

OVERSTRAND MUNICIPALITY



BUDGET REPORT

2015/2016

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

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Abbreviations and Acronyms

BSC	Budget Steering Committee	MEC	Member of the Executive Committee
CAPEX	Capital Budget/Expenditure	MFMA	Municipal Finance Management Act
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MM	Municipal Manager
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
DBSA	Development Bank of South Africa	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
DWA	Department of Water Affairs	MTEF	Medium-term Expenditure Framework
EE	Employment Equity	MTREF	Medium-term Revenue and Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	NERSA	National Electricity Regulator South Africa
EM	Executive Mayor	NGO	Non-Governmental organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	NT	National Treasury
GDP	Gross domestic product	OHS	Occupational Health and Safety
GFS	Government Financial Statistics	OP	Operational Plan
GRAP	General Recognised Accounting Practice	OPEX	Operating Budget/Expenditure
HR	Human Resources	OMAF	Overstrand Municipal Advisory Forum
IDP	Integrated Development Plan	PBO	Public Benefit Organisations
ICT	Information & Communication Technology	PMS	Performance Management System
kℓ	kilolitre	PPE	Property Plant and Equipment
km	kilometre	PPP	Public Private Partnership
KPA	Key Performance Area	PT	Provincial Treasury
KPI	Key Performance Indicator	RG	Restructuring Grant
kWh	kilowatt	SALGA	South African Local Government Association
ℓ	litre	SDBIP	Service Delivery & Budget Implementation Plan
LED	Local Economic Development	SMME	Small Micro and Medium Enterprises
mSCOA	Municipal Standard Chart of Accounts		

Part 1 – Annual Budget

1.1 Mayor's Report

The Executive Mayor delivers her Budget speech with the tabling of the final budget for approval. A copy of the speech will be included thereafter.

The revised IDP will also be tabled during the Council meeting.

1.2 Council Resolution

The following is the resolution that will be considered for the approval and adoption of the annual budget for 2015/2016:

RECOMMENDATION TO THE COUNCIL:

1. that in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) the annual budget of the Overstrand Municipality for the 2015/16 to 2017/18 MTREF (Medium Term Revenue and Expenditure Framework) period **be approved and adopted** as set out in the following schedules:
 - Schedule 1:** Budgeted financial performance (revenue & expenditure by municipal vote)
 - Schedule 2:** Budgeted financial performance (revenue by source & expenditure by type)
 - Schedule 3:** Budgeted multi- and single year capital appropriations by standard classification (vote) and funding by source
 - Schedule 4:** Budgeted financial position
 - Schedule 5:** Budgeted cash flow
 - Schedule 6:** Cash backed reserves and acc. surplus reconciliation
 - Schedule 7:** Asset management
 - Schedule 8:** Basic service delivery measurement
2. that in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) the property rates reflected in **Annexure A, be imposed** for the budget year 2015/16;
3. that in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tariffs and charges reflected in **Annexure A, be approved** for the budget year 2015/16;
4. that the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the three year borrowing programme for external loans amounting to R30 million per annum;
5. that the following schedules be noted:
 - Schedule 9:** Budgeted financial performance (revenue & expenditure by standard classification)
 - Schedule 10:** Budgeted capital appropriations by municipal vote
6. that **cognisance be taken** of the letters of comment received from the community and the LG MTEC 3 Assessment Report by Provincial Treasury and the Provincial Department of Local Government, included in Annexures I and J respectively of the budget report; and

7. that cognisance be taken of the 2015/2016 Budget Report.

1.3 Executive Summary

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

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditure on non-core and 'nice to have' items.

The Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the municipality is now a strategic objective.

The publishing of the regulation on the Standard chart of Accounts (SCOA) on 22 April 2014 will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003.

The following are extracts from the preamble to the regulations:

"Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards." "These Regulations propose segments and a classification framework for the standard chart of accounts to be applied in local government in similar form to that implemented for national and provincial government departments. In order to enable the National Treasury to provide consolidated local government information for incorporation in national accounts, national policy and other purposes, it must obtain financial information from individual municipalities."

The regulations contain amongst others, segment and classification framework for SCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers.

The segments classification consists of the following:

Funding segment – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

Function segment - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and sub-functions across local government.

Municipal Standard Classification Segment - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

Project Segment - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

Regional Indicator Segment - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

Item Segment - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

Costing Segment - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

Overstrand municipality was identified as one of the official national pilot sites to early implement SCOA and to pilot the Bytes financial system. This budget has been compiled according to the SCOA classification framework.

National Treasury's MFMA Circulars No. 74 & 75 was used as guidance for 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 on-going difficulties in the national and local economy;
- Ever aging water, roads, sewage and electricity infrastructure;
- Sustainable refuse disposal;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality;
- The increased cost of bulk electricity (due to tariff increases by Eskom in excess of inflation), which is placing upward pressure on service tariffs to residents. Continuous high bulk tariff increases are not sustainable, as there will be point where services will no longer be affordable;
- Revenue recovery from cost reflective core municipal services;
- Wage increases for municipal staff that have exceeded headline consumer inflation in the past, as well as the need to restructure certain components for operational efficiencies;
- Affordability of capital projects – original allocations were reduced with respect to the borrowing programme 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
- Maintaining a positive cash flow.

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

- The 2014/2015 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget informed 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 any backlog eradication goals;
- Tariffs and property rates increases should aim to be affordable. The rate of increases in property rates has lagged in the past years;
- Some price increases in the input costs of services are beyond the control of the municipality, for instance the cost of bulk electricity, fuel and chemicals. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure maintenance and 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;

- The following cost saving measures were applied:
 - Restructuring of the personnel corps in protection services and introduction of a shift system;
 - Abolishment of twenty three posts;
 - Reduction in the borrowing programme;
 - Principle of 0% increase in non-core general expenses unless valid motivations dictate.

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

Table 1 Consolidated Overview of the 2015/16 MTREF

	Budget Year 2014/15	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18			
Revenue	810 351	895 035	973 222	1 028 409	10.5%	8.7%	5.7%
Expenditure	933 322	964 529	1 037 493	1 098 292	3.3%	7.6%	5.9%
Surplus / (Deficit)	(122 971)	(69 494)	(64 271)	(69 883)			
Capital	122 785	103 914	94 606	103 561	-15.4%	-9.0%	9.5%

Total operating revenue has grown by 10,5 per cent for the 2015/16 financial year when compared to the 2014/2015 Adjustments Budget. For the two outer years, operational revenue will increase by 8,7 and 5,7 per cent respectively. The higher increase for 2015/16 is informed by increased grant funding, which includes additional equitable share of R12,5m and housing top structures amounting to R17m.

Total operating expenditure for the 2015/16 financial year has been appropriated at R964,5m and translates into a budgeted deficit of R69,5m. When compared to the 2014/2015 Adjustments Budget, operating expenditure has grown by 3,3 per cent in the 2015/16 budget and by 7,6 and 5,9 per cent for each of the respective outer years of the MTREF. The increase of 3,3 per cent for 2015/16 is notwithstanding an additional R17m expenditure for housing top structures.

It should be noted that although the 2015/2016 operational budget and indicative years indicate budgeted deficits, this does not reflect the actual cash position. These circumstances arose as the result of the implementation of GRAP, with special reference to GRAP 17 (Property, Plant and Equipment-PPE). The asset value before depreciation is in excess of R6,1 billion, which relates to substantially high depreciation charges. Although accurately reflecting asset value, the cost of a substantial portion of these assets had been fully redeemed previously, but the useful life of assets were extended as well as ever increasing assets funded by grants. The replacement thereof can thus not be recouped via current tariffs as this would lead to taxation in advance of need and no reserves may be established for these purposes. The principle of recovering actual cash costs during each financial period is adhered to.

The capital budget of R103,9m for 2015/16 is 15,4 per cent less when compared to the 2014/2015 Adjustments Budget. The reduction is due to the available resources to fund the capital budget. The capital programme decreases to R94,6m in 2016/17 and amounts to R103,6m in the respective outer years. An estimated R100m is required annually to sustain capital infrastructure. The reduction in own funding (borrowing) is largely due to cost containment measures as a smaller portion of the capital budget (32%) will be funded from borrowing over the MTREF with anticipated borrowings of R90m. The balance will be funded from internally generated funds (3%) and capital grants (65%). The Municipality had reached its prudential borrowing limit of 60% of operational revenue in 2012 and has embarked on a strategy to manage this rate down by at least 10%. At the current borrowing programme this rate will be managed down to 44% by 2017/18 in this MTREF. National Treasury has recommended an upper limit of 45% in the norms and ratios published in 2014. As a result there is limited scope to increase these borrowing levels over the medium-term.

The repayment of capital and interest (debt services costs) had increased over the previous five years as a result of the aggressive capital infrastructure programme implemented over those five years. The repayment of capital and interest (debt services costs) remains within the acceptable norms. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

For Overstrand 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 the municipality. The reality is that we are faced with an increasing population (7th highest growth nationally as per the 2011 census), development backlogs and increasing poverty levels. 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 Municipality and continued economic development;
- Efficient revenue management, which aims to ensure levels above 99 per cent annual collection rates for property rates and other key service charges (current collection level is in excess of 99%);
- Electricity tariff increases for Eskom and thus increased bulk purchases tariffs for the municipality, as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increased pressure to deliver and maintain services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

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

Table 2 Summary of revenue classified by main revenue source

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									
Property rates	108 913	120 799	134 813	148 640	153 509	153 509	162 730	173 308	184 573
Property rates - penalties & collection charges	925	772	821	1 050	1 050	1 050	891	980	1 078
Service charges - electricity revenue	224 950	247 663	268 362	310 085	310 085	310 085	338 877	371 635	407 747
Service charges - water revenue	83 755	85 243	95 136	95 897	95 897	95 897	102 045	107 700	113 691
Service charges - sanitation revenue	57 212	56 895	62 798	63 455	63 455	63 455	66 375	70 081	74 010
Service charges - refuse revenue	39 498	46 637	52 957	56 130	56 130	56 130	59 488	63 061	66 649
Service charges - other									
Rental of facilities and equipment	6 743	7 212	7 591	7 966	7 966	7 966	11 859	12 953	14 176
Interest earned - external investments	6 881	7 555	6 352	6 166	6 166	6 166	6 348	6 348	6 348
Interest earned - outstanding debtors	2 331	2 199	2 118	2 288	2 288	2 288	2 437	2 660	2 948
Dividends received									
Fines	5 278	14 244	22 739	7 965	30 875	30 875	31 859	32 766	33 763
Licences and permits	1 786	1 968	1 956	2 229	2 229	2 229	2 190	2 408	2 649
Agency services	1 912	2 025	2 395	2 480	2 480	2 480	2 970	3 267	3 594
Transfers recognised - operational	38 005	41 680	67 835	58 407	61 289	61 289	90 324	107 886	97 173
Other revenue	17 375	68 978	10 504	21 717	16 933	16 933	16 643	18 150	19 812
Gains on disposal of PPE	1 920								
Total Revenue (excluding capital transfers and contributions)	597 482	703 871	736 376	784 474	810 351	810 351	895 035	973 222	1 028 409

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework					
		Budget Year 2015/16		Budget Year +1 2016/17		Budget Year +2 2017/18	
Revenue By Source							
Property rates	153 509	162 730	6.01%	173 308	6.50%	184 573	6.50%
Property rates - penalties & collection charges	1 050	891	-15.14%	980	10.00%	1 078	10.00%
Service charges - electricity revenue	310 085	338 877	9.29%	371 635	9.67%	407 747	9.72%
Service charges - water revenue	95 897	102 045	6.41%	107 700	5.54%	113 691	5.56%
Service charges - sanitation revenue	63 455	66 375	4.60%	70 081	5.58%	74 010	5.61%
Service charges - refuse revenue	56 130	59 488	5.98%	63 061	6.01%	66 849	6.01%
Rental of facilities and equipment	7 966	11 859	48.86%	12 953	9.23%	14 176	9.44%
Interest earned - external investments	6 166	6 348	2.94%	6 348	0.00%	6 348	0.00%
Interest earned - outstanding debtors	2 288	2 437	6.49%	2 680	10.00%	2 948	10.00%
Fines	30 875	31 859	3.19%	32 766	2.84%	33 763	3.04%
Licences and permits	2 229	2 190	-1.77%	2 408	10.00%	2 649	10.00%
Agency services	2 480	2 970	19.78%	3 267	10.00%	3 594	10.00%
Transfers recognised - operational	61 289	90 324	47.37%	107 886	19.44%	97 173	-9.93%
Other revenue	16 933	16 643	-1.71%	18 150	9.05%	19 812	9.16%
Total Revenue (excluding capital transfers and contributions)	810 351	895 035	10.45%	973 222	8.74%	1 028 409	5.67%

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 rates and services charges forms a significant percentage of the revenue basket for the Municipality. An increase in revenue of 6 per cent represents the tariff increase for rates, water, sanitation and refuse revenue. Rates and service charge revenues comprise 84% of the total operating revenue mix. In the 2014/2015 financial year, revenue from rates and services charges totalled R690m. This increases to R745m, R802m and R865m in the respective financial years of the MTREF. The growth above 6 per cent can mainly be attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity, above anticipated inflation growth and operational grants. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 61 MBRR SA1 (see page 94).

After service charges, property rates is the second largest revenue source. The third largest source is operational grants from national and provincial government, which has shown growth over the MTREF, followed by fines and 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, advertisement fees etc. Departments delivering these services have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. Some revenue categories indicate distorted trends between 2014/15 and 2015/16 as indicated by rentals, licenses and other revenue. This is mainly due to reclassification of revenue categories in line with mSCOA.

Operating grants and transfers total R90,3 million in the 2015/16 financial year. This increases to R107,9m in 2016/17 and decreases to R97,1m in 2017/18 of the MTREF. Equitable share increases substantially over the MTREF (53%) in terms of the equitable share formula after the release of the 2011 census figures, as a result of the population growth in the Overstrand area. The increase in the housing allocation is due to the building of top structures for housing development (R53,6m) anticipated over the MTREF. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

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	Budget Year +1	Budget Year +2
RECEIPTS:									
Operating Transfers and Grants									
National Government:	33 973	38 956	45 033	54 673	56 511	56 511	67 709	74 702	82 187
Local Government Equitable Share	31 156	36 146	41 949	52 021	52 021	52 021	64 598	72 270	79 604
Finance Management	1 250	698	1 300	884	1 450	1 450	1 450	1 475	1 550
Municipal Systems Improvement	790	780	540	-	-	-	-	957	1 033
EPWP Incentive	777	1 332	1 244	1 768	1 768	1 768	1 661	-	-
Municipal Disaster Recovery Grant	-	-	-	-	1 272	1 272	-	-	-
Provincial Government:	10 697	2 703	23 332	3 734	4 174	4 174	22 615	33 184	14 986
Housing	9 914	1 659	18 669	183	91	91	17 141	27 480	8 876
Emergency Housing Programme (EHP)	-	-	-	220	-	220	-	-	-
Provincial Library Grant	640	691	795	3 182	3 182	3 182	5 288	5 557	5 890
Financial Management Support Grant	-	-	800	-	514	514	-	-	-
Community Development Worker Grant	78	70	49	52	70	70	72	76	80
Main Road Subsidy	65	65	2 651	97	97	97	114	-	-
Sport & Recreation Grant	-	-	-	-	-	-	-	-	-
Nelson Mandela commemoration Grant	-	-	100	-	-	-	-	-	-
Greenest Municipality	-	-	50	-	-	-	-	-	-
Other grant providers:	270	652	586	-	185	185	-	-	-
Prov Govt. ICT Projects for Libraries	-	-	27	-	-	-	-	-	-
Table Mountain Fund	-	-	240	-	-	-	-	-	-
Samras Usergroup	-	22	-	-	-	-	-	-	-
Friedrich Naumann Foundation	-	-	319	-	185	185	-	-	-
Spaces 4 Sport	270	630	-	-	-	-	-	-	-
Total Operating Transfers and Grants	44 940	42 311	68 951	58 407	60 870	60 870	90 324	107 886	97 173

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

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

The increase in property rates has been limited to only 6,85% notwithstanding the lagging of rates increases below inflation over previous years before 2014/15. Furthermore, increases in service charges have been kept at average inflation, with the electricity consumption tariff equal to the NERSA approval of Eskom tariffs. This contributes to the eroding of surpluses on services due to higher than inflation input costs. Notwithstanding that surpluses on services have traditionally subsidised community services, the decrease in these surpluses can also be viewed positively as this decreases the level of cross subsidisation. See the table below.

The percentage increases of Eskom bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs can erode the Municipality's future financial position and viability, balanced with tariff affordability.

The following table sets out the costing of services.

Table 5 Costing of services

COSTING OF SERVICES	Amended Budget 2014/2015	Original Budget 2015/2016	
Service : 1200 ELECTRICITY			
** SALARIES, WAGES & ALLOWANCES	16 008 002		
** GENERAL EXPENSES	213 578 651		
** REPAIRS & MAINTENANCE	4 560 080		
** CAPITAL CHARGES	38 213 845		
Bulk Purchases		193 573 082	
Contracted Services		2 531 636	
Depreciation and Amortisation		22 144 494	
Employee Related Cost		19 049 774	
Interest Dividends and Rent on Land		15 927 856	
Inventory		3 644 998	
Operational Cost		406 200	
Costing: overheads (dept charges)		43 951 492	
TOTAL EXPENDITURE	272 360 578	301 229 532	10.60%
TOTAL INCOME	-310 085 306	-338 360 730	9.12%
(SURPLUS)/DEFICIT	-37 724 728	-37 131 198	
	13.85%	12.33%	
Service : 1300 WATER			
** SALARIES, WAGES & ALLOWANCES	16 672 866		
** GENERAL EXPENSES	28 603 656		
** REPAIRS & MAINTENANCE	9 909 706		
** CAPITAL CHARGES	37 871 229		
** EMPLOYEE RELATED COST		17 129 257	
** OPERATIONAL COST		203 765	
** BULK PURCHASES		3 263 296	
** CONTRACTED SERVICES		7 968 743	
** INTEREST DIVIDEND RENT ON LAND		18 022 914	
** DEPRECIATION AND AMORTISATION		18 968 693	
** INVENTORY		12 696 587	
Costing: overheads (dept charges)		16 564 152	
TOTAL EXPENDITURE	93 057 457	94 817 407	1.89%
TOTAL INCOME	-96 871 828	-102 644 773	5.96%
(SURPLUS)/DEFICIT	-3 814 371	-7 827 366	
	4.10%	8.26%	
Service : 1400 WASTE WATER MANAGEMENT			
** SALARIES, WAGES & ALLOWANCES	18 433 913		
** GENERAL EXPENSES	9 734 044		
** REPAIRS & MAINTENANCE	8 439 440		
** CAPITAL CHARGES	24 486 603		
Bulk Purchases		720 915	
Contracted Services		6 492 674	
Depreciation and Amortisation		17 060 567	
Employee Related Cost		17 530 796	
Interest Dividends and Rent on Land		7 783 445	
Inventory		4 729 979	
Operational Cost		255 724	
Costing: overheads (dept charges)		9 650 956	
TOTAL EXPENDITURE	61 094 000	64 225 056	5.12%
TOTAL INCOME	-63 324 796	-66 926 990	5.69%
(SURPLUS)/DEFICIT	-2 230 796	-2 700 934	
	3.65%	4.21%	
Service : 1500 WASTE MANAGEMENT			
** SALARIES, WAGES & ALLOWANCES	20 315 436		
** GENERAL EXPENSES	25 859 582		
** REPAIRS & MAINTENANCE	1 789 307		
** CAPITAL CHARGES	5 524 816		
** CONTRIBUTION TO PROVISIONS	3 000 000		
** EMPLOYEE RELATED COST		21 432 276	
** OPERATIONAL COST		4 821 959	
** CONTRACTED SERVICES		18 432 173	
** INTEREST DIVIDEND RENT ON LAND		1 751 952	
** DEPRECIATION AND AMORTISATION		5 159 240	
** INVENTORY		2 666 294	
Costing: overheads (dept charges)		8 545 653	
TOTAL EXPENDITURE	56 489 141	62 809 547	11.19%
TOTAL INCOME	-56 130 000	-59 544 160	6.08%
(SURPLUS)/DEFICIT	359 141	3 265 387	
	-0.64%	-5.20%	
Notes:			
1. Disparity of expenditure categories from implementation of mSCOA.			
2. Increased refuse expenditure resulting from new waste disposal infrastructure			
3. Secondary costs indicated in line with previous allocations + 5%			
4. The waste management deficit addressed in para. 1.4.5			

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

1.4.1 Property Rates

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

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and also prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties.

The following stipulations in the Property Rates Policy are highlighted:

TARIFF CODE	CLASS TAX	TYPE OF PROPERTY	REBATE OR EXEMPTIONS
BUS	General Tax: Commercial	All business, industries, Bed and Breakfast and Guest Houses	No exemptions. Bed and Breakfast as well as Guesthouses can apply before 30 June for the following rebate on the <u>difference between Bus and Res. rate</u> : 1 -2 X lettable room: 100% 3 X lettable rooms: 75% 4 X lettable rooms: 50% 5 X lettable rooms: 25%
BUSO	General Tax: Tourism and recreational resorts outside the municipal urban areas	Hotels, Guest Houses, Cottages, Caravan parks and Holiday Resorts, Chalets	50% rebate on the tax applicable on commercial property in urban areas.
RES	General Tax: Residential properties within the municipal service areas	Single residential properties, Group housing, Retirement Villages, Flats, Sectional Schemes, small holdings not used for bona fide farming purposes	The first R15 000.00 of the rateable value of all residential properties is exempted from property tax. A further R35 000.00 of the rateable value is exempted in respect of all residential properties where a residential completion certificate has been issued and an additional rebate of 20% of the levy calculated on such properties, is granted. Rebate to qualifying property owners as indicated under "Other Rebate"
RESO	General Tax: Residential properties outside the municipal urban area	Single residential properties, Group housing, Retirement Villages, Flats, Sectional Schemes	50% of the tax applicable on residential property in urban areas. Rebate to qualifying property owners as indicated under "Other Rebate"

FARMS	General Tax: Farming Properties	Smallholdings used for bona fide farming purposes outside municipal service area	Agricultural purpose in relation to the use of a property, excludes the use of a property for the purpose of ecotourism or for the trading in or hunting of game.
FARMS	Conservation land	Privately owned properties whether designated or used for conservation purposes.	Not rateable in terms of section 17(1)(e) of the act.
PR100 PR050 PR040	Other Rebates	Single residential properties, Group Housing, Retirement Villages, Flats, Sectional Schemes	<ul style="list-style-type: none"> - Property must be occupied permanently; - The applicant must be the registered owner; - Only one residential unit allowed on the property - Applicant may not be the registered owner of more than one property <ul style="list-style-type: none"> • A rebate of 100% to approved applicants, in terms of the Property Rates Policy, who's gross monthly household income may not exceed the amount of two times (2X) of state funded social pensions per month; • A rebate of 50% to approved applicants, in terms of the Property Rates Policy, who are older than 60 with a gross monthly household income less than four times (4X) of state funded social pensions per month; • A rebate of 40% to approved applicants, in terms of the Property Rates, who are older than 60 with a gross monthly household income of more than four times (4X) but less than eight times (8X) of state funded social pensions per month.

The following table sets out the categories of rateable properties for purposes of levying rates and the proposed rates for the 2015/16 financial year, to increase from 1 July 2015.

Table 6 Comparison of proposed rates to be levied for the 2015/16 financial year

RATES TARIFFS 2015/2016						
Tariff Code	Detail	2015/2016		2014/2015		
		Exclude VAT	Include VAT	Exclude VAT	Include VAT	
RATES	YEAR OF GENERAL VALUATION: 02 JULY 2011					
RATE1*	Commercial Land with Improvements	0.00670	0.00670	0.00627	0.00627	6.8500%
RATE2*	Residential Land with Improvements <i>* See attached schedule of Exemptions and Rebates applicable</i>	0.00442	0.00442	0.00414	0.00414	6.8500%
RATE3	Municipal Properties: Investment Properties	Applicable tariff for Commercial or Residential	Applicable tariff for Commercial or Residential	Applicable tariff for Commercial or Residential	Applicable tariff for Commercial or Residential	
RATE4	Municipal Properties: Property, Plant and Equipment	0.00000	0.00000	0.00000	0.00000	
RATE5	Improvement District Surcharge (HPP) on total rates payable on approved Improvement District	0.10000	0.10000	0.10000	0.10000	0.0000%
RATE6	Building Clause	Equals to tariff for rates on property	Equals to tariff for rates on property	Equals to tariff for rates on property	Equals to tariff for rates on property	
RATE7	Farm/Agriculture (Bona-fide)	0.00111	0.00111	0.00104	0.00104	6.8500%
RATE8	Undeveloped erven	0.00605	0.00605	0.00566	0.00566	6.8500%
RATE9	Government Properties: Commercial	0.00670	0.00670	0.00627	0.00627	6.8500%
RATE10	Government Properties: Residential	0.00442	0.00442	0.00414	0.00414	6.8500%
PLEASE NOTE: VAT IS LEVIED AT A RATE OF 0% ON ASSESSMENT RATES						

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it does with electricity, 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 2014.

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Tariff increases as from 1 July 2015 are indicated in the list of tariffs in Annexure C. The 6 kℓ free water per 30-day period has since 2014 only been granted to registered indigents. The second level of phasing in the increases in the 0 – 6 kℓ category as implemented during 2013/14, to recover minimum cost of the production of water, further postponed in 2014/15, has now been implemented. This is the reason for the higher than 6% increase in this category of the tariffs.

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

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

Tariff Code	Detail	2015/2016		2014/2015		
		Exclude VAT	Include VAT	Exclude VAT	Include VAT	
W1B	CONSUMPTION - HOUSEHOLDS					
	Normal Tariff					
W1B1	0 - 6 kl per kl	3.62	4.13	3.25	3.71	11.50%
W1B2	7 - 18 kl per kl	9.12	10.39	8.60	9.80	6.00%
W1B3	19 - 30 kl per kl	14.79	16.86	13.95	15.90	6.00%
W1B4	31 - 45 kl per kl	22.76	25.95	21.48	24.48	6.00%
W1B5	46 - 60 kl per kl	29.57	33.71	27.90	31.81	6.00%
W1B6	>60kl per kl	39.43	44.95	37.20	42.40	6.00%

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA announced a revised bulk electricity pricing structure for Eskom during 2013/14 for a three year period. A 14,24 per cent increase in the Eskom bulk electricity tariffs to municipalities will become effective from 1 July 2015. The National Treasury guideline tariff increase to municipalities is 12,2 per cent. During his budget speech on 25 February 2015, the Minister of Finance announced that the electricity levy will be increased by 2 cents per kWh. A special municipal circular will be issued in due course to guide municipalities on the implementation of the 2 cents per kWh electricity levy.

Since the approval of the above increase by NERSA, Eskom launched an application for further increases up to 25,3 per cent. In terms of legislation, the Minister of Finance postponed the finalisation of the further tariff increase application by NERSA until 15 May 2015. This timeframe was set to allow municipalities to still be able to finalise their budget by the end of May. On 13 May 2015 NERSA issued a press statement setting the timeframes for the finalisation of the application on 29 June 2015. National Treasury has not issued any further guidance on the matter. As this puts the municipality at risk for the finalisation of the budget, the original increases have been factored into the budget.

Considering the Eskom increases, the overall tariffs will increase between 9,74 per cent and 12,2 per cent. The basic charge increases by 6 per cent and consumption by 12,2 per cent. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

The time-of-use tariff has been restructured to a single tariff per category for the full 12 month period in the daily Off-peak, Standard and Peak categories. This is aimed at equalising the revenue flow for the municipality during the financial year and for large consumers to contend with only a single set of tariffs for their own planning. This should enhance financial planning for both the municipality and large consumers. Large consumers also thus have the opportunity to down size on their Notified Maximum Demand.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Tariff Code	Detail		2015/2016		2014/2015		
			Exclude VAT	Include VAT	Exclude VAT	Include VAT	
E1A	Two-Part Tariff: Credit meters up to 60 Amp (13.8 kVA BDMD) (Including Resorts)						
E1A1	Basic Monthly charge per meter	R	216.83	247.19	204.56	233.20	6.00%
	kWH Unit cost						
E1A2	IBT BLOCK 1 0 - 350 kWh	c	107.67	122.74	95.96	109.39	12.20%
E1A3	IBT BLOCK 2 351 - 600 kWh	c	145.88	166.30	130.02	148.22	12.20%
E1A4	IBT BLOCK 3 > 600 kWh	c	175.82	200.43	156.70	178.64	12.20%
E1B	Two-Part Tariff: Pre-Paid up to 60 Amp (13.8 kVA BDMD) (Included Resorts)						
E1B1	Basic Monthly charge per meter	R	216.83	247.19	204.56	233.20	6.00%
	kWH Unit cost						
E1B2	IBT BLOCK 1 0 - 350 kWh	c	99.45	113.38	88.64	101.05	12.20%
E1B3	IBT BLOCK 2 351 - 600 kWh	c	137.46	156.71	122.52	139.67	12.20%
E1B4	IBT BLOCK 3 > 600 kWh	c	169.00	192.66	150.62	171.71	12.20%

The stepped tariff for electricity as previously proposed by NERSA has continued. Tariffs have increased across all blocks at the same rate. The municipality will maintain the current stepped structure for the electricity tariffs. The reduced tariffs for prepaid meters will continue as in the past.

The challenge regarding the previous inadequate electricity bulk capacity in the Hermanus area and the impact on service delivery and development has been alleviated with the commissioning of the new 66 KVA sub-station.

The proposed capital budget for the Electricity Division will primarily be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply) and limited upgrading of networks.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund further necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. The taking up of loans as a strategy for the funding of infrastructure is considered to spread the burden over the life span of the assets. As part of the 2015/16 medium-term capital programme, funding has been allocated to electricity infrastructure.

The full proposed tariffs are included in Annexure C.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation (consumption) and 6 per cent for basic charges is proposed from 1 July 2015. This is based on tariff increases related to inflation increases as mentioned earlier in this report. It should be noted that electricity costs contributes towards waste water treatment input costs and therefore the limited increase in expenditure will have to be made up from operational efficiencies.

The following factors inform the proposed tariffs:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (4,2 kℓ of 6 kℓ water) will be applicable to registered indigents; and

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases (Domestic)

Tariff Code	Detail	2015/2016		2014/2015		
		Exclude VAT	Include VAT	Exclude VAT	Include VAT	
SE7A	SEWERAGE - SINGLE AND INTERMEDIATE RESIDENTIAL (Dwelling house and Duplex flats, Conventional Sewers, small bore sewers and conservancy tanks)					
SE7A1	0 - 35kl per kl (based on 70% of 50kl water usage) per unit per month, Conservancy tank service only during office hours per month. For after hours service, refer to tariff SE9B.	10.88	12.40	10.26	11.70	6.00%
SE8	BASIC CHARGE					
SE8A	Basic Monthly Charge Developed sites per erf/unit per month	96.61	110.13	91.14	103.90	6.00%

1.4.5 Waste Removal and Impact of Tariff Increases

Solid waste removal is operating marginally below breakeven. The Municipality will have to revise the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the cost impact on this service are increased capital and operational costs for the new solid waste disposal infrastructure and general expenditure.

The re-opening of the Karwyderskraal waste disposal site in April 2015 by the Overstrand municipality, who will operate the site, has been resolved by the entering into a long term lease agreement with the District municipality for a portion of the land at Karwyderskraal to further develop cells. This will channel solid waste disposal from Hermanus and Kleinmond to this site, to improve operational efficiencies. The Theewaterskloof municipality previously disposed of solid waste at Karwyderskraal when it was operated by the District municipality. Indications are that the Theewaterskloof municipality will once again opt to utilise this service on a permanent basis. No additional revenue has been budgeted in this regard, pending service agreements. This aspect will be reviewed during the mid-year review for 2015/2016 and revenue adjustments will be considered at that stage.

An increase of 6 per cent in the waste removal tariff is proposed from 1 July 2015. Higher increases will not be viable at this stage owing to the increases implemented in the preceding financial year. The acceptability of the draft budgeted figures, after due consideration, is viewed as appropriate in context with the participation by Theewaterskloof municipality, which will grant a more realistic performance of this service later on during the 2015/16 financial year. Any further increase would also have been counter-productive and will result in affordability challenges for individual consumers.

The following table compares current and proposed amounts payable from 1 July 2015:

Table 10 Comparison between current waste removal fees and increases (Domestic)

Tariff Code	Detail	2015/2016		2014/2015		
		Exclude VAT	Include VAT	Exclude VAT	Include VAT	
SAN1	REFUSE REMOVAL (1 removal per week of 4 bags or 1X240 Bin)	R	R	R	R	
SAN1A	Residential (All registered erven/unit with approved building plan) 1 x removal per week (R/Month)	137.99	157.30	130.18	148.40	6.00%

All proposed refuse tariffs are listed in Annexure C.

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on medium and small household consumers, 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 below 6,3 per cent and the increase for indigent households at 2,6 per cent, before the impact of the electricity increases. The electricity tariff increase raises this level to 8,44 & 10,11 per cent respectively.

Medium Consumption with prepaid elect meter

Valuation R2 500 000

Rates	
Sewer	SE7A1+SE8A
Infrastructure Basic Charge Water, Electricity & Sewer	
Refuse	1X Per Week
Water	25 kl
VAT	
SUB TOTAL	
Electricity Prep	800 kWh
VAT	
TOTAL	
<i>HPP if applicable</i>	

2014/2015	2015/2016	Amount	%
676.20	722.52	46.32	6.85
270.69	287.01	16.32	6.03
41.70	41.70	0.00	0.00
130.18	137.99	7.81	6.00
322.63	343.11	20.48	6.35
107.13	113.37	6.25	5.83
1 548.53	1 645.70	97.18	6.28
1 122.32	1 246.55	124.24	11.07
157.12	174.52	17.39	11.07
2 827.97	3 066.77	238.81	8.44
67.62	72.25	4.63	6.85

Low Consumption with prepaid elect meter

Valuation R1 000 000

Rates	
Sewer	SE7A1+SE8A
Infrastructure Basic Charge Water, Electricity & Sewer	
Refuse	1X Per Week
Water	15 kl
VAT	
SUB TOTAL	
Electricity Prep	350 kWh
VAT	
TOTAL	
<i>HPP if applicable</i>	

2014/2015	2015/2016	Amount	%
262.20	280.16	17.96	6.85
198.87	210.85	11.98	6.02
41.70	41.70	0.00	0.00
130.18	137.99	7.81	6.00
199.18	212.22	13.04	6.55
79.79	84.39	4.60	5.76
911.92	967.31	55.39	6.07
514.80	564.92	50.12	9.74
72.07	79.09	7.02	9.74
1 498.79	1 611.32	112.52	7.51
26.22	28.02	1.80	6.85

Life-Line Consumption (ONE PART) (Indigent)

Valuation R50 000

Rates	
Sewer	SE7A1
Infrastructure Basic Charge Water, Electricity & Sewer	
Refuse	1X Per Week
Water	8 kl
VAT	
SUB TOTAL	
Electricity Pre-i	300 kWh
VAT	
TOTAL	

2014/2015	2015/2016	Amount	%
0.00	0.00	0.00	0.00
14.36	15.23	0.87	6.04
41.70	41.70	0.00	0.00
0.00	0.00	0.00	0.00
17.20	18.24	1.04	6.05
10.26	10.52	0.27	2.60
83.52	85.70	2.18	2.60
263.70	295.87	32.17	12.20
36.92	41.42	4.50	12.20
384.14	422.99	38.85	10.11

Table 11 MBRR Table SA14 – Household bills

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 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	141.26	151.25	156.00	179.40	179.40	179.40	7.0%	191.69	203.19	215.38
Electricity: Basic levy	151.75	157.89	192.98	204.56	204.56	204.56	6.0%	216.83	229.84	243.63
Electricity: Consumption	953.00	1 056.28	1 126.62	1 219.00	1 219.00	1 219.00	11.0%	1 357.95	1 439.43	1 525.79
Water: Basic levy	87.72	92.98	96.49	102.28	102.28	102.28	6.0%	108.42	114.93	121.82
Water: Consumption	168.48	224.44	273.66	290.10	290.10	290.10	6.0%	308.64	332.60	352.55
Sanitation	245.92	264.87	288.62	305.94	305.94	305.94	6.0%	325.09	344.60	365.27
Refuse removal	83.33	113.16	122.81	130.18	130.18	130.18	6.0%	137.99	146.27	155.05
Other										
sub-total	1 831.46	2 060.87	2 257.18	2 431.46	2 431.46	2 431.46	8.8%	2 646.61	2 810.84	2 979.50
VAT on Services	236.63	267.35	294.17	312.99	312.99	312.99		344.41	365.07	386.98
Total large household bill:	2 068.09	2 328.22	2 551.35	2 744.44	2 744.44	2 744.44	9.0%	2 991.02	3 175.92	3 366.47
% Increase/-decrease		12.6%	9.6%	7.6%	-	-		9.0%	6.2%	6.0%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	97.80	104.70	108.00	124.20	124.20	124.20	7.0%	132.71	140.67	149.11
Electricity: Basic levy	151.75	157.89	192.98	204.56	204.56	204.56	6.0%	216.83	229.84	243.63
Electricity: Consumption	399.00	438.62	456.59	494.01	494.01	494.01	11.0%	550.31	583.33	618.33
Water: Basic levy	87.72	92.98	96.49	102.28	102.28	102.28	6.0%	108.42	114.93	121.82
Water: Consumption	133.38	164.44	207.86	222.45	222.45	222.45	6.0%	236.54	250.73	265.78
Sanitation	231.74	234.17	254.84	270.13	270.13	270.13	6.0%	287.01	304.23	322.48
Refuse removal	83.33	113.16	122.81	130.18	130.18	130.18	6.0%	137.99	146.27	155.05
Other										
sub-total	1 184.72	1 305.96	1 439.57	1 547.81	1 547.81	1 547.81	7.9%	1 669.81	1 770.00	1 876.20
VAT on Services	152.17	168.18	186.42	199.01	199.01	199.01		215.19	228.11	241.79
Total small household bill:	1 336.88	1 474.14	1 625.99	1 746.82	1 746.82	1 746.82	7.9%	1 885.00	1 998.10	2 117.99
% increase/-decrease		10.3%	10.3%	7.4%	-	-		7.9%	6.0%	6.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	54.33	58.16	60.00	69.00	69.00	69.00	7.0%	73.73	78.15	82.84
Electricity: Basic levy	151.75	157.89	192.98	204.56	204.56	204.56	6.0%	216.83	229.84	243.63
Electricity: Consumption	252.00	278.39	286.75	310.24	310.24	310.24	11.0%	345.59	366.33	388.30
Water: Basic levy	87.72	92.98	96.49	102.28	102.28	102.28	6.0%	108.42	114.93	121.82
Water: Consumption	98.28	104.44	123.67	131.10	131.10	131.10	6.0%	139.02	149.64	158.62
Sanitation	204.15	203.48	221.07	234.33	234.33	234.33	6.0%	248.93	263.87	279.70
Refuse removal	83.33	113.16	122.81	130.18	130.18	130.18	6.0%	137.99	146.27	155.05
Other	(468.47)	(521.33)	(598.16)	(635.06)	(635.06)	(635.06)	7.0%	(676.64)	(717.24)	(760.27)
sub-total	463.09	487.17	505.61	546.63	546.63	546.63	8.6%	593.87	631.78	669.69
VAT on Services	57.23	60.06	64.96	69.60	69.60	69.60		73.12	77.51	82.16
Total small household bill:	520.32	547.23	570.57	616.23	616.23	616.23	8.2%	666.99	709.29	751.85
% increase/-decrease		5.2%	4.3%	8.0%	-	-		8.2%	6.3%	6.0%

1. Use as basis property value of R700 000, 1 000 kWh electricity and 30kl water

2. Use as basis property value of R500 000 and R700 000, 500 kWh electricity and 25kl water

3. Use as basis property value of R 300 000, 350kWh electricity and 20kl water (50 kWh electricity and 6 kl water free)

1.5 Operating Expenditure Framework

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

- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- The repairs and maintenance plan relating to the asset management strategy;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Limiting growth in the personnel structure;
- Reducing expenditure on non-core programmes;
- Implementing operational gains and efficiencies; and
- Strict adherences to the principle of *no project plan no budget*. If there is no business plan no funding allocation will 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 12 Summary of operating expenditure by standard classification item

Description R thousand	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	Budget Year +1	Budget Year +2
Expenditure By Type									
Employee related costs	207 938	231 642	260 645	280 066	276 217	276 217	291 593	305 408	323 583
Remuneration of councillors	6 717	7 084	7 933	8 516	8 516	8 516	8 674	9 192	9 741
Debt impairment	28	6 688	12 526		22 792	22 792	22 792	22 792	22 792
Depreciation & asset impairment	104 041	104 408	99 361	109 265	105 461	105 461	111 362	118 043	125 126
Finance charges	31 727	37 331	39 927	45 162	44 480	44 480	46 895	46 780	47 279
Bulk purchases	126 669	145 022	157 055	169 444	169 444	169 444	193 573	221 138	252 628
Other materials	54 582	12 441	13 595	17 295	17 315	17 315	57 801	69 631	53 593
Contracted services	24 079	67 697	72 754	81 062	82 467	82 467	125 322	128 122	135 442
Transfers and grants	28 454	35 856	38 749	41 370	41 668	41 668	48 497	54 667	62 244
Other expenditure	158 290	102 146	117 460	117 407	164 963	164 963	58 021	61 721	65 866
Loss on disposal of PPE		1 756	12 017						
Total Expenditure	742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292

The budgeted allocation for employee related costs for the 2015/16 financial year totals R291,6m which equals 30,2 per cent of the total operating expenditure and within the NT norm of 25 – 40 per cent. The current three year collective SALGBC agreement comes to an end in 2014/2015. The parties to the bargaining council are currently still in negotiations on salary increases for 2015/2016. Salary increases (inclusive of annual notch increases) have been factored into the budget at a percentage increase of 6,1 per cent for the 2015/16 financial year as well as the two outer years of the MTREF, based on average inflation for 2014.

As part of the Municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards. A total of twenty three posts were abolished from the organisational structure. The Protection Services directorate has been restructured whereby a shift system has been introduced resulting in substantial savings on overtime and standby allowances. The outsourcing of the water and waste water treatment plants, in respect of operational efficiencies, are currently being considered.

With effect from 1 July 2010, the Municipal Manager and Section 57 Employees (Directors) remuneration is determined by an independent consulting firm, Messrs.' Work Dynamics (Pty) Ltd, appointed by the Employer to determine market related cost-to-employer remuneration packages. The afore-mentioned employees receive no bonuses, which principle was negotiated with them. The recommendation of Messrs.' Work Dynamics (Pty) Ltd, although they are a private company, does compare the salaries of people with similar job descriptions, whether it be the private or government sector. The remuneration model developed by them for senior managers in the local government sector has been adjusted to reflect the remuneration trends in the labour market. This determination will be completed at a later stage for the 2015/2016 budget. For budgeting purposes, the same increase of 6,1 per cent, as for other employees has been factored into the budget.

New regulations have been promulgated, which regulations provide for the Minister of Co-operative Governance to determine the total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors), with effect from 1 July 2014. Existing contracts however continue until they lapse.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The proclamation with regard to the 2014/2015 increases was published recently. For budgeting purposes, the same increase of 6,1 per cent, as for other employees has been factored into the budget.

The provision of debt impairment was determined based on an annual collection rate of close to 100 per cent and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to a zero provision as the current provision is set to decrease slightly over the medium term. Impairment for traffic fines, resulting from the implementation of IGRAP1, has been budgeted according to the trends from the 2013/2014 financial year.

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 of asset consumption. Budget appropriations in this regard total R111,4m for the 2015/16 financial year and equates to 11,39 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years. This aspect is further highlighted in para. 1.3 of this report.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and limited finance leases. Finance charges make up 4,8 per cent of operating expenditure excluding annual redemption for 2015/16 and increases to R47,3m by 2017/18, down from R49,5m in the previous 2016/2017 budget. This results from the planned decrease in borrowing over the MTREF from the previous budget. As previously noted, the Municipality had reached its prudential limits for borrowing in 2012 – hence the planned borrowing to finance the capital budget does not result in finance charges increasing as a percentage of operational expenditure – rather it decreases to 4,3 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases of the already approved tariffs of 14,24 per cent have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures account for distribution losses.

Other materials, now classified as Inventory in mSCOA, comprise amongst others the purchase of materials for maintenance, cleaning materials, fuel, printing and stationary, etc. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. The introduction and reclassification resulting from mSCOA has caused a shift in expenditure previously classified and budgeted under general expenses.

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 R127m. The introduction and reclassification resulting from mSCOA has caused a shift in expenditure previously classified and budgeted under general expenses. Further details relating to contracted services can be seen in Table 61 MBRR SA1 (see page 94).

Other expenditure, now classified as Operational Costs in mSCOA, comprises of various line items relating to the daily operations of the municipality. The introduction and reclassification resulting from mSCOA has caused a shift in expenditure previously classified and budgeted under general expenses to Inventory (materials) and contracted services. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Further details relating to other expenditure can be seen in Table 61 MBRR SA1 (see page 94).

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.



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

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality. 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 13 Operational repairs and maintenance

WC032 Overstrand - 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									
by Expenditure item									
Employee related costs	15 563	27 460	35 905	40 285	40 285	40 285	45 175	47 787	50 645
Other materials	5 188	9 153	8 865	8 807	8 807	8 807	14 541	15 638	16 361
Contracted Services	12 320	21 740	32 675	34 161	34 161	34 161	35 194	37 739	39 865
Other Expenditure	31 774	56 061	72 912	79 016	79 016	79 016	26 167	25 650	43 884
Total Repairs and Maintenance Expenditure	64 845	114 414	150 358	162 268	162 268	162 268	121 077	126 814	150 754

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure. As part of the 2015/16 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises on average 12,8 per cent of the budget over the respective financial years of the MTREF.

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

Table 14 Repairs and maintenance per 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	43 120	87 048	129 145	136 752	136 752	136 752	111 449	117 865	133 341
Infrastructure - Road transport	25 843	42 236	63 749	68 540	68 540	68 540	57 090	60 842	64 540
<i>Roads, Pavements & Bridges</i>	25 231	39 790	60 016	62 232	62 232	62 232	51 401	54 748	58 088
<i>Storm water</i>	611	2 446	3 732	6 308	6 308	6 308	5 689	6 094	6 452
Infrastructure - Electricity	4 601	14 105	20 488	25 491	25 491	25 491	16 835	17 340	23 891
<i>Generation</i>					-	-			
<i>Transmission & Reticulation</i>	4 601	14 105	20 488	25 491	25 491	25 491	16 835	17 340	23 891
<i>Street Lighting</i>					-	-			
Infrastructure - Water	6 892	21 502	27 931	26 775	26 775	26 775	22 874	24 001	24 393
<i>Dams & Reservoirs</i>	52	80			-	-			
<i>Water purification</i>	1 709	1 963			-	-			
<i>Reticulation</i>	5 132	19 459	27 931	26 775	26 775	26 775	22 874	24 001	24 393
Infrastructure - Sanitation	4 568	7 708	15 486	14 146	14 146	14 146	12 159	12 963	16 387
<i>Reticulation</i>	3 687	6 623			-	-			
<i>Sewerage purification</i>	882	1 085	15 486	14 146	14 146	14 146	12 159	12 963	16 387
Infrastructure - Other	1 215	1 499	1 491	1 800	1 800	1 800	2 492	2 719	4 130
<i>Waste Management</i>	1 215	1 499	1 491	1 800	1 800	1 800	2 492	2 719	4 130
Community	6 012	5 408	7 349	9 298	9 298	9 298	4 546	4 391	8 211
Investment properties	270	-	-	-	-	-	-	-	-
Other assets	15 443	21 958	13 864	16 218	16 218	16 218	5 081	4 559	9 203
Total Repairs and Maintenance Expenditure	64 845	114 414	150 358	162 268	162 268	162 268	121 077	126 814	150 754
R&M as a % of PPE	2.1%	3.7%	4.8%	5.3%	5.2%	5.2%	3.9%	4.1%	4.9%
R&M as % Operating Expenditure	8.7%	15.2%	18.1%	18.7%	17.4%	17.4%	12.4%	12.2%	13.7%

For the 2015/16 financial year, 12,4 per cent or R121m of the total budget will be spent on repairs and maintenance, of which R114,5m is for infrastructure. Roads infrastructure has received a significant proportion of the infrastructure allocation totalling 51,2 per cent (R57m), followed by water at 20,5 per cent (R22,9m) and electricity at 14,7 per cent (R16,8m).

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality's Indigent Policy. The current indigent households amount to approximately 6 700 and is reviewed monthly. Details relating to free services and basic service delivery measurement is contained in Table 26 MBRR A10 (Basic Service Delivery Measurement) on page 41.

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of Revenue Act.

Table 15 MBRR Table SA21 – Transfers and grants made by the municipality

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 Transfers to other municipalities <i>Insert description</i>									
Total Cash Transfers To Municipalities:	-	-	-	-	-	-	-	-	-
Cash Transfers to other Organs of State <i>Insert description</i>									
Total Cash Transfers To Other Organs Of State:	-	-	-	-	-	-	-	-	-
Cash Transfers to Organisations									
<i>Grant-in-aid</i>	370	398	451	-	-	-	278	295	313
Badisa				30	30	30			
Overstrand Association for People with Disabilities				8	8	8			
Ikamva				10	10	10			
Overstrand Conservation Foundation				25	25	25			
Hermanus Botanical Society				20	20	20			
Kleimond Child Welfare				15	15	15			
Overstrand Hospice				28	28	28			
Hangklip Community Care Centre				15	15	15			
Recycle Swap Shop				10	10	10			
Siyazama Service Centre for the Aged				20	20	20			
Overberg Wheelchair Association	-	-	-	20	20	20			
Overstrand Arts				20	20	20			
National Sea Rescue Institute				47	47	47			
S.H.A.R.E				10	10	10			
Tourism Buro's							1 649	1 747	1 852
Total Cash Transfers To Organisations	370	398	451	278	278	278	1 927	2 043	2 165
Cash Transfers to Groups of Individuals									
Low income house-hold subsidies	28 084	35 458	38 298	41 092	41 390	41 390	46 570	52 624	60 079
Total Cash Transfers To Groups Of Individuals:	28 084	35 458	38 298	41 092	41 390	41 390	46 570	52 624	60 079
TOTAL CASH TRANSFERS AND GRANTS	28 454	35 856	38 749	41 370	41 668	41 668	48 497	54 667	62 244

The policy for Grants-in-aid to organisations has been revised and approved by Council. Detailed allocations for the 2015/2016 budget will be reflected after the completion of the application and allocation process.

1.6 Capital expenditure

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

Table 16 2015/16 Medium-term capital budget per 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	Budget Year +1	Budget Year +2
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Management Services	-	-	-	-	-	-	-	-	-
Vote 4 - Finance	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services	-	-	5 000	4 939	3 565	3 565	21 911	4 500	4 000
Vote 6 - Local Economic Development	-	-	-	-	-	-	-	-	-
Vote 7 - Infrastructure & Planning	-	-	-	-	-	-	11 451	3 000	3 000
Vote 8 - Protection Services	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	5 000	4 939	3 565	3 565	33 362	7 500	7 000
Single-year expenditure to be appropriated									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Management Services	928	1 274	1 790	2 548	2 534	2 534	2 528	-	-
Vote 4 - Finance	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services	119 308	110 111	74 622	71 999	92 038	92 038	56 809	72 106	79 561
Vote 6 - Local Economic Development	-	945	-	-	-	-	-	-	-
Vote 7 - Infrastructure & Planning	42 394	31 434	49 518	18 235	19 450	19 450	10 920	15 000	17 000
Vote 8 - Protection Services	645	-	-	-	-	-	295	-	-
Capital single-year expenditure sub-total	163 275	143 764	125 930	92 781	114 022	114 022	70 552	87 106	96 561
Total Capital Expenditure - Vote	163 275	143 764	130 930	97 721	117 588	117 588	103 914	94 606	103 561

For 2015/16 an amount of R91,4m has been appropriated for the development of infrastructure which represents 88 per cent of the total capital budget of R103,9m. In the outer years this amount totals R80m, 84,5 per cent and R92,7m, 89,5 per cent respectively for each of the outer financial years. For services infrastructure, electricity infrastructure receives the highest allocation of R21,7m in 2015/16 followed by water at R16,4 million and roads at R12,1 million. Over the MTREF, capital housing grant expenditure relating to housing provision infrastructure, amounts to R109 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 25 MBRR A9 (Asset Management) on page 39. In addition to the MBRR Table A9, 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 pages 84, 85 and 86). Some of the salient projects to be undertaken during 2015/2016 includes, amongst others:

Project Description	Amount
ZWELIHLE ADMIN SITE - 164 SITES	9 864 644
REPLACEMENT OF OVERSTRAND WATER PIPES	9 652 800
ELECTRIFICATION OF LOW COST HOUSING AREAS (INEP)	8 000 000
ZWELIHLE SITE C2 - 132 SITES	7 939 836
REHABILITATE ROADS AND UPGRADE STORMWATER	6 375 527
ZWELIHLE MANDELA SQUARE -83 SITES	4 685 648
REHABILITATION OF EXISTING PAVE ROAD (LIC)	4 200 000
OVERHILLS:KLEINMOND SOCCERFIELD	4 157 615
NEW 1 ML/S RESERVOIR OHW.B31	3 566 328
UPGRADING OF PUMPSTATIONS	3 547 200
MOUNT PLEASANT IRDP	3 514 600
SWARTDAMROAD IRDP	3 313 558

STANFORD - SEWER NETWORK EXTENSION	3 000 000
KLEINMOND LIBRARY UPGRADE	3 000 000
GANSBAAI: MINISUB AND MV/LV UPGRADE	2 700 000
FRANSKRAAL, KLEINBAAI & BIRKENHEAD: MV/LV AND MINISUB UPGRADE	2 600 000
UPGRADE STORMWATER - INTERNAL & EXTERNAL	2 476 500
REFURBISH BUFFELS RIVER DAM BRIDGE AND TOWER & PALMIET RIVER WEIR	2 000 000

Furthermore, pages 89 to 91 and Annexure E contains a detailed breakdown of the capital budget per project over the medium-term.

With the 2011/2012 adjustment budget, projects to be funded from the sale of land (Sandbaai commonage land), were postponed to future capital budgets dependent on the successful sale of the land. It is Council's policy not to include projects in the next budget approval until the funds from the sale has been deposited in the Council's bank account. As this money has not been received, these projects are not included in the 2015/2016 capital budget.

1.6.1 Future operational cost of new infrastructure

At this point in time information is not readily available to include reliable information in Table 71 MBRR SA35 on page 88. A long term financial plan and implementation policy is in the process of being developed and implemented to encompass costs over the long term. 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

The following twenty 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 final budget and MTREF to be considered and approved and/or noted by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 17 MBRR 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	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands									
Financial Performance									
Property rates	109 838	121 571	135 633	149 690	154 559	154 559	163 621	174 288	185 651
Service charges	405 415	436 439	479 253	525 567	525 567	525 567	566 784	612 476	662 296
Investment revenue	6 881	7 555	6 352	6 166	6 166	6 166	6 348	6 348	6 348
Transfers recognised - operational	38 005	41 680	67 835	58 407	61 289	61 289	90 324	107 886	97 173
Other own revenue	37 344	96 627	47 302	44 644	62 770	62 770	67 957	72 224	76 942
Total Revenue (excluding capital transfers and contributions)	597 482	703 871	736 376	784 474	810 351	810 351	895 035	973 222	1 028 409
Employee costs	207 938	231 642	260 645	280 066	276 217	276 217	291 593	305 408	323 583
Remuneration of councillors	6 717	7 084	7 933	8 516	8 516	8 516	8 674	9 192	9 741
Depreciation & asset impairment	104 041	104 408	99 361	109 265	105 461	105 461	111 362	118 043	125 126
Finance charges	31 727	37 331	39 927	45 162	44 480	44 480	46 895	46 780	47 279
Materials and bulk purchases	181 251	157 462	170 650	186 739	186 759	186 759	251 374	290 769	306 221
Transfers and grants	28 454	35 856	38 749	41 370	41 668	41 668	48 497	54 667	62 244
Other expenditure	182 396	178 287	214 757	198 469	270 222	270 222	206 135	212 634	224 099
Total Expenditure	742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Surplus/(Deficit)	(145 043)	(48 199)	(95 646)	(85 115)	(122 971)	(122 971)	(69 494)	(64 271)	(69 883)
Transfers recognised - capital	54 833	53 809	38 090	34 234	55 498	55 498	63 354	60 876	73 561
Contributions recognised - capital & contributed assets	8 603	5 289	12 542	2 134	2 051	2 051	1 000	-	-
Surplus/(Deficit) after capital transfers & contributions	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Capital expenditure & funds sources									
Capital expenditure	163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561
Transfers recognised - capital	54 833	53 809	38 090	36 368	56 498	56 498	64 354	60 876	73 561
Public contributions & donations	14 300	5 067	7 985	-	1 936	1 936	462	-	-
Borrowing	73 964	67 544	70 634	46 923	48 770	48 770	32 346	30 000	30 000
Internally generated funds	20 178	17 345	14 222	14 430	15 582	15 582	6 753	3 730	-
Total sources of capital funds	163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561
Financial position									
Total current assets	230 033	205 668	175 465	197 146	208 517	208 517	207 929	236 802	286 395
Total non current assets	3 209 100	3 290 140	3 302 111	3 316 479	3 332 776	3 332 776	3 320 511	3 302 993	3 287 443
Total current liabilities	137 580	160 331	148 801	153 849	153 113	153 113	174 459	178 435	201 387
Total non current liabilities	452 301	483 951	520 970	549 267	593 707	593 707	617 668	628 376	635 734
Community wealth/Equity	2 849 252	2 851 526	2 807 805	2 810 509	2 794 472	2 794 472	2 736 314	2 732 985	2 736 717
Cash flows									
Net cash from (used) operating	98 981	75 920	76 616	80 014	126 676	126 676	110 861	125 532	152 720
Net cash from (used) investing	(151 774)	(146 955)	(130 368)	(103 533)	(128 597)	(128 597)	(110 144)	(100 523)	(109 575)
Net cash from (used) financing	109 489	28 482	32 764	27 163	28 183	28 183	7 409	4 515	1 659
Cash/cash equivalents at the year end	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875
Cash backing/surplus reconciliation									
Cash and investments available	132 391	95 744	80 123	110 257	111 628	111 628	126 001	161 455	212 284
Application of cash and investments	2 373	6 388	(16 024)	(16 663)	(32 522)	(32 522)	8 224	13 360	30 132
Balance - surplus (shortfall)	130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152
Asset management									
Asset register summary (WDV)	3 181 234	3 277 435	3 280 777	3 254 715	3 310 512	3 310 512	3 292 016	3 268 579	3 247 014
Depreciation & asset impairment	104 041	104 408	99 361	109 265	105 461	105 461	111 362	118 043	125 126
Renewal of Existing Assets	-	4 147	47 032	28 139	32 838	32 838	20 758	21 000	6 500
Repairs and Maintenance	64 845	114 414	150 358	162 268	163 071	163 071	121 077	126 814	150 754
Free services									
Cost of Free Basic Services provided	28 084	32 049	34 509	41 716	41 716	41 716	48 296	52 358	56 767
Revenue cost of free services provided	82 641	77 796	74 679	75 253	75 253	75 253	88 909	95 819	103 302
Households below minimum service level									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	1	1	1	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's service delivery and commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus, after excluding non-cash expenditure, is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive and stable indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the cash increases over the MTREF.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 18 MBRR 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									
<i>Governance and administration</i>	167 928	232 385	199 504	231 071	232 413	232 413	255 994	272 264	292 533
Executive and council	31 483	38 355	42 355	52 442	52 442	52 442	64 861	72 528	79 858
Budget and treasury office	127 745	137 728	150 786	169 095	170 420	170 420	180 339	191 921	204 338
Corporate services	8 700	56 303	6 363	9 534	9 551	9 551	10 795	7 816	8 338
<i>Community and public safety</i>	23 195	50 862	71 418	33 726	78 422	78 422	101 843	124 937	118 869
Community and social services	2 574	2 990	2 574	2 402	2 402	2 402	4 657	9 004	9 508
Sport and recreation	6 609	7 765	11 427	9 565	9 191	9 191	11 942	14 042	14 766
Public safety	10 048	20 142	28 300	13 184	36 094	36 094	37 676	39 164	40 802
Housing	3 965	19 965	29 116	8 576	30 735	30 735	47 567	62 726	53 793
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	12 963	18 567	30 962	13 939	16 496	16 496	20 033	10 931	13 254
Planning and development	8 801	7 907	12 853	8 465	8 550	8 550	9 043	8 120	8 932
Road transport	3 863	10 595	17 790	5 397	7 869	7 869	10 890	2 700	4 200
Environmental protection	299	65	319	76	76	76	101	110	121
<i>Trading services</i>	456 833	461 155	485 124	542 106	540 568	540 568	581 518	625 966	677 315
Electricity	229 488	249 645	270 880	313 388	312 305	312 305	346 361	375 057	413 102
Water	108 189	96 325	96 086	96 872	96 872	96 872	106 211	113 026	120 078
Waste water management	79 550	68 428	65 091	72 155	71 106	71 106	69 402	74 765	77 229
Waste management	39 605	46 758	53 066	59 691	60 286	60 286	59 544	63 118	66 906
Other	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	660 918	762 969	787 007	820 842	867 900	867 900	959 389	1 034 098	1 101 971
Expenditure - Standard									
<i>Governance and administration</i>	190 332	205 348	119 512	127 368	124 670	124 670	237 278	248 313	267 049
Executive and council	58 811	67 621	71 355	66 867	68 003	68 003	92 565	98 337	108 547
Budget and treasury office	48 679	51 399	23 830	24 503	25 398	25 398	69 750	71 154	75 197
Corporate services	82 842	86 328	24 327	35 998	31 269	31 269	74 963	78 822	83 305
<i>Community and public safety</i>	124 992	87 288	134 133	113 536	136 344	136 344	141 933	158 237	146 267
Community and social services	24 079	26 093	30 255	32 563	32 499	32 499	31 368	33 034	35 198
Sport and recreation	15 378	14 271	18 637	22 245	20 744	20 744	18 220	19 390	20 550
Public safety	31 241	42 651	56 923	49 173	73 288	73 288	69 453	72 280	75 270
Housing	54 294	4 273	28 318	9 554	9 812	9 812	22 892	33 533	15 249
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	116 245	113 012	130 335	139 514	138 641	138 641	132 046	137 946	145 918
Planning and development	35 519	36 280	30 370	37 314	36 945	36 945	40 308	40 867	43 282
Road transport	75 715	71 108	92 659	95 166	94 492	94 492	84 786	89 863	94 986
Environmental protection	5 011	5 624	7 306	7 035	7 204	7 204	6 952	7 217	7 651
<i>Trading services</i>	310 956	346 423	448 042	489 171	533 668	533 668	453 273	492 997	539 058
Electricity	177 473	198 933	247 859	272 386	272 466	272 466	257 278	287 386	322 086
Water	53 445	61 422	99 439	93 157	90 979	90 979	78 253	81 294	85 130
Waste water management	42 466	45 965	64 659	67 138	69 170	69 170	63 478	67 214	71 597
Waste management	37 573	40 102	36 085	56 489	101 052	101 052	54 264	57 103	60 245
Other	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Surplus/(Deficit) for the year	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) - mSCOA – Function/Sub Funtion

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification, now Function/Sub Function, divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Table 19 MBRR 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		
	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	31 483	38 353	42 274	52 401	52 401	52 401	64 808	72 470	79 794
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Management Services	1 264	1 476	1 286	2 410	1 844	1 844	991	1 018	1 094
Vote 4 - Finance	127 745	137 728	150 786	169 095	170 420	170 420	180 339	191 921	204 338
Vote 5 - Community Services	245 501	253 932	276 626	253 829	286 171	286 171	272 957	284 007	300 538
Vote 6 - Local Economic Development	2 817	3 750	6 431	2 968	2 968	2 968	3 091	1 573	1 730
Vote 7 - Infrastructure & Planning	242 061	307 588	281 304	326 955	318 002	318 002	399 527	443 945	473 675
Vote 8 - Protection Services	10 048	20 142	28 300	13 184	36 094	36 094	37 676	39 164	40 802
Total Revenue by Vote	660 918	762 969	787 007	820 842	867 900	867 900	959 389	1 034 098	1 101 971
Expenditure by Vote to be appropriated									
Vote 1 - Council	55 945	64 385	68 239	63 289	64 228	64 228	71 496	78 840	87 821
Vote 2 - Municipal Manager	2 872	3 243	1 295	1 003	780	780	4 489	3 643	3 865
Vote 3 - Management Services	32 796	30 890	5 492	15 189	13 315	13 315	43 327	45 629	48 384
Vote 4 - Finance	48 679	51 399	23 830	24 503	25 398	25 398	69 750	71 154	75 197
Vote 5 - Community Services	332 230	296 939	394 516	386 685	380 465	380 465	341 492	371 463	392 545
Vote 6 - Local Economic Development	5 845	7 722	9 945	11 140	10 915	10 915	8 731	7 464	7 931
Vote 7 - Infrastructure & Planning	232 916	254 841	271 782	318 607	364 933	364 933	355 793	387 020	407 279
Vote 8 - Protection Services	31 241	42 651	56 923	49 173	73 288	73 288	69 453	72 280	75 270
Total Expenditure by Vote	742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Surplus/(Deficit) for the year	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote (directorate). This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table represents the main budget vote approval of the operational budget.

Table 20 MBRR 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									
Property rates	108 913	120 799	134 813	148 640	153 509	153 509	162 730	173 308	184 573
Property rates - penalties & collection charges	925	772	821	1 050	1 050	1 050	891	980	1 078
Service charges - electricity revenue	224 950	247 663	268 362	310 085	310 085	310 085	338 877	371 635	407 747
Service charges - water revenue	83 755	85 243	95 136	95 897	95 897	95 897	102 045	107 700	113 691
Service charges - sanitation revenue	57 212	56 895	62 798	63 455	63 455	63 455	66 375	70 081	74 010
Service charges - refuse revenue	39 498	46 637	52 957	56 130	56 130	56 130	59 488	63 061	66 849
Service charges - other					-	-			
Rental of facilities and equipment	6 743	7 212	7 591	7 966	7 966	7 966	11 859	12 953	14 176
Interest earned - external investments	6 881	7 555	6 352	6 166	6 166	6 166	6 348	6 348	6 348
Interest earned - outstanding debtors	2 331	2 199	2 118	2 288	2 288	2 288	2 437	2 680	2 948
Dividends received				-	-	-			
Fines	5 278	14 244	22 739	7 965	30 875	30 875	31 859	32 766	33 763
Licences and permits	1 786	1 968	1 956	2 229	2 229	2 229	2 190	2 408	2 649
Agency services	1 912	2 025	2 395	2 480	2 480	2 480	2 970	3 267	3 594
Transfers recognised - operational	38 005	41 680	67 835	58 407	61 289	61 289	90 324	107 886	97 173
Other revenue	17 375	68 978	10 504	21 717	16 933	16 933	16 643	18 150	19 812
Gains on disposal of PPE	1 920								
Total Revenue (excluding capital transfers and contributions)	597 482	703 871	736 376	784 474	810 351	810 351	895 035	973 222	1 028 409
Expenditure By Type									
Employee related costs	207 938	231 642	260 645	280 066	276 217	276 217	291 593	305 408	323 583
Remuneration of councillors	6 717	7 084	7 933	8 516	8 516	8 516	8 674	9 192	9 741
Debt impairment	28	6 688	12 526		22 792	22 792	22 792	22 792	22 792
Depreciation & asset impairment	104 041	104 408	99 361	109 265	105 461	105 461	111 362	118 043	125 126
Finance charges	31 727	37 331	39 927	45 162	44 480	44 480	46 895	46 780	47 279
Bulk purchases	126 669	145 022	157 055	169 444	169 444	169 444	193 573	221 138	252 628
Other materials	54 582	12 441	13 595	17 295	17 315	17 315	57 801	69 631	53 593
Contracted services	24 079	67 697	72 754	81 062	82 467	82 467	125 322	128 122	135 442
Transfers and grants	28 454	35 856	38 749	41 370	41 668	41 668	48 497	54 667	62 244
Other expenditure	158 290	102 146	117 460	117 407	164 963	164 963	58 021	61 721	65 866
Loss on disposal of PPE		1 756	12 017						
Total Expenditure	742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Surplus/(Deficit)	(145 043)	(48 199)	(95 646)	(85 115)	(122 971)	(122 971)	(69 494)	(64 271)	(69 883)
Transfers recognised - capital	54 833	53 809	38 090	34 234	55 498	55 498	63 354	60 876	73 561
Contributions recognised - capital	8 603	5 289	7 871	2 134	2 051	2 051	1 000	-	-
Contributed assets			4 671						
Surplus/(Deficit) after capital transfers & contributions	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Taxation									
Surplus/(Deficit) after taxation	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679

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

1. Total revenue is R810,4 million in 2014/2015 and increase to R895 million in 2015/16. This represents a year-on-year increase of 10,5 per cent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R153,5 million in the 2014/2015 financial year and increases to R162,7 million by 2015/16 which represents 18,2 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R525,5 million for the 2014/2015 financial year and increasing to R566,8 million by 2015/16. For the 2015/16 financial year services charges amount to 63,3 per cent of the total revenue base.
4. Transfers recognised – operating grants includes the local government equitable share and other operating grants from national and provincial government.
5. The following graph illustrates the major expenditure items by type.

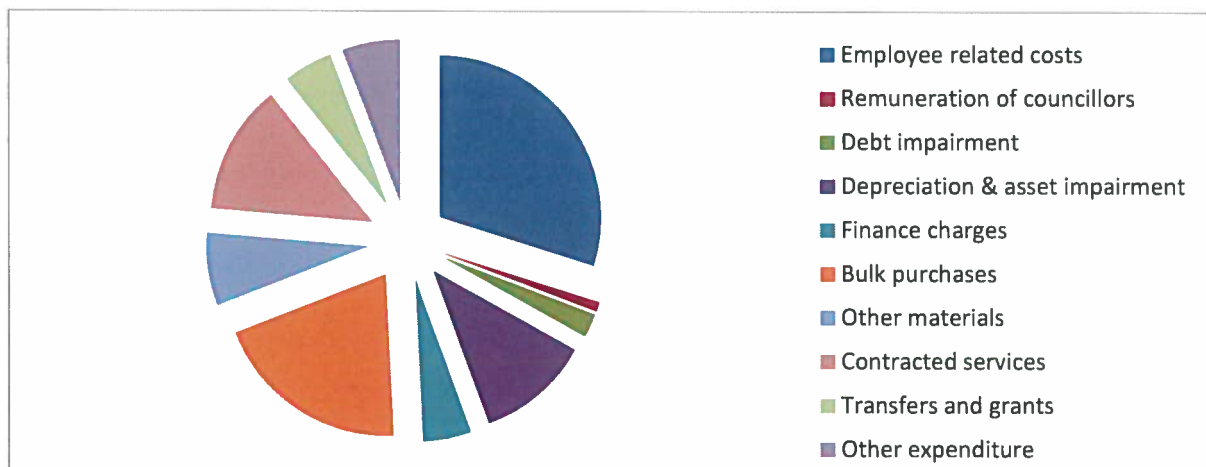


Figure 2 Expenditure by major type

6. Bulk purchases have significantly increased over the 2011/12 to 2017/18 period escalating from R127 million to R253 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. 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 21 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

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 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Management Services	-	-	-	-	-	-	-	-	-
Vote 4 - Finance	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services	-	-	5 000	4 939	3 565	3 565	21 911	4 500	4 000
Vote 6 - Local Economic Development	-	-	-	-	-	-	-	-	-
Vote 7 - Infrastructure & Planning	-	-	-	-	-	-	11 451	3 000	3 000
Vote 8 - Protection Services	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	5 000	4 939	3 565	3 565	33 362	7 500	7 000
Single-year expenditure to be appropriated									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Management Services	928	1 274	1 790	2 548	2 534	2 534	2 528	-	-
Vote 4 - Finance	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services	119 308	110 111	74 622	71 999	92 038	92 038	56 809	72 106	79 561
Vote 6 - Local Economic Development	-	945	-	-	-	-	-	-	-
Vote 7 - Infrastructure & Planning	42 394	31 434	49 518	18 235	19 450	19 450	10 920	15 000	17 000
Vote 8 - Protection Services	645	-	-	-	-	-	295	-	-
Capital single-year expenditure sub-total	163 275	143 764	125 930	92 781	114 022	114 022	70 552	87 106	96 561
Total Capital Expenditure - Vote	163 275	143 764	130 930	97 721	117 588	117 588	103 914	94 606	103 561
Capital Expenditure - Standard									
Governance and administration	24 047	7 154	21 308	16 815	17 776	17 776	2 648	3 730	-
Executive and council	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-
Corporate services	24 047	7 154	21 308	16 815	17 776	17 776	2 648	3 730	-
Community and public safety	3 319	7 268	19 582	21 205	42 622	42 622	39 768	45 550	55 174
Community and social services	327	4 666	3 482	5 635	5 595	5 595	3 520	4 000	4 000
Sport and recreation	1 531	2 601	5 696	3 090	2 616	2 616	5 981	6 800	6 800
Public safety	645	-	-	-	-	-	295	-	-
Housing	817	-	10 404	12 480	34 410	34 410	29 973	34 750	44 374
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	8 340	25 552	16 051	5 400	6 300	6 300	12 128	4 000	4 000
Planning and development	2 863	945	-	-	-	-	25	-	-
Road transport	5 477	24 607	16 051	5 400	6 300	6 300	12 103	4 000	4 000
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	127 569	103 790	73 989	54 300	56 087	56 087	49 370	41 326	44 387
Electricity	30 061	26 768	37 115	17 000	17 000	17 000	21 726	14 000	16 000
Water	57 384	50 766	23 631	12 800	16 384	16 384	16 390	14 726	15 787
Waste water management	39 927	20 728	10 202	14 300	13 403	13 403	11 244	12 600	12 600
Waste management	196	5 528	3 041	10 200	9 300	9 300	10	-	-
Other	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561
Funded by:									
National Government	40 212	36 911	6 339	24 174	23 608	23 608	30 347	26 126	29 187
Provincial Government	14 621	16 898	31 751	10 060	31 890	31 890	33 007	34 750	44 374
District Municipality	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	2 134	1 000	1 000	1 000	-	-
Transfers recognised - capital	54 833	53 809	38 090	36 368	56 498	56 498	64 354	60 876	73 561
Public contributions & donations	14 300	5 067	7 985	-	1 936	1 936	462	-	-
Borrowing	73 964	67 544	70 634	46 923	48 770	48 770	32 346	30 000	30 000
Internally generated funds	20 178	17 345	14 222	14 430	15 582	15 582	6 753	3 730	-
Total Capital Funding	163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The capital expenditure amounts to R103,9 million in 2015/16.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
4. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from previous year surpluses. For 2015/16, capital transfers totals R64,3 million. Borrowing has been provided at R30 million, finance leases (nil), internally generated funding totaling R6,7 million and roll over funding amounting to R5,4 million. These funding sources are further discussed in detail in paragraph 2.6 (Overview of Budget Funding).

Table 22 MBRR 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	51 699	29 106	13 119	88 050	89 421	89 421	97 547	127 071	171 875
Call investment deposits	75 000	55 042	50 039	-	-	-	-	-	-
Consumer debtors	50 361	49 025	47 451	52 591	52 591	52 591	51 774	56 341	61 151
Other debtors	36 501	52 222	51 704	44 398	55 398	55 398	44 112	38 172	37 391
Current portion of long-term receivables	25	17	15	14	14	14	13	11	10
Inventory	16 446	20 257	13 137	12 092	11 092	11 092	14 483	15 207	15 968
Total current assets	230 033	205 668	175 465	197 146	208 517	208 517	207 929	236 802	286 395
Non current assets									
Long-term receivables	126	84	68	57	57	57	41	30	20
Investments	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Investment property	104 673	175 866	164 501	175 866	164 501	164 501	164 501	164 501	164 501
Investment in Associate									
Property, plant and equipment	3 073 014	3 097 120	3 111 056	3 072 423	3 140 791	3 140 791	3 122 147	3 099 677	3 079 080
Agricultural									
Biological									
Intangible	3 547	4 449	5 220	6 426	5 220	5 220	5 368	4 401	3 433
Other non-current assets	22 049	1 025	4 301	39 500	-	-	-	-	-
Total non current assets	3 209 100	3 290 140	3 302 111	3 316 479	3 332 776	3 332 776	3 320 511	3 302 993	3 287 443
TOTAL ASSETS	3 439 132	3 495 808	3 477 576	3 513 625	3 541 293	3 541 293	3 528 441	3 539 795	3 573 838
LIABILITIES									
Current liabilities									
Bank overdraft									
Borrowing	16 798	18 241	20 443	25 105	25 064	25 064	28 113	30 730	34 370
Consumer deposits	31 206	34 932	37 751	41 321	41 321	41 321	43 801	46 429	49 215
Trade and other payables	67 728	79 489	64 943	55 831	50 563	50 563	74 229	70 679	84 789
Provisions	21 847	27 670	25 663	31 592	36 166	36 166	28 317	30 597	33 013
Total current liabilities	137 580	160 331	148 801	153 849	153 113	153 113	174 459	178 435	201 387
Non current liabilities									
Borrowing	341 204	364 632	392 444	411 766	412 829	412 829	415 999	415 269	410 503
Provisions	111 097	119 319	128 527	137 501	180 879	180 879	201 669	213 107	225 231
Total non current liabilities	452 301	483 951	520 970	549 267	593 707	593 707	617 668	628 376	635 734
TOTAL LIABILITIES	589 880	644 282	669 772	703 116	746 820	746 820	792 127	806 811	837 121
NET ASSETS	2 849 252	2 851 526	2 807 805	2 810 509	2 794 472	2 794 472	2 736 314	2 732 985	2 736 717
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	2 847 332	2 849 634	2 805 240	2 808 575	2 791 899	2 791 899	2 733 677	2 730 282	2 733 960
Reserves	1 920	1 891	2 565	1 934	2 573	2 573	2 637	2 703	2 757
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	2 849 252	2 851 526	2 807 805	2 810 509	2 794 472	2 794 472	2 736 314	2 732 985	2 736 717

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is largely aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 62 is supported by an extensive table of notes (SA3 which can be found on page 98) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 23 MBRR Table A7 - Budgeted Cash Flow Statement

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									
Property rates, penalties & collection charges	110 347	120 273	135 875	148 254	154 165	154 165	163 800	173 297	184 620
Service charges	397 229	437 061	483 167	522 072	524 216	524 216	567 409	608 975	658 596
Other revenue	69 894	41 689	63 976	46 516	63 257	63 257	76 884	75 476	74 750
Government - operating	37 750	44 140	63 477	58 407	61 289	61 289	90 324	107 886	97 173
Government - capital	54 833	54 577	38 090	36 368	57 549	57 549	64 354	60 876	73 561
Interest	9 211	9 754	8 470	8 454	8 454	8 454	8 784	9 028	9 296
Dividends							-	-	-
Payments									
Suppliers and employees	(520 159)	(558 519)	(637 833)	(653 525)	(656 105)	(656 105)	(765 303)	(808 560)	(835 753)
Finance charges	(31 669)	(37 199)	(39 858)	(45 162)	(44 480)	(44 480)	(46 895)	(46 780)	(47 279)
Transfers and Grants	(28 454)	(35 856)	(38 749)	(41 370)	(41 668)	(41 668)	(48 497)	(54 667)	(62 244)
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 981	75 920	76 616	80 014	126 676	126 676	110 861	125 532	152 720
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	13 722	1 725	5 073	-	-	-	-	-	-
Decrease (increase) in non-current debtors	2 189	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	20	45	18	15	15	15	18	13	11
Decrease (increase) in non-current investments	(4 430)	(4 960)	(4 529)	(5 827)	(5 827)	(5 827)	(6 248)	(5 930)	(6 025)
Payments									
Capital assets	(163 275)	(143 764)	(130 930)	(97 721)	(122 785)	(122 785)	(103 914)	(94 606)	(103 561)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(151 774)	(146 955)	(130 368)	(103 533)	(128 597)	(128 597)	(110 144)	(100 523)	(109 575)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	940	(389)	(730)	5 520	6 541	6 541	(1 135)	(1 271)	(1 352)
Borrowing long term/re-financing	110 000	38 700	51 300	40 000	40 000	40 000	30 000	30 000	30 000
Increase (decrease) in consumer deposits	12 844	3 726	2 819	2 703	2 703	2 703	2 479	2 628	2 786
Payments									
Repayment of borrowing	(14 295)	(13 554)	(20 626)	(21 061)	(21 061)	(21 061)	(23 936)	(26 841)	(29 775)
NET CASH FROM/(USED) FINANCING ACTIVITIES	109 489	28 482	32 764	27 163	28 183	28 183	7 409	4 515	1 659
NET INCREASE/ (DECREASE) IN CASH HELD	56 696	(42 552)	(20 989)	3 644	26 262	26 262	8 126	29 524	44 804
Cash/cash equivalents at the year begin:	70 004	126 699	84 147	84 406	63 158	63 158	89 421	97 547	127 071
Cash/cash equivalents at the year end:	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the expected cash levels of the Municipality increase steadily over the 2015/2016 to 2017/18 period.
4. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash over the medium-term.
5. Cash and cash equivalents totals R97,5 million as at the end of the 2015/2016 financial year and increases to R171,8 million by 2017/18.