be linked with the budget are:

- Integrated Development Plan (IDP)
- Budget
- Strategic Development Budget Implementation Plan (SDBIP)
- Performance Management System (PMS)
- Policies and By-Laws

1.2 COUNCIL RESOLUTIONS

On 31 March 2015 the Council of Harry Gwala District Municipality met in the Council Chambers of Harry Gwala District Municipality council chamber to consider the draft budget of the municipality for the financial year 2015/16. The Council notes the following resolutions:

1. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The draft budget of the municipality for the financial year 2015/16 and the multi-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

1.1.4. Multi-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

1.1.5. Consolidated budget schedules A1 to A10.

1.1.6 Noting the budget of the Harry Gwala Development Agency (Municipal Entity) as presented in Supporting in Table 31.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table A6;

1.2.2. Budgeted Cash Flows as contained in Table A7;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

1.2.4. Asset management as contained in Table A9; and

1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:

2.1. The tariffs for the supply of water – Refer to the tariffs policy in Annexure B

2.2. The tariffs for sanitation services – refer to the tariffs policy in Annexure B

3. The Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, as set out in tariffs policy.
4. The council, acting in terms of section 24 of the Municipal Finance Management Act , approves with effect from 31 March 2015 the draft budget related policies as discussed above.
5. To give proper effect to the municipality's annual budget, the Council approves:
 - 5.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from water and sanitation to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 5.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the budget.

1.3 EXECUTIVE SUMMARY

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

District business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and stern control measures expenditures such as telephone, internet usage, printing, workshops, accommodation, and catering.

The District has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the District has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54, 58, 59, 66, 70, 72, 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

- The increased cost of bulk water (due to tariff increases from Umngeni and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable. However, with this in mind the municipality has planned to engage on an extensive costing exercise with a view to review.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2015/16 MTREF process; and

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

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and the operational cost of District expense for the water pumps. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

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

Table 1 Overview of the 2015/16 MTREF – Parent Municipality

R thousand	Adjustments Budget 2014/15	Budget Year 2015/16	Budget Year + 1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	R 336 294 000	R 317 429 000	R 337 052 000	R 360 037 000
Total Operating Expenditure	R 376 281 046	R 330 592 880	R 350 613 471	R 380 439 378
(Surplus)/ Deficit for the year	R -24 600 000	R -13 164 000	R -13 561 000	R -20 402 000
Total Capital Expenditure	R 264 342 434	R 278 539 875	R 329 944 315	R 432 726 702

Total operating revenue for the Parent municipality has been decreased by 6% per cent or R18million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 6 % and 7 % per cent respectively, equating to a total revenue growth of R42, 6m over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R330 million. When compared to the 2014/15 Adjustments Budget, operational expenditure has decreased by 12% per cent in the 2015/16 budget. The operating deficit for the 2015/16 decreases by R 11, 4m and then by a further R9, 3 million in 2017/18. These deficits are caused by non-cash items which are depreciation and bad debts and the amount for 2015/2015 deficit is at R 13m whereas depreciation is at R35m.

The capital budget of R278 million for 2015/16 is 5% per cent more when compared to the 2014/15 Adjustment Budget. The increase is due to various grants gazzetted or received for the 2015/16 financial year to improve the backlog of water and sanitation within the district. The capital programme increases to R329million in the 2016/17 financial year and R431 million in 2017/18 financial year. The capital budget is largely funded from the Government Grants and Subsidies in the MTREF.

Table 2 below presents a consolidated overview of the 2015/16 budget.

Table 2 Consolidated Overview of the 2015/16 MTREF

R thousand	Adjustments Budget 2014/15	Budget Year 2015/16	Budget Year + 1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	R 336 294 000	R 317 499 000	R 337 129 000	R 360 122 000
Total Operating Expenditure	R 376 281 046	R 330 053 880	R 350 690 000	R 380 524 000
(Surplus)/ Deficit for the year	R -24 600 000	R -12 554 000	R -13 561 000	R -20 402 000
Total Capital Expenditure	R 264 342 434	R 302 540 000	R 329 944 315	R 432 726 702

The trends depicted by the table above follow a similar trend to that outlined above in the parent municipality analysis.

1.4 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for water and sanitation service charges in the MTREF;
- Achievement in the long term 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;
- 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 district.

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

Table 3 Summary of revenue classified by main revenue source

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Service charges - water revenue	25 374	27 833	35 855	31 037	36 235	36 235	38 409	40 714	43 157
Service charges - sanitation revenue	10 875	12 033	13 050	14 276	15 529	15 529	16 461	17 449	18 496
Service charges - other	–	–	–	–	839	839	1 032	1 088	1 146
Rental of facilities and equipment	48	–	–	–	–	–	–	–	–
Interest earned - external investments	2 202	2 988	3 344	2 600	3 500	3 500	4 375	4 812	5 294
Interest earned - outstanding debtors			5 638	5 179	6 000	6 000	6 360	6 742	7 146
Transfers recognised - operational	208 257	208 927	218 196	249 246	263 824	263 824	249 823	265 226	283 723
Other revenue	7 237	2 210	1 859	3 500	10 229	10 229	968	1 022	1 076
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	253 992	253 990	277 941	305 838	336 155	336 155	317 429	337 052	360 037

Table 4 Percentage growth in revenue by main revenue source

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2014/2015		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Revenue By Source								
Service charges - water revenue	36 235	11%	38 409	12%	40 714	12%	43 157	12%
Service charges - sanitation revenue	15 529	5%	16 461	5%	17 449	5%	18 496	5%
Service charges - other	839	0%	1 032	0%	1 088	0%	1 146	0%
Interest earned - external investments	3 500	1%	4 375	1%	4 812	1%	5 294	1%
Interest earned - outstanding debtors	6 000	2%	6 360	2%	6 742	2%	7 146	2%
Transfers recognised - operational	263 824	78%	249 823	79%	265 226	79%	283 723	79%
Other revenue	10 229	3%	968	0%	1 022	0%	1 076	0%
Total Revenue (excluding capital transfers and contributions)	336 155	100%	317 429	100%	337 052	100%	360 037	100%
Total Revenue From Rates & Service Charges	52 603	16%	55 902	18%	59 251	18%	62 798	17%

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

Revenue generated from services charges forms a small percentage of the revenue basket for the District. Service charges revenue comprises a mere 18% of the total revenue mix. In the 2015/16 financial year, revenue from service charges totaled R 52,6m or 16% per cent. This increases to R55.9m, R59, 2m, R62, 7m in the respective financial years of the MTREF. A notable trend is the constant pattern in the total percentage revenue generated from services charges which averaging 18% in the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1

Operating grants and transfers totals R249 m in the 2015/16 financial year and steadily increases to R265m 2016/17 and R283m in 2017/18. Note that the year-on-year growth on the operational grants for the 2015/16 financial year is -5% per cent and then flattens out to 6 % and 7 % per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 5 Operating Transfers and Grant Receipts

DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:									
Operating Transfers and Grants									
National Government:	186 523	217 200	220 310	237 996	237 996	237 996	248 723	264 826	283 723
Local Government Equitable Share	182 472	203 556	216 056	230 622	230 622	230 622	241 033	256 784	275 160
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement	790	1 000	890	934	934	934	940	960	1 043
Municipal Infrastructure Grant (PMU)	-	-	-	3 146	3 146	3 146	3 460	3 737	4 036
WATER SERVICES OPERATING SUBSIDY	-	9 618	-	-	-	-	-	-	-
Rural Transport Services and Infrastructure Grant	1 688	1 776	1 814	2 044	2 044	2 044	2 040	2 095	2 234
WATER SERVICES OPERATING SUBSIDY	323	-	300	-	-	-	-	-	-
Provincial Government:	262	1 081	297	250	250	250	1 100	400	-
Infrastructure Sport Facilities	-	-	253	-	-	-	-	-	-
LG Seta	262	381	44	-	-	-	-	-	-
Community Development Project	-	100	-	-	-	-	-	-	-
District Growth Development Summit	-	400	-	-	-	-	-	-	-
Accredited Councillors Training	-	200	-	-	-	-	-	-	-
Development Planning Shared Services	-	-	-	250	250	250	1 100	400	-
Total Operating Transfers and Grants	186 785	218 281	220 607	238 246	238 246	238 246	249 823	265 226	283 723

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. However, excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Umngeni Water bulk tariffs at 8, 7% are far beyond the mentioned inflation target of 6, 2%. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's rates and in these tariffs are largely outside the control of the District. Discounting the impact of these price increases in lower consumer tariffs will erode the District future financial position and viability.

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

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with District, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2016.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2014, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A tariff increase of 6 per cent from 1 July 2015 for water is proposed. This is based on input cost of 8, 7% increase in the cost of bulk water (Umngeni Water), the cost of other inputs increasing by 6 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

- Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with District, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2016.

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Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Residential

Consumption in KL	2014/15		2015/16		Increase	
0-6	N/C		N/C		-	
14 - 20	R	6.37	R	6.75	R	0.38
21-40	R	10.61	R	11.26	R	0.64
41-100	R	12.38	R	13.12	R	0.74
101-200	R	20.53	R	21.75	R	1.23
201+	R	23.33	R	24.75	R	1.40
Unmetered flat rate per month	R 62.51		R 66.26		R 3.75	

Commercial & Industrial

Commercial & Industrial						
Consumption Increments in R per KL	2014/15		2015/16		Increase	
0-100	R	9.20	R	9.75	R	0.55
101-200	R	12.38	R	13.12	R	0.74
201-300	R	20.53	R	21.75	R	1.23
301-400	R	21.94	R	23.26	R	1.32
401-500	R	23.35	R	24.75	R	1.40
500+	R	24.77	R	26.26	R	1.49

	Public Service & Government Institutions			Educational Institutions			Agricultural			Geriatric Institutions, Religious organisations, NPO & recreational facilities.		
Consumption Increments in R per KL	2014/15	2015/16	Increase	2014/15	2015/16	Increase	2014/15	2015/16	Increase	2014/15	2015/16	Increase
0-6	R 9.20	R 9.75	R 0.55	R 9.20	R 9.75	R 0.55	R 9.20	R 9.20	R 9.75	N/C	N/c	-
7-100	R 9.20	R 9.75	R 0.55	R 9.20	R 9.75	R 0.55	R 9.20	R 9.20	R 9.75	R 9.20	R 9.75	R 0.55
101-200	R 12.38	R 13.12	R 0.74	R 12.38	R 13.12	R 0.74	R 2.38	R 12.38	R 13.12	R 12.38	R 13.12	R 0.74
201-300	R 20.53	R 21.75	R 1.23				R 20.53	R 20.53	R 21.75	R 20.53	R 21.75	R 1.23
301-400	R 21.94	R 23.26	R 1.32				R 21.94	R 21.94	R 23.26	R 21.94	R 23.26	R 1.32
401-500	R 23.35	R 24.75	R 1.40				R 23.35	R 23.35	R 24.75	R 23.35	R 24.75	R 1.40
500+	R 24.77	R 26.26	R 1.49				R 24.77	R 24.77	R 26.26	R 24.77	R 26.26	R 1.49

Road tanker Delivery				Static tank hire per day		
Road Tanker Delivery of Water	2014/15	2015/16	Increase	2014/15	2015/16	Increase
2500 l	R1,556.95	R1,650.37	R93.42	R141.54	R150.03	R8.49
5000 l	R2,123.12	R2,250.51	R127.39	R353.85	R375.08	R21.23
7500 l	R2,476.97	R2,625.59	R148.62	R495.39	R525.11	R29.72
10 000 l	R2,972.37	R3,150.71	R178.34	R707.71	R750.17	R42.46
Del. Charge	R283.08	R300.06	R16.98	R283.08	R300.06	R16.98

<div style="display: flex; justify-content: space-between; padding: 5px;"> Public Service and Government Institutions Educational Institutions Agricultural Geriatric Institutions, Religious Organizations, NPO and Recreational Facilities </div>												
Consumption Increments in R per KL	2014/15	2015/16	Increase									
0-6	R9.20	R9.75	R0.55	R9.20	R9.75	R0.55	R9.20	R9.75	R0.55	N/C	N/C	-
7-100	R9.20	R9.75	R0.55									
101-200	R12.38	R13.12	R0.74									
201-300	R20.52	R21.75	R1.23				R20.52	R21.75	R1.23	R20.52	R21.75	R1.23
301-400	R21.94	R23.26	R1.32				R21.94	R23.26	R1.32	R21.94	R23.26	R1.32
401-500	R23.35	R24.75	R1.40				R23.35	R24.75	R1.40	R23.35	R24.75	R1.40
501 +	R24.77	R26.26	R1.49				R24.77	R26.26	R1.49	R24.77	R26.26	R1.49

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Deposit per meter				New water meter			Disconnection and Reconnection		
Misc. water related tariffs given in pipe diameter	2014/15	2015/16	Increase	2014/15	2015/16	Increase	2014/15	2015/16	Increase
15 mm	R849.25	R900.21	R50.96	R849.25	R900.21	R50.96	R424.62	R450.10	R25.48
20 mm	R1,061.56	R1,125.25	R63.69	R1,203.10	R1,275.35	R72.25	R566.16	R600.13	R33.97
50 mm	R1,415.56	R1,500.33	R84.77	1,486.18	R1,575.35	R107.17	R1,061.56	R1,125.25	R63.69
100 mm	R2,123.12	R2,250.51	R127.39	R2,476.97	R2,625.59	R148.62	R1,415.41	R1,500.33	R84.92
110 mm +	R2,830.82	R3,000.67	R169.85	R3,538.53	R3,750.84	R212.31	R1,769.27	R1,875.43	R106.16

Table 7 Comparison between current water charges and increases (Domestic)

Domestic (Metered)			
Consumption Increments in R per Kl	2014/15	2015/16	Increase
0-6	N/C	N/C	
7-20	R 5.56	R 6.75	R 0.38
21-40	R 9.27	R 11.26	R 0.64
41-100	R 10.82	R 13.12	R 0.74
101-200	R 17.93	R 21.75	R 1.23
201 +	R 20.40	R 24.75	R 1.40

The tariff structure of the 2015/16 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R20.40 per kilolitre for consumption in excess of 201kl per 30 day period.

Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 15 is proposed. This is based on the input cost assumptions related to water. It should be noted that District costs contributes approximately 20 per cent of waste water treatment input costs, therefore the CPI increase of 6 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;

The total revenue expected to be generated from rendering this service amounts to R16, 4million for the 2015/16 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

Conservancy tank clearance on site				Septic tank clearance on site			Disposal into municipal reticulation system		
Static sanitation system given per load	2014/15	2015/16	Increase	2014/15	2015/16	Increase	2014/15	2015/16	Increase
Per load	R297.24	R315.07	R17.83	R920.02	R975.22	R55.20	R297.24	R315.07	R17.83
Transport per km	R9.20	R9.75	R0.55	R9.20	R9.75	R0.55			

New connections

Disconnect/Reconnection IRO credit control

Misc. sanitation related tariffs given in service pipe diameter	2014/15	2015/16	Increase	2014/15	2015/16	Increase
Up to 600 mm	R 2,830	R 3,000	R 169.85	R 708	R 750	R 42.46
600 mm -1200 mm	R 3,538	R 3,750	R 212.31	R 1,062	R 1 125	R 63.69
1200 mm +	R 4,954	R 4 954	R 297.24	R 1,415	R 1 500	R 84.92

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 9 Comparison between current sanitation charges and increases, single dwelling- houses

Misc. sanitation related tariffs given in service pipe diameter	2014/15	2015/16	Increase
New Connections			
Up to 600 mm	R2,830.82	R3,000.67	R169.85
Up to 1 200 mm	R3,538.53	R3,750.84	R212.31
1 201 mm +	R4,953.94	R5,251.18	R297.24
Disconnect / Connect			
Up to 600 mm	R707.71	R750.17	R42.46
Up to 1 200 mm	R1,061.56	R1,125.25	R63.69
1 200 mm +	R1,415.41	R1,500.33	R84.92

Sanitation costs given in terms of water consumption	2014/15	2015/16	Increase
Water borne systems			
0-200 KI	R4.95	R5.25	R0.30
201 KI +	R6.37	R6.75	R0.38
Shayamoya, Bhongweni and Fairview			
0-200 KI			
200 KI +			
Unmetered / flat rate per month	R48.62	R51.54	R2.92

Overall impact of tariff increases on households

Property development costs, I.R.O water and sanitation delivery reticulation given in number of sub-divisions Per Sub-Division Clearance Certificate	2014/15	2015/16	Increase
1 Site	R8,209.39	R8,701.95	R492.56
2-5 Sites	R4,953.94	R5,251.18	R297.24
6-10 Sites	R2,830.82	R3,000.67	R169.85
11-20 + Sites	R1,698.49	R1,800.40	R101.91
Clearance certificate	R131.06	R138.92	R7.86

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at an average of 6 per cent, with the same increase for indigent households.

Table 10 MBRR Table SA14 – Household bills

DC43 Sisonke - Supporting Table SA14 Household bills										
Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Water: Basic levy	2.43	2.58	2.79	2.79	2.79	0.08	6.0%	2.95	3.19	3.45
Water: Consumption	194.72	206.41	222.92	222.92	222.92	0.08	6.0%	236.30	255.20	275.62
Sanitation	87.48	92.73	100.15	100.15	100.15	0.08	6.0%	106.16	114.65	123.82
sub-total	284.63	301.72	325.86	325.86	325.86	0.24	6.0%	345.41	373.04	402.89
Total large household bill:	284.63	301.72	325.86	325.86	325.86	0.24	6.0%	345.41	373.04	402.89
% increase/-decrease		6.0%	8.0%	-	-	(99.9%)		143 820.4%	8.0%	8.0%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Water: Basic levy	2.43	2.58	2.79	2.79	2.79	0.08	6.0%	2.96	3.19	3.45
Water: Consumption	162.27	172.01	185.77	185.77	185.77	0.08	6.0%	196.92	212.67	229.68
Sanitation	72.90	77.27	83.45	83.45	83.45	0.08	6.0%	88.46	95.53	103.18
sub-total	237.60	251.86	272.01	272.01	272.01	0.24	6.0%	288.33	311.40	336.31
VAT on Services										
Total small household bill:	237.60	251.86	272.01	272.01	272.01	0.24	6.0%	288.33	311.40	336.31
% increase/-decrease		6.0%	8.0%	-	-	(99.9%)		120 037.8%	8.0%	8.0%
			0.33	-1.00	-	-				

1.5 OPERATING EXPENDITURE FRAMEWORK

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

1. The asset renewal strategy and the repairs and maintenance plan;
2. Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
3. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
4. The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
5. Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
6. Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

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

Table 11 Summary of operating expenditure by standard classification item

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type									
Employee related costs	71 975	79 228	99 943	102 424	104 700	104 700	114 030	122 747	132 387
Remuneration of councillors	4 413	4 622	5 249	6 655	6 655	6 655	7 321	7 723	8 133
Debt impairment	15 508	15 023	23 206	10 000	23 000	23 000	18 369	19 471	20 640
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Finance charges	3 972	3 792	3 510	2 639	3 200	3 200	2 228	1 926	1 595
Bulk purchases	8 218	9 710	9 487	5 000	8 009	8 009	5 000	5 275	5 555
Contracted services	46 472	18 825	23 659	25 970	37 057	37 057	32 015	33 528	35 067
Transfers and grants	–	7 490	14 808	15 000	21 400	21 400	20 000	21 100	22 218
Other expenditure	151 947	172 399	159 420	105 909	137 260	137 260	106 629	108 843	119 845
Loss on disposal of PPE	33 465	138	25 116	–	–	–	–	–	–
Total Expenditure	358 248	340 218	401 448	293 598	376 281	376 281	330 593	350 613	380 439

The budgeted allocation for employee related costs for the 2015/16 financial year totals R114 m, which equals 35% per cent of the total operating expenditure. Based on the three year collective agreement, salary increases have been factored into this budget at a percentage increase of 9% as the period of the salary wage collective agreement has started and not yet finalized for 2015/16 and end to 2017/18. In the absence of other information from the South African Local Government Bargaining Council, National Treasury issued Circular 75 advising municipalities to budget for a 5.08 per cent increase. An annual increase of 8 per cent has been included in the next 2016/17 MTREF. As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

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 was the inclusion of the critical and strategically important vacancies as well as the inclusion of the staff to be transferred to the Municipality by the Provincial Health Department. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

1. **The cost associated with the remuneration of councilors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.
2. **The provision of debt impairment** was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R18m and also for 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
3. **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 R25m for the 2015/16 financial and equates to 8% per cent of the total operating expenditure. Depreciation for the budget year represents a decrease from the 2014/15 adjustments budgets due to a number of completed work in progress assets that will be recognised in the assets register.
4. **Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% per cent of operating expenditure. As previously noted, the District has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing. In 2013/14 the municipality paid off the Greater Kokstad infrastructure upgrade DBSA loan. The others two loans will be settled in June 2015 and Absa in 2020/21 financial years respectively.
5. **Bulk purchases** are directly informed by the purchase of water from Umngeni Water in the Ubuhlebezwe area. The annual price increases of 8, 7% have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

6. **Contracted services** have been identified as a cost saving area for the Municipality. As part of the compilation of the 2015/16 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2015/16 financial year, this group of expenditure totals R32 million showing a decrease of 14 % from 2014/15, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 4% per cent of total operating expenditure. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2015/16 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1.

7. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been decreased by 22% per cent from the adjusted budget for 2015/16 and curbed at 2% and 8 per cent increases for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table MBRR SA1.

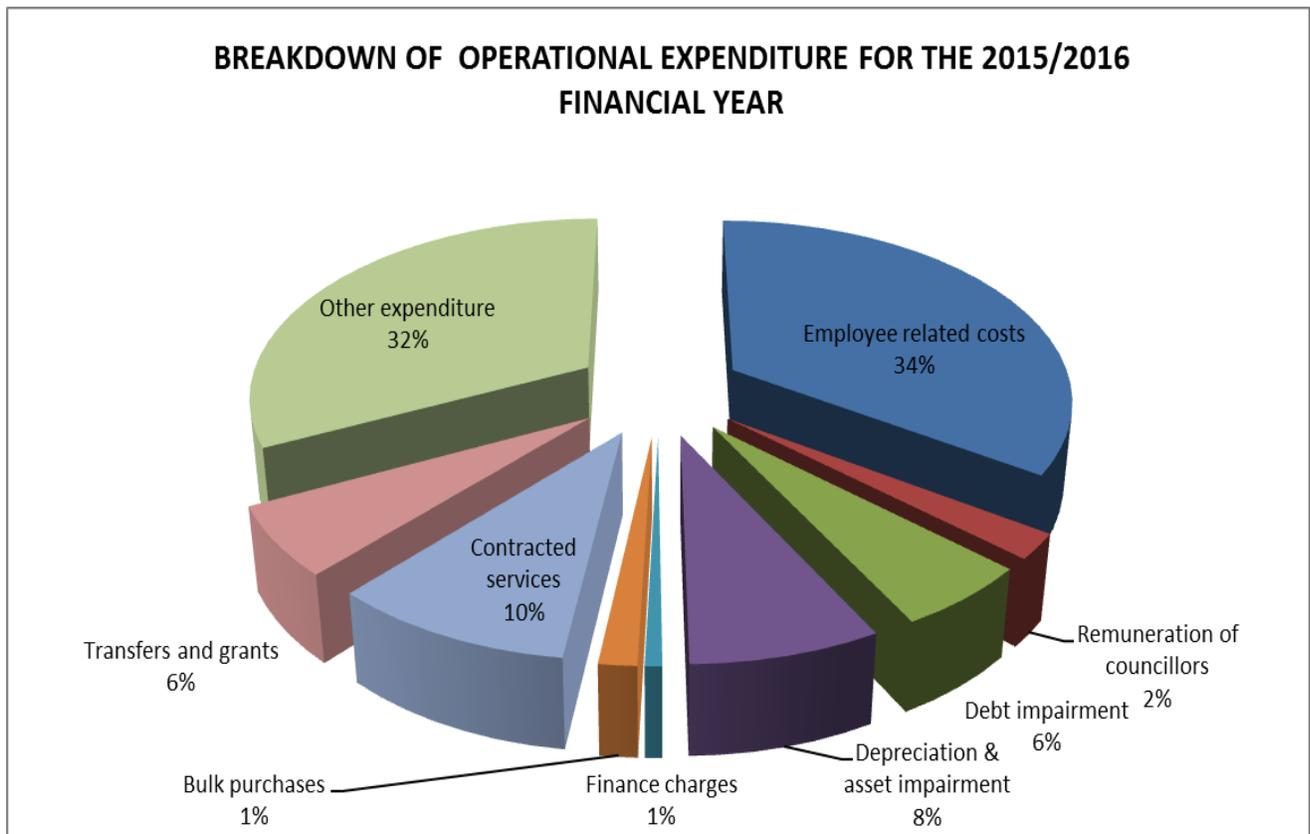


Figure 1 Main operational expenditure categories for the 2015/16 financial year

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the district's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the district. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 12 Operational repairs and maintenance

DC43 Sisonke - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Repairs and Maintenance by Expenditure Item									
Employee related costs	32 917	29 493	32 443	33 139	33 139	33 139	35 127	36 801	38 475
Other materials	23 042	20 645	22 554	23 197	23 197	23 197	24 589	25 761	26 932
Contracted Services	6 583	5 899	8 205	6 628	6 628	6 628	7 025	7 360	7 695
Other Expenditure	3 292	2 949	5 256	3 314	3 314	3 314	3 513	3 680	3 847
Total Repairs and Maintenance Expenditure	65 834	58 987	68 458	66 278	66 278	66 278	70 254	73 602	76 949

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the district infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 6 per cent in the 2015/16 financial year, from R66, 2 million to R70, 2 million. During the 2014 Adjustment Budget this allocation was not adjusted it was still the same as original amounted to R66, 2 million taking into account the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2015/16 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/16 equates to R70, 2 million a growth of 6 per cent in relation to the Adjustment Budget and continues to grow at 7% in the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 23 per cent for the respective financial years of the MTREF.

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

Table 13 Repairs and maintenance per asset class

DC43 Harry Gwala - Table A9 Asset Management									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Repairs and Maintenance by Asset Class	58 987	-	-	70 254	-	-	73 875	88 791	114 105
<i>Infrastructure - Water</i>	32 443	-	-	40 716	-	-	48 590	54 998	70 429
<i>Infrastructure - Sanitation</i>	20 645	-	-	27 990	-	-	21 600	27 008	33 439
Infrastructure	53 088	-	-	68 706	-	-	70 190	82 006	103 868
Other assets	5 899	-	-	1 548	-	-	3 686	6 786	10 237
TOTAL EXPENDITURE OTHER ITEMS	81 265	28 992	37 050	90 254	35 000	35 000	98 875	118 791	149 105

For the 2015/16 financial year, 71 per cent or R70million of total repairs and maintenance will be spent on infrastructure assets. This signifies the implementation of the municipality's plans of maintaining its infrastructure levels high to ensure uninterrupted service delivery.

Table A9 reveals a decreasing trend in the percentage of Repairs & Maintenance as a percentage of Property, Plant & Equipment. This is due to a higher rate of monetary increase in the PPE balances as compared to the monetary increases in the Repairs & Maintenance budget.

The challenge noted above of a higher increase in the capital budget than the repairs & maintenance budget is mainly attributable to a higher grant funded infrastructural spending than the increase in own revenue sources that fund the repairs and maintenance budget.

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 district Indigent Policy. The target is to register 25 000 or more indigent households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

1.6 CAPITAL EXPENDITURE

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

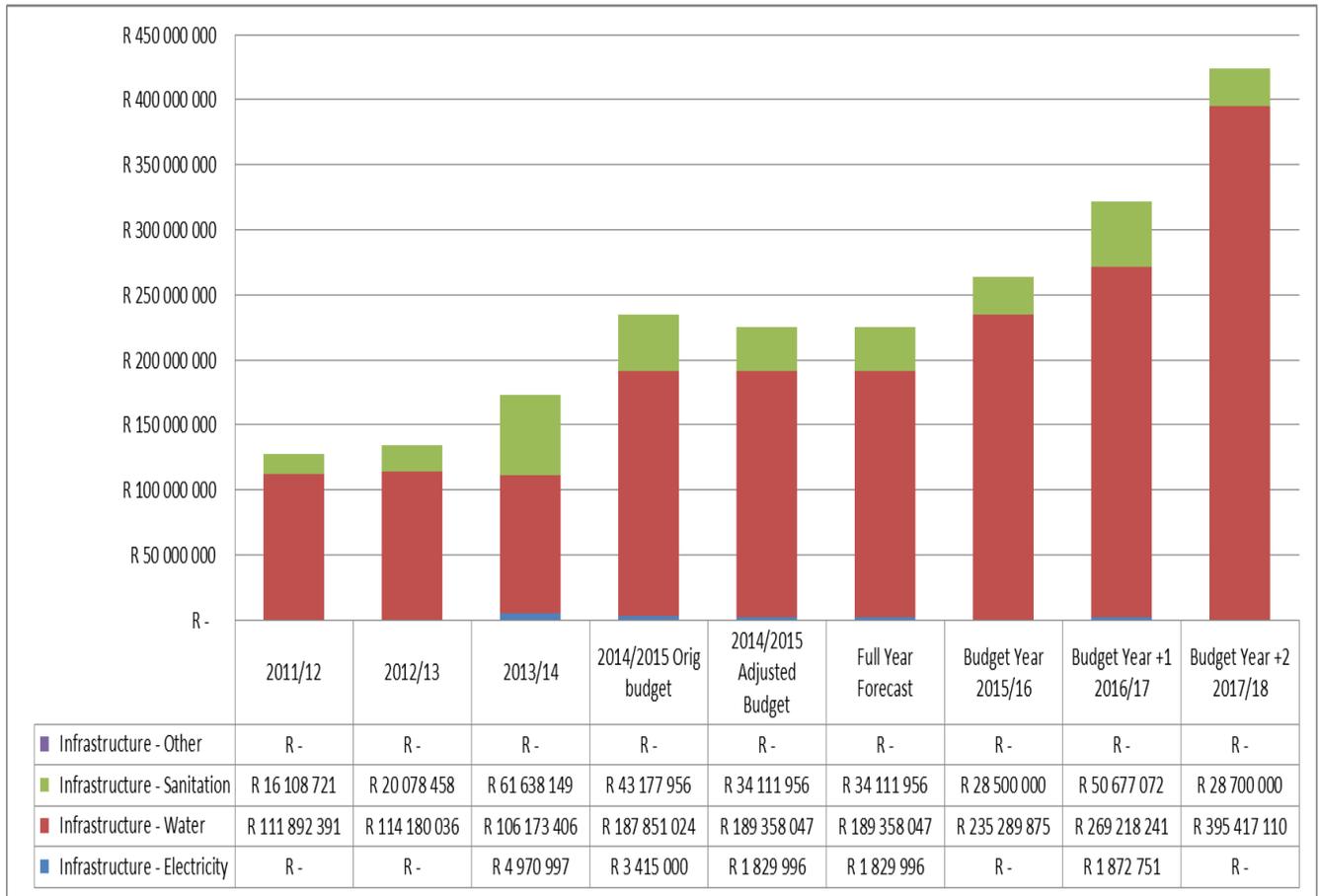
Table 14 2014/15 Medium-term capital budget per vote

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description	Current Year 2014/2015		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
R thousand								
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 4 - Corporate Services	2 104	1%	2 650	1%	2 796	1%	2 944	1%
Vote 5 - Social & Development Planning	800	0%	800	0%	844	0%	889	0%
Vote 6 - Infrastructure Services	257 533	97%	270 790	97%	321 768	98%	424 117	98%
Vote 7 - Water Services	3 905	1%	4 300	2%	4 537	1%	4 777	1%
Capital multi-year expenditure sub-total	264 342	100%	278 540	100%	329 944	100%	432 727	100%

For 2015/16 an amount of R278 million has been appropriated for the development of infrastructure which represents 97% of the total capital budget. In the outer years this amount totals R329million, 98% and R432 million, 98% respectively for each of the financial years.

Total new assets represent 98 per cent or R274million of the total capital budget while asset renewal equates to 1% per cent or R7million. Further detail relating to asset classes and proposed capital expenditure is contained in Table MBRR A9 (Asset Management). In addition to the MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Refer to table MBRR SA36 for the detailed listing of the capital projects.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35. This table shows that future operational costs associated with the capital programme totals R20, 9 million in 2015/16 and escalates to R33, 5million by 2016/17. This concomitant operational expenditure is expected to escalate to R40, 5 million by 2017/18. It needs to be noted that as part of the 2015/16 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following 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 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

DC43 Harry Gwala - Table A1 Budget Summary										
Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	36 249	39 865	48 905	45 313	52 603	52 603	-	55 902	59 251	62 798
Investment revenue	2 202	2 988	3 344	2 600	3 500	3 500	-	4 375	4 812	5 294
Transfers recognised - operational	208 257	208 927	218 196	249 246	263 824	263 824	-	249 823	265 226	283 723
Other own revenue	7 285	2 210	7 497	8 679	16 229	16 229	-	7 328	7 764	8 222
Total Revenue (excluding capital transfers and contributions)	253 992	253 990	277 941	305 838	336 155	336 155	-	317 429	337 052	360 037
Employee costs	71 975	79 228	99 943	102 424	104 700	104 700	-	114 030	122 747	132 387
Remuneration of councillors	4 413	4 622	5 249	6 655	6 655	6 655	-	7 321	7 723	8 133
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	-	25 000	30 000	35 000
Finance charges	3 972	3 792	3 510	2 639	3 200	3 200	-	2 228	1 926	1 595
Materials and bulk purchases	8 218	9 710	9 487	5 000	8 009	8 009	-	5 000	5 275	5 555
Transfers and grants	-	7 490	14 808	15 000	21 400	21 400	-	20 000	21 100	22 218
Other expenditure	247 392	206 385	231 401	141 879	197 317	197 317	-	157 014	161 843	175 551
Total Expenditure	358 248	340 218	401 448	293 598	376 281	376 281	-	330 593	350 613	380 439
Surplus/(Deficit)	(104 256)	(86 228)	(123 508)	12 240	(40 126)	(40 126)	-	(13 164)	(13 561)	(20 402)
Transfers recognised - capital	177 773	246 502	260 886	245 526	252 033	252 033	-	270 790	321 768	424 117
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	73 517	160 274	137 379	257 767	211 907	211 907	-	257 626	308 207	403 715
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	73 517	160 274	137 379	257 767	211 907	211 907	-	257 626	308 207	403 715
Capital expenditure & funds sources										
Capital expenditure	157 014	163 035	188 113	258 761	264 342	264 342	-	278 540	329 944	432 727
Transfers recognised - capital	157 014	162 106	184 251	245 776	257 533	257 533	-	270 790	321 768	424 117
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	929	3 862	12 984	6 809	6 809	-	7 750	8 176	8 610
Total sources of capital funds	157 014	163 035	188 113	258 761	264 342	264 342	-	278 540	329 944	432 727
Financial position										
Total current assets	17 564	87 169	90 805	68 400	41 940	41 940	-	89 773	118 016	178 864
Total non current assets	991 576	1 151 159	1 280 150	1 550 342	1 540 924	1 540 924	-	1 600 660	1 910 505	2 327 244
Total current liabilities	89 642	129 436	120 616	64 952	64 952	64 952	-	56 886	51 494	49 200
Total non current liabilities	39 549	37 053	41 121	31 936	31 936	31 936	-	31 018	29 524	28 833
Community wealth/Equity	879 949	1 071 839	1 209 217	1 521 854	1 485 976	1 485 976	-	1 602 530	1 947 502	2 428 075

DC43 Harry Gwala - Table A1 Budget Summary										
Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Cash flows										
Net cash from (used) operating	119 770	184 742	203 264	275 924	290 047	290 047	–	279 842	335 251	435 578
Net cash from (used) investing	(142 519)	(163 035)	(188 113)	(258 761)	(279 846)	(279 846)	–	(248 610)	(294 380)	(385 851)
Net cash from (used) financing	25 942	(5 060)	(5 863)	(3 356)	(3 356)	(3 356)	–	(3 684)	(4 052)	(4 474)
Cash/cash equivalents at the year end	3 539	20 186	29 474	43 807	36 320	36 320	–	57 022	93 841	139 094
Cash backing/surplus reconciliation										
Cash and investments available	3 539	20 186	29 474	43 807	30 347	30 347	–	57 022	93 841	139 094
Application of cash and investments	72 895	76 631	77 696	43 286	54 179	54 179	–	34 941	34 504	22 591
Balance - surplus (shortfall)	(69 356)	(56 445)	(48 221)	521	(23 832)	(23 832)	–	22 081	59 337	116 503
Asset management										
Asset register summary (WDV)	991 576	772	833	1 550 342	1 540 924	1 540 924	1 600 660	1 600 660	1 910 505	2 327 244
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	25 000	30 000	35 000
Renewal of Existing Assets	23 460	8 901	6 525	4 580	4 580	4 580	4 580	7 000	–	–
Repairs and Maintenance	58 987	–	–	70 254	–	–	73 875	73 875	88 791	114 105
Free services										
Cost of Free Basic Services provided	6 924	6 998	8 812	5 006	5 006	5 006	5 406	5 406	5 839	6 306
Revenue cost of free services provided	69 814	71 211	77 718	82 381	82 381	82 381	40 330	40 330	43 039	45 964
Households below minimum service level										
Water:	32	33	31	32	32	32	32	32	32	32

Explanatory notes to MBRR Table A1 - Budget Summary

Table A1 is a budget summary and provides a concise overview of the Harry Gwala district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

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.

A financial management reform emphasizes 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:

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital expenditure is balanced by capital funding sources, of which transfers recognised is reflected on the Financial Performance Budget;
2. Internally generated funds are financed from a combination of the current operating surplus and VAT refunds on Conditional Grants. 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.

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 place 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 2015/16 financial year.

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 2015/16 the water backlog will have been very nearly eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC43 Harry Gwala - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)									
Standard Classification Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard									
Governance and administration	213 115	210 829	228 858	249 906	252 538	252 538	249 598	265 916	284 969
Executive and council	142	-	-	-	-	-	-	-	-
Budget and treasury office	212 710	210 347	228 392	249 906	252 538	252 538	249 598	265 916	284 969
Corporate services	264	481	465	-	-	-	-	-	-
Economic and environmental services	3 074	9 433	742	250	750	750	1 100	400	-
Planning and development	3 074	9 433	742	250	750	750	1 100	400	-
Trading services	215 577	280 230	309 228	301 208	334 901	334 901	337 520	392 504	499 185
Water	36 249	40 521	49 182	50 492	52 600	52 600	61 230	64 904	68 798
Waste water management	179 328	239 709	260 045	250 716	282 301	282 301	276 290	327 600	430 387
Total Revenue - Standard	431 766	500 492	538 827	551 364	588 189	588 189	588 218	658 820	784 154
Expenditure - Standard									
Governance and administration	126 146	98 509	122 454	128 100	123 447	123 447	127 610	133 562	138 509
Executive and council	35 894	12 760	16 695	22 373	23 099	23 099	28 719	30 130	31 804
Budget and treasury office	51 976	45 752	58 717	61 007	58 787	58 787	53 204	55 723	55 933
Corporate services	38 276	39 997	47 042	44 720	41 561	41 561	45 686	47 709	50 771
Economic and environmental services	60 385	36 438	67 456	43 387	52 368	52 368	54 286	58 005	61 687
Planning and development	60 385	36 438	67 456	43 387	52 368	52 368	54 286	58 005	61 687
Trading services	171 717	205 270	211 539	122 110	200 466	200 466	148 697	159 046	180 243
Water	118 513	129 878	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Waste water management	53 204	75 392	105 708	25 235	49 938	49 938	23 206	26 343	28 356
Total Expenditure - Standard	358 248	340 218	401 448	293 598	376 281	376 281	330 593	350 613	380 439
Surplus/(Deficit) for the year	73 517	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715

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

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

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.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for District, Water and Waste water functions, but not 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.

Other functions show a deficit between revenue and expenditure are being financed from equitable share and other revenue sources reflected under the Budget and Treasury vote.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	142	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	212 710	210 347	228 392	238 906	252 538	252 538	249 598	265 916	284 969
Vote 4 - Corporate Services	264	481	465	-	-	-	-	-	-
Vote 5 - Social & Development Planning	3 074	9 433	742	250	750	750	1 100	400	-
Vote 6 - Infrastructure Services	179 328	239 709	260 045	261 716	282 301	282 301	276 290	327 600	430 387
Vote 7 - Water Services	36 249	40 521	49 182	50 492	52 600	52 600	61 230	64 904	68 798
Total Revenue by Vote	431 766	500 492	538 827	551 364	588 189	588 189	588 218	658 820	784 154
Expenditure by Vote to be appropriated									
Vote 1 - Council	6 391	7 363	8 861	10 517	10 517	10 517	13 164	13 888	14 624
Vote 2 - Municipal Manager	29 503	5 398	7 834	11 855	12 582	12 582	15 555	16 241	17 180
Vote 3 - Budget & Treasury Office	51 976	45 752	58 717	61 007	58 787	58 787	53 204	55 723	55 933
Vote 4 - Corporate Services	38 276	39 997	47 042	44 720	41 561	41 561	45 686	47 709	50 771
Vote 5 - Social & Development Planning	60 385	36 438	67 456	43 387	52 368	52 368	54 286	58 005	61 687
Vote 6 - Infrastructure Services	53 204	75 392	105 708	25 235	49 938	49 938	23 206	26 343	28 356
Vote 7 - Water Services	118 513	129 878	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Total Expenditure by Vote	358 248	340 218	401 448	293 598	376 281	376 281	330 593	350 613	380 439
Surplus/(Deficit) for the year	73 517	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715

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

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

Table 18 Surplus/ (Deficit) calculations for the trading services

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)							2015/16 Medium Term Revenue & Expenditure Framework		
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast			
Water Services									
Total Revenue	36 249	40 521	49 182	50 492	52 600	52 600	61 230	64 904	68 798
Operating Expenditure	118 513	129 878	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Surplus/(Deficit) for the year	(82 264)	(89 357)	(56 648)	(46 383)	(97 928)	(97 928)	(64 261)	(67 798)	(83 089)
Percentage Surplus	-227%	-221%	-115%	-92%	-186%	-186%	-105%	-104%	-121%

The municipality currently operates on a deficit in its trading services. This is largely attributable to higher percentage increase in the input cost as compared to the increase in tariffs. The municipality is currently reviewing the costing of the tariff structure with a view to recovering the cost of providing these services and also ensuring financial sustainability.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Service charges - water revenue	25 374	27 833	35 855	31 037	36 235	36 235	38 409	40 714	43 157
Service charges - sanitation revenue	10 875	12 033	13 050	14 276	15 529	15 529	16 461	17 449	18 496
Service charges - other					839	839	1 032	1 088	1 146
Interest earned - external investments	2 202	2 988	3 344	2 600	3 500	3 500	4 375	4 812	5 294
Interest earned - outstanding debtors			5 638	5 179	6 000	6 000	6 360	6 742	7 146
Transfers recognised - operational	208 257	208 927	218 196	249 246	263 824	263 824	249 823	265 226	283 723
Other revenue	7 237	2 210	1 859	3 500	10 229	10 229	968	1 022	1 076
Total Revenue (excluding capital transfers and contributions)	253 944	253 990	277 941	305 838	336 155	336 155	317 429	337 052	360 037
Expenditure By Type									
Employee related costs	71 975	79 228	99 943	102 424	104 700	104 700	114 030	122 747	132 387
Remuneration of councillors	4 413	4 622	5 249	6 655	6 655	6 655	7 321	7 723	8 133
Debt impairment	15 508	15 023	23 206	10 000	23 000	23 000	18 369	19 471	20 640
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Finance charges	3 972	3 792	3 510	2 639	3 200	3 200	2 228	1 926	1 595
Bulk purchases	8 218	9 710	9 487	5 000	8 009	8 009	5 000	5 275	5 555
Contracted services	46 472	18 825	23 659	25 970	37 057	37 057	32 015	33 528	35 067
Transfers and grants	–	7 490	14 808	15 000	21 400	21 400	20 000	21 100	22 218
Other expenditure	151 947	172 399	159 420	105 909	137 260	137 260	106 629	108 843	119 845
Loss on disposal of PPE	33 465	138	25 116	–	–	–	–	–	–
Total Expenditure	358 248	340 218	401 448	293 598	376 281	376 281	330 593	350 613	380 439
Surplus/(Deficit)	(104 304)	(86 228)	(123 508)	12 240	(40 126)	(40 126)	(13 164)	(13 561)	(20 402)
Transfers recognised - capital	177 773	246 502	260 886	245 526	252 033	252 033	270 790	321 768	424 117
Surplus/(Deficit) after capital transfers & contributions	73 469	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715
Surplus/(Deficit) after taxation	73 469	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715
Surplus/(Deficit) attributable to municipality	73 469	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715
Surplus/(Deficit) for the year	73 469	160 274	137 379	257 767	211 907	211 907	257 626	308 207	403 715

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

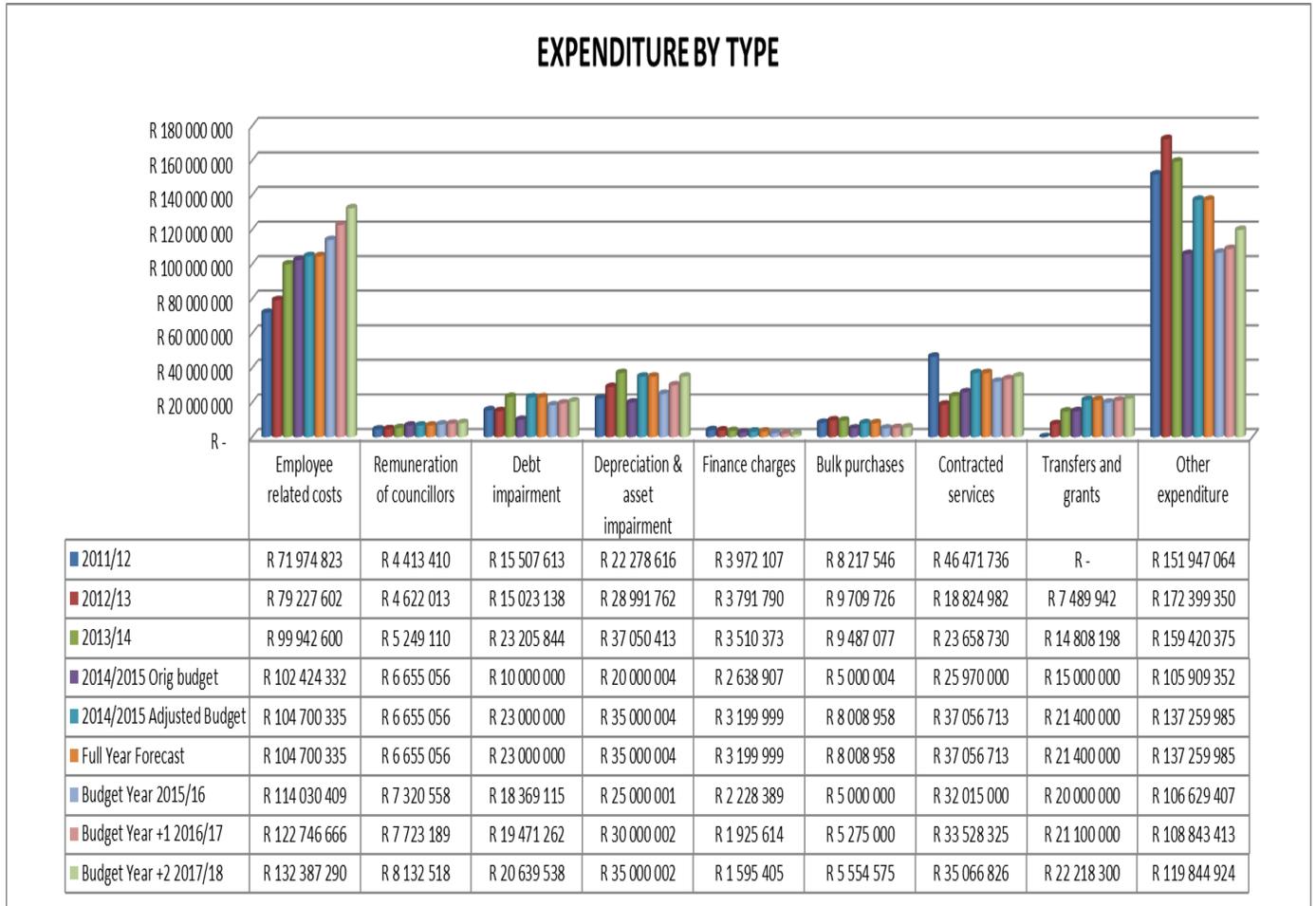
Total operating revenue is R317 million in 2015/16 and escalates to R337 million by 2016/17. This represents a decrease of 6 per cent for the 2015/16 financial year and an increase of 6 per cent for the 2016/17 and 7 % in 2017/18 financial year.

Services charges relating to water and sanitation constitutes the biggest component of the own revenue basket of the district totaling R55million for the 2015/16 financial year and increasing to R59 million by 2016/17. For the 2015/16 financial year services charges amount to 18% of the total revenue and same percentage in 2016/2017 then 17 per cent in 2017/2018 financial year.

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 decline by 5% in 2015/2016 and grow rapidly by 6 per cent in 2016/2017 and 7 per cent in the 2017/2018 financial year.

The following graph illustrates the major expenditure items per type.

Figure 2 Expenditure by major type



Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding									
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 2 - Municipal Manager	200	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	72	141	100	-	-	-	-	-
Vote 4 - Corporate Services	1 753	1 567	9 262	3 609	2 104	2 104	2 650	2 796	2 944
Vote 5 - Social & Development Planning	-	3 200	957	2 325	800	800	800	844	889
Vote 6 - Infrastructure Services	155 061	157 501	177 753	247 526	257 533	257 533	270 790	321 768	424 117
Vote 7 - Water Services	-	695	-	5 200	3 905	3 905	4 300	4 537	4 777
Capital multi-year expenditure sub-total	157 014	163 035	188 113	258 761	264 342	264 342	278 540	329 944	432 727
Total Capital Expenditure - Vote	157 014	163 035	188 113	258 761	264 342	264 342	278 540	329 944	432 727
Capital Expenditure - Standard									
Governance and administration	1 952	1 640	9 404	3 709	2 104	2 104	2 650	2 796	2 944
Executive and council	200								
Budget and treasury office		72	141	100					
Corporate services	1 753	1 567	9 262	3 609	2 104	2 104	2 650	2 796	2 944
Economic and environmental services	-	3 200	957	2 325	800	800	800	844	889
Planning and development		3 200	957	2 325	800	800	800	844	889
Trading services	155 061	158 196	177 753	252 726	261 438	261 438	275 090	326 305	428 894
Water		695	-	5 200	3 905	3 905	4 300	4 537	4 777
Waste water management	155 061	157 501	177 753	247 526	257 533	257 533	270 790	321 768	424 117
Total Capital Expenditure - Standard	157 014	163 035	188 113	258 761	264 342	264 342	278 540	329 944	432 727
Funded by:									
National Government	136 500	139 304	169 194	245 776	257 533	257 533	270 790	321 768	424 117
Provincial Government	20 514	22 802	15 057						
Transfers recognised - capital	157 014	162 106	184 251	245 776	257 533	257 533	270 790	321 768	424 117
Internally generated funds		929	3 862	12 984	6 809	6 809	7 750	8 176	8 610
Total Capital Funding	157 014	163 035	188 113	258 761	264 342	264 342	278 540	329 944	432 727

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

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year appropriation); 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.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 R270 million has been allocated of the total R278 million infrastructural budget, which totals 97 per cent. This capital budget allocation escalates to R329 million in 2016/17 and then flattens out to R432 million in 2017/18.

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 District. 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.

The capital programme is funded mainly from national and provincial grants and subsidies. For 2015/16 capital transfers totals R270 million and escalates to R424 million by 2017/18. No borrowing applications are expected to result in the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 21 MBRR Table A6 - Budgeted Financial Position

DC43 Harry Gwala - Table A6 Budgeted Financial Position									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
ASSETS									
Current assets									
Cash	3 539	20 186	29 474	43 807	30 347	30 347	57 022	93 841	139 094
Consumer debtors	–	5 738	6 923	13 307	307	307	16 091	19 046	20 834
Other debtors	5 201	46 163	48 344	10 968	10 968	10 968	12 065	–	13 271
Current portion of long-term receivables	8 708	14 817	5 794	–	–	–	4 246	4 744	5 242
Inventory	116	265	269	318	318	318	349	384	423
Total current assets	17 564	87 169	90 805	68 400	41 940	41 940	89 773	118 016	178 864
Non current assets									
Property, plant and equipment	991 081	1 150 387	1 279 317	1 548 958	1 539 540	1 539 540	1 599 476	1 909 420	2 327 147
Intangible	495	772	833	1 384	1 384	1 384	1 184	1 084	97
Other non-current assets									
Total non current assets	991 576	1 151 159	1 280 150	1 550 342	1 540 924	1 540 924	1 600 660	1 910 505	2 327 244
TOTAL ASSETS	1 009 140	1 238 328	1 370 954	1 618 742	1 582 864	1 582 864	1 690 434	2 028 520	2 506 108
LIABILITIES									
Current liabilities									
Bank overdraft									
Borrowing	4 911	3 297	3 415	3 266	3 266	3 266	3 592	3 952	4 347
Consumer deposits	881	1 010	1 114	1 265	1 265	1 265	1 415	1 581	1 747
Trade and other payables	77 972	117 863	108 169	53 128	53 128	53 128	43 710	37 139	33 402
Provisions	5 878	7 266	7 918	7 293	7 293	7 293	8 169	8 822	9 704
Total current liabilities	89 642	129 436	120 616	64 952	64 952	64 952	56 886	51 494	49 200
Non current liabilities									
Borrowing	32 122	27 685	27 193	18 683	18 683	18 683	16 683	14 000	12 000
Provisions	7 427	9 369	13 928	13 253	13 253	13 253	14 334	15 524	16 833
Total non current liabilities	39 549	37 053	41 121	31 936	31 936	31 936	31 018	29 524	28 833
TOTAL LIABILITIES	129 191	166 489	161 737	96 888	96 888	96 888	87 904	81 019	78 033
NET ASSETS	879 949	1 071 839	1 209 217	1 521 854	1 485 976	1 485 976	1 602 530	1 947 502	2 428 075
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	879 949	1 071 839	1 209 217	1 521 854	1 485 976	1 485 976	1 602 530	1 947 502	2 428 075
TOTAL COMMUNITY WEALTH/EQUITY	879 949	1 071 839	1 209 217	1 521 854	1 485 976	1 485 976	1 602 530	1 947 502	2 428 075

Explanatory notes to Table A6 - Budgeted Financial Position

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).

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.

Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:

1. Call investments deposits;
2. Consumer debtors;
3. Property, plant and equipment;
4. Trade and other payables;
5. Provisions non-current;
6. Changes in net assets; and
7. Reserves

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.

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 22 MBRR Table A7 - Budgeted Cash Flow Statement

DC43 Harry Gwala - Table A7 Budgeted Cash Flows									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Service charges	35 210	31 216	23 602	35 148	37 270	37 270	37 455	39 698	42 075
Other revenue	7 285	2 210	7 497	2 965	844	844	581	613	646
Government - operating	213 861	218 281	277 694	249 246	263 824	263 824	249 823	265 226	283 723
Government - capital	155 053	196 780	190 609	245 526	252 033	252 033	270 790	321 768	424 117
Interest	2 202	2 988	3 344	6 636	6 636	6 636	8 417	9 088	9 817
Dividends							-	-	-
Payments									
Suppliers and employees	(289 868)	(255 451)	(281 163)	(245 959)	(245 959)	(245 959)	(264 995)	(278 117)	(300 986)
Finance charges	(3 972)	(3 792)	(3 510)	(2 639)	(3 200)	(3 200)	(2 228)	(1 926)	(1 595)
Transfers and Grants		(7 490)	(14 808)	(15 000)	(21 400)	(21 400)	(20 000)	(21 100)	(22 218)
NET CASH FROM/(USED) OPERATING ACTIVITIES	119 770	184 742	203 264	275 924	290 047	290 047	279 842	335 251	435 578
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	(149 231)						-	-	-
Decrease (increase) in non-current investments	6 712						-	-	-
Payments									
Capital assets		(163 035)	(188 113)	(258 761)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(142 519)	(163 035)	(188 113)	(258 761)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		(1 778)					-	-	-
Increase (decrease) in consumer deposits	30 449		-	130	130	130	151	166	166
Payments									
Repayment of borrowing	(4 507)	(3 282)	(5 863)	(3 486)	(3 486)	(3 486)	(3 835)	(4 218)	(4 640)
NET CASH FROM/(USED) FINANCING ACTIVITIES	25 942	(5 060)	(5 863)	(3 356)	(3 356)	(3 356)	(3 684)	(4 052)	(4 474)
NET INCREASE/ (DECREASE) IN CASH HELD	3 193	16 647	9 288	13 807	6 846	6 846	27 548	36 819	45 253
Cash/cash equivalents at the year begin:	346	3 539	20 186	30 000	29 474	29 474	36 320	63 868	100 687
Cash/cash equivalents at the year end:	3 539	20 186	29 474	43 807	36 320	36 320	63 868	100 687	145 940

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. It can be seen that the cash levels of Harry Gwala fell significantly over the 2011/12 to 2012/13 period owing directly to a decrease in cash for the 2011/12 financial year.

As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalisation of spending priorities.

The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Cash and cash equivalents totals R57 million as at the end of the 2015/16 financial year and escalates to R139 million by 2017/18.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

DC43 Harry Gwala - Table A8 Cash backed reserves/accumulated surplus reconciliation									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	3 539	20 186	29 474	43 807	36 320	36 320	63 868	100 687	145 940
Other current investments > 90 days	-	0	(0)	-	(5 973)	(5 973)	(6 846)	(6 846)	(6 846)
Cash and investments available:	3 539	20 186	29 474	43 807	30 347	30 347	57 022	93 841	139 094
Application of cash and investments									
Unspent conditional transfers	32 528	30 551	19 772	15 865	15 865	15 865	12 692	7 615	4 569
Statutory requirements									
Other working capital requirements	40 368	46 080	57 924	20 127	31 020	31 020	14 081	18 067	8 318
Other provisions				7 293	7 293	7 293	8 169	8 822	9 704
Reserves to be backed by cash/investments									
Total Application of cash and investments:	72 895	76 631	77 696	43 286	54 179	54 179	34 941	34 504	22 591
Surplus(shortfall)	(69 356)	(56 445)	(48 221)	521	(23 832)	(23 832)	22 081	59 337	116 503

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

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. 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.

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".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

From the table it can be seen that for the period 2015/16 to 2017/18 the surplus escalates from R22million to R116 million again in 2017/18.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 Draft Budget MTREF was not funded owing to the significant deficit.

As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

According to this schedule, The 2015/16 draft budget is funded.

Table 24 MBRR Table A9 - Asset Management

DC43 Harry Gwala - Table A9 Asset Management									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
CAPITAL EXPENDITURE									
Total New Assets	133 554	154 134	181 588	254 681	244 762	226 600	274 840	331 738	434 615
Infrastructure - Electricity	-	-	4 971	3 415	1 830	1 830	-	1 873	-
Infrastructure - Water	111 892	114 180	106 173	187 851	189 358	189 358	235 290	269 218	395 417
Infrastructure - Sanitation	16 109	20 078	61 638	43 178	34 112	34 112	28 500	50 677	28 700
Infrastructure	128 001	134 258	172 783	234 444	225 300	225 300	263 790	321 768	424 117
Community	3 600	8 704	-	-	-	-	-	-	-
Other assets	1 952	10 416	8 605	19 037	19 262	1 100	9 950	8 809	9 276
Intangibles	-	756	200	1 200	200	200	1 100	1 161	1 222
Total Renewal of Existing Assets	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-
Infrastructure - Water	16 283	1 136	6 525	4 580	4 580	4 580	7 000	-	-
Infrastructure - Sanitation	7 177	7 765	-	-	-	-	-	-	-
Infrastructure	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-
Infrastructure - Electricity	-	-	4 971	3 415	1 830	1 830	-	1 873	-
Infrastructure - Water	128 175	115 316	112 699	192 431	193 938	193 938	242 290	269 218	395 417
Infrastructure - Sanitation	23 286	27 844	61 638	43 178	34 112	34 112	28 500	50 677	28 700
Infrastructure	151 461	143 160	179 308	239 024	229 880	229 880	270 790	321 768	424 117
Community	3 600	8 704	-	-	-	-	-	-	-
Other assets	1 952	10 416	8 605	19 037	19 262	1 100	9 950	8 809	9 276
Intangibles	-	756	200	1 200	200	200	1 100	1 161	1 222
TOTAL CAPITAL EXPENDITURE - Asset class	157 014	163 035	188 113	259 261	249 342	231 180	281 840	331 738	434 615
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Electricity				7 622	6 037	6 037	6 272	7 487	9 125
Infrastructure - Water				1 071 104	1 066 111	1 066 111	1 107 617	1 322 249	1 611 520
Infrastructure - Sanitation				362 331	360 265	360 265	374 290	446 820	544 571
Infrastructure - Other				31 966	31 966	31 966	33 210	39 646	48 319
Infrastructure	-	-	-	1 473 023	1 464 379	1 464 379	1 521 389	1 816 202	2 213 535
Community				54 757	54 757	54 757	56 889	67 913	82 771
Other assets	991 081			21 178	20 403	20 403	21 198	25 305	30 842
Intangibles	495	772	833	1 384	1 384	1 384	1 184	1 084	97
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	991 576	772	833	1 550 342	1 540 924	1 540 924	1 600 660	1 910 505	2 327 244
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Repairs and Maintenance by Asset Class	58 987	-	-	70 254	-	-	73 875	88 791	114 105
Infrastructure - Water	32 443	-	-	40 716	-	-	48 590	54 998	70 429
Infrastructure - Sanitation	20 645	-	-	27 990	-	-	21 600	27 008	33 439
Infrastructure	53 088	-	-	68 706	-	-	70 190	82 006	103 868
Other assets	5 899	-	-	1 548	-	-	3 686	6 786	10 237
TOTAL EXPENDITURE OTHER ITEMS	81 265	28 992	37 050	90 254	35 000	35 000	98 875	118 791	149 105
Renewal of Existing Assets as % of total capex	14,9%	5,5%	3,5%	1,8%	1,8%	2,0%	2,5%	0,0%	0,0%
Renewal of Existing Assets as % of deprecn"	105,3%	30,7%	17,6%	22,9%	13,1%	13,1%	28,0%	0,0%	0,0%
R&M as a % of PPE	6,0%	0,0%	0,0%	4,5%	0,0%	0,0%	4,6%	4,7%	4,9%
Renewal and R&M as a % of PPE	8,0%	1152,0%	783,0%	5,0%	0,0%	0,0%	5,0%	5,0%	5,0%

Explanatory notes to Table A9 - Asset Management

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.

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. Due to the extremely high infrastructure backlogs that exists in our district a huge allocation of the conditional funding arising from prior years multi- year capital budget appropriations has been committed towards new water and sanitation infrastructure. However the revised infrastructure plan will see a shift of more funds being allocated towards the refurbishment of assets as advised by National Treasury.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the district strategy to address the maintenance backlog.

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

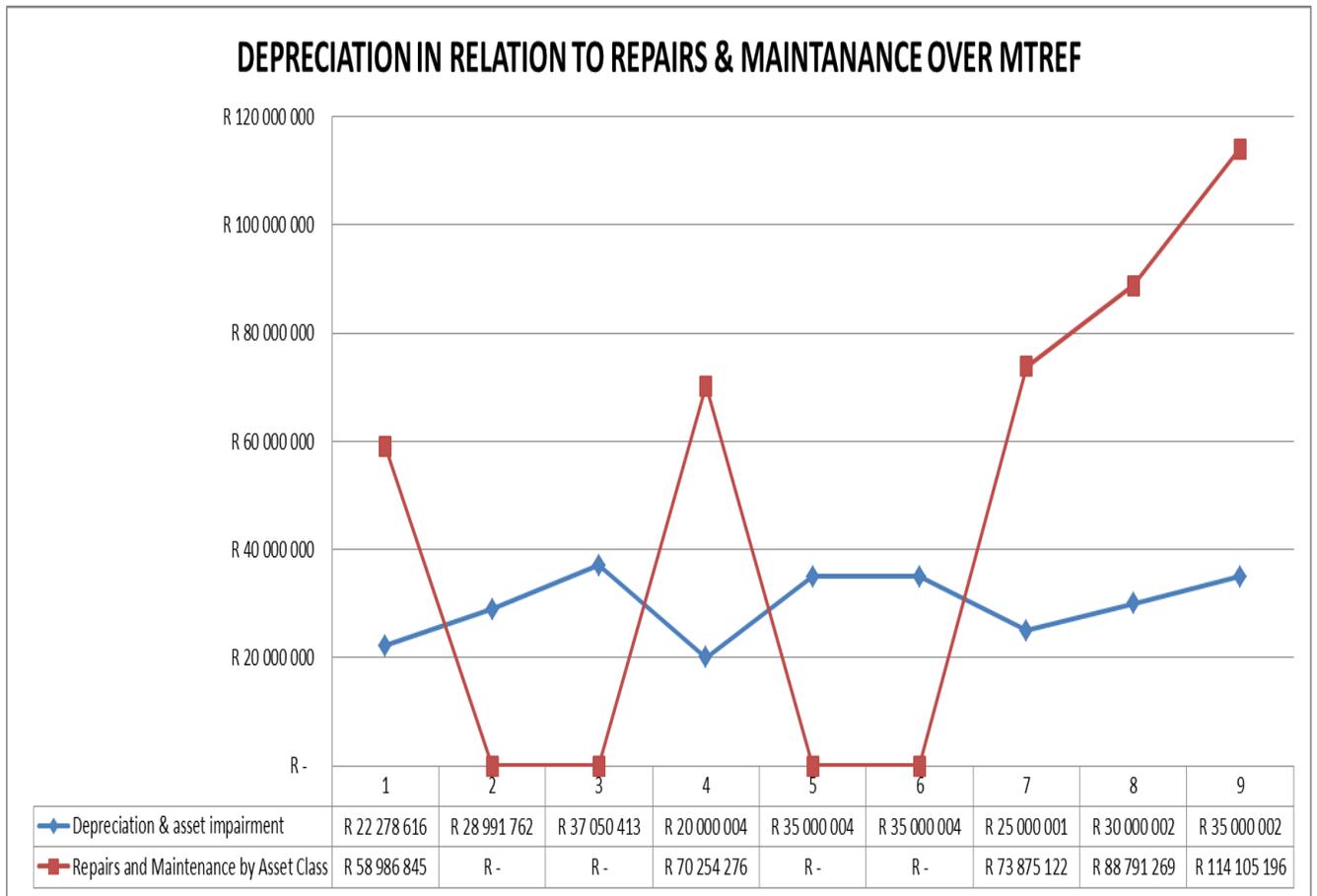


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

DC43 Harry Gwala - Table A10 Basic service delivery measurement									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets									
Water:									
Piped water inside dwelling	42 517	43 367	41 595	41 985	41 985	41 985	44 069	44 157	46 246
Piped water inside yard (but not in dwelling)	19 471	19 860	19 048	19 227	19 227	19 227	19 323	19 420	19 517
Using public tap (at least min.service level)	23 170	23 633	22 667	22 880	22 880	22 880	22 606	22 334	22 066
<i>Minimum Service Level and Above sub-total</i>	85 158	86 861	83 311	84 093	84 093	84 093	85 998	85 912	87 829
Other water supply (< min.service level)	32 127	32 769	31 430	31 725	31 725	31 725	31 819	31 910	31 996
No water supply									
<i>Below Minimum Service Level sub-total</i>	32 127	32 769	31 430	31 725	31 725	31 725	31 819	31 910	31 996
Total number of households	117 284	119 630	114 741	115 818	115 818	115 818	117 818	117 822	119 826
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	60 753	61 968	66 981	70 330	70 330	70 330	57 545	57 547	58 526
Flush toilet (with septic tank)	12 631	12 883	13 926	14 622	14 622	14 622	11 964	11 964	12 168
Pit toilet (ventilated)	51 003	52 023	56 231	59 042	59 042	59 042	48 309	48 311	49 133
<i>Minimum Service Level and Above sub-total</i>	124 387	126 875	137 137	143 993	143 993	143 993	117 818	117 822	119 826
Total number of households	124 387	126 875	137 137	143 993	143 993	143 993	117 818	117 822	119 826
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	9 796	9 992	12 229	10 923	10 923	10 923	117 818	117 822	119 826
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	3 689	3 763	4 695	5 006	5 006	5 006	5 406	5 839	6 306
Sanitation (free sanitation service)	3 235	3 235	4 117	-	-	-	-	-	-
Total cost of FBS provided (minimum social package)	6 924	6 998	8 812	5 006	5 006	5 006	5 406	5 839	6 306
Highest level of free service provided									
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Revenue cost of free services provided (R'000)									
Water	55 111	56 214	61 350	65 031	65 031	65 031	21 593	22 802	24 109
Sanitation	14 703	14 997	16 367	17 349	17 349	17 349	18 737	20 236	21 855
Total revenue cost of free services provided (total social package)	69 814	71 211	77 718	82 381	82 381	82 381	40 330	43 039	45 964

Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

The district continues to make good progress with the eradication of backlogs:

Water services – The table shows an increase in the number of household accessing water in the MTREF. These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.

Sanitation services – backlog will be reduced greatly in the MTREF. The budget provides for 9796 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services.

It is anticipated that these Free Basic Services will cost the municipality R7.5 million in the MTREF. This is covered by the municipality’s equitable share allocation from national government.

1.8 CONSOLIDATED SCHEDULES

DC43 Harry Gwala - Table A1 Consolidated Budget Summary									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands									
Financial Performance									
Service charges	36 249	39 865	48 905	45 313	52 603	52 603	55 902	59 251	62 798
Investment revenue	2 202	2 988	3 344	2 666	3 500	3 500	4 435	4 878	5 367
Transfers recognised - operational	208 257	208 927	218 196	293 536	263 824	263 824	249 823	265 226	283 723
Other own revenue	7 285	2 210	7 497	10 429	16 229	16 229	7 338	7 775	8 234
Total Revenue (excluding capital transfers and contributions)	253 992	253 990	277 941	351 944	336 155	336 155	317 499	337 129	360 122
Employee costs	71 975	79 228	99 943	114 274	104 700	104 700	122 285	131 489	141 619
Remuneration of councillors	4 413	4 622	5 249	6 655	6 655	6 655	7 321	7 723	8 133
Depreciation & asset impairment	22 279	28 992	37 050	21 396	35 000	35 000	25 300	31 306	37 112
Finance charges	3 972	3 792	3 510	2 650	3 200	3 200	2 233	1 931	1 601
Materials and bulk purchases	8 218	9 710	9 487	5 472	8 009	8 009	5 000	5 275	5 555
Other expenditure	247 392	213 875	246 209	188 755	218 717	218 717	167 914	172 967	186 505
Total Expenditure	358 248	340 218	401 448	339 204	376 281	376 281	330 053	350 690	380 524
Surplus/(Deficit)	(104 256)	(86 228)	(123 508)	12 740	(40 126)	(40 126)	(12 554)	(13 561)	(20 402)
Transfers recognised - capital	177 773	246 502	260 886	245 526	252 033	252 033	294 790	321 768	424 117
Surplus/(Deficit) after capital transfers & contributions	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715
Surplus/(Deficit) for the year	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715
Capital expenditure & funds sources									
Capital expenditure	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727
Transfers recognised - capital	157 014	162 106	184 251	245 776	257 533	257 533	294 790	321 768	424 117
Internally generated funds	–	929	3 862	13 484	6 809	6 809	7 750	8 176	8 610
Total sources of capital funds	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727
Financial position									
Total current assets	17 564	87 169	90 805	69 478	41 940	41 940	95 295	123 885	185 088
Total non current assets	991 576	1 151 159	1 280 150	1 549 446	1 540 924	1 540 924	1 628 488	1 937 532	2 353 472
Total current liabilities	89 642	129 436	120 616	64 952	64 952	64 952	58 853	53 614	52 909
Total non current liabilities	39 549	37 053	41 121	31 936	31 936	31 936	30 018	27 877	25 489
Community wealth/Equity	879 949	1 071 839	1 209 217	1 522 036	1 485 976	1 485 976	1 634 911	1 979 926	2 460 161
Cash flows									
Net cash from (used) operating	119 770	184 742	203 264	277 001	290 047	290 047	279 842	335 251	435 578
Net cash from (used) investing	(142 519)	(163 035)	(188 113)	(259 261)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
Net cash from (used) financing	25 942	(5 060)	(5 863)	(3 372)	(3 356)	(3 356)	(3 684)	(4 052)	(4 474)
Cash/cash equivalents at the year end	3 539	20 186	29 474	44 885	36 320	36 320	63 868	100 687	145 940
Cash backing/surplus reconciliation									
Cash and investments available	3 539	20 186	29 474	44 885	30 347	30 347	62 544	99 711	145 318
Application of cash and investments	72 895	76 631	77 696	42 844	54 179	54 179	29 336	28 426	17 249
Balance - surplus (shortfall)	(69 356)	(56 445)	(48 221)	2 042	(23 832)	(23 832)	33 208	71 285	128 069
Asset management									
Asset register summary (WDV)	991 576	772	833	1 549 446	1 540 924	1 540 924	1 184	1 084	97
Depreciation & asset impairment	22 279	28 992	37 050	21 396	35 000	35 000	25 300	31 306	37 112
Renewal of Existing Assets	23 460	8 901	6 525	4 580	–	–	–	–	–
Repairs and Maintenance	58 987	–	–	–	–	–	–	–	–
Free services									
Cost of Free Basic Services provided	6 924	6 998	8 812	5 006	5 006	5 006	–	–	–
Revenue cost of free services provided	69 814	71 211	77 718	82 381	82 381	82 381	–	–	–
Households below minimum service level									
Water:	32	33	31	32	32	32	–	–	–

DC43 Harry Gwala - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)									
Standard Classification Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard									
Governance and administration	213 115	210 829	228 858	249 906	252 538	252 538	249 598	265 916	284 969
Executive and council	142	-	-	-	-	-	-	-	-
Budget and treasury office	212 710	210 347	228 392	249 906	252 538	252 538	249 598	265 916	284 969
Corporate services	264	481	465	-	-	-	-	-	-
Economic and environmental services	3 074	9 433	742	46 356	750	750	25 170	477	85
Planning and development	3 074	9 433	742	46 356	750	750	25 170	477	85
Trading services	215 577	280 230	309 228	301 208	334 901	334 901	337 520	392 504	499 185
Water	36 249	40 521	49 182	50 492	52 600	52 600	61 230	64 904	68 798
Waste water management	179 328	239 709	260 045	250 716	282 301	282 301	276 290	327 600	430 387
Total Revenue - Standard	431 766	500 492	538 827	597 470	588 189	588 189	612 288	658 897	784 239
Expenditure - Standard									
Governance and administration	126 146	98 509	122 454	128 100	123 447	123 447	127 610	133 562	138 509
Executive and council	35 894	12 760	16 695	22 373	23 099	23 099	28 719	30 130	31 804
Budget and treasury office	51 976	45 752	58 717	61 007	58 787	58 787	53 204	55 723	55 933
Corporate services	38 276	39 997	47 042	44 720	41 561	41 561	45 686	47 709	50 771
Economic and environmental services	60 385	36 438	67 456	88 993	52 368	52 368	53 746	58 082	61 772
Planning and development	60 385	36 438	67 456	88 993	52 368	52 368	53 746	58 082	61 772
Trading services	171 717	205 270	211 539	122 110	200 466	200 466	148 697	159 046	180 243
Water	118 513	129 878	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Waste water management	53 204	75 392	105 708	25 235	49 938	49 938	23 206	26 343	28 356
Total Expenditure - Standard	358 248	340 218	401 448	339 204	376 281	376 281	330 053	350 690	380 524
Surplus/(Deficit) for the year	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715

DC43 Harry Gwala - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote									
Vote 2 - Municipal Manager	142	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	212 710	210 347	228 392	238 906	252 538	252 538	249 598	265 916	284 969
Vote 4 - Corporate Services	264	481	465	-	-	-	-	-	-
Vote 5 - Social & Development Planning	3 074	9 433	742	46 356	750	750	25 170	477	85
Vote 6 - Infrastructure Services	179 328	239 709	260 045	261 716	282 301	282 301	276 290	327 600	430 387
Vote 7 - Water Services	36 249	40 521	49 182	50 492	52 600	52 600	61 230	64 904	68 798
Total Revenue by Vote	431 766	500 492	538 827	597 470	588 189	588 189	612 288	658 897	784 239
Expenditure by Vote to be appropriated									
Vote 1 - Council	6 391	7 363	8 861	8 949	10 517	10 517	13 164	13 888	14 624
Vote 2 - Municipal Manager	29 503	5 398	7 834	13 424	12 582	12 582	15 555	16 241	17 180
Vote 3 - Budget & Treasury Office	51 976	45 752	58 717	61 007	58 787	58 787	53 204	55 723	55 933
Vote 4 - Corporate Services	38 276	39 997	47 042	44 720	41 561	41 561	45 686	47 709	50 771
Vote 5 - Social & Development Planning	60 385	36 438	67 456	88 993	52 368	52 368	53 746	58 082	61 772
Vote 6 - Infrastructure Services	53 204	75 392	105 708	25 235	49 938	49 938	23 206	26 343	28 356
Vote 7 - Water Services	118 513	129 878	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Total Expenditure by Vote	358 248	340 218	401 448	339 204	376 281	376 281	330 053	350 690	380 524
Surplus/(Deficit) for the year	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715

DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source									
Service charges - water revenue	25 374	27 833	35 855	31 037	36 235	36 235	38 409	40 714	43 157
Service charges - sanitation revenue	10 875	12 033	13 050	14 276	15 529	15 529	16 461	17 449	18 496
Service charges - other	-	-	-	-	839	839	1 032	1 088	1 146
Rental of facilities and equipment	48	-	-	-	-	-	-	-	-
Interest earned - external investments	2 202	2 988	3 344	2 666	3 500	3 500	4 435	4 878	5 367
Interest earned - outstanding debtors			5 638	5 179	6 000	6 000	6 360	6 742	7 146
Transfers recognised - operational	208 257	208 927	218 196	293 536	263 824	263 824	249 823	265 226	283 723
Other revenue	7 237	2 210	1 859	5 250	10 229	10 229	978	1 033	1 088
Total Revenue (excluding capital transfers and contributions)	253 992	253 990	277 941	351 944	336 155	336 155	317 499	337 129	360 122
Expenditure By Type									
Employee related costs	71 975	79 228	99 943	114 274	104 700	104 700	122 285	131 489	141 619
Remuneration of councillors	4 413	4 622	5 249	6 655	6 655	6 655	7 321	7 723	8 133
Debt impairment	15 508	15 023	23 206	10 000	23 000	23 000	18 369	19 471	20 640
Depreciation & asset impairment	22 279	28 992	37 050	21 396	35 000	35 000	25 300	31 306	37 112
Finance charges	3 972	3 792	3 510	2 650	3 200	3 200	2 233	1 931	1 601
Bulk purchases	8 218	9 710	9 487	5 000	8 009	8 009	5 000	5 275	5 555
Other materials				472					
Contracted services	46 472	18 825	23 659	25 970	37 057	37 057	32 015	33 528	35 067
Other expenditure	151 947	179 889	174 229	152 785	158 660	158 660	117 529	119 967	130 799
Loss on disposal of PPE	33 465	138	25 116	-					
Total Expenditure	358 248	340 218	401 448	339 204	376 281	376 281	330 053	350 690	380 524
Surplus/(Deficit)	(104 256)	(86 228)	(123 508)	12 740	(40 126)	(40 126)	(12 554)	(13 561)	(20 402)
Transfers recognised - capital	177 773	246 502	260 886	245 526	252 033	252 033	294 790	321 768	424 117
Surplus/(Deficit) after capital transfers & contributions	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715
Surplus/(Deficit) after taxation	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715
Surplus/(Deficit) attributable to municipality	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715
Surplus/(Deficit) for the year	73 517	160 274	137 379	258 267	211 907	211 907	282 236	308 207	403 715

DC43 Harry Gwala - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding									
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 2 - Municipal Manager	200	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	72	141	100	-	-	-	-	-
Vote 4 - Corporate Services	1 753	1 567	9 262	3 609	2 104	2 104	2 650	2 796	2 944
Vote 5 - Social & Development Planning	-	3 200	957	2 825	800	800	24 800	844	889
Vote 6 - Infrastructure Services	155 061	157 501	177 753	247 526	257 533	257 533	270 790	321 768	424 117
Vote 7 - Water Services	-	695	-	5 200	3 905	3 905	4 300	4 537	4 777
Capital multi-year expenditure sub-total	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727
Total Capital Expenditure - Vote	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727
Capital Expenditure - Standard									
Governance and administration	1 952	1 640	9 404	3 709	2 104	2 104	2 650	2 796	2 944
Executive and council	200	-	-	-	-	-	-	-	-
Budget and treasury office	-	72	141	100					
Corporate services	1 753	1 567	9 262	3 609	2 104	2 104	2 650	2 796	2 944
Economic and environmental services	-	3 200	957	2 825	800	800	24 800	844	889
Planning and development		3 200	957	2 825	800	800	24 800	844	889
Trading services	155 061	158 196	177 753	252 726	261 438	261 438	275 090	326 305	428 894
Water		695	-	5 200	3 905	3 905	4 300	4 537	4 777
Waste water management	155 061	157 501	177 753	247 526	257 533	257 533	270 790	321 768	424 117
Total Capital Expenditure - Standard	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727
Funded by:									
National Government	136 500	139 304	169 194	245 776	257 533	257 533	270 790	321 768	424 117
Provincial Government	20 514	22 802	15 057				24 000		
Transfers recognised - capital	157 014	162 106	184 251	245 776	257 533	257 533	294 790	321 768	424 117
Internally generated funds		929	3 862	13 484	6 809	6 809	7 750	8 176	8 610
Total Capital Funding	157 014	163 035	188 113	259 261	264 342	264 342	302 540	329 944	432 727

DC43 Harry Gwala - Table A6 Consolidated Budgeted Financial Position									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
ASSETS									
Current assets									
Cash	3 539	20 186	29 474	44 885	30 347	30 347	62 544	99 711	145 318
Consumer debtors	–	5 738	6 923	13 307	307	307	16 091	19 046	20 834
Other debtors	5 201	46 163	48 344	10 968	10 968	10 968	12 065	–	13 271
Current portion of long-term receivables	8 708	14 817	5 794	–	–	–	4 246	4 744	5 242
Inventory	116	265	269	318	318	318	349	384	423
Total current assets	17 564	87 169	90 805	69 478	41 940	41 940	95 295	123 885	185 088
Non current assets									
Property, plant and equipment	991 081	1 150 387	1 279 317	1 548 062	1 539 540	1 539 540	1 627 303	1 936 448	2 353 374
Intangible	495	772	833	1 384	1 384	1 384	1 184	1 084	97
Other non-current assets									
Total non current assets	991 576	1 151 159	1 280 150	1 549 446	1 540 924	1 540 924	1 628 488	1 937 532	2 353 472
TOTAL ASSETS	1 009 140	1 238 328	1 370 954	1 618 924	1 582 864	1 582 864	1 723 782	2 061 417	2 538 559
LIABILITIES									
Current liabilities									
Borrowing	4 911	3 297	3 415	3 266	3 266	3 266	3 000	3 330	3 697
Consumer deposits	881	1 010	1 114	1 265	1 265	1 265	1 415	1 581	1 747
Trade and other payables	77 972	117 863	108 169	53 128	53 128	53 128	46 270	39 881	37 760
Provisions	5 878	7 266	7 918	7 293	7 293	7 293	8 169	8 822	9 704
Total current liabilities	89 642	129 436	120 616	64 952	64 952	64 952	58 853	53 614	52 909
Non current liabilities									
Borrowing	32 122	27 685	27 193	18 683	18 683	18 683	15 683	12 353	8 657
Provisions	7 427	9 369	13 928	13 253	13 253	13 253	14 334	15 524	16 833
Total non current liabilities	39 549	37 053	41 121	31 936	31 936	31 936	30 018	27 877	25 489
TOTAL LIABILITIES	129 191	166 489	161 737	96 888	96 888	96 888	88 871	81 492	78 398
NET ASSETS	879 949	1 071 839	1 209 217	1 522 036	1 485 976	1 485 976	1 634 911	1 979 926	2 460 161
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	879 949	1 071 839	1 209 217	1 522 036	1 485 976	1 485 976	1 634 911	1 979 926	2 460 161
TOTAL COMMUNITY WEALTH/EQUITY	879 949	1 071 839	1 209 217	1 522 036	1 485 976	1 485 976	1 634 911	1 979 926	2 460 161

DC43 Harry Gwala - Table A7 Consolidated Budgeted Cash Flows									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Service charges	35 210	31 216	23 602	37 398	37 270	37 270	37 455	39 698	42 075
Other revenue	7 285	2 210	7 497	2 965	844	844	581	613	646
Government - operating	213 861	218 281	277 694	293 536	263 824	263 824	249 823	265 226	283 723
Government - capital	155 053	196 780	190 609	245 526	252 033	252 033	270 790	321 768	424 117
Interest	2 202	2 988	3 344	6 702	6 636	6 636	8 417	9 088	9 817
Payments									
Suppliers and employees	(289 868)	(262 941)	(295 971)	(306 476)	(267 359)	(267 359)	(264 995)	(278 117)	(300 986)
Finance charges	(3 972)	(3 792)	(3 510)	(2 650)	(3 200)	(3 200)	(2 228)	(1 926)	(1 595)
Transfers and Grants	-	-	-	-	-	-	(20 000)	(21 100)	(22 218)
NET CASH FROM/(USED) OPERATING ACTIVITIES	119 770	184 742	203 264	277 001	290 047	290 047	279 842	335 251	435 578
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	(149 231)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	6 712	-	-	-	-	-	-	-	-
Payments									
Capital assets		(163 035)	(188 113)	(259 261)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(142 519)	(163 035)	(188 113)	(259 261)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	(1 778)	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	(16)	-	-	-	-	-
Increase (decrease) in consumer deposits	30 449		-	130	130	130	151	166	166
Payments									
Repayment of borrowing	(4 507)	(3 282)	(5 863)	(3 486)	(3 486)	(3 486)	(3 835)	(4 218)	(4 640)
NET CASH FROM/(USED) FINANCING ACTIVITIES	25 942	(5 060)	(5 863)	(3 372)	(3 356)	(3 356)	(3 684)	(4 052)	(4 474)
NET INCREASE/ (DECREASE) IN CASH HELD	3 193	16 647	9 288	14 368	6 846	6 846	27 548	36 819	45 253
Cash/cash equivalents at the year begin:	346	3 539	20 186	30 517	29 474	29 474	36 320	63 868	100 687
Cash/cash equivalents at the year end:	3 539	20 186	29 474	44 885	36 320	36 320	63 868	100 687	145 940

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	3 539	20 186	29 474	44 885	36 320	36 320	63 868	100 687	145 940
Other current investments > 90 days	-	0	(0)	-	(5 973)	(5 973)	(1 325)	(976)	(622)
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and investments available:	3 539	20 186	29 474	44 885	30 347	30 347	62 544	99 711	145 318
Application of cash and investments									
Unspent conditional transfers	32 528	30 551	19 772	-	15 865	15 865	12 692	7 615	4 569
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	40 368	46 080	57 924	35 550	31 020	31 020	16 643	20 810	12 680
Other provisions				7 293	7 293	7 293			
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments									
Total Application of cash and investments:	72 895	76 631	77 696	42 844	54 179	54 179	29 336	28 426	17 249
Surplus(shortfall)	(69 356)	(56 445)	(48 221)	2 042	(23 832)	(23 832)	33 208	71 285	128 069

Description	2006/7	2007/8	2008/9	Budget Year 2012/13			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
Total New Assets	133 554	154 134	181 588	254 681	244 762	226 600	274 840	331 738	434 615
<i>Infrastructure - Electricity</i>	-	-	4 971	3 415	1 830	1 830	-	1 873	-
<i>Infrastructure - Water</i>	111 892	114 180	106 173	187 851	189 358	189 358	235 290	269 218	395 417
<i>Infrastructure - Sanitation</i>	16 109	20 078	61 638	43 178	34 112	34 112	28 500	50 677	28 700
Infrastructure	128 001	134 258	172 783	234 444	225 300	225 300	263 790	321 768	424 117
Community	3 600	8 704	-	-	-	-	-	-	-
Other assets	1 952	10 416	8 605	19 037	19 262	1 100	9 950	8 809	9 276
Intangibles	-	756	200	1 200	200	200	1 100	1 161	1 222
Total Renewal of Existing Assets	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-
<i>Infrastructure - Water</i>	16 283	1 136	6 525	4 580	4 580	4 580	7 000	-	-
<i>Infrastructure - Sanitation</i>	7 177	7 765	-	-	-	-	-	-	-
Infrastructure	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-
Total Capital Expenditure									
<i>Infrastructure - Electricity</i>	-	-	4 971	3 415	1 830	1 830	-	1 873	-
<i>Infrastructure - Water</i>	128 175	115 316	112 699	192 431	193 938	193 938	242 290	269 218	395 417
<i>Infrastructure - Sanitation</i>	23 286	27 844	61 638	43 178	34 112	34 112	28 500	50 677	28 700
Infrastructure	151 461	143 160	179 308	239 024	229 880	229 880	270 790	321 768	424 117
Community	3 600	8 704	-	-	-	-	-	-	-
Other assets	1 952	10 416	8 605	19 037	19 262	1 100	9 950	8 809	9 276
Intangibles	-	756	200	1 200	200	200	1 100	1 161	1 222
TOTAL CAPITAL EXPENDITURE - Asset class	157 014	163 035	188 113	259 261	249 342	231 180	281 840	331 738	434 615

DC43 Harry Gwala - Table A9 Consolidated Asset Management									
Description	2006/7	2007/8	2008/9	Budget Year 2012/13			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Electricity				7 622	6 037	6 037	6 272	7 487	9 125
Infrastructure - Water				1 071 104	1 066 111	1 066 111	1 107 617	1 322 249	1 611 520
Infrastructure - Sanitation				362 331	360 265	360 265	374 290	446 820	544 571
Infrastructure - Other				31 966	31 966	31 966	33 210	39 646	48 319
Infrastructure	–	–	–	1 473 023	1 464 379	1 464 379	1 521 389	1 816 202	2 213 535
Community				54 757	54 757	54 757	56 889	67 913	82 771
Heritage assets									
Other assets	991 081			21 178	20 403	20 403	21 198	25 305	30 842
Intangibles	495	772	833	1 384	1 384	1 384	1 184	1 084	97
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	991 576	772	833	1 550 342	1 540 924	1 540 924	1 600 660	1 910 505	2 327 244
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Repairs and Maintenance by Asset Class	58 987	61 148	64 817	70 254	70 254	70 254	73 875	88 791	114 105
Infrastructure - Water	32 443	36 237	38 412	40 716	40 716	40 716	48 590	54 998	70 429
Infrastructure - Sanitation	20 645	24 911	26 405	27 990	27 990	27 990	21 600	27 008	33 439
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	53 088	61 148	64 817	68 706	68 706	68 706	70 190	82 006	103 868
Community	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	5 899	–	–	1 548	1 548	1 548	3 686	6 786	10 237
TOTAL EXPENDITURE OTHER ITEMS	81 265	90 140	101 867	90 254	105 254	105 254	98 875	118 791	149 105
Renewal of Existing Assets as % of total capex	14,9%	5,5%	3,5%	1,8%	1,8%	2,0%	2,5%	0,0%	0,0%
Renewal of Existing Assets as % of deprecn"	105,3%	30,7%	17,6%	22,9%	13,1%	13,1%	28,0%	0,0%	0,0%
R&M as a % of PPE	6,0%	5,3%	5,1%	4,5%	4,6%	4,6%	4,6%	4,7%	4,9%
Renewal and R&M as a % of PPE	8,0%	9068,0%	8565,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%

DC43 Harry Gwala - Table A10 Consolidated basic service delivery measurement									
Description	2006/7	2007/8	2008/9	Budget Year 2012/13			2010/11 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2013/14	Budget Year +2 2014/15
Household service targets									
Water:									
Piped water inside dwelling	42 517	43 367	41 595	41 985	41 985	41 985	44 069	44 157	46 246
Piped water inside yard (but not in dwelling)	19 471	19 860	19 048	19 227	19 227	19 227	19 323	19 420	19 517
Using public tap (at least min.service level)	23 170	23 633	22 667	22 880	22 880	22 880	22 606	22 334	22 066
<i>Minimum Service Level and Above sub-total</i>	85 158	86 861	83 311	84 093	84 093	84 093	85 998	85 912	87 829
Other water supply (< min.service level)	32 127	32 769	31 430	31 725	31 725	31 725	31 819	31 910	31 996
No water supply									
<i>Below Minimum Service Level sub-total</i>	32 127	32 769	31 430	31 725	31 725	31 725	31 819	31 910	31 996
Total number of households	117 284	119 630	114 741	115 818	115 818	115 818	117 818	117 822	119 826
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	60 753	61 968	66 981	70 330	70 330	70 330	57 545	57 547	58 526
Flush toilet (with septic tank)	12 631	12 883	13 926	14 622	14 622	14 622	11 964	11 964	12 168
Pit toilet (ventilated)	51 003	52 023	56 231	59 042	59 042	59 042	48 309	48 311	49 133
<i>Minimum Service Level and Above sub-total</i>	124 387	126 875	137 137	143 993	143 993	143 993	117 818	117 822	119 826
Total number of households	124 387	126 875	137 137	143 993	143 993	143 993	117 818	117 822	119 826
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	9 796	9 992	12 229	10 923	10 923	10 923	117 818	117 822	119 826
Water (6 kilolitres per household per month)	3 689	3 763	4 695	5 006	5 006	5 006	5 406	5 839	6 306
Sanitation (free sanitation service)	3 235	3 235	4 117	-	-	-			
Total cost of FBS provided (minimum social package)	6 924	6 998	8 812	5 006	5 006	5 006	5 406	5 839	6 306
Highest level of free service provided									
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Revenue cost of free services provided (R'000)									
Water	55 111	56 214	61 350	65 031	65 031	65 031	21 593	22 802	24 109
Sanitation	14 703	14 997	16 367	17 349	17 349	17 349	18 737	20 236	21 855
Total revenue cost of free services provided (total social package)	69 814	71 211	77 718	82 381	82 381	82 381	40 330	43 039	45 964

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 Mayor.

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

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

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2014. Key dates applicable to the process were:

- a) **August 2014** – Joint strategic planning session of the Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- b) **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- c) **January 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;

- d) **January 2015** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- e) **January 2015** - Council considers the 2014/15 Mid-year Review and Adjustments Budget;
- f) **February 2015** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- g) **31 MARCH 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- h) **8 to 23 April 2015** – Public consultation;
- i) **6 May 2015** - Closing date for written comments;
- j) **6 to 26 May 2015** – finalization of the 2015/16 IDP and 2015/16 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
- k) **29 May 2015** - Tabling of the 2015/16 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 IDP and Service Delivery and Budget Implementation Plan. This is the fourth review of the IDP as adopted by Council in May 2011. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

The Harry Gwala District 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 fifth revision cycle included the following key IDP processes and deliverables:

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

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 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.

Financial Modeling and Key Planning Drivers

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

1. District growth
2. Policy priorities and strategic objectives
3. Asset maintenance
4. Economic climate and trends (i.e. inflation, household debt, migration patterns)
5. Performance trends
6. The approved 2014/15 adjustments budget and performance against the SDBIP
7. Cash Flow Management Strategy
8. Debtor payment levels
9. Loan and investment possibilities
10. The need for tariff increases versus the ability of the community to pay for services;
11. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

Community Consultation

The draft 2015/16 MTREF as tabled before Council on 31 March 2015 for community consultation was published on the municipality's website, and hard copies were made available at satellite offices, municipal notice boards and various libraries. In addition E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Harry Gwala district municipality's website, and the district call centre was engaged in collecting inputs via e-mail, fax and SMS.

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

Ward Committees were utilised to facilitate the community consultation process from 08 to 23 April 2015, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and local municipalities a notice board on average attendance of 300 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 izimbizo'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 2015/16 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:

- a) 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 district 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;
- b) Several complaints were received regarding poor service delivery, especially poor condition of water (drinking water) and the state of road infrastructure;
- c) Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- d) The affordability of tariff increases was raised on numerous occasions. This concern was also raised by organised business as an obstacle to economic growth;

- e) Pensioners cannot afford the tariff increases due to low annual pension increases; and
- f) During the community consultation process large sections of the community made it clear that they are not in favor 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.

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.

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

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

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

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

- a) Green Paper on National Strategic Planning of 2009;
- b) Government Programme of Action;
- c) Development Facilitation Act of 1995;
- d) Provincial Growth and Development Strategy (GGDS);
- e) National and Provincial spatial development perspectives;
- f) Relevant sector plans such as transportation, legislation and policy;
- g) National Key Performance Indicators (NKPIs);
- h) Accelerated and Shared Growth Initiative (ASGISA);
- i) National 2014 Vision;
- j) National Spatial Development Perspective (NSDP) and
- k) 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 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 26 IDP Strategic Objectives

2014/15 Financial Year	2015/16 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Harry Gwala district principles through a caring, accessible and accountable service	4. Foster participatory democracy and Harry Gwala district principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the district 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:

Provision of quality basic services and infrastructure which includes, amongst others:

- a) Provide water;
- b) Provide sanitation;
- c) Provide housing;
- d) Provide district planning services; and
- e) Maintaining the infrastructure of the district.

Economic growth and development that leads to sustainable job creation by:

- a) Ensuring there is a clear structural plan for the district;
- b) Ensuring planning processes function in accordance with set timeframes;
- c) Facilitating the use of labor intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- a) Effective implementation of the Indigent Policy;
- b) Ensuring all waste water treatment works are operating optimally;
- c) Working with strategic partners such as SAPS to address crime;
- d) Ensuring safe working environments by effective enforcement of building and health regulations;
- e) Promote viable, sustainable communities through proper zoning; and
- f) Promote environmental sustainability by protecting wetlands and key open spaces.

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 coordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- a) Optimising effective community participation in the ward committee system; and
- b) Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- a) Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- b) Reviewing the use of contracted services
- c) Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- d) Optimal institutional transformation to ensure capacity to achieve set objectives

- e) Review of the organizational structure to optimize the use of personnel;

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

In addition to the five-year IDP, the district 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 district 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 district IDP, associated sectoral plans and strategies, and the allocation of resources of the district 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:

1. Developing dormant areas;
2. Enforcing hard development lines – so as to direct private investment;
3. Maintaining existing urban areas;
4. Strengthening key economic clusters;
5. Building social cohesion;
6. Strong developmental initiatives in relation to the municipal institution as a whole; and
7. 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:

- a) Strengthening the analysis and strategic planning processes of the District;
- b) 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;
- c) Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- d) Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2015/16 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 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

DC43 Harry Gwala - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)										
Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 236	2 592	2 790	-	-	-	-	-	-
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	180 477	209 205	225 229	238 906	252 538	252 538	249 598	265 916	284 969
Muni Trans & Instt Dev	Infrastructure Services	-	-	-	-	-	-	-	-	-
Muni Trans & Instt Dev	Meet Basic Service & address Backlogs	814	943	1 016	250	-	-	-	-	-
Muni Trans & Instt Dev	Efficient Fleet Management Service	-	-	-	-	-	-	-	-	-
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 120	2 457	2 645	-	750	750	1 100	400	-
Infrastructure & Services	Infrastructure Services	223 758	259 375	279 242	261 716	282 301	282 301	276 290	327 600	430 387
Water Services	Meet Basic Service & address Backlogs	22 361	25 920	27 905	50 492	52 600	52 600	61 230	64 904	68 798
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributions)		431 766	500 492	538 827	551 364	588 189	588 189	588 218	658 820	784 154

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

DC43 Harry Gwala - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)										
Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Good Governance	Promote the Support of Activities of Sport & Recreation, Youth Development, Elderly, Women & Physically-Challenged	19 458	19 061	14 008	16 656	14 700	14 700	19 126	20 178	21 248
Good Governance	Ensure Accessibility & Promote Governance	24 812	24 305	15 600	21 240	18 250	18 250	5 862	5 943	6 258
Good Governance	To Create an Efficient & Accountable Administration	20 256	19 843	11 300	17 340	16 340	16 340	5 383	5 793	6 226
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	33 920	33 227	58 717	29 175	58 787	58 787	53 204	55 723	55 933
Muni Trans & Insttit Dev	HR Dev.(Including Healthy & Productive Employees) & Organisational dev.	14 922	14 618	15 770	12 774	13 261	13 261	8 392	8 927	9 487
Muni Trans & Insttit Dev	Effective & Efficient Admin & IT Support Service Provision	32 541	31 877	23 426	27 856	22 428	22 428	32 699	34 293	36 364
Muni Trans & Insttit Dev	Efficient Fleet Management Service	7 947	7 785	7 845	6 803	5 872	5 872	2 943	2 705	2 993
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	36 079	35 343	34 221	30 885	17 050	17 050	20 000	21 100	22 218
Socio Economic Development	To create the disaster management unit that seeks to prevent; mitigate; preparedness; response; recovery and rehabilitation to disasters	1 487	1 456	1 070	1 273	1 372	1 372	11 942	13 055	24 997
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	8 743	8 565	7 953	7 484	7 756	7 756	22 344	23 850	14 472
Infrastructure & Services	Infrastructure Services	38 930	38 135	105 708	25 235	49 938	49 938	23 206	26 343	28 356
Water Services	Meet Basic Service & address Backlogs	119 154	106 002	105 830	96 875	150 528	150 528	125 491	132 702	151 888
Allocations to other priorities										
Total Expenditure		358 248	340 218	401 448	293 598	376 281	376 281	330 593	350 613	380 439

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

DC43 Harry Gwala - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)										
Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Good Governance	Ensure Accessibility & Promote Governance	200	-	-	-	-	-	-	-	-
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	-	72	141	100	-	-	-	-	-
Muni Trans & Insitt Dev	Effective & Efficient Admin & IT Support Service Provision	1 752	1 567	9 262	3 609	2 104	2 104	2 650	2 796	2 944
Muni Trans & Insitt Dev	Efficient Fleet Management Service	-	-	-	-	-	-	-	-	-
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	-	3 200	957	2 325	800	800	-	-	-
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	-	-	-	-	-	-	800	844	889
Infrastructure & Services	Infrastructure Services	155 061	157 501	177 753	247 527	257 533	257 533	270 790	321 768	424 117
Water Services	Meet Basic Service & address Backlogs	-	695	-	5 200	3 905	3 905	4 300	4 537	4 777
Allocations to other priorities										
Total Capital Expenditure		157 014	163 035	188 113	258 761	264 342	264 342	278 540	329 944	432 727

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 district has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess 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:

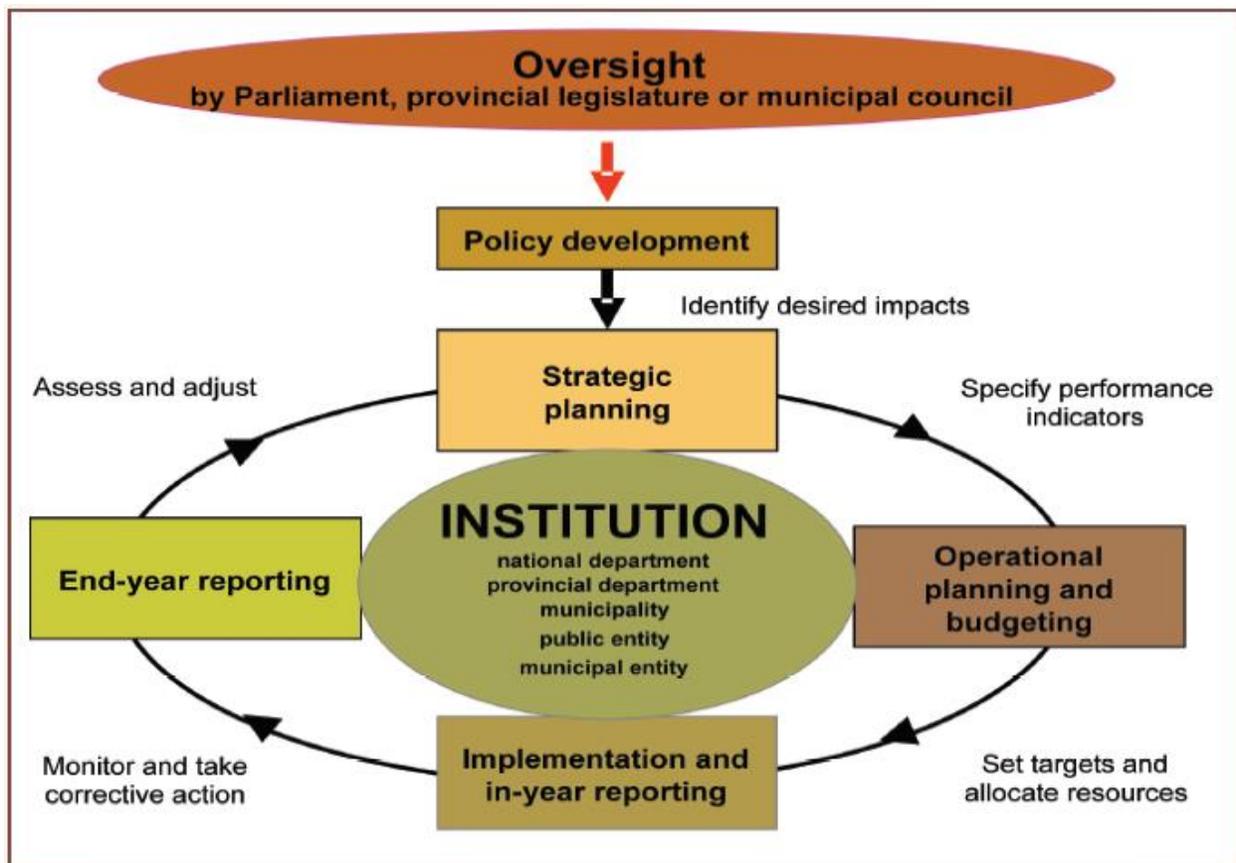


Figure 4 Planning, budgeting and reporting cycle

The performance of the district 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 district therefore has adopted one integrated performance management system which encompasses:

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

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

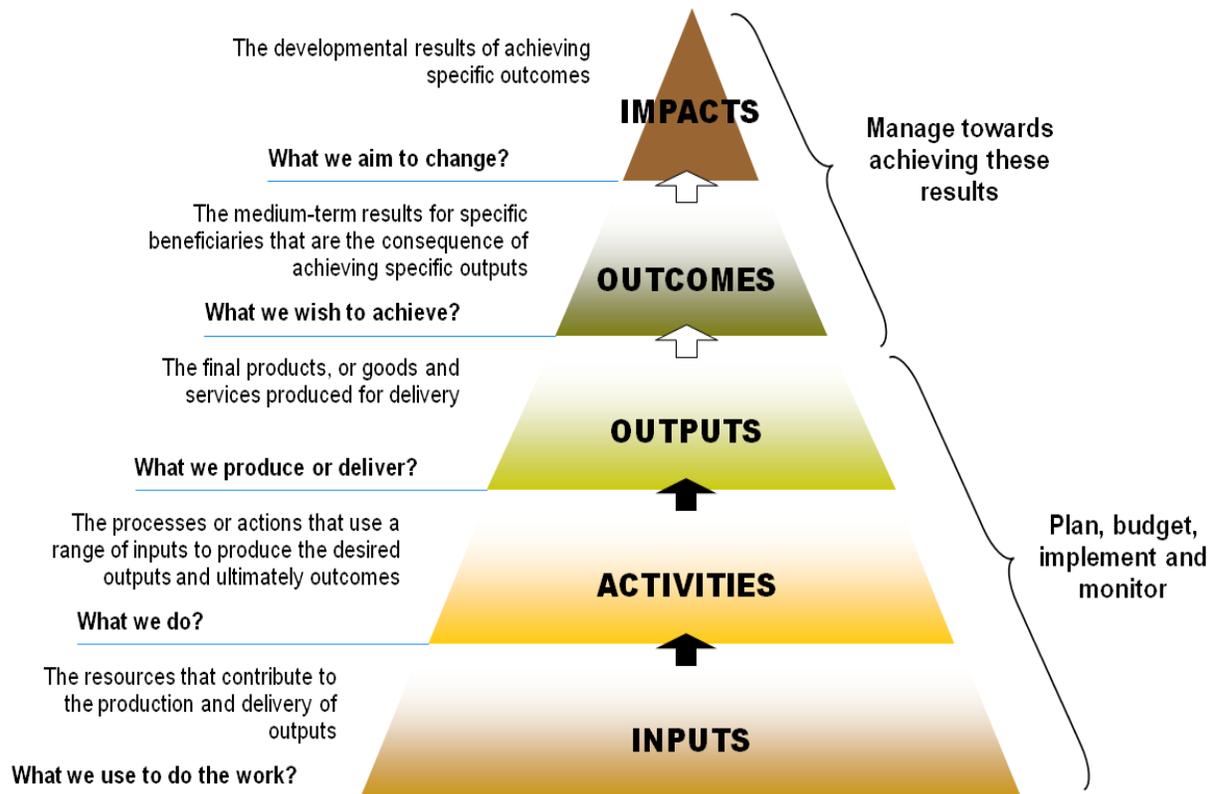


Figure 5 Definition of performance information concepts

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

Table 30 MBRR Table SA7 - Measurable performance objectives

DC43 Harry Gwala - Supporting Table SA7 Measurable performance objectives										
Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Vote1 - Executive & Council										
Function 1 - Operations Department										
Sub-function 1 - Youth Development										
To render youth development projects	Number of programmes	23%	20,0%	16,0%	16,0%	14,0%	14,0%	14,0%	14,0%	14,0%
Sub-function 2 - Sports and Recreation										
To promote sports initiatives and activities	Number of games & events held	4,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Sub-function 3 - Communication and Public Relations										
To render integrated communication services	Information Dissemination	10,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%
Sub-function 4 - Special Programmes										
Programs for the Elderly, Disabled, HIV&Aids and Cultural Activities	Number of Programmes implemented	10,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Sub-function 5 - IDP/PMS										
Compilation of Annual Report, SDBIP, Annual Performance Contracts and Rewarding Performance	Number of Reports	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
Sub-function 6 - Intergovernmental Relations										
To hold the meetings as part of the intergovernmental relations within the district	Number of meeting Held	10,0%	4,0%	4,0%	9,0%	9,0%	9,0%	4,0%	4,0%	4,0%
Vote2 - Finance										
Function 1 - Budget & Treasury Office										
Sub-function 1 - Budgeting & Reporting										
Financial Viability & Management	Number of Reports Produced	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%
Vote3 - Corporate Services										
Function 1 - Corporate Services										
Sub-function 2 - Human Resource Services										
To provide Human Resource Management Services	Number of plans, Strategies, Policies developed Staff Capacity Building	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Vote4 - Economic & Community Services										
Function 1 - Development & Planning										
Sub-function 1 - Planning & GIS										
To provide Development Planning Services	Number of Precinct Plans Developed	0,0%	2,0%	4,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Sub-function 2 - Environmental Health										
The municipality shall therefore ensure that, its residents have access to an environment that is not harmful to their health and well being. (Section 24 of the constitution), and it shall ensure the promotion of social and economic upliftment (object of the municipal systems act) of its residents.	% Enforcements undertaken	45,0%	80,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
	Surveillance of Business Premises	0,0%	0,0%	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%
	Percentage of samples taken of functional water schemes	65,0%	68,0%	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%

DC43 Harry Gwala - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<i>Sub-function 3 - Disaster Management</i>										
Turnaround time to respond to any disaster	% Enforcements undertaken	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time						
	Construction of Disaster Management Centre	0,0%								
Vote5 - Infrastructure Services										
Function 1 - Waste Water Infrastructure										
<i>Sub-function 1 - Water</i>										
Reduction in water backlogs	Total number of HH with access to water	5304,00	5894,00	6435,00	6893,00	6755,00	6755,00	6800,00	6950,00	
	Bulk Water & Sewer Infrastructure									
	Number of household with new access to VIP sanitation	5894,0%	6435,0%	6893,0%	6755,0%	6755,0%	6755,0%	1700,0%	1829,0%	1829,0%
<i>Sub-function 2 - Sanitation</i>										
Reduction in sanitation backlogs										
	No of hh with electricity connection in the water scheme	1844,0%	1956,0%	2043,0%	1941,0%	1941,0%	1941,0%	1940,0%	1940,0%	1940,0%
<i>Sub-function 3 - Electricity</i>										
To provide electricity to the existing water schemes										
	No of KM or road provided	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%
<i>Sub-function 4 - Roads</i>										
Provision of new access roads										
	Frequency of building maintenance	85,0%	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%
<i>To ensure the maintenance of municipal building to enhance safety environment</i>										
Vote6 - Water Services										
Function 1 - Water										
Sub-function 1 - Water & Sanitation infrastructure Planning & Design	Water Feasibility Studies, Business Plans Approved	10,0%	10,0%	10,0%	8,0%	8,0%	8,0%	10,0%	8,0%	8,0%
To ensure the effective management of all water Infrastructure	Sanitation Feasibility Studies, Business Plans Approved	4,0%	5,0%	4,0%	5,0%	5,0%	5,0%	4,0%	5,0%	5,0%
	% Reduction in water losses Minimum Night Flows in main supply areas	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	100,0%	98,0%	98,0%
To render effective water & sanitation services	% reduction in the number of sewer overflows	90,0%	95,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
	% Progress made towards Blue drop and Green drop Status DWA	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%
And so on for the rest of the Votes										

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

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

DC43 Harry Gwala - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Borrowing Management											
Credit Rating		n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2,4%	2,1%	2,3%	2,1%	1,8%	1,8%	0,0%	1,8%	1,8%	1,6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	18,5%	15,7%	15,7%	10,8%	9,2%	9,2%	0,0%	9,0%	8,6%	8,2%
Borrowed funding of 'low n' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	-191,4%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Liquidity											
Current Ratio	Current assets/current liabilities	0,2	0,7	0,8	1,1	0,6	0,6	-	1,6	2,3	3,6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,2	0,7	0,8	1,1	0,6	0,6	-	1,6	2,3	3,6
Liquidity Ratio	Monetary Assets/Current Liabilities	0,0	0,2	0,2	0,7	0,5	0,5	-	1,0	1,8	2,8
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		97,1%	78,3%	48,3%	77,6%	70,9%	70,9%	0,0%	67,0%	67,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		97,1%	78,3%	48,3%	77,6%	70,9%	70,9%	0,0%	67,0%	67,0%	67,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5,5%	26,3%	22,0%	7,9%	3,4%	3,4%	0,0%	10,2%	7,1%	10,9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	72,0%									
Creditors to Cash and Investments		1284,0%	432,5%	299,9%	85,1%	102,6%	102,6%	0,0%	48,6%	29,3%	19,8%
Other Indicators											
Water Distribution Losses (2)	Total Volume Losses (kt)										
	Total Cost of Losses (Rand '000)	1 531									
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	28,3%	31,2%	36,0%	33,5%	31,1%	31,1%	0,0%	35,9%	36,4%	36,8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		0,0%	0,0%	0,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	23,2%	0,0%	0,0%	23,0%	0,0%	0,0%		23,3%	26,3%	31,7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10,3%	12,9%	14,6%	7,4%	11,4%	11,4%	0,0%	8,6%	9,5%	10,2%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	7,3	4,9	5,9	5,6	5,6	5,6	-	5,1	5,0	5,3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	38,3%	167,4%	124,9%	53,6%	21,4%	21,4%	0,0%	58,0%	40,2%	62,7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,2	1,2	1,5	2,5	1,7	1,7	-	3,2	4,8	6,5

PERFORMANCE INDICATORS AND BENCHMARKS

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Harry Gwala's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 1.0 per cent to 0.5 per cent in 2015/16, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

No projects are funded from Borrowing in the MTREF

In summary, various financial risks could have a negative impact on the future borrowing District of the municipality. In particular, the continued ability of the district to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2015/16 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Liquidity (reference SA8)

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1.5, hence at no point in time should this ratio be less than 1. For the 2015/16 MTREF the current ratio is 1.6 in the 2015/16 financial year and 2.3, 3.6 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15 financial year the ratio was 0.5 and it has been increased to 1.0 in the 2015/16 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 District. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been 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.

Creditors Management

The district 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 will seek to ensure an improvement a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on suppliers' perceptions of risk of doing business with the district, which is expected to benefit the district in the form of more competitive pricing of tenders, as suppliers compete for the district business.

Other Indicators

The water distribution losses have been increased from 32 per cent in 2012/13 to 40 per cent in 2013/14. This has been achieved with the introduction of a water leakage report and action centre. The intention is to further rollout additional depots within the District to further leverage from the efficiency that the centre offers. It is planned to reduce distribution losses from 40 per cent in 2013/14 to at least 30 per cent by 2014/15.

Employee costs as a percentage of operating revenue continues to increase from 36 per cent in 2015/16 and 37 per cent for the outer year. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of Harry Gala's strategy to ensure the management of its asset base.

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the District.

For the 2015/16 financial year all households in the district have been budgeted for the 6 free kilo litres. Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

Providing clean water and managing waste water

Harry Gwala district is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Only in the Ubuhlebezwe local municipal area is a districts bulk water needs provided by Umngeni water and Ugu District municipality while the remaining supplier is generated from the district own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the district:

1. The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
2. Shortage of skilled personnel makes proper operations and maintenance difficult;
3. Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
4. There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

1. Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
2. The filling of vacancies has commenced and there is training that embark on an in-house, especially for operational personnel and plumbers;
3. The District Division is to install dedicated power supply lines to the plants; and
4. The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

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

Review of credit control and debt collection procedures/policies

As the 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.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the district's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

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 district 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).

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 district 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.

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2014. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

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 district system of delegations. The Budget and Virement Policy was approved by Council after having been amended accordingly.

Cash Management and Investment Policy

The aim of the policy is to ensure that the district 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 a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

Tariff Policies

The district 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.

Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2015/16 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

1. Approved 2014/15 Adjustments Budget;
2. Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
3. Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
4. Loan and investment possibilities;
5. Performance trends;
6. Tariff Increases;
7. The ability of the community to pay for services (affordability);
8. Policy priorities;

9. Improved and sustainable service delivery; and
10. Debtor payment levels.

All the above policies are available on the district website, as well as the following budget related policies:

- a) Funding and Reserves Policy;
- b) Borrowing Policy;
- c) Budget Policy; and
- d) Basic Social Services Package (Indigent Policy).

The proposed amendments to the budget policies have been included as Annexure C.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

External factors

The economy is still recovering from the recession it has had in the past 2 years. Owing to the economic slowdown and the high unemployment levels, 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 district's finances.

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 2015/16 MTREF:

1. National Government macro-economic targets;
2. The general inflationary outlook and the impact on district's residents and businesses;
3. The impact of municipal cost drivers;
4. The increase in the price of bulk water; and other input costs like District and fuel,
5. The increase in the cost of remuneration. Employee related costs comprise 35 per cent of total operating expenditure in the 2015/16 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
6. Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The collective agreement regarding salaries/wages came into an end in 2014/2015 financial year and shall begin with negotiations for 2015/16 until 2017/2018 financial year. Year three is an across the board increase of 6.79 per cent.

Impact of national, provincial and local policies

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

1. Creating jobs;
2. Enhancing education and skill development;
3. Improving Health services;
4. Rural development and agriculture; and
5. Fighting crime and corruption.

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

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

2.6 OVERVIEW OF BUDGET FUNDING

Medium-term outlook: operating revenue

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

Table 32 Breakdown of the operating revenue over the medium-term

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	Current Year 2014/2015		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
Revenue By Source								
Service charges - water revenue	36 235	11%	38 409	12%	40 714	0	43 157	0
Service charges - sanitation revenue	15 529	5%	16 461	5%	17 449	5%	18 496	5%
Service charges - other	839	0%	1 032	0%	1 088	0%	1 146	0%
Interest earned - external investments	3 500	1%	4 375	1%	4 812	1%	5 294	1%
Interest earned - outstanding debtors	6 000	2%	6 360	2%	6 742	2%	7 146	2%
Transfers recognised - operational	263 824	78%	249 823	79%	265 226	79%	283 723	79%
Other revenue	10 229	3%	968	0%	1 022	0%	1 076	0%
Total Revenue (excluding capital transfers and contributions)	336 155	100%	317 429	100%	337 052	100%	360 037	100%
	52 603	16%	55 902	18%	59 251	18%	62 798	17%

The following graph is a breakdown of the operational revenue per main category for the 2015/16 financial year.

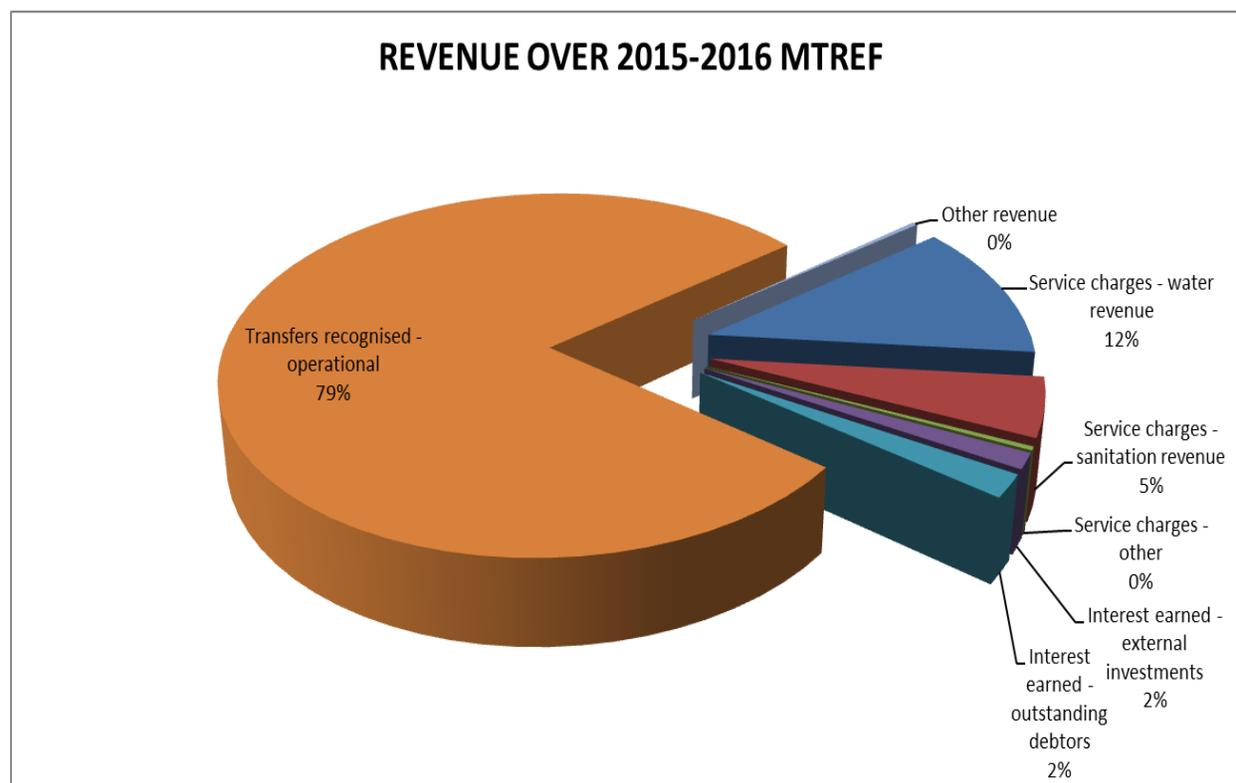


Figure 6 Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The district derives most of its operational revenue from the provision of goods and services such as water and sanitation.

The revenue strategy is a function of key components such as:

1. Growth in the District and economic development;
2. Revenue management and enhancement;
3. Achievement of a 70 per cent annual collection rate for consumer revenue;
4. National Treasury guidelines;
5. District tariff increases within the National District Regulator of South Africa (NERSA) approval;
6. Achievement of full cost recovery of specific user charges;
7. Determining tariff escalation rate by establishing/calculating revenue requirements;
8. And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2015/16 MTREF on the different revenue categories are:

Table 33 Proposed tariff increases over the medium-term

DC43 Harry Gwala - Supporting Table SA14 Household bills						
REVENUE CATEGORY	2015/2016	2016/2017	2017/2018	2015/2016	2016/2017	2017/2018
	Proposed Tariff Increase	Proposed Tariff Increase	Proposed Tariff Increase	Additional Revenue for Each 1% Tariff Increase	Additional Revenue for Each 1% Tariff Increase	Additional Revenue for Each 1% Tariff Increase
Service Charges-Service Revenue	6%	6%	6%	R 362 352	R 384 093	R 407 138
Service Charges-Sanitation	6%	6%	6%	R 155 294	R 164 611	R 174 488
TOTAL				R 517 645	R 548 704	R 581 626

Services charges relating to water and sanitation constitute the biggest component of the revenue basket of the district totaling R517 million for the 2015/16 financial year and increasing to R581 million by 2017/18. For the 2015/16 financial year services charges amount to 10 per cent of the total revenue base and decrease by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water.

Operational grants and subsidies amount to R330 million, R350 million and R380 million for each of the respective financial years of the MTREF, or 11%, 4%, 4 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5 per cent and 18 per cent for 2016/17, 31 per cent for the 2017/18. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the District with a budget allocation of R4.3 million, R4.8 million and R5.2 million for the respective three financial years of the 2014/15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 34 MBRR SA15 – Detail Investment Information

Harry Gwala District Municipality does not have investments.

DC43 Harry Gwala - Supporting Table SA15 Investment particulars by type									
Investment type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Parent municipality									
Deposits - Bank	5 000	10 000	12 500	-	-	-	-	-	-
Municipality sub-total	5 000	10 000	12 500	-	-	-	-	-	-
Consolidated total:	5 000	10 000	12 500	-	-	-	-	-	-

Table 35 MBRR SA16 – Investment particulars by maturity

DC43 Harry Gwala - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Expiry date of investment	Closing Balance
	Yrs/Months						
Parent municipality							
FIRST NATIONAL BANK	n/a	MONEY MARKET	No	Variable	n/a	n/a	-
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	-
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	
INVESTEC	n/a	FIXED DEPOSIT	No	Variable	n/a	n/a	
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a	-
							-
Municipality sub-total							-
TOTAL INVESTMENTS AND INTEREST							-

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted deficit of R13 million, R13, 5million and R20, 4 million in each of the financial years. Non-cash items resulting in deficit that is confined within the total and do not affect cash backing of the budget.

Medium-term outlook: capital revenue

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

Table 36 Sources of capital revenue over the MTREF

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description			2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2015/16	%	Budget Year +1 2016/17	%	Budget Year +2 2017/18	%
R thousand								
Funded by:								
National Government	257 533		270 790		321 768		424 117	
Provincial Government								
Transfers recognised - capital	257 533	97%	270 790	97%	321 768	98%	424 117	98%
Internally generated funds	6 809	3%	7 750	3%	8 176	2%	8 610	2%
Total Capital Funding	264 342	100%	278 540	100%	329 944	100%	432 727	100%

The above table is graphically represented as follows for the 2015/16 financial year.

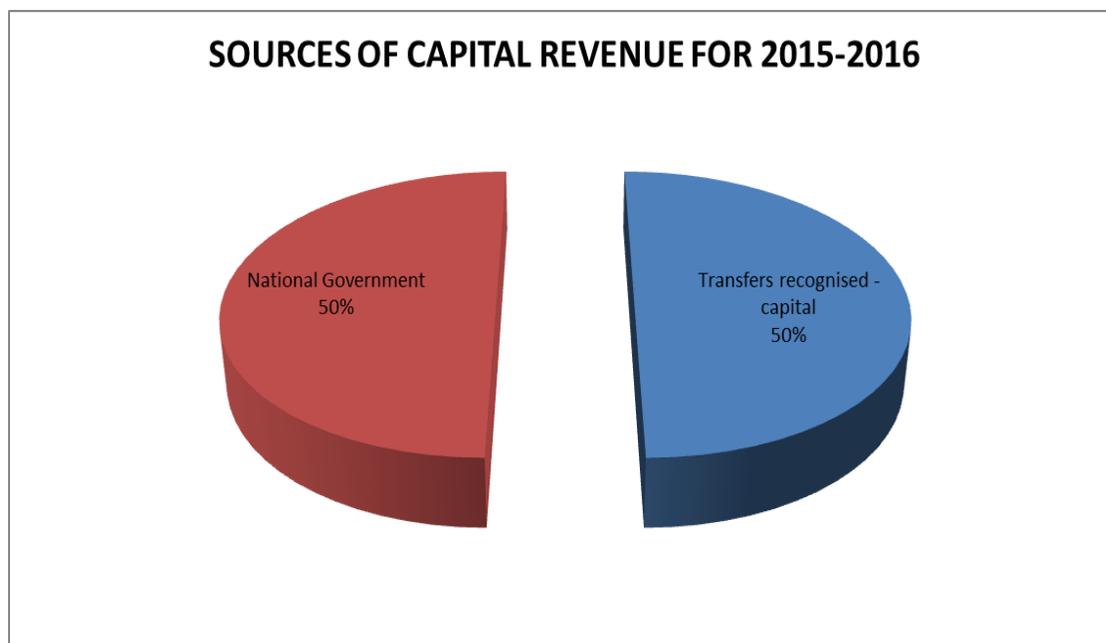


Figure 7 Sources of capital revenue for the 2015/16 financial year

Capital grants and receipts equates to 100 per cent of the total funding source which represents R270 million for the 2015/16 financial year and steadily increase to R321 million and R424 for 2017/18. Growth relating to an average receipts of 25 per cent over the medium-term.

The following table is a detailed analysis of the District's borrowing liability.

Table 37 MBRR Table SA 17 - Detail of borrowings

DC43 Harry Gwala - Supporting Table SA17 Borrowing									
Borrowing - Categorised by type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Parent municipality									
Long-Term Loans (annuity/reducing balance)									
Long-Term Loans (non-annuity)	32 122	27 685	25 384	21 949	21 949	21 949	18 683	15 683	12 353
Municipality sub-total	32 122	27 685	25 384	21 949	21 949	21 949	18 683	15 683	12 353
Total Borrowing	32 122	27 685	25 384	21 949	21 949	21 949	18 683	15 683	12 353

The following graph illustrates the growth in outstanding borrowing for the 2010/11 to 2016/17 period.

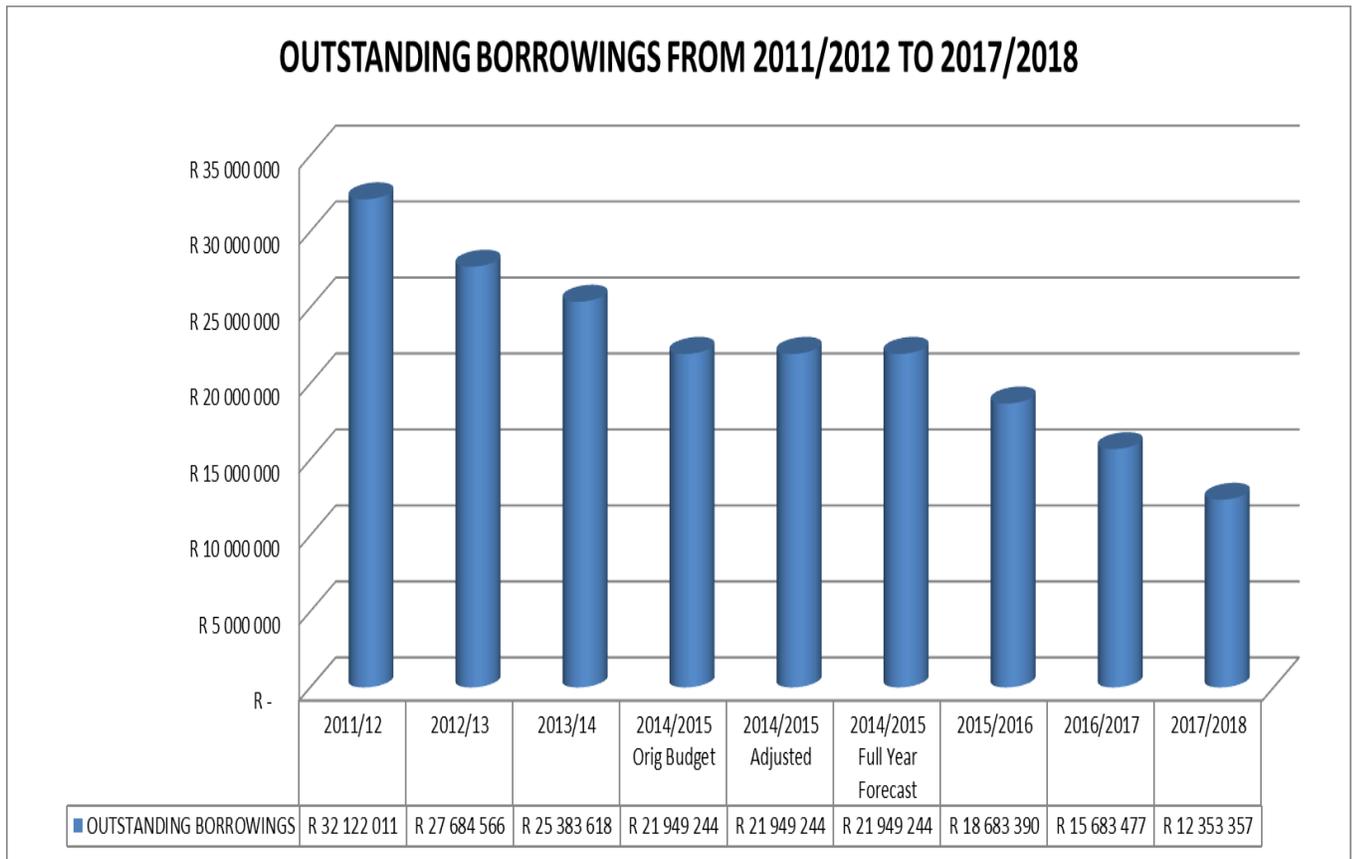


Figure 8 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 38 MBRR Table SA 18 - Capital transfers and grant receipts

DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Transfers and Grants									
National Government:	155 596	170 707	232 486	245 526	267 611	267 611	270 790	321 768	424 117
Municipal Infrastructure Grant (MIG)	136 610	165 717	173 618	183 882	183 882	183 882	189 324	197 150	208 998
Regional Bulk Infrastructure	13 851	396	37 429	28 200	58 200	58 200	30 000	80 000	120 000
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT			5 000	3 415					
MUNICIPAL WATER INFRASTRUCTURE GRANT			13 700	22 800	22 800	22 800	43 500	40 118	90 119
Expanded public works programme incentive grant	5 135	4 594	2 739	2 729	2 729	2 729	3 466		
Rural Household Infrastructure Grant				4 500			4 500	4 500	5 000
Provincial Government:	26 532	26 073	3 617	-	-	-	-	-	-
Ubhlebezwe Grant			3 000						
COGTA	25 038		617						
Massification (COGTA)	1 494	20 800							
Fresh Produce Market Grant CoGTA		3 200							
CoGTA - Ubhlebezwe Grant		1 453							
ACIP - DWA		620							
Total Capital Transfers and Grants	182 129	196 780	236 103	245 526	267 611	267 611	270 790	321 768	424 117
TOTAL RECEIPTS OF TRANSFERS & GRANTS	368 914	415 061	456 710	483 772	531 435	531 435	520 613	586 994	707 840

Cash Flow Management

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

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

Table 39 MBRR Table A7 - Budget cash flow statement

DC43 Harry Gwala - Table A7 Budgeted Cash Flows									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Service charges	35 210	31 216	23 602	35 148	37 270	37 270	37 455	39 698	42 075
Other revenue	7 285	2 210	7 497	2 965	844	844	581	613	646
Government - operating	213 861	218 281	277 694	249 246	263 824	263 824	249 823	265 226	283 723
Government - capital	155 053	196 780	190 609	245 526	252 033	252 033	270 790	321 768	424 117
Interest	2 202	2 988	3 344	6 636	6 636	6 636	8 417	9 088	9 817
Payments									
Suppliers and employees	(289 868)	(255 451)	(281 163)	(245 959)	(245 959)	(245 959)	(264 995)	(278 117)	(300 986)
Finance charges	(3 972)	(3 792)	(3 510)	(2 639)	(3 200)	(3 200)	(2 228)	(1 926)	(1 595)
Transfers and Grants		(7 490)	(14 808)	(15 000)	(21 400)	(21 400)	(20 000)	(21 100)	(22 218)
NET CASH FROM/(USED) OPERATING ACTIVITIES	119 770	184 742	203 264	275 924	290 047	290 047	279 842	335 251	435 578
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	(149 231)						-	-	-
Decrease (increase) in non-current investments	6 712						-	-	-
Payments									
Capital assets		(163 035)	(188 113)	(258 761)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(142 519)	(163 035)	(188 113)	(258 761)	(279 846)	(279 846)	(248 610)	(294 380)	(385 851)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		(1 778)					-	-	-
Increase (decrease) in consumer deposits	30 449		-	130	130	130	151	166	166
Payments									
Repayment of borrowing	(4 507)	(3 282)	(5 863)	(3 486)	(3 486)	(3 486)	(3 835)	(4 218)	(4 640)
NET CASH FROM/(USED) FINANCING ACTIVITIES	25 942	(5 060)	(5 863)	(3 356)	(3 356)	(3 356)	(3 684)	(4 052)	(4 474)
NET INCREASE/ (DECREASE) IN CASH HELD	3 193	16 647	9 288	13 807	6 846	6 846	27 548	36 819	45 253
Cash/cash equivalents at the year begin:	346	3 539	20 186	30 000	29 474	29 474	36 320	63 868	100 687
Cash/cash equivalents at the year end:	3 539	20 186	29 474	43 807	36 320	36 320	63 868	100 687	145 940

The above table shows that cash and cash equivalents of the District were largely increasing between the 2011/12 and 2014/15 financial year moving from a cash balance of R3, 5m to R43 million and continue improving from 2015/16 MTREF. With the 2014/15 adjustments budget various cost efficiencies and savings had to be realised to ensure the District could meet its operational expenditure commitments. In addition the District undertook an extensive debt collection process but it was not that successful. These interventions have translated into a deficit for the District and it is projected that cash and cash equivalents on hand showed a surplus of R56 million by the financial year end. For the 2015/16 MTREF the budget has been prepared to continue ensuring high levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R63, 8 million by 2015/16 and steadily increasing to R145 million by 2017/18.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

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

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

It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 40 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

DC43 Harry Gwala - Table A8 Cash backed reserves/accumulated surplus reconciliation									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	3 539	20 186	29 474	43 807	36 320	36 320	63 868	100 687	145 940
Other current investments > 90 days	-	0	(0)	-	(5 973)	(5 973)	(6 846)	(6 846)	(6 846)
Cash and investments available:	3 539	20 186	29 474	43 807	30 347	30 347	57 022	93 841	139 094
Application of cash and investments									
Unspent conditional transfers	32 528	30 551	19 772	15 865	15 865	15 865	12 692	7 615	4 569
Other working capital requirements	40 368	46 080	57 924	20 127	23 821	23 821	14 081	18 067	8 318
Other provisions				7 293	7 293	7 293	8 169	8 822	9 704
Total Application of cash and investments:	72 895	76 631	77 696	43 286	46 980	46 980	34 941	34 504	22 591
Surplus(shortfall)	(69 356)	(56 445)	(48 221)	521	(16 633)	(16 633)	22 081	59 337	116 503

From the above table it can be seen that the cash and investments available total R63.8 million in the 2015/16 financial year and progressively increase to R145.9 million by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the District to meet its creditor obligations.

Against other provisions an amount R8 million has been provided for the 2015/16 financial year and this increases to R9 million by 2017/18. This liability is informed by, amongst others, the supplementary pension liability.

The 2015/16 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the District will be to ensure that the underlying

planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

Figure 9 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.5 Funding compliance measurement

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

Table 41 MBRR SA10 – Funding compliance measurement

DC43 Harry Gwala Supporting Table SA10 Funding measurement											
Description	MFMA section	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	3 539	20 186	29 474	43 807	36 320	36 320	-	63 868	100 687	145 940
Cash + investments at the yr end less applications - R'000	18(1)b	(69 356)	(56 445)	(48 221)	521	(16 633)	(16 633)	-	22 081	59 337	116 503
Cash year end/monthly employee/supplier payments	18(1)b	0,2	1,2	1,5	2,5	1,7	1,7	-	3,2	4,8	6,5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	73 517	160 274	137 379	257 767	211 907	211 907	-	257 626	308 207	403 715
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	4,0%	16,7%	(13,3%)	10,1%	(6,0%)	(106,0%)	0,3%	(0,0%)	(0,0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	97,6%	79,4%	55,1%	70,6%	55,4%	55,4%	0,0%	60,2%	60,2%	60,2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	42,8%	37,7%	47,5%	22,1%	43,7%	43,7%	0,0%	32,9%	32,9%	32,9%
Capital payments % of capital expenditure	18(1)c;19	0,0%	100,0%	100,0%	100,0%	105,9%	105,9%	0,0%	89,3%	89,2%	89,2%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	379,7%	(8,5%)	(60,2%)	0,0%	0,0%	(100,0%)	33,5%	(26,6%)	65,4%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	6,0%	0,0%	0,0%	4,5%	0,0%	0,0%	0,0%	4,6%	4,7%	4,9%
Asset renewal % of capital budget	20(1)(vi)	14,9%	5,5%	3,5%	1,8%	1,7%	1,7%	0,0%	2,5%	0,0%	0,0%

Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015/16 MTREF shows R57 million, R93, 8 million and R139million for each respective financial year.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection. Notably, the ratio has been falling significantly for the period 2011/12 to 2014/15, moving from 0.2 to 2.5, this ratio improved from 3.2 to 6.5 in the 2015/16 MTREF.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2015/16 MTREF the indicative outcome is a deficit of R13 million, R13, 5 million and R20, 4 million mainly due of increase in debt impairment as a conservative approach to estimating the collection levels and the other major reason contributing to the deficit is a depreciation and asset impairment budget of R 25m in 2015/2016 and increasing to R35m in 2017/2018.

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

Service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 0 per cent for the respective financial year of the 2015/16 MTREF. Considering tariff increase in relation to revenue generated from rates and services charges is 6 per cent. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in

consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 60.2 for the each of the respective financial years. Given that the assumed collection rate was based on an 70 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 32.9 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

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

Consumer debtors change (Current and Non-current)

The purpose of this measure is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the District's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 42 MBRR SA19 - Expenditure on transfers and grant programmes

DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:									
Operating Transfers and Grants									
National Government:	186 523	217 200	220 310	237 996	263 074	263 074	248 723	264 826	283 723
Local Government Equitable Share	182 472	203 556	216 056	230 622	230 622	230 622	241 033	256 784	275 160
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement	790	1 000	890	934	934	934	940	960	1 043
Municipal Infrastructure Grant (PMU)				3 146	18 724	18 724	3 460	3 737	4 036
WATER SERVICES OPERATING SUBSIDY	-	9 618	-	-	-	-			
Rural Transport Services and Infrastructure Grant	1 688	1 776	1 814	2 044	2 044	2 044	2 040	2 095	2 234
WATER SERVICES OPERATING SUBSIDY	323		300						
Rural Household Infrastructure Grant					4 500	4 500			
Energy Efficiency and Demand Management Grant					5 000	5 000			
Provincial Government:	262	1 081	297	250	750	750	1 100	400	-
Infrastructure Sport Facilities			253	-					
LG Seta	262	381	44	-					
Community Development Project		100		-					
District Growth Development Summit		400		-					
Accredited Councillors Training		200		-					
Development Planning Shared Services				250	250	250	1 100	400	
Tourism route					500	500			
Total Operating Transfers and Grants	186 785	218 281	220 607	238 246	263 824	263 824	249 823	265 226	283 723

Table 43 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

DC43 Harry Gwala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Operating transfers and grants:									
National Government:									
Current year receipts	186 523	217 200	220 310	237 996	263 074	263 074	248 723	264 826	283 723
Conditions met - transferred to revenue	186 523	217 200	220 310	237 996	263 074	263 074	248 723	264 826	283 723
Provincial Government:									
Current year receipts	262	1 081	297	250	750	750	1 100	400	-
Conditions met - transferred to revenue	262	1 081	297	250	750	750	1 100	400	-
Total operating transfers and grants revenue	186 785	218 281	220 607	238 246	263 824	263 824	249 823	265 226	283 723
Total operating transfers and grants - CTBM	-	-	-	-	-	-	-	-	-
Capital transfers and grants:									
National Government:									
Current year receipts	155 596	170 707	232 486	245 526	267 611	267 611	270 790	321 768	424 117
Conditions met - transferred to revenue	155 596	170 707	232 486	245 526	267 611	267 611	270 790	321 768	424 117
Provincial Government:									
Current year receipts	26 532	26 073	3 617	-	-	-	-	-	-
Conditions met - transferred to revenue	26 532	26 073	3 617	-	-	-	-	-	-
Total capital transfers and grants revenue	182 129	196 780	236 103	245 526	267 611	267 611	270 790	321 768	424 117
TOTAL TRANSFERS AND GRANTS REVENUE	368 914	415 061	456 710	483 772	531 435	531 435	520 613	586 994	707 840

Councilor and employee benefits

Table 44 MBRR SA22 - Summary of councilor and staff benefits

DC43 Sisonke - Supporting Table SA22 Summary councilor and staff benefits									
Summary of Employee and Councillor remuneration	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	2 209	2 747	3 021	3 370	3 351	3 351	3 628	3 861	4 108
Pension and UIF Contributions	289	359	395	441	441	441	474	505	537
Medical Aid Contributions	68	85	93	104	104	104	112	119	126
Motor Vehicle Allowance	852	1 060	116	1 301	1 301	1 301	1 400	1 490	1 585
Cellphone Allowance	187	232	256	286	286	286	307	327	348
Other benefits and allowances	446	554	610	680	680	680	733	780	829
Sub Total - Councillors	4 051	5 037	-	6 181	6 162	-	6 655	7 081	7 534
% increase		24.4%	(100.0%)	-	(0.3%)	(100.0%)	-	6.4%	6.4%
Senior Managers of the Municipality									
Basic Salaries and Wages	3 309	3 535	3 818	3 801	3 878	3 878	3 816	4 060	4 320
Pension and UIF Contributions	68	2	0	2	2	2	2	2	3
Medical Aid Contributions	81	4	0	4	4	4	4	4	5
Performance Bonus		488	527	525	525	525	527	561	597
Motor Vehicle Allowance	2 031	2 210	2 387	2 376	2 376	2 376	2 386	2 538	2 701
Cellphone Allowance	112	103	112	111	111	111	112	119	126
Housing Allowances				-	-	-	-	-	-
Other benefits and allowances	0	3	0	3	3	3	3	4	4
Sub Total - Senior Managers of Municipality	5 600	6 346	6 853	6 823	6 900	6 900	6 850	7 288	7 755
% increase		13.3%	(100.0%)	-	1.1%	(100.0%)	-	6.4%	6.4%
Other Municipal Staff									
Basic Salaries and Wages	37 636	48 310	52 943	60 398	63 726	63 726	69 041	74 242	80 949
Pension and UIF Contributions	5 242	9 025	9 891	10 212	10 212	10 212	11 674	12 553	13 687
Medical Aid Contributions	1 897	1 129	1 237	1 411	1 411	1 411	1 613	1 735	1 891
Overtime	2 884	1 009	1 105	1 261	1 261	1 261	1 441	1 550	1 690
Performance Bonus		4 476	4 906	5 596	5 596	5 596	6 397	6 879	7 500
Motor Vehicle Allowance	1 228	2 058	2 255	2 572	2 572	2 572	2 940	3 162	3 448
Cellphone Allowance	220	351	385	439	439	439	502	539	588
Housing Allowances	127	30	33	38	38	38	44	47	51
Other benefits and allowances	1 273	1 346	1 475	1 682	1 682	1 682	1 923	2 068	2 255
Sub Total - Other Municipal Staff	50 508	67 734	74 230	83 611	86 938	86 938	95 574	102 775	112 059
% increase		34.1%	(100.0%)	-	4.0%	(100.0%)	-	7.5%	9.0%
Total Parent Municipality	60 159	79 117	86 624	96 615	100 001	-	109 079	117 144	127 348
		31.5%	(100.0%)	-	3.5%	(100.0%)	-	7.4%	8.7%

DC43 Sisonke - Supporting Table SA22 Summary councillor and staff benefits									
Summary of Employee and Councillor remuneration	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	A	B	C	D	E	F	G	H	I
Board Members of Entities									
Board Fees							545		
Sub Total - Board Members of Entities	-	-	-	-	-	-	545	-	-
% increase		-	-	-	-	-	-	(100.0%)	-
Senior Managers of Entities									
Basic Salaries and Wages							2 464	2 622	2 789
Motor Vehicle Allowance							1 093	1 163	1 237
Cellphone Allowance							43	46	49
Other benefits and allowances							42	45	48
Sub Total - Senior Managers of Entities	-	-	-	-	-	-	3 642	3 876	4 124
% increase		-	-	-	-	-	-	6.4%	6.4%
Other Staff of Entities									
Basic Salaries and Wages							7 793	8 697	9 699
Performance Bonus							136	152	169
Other benefits and allowances							279	312	347
Sub Total - Other Staff of Entities	-	-	-	-	-	-	8 208	9 160	10 215
% increase		-	-	-	-	-	-	11.6%	11.5%
Total Municipal Entities	-	-	-	-	-	-	12 396	13 035	14 339
TOTAL SALARY, ALLOWANCES & BENEFITS	60 159	79 117	86 624	96 615	100 001	-	121 475	130 179	141 686
% increase		31.5%	(100.0%)	-	3.5%	(100.0%)	-	7.2%	8.8%
TOTAL MANAGERS AND STAFF	56 108	74 079	81 083	90 434	93 839	-	114 274	123 098	134 152

Table 45 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

DC43 Sisonke - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)							
Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.				2.
<u>Councillors</u>							
Speaker		520 935	78 140	22 204			621 279
Chief Whip		234 520	53 786	22 204			310 509
Executive Mayor		606 801	142 046	22 204			771 050
Deputy Executive Mayor		510 483	88 592	22 204			621 279
Executive Committee		1 756 389	292 945	663 086			2 712 421
Total for all other councillors		1 172 104	293 026	153 297			1 618 426
Total Councillors	-	4 801 231	948 535	905 198			6 654 964
<u>Senior Managers of the Municipality</u>							
Municipal Manager (MM)		1 250 000					1 250 000
Chief Finance Officer		1 200 000					1 200 000
<i>List of each official with packages >= senior manager</i>							
Head: Corporate Services		1 100 000					1 100 000
Head: Economic & Community Services		1 100 000					1 100 000
Head: Infrastructure Services		1 100 000					1 100 000
Head: Water Services		1 100 000					1 100 000
Total Senior Managers of the Municipality	-	6 850 000	-	-	-	-	6 850 000
<u>A Heading for Each Entity</u>							
List each member of board by designation							
PJ KHOZA - Chairman				148 939			148 939
Z W NDAMASE				132 004			132 004
N C ZUNGU				60 502			60 502
SZF SITHOLE				82 503			82 503
P HAYTER				121 439			121 439
Total for municipal entities	-	-	-	545 387	-	-	545 387
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	-	11 651 231	948 535	1 450 585	-	-	14 050 351

Table 46 MBRR SA24 – Summary of personnel numbers

DC43 Sisonke - Supporting Table SA24 Summary of personnel numbers									
Summary of Personnel Numbers	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	26	–	26	26	–	26	26	–	26
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	7	–	7	6	–	6	6	–	6
Other Managers	12	12	–	16	16	–	16	16	–
Professionals	39	39	–	44	44	–	–	–	–
Finance	3	3	–	4	4	–			
Spatial/town planning	1	1	–	1	1	–			
Information Technology	2	2	–	2	2	–			
Roads	1	1	–	1	1	–			
Electricity	1	1	–	1	1	–			
Water	7	7	–	7	7	–			
Sanitation	1	1	–	1	1	–			
Refuse	1	1	–	1	1	–			
Other	21	21	–	25	25	–			
Technicians	37	33	4	39	35	4	39	35	4
Finance	7	7	–	7	7	–	7	7	–
Spatial/town planning	4	4	–	4	4	–	4	4	–
Information Technology	1	1	–	1	1	–	1	1	–
Roads	1	1	–	1	1	–	1	1	–
Electricity	1	1	–	1	1	–	1	1	–
Water	5	4	1	5	4	1	5	4	1
Sanitation	3	3	–	3	3	–	3	3	–
Refuse	1	1	–	1	1	–	1	1	–
Other	14	11	3	15	12	3	15	12	3
Clerks (Clerical and administrative)	70	50	20	74	73	–	74	73	–
Service and sales workers	1	1	–	1	1	–	1	1	–
Skilled agricultural and fishery workers	1	1	–	1	1	–	1	1	–
Craft and related trades	1	1	–	1	1	–	1	1	–
Plant and Machine Operators	94	86	8	99	90	8	105	105	12
Elementary Occupations	43	35	8	45	37	8	45	37	12
TOTAL PERSONNEL NUMBERS	331	258	73	351	298	53	314	269	60
% increase				6.1%	15.4%	(27.4%)	(10.7%)	(9.7%)	13.6%
Total municipal employees headcount	345	291	54	356	310	62	356	310	62
Finance personnel headcount	44	44	–	45	45	–	45	45	–
Human Resources personnel headcount	10	10	10	10	10	10	10	10	10

2.8 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 47 MBRR SA25 - Budgeted monthly revenue and expenditure

DC43 Harry Gwala - Supporting Table SA25 Budgeted monthly revenue and expenditure														Medium Term Revenue and Expenditure Framework			
Description	Budget Year 2015/16												Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18		
	July	August	Sept.	October	November	December	January	February	March	April	May	June					
Revenue By Source																	
Service charges - water revenue	3 151	3 384	3 367	3 547	3 685	3 120	3 636	3 972	3 453	3 753	1 636	1 706	38 409	40 714	43 157		
Service charges - sanitation revenue	1 274	1 380	1 396	1 503	1 561	1 353	1 475	1 543	1 354	1 461	1 067	1 094	16 461	17 449	18 496		
Service charges - other	100	80	98	73	89	65	130	80	75	130	57	55	1 032	1 088	1 146		
Interest earned - external investments	580	270	300	310	585	600	185	279	626	379	199	62	4 375	4 812	5 294		
Interest earned - outstanding debtors	490	506	494	507	500	517	532	569	584	602	265	795	6 360	6 742	7 146		
Transfers recognised - operational	100 486				83 105				66 232	-	-	0	249 823	265 226	283 723		
Other revenue	125	100	74	90	119	85	110	81	75	24	81	4	968	1 022	1 076		
Total Revenue (excluding capital transfers and contributions)	106 206	5 719	5 729	6 030	89 644	5 741	6 068	6 523	72 400	6 348	3 304	3 717	317 429	337 052	360 037		
Expenditure By Type																	
Employee related costs	9 503	9 503	9 503	9 503	9 503	9 503	9 503	9 503	9 503	9 503	9 503	9 503	114 030	122 747	132 387		
Remuneration of councillors	610	610	610	610	610	610	610	610	610	610	610	610	7 321	7 723	8 133		
Debt impairment	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	1 531	18 369	19 471	20 640		
Depreciation & asset impairment	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	25 000	30 000	35 000		
Finance charges						1 114							1 114	2 228	1 926		
Bulk purchases	416	416	416	416	416	416	416	416	416	416	416	424	5 000	5 275	5 555		
Contracted services	2 668	2 668	2 668	2 668	2 668	2 668	2 668	2 668	2 668	2 668	2 668	2 668	32 015	33 528	35 067		
Transfers and grants	6 667				6 667								6 667	20 000	22 218		
Other expenditure	8 886	8 886	8 886	8 886	8 886	8 886	8 886	8 886	8 886	8 886	8 886	8 886	106 629	108 843	119 845		
Total Expenditure	32 363	25 696	25 696	25 696	32 363	26 810	25 696	25 696	25 696	25 696	25 696	25 696	33 486	330 593	350 613		
Surplus/(Deficit)	73 843	(19 977)	(19 967)	(19 667)	57 281	(21 070)	(19 629)	(19 173)	46 703	(19 348)	(22 392)	(29 769)	(13 164)	(13 561)	(20 402)		
Transfers recognised - capital	89 736	18 573		14 790	76 868		12 195	3 454	51 117	-	-	4 056	270 790	321 768	424 117		
Surplus/(Deficit) after capital transfers & contributions	163 579	(1 404)	(19 967)	(4 877)	134 149	(21 070)	(7 434)	(15 719)	97 821	(19 348)	(22 392)	(25 713)	257 626	308 207	403 715		
Surplus/(Deficit)	163 579	(1 404)	(19 967)	(4 877)	134 149	(21 070)	(7 434)	(15 719)	97 821	(19 348)	(22 392)	(25 713)	257 626	308 207	403 715		

Table 48 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)														Medium Term Revenue and Expenditure Framework		
Description	Budget Year 2015/16												Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
	July	August	Sept.	October	November	December	January	February	March	April	May	June				
Revenue by Vote																
Vote 2 - Municipal Manager					83 105				66 232							
Vote 3 - Budget & Treasury Office	99 386												875	249 598	265 916	
Vote 5 - Social & Development Planning					1 100									1 100	400	
Vote 6 - Infrastructure Services	89 736	18 573		14 790	76 868		12 195	3 454	51 117			9 556	276 290	327 600	430 387	
Vote 7 - Water Services	4 915	5 269	5 257	5 556	5 746	4 991	5 643	6 084	5 391	5 815	2 968	3 595	61 230	64 904	68 798	
Total Revenue by Vote	194 037	23 842	5 257	20 346	166 819	4 991	17 838	9 537	122 741	5 815	2 968	14 026	588 218	658 820	784 154	
Expenditure by Vote to be appropriated																
Vote 1 - Council	1 097	1 097	1 097	1 097	1 097	1 097	1 097	1 097	1 097	1 097	1 097	1 097	13 164	13 888	14 624	
Vote 2 - Municipal Manager	1 296	1 296	1 296	1 296	1 296	1 296	1 296	1 296	1 296	1 296	1 296	1 296	15 555	16 241	17 180	
Vote 3 - Budget & Treasury Office	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	53 204	55 723	55 933	
Vote 4 - Corporate Services	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	45 686	47 709	50 771	
Vote 5 - Social & Development Planning	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	54 286	58 005	61 687	
Vote 6 - Infrastructure Services	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	23 206	26 343	28 356	
Vote 7 - Water Services	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	125 491	132 702	151 888	
Total Expenditure by Vote	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	330 593	350 613	380 439	
Surplus/(Deficit) before assoc.	168 154	(2 040)	(20 625)	(5 537)	140 936	(20 892)	(8 045)	(16 345)	96 858	(20 067)	(22 915)	(31 857)	257 626	308 207	403 715	
Surplus/(Deficit)	168 154	(2 040)	(20 625)	(5 537)	140 936	(20 892)	(8 045)	(16 345)	96 858	(20 067)	(22 915)	(31 857)	257 626	308 207	403 715	

Table 49 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)																
Description	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard																
<i>Governance and administration</i>	99 386	-	-	-	83 105	-	-	-	66 232	-	-	875	249 598	265 916	284 969	
Budget and treasury office	99 386	-	-	-	83 105	-	-	-	66 232	-	-	875	249 598	265 916	284 969	
<i>Economic and environmental services</i>	-	-	-	-	1 100	-	-	-	-	-	-	-	1 100	400	-	
Planning and development					1 100								1 100	400	-	
<i>Trading services</i>	94 651	23 842	5 257	20 346	82 614	4 991	17 838	9 537	56 509	5 815	2 968	13 151	337 520	392 504	499 185	
Water	4 915	5 269	5 257	5 556	5 746	4 991	5 643	6 084	5 391	5 815	2 968	3 595	61 230	64 904	68 798	
Waste water management	89 736	18 573		14 790	76 868		12 195	3 454	51 117	-	-	9 556	276 290	327 600	430 387	
Total Revenue - Standard	194 037	23 842	5 257	20 346	166 819	4 991	17 838	9 537	122 741	5 815	2 968	14 026	588 218	658 820	784 154	
		23 842	5 257	20 346	167 919	4 991	17 838	9 537	122 741	5 815	2 968					
Expenditure - Standard																
<i>Governance and administration</i>	10 634	10 634	10 634	10 634	10 634	10 634	10 634	10 634	10 634	10 634	10 634	10 634	127 610	133 562	138 509	
Executive and council	2 393	2 393	2 393	2 393	2 393	2 393	2 393	2 393	2 393	2 393	2 393	2 393	28 719	30 130	31 804	
Budget and treasury office	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	4 434	53 204	55 723	55 933	
Corporate services	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	3 807	45 686	47 709	50 771	
<i>Economic and environmental services</i>	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	22 857	54 286	58 005	61 687	
Planning and development	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	2 857	22 857	54 286	58 005	61 687	
<i>Trading services</i>	12 391	12 391	12 391	12 391	12 391	12 391	12 391	12 391	12 391	12 391	12 391	12 391	148 697	159 046	180 243	
Water	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	10 458	125 491	132 702	151 888	
Waste water management	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	23 206	26 343	28 356	
Total Expenditure - Standard	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	25 883	45 883	330 593	350 613	380 439	
Surplus/(Deficit) before assoc.	168 154	(2 040)	(20 625)	(5 537)	140 936	(20 892)	(8 045)	(16 345)	96 858	(20 067)	(22 915)	(31 857)	257 626	308 207	403 715	
Surplus/(Deficit)	168 154	(2 040)	(20 625)	(5 537)	140 936	(20 892)	(8 045)	(16 345)	96 858	(20 067)	(22 915)	(31 857)	257 626	308 207	403 715	

Table 50 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																
Description	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Multi-year expenditure to be appropriated																
Vote 4 - Corporate Services	221	221	221	221	221	221	221	221	221	221	221	221	2 650	2 796	2 944	
Vote 5 - Social & Development Planning	67	67	67	67	67	67	67	67	67	67	67	63	800	844	889	
Vote 6 - Infrastructure Services	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	270 790	321 768	424 117	
Vote 7 - Water Services	358	358	358	358	358	358	358	358	358	358	358	358	4 300	4 537	4 777	
Capital multi-year expenditure sub-total	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 208	278 540	329 944	432 727	
Total Capital Expenditure	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 208	278 540	329 944	432 727	

Table 51 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)																
Description	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard																
Governance and administration	221	221	221	221	221	221	221	221	221	221	221	221	2 650	2 796	2 944	
Corporate services	221	221	221	221	221	221	221	221	221	221	221	221	2 650	2 796	2 944	
Economic and environmental services	67	67	67	67	67	67	67	67	67	67	67	63	800	844	889	
Planning and development	67	67	67	67	67	67	67	67	67	67	67	63	800	844	889	
Trading services	22 924	22 924	22 924	22 924	22 924	22 924	22 924	22 924	22 924	22 924	22 924	22 924	275 090	326 305	428 894	
Water	358	358	358	358	358	358	358	358	358	358	358	358	4 300	4 537	4 777	
Waste water management	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	22 566	270 790	321 768	424 117	
Total Capital Expenditure - Standard	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 212	23 208	278 540	329 944	432 727	
Funded by:																
National Government	89 736	18 573		14 790	76 868		12 195	3 454	51 117	-	-	4 056	270 790	321 768	424 117	
Transfers recognised - capital	89 736	18 573	-	14 790	76 868	-	12 195	3 454	51 117	-	-	4 056	270 790	321 768	424 117	
Internally generated funds	3 000		1 500		1 000			1 300				950	7 750	8 176	8 610	
Total Capital Funding	92 736	18 573	1 500	14 790	77 868	-	12 195	4 754	51 117	-	-	5 006	278 540	329 944	432 727	

Table 52 MBRR SA30 - Budgeted monthly cash flow

DC43 Harry Gwala - Supporting Table SA30 Budgeted monthly cash flow													Medium Term Revenue and Expenditure Framework		
MONTHLY CASH FLOWS	Budget Year 2015/16												Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June			
Cash Receipts By Source															
Service charges - water revenue	1 860	1 957	2 050	2 014	2 030	2 036	1 914	2 386	2 331	2 011	2 289	2 856	25 734	27 278	28 915
Service charges - sanitation revenue	832	926	866	843	914	956	761	1 016	956	834	950	1 174	11 029	11 691	12 392
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	691	691	729	768
Interest earned - external investments	302	298	305	281	292	280	-	632	317	279	656	515	4 156	4 571	5 029
Interest earned - outstanding debtors	364	297	227	311	291	608	233	783	217	303	303	324	4 261	4 517	4 788
Transfer receipts - operational	83 228	13 044	-	2 453	46 697	-	-	417	103 900	-	85	-	249 823	265 226	283 723
Other revenue	40	70	52	139	27	68	54	25	34	23	9	39	581	613	646
Cash Receipts by Source	86 625	16 592	3 500	6 041	50 251	3 948	2 963	5 259	107 755	3 450	4 291	5 600	296 276	314 625	336 261
Other Cash Flows by Source															
Transfer receipts - capital	44 870	6 108	5 276	20 628	71 754	10 618	40 731	9 592	61 211	-	-	-	270 790	321 768	424 117
Increase (decrease) in consumer deposits	15	20	14	9	46	5	3	7	4	10	5	13	151	166	166
Total Cash Receipts by Source	131 511	22 721	8 791	26 679	122 051	14 571	43 697	14 859	168 970	3 460	4 296	5 613	567 217	636 559	760 544
Cash Payments by Type															
Employee related costs	9 062	9 037	8 730	13 535	9 562	8 924	9 065	10 335	7 851	9 378	9 285	9 267	114 030	122 747	132 387
Remuneration of councillors	580	574	574	574	573	573	573	573	908	611	611	597	7 321	7 723	8 133
Finance charges	158	-	-	957	-	-	158	-	-	957	-	-	2 228	1 926	1 595
Bulk purchases - Water & Sewer	385	421	420	-	815	414	425	415	403	436	421	445	5 000	5 275	5 555
Contracted services	2 447	2 511	2 510	-	4 991	2 866	732	4 841	2 928	2 684	2 948	2 559	32 015	33 528	35 067
Transfers and grants - other	8 000				6 000	-	-	-	6 000	-	-	-	20 000	21 100	22 218
Other expenditure	11 785	6 870	5 375	1 228	12 114	14 408	4 476	3 966	30 872	4 055	5 045	6 436	106 629	108 843	119 845
Cash Payments by Type	32 417	19 413	17 609	16 293	34 055	27 183	15 427	20 129	48 962	18 121	18 310	19 305	287 224	301 142	324 800
Other Cash Flows/Payments by Type															
Capital assets	124	5 870	16 259	13 820	14 692	8 567	22 724	7 838	8 087	26 781	25 447	98 401	248 610	294 380	385 851
Repayment of borrowing			246			1 496			246			1 845	3 835	4 218	4 640
Total Cash Payments by Type	32 542	25 283	34 114	30 113	48 747	37 246	38 151	27 967	57 296	44 902	43 757	119 551	539 669	599 741	715 290
NET INCREASE/(DECREASE) IN CASH HELD	98 969	(2 562)	(25 324)	(3 435)	73 304	(22 675)	5 546	(13 108)	111 674	(41 443)	(39 461)	(113 938)	27 548	36 819	45 253
Cash/cash equivalents at the month/year begin:	36 320	135 289	132 727	107 403	103 968	177 273	154 598	160 143	147 035	258 709	217 267	177 806	36 320	63 868	100 687
Cash/cash equivalents at the month/year end:	135 289	132 727	107 403	103 968	177 273	154 598	160 143	147 035	258 709	217 267	177 806	63 868	63 868	100 687	145 940

2.9 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

Water Services Department – Vote 14

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 53 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

DC43 Harry Gwala - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/exp		
Description	Vote 6 - Infrastructure	Vote 7 - Water Services
R thousand		
Revenue By Source		
Service charges - water revenue	–	38 409
Service charges - sanitation revenue	–	16 461
Service charges - other	–	1 032
Interest earned - outstanding debtors	–	6 360
Total Revenue (excluding capital transfers and contributions)	–	62 262
Expenditure By Type		
Employee related costs	9 635	47 828
Depreciation & asset impairment	2 143	21 094
Bulk purchases	–	5 000
Contracted services	2 000	17 170
Other expenditure	8 900	41 882
Total Expenditure	22 679	132 974
Surplus/(Deficit)	(22 679)	(70 712)
Transfers recognised - capital	270 790	
Surplus/(Deficit) after capital transfers & contributions	248 111	(70 712)

Table 54 Water Services Department – Performance objectives and indicators

DC43 Harry Gwala - Supporting Table SA7 Measureable performance objectives										
Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Vote5 - Infrastructure Services										
Function 1 - Waste Water Infrastructure										
<i>Sub-function 1 - Water</i>		0,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	67,0%	67,0%
Reduction in water backlogs	Total number of HH with access to water	5304,00	5894,00	6435,00	6893,00	6755,00	6755,00	6800,00	6950,00	
	Bulk Water & Sewer Infrastructure									
	Number of household with new access to VIP sanitation	5894,0%	6435,0%	6893,0%	6755,0%	6755,0%	6755,0%	1700,0%	1829,0%	1829,0%
<i>Sub-function 2 - Sanitation</i>										
Reduction in sanitation backlogs										
	No of hh with electricity connection in the water scheme	1844,0%	1956,0%	2043,0%	1941,0%	1941,0%	1941,0%	1940,0%	1940,0%	1940,0%
<i>Sub-function 3 - Electricity</i>										
To provide electricity to the existing water schemes										
	No of KM or road provided	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%
<i>Sub-function 4 - Roads</i>										
<i>Provision of new access roads</i>										
	Frequency of building maintenance	85,0%	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%
<i>To ensure the maintenance of municipal building to enhance safety environment</i>										
Vote6 - Water Services										
Function 1 - Water										
Sub-function 1 - Water & Sanitation infrastructure Planning & Design	Water Feasibility Studies, Business Plans Approved	10,0%	10,0%	10,0%	8,0%	8,0%	8,0%	10,0%	8,0%	8,0%
<i>To ensure the effective management of all water Infrastructure</i>	Sanitation Feasibility Studies, Business Plans Approved	4,0%	5,0%	4,0%	5,0%	5,0%	5,0%	4,0%	5,0%	5,0%
	% Reduction in water losses Minimum Night Flows in main supply areas	90,0%	95,0%	100,0%	98,0%	98,0%	98,0%	100,0%	98,0%	98,0%
<i>To render effective water & sanitation services</i>	% reduction in the number of sewer overflows	90,0%	95,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
	% Progress made towards Blue drop and Green drop Status DWA	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%
And so on for the rest of the Votes										

There are 2 unfilled positions in the top management structure of the Water Services Department. The top management structure consists of 2 Executive Director (Water and Infrastructure services), three directors and 7 professional engineers. As part of the performance objectives for the 2014/15 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R73 million, R88 million and R114 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water and charges for sanitation of which budget appropriation for the 2014/15 financial year is R52, 6 million and increases to R55 million by 2015/16 and has been informed by a collection rate of 70 per cent and distribution losses of 40 per cent in the outer years.

The reduction of distribution losses is considered a priority and hence the departmental objectives. There has been a huge concerted effort in the 2014/15 in trying to minimize the water losses with initiatives such as the water meter and infrastructure audits. The enhancement of the ongoing Water Demand Management & Conservation initiatives are expected to also have a positive impact in minimizing water losses in the medium to long term.

Note: Municipalities would be required to undertake the aforementioned for each department/vote within the municipality.

2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

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

2.11 CAPITAL EXPENDITURE DETAILS

The following three tables present details of the District's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 55 MBRR SA 34a - Capital expenditure on new assets by asset class

DC43 Harry Gwala - Supporting Table SA34a Capital expenditure on new assets by asset class									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	128 001	134 258	172 783	234 444	225 300	225 300	263 790	321 768	424 117
Infrastructure - Electricity	-	-	4 971	3 415	1 830	1 830	-	1 873	-
<i>Transmission & Reticulation</i>			4 971	3 415	1 830	1 830		1 873	
Infrastructure - Water	111 892	114 180	106 173	187 851	189 358	189 358	235 290	269 218	395 417
<i>Dams & Reservoirs</i>	-	-	-	-	28 200	28 200	-	-	-
<i>Water purification</i>	-	-	-	-	3 000	3 000	-	-	-
<i>Reticulation</i>	111 892	114 180	106 173	187 851	158 158	158 158	235 290	269 218	395 417
Infrastructure - Sanitation	16 109	20 078	61 638	43 178	34 112	34 112	28 500	50 677	28 700
<i>Reticulation</i>					28 169	28 169			
<i>Sewerage purification</i>	16 109	20 078	61 638	43 178	5 943	5 943	28 500	50 677	28 700
Community	3 600	8 704	-	-	-	-	-	-	-
Social rental housing									
Other	3 600	8 704	-	-	-	-	-	-	-
Other assets	1 952	10 416	8 605	19 037	19 262	1 100	9 950	8 809	9 276
General vehicles	663	5 403	1 000	1 100	1 100	1 100			
Plant & equipment		695		6 750	6 025		4 600	4 009	4 221
Computers - hardware/equipment					1 380		-	-	-
Furniture and other office equipment	994	734	921	2 434	2 179		1 450	1 530	1 611
Other Buildings	295	3 584	4 500	8 752	8 578		600	633	667
Other			2 184				3 300	2 638	2 777
Intangibles	-	756	200	1 200	200	200	1 100	1 161	1 222
Computers - software & programming		756	200	1 200	200	200	1 100	1 161	1 222
Total Capital Expenditure on new assets	133 554	154 134	181 588	254 681	244 762	226 600	274 840	331 738	434 615
Specialised vehicles	-	-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									

Table 56 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

DC43 Harry Gwala - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-
Infrastructure - Water	16 283	1 136	6 525	4 580	4 580	4 580	7 000	-	-
<i>Reticulation</i>	16 283	1 136	6 525	4 580	4 580	4 580	7 000	-	-
Infrastructure - Sanitation	7 177	7 765	-	-	-	-	-	-	-
<i>Reticulation</i>									
<i>Sewerage purification</i>	7 177	7 765	-	-	-	-	-	-	-
Total Capital Expenditure on renewal of existing assets	23 460	8 901	6 525	4 580	4 580	4 580	7 000	-	-

Table 57 MBRR SA34c - Repairs and maintenance expenditure by asset class

DC43 Harry Gwala - Supporting Table SA34c Repairs and maintenance expenditure by asset class									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	53 088	61 148	64 817	68 706	68 706	68 706	70 190	82 006	103 868
Infrastructure - Water	32 443	36 237	38 412	40 716	40 716	40 716	48 590	54 998	70 429
<i>Water purification</i>	32 443	36 237	38 412	40 716	40 716	40 716	48 590	54 998	70 429
Infrastructure - Sanitation	20 645	24 911	26 405	27 990	27 990	27 990	21 600	27 008	33 439
<i>Sewerage purification</i>	20 645	24 911	26 405	27 990	27 990	27 990	21 600	27 008	33 439
Other assets	5 899	-	-	1 548	1 548	1 548	3 686	6 786	10 237
General v ehicles	5 899			596	596	596	200	211	222
Computers - hardware/equipment				357	357	357	150	158	167
Other Buildings				596	596	596	3 336	6 416	9 848
Total Repairs and Maintenance Expenditure	58 987	61 148	64 817	70 254	70 254	70 254	73 875	88 791	114 105

Table 58 MBRR SA35 - Future financial implications of the capital budget

DC43 Harry Gwala - Supporting Table SA35 Future financial implications of the capital budget							
Vote Description	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
R thousand							
Capital expenditure							
Vote 4 - Corporate Services	2 650	2 796	2 944	2 408	2 565	2 731	2 786
Vote 5 - Social & Development Planning	800	844	889	–	–	–	
Vote 6 - Infrastructure Services	270 790	321 768	424 117	6 346	6 758	7 197	7 398
Vote 7 - Water Services	4 300	4 537	4 777	462 006	492 036	524 018	525 000
Total Capital Expenditure	278 540	329 944	432 727	470 759	501 359	533 947	535 184
Future operational costs by vote							
Vote 3 - Budget & Treasury Office	149			53	57	60	63
Vote 4 - Corporate Services	202	211	213	241	256	273	283
Vote 5 - Social & Development Planning	570	583	–	–	–	–	
Vote 6 - Infrastructure Services	562	562	562	635	676	720	755
Vote 7 - Water Services	21 615	23 700	32 740	36 960	39 363	41 921	43 560
Total future operational costs	23 098	25 056	33 516	37 889	40 352	42 975	44 661
Future revenue by source							
Service charges - water revenue	2 800	3 170	3 478	3 999	4 599	5 289	5 380
Service charges - sanitation revenue	1 200	1 423	1 485	1 714	1 971	2 267	2 385
Total future revenue	4 000	4 593	4 963	5 713	6 570	7 556	7 765
Net Financial Implications	297 638	350 407	461 279	502 935	535 141	569 366	572 080

Table 59 MBRR SA36 - Detailed capital budget per municipal vote

DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget											
Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information	
R thousand		6	3	3	Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality:											
<i>List all capital projects grouped by Municipal Vote</i>											
INFRASTRUCTURE SERVICES											
	Bulwer Nkelabantwana & Nkumba Water Supply	Yes	Infrastructure - Water	Reticulation	1 500	7 594	8 000	10 000	10 000		0 NEW
INFRASTRUCTURE SERVICES	Greater Khilimoni (Ward 1)	Yes	Infrastructure - Water	Reticulation	10 000	16 936	20 437	20 727	25 000	1,2,4	NEW
INFRASTRUCTURE SERVICES	Khukhulela Water_(Sdm)	Yes	Infrastructure - Water	Reticulation	-	3 425	5 000	-	-		2 NEW
INFRASTRUCTURE SERVICES	Kwanomandlovu Water Project_(Sdm)	Yes	Infrastructure - Water	Reticulation	8 000	13 477	10 000	-	-	5,11	NEW
INFRASTRUCTURE SERVICES	Mangwaneni Water Supply	Yes	Infrastructure - Water	Reticulation	8 980	2 686	-	-	-		7 NEW
INFRASTRUCTURE SERVICES	Mbululweni Water Supply	Yes	Infrastructure - Water	Reticulation	8 000	3 000	10 266	15 000	10 000		8 NEW
INFRASTRUCTURE SERVICES	Ingwe Household Sanitation Project	Yes	Infrastructure - Sanitation	Reticulation	7 266	7 000	2 000	3 500	-		NEW
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water	Reticulation	5 630	-	-	15 000	25 000		NEW
INFRASTRUCTURE SERVICES	Eradication Of Water Backlogs In Kokstad	Yes	Infrastructure - Water	Reticulation	200	214	-	-	-		NEW
INFRASTRUCTURE SERVICES	Horseshoe Sanitation Project-New	Yes	Infrastructure - Sanitation	Reticulation	6 067	3 552	10 000	25 677	-		1 NEW
INFRASTRUCTURE SERVICES	Makhoba Housing Project (W&S)	Yes	Infrastructure - Sanitation	Reticulation	3 562	4 171					2 NEW
INFRASTRUCTURE SERVICES	Pakkies Water Ext Ph2	Yes	Infrastructure - Water	Reticulation	2 556	3 856					6 NEW
INFRASTRUCTURE SERVICES	Enhlanhleni Water Project	Yes	Infrastructure - Water	Reticulation	-	1 000					NEW
INFRASTRUCTURE SERVICES	Underberg Bulk Water Supply Upgrade Phase 2	Yes	Infrastructure - Water	Reticulation	636	4 580	7 000	-	-		1 NEW
INFRASTRUCTURE SERVICES	Chibini Water Supply	Yes	Infrastructure - Water	Reticulation	6 500	1 363	9 000	-	-		3 NEW
INFRASTRUCTURE SERVICES	Ixopo Mariathal Water Supply	Yes	Infrastructure - Water	Reticulation	4 000	4 240					4 NEW
INFRASTRUCTURE SERVICES	Ncakubana Water Project	Yes	Infrastructure - Water	Reticulation	2 500	5 832	4 500	-	-		1 NEW
INFRASTRUCTURE SERVICES	Thubalethu Water Supply	Yes	Infrastructure - Water	Reticulation	8 600	8 692	9 655	-	-		4 NEW
INFRASTRUCTURE SERVICES	Ufafa Water Supply	Yes	Infrastructure - Water	Reticulation	3 000	13 399	14 469	-	-		3 NEW
INFRASTRUCTURE SERVICES	Umkhunya Water Projects	Yes	Infrastructure - Water	Reticulation	1 957	9 800	12 896	15 118	20 000		5 NEW
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In Ubuhebezw e	Yes	Infrastructure - Sanitation	Reticulation	6 000	8 000	1 500	-	-		NEW
INFRASTRUCTURE SERVICES	Umzimkhulu Sewer Emergency Intervention	Yes	Infrastructure - Sanitation	Reticulation	2 500	7 000	-	9 000	6 700		16 NEW
INFRASTRUCTURE SERVICES	Mnqumeni Water Supply	Yes	Infrastructure - Water	Reticulation	15 756	20 648	19 000	-	-		NEW
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation	Reticulation	15 000	8 955	500	8 000	17 000		NEW
INFRASTRUCTURE SERVICES	Greater Summerfield	Yes	Infrastructure - Water	Reticulation	15 000	10 000	18 069	15 952	25 000		15 RENEWAL
INFRASTRUCTURE SERVICES	Umzimkhulu Bulk Water Supply	Yes	Infrastructure - Water	Reticulation	6 000	1 772	-	-	-		16 RENEWAL
INFRASTRUCTURE SERVICES	Kwatshaka (Machumini Ext) Water Supply	Yes	Infrastructure - Water	Reticulation	2 337	1 487	-	-	-		18 NEW
INFRASTRUCTURE SERVICES	KwaMeyi / Teerkloof	Yes	Infrastructure - Water	Reticulation	-	12 000	23 065	-	-		RENEWAL
INFRASTRUCTURE SERVICES	Paninkukhu Water	Yes	Infrastructure - Water	Reticulation	3 742	6 000	30 810	15 000	20 000		18 NEW
INFRASTRUCTURE SERVICES	Mqatsheeni Stepmore Water Project	Yes	Infrastructure - Water	Reticulation	5 466	9 000	-	-	10 119		1 NEW
INFRASTRUCTURE SERVICES	ENERGY EFFICIENCY	Yes	Infrastructure - Electricity	Other	-	3 415					NEW
INFRASTRUCTURE SERVICES	Rudimentary Programme	Yes	Infrastructure - Water	Other	3 500	2 729	3 466	-	-		NEW
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water	Reticulation	15 429	28 200	30 000	80 000	120 000		NEW

DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget											
Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information	
R thousand		6	3	3	Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality:											
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation	Reticulation	4 500	4 500	4 500	4 500	5 000		NEW
INFRASTRUCTURE SERVICES	CONSTRUCTION OF DISASTER CENTRE	Yes	Infrastructure - Other	Other	-	7 252	-	-	-		RENEWAL
INFRASTRUCTURE SERVICES	CAMERAS & OTHER ACCESSORIES	Yes	Other Assets	Other	-	150	-	-	-		NEW
INFRASTRUCTURE SERVICES	DESIEL STANDBY GENERATOR	Yes	Other Assets	Other	-	100	-	-	-		NEW
INFRASTRUCTURE SERVICES	Franklin Bulk Water & Sewerage Upgrade	Yes	Infrastructure - Sanitation	Reticulation	-	-	-	-	-		NEW
INFRASTRUCTURE SERVICES	Highflats Town Bulk Water Supply Scheme	Yes	Infrastructure - Water	Reticulation	-	-	-	5 000	5 000		NEW
INFRASTRUCTURE SERVICES	DONNYBROOK BULK SEWER UPGRADE	Yes	Infrastructure - Water	Reticulation	-	-	-	-	10 000		NEW
INFRASTRUCTURE SERVICES	CREIGHTON WATER SUPPLY	Yes	Infrastructure - Water	Reticulation	-	-	-	10 000	20 000		NEW
INFRASTRUCTURE SERVICES	BULWER DAM WATER INTERVENTION	Yes		Reticulation	-	-	-	10 000	10 000		NEW
INFRASTRUCTURE SERVICES	GREATER KOKSTAD EMERGENCY SEWER INTERVENTION & F	Yes	Infrastructure - Sanitation	Reticulation	-	-	10 000	-	-		NEW
INFRASTRUCTURE SERVICES	GREATER PANINKUKHU BULK WATER	Yes	Infrastructure - Water	Reticulation	-	-	-	1 873	-		NEW
INFRASTRUCTURE SERVICES	GREATER KOKSTAD WATER CONSERVATION AND DEMAND M	Yes	Infrastructure - Water	Reticulation	-	-	-	8 000	5 000		NEW
INFRASTRUCTURE SERVICES	Underberg Waste Water	Yes	Infrastructure - Water	Reticulation	-	-	-	15 421	20 298		NEW
INFRASTRUCTURE SERVICES	IXOPO HOPEWELL WATER SUPPLY SCHEME	Yes	Infrastructure - Water	Reticulation	-	-	-	4 000	-		NEW
INFRASTRUCTURE SERVICES	Sanlombe Water Supply	Yes	Infrastructure - Water	Reticulation	-	-	-	10 000	-		NEW
INFRASTRUCTURE SERVICES	Umzimkhulu Bulk Water Supply (Clysdale Water Reticulation)	Yes	Infrastructure - Water	Reticulation	-	-	1 000	-	-		NEW
INFRASTRUCTURE SERVICES	Tarrsvalley water project	Yes	Infrastructure - Water	Reticulation	-	-	3 157	10 000	-		NEW
INFRASTRUCTURE SERVICES	Tonjeni water project	Yes	Infrastructure - Water	Reticulation	-	-	-	10 000	-		NEW
INFRASTRUCTURE SERVICES	Ixopo Hopewell water supply	Yes	Infrastructure - Water	Reticulation	-	-	-	-	15 000		NEW
INFRASTRUCTURE SERVICES	Ibisi Housing Bulk Sewer Services	Yes	Infrastructure - Water	Reticulation	-	-	-	-	15 000		NEW
INFRASTRUCTURE SERVICES	Ibisi water project	Yes	Infrastructure - Water	Reticulation	-	-	-	-	5 000		NEW
INFRASTRUCTURE SERVICES	Ncwadi water supply	Yes	Infrastructure - Water	Reticulation	-	-	-	-	10 000		NEW
INFRASTRUCTURE SERVICES	Emazabekeni/Nokweja water supply	Yes	Infrastructure - Water	Reticulation	-	-	-	-	15 000		NEW
INFRASTRUCTURE SERVICES	Ndawana Water Supply	Yes	Infrastructure - Water		-	-	2 500	-	-		

Table 60 MBRR 36: Detailed capital budget per municipal vote (continued)

DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget											
Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information	
R thousand		6	3	3	Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality:											
COPORATE SERVICES	Computers		Computers - software & programming		158	300	300	317	333		NEW
COPORATE SERVICES	New Furniture		Furniture and other office equipment		150	225	500	528	555		NEW
COPORATE SERVICES	NEW PROJECTOR & MICROPHONES		Other		240	80	50	53	56		NEW
COPORATE SERVICES	Office Equipment		Furniture and other office equipment		250	304	300	317	333		NEW
COPORATE SERVICES	VEHICLE (Mayor)		General vehicles		1 000	1 100	-	-	-		NEW
COPORATE SERVICES	SERVER & DESKTOP BACKUP		Computers - hardware/equipment		1 200	1 000	900	950	1 000		RENEWAL
COPORATE SERVICES	DEVELOPMENT OF STAFF COMPOUNDS		Buildings		-	600	600	633	667		NEW
COPORATE SERVICES	CASH SAFE		Other		-	100	-	-	-		NEW
COPORATE SERVICES	PROCUREMENT OF ADDITIONAL DMICS EQUIPMENT		Furniture and other office equipment		-	825	-	-	-		NEW
COPORATE SERVICES	Office Alterations		Other		200	1 500	-	-	-		RENEWAL
SOCIAL ECONOMIC DEVELOPMENT	FURNITURE FOR THE DISASTER CENTER		Furniture and other office equipment		-	1 500	500	528	555		NEW
	PROCUREMENT OF ADDITIONAL DMICS EQUIPMEN					-	300	317	333		
WATER SERVICES	INSTALLATION OF CALL CENTRE SYSTEM		Other		400	200	200	211	222		NEW
WATER SERVICES	INSTALLATION OF BULK WATER METERS		Other		200	4 000	2 500	2 638	2 777		NEW
WATER SERVICES	INSTALLATION OF STANDBY GENERATORS		Other		-	1 000	800	844	889		NEW
	WATER QUALITY TESTING EQUIPMENT						800	-	-		
FINANCE	COMPUTER SOFTWARE MUN FIN SYSTEMS - MSIG		OTHER		130	-	-	-	-		
Parent Capital expenditure							7 750	7 332	7 721		

Table 61 MBRR SA37 - Projects delayed from previous financial year

DC43 Harry Gwala - Supporting Table SA37 Projects delayed from previous financial year/s								
Municipal Vote/Capital project	Project name	Asset Class 3	Asset Sub-Class 3	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
				Original Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand								
Parent municipality:								
<i>List all capital projects grouped by Municipal Vote</i>								
		<i>Examples</i>	<i>Examples</i>					
Infrastructure	Greater Khilimoni (Ward 1)	Infrastructure - Water	Reticulation	16 936	16 936	20 437	20 727	25 000
Infrastructure	Kwanomandlovu Water Project (Sdm)	Infrastructure - Water	Reticulation	13 477	13 477	10 000	-	-
INFRASTRUCTURE SERVICES	Mbuluweni Water Supply	Infrastructure - Water	Reticulation	3 000	3 000	10 266	15 000	10 000
INFRASTRUCTURE SERVICES	Greater Summerfield	Infrastructure - Water	Reticulation	10 000	10 000	18 069	15 952	25 000
	Bulwer Nkelabantwana & Nkumba Water Su	Infrastructure - Water	Reticulation	7 594	7 594	8 000	10 000	10 000

2.12 LEGISLATION COMPLIANCE STATUS

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

In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the district's website.

Internship programme

The district is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department and internal auditing. Their contracts started on the 01 August 2013 and complete the contract in one year which is July 2016 as required by National Treasury. Since the introduction of the Internship programme the district has successfully employed and trained 13 interns through this programme and a majority of them were appointed either in the district or other Institutions.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Audit Committee

An Audit Committee has been established and is fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.

Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

MFMA Training

The MFMA training module in electronic format is presented at the district and training is ongoing.

Policies

The review of all budget related policies has taken place in terms of Regulation 7 of the MBRR.

2.13 OTHER SUPPORTING DOCUMENTS

Table 62 MBRR Table SA1 - Supporting detail to budgeted financial performance

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
REVENUE ITEMS:									
<u>Property rates</u>									
<u>Service charges - water revenue</u>									
Total Service charges - w ater revenue	26 061	27 833	35 855	36 043	41 241	41 241	43 715	46 338	49 119
less Revenue Foregone	687			5 006	5 006	5 006	5 306	5 625	5 962
Net Service charges - water revenue	25 374	27 833	35 855	31 037	36 235	36 235	38 409	40 714	43 157
<u>Service charges - sanitation revenue</u>									
Total Service charges - sanitation revenue	10 875	12 033	13 050	14 276	15 529	15 529	16 461	17 449	18 496
less Revenue Foregone									
Net Service charges - sanitation revenue	10 875	12 033	13 050	14 276	15 529	15 529	16 461	17 449	18 496
<u>Other Revenue by source</u>									
Other revenue	7 237	2 210	1 859	3 500	10 229	10 229	56	59	62
CLEARANCE CERTIFICATES							4	4	4
TENDER DOCUMENTS							570	601	633
CONSERVANCY TANKS							338	358	377
Total 'Other' Revenue	7 237	2 210	1 859	3 500	10 229	10 229	968	1 022	1 076

Table 63 MBRR Table SA1 - Supporting detail to budgeted financial performance (Continued)

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	71 975	56 244	70 950	73 990	76 266	76 266	82 763	88 666	82 396
Pension and UIF Contributions		8 949	11 289	9 413	9 413	9 413	9 886	10 775	11 745
Medical Aid Contributions		1 240	1 564	3 728	3 728	3 728	4 193	4 571	4 982
Overtime		1 105	1 394	8 353	8 353	8 353	9 111	9 931	10 825
Performance Bonus		5 363	6 765	-	-	-			
Motor Vehicle Allowance		4 335	5 469	4 704	4 704	4 704	6 214	6 773	7 383
Cellphone Allowance		482	608	1 661	1 661	1 661	509	555	605
Housing Allowances		33	42	197	197	197	735	801	873
Other benefits and allowances		1 477	1 863	377	377	377	619	674	735
sub-total	71 975	79 228	99 943	102 424	104 700	104 700	114 031	122 747	119 544
Less: Employees costs capitalised to PPE									
Total Employee related costs	71 975	79 228	99 943	102 424	104 700	104 700	114 031	122 747	119 544
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Total Depreciation & asset impairment	22 279	28 992	37 050	20 000	35 000	35 000	25 000	30 000	35 000
Bulk purchases									
Water Bulk Purchases	8 218	9 710	9 487	5 000	8 009	8 009	5 000	5 275	5 555
Total bulk purchases	8 218	9 710	9 487	5 000	8 009	8 009	5 000	5 275	5 555
Transfers and grants									
Cash transfers and grants	-	7 490	14 808	15 000	21 400	21 400	20 000	21 100	22 218
Total transfers and grants	-	7 490	14 808	15 000	21 400	21 400	20 000	21 100	22 218
Contracted services									
Garding Services	353			600	600	600			
Cleaning services	693	128	292	200	200	200	300	317	333
Security Services	13 272	6 383	7 874	1 200	1 200	1 200	9 165	9 669	10 182
IT Support & Office Rental	594								
EXTERNAL WATER QUALITY MONITORING	3 038	1 174	1 267	2 000	2 000	2 000			
Temporary offices	288								
Implementation of Grap	5 955								
WSDP Review	441		115						
Municipal Finance Support	1 816	596							
VAT Consultant	3 923	568	2 159	2 000	2 000	2 000	1 500	1 500	1 500
Water Conservative	594								
PM Umzimkhulu pitts	288								
Institutional Support Services	7 780								
RENTAL OF OFFICE EQUIPMENT	1 816			500	500	500	600	633	667
Water Resource Strategies & Planning	594								
LEGAL SERVICES	1 472	305	321				1 500	1 583	1 666
INSTALLATION OF BULK & WATER METERS	2 427								
RISK ASS, MAN STRATEGY AND AUDIT ASSIGNMENT	1 128	280	100						
AUDIT COMMITTEE				400	400	400			
ANNUAL FINANCIAL STATEMENTS (AFS)(ACCOUNTING SERVICES)		1 237	1 899	1 300	1 300	1 300	3 000	3 000	3 000
PMS/SDBIP REVIEW		4	512	600	600	600	800	844	889
Other		6 955	5 416						
WATER QUALITY MONITORING							2 150	2 268	2 388
Greater Umzimkhulu Sanitation Project		1 195	3 705						
Refurbishment Projects				17 170	28 257	28 257	13 000	13 715	14 442
sub-total	46 472	18 825	23 659	25 970	37 057	37 057	32 015	33 528	35 067
Total contracted services	46 472	18 825	23 659	25 970	37 057	37 057	32 015	33 528	35 067

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
EXPENDITURE ITEMS:									
Other Expenditure By Type									
Collection costs	208	334	-	1 928			600	600	600
Contributions to 'other' provisions	208	2 463	1 818	463			1 398	1 464	1 530
Consultant fees	208			-			3 800	3 817	3 833
Audit fees	208	1 793	1 784	2 155			2 000	2 000	2 000
General expenses	12 780	152 922	138 591	2 876	123 727	123 727	10 796	10 770	11 252
COMMUNITY PARTICIPATION	5 625	3 649	4 228	1 506			12 843	13 549	14 267
CONFERENCES AND SEMINARS	2 461	884	1 042	659			832	874	917
DISASTER MANAGEMENT	176	1 120	698	47			800	844	889
ELECTRICITY	7 050	-	-	1 887			800	844	889
FINANCE RELATED COSTS	8 531	829	-	2 284			700	950	1 000
HUMAN RESOURCE RELATED COSTS	7 226	-	-	1 934			7 786	8 117	8 505
IT RELATED COSTS	1 917	84	44	513			3 552	3 260	3 369
OPERATIONS & MAINTENANCE	39 656	-	-	10 617			1 000	1 055	1 111
PRINTING & STATIONARY	3 266	1 436	727	874			990	1 044	1 100
PROJECT PLANNING	2 568	463	-	688			850	897	944
PUBLIC RELATIONS	9 219	390	672	2 468			850	897	944
RURAL ROADS ASSETS INFRASTRUCTURE	4 567	-	-	1 223			1 700	1 794	1 889
SOCIAL & SPORTS	31 516	762	885	55 812			1 000	1 055	1 111
SUBSISTANCE & TRAVELLING	2 942	1 117	905	788			1 500	2 000	
TELEPHONE & FAXES	7 691	3 229	4 005	2 059			2 000	2 110	2 222
WATER CONSERVATION & DEMAND MANAGEMENT	3 925	-	348	1 051			600	633	667
Impairment costs		924	3 672	13 533	13 533	13 533	500	528	555
Rain water Harvesting							4 000	5 803	6 110
Department of Higher Education Grant Expenditure									
Water Services Operational Costs		-	-	-	-	-	24 077	21 368	30 297
Repairs & Maintenance				545			14 150	15 245	16 053
Expenditure on Grants							7 505	7 329	7 793
Total 'Other' Expenditure	151 947	172 399	159 420	105 909	137 260	137 260	106 629	108 843	119 845
Repairs and Maintenance by Expenditure Item									
Employee related costs	29 493			35 127			36 938	44 396	57 053
Other materials	20 645			24 589			25 856	31 077	39 937
Contracted Services	5 899			7 025			7 388	8 879	11 411
Other Expenditure	2 949			3 513			3 694	4 440	5 705
Total Repairs and Maintenance Expenditure	58 987	-	-	70 254	-	-	73 875	88 791	114 105

Table 64 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

DC43 Harry Gwala - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)								
Description	Vote 1 - Council	Vote 2 - Municipal	Vote 3 - Budget &	Vote 4 - Corporate	Vote 5 - Social &	Vote 6 - Infrastructur	Vote 7 - Water	Total
R thousand								
Revenue By Source								
Property rates								-
Property rates - penalties & collection charges								-
Service charges - electricity revenue								-
Service charges - water revenue	-	-	-	-	-	-	38 409	38 409
Service charges - sanitation revenue	-	-	-	-	-	-	16 461	16 461
Service charges - other	-	-	-	-	-	-	1 032	1 032
Interest earned - external investments	-		4 375					4 375
Interest earned - outstanding debtors	-	-	-	-	-	-	6 360	6 360
Other revenue	-		968	-		-	-	968
Transfers recognised - operational	-		248 723	-	1 100	-	-	249 823
Total Revenue (excluding capital transfers and contributions)	-	-	254 066	-	1 100	-	62 262	317 429
Expenditure By Type								
Employee related costs		7 823	14 583	13 525	20 636	9 635	47 828	114 030
Remuneration of councillors	7 321	-	-	-	-	-	-	7 321
Debt impairment	-	-	18 369	-	-	-	-	18 369
Depreciation & asset impairment	-	224	431	1 064	44	2 143	21 094	25 000
Finance charges	-		2 228	-	-	-	-	2 228
Bulk purchases	-	-	-	-	-	-	5 000	5 000
Contracted services		400	3 300	8 545	600	2 000	17 170	32 015
Transfers and grants					20 000			20 000
Other expenditure	3 862	3 185	14 235	22 726	11 836	8 900	41 882	106 627
Total Expenditure	11 183	11 633	53 146	45 860	53 116	22 679	132 974	330 590
Surplus/(Deficit)	(11 183)	(11 633)	200 920	(45 860)	(52 016)	(22 679)	(70 712)	(13 162)
Transfers recognised - capital						270 790		270 790
Surplus/(Deficit) after capital transfers & contributions	(11 183)	(11 633)	200 920	(45 860)	(52 016)	248 111	(70 712)	257 628

Table 65 MBRR Table SA3 – Supporting detail to Statement of Financial Position

DC43 Harry Gwala - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'									
Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
ASSETS									
<u>Call investment deposits</u>									
<u>Consumer debtors</u>									
Consumer debtors	3 519	5 738	6 923	85 056	85 056	85 056	106 208	128 635	151 062
Less: Provision for debt impairment	(3 519)			(71 748)	(71 748)	(71 748)	(90 118)	(109 589)	(130 228)
Total Consumer debtors	-	5 738	6 923	13 307	13 307	13 307	16 091	19 046	20 834
<u>Debt impairment provision</u>									
Balance at the beginning of the year	-	-	-	61 748	-	-	71 748	90 118	109 589
Contributions to the provision	-	-	-	10 000	-	-	18 369	19 471	20 640
Bad debts written off									
Balance at end of year	-	-	-	71 748	-	-	90 118	109 589	130 228
<u>Property, plant and equipment (PPE)</u>									
PPE at cost/valuation (ex cl. finance leases)	991 081	1 150 387	1 279 317	1 822 561	1 539 540	1 539 540	1 818 079	2 148 024	2 580 750
Less: Accumulated depreciation	-	-	-	273 604	-	-	218 604	238 604	253 604
Total Property, plant and equipment (PPE)	991 081	1 150 387	1 279 317	1 548 958	1 539 540	1 539 540	1 599 476	1 909 420	2 327 147
LIABILITIES									
<u>Current liabilities - Borrowing</u>									
Current portion of long-term liabilities	4 911	3 297	3 415	3 266	3 266	3 266	3 592	3 952	4 347
Total Current liabilities - Borrowing	4 911	3 297	3 415	3 266	3 266	3 266	3 592	3 952	4 347
<u>Trade and other payables</u>									
Trade and other creditors	45 445	87 312	88 397	37 263	37 263	37 263	31 018	29 524	28 833
Unspent conditional transfers	32 528	30 551	19 772	15 865	15 865	15 865	12 692	7 615	4 569
Total Trade and other payables	77 972	117 863	108 169	53 128	53 128	53 128	43 710	37 139	33 402
<u>Non current liabilities - Borrowing</u>									
Borrowing	28 842	25 596	22 064	18 683	18 683	18 683	16 683	14 000	12 000
Finance leases (including PPP asset element)	3 280	2 089	5 130	-	-	-	-	-	-
Total Non current liabilities - Borrowing	32 122	27 685	27 193	18 683	18 683	18 683	16 683	14 000	12 000
<u>Provisions - non-current</u>									
Retirement benefits	5 300	7 138	10 881	10 816	10 816	10 816	11 897	13 087	14 396
Other	2 127	2 230	3 047	2 437	2 437	2 437	2 437	2 437	2 437
Total Provisions - non-current	7 427	9 369	13 928	13 253	13 253	13 253	14 334	15 524	16 833
CHANGES IN NET ASSETS									
<u>Accumulated Surplus/(Deficit)</u>									
Accumulated Surplus/(Deficit) - opening balance	806 431	911 565	1 071 838	1 320 892	1 274 068	1 274 068	-	-	-
GRAP adjustments									
Restated balance	806 431	911 565	1 071 838	1 320 892	1 274 068	1 274 068	-	-	-
Surplus/(Deficit)	73 517	160 274	137 379	257 767	211 907	211 907	257 625	308 206	416 558
Accumulated Surplus/(Deficit)	879 949	1 071 839	1 209 217	1 578 658	1 485 976	1 485 976	257 625	308 206	416 558
TOTAL COMMUNITY WEALTH/EQUITY	879 949	1 071 839	1 209 217	1 578 658	1 485 976	1 485 976	257 625	308 206	416 558

Table 66 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

DC43 Harry Gwala - Supporting Table SA9 Social, economic and demographic statistics and assumptions										
Description of economic indicator	2001 Census	2007 Survey	2011 Census	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics										
Population	457	500	558	571	571	584	597	610	623	637 000
Females aged 5 - 14	40	74	82	84	84	86	88	90	92	93
Males aged 5 - 14	41	63	70	72	72	73	75	77	78	79
Females aged 15 - 34	54	92	103	105	105	108	110	112	115	126
Males aged 15 - 34	48	78	88	90	90	92	94	96	98	16
Unemployment	114	125	139	143	143	146	149	153	156	157
Monthly household income (no. of households)										
No income	64 824	71 012	77 500	79 213	80 964	82 753	84 542	86 332	88 121	89 131
R1 - R1 600	108 648	119 020	129 895	132 765	135 700	138 699	141 698	144 696	147 695	148 595
R1 601 - R3 200	169 546	185 730	202 701	207 181	211 760	216 440	221 120	225 799	230 479	232 379
R3 201 - R6 400	38 917	42 632	39 623	47 556	48 607	49 681	50 755	51 829	52 903	54 702
R6 401 - R12 800	33 142	36 306	12 144	40 499	41 394	42 309	43 224	44 139	45 053	47 323
R12 801 - R25 600	25 656	28 105	2 620	31 351	32 043	32 752	33 460	34 168	34 876	35 925
R25 601 - R51 200	10 157	11 127	3 002	12 412	12 686	12 967	13 247	13 527	13 808	14 709
R52 201 - R102 400	2 191	2 400	1 092	2 678	2 737	2 797	2 858	2 918	2 979	3 088
R102 401 - R204 800	-	-	-	-	-	-	-	-	-	-
R204 801 - R409 600	2 511	2 750	2 836	3 068	3 136	3 205	3 275	3 344	3 413	3 621
R409 601 - R819 200	913	1 000	1 183	1 116	1 140	1 166	1 191	1 216	1 241	1 332
> R819 200										
Poverty profiles (no. of households)										
< R2 060 per household per month										
Insert description	71 900	78 910	85 920							
Household/demographics (000)										
Number of people in municipal area	456 506	500 082	508 900	558	570	583	595	608	621	643
Number of poor people in municipal area	342 380	375 762	389 000	480	480	510	539	569	598	689
Number of households in municipal area	103 264	105 659	110 800	118	120	123	126	128	131	142
Number of poor households in municipal area	71 900	78 910	85 920	101	101	107	113	119	126	133
Definition of poor household (R per month)	<R800 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M

DC43 Harry Gwala - Supporting Table SA9 Social, economic and demographic statistics and assumptions										
Description of economic indicator	2001 Census	2007 Survey	2011 Census	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Housing statistics										
Formal	32 115	33 917	37 600	37 834	38 670	39 524	40 379	41 234	42 088	41 233
Informal	4 234	2 008	2 398	2 239	2 289	2 339	2 390	2 441	2 491	2 523
Total number of households	36 349	35 925	39 998	40 073	40 959	41 863	42 769	43 674	44 579	43 756
Dwellings provided by municipality										
Dwellings provided by province/s										
Dwellings provided by private sector										
Total new housing dwellings	-	-	-	-						
Economic										
Inflation/inflation outlook (CPIX)				4,8%	5,3%	5,5%	5,7%	5,9%	6,1%	6,2%
Interest rate - borrowing				9,0%	9,5%	10,0%	0,5%	0,5%	0,5%	0,7%
Interest rate - investment				7,0%	7,5%	8,0%	8,5%	9,0%	9,5%	9,9%
Remuneration increases				6,1%	7,3%	7,5%	7,7%	7,9%	8,1%	8,3%
Consumption growth (electricity)				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Consumption growth (water)				8,7%	2,2%	2,2%	2,2%	2,2%	2,2%	2,3%
Collection rates										
Property tax/service charges				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Rental of facilities & equipment				7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	8,0%
Interest - external investments				7,0%	7,5%	8,0%	8,5%	9,0%	9,5%	10,0%
Interest - debtors				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenue from agency services				0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Table 67 MBRR SA32 – List of external mechanisms

DC43 Harry Gwala - Supporting Table SA32 List of external mechanisms					
External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
			LEGAL FEES	2 yr contract	1 500
Contract on tender	Yrs		VAT CONSULTANT	2 Yr contract	1 500
Mnotho	Yrs	2	ANNUAL FINANCIAL STATEMENTS (AFS)	2 Yr contract	3 000
Advised	Yrs		OFFICE CLEANING	2 Yr contract	300
Nashua	Yrs		RENTAL OF OFFICE EQUIPMENT	2 Yr contract	600
Contract on tender	Yrs		SECURITY SERVICES	2 Yr contract	8 500
To be advertised	Yrs		WATER QUALITY MONITORING		150
Contract on tender	Yrs	2	PMS/SDBIP REVIEW	2 Yr contract	800
	Yrs	2	WATER QUALITY MONITORING		2 000
	Yrs	2	REFURBISHMENT	2 Yr contract	13 000

HARRY GWALA DISTRICT MUNICIPALITY

2015/16 DRAFT MTREF BUDGET

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **Adelaide Nomnandi Dlamini**, Municipal Manager of Harry Gwala District 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 **Adelaide Nomnandi Dlamini**

Municipal Manager of Harry Gwala District Municipality (DC43)

Signature



Date

31 March 2015