

EMTHANJENI MUNICIPALITY



MTREF DRAFT BUDGET

2014/2015 FINANCIAL YEAR

EMTHANJENI MUNICIPALITY
(NC073)

SCHEDULE A

DRAFT BUDGET AND
SUPPORTING DOCUMENTATION
OF A MUNICIPALITY

2014-15 MTREF

**DRAFT BUDGET OF
EMTHANJENI
MUNICIPALITY**

**2014/15 TO 2016/16
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

Copies of this document can be viewed:

**In the foyers of all municipal buildings
All public libraries within the municipality
At www.emthanjeni.co.za**

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Abbreviations and Acronyms

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

Part 1 – Annual Budget

Mayor's Budget Speech

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Council Budget Resolutions

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Alle korrespondensie moet gerig word
aan die **MUNISIPALE BESTUURDER**

All Correspondence must be addressed
to the **MUNICIPAL MANAGER**

Kantoor van die/Municipal Manager
Office of the: **MUNICIPAL MANAGER**

Verw. Nr/Ref. No: 5/1/1/18 & 19/2

Datum/Date: 1 April 2014

Navrae/Enquiries: Mr MF Manuel

10.4 FINALE MUNISIPALE KONSEPBEGROTING EN HERSIENE GEINTEGREERDE ONTWIKKELINGSPLAN: FINANSIËLE JAAR 2014/2015 MTEF / FINAL MUNICIPAL DRAFT BUDGET AND REVISED INTEGRATED DEVELOPMENT PLAN: FINANCIAL YEAR 2014/2015 MTEF (5/1/1/18 & 19/2)

1. Agtergrond / Background

In Hoofstuk 4 van die WMFB word die munisipale begrotingsproses duidelik uiteengesit en Artikels 15 tot 27 handel oor die implementering van die jaarlikse begroting.

Artikel 25 en 34 van Hoofstuk 5 van die Stelselwet bepaal dat die Hersiene GOP ook jaarliks aan die Raad voorgelê moet word vir goedkeuring.

Chapter 4 of the MFMA clearly outlines the municipal budget process and Sections 15 to 27 give effect to the implementation of the annual budget.

In terms of Section 25 and 34 of Chapter 5 of the Systems Act the revised IDP must also be submitted to the Council annually for approval.

2. Regsimplikasies / Legal Implications

Daar moet voldoen word aan die bepalings van die betrokke artikels in die WMFB en die Stelselwet.

Die Munisipale Konsepbegroting en Konsep-GOP moet vir 21 dae geadverteer word vir openbare kommentaar in die plaaslike koerant, op die munisipale webtuiste, by biblioteke en die Munisipale Kantore.

The provisions of the relevant sections of the MFMA and Municipal Systems Act must be complied with.



VISION

We, Emthanjeni Municipality, commit ourselves to a humane and caring society, living in a healthy and secure environment, conducive to sustainable economic development.

MISSION STATEMENT

We strive to: Deliver quality services and promote development in our municipal area in a non-sexist, non-racial and non-discriminating manner. We do this by creating a climate of co-operative governance with meaningful partnerships with all stakeholders, especially the members of the general public.

The Draft Budget and Draft IDP must be advertised for 21 days for public comment in the local newspaper on the municipal website, at libraries and the Municipal Offices.

3. Finansiële Implikasies / Financial Implications

Alle uitgawes aangegaan vanaf 1 Julie 2014 sal in ooreenstemming wees met die goedgekeurde begroting soos bepaal in die WMFB.

All expenditure incurred from 1 July 2014 will be in accordance with the approved budget as set out in the MFMA.

4. Voorgestelde Aanbeveling / Proposed Recommendation

Dat die Raad kennis neem van:

1. Kommentaar van die Burgemeester oor -

- 1.1 Die Konsepbegroting vir Totale Inkomste vir 2014/2015 wat R230 179 684 bedra.
- 1.2 Die Konsepbegroting vir Totale Kapitaal- en Bedryfsuitgawes vir 2014/2015 wat R241 401 037 bedra, asook aanduidende totale bedrae vir die tydperk van die Mediumtermynuitgaweraamwerk:
 - 1.2.1 Konsepbegroting vir Bedryfsuitgawes wat R199 812 037 bedra.
 - 1.2.2 Konsepbegroting vir Kapitale Uitgawes wat R41 589 000 bedra.
 - 1.2.3 aanwendingsbegrotingsposte volgens die regering se finansiëlestatistiek-funksie.
- 1.3 Verhoging van tariewe soos per tariewe skedule
 - (i) Eiendomsbelasting
 - (ii) Elektrisiteit
 - (iii) Water
 - (iv) Vullisverwydering
 - (v) Riolerings / Sanitasie
- 1.4 Die Dienslewering- en Begrotingsimplementeringsplan (DLBIP) vir elke Direkoraat, dit wil sê Munisipale Bestuurder, Korporatiewe, Gemeenskaps- en Ontwikkelingsdienste, Finansiële Dienste en Infrastruktuur en Behuisingsdienste, soos uiteengesit in elk van die Sleutelprestasiemeteringsaanwysers wat gekoppel is aan die Sleutelprestasie-areas.

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2. Ander begrotingsverwante dokumente

- (a) 'n Opsomming van die Hersiene Geïntegreerde Ontwikkelingsplan vir 2014/2015 wat gekoppel is aan die begroting soos uiteengesit in die Kapitaalbegroting en Bedryfsbegroting.
- (b) die Hersiene Konsepeïendomsbelastingsbeleid
- (c) die Hersiene Konsepkredietbeheerbeleid
- (d) die Konsepklientediensbeleid
- (e) die Hersiene Konsepbehoefthedebeleid tesame met die begroting vir gesubsidieerde gratis dienste soos water, elektrisiteit, vullisverwydering en riolering
- (f) die Hersiene Konseptariefbeleid vir water, elektrisiteit en ander munisipale dienste
- (g) die Konsepbeggingsbeleid en Beleggingskedule
- (h) ander sake soos voorgeskryf word in Artikel 17 (1)(a-e)

- Tabel van toekennings en subsidies ingevolge die Wet op Verdeling van Inkomste
- Voorgestelde vergoedingsuitgawes per tabel vir-

- (a) (i) Raadslede
 - (ii) Burgemeester
 - (iii) Speaker
 - (iv) Lede van die Uitvoerende Komitee
 - (v) Ander gewone Raadslede
 - (vi) Artikel 57- amptenare
- (b) (i) Munisipale Bestuurder
 - (ii) Hoof- Finansiële Beampte
 - (iii) Direkteur: Korporatiewe Dienste
 - (iv) Direkteur: Gemeenskapsdienste
 - (v) Direkteur: Infrastruktuurdienste
 - (vi) Ander Artikel 57-bestuurders

That the Council take note of:

1. The Mayor's comments on -

1.1 The Draft Total Revenue Budget for 2014/2015 amounting to R230 179 684.

1.2 The Draft Total Capital and Operating Budget for 2014/2015 amounting to R241 401 037 and also indicative total amounts for Medium Term Expenditure Framework:

1.2.1 Draft Operating Budget amounting to R199 812 037.

1.2.2 Draft Capital Budget amounting to R41 589 000.

1.2.3 The appropriation votes as per Government Finance Statistics (GF)

Functions

- 1.3 *Increase in tariffs as per tariff schedule*
 - (i) *Rates and Taxes*
 - (ii) *Electricity*
 - (iii) *Water*
 - (iv) *Refuse*
 - (v) *Sewerage / Sanitation*
- 1.4 *The Services Delivery and Budget Implementation Plan (SDBIP) for each directorate i.e Municipal Manager, Corporate, Community and Development Services, Financial Services and Infrastructure and Housing Services as set out in each of the key performance measurement indicators which are aligned to the Key Performance Areas.*
2. *Other budget-related documents such as:*
 - (a) *A Summary of the Revised Integrated Development Plan for 2013/2014, which is linked to the budget as outlined in the Capital Budget and Operating Budget.*
 - (b) *the Revised Draft Property Rates Policy*
 - (c) *the Revised Draft Credit Control Policy*
 - (d) *the Draft Customer Care Policy*
 - (e) *the Revised Draft Indigent Policy, together with the budget for subsidized free basic services such as water, electricity, refuse and sewerage*
 - (f) *the Revised Draft Tariff Policy for water, electricity and other municipal services*
 - (g) *the Draft Investment Policy and Schedule of Investments*
 - (h) *other matters as prescribed in Section 17(1)(a-e)*
 - *Grants and subsidies schedule according to Division of Revenue Act (DORA)*
 - *Proposed remuneration expenditure as per schedule for-*
 - (a)
 - (i) *Councillors*
 - (ii) *Mayor*
 - (iii) *Speaker*
 - (iv) *Members of Executive Committee*
 - (v) *Other Ordinary Councillors*
 - (vi) *Section 57 officials*
 - (b)
 - (i) *Municipal Manager*
 - (ii) *Chief Financial Officer*
 - (iii) *Director: Corporate Services*
 - (iv) *Director: Community Services*
 - (v) *Director: Infrastructure Services*
 - (vi) *Other Section 57 managers*

5. Kommentaar deur die Rekenpligte Beamppte / Artikel 82 van die Strukturewet & Artikel 60 van die Wet op Munisipale Finansiële Bestuur / Comments by the Accounting Officer / Section 82 of the Structures Act & Section 60 of the MFMA

Die Raad moet kennis neem van die Konsepbegroting, Begrotingsbeleide soos hierbo genoem en die Geïntegreerde Ontwikkelingsplan.

Council must take note of the Draft Budget, Budget Policies set out above and Draft Integrated Development Plan.

6. Aanhangsels / Attachments

1. Hersiene Geïntegreerde Ontwikkelingsplan vir 2014/2015 word aangeheg as **RV 53 tot RV 82.**
 2. Hersiene Konsepeïendomsbelastingsbeleid word aangeheg as **RV 83 tot RV 119.**
 3. Hersiene Konsepkredietbeheerbeleid word aangeheg as **RV 120 tot RV 129.**
 4. Konsepklientediensbeleid word aangeheg as **RV 130 tot RV 147.**
 5. Hersiene Konsepbehoefthedebeleid en begroting vir gratis basiese dienste word aangeheg as **RV 148 tot RV 157.**
 6. Konsepbegrotingsbeleid word aangeheg as **RV 158 tot RV 187.**
 7. Konsepbeleggingsbeleid en beleggingskedule word aangeheg as **RV 188 tot RV 207.**
 8. Konseptariefbeleid word aangeheg as **RV 208 tot RV 222.**
 9. Batebestuurbeleid word aangeheg as **RV 223 tot RV 273.**
 10. Munisipale Voorsieningskanaalbestuurbeleid: Munisipale Finansiële Bestuur Wet, 2003 word aangeheg as **RV 274 tot RV 340.**
 11. MFBW Omsendskrywes no. 66 en 67 word aangeheg as **RV 341 tot RV 427.**
 12. Eskom Tariefverhoging vir 2014/2015 word aangeheg as **RV 428 tot RV 442.**
 13. Konsepbegroting vir Inkomste en Uitgawe vir 2014/2015 volgens funksionele klassifikasie (Opsommingsverslag) word aangeheg as **RV 443 tot RV 444.**
 14. Skedule van Beraamde Tariewe word aangeheg as **RV 445 tot RV 454.**
 15. Die Dienslewerings- en Begrotingsimplementeringsplan word aangeheg as **RV 455 tot RV 461.**
-
1. *Revised Integrated Development Plan for 2014/2015 is attached as **RV 53 to RV 82.***
 2. *Revised Draft Property Rates Policy is attached as **RV 83 to RV 119.***
 3. *Revised Draft Credit Control Policy is attached as **RV 120 to RV 129.***
 4. *Draft Customer Care Policy is attached as **RV 130 to RV 147.***
 5. *Revised Draft Indigent Policy and budget for free basic services is attached as **RV 148 to RV 157.***

6. Draft Budget Policy is attached as **RV 158 to RV 187.**
7. Draft Investment Policy and schedule of investments is attached as **RV 188 to RV 207.**
8. Draft Tariff Policy is attached as **RV 208 to RV 222.**
9. Asset Management Policy is attached as **RV 223 to RV 273.**
10. Municipal Supply Chain Management Policy: Municipal Finance Management Act, 2003 is attached as **RV 274 to RV 340.**
11. MFMA Circulars No. 70, 71 and 72 are attached as **RV 341 to RV 427.**
12. Eskom Tariff for 2014/2015 is attached as **RV 428 to RV 442.**
13. The Operating Draft Income and Expenditure for 2014/2015 by Classification (Summary Report) is attached as **RV 443 to RV 444.**
14. Schedule of Estimated Tariffs is attached as **RV 445 to RV 454.**
15. The Services Delivery and Budget Implementation Plan **RV 455 to RV 461.**

7. Besluit van die Raad / Resolution of Council

Dat die Raad kennis neem van:

1. Kommentaar van die Burgemeester oor -

1.2 Die Konsepbegroting vir Totale Inkomste vir 2014/2015 wat R230 179 684 bedra.

1.2 Die Konsepbegroting vir Totale Kapitaal- en Bedryfsuitgawes vir 2014/2015 wat R241 401 037 bedra, asook aanduidende totale bedrae vir die tydperk van die Mediumtermynuitgaweraamwerk:

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1.2.3 aanwendingsbegrotingsposte volgens die regering se Finansiëlestatistiek-funksie.

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Sleutelprestasiemetingsaanwysers wat gekoppel is aan die Sleutelprestasie-areas.

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- (k) die Hersiene Konsepkredietbeheerbeleid
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- (m) die Hersiene Konsepbehoefthighheidsbeleid tesame met die begroting vir gesubsideerde gratis dienste soos water, elektrisiteit, vullisverwydering en riolering
- (n) die Hersiene Konseptariefbeleid vir water, elektrisiteit en ander munisipale dienste
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 - (ii) Burgemeester
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 - (iv) Lede van die Uitvoerende Komitee
 - (v) Ander gewone Raadslede
 - (vi) Artikel 57- amptenare
- (d) (i) Munisipale Bestuurder
 - (ii) Hoof- Finansiële Beampte
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1. The Mayor's comments on -

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1.2.2 Draft Capital Budget amounting to R41 589 000.

1.2.3 The appropriation votes as per Government Finance Statistics (GF) Functions

1.3 Increase in tariffs as per tariff schedule

- (i) Rates and Taxes**
- (ii) Electricity**
- (iii) Water**
- (iv) Refuse**
- (v) Sewerage / Sanitation**

1.4 The Services Delivery and Budget Implementation Plan (SDBIP) for each directorate i.e Municipal Manager, Corporate Services, Community Services, Financial Services and Infrastructure Services as set out in each of the key performance measurement indicators which are aligned to the Key Performance Areas.

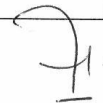
2. Other budget-related documents such as:

- (a) A Summary of the Revised Integrated Development Plan for 2014/2015, which is linked to the budget as outlined in the Capital Budget and Operating Budget.**
- (b) the Revised Draft Property Rates Policy**
- (c) the Revised Draft Credit Control Policy**
- (d) the Draft Customer Care Policy**
- (e) the Revised Draft Indigent Policy, together with the budget for subsidized free basic services such as water, electricity, refuse and sewerage**
- (f) the Revised Draft Tariff Policy for water, electricity and other municipal services**
- (g) the Draft Investment Policy and Schedule of Investments**
- (h) other matters as prescribed in Section 17(1)(a-e)**

- Grants and subsidies schedule according to Division of Revenue Act (DORA)**
- Proposed remuneration expenditure as per schedule for-**

- (c) (i) Councillors**
- (ii) Mayor**
- (iii) Speaker**
- (iv) Members of Executive Committee**
- (v) Other Ordinary Councillors**
- (vi) Section 57 officials**

- (d) (i) Municipal Manager**
- (ii) Chief Financial Officer**
- (iii) Director: Corporate Services**



(iv) Director: Community Services
(v) Director: Infrastructure Services
(vi) Other Section 57 managers

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10.5 HERNUWING VAN OORTROKKE BANKFASILITEITE / RENEWAL OF BANK OVERDRAFT (5/19/1)

1. Agtergrond / Background

Die oortrokke fasiliteit in die bank verval en moet hernu word. Aansoekvorms is van die bank ontvang en slegs 'n Raadsbesluit waarby die oortrekking gemagtig word, word afgewag ten einde die ooreenkoms met die bank te sluit. Die ooreenkoms is geldig vir 'n tydperk van 12 maande wat op 30 Junie 2014 hernu moet word.

ABSA Bank het ook verskeie wentelkredietfasiliteite aan Emthanjeni Munisipaliteit toegestaan, wat ook op 30 Junie 2014 hernu moet word.

The bank overdraft facility will expire and must be renewed. Application forms have been received from the bank and only a Council resolution authorizing the overdraft is awaited in order to conclude the agreement with bank. The agreement is valid for a period of 12 months to be renewed on 30 June 2014.

ABSA Bank also provided various revolving credit facilities to Emthanjeni Municipality which must also be renewed on 30 June 2014.

An amount of R6 000 000 be borrowed for the acquisition of the yellow fleet of vehicles. This is mainly for service delivery and Infrastructure Development.

2. Regsimplikasies / Legal Implications

Aangesien die MFBW, Wet 56 van 2003, verwag dat plaaslike owerhede teen 30 Junie 2014, nie meer 'n oortrokke banksaldo mag hê nie, moet 'n fasiliteit met ABSA onderhandel word vir die finansiële jaar 1 Julie 2014 tot 30 Junie 2015.

Die betrokke banksaldo moet herstel word na 'n gunstige banksaldo op 30 Junie 2013, wat sal meebring dat ons nie meer 'n oortrokke banksaldo op 30 Junie 2014 sal hê nie.

Algemene Beleggings sal, indien nodig, op 30 Junie 2014 losgemaak moet word om 'n gunstige banksaldo te bewerkstellig.

In view of the fact that the MFMA, Act 56 of 2003, requires that local authorities may not have an overdraft balance on 30 June 2014, a facility must be negotiated with ABSA for the financial year 1 July 2014 to 30 June 2015.

The overdraft balance must be restored to a positive bank balance on June 2014

41

which will result in us not having a bank overdraft on 30 June 2014.

General Investments will, if necessary, have to be withdrawn on 30 June 2014 to create a positive bank balance.

3. Finansiële Implikasies / Financial Implications

Ingevolge Artikel 45(2)(3)(4) van die Wet op Munisipale Finansiële Bestuur, No 56 van 2003, kan 'n oortrokke bankfasiliteit (skuld) slegs aangegaan word indien

- (a) 'n resoluësie van die Munisipale Raad, onderteken deur die Burgemeester, die skuldooreenkoms goedkeur, en
- (b) die rekenpligtige beamppte die ooreenkoms of ander dokument wat die skuld skep of erken, onderteken word.

Section 45(2)(3)(4) of the Municipal Finance Management Act, No 56 of 2003, provides for a bank overdraft (debt) to be incurred only if

- (a) a resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement, and*
- (b) the accounting officer has signed the agreement or another document which creates or acknowledges the debt.*

4. Voorgestelde Aanbeveling / Proposed Recommendation

1. Dat die banksaldo op 30 Junie 2014 gunstig moet wees met geen oortrokke bankbalans nie.
2. Dat die herstel van die banksaldo van oortrokke na gunstig uit die Algemene Beleggingsrekeninge gemaak word, indien nodig.
3. Dat 'n oortrokke fasiliteit van R1 000 000.00 met ABSA onderhandel word vir die finansiële jaar 1 Julie 2014 tot 30 Junie 2015, indien van toepassing.
4. Dat die Raad goedkeuring verleen vir die wentelkredietgerief om die voertuigvloot aan te vul.
5. Dat die Raad goedkeuring verleen vir die verkryging van die lening van R6 000 000 by 'n kommersiële bankinstelling.

- 1. That the bank balance on 30 June 2014 must be positive with no overdraft.*
- 2. That conversion of the overdraft into a positive bank balance be accomplished from the General Investments Accounts, if necessary.*
- 3. That an overdraft facility of R1 000 000.00 be negotiated with ABSA for the financial year 1 July 2014 to 30 June 2015, if applicable.*
- 4. That Council approve the revolving credit facility for augmenting the vehicle fleet.*
- 5. That Council approve the authorization of the R6 000 000 that must be borrowed from a commercial bank.*

5. Kommentaar deur die Rekenpligte Beampte / Artikel 82 van die Strukturewet & Artikel 60 van die Wet op Munisipale Finansiële Bestuur / Comments by the Accounting Officer / Section 82 of the Structures Act & Section 60 of the MFMA

Dat die voorgestelde aanbeveling oorweeg word.

That the proposed recommendation be considered.

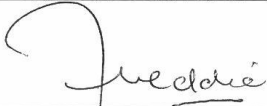
6. Aanhangsels / Attachments

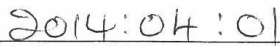
Geen / None

7. Besluit van die Raad / Resolution of Council

1. Dat die banksaldo op 30 Junie 2014 gunstig moet wees met geen oortrokke bankbalans nie.
2. Dat die herstel van die banksaldo van oortrokke na gunstig uit die Algemene Beleggingsrekening gemaak word, indien nodig.
3. Dat 'n oortrokke fasiliteit van R1 000 000.00 met ABSA onderhandel word vir die finansiële jaar 1 Julie 2014 tot 30 Junie 2015, indien van toepassing.
4. Dat die Raad goedkeuring verleen vir die wentelkredietgerief om die voertuigvloot aan te vul.
5. Dat die Raad goedkeuring verleen vir die verkryging van die lening van R6 000 000 by 'n kommersiële bankinstelling.

1. *That the bank balance on 30 June 2014 must be positive with no overdraft.*
2. *That conversion of the overdraft into a positive bank balance be accomplished from the General Investments Accounts, if necessary.*
3. *That an overdraft facility of R1 000 000.00 be negotiated with ABSA for the financial year 1 July 2014 to 30 June 2015, if applicable.*
4. *That Council approves the revolving credit facility for augmenting the vehicle fleet.*
5. *That Council approve the authorization of the R6 000 000 that must be borrowed from a commercial bank.*


VOORSITTER / CHAIRPERSON


DATUM / DATE

Final Executive Summary **Draft Budget 2014/2015 MTEF**

The Actual budget processes started during September 2013. Numerous IDP meetings, Ward and Ward committee meetings, "Council meets the People" and other meetings were conducted where residents re-emphasized their needs that must be taken into consideration during the prioritization of the budget over the MTEF period.

The budget were prepared in conjunction with the MFMA circulars and other regulations

A. IDP and linkage of IDP to budget (Capital Budget)

An Revised IDP will be tabled to Council during March 2014 and thereafter it will published for comments before it will be adopted by Council during the final budget meeting of 31 May 2014.

Communities re-assess their needs which forms part of the revised IDP document during the Budget feedback meetings. However all needs cannot be achieved, realized or addressed in one financial year or over one MTEF period.

The current linkage of the IDP to the budget amount to R41, 389, 000.

The total R41 389 000 are broken down as follows:

1.	Capital Grants	R29, 248, 000
1.1	Municipal Infrastructure Grant	R12, 608, 000
1.2	Regional Bulk Infrastructure Grant (RBIG) Water	R16, 640, 000
2.	Borrowed Capital	R 6, 000, 000
2.1	Vehicles	R 6, 000, 000
3.	Own Capital Funding	R 6, 141, 000
3.1	Resealing and construction of new streets allocation of R3, 000, 000 has been budgeted for the 2014/2015 financial year.	
3.2	Machinery and Equipment amounts to R1, 700, 000	
3.3	Other smaller Capital Projects from own funding estimated to R1, 441, 000.	

B. OPERATING BUDGET

1. Budgeted Income

1.1. Total expected Net Rates Income will be R 23 784 540

-Total expected budgeted rates income comprises of the following:

- Accruals amounts to R49 683 613
- Impermissible Levies as per MPRA amounts to R21 446 847

➤ Income forgone on Rates income R4 452 226

- Property rates penalties imposed arrear accounts amounts to R125 400.
- Rates will be levied on the market value of properties as per our municipal valuation roll.
- Agriculture properties will be levied according the ratio of 1:0,25 as per MPRA and will received a further 40% rebates on applicationas per Rates policy.

1.2 Other Levied Services budgeted income are almost R96 874 442

- 1.2.1 -Electricity amount to R53 612895
- 1.2.2 -Water amounts R24 575 065
- 1.2.3 -Sewerage amounts to R 13 906 439
- 1.2.4 -Refuse removal amounts to R8 264 192
- 1.2.5 -Other service charges amounts to R63 500

1.3 Fines will be budgeted for at gross amounts of R6 623 680

1.4 Licenses and permits will be R1 704 316

1.5 Rental of facilities and equipment expected income will be R794 758

1.6 Interest Income will be R1 601 361

- 1.6.1 External Investments amounts to R1 047 131
- 1.6.2 Interest charged on Arrear accounts amounts to R554 230

1.7 Operating Grants and Subsidies amount to R40 056 000

- 1.7.1 - Equitable Share R35 342 000
- 1.7.2 -Finance Management Grant R 1 600 000
- 1.7.3 -Municipal Systems Grant R 934 000
- 1.7.4 -Library Development Fund R 679 000
- 1.7.5 -Primary Health Subsidy R 1 056 000
- 1.7.6 -EPWP R 1 000 000

1.8 Other Budgeted Revenue

Other budgeted revenue amounts to R18 995 139 of which Prepaid Electricity is comprised of R18,4 million.

1.9 The Total Operating Budgeted Income for the 2014/2015 Financial year are R195 847 400.

1.9 The Total Budgeted Income amounts to R230 179 684. The total budgeted income consists out of

- | | | | |
|-------|-----------------------------------|---|--------------|
| 1.9.1 | Capital Grants and Donations | - | R 35 248 000 |
| 1.9.2 | Operating Grants and Subsidies | - | R 40 626 000 |
| 1.9.3 | Borrowed Capital | - | R 6 000 000 |
| 1.9.3 | Own generation of budgeted income | - | R148 251 684 |

There is an increase in total budgeted income of between 5 and 6 % in relation to the previous year.

The main reasons for the increase are:

- (i) **The increase in Rates Income as a result of the levying certain properties higher than the residential properties. Also the decrease in**

- the rebate from 48% to 40% for Agricultural properties. The impact of the portions of farms where renewable energy is produced.**
- (ii) The general increment of service tariffs and levies.**
- (iii) The increase in electricity sales.**

The Budget was prepared on a conservative approach as stipulated in MFMA Circulars 66, 67, 70, 71 and 72.

2. Expenditure

2.1 Salary and wages

- The total salary and wages and social contributions for the year amounts R61 267 325
- Annual increase of 6.80 % has been agreed at SALGBC
- The total salary package includes the salary of all the current personnel and some vacant positions. Not all posts on the approved organogram have been budgeted for in the 2014-2015 financial year.
- The salary percentage to the **Operating Budget is 30,81%** and to the **total capital and operating budget is +/- 26%**

2.2 Councillor Remuneration

- Councillor Remuneration amounts for R4 308 243.
- Councillor remuneration has been provided on the current Public Officers Bearers Act, dated December 2013.
- the councillor remuneration percentage to the total capital and operating budget is +/- 1.79%

The total salaries and wages, social contributions and councillor remuneration is between 26% - 29% in relation to the total capital and operating budget.

- 2.3 Provision for Bad Debts, working capital reserve and depreciation estimate to R10 819 881.**
- 2.4 Repair and maintenance total estimation are R12 410 6038 which is being split between Materials and Contracted Services**
- 2.5 Contracted Services costs are budgeted for R7 952 668**
- 2.6 Capital Charges for interest on loans amounts to R1 700 309 mainly due to the new loan of R6 000 000 that will be taken up for vehicle fleet augmentation.**
- 2.7 Bulk Purchases for Water and Electricity amounts to R 47 679 583. This increase represents mainly the Eskom's tariff increment of 7.39% as approved by NERSA per annum. The issue of the remuneration of Farmers for the mining of water whether through access or damage must be concluded before the start of the 2014/2015 financial year.**
- 2.8 Operating Grants and subsidy expenditure amounts to R14 363 128, which are mostly spent on the Indigent Households for the subsidized services provided to approved Indigent Households.**

2.9 Capital Grants payments amounts to R29 448 000. These amounts are mainly recognized on the income side and also on the expenditure side.

2.10 R6 000 000 will be borrowed to finance new vehicle fleet.

2.11 Capital projects that are finance from own funds amounts to R6 141 000.

2.12 The ward projects are finance from the repair and maintenance category of R2 100 000. Each ward has a allocation of R300 000.

2.13 Other expenditure amounts to R 27 365 789 include some of activities that will take place amongst others:

-Employee Wellness	R1 400 000.
-Audit Fees	R 2 207 474
-Telephone	R 907 840
-Departmental Accounts (Water, Electricity, Street lighting, etc)	R 3 196 244
-Fuel and Oil	R2 838 013
-General Valuation Costs	R 650 000
-Insurance	R1 304 790
-Subsistence and Travel	R2 057 200
-SALGA Membership	R 461 100
-Electrical Rural Pump Costs for Water provision	R1 213 700
-Postage	R 211 181
-Stationery and Printing	R 464 970
-Tourism Strategy	R 426 400
-Skills Development and Training	R 599 686
-LED Strategy	R 254 400
-Brand Execution	R 275 600
-"Operation Fix-it"	R 600 000

The Budgeted Expenditure for 2014/2015 are **R241 401 037** which comprise of Operating Budget of **R199 812 037** and the Capital budget of **R41 589 000**. This represents a total increase of +-7% in the relation to the previous year's Budget.

C. Tariff Increments

Tariffs expected increases for the 2014/2015 financial year are set out below. These are

1. Rates and taxes

- Residential and Agricultural properties will increased by 5.5%
- Other categories will increased from 5,5% to 8,5%
- The General Valuation Roll will be continued up and till June 2016. Properties where values increase or decrease will not see huge tariff increases
- Agriculture properties will be levied according (residential properties) in the ratio 1:0,25 and must apply for the rebate of 40% before the end of August 2014.

- Further rebate of 40% to elder property owners if they qualify per Rates policy.
- Mining and Industrial property will increase higher than the other categories. Portions of farms which are exclusive used for renewable or solar energy will be part of this category of properties.

2. Electricity

- Basic fee will increase by 7%
- Conventional and Prepaid electricity tariffs will be increase (see tariff schedule)
- 1-50 kWh increase by 7.39 %
- 51-350 kWh increase by 7.39%
- 351 and more kWh units increase by 7.39%

3. Water

- Basic fee will increase by 5%.
- Water consumption will be increase by 5% in all blocks
- Water will be levied from the first kiloliter consumed for all consumers that are not residential consumers.
- A new block is being investigated for consumers who are consuming more than 40kl.

4. Sewerage and sanitation

- Tariffs increased by 6%

5. Refuse removal

- Tariffs increased by 6%

6. All other secondary tariffs.

- Tariffs increased by 9%

D. Indigent households

A total of almost 3000 indigent households are expected to receive subsidized services every month. The subsidizes services include

1. Rates (the first R28 000 of municipal valuation s exempted from paying Rates and taxes)	R 0
1. 50 kWh of electricity	R41.61
2. Water	R78.65
➤ Basic fee	R62.19

- Consumption: 6000 liters (6kl) of water R0
 - Consumption: 8000 liters (8kl) of water R16.46
- (Policy makes provision that Indigent Households will receive 8kl of water. Their accounts will be credited with the 2kl of water(8 kl – 6 kl)

3.	Monthly sewerage	R152.11
4.	Monthly refuse removal	R 94.85
Total monthly subsidized services to Indigent Households		R367.22

Please note: Free Basic services amounts include Value added Tax(VAT)

The re-application of all Indigent Households for Subsidized services (FBS) can continued and be process early in the 2014/2015 financial year. The process needs to be completed by end of September 2014 in order to update our records and registers annually. Auditors are auditing the application process very intensively.

E. KEY BUDGET ISSUES

The MFMA and MFMA Circulars 13, 28, 51, 58, 59,66, 67 and 70 ***states it clearly that Municipal Budgets must be realistic.***

1. INCOME

Income are being categorised under the following main sources:

1.1 RATES AND TAXES

Rates and taxes account for

- between 10% and 12% of the total operating revenue in relation to the 2014/2015 Budget.
- Due to the new valuations of properties, decrease and increase of rates levies will occur on the monthly and annual rates tariffs of properties. The higher the municipal valuation will lead to higher rates increases
- A conservative approach was taken in the increment of rates tariffs.
- Properties will be separately levied as per category as per rates policy
- Agriculture properties will be levied as per MRPA ratio of 1:0,25. Agriculture property owners can apply for the 40% rebate before the end of August 2014.
- Another factor that needs to be taken into consideration is the General Valuations of which the implementation date will be on the 01 July 2013 and the valuation date will be on the 01 July 2012.

1.2. ELECTRICITY

- Electricity is the biggest source of revenue for Municipality.
- Surplusses from the sale of electricity are being absorbed by the non income generated services.

- With Eskom's annual tariff increment, the impact on electricity consumption has to be taken into consideration.
- Any new developments that started, will contribute to an increase in demand for electricity.
- An average increment of between 7.39% for the various block tariffs has been applied by Nersa.

1.3 WATER

- Historical data on consumption formed the trend when expected revenue was calculated.
- All consumers of water will be levied from the first kilolitre of water consumed.
- Provision needs to be made for new water connections i.e. households, new developments.
- Any new developments that started, will contribute to an increase in demand for water.
- Weather patterns influence water consumption immensely.

1.4 SEWERAGES AND REFUSE

- -Historical data will be adjusted accordingly to determine the revenue for the fixed cost services.
- -New Developments, building of new houses will increase the revenue source.

1.5 FINES

- Traffic fines are expected to increase over the next few years due to the collection efforts initiated by Council especially due to the challenges that were faced during the 2013/2014 financial year.

1.6 OPERATING GRANTS AND SUBSIDIES

- -Almost 21 – 24 % of total operating income represent grants and subsidies received from National and Provincial Government.
- -A lot can be said about the allocations that we received but no amount of money will be ever enough for the challenges experienced by the Municipality.

1.7 CAPITAL GRANTS AND SUBSIDIES

- Mainly the capital infrastructural projects are being financed from grants received.
- These projects that are being executed are limited from the income sourcing provided by MIG allocations to Budget.
- Regional Bulk Water Infrastructure will be intensified during the 2014/2015 financial year
- Challenges are experienced with the proper alignment of sectoral departments budget to our Municipal Budget.

1.8 OTHER INCOME

- Other income represent also a substantial amount of the total operating income due to the fact that Prepaid Electricity is part of this revenue .
- The appointment of Service Providers for the Debt Collection and Revenue Enhancement will also be intensified and will improve the revenue streams and cash position of Emthanjeni Municipality.

2. EXPENDITURE

2.1 EMPLOYEE COSTS

- -This category includes salaries and wages, aswell as social employee contributions.
- This can almost be seen as "fixed costs" as salaries need be paid every month.
- This represents will be the biggest expenditure category of the budget.

2.2 COUNCILLOR REMUNERATION

- As determined by the upper limits Gazette promulgated by Minister of COGTA

2.3 REPAIR AND MAINTENANCE / OTHER MATERIALS

- This is the category that needs to be adequately provided for.
- Assets are old, and almost at the end of their usefull lives.
- New developments that are construction needs also to be maintained.
- A huge challenge that our Municipality experiencing is with new constructions, very liitle monies are received for the Repair and Maintenance of these new constructed infrastructure developments.
- Roads, Buildings, Equipment and Vehicle fleet need desperate attention.

2.4. BULK PURCHASES

2.4.1 ELECTRICITY

- NERSA' s approval of ESKOM's annual electricity tariff impacts heavily on the current resources and payment levels.
- Historical Data in terms of the purchasing of electricity will determine the provision of bulk purchases that takes the annual increases in consideration..
- Eskom tariff is influencing our annual electricity tariff to the core or bone.

2.4.2 WATER PURCHASES

- Mainly weather conditions during summer season will determine that demand of water that needs to be mine (ground bore hole water). Due to the current wet season, the consumption levels of water is being affected.
- Interest rates links need to be considered especially with the Reserve Bank's policy on Macro Economic Strategy..

2.6. PROVISION FOR BAD DEBTS

- Social Economic Conditions within the Municipality needs to be taken into consideration.
- -Indigent Households needs to be determined and Indigent Household Register and the re-application process can start in the earnest after the Draft Budget has been tabled.
- Payment ratio or the collection of income cannot be emphasized enough.
- Promised development that takes slow to kick-off impacts negatively on the payment percentages and payment levels of debtors.

2.7. DEPRECIATION

- The municipality needs to provide for this expense in terms of the approved Assets Policy where method of depreciation is outline, where applicable.

2.8. GENERAL COSTS

- -Fiscal discipline needs to be adhered to by all.
- -Fuel increases are affecting the whole world. The instability in the Middle East and North Africa are some of the macro economic factors that causes a decline in the growth of world economics and also here in South Africa.
- The labour chaos that were experienced in the Mining Sector, is affecting us negatively around the country.
- The weaker Rand and global economic slow down impacts negatively on all operations of the municipality and the country as a whole.
- -Telephone Charges || better internal control Mechand needs to enforced.
- -Limitation or strict control over the increment of other line items as this releginary is a huge challenge for us.
- The increase in membership fee of SALGA
- The increase fee of security services and employee wellness programme.
- The audit fees increase annually outside the macro economic parameters.
- -General price increases will also contribute to linkes in general costs.
- -Subsistence and Travel must only be undertaken when enough funds are available on the budget.

2.9. CAPITAL PROJECTS

- Capital Projects that are finance from own source remains a challenge due to availability of funds, lack of proper planning, lack of proper costing to the projects.
- Too dependent on National and Provincial Government on funding for the execution of IDP projects.
- Regional Bulk Water Infrastructure will be intensified during the 2014/2015 financial year
- Amounts will be borrowed from Commercial Banks to augment the fleet.
- No real commitment from sector departments to align the Capital to our Capital programme.

F. ASSUMPTIONS

- National Treasury direction or guidlines on budget increases that must be in line with the macro economic strategy of 6%

- Inflation is just inside the Reserve Bank parameters of 6% and current figures are at 5.8% in January 2013 but it does not really reflect the real price increases on the ground.
- Eskom tariff electrical approval from NERSA of 7.39% . The average increment will be as from 01 July 2014 which , will not only have a direct impact on the sale and procurement of electricity but to price hikes in general.
- Salary increments has been finalised this year for the new three year cycle. Salary increase for the next Financial Year is estimated at 6.80%
- Apart from the normal salary increments, Medical Aid Employers contributions increments will be between 8% and 12 %.. This places a heavier financial burden on the revenue sources and impacts on the tariff calculation as a whole.
- General increases in purchasing or Cost price of normal items increase on average between 8-15 % as in relation to the same period last year.
- Repair and Maintenance Costs together with labour costs of repairing municipal assets also fall victim of the huge price hikes which needs to be taken into consideration.
- Various developments such as the Solar Energy Plants, Hospital R300m project , Shopping Mall, Smaller Franchises and the building of projects will impact on the current capacity of the infrastructure of the municipality which affects the preparation of the budget. Several of these projects will be completed soon or the second phase will be starting. It did not really improved the debt situation of the municipality as consumers are still hesitant to pay for services.

G. FORECASTING OF REVENUE AND EXPENDITURE

1. REVENUE

1.1. RATES AND TAXES

- Tariffs will increase and decrease depending the on valuation of the property.
- Conservative an increment of ± 5.5 % for properties are being anticipated, but the main levy driver will be the valuation of properties.

1.2. ELECTRICITY

- Electricity Tariffs will increase on a total average between 7.39% for the block of 0-350 kWh and 7.39% for a consumption of 351 and more kWh as from 01 July 2014 for prepaid and conventional electricity meters.

1.3. WATER

- Water will increase by 5.0 %.
- All Economic active households will be levied from the first kilolitre of water.

- Only Indigent Households will be getting the first 8000 liters of water free as it is included their Free Basic Services Basket.

1.4. SEWERAGE AND REFUSE REMOVAL

- Both Tariffs will increase by 6.0 %.

1.5. SECONDARY TARIFFS

- Secondary Tariffs will increase by $\pm 9\%$ for the 2014/2015 financial year.

The total budgeted average increment for all revenue sources will between 6-8 %, except for rates and taxes where levy can decrease or increase more than the average increment.

2. EXPENDITURE

2.1 EMPLOYEE COSTS: SALARIES AND WAGES

- Salaries and wages has been provided at an increment of 6.80%

2.2 EMPLOYEE COSTS: SOCIAL CONTRIBUTIONS

- A provision of an average increment of 6.80 % will provided

2.3 REPAIR AND MAINTENANCE

- A provision of an average increment of 7 % will provided. However Repair and Maintenance expenditure increased by almost 16% in relation to last year. This show Council's commitment to the maintenance of all assets.

2.4 BULK PURCHASES

- Electricity purchases will increase on a weighted average of 7.39 % from 01 July 2014 and water will increase on average of 5 %.

2.5 CAPITAL CHARGES

- Capital Charges will decrease due the redemption of External Loans

2.6 GENERAL COSTS

- A provision of an average increment of 7 % will provided.

2.7 PROVISION FOR BAD DEBTS

- A provision of an average increment of 9 % has been provided on all budgeted levied revenue.

H. BUDGET ANALYSIS

- The overall increases during the 2013/2014 and 2014/2015 financial years reflects an annual increment of $\pm 16\%$ and in 2013/2014 budget year on average increment of 9% will be expected.
- The total tariff increment will be 6% which is in line with the expectations of National Treasury except the electricity tariff.
- Electricity tariffs increments are as per NERSA's guidelines.
- The general $\pm 6\%$ tariff increment is also in line with the current economic data available.
- The budget is realistic and external or macro economic factors as well as micro economic factors were taken into consideration. However, the municipality have no control over these macro conditions that impacts very heavily on the operations of the municipality. These are interest rates, fuel prices, inflation rates, high food prices, unemployment rate, and also statutory levies imposed by National and Provincial Governments, etc.
- The budget is very income generated driven and also focus on building and maintaining infrastructure development within the Emthanjeni Municipality.
- All budgeted income will be realised by the extensive efforts that will be enforced by the officialdom.
- Strict expenditure mechanisms will be enforced to ensure that the key Strategic Objectives of the municipality are executed.
- Budget is in line with the policies of council especially directed to the poorest of the poor with the provision of Free Basic Services to all qualified Indigent Households.
- Local Economic Development opportunities have been identified in order to provide sustainable LED projects for the communities.
- The budget is also biased towards the Indigent Households within the municipality.

I. BUDGET RELATED POLICIES

Council will adopt the following policies that will be tabled to Council on 31 May 2014 during the Budget Meeting. The policies are

- (i) Revised IDP
- (ii) Revised Budget Policy
- (ii) Revised Credit Control Policy
- (iii) Revised Indigent Policy
- (iii) Tariff Policy
- (iv) Revised rates Policy
- (v) Revised Customer Care Policy
- (v) Investment and Cash Management policy
- (vi) Service Delivery and Budget Implementation Plan (SDBIP)
- (vii) Revised Supply Chain Management Policy

J. CONCLUSION

The 2014/2015 budget is a budget to make services affordable to all consumers. It is a plan to implement the cross-cutting of expenditure. The budget testifies of the continuation with the developmental agenda to expand the infrastructure to new and higher levels. It also aims

Emthanjeni Municipality (NC073)

to continue with the creation of jobs, fighting poverty and most of all ensure that we invest in infrastructure assets of the Emthanjeni municipality.

The Council commitment to create an conducive environment for Investors to invest in the economy of Emthanjeni municipality cannot be underestimated. The various economic initiatives are testimony of Council's commitment, readiness and ability to ensure that we continue with the path of National Development Plan.

The budget is also income driven and. Emthanjeni Municipality are committed towards sustainability and improvement of service delivery for all it residents. The various initiatives that Council will be undertaken will sement and concrete their mandate to improve the lives of all residents by focussing on the poor and create conducise environment for local economic development.

The increases of tariffs are mainly focused on affordability and to ensure that we generated all revenue as budgeted for. This is a realistic budget.

Operating Revenue Framework

For Emthanjeni to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty and socio economic conditions that affect rural areas. 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 a 90 per cent annual collection rate for property rates and other key service charges;
 Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
 Achievement of full cost recovery of specific user charges especially in relation to trading services;
 Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
 The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
 Increase ability to extend new services and recover costs;
 The municipality's Indigent Policy and rendering of free basic services; and
 Tariff policies of the Municipality.
 The recovering of outstanding arrears with the assistance of a debt collection firm.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	12 193	14 337	17 220	21 373	21 373	21 373	21 373	23 785	24 617	24 669
Property rates - penalties & collection charges	176	223	103	-	-	-	-	-	-	-
Service charges - electricity revenue	38 908	45 757	48 279	52 567	48 362	48 362	48 362	53 613	55 183	55 426
Service charges - water revenue	13 371	15 574	16 434	23 401	22 465	22 465	22 465	24 575	25 681	28 325
Service charges - sanitation revenue	9 011	8 797	9 421	13 047	13 047	13 047	13 047	13 906	14 671	14 952
Service charges - refuse revenue	4 696	4 947	5 323	7 712	7 712	7 712	7 712	8 264	8 719	8 994
Service charges - other	19	466	428	147	147	147	147	64	67	71
Rental of facilities and equipment	566	587	947	529	529	529	529	795	838	867

Interest earned - external investments	903	585	1 595	792	793	793	793	1 043	1 099	1 144
Interest earned - outstanding debtors	843	1 116	494	741	740	740	740	818	851	883
Dividends received	1	–	–	–	–	–	–	–	–	–
Fines	8 699	6 703	4 987	7 543	4 779	4 779	4 779	6 624	7 014	7 470
Licences and permits	1 086	1 107	1 261	1 230	1 230	1 230	1 230	1 704	1 790	1 897
Agency services	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational	32 356	34 533	43 510	40 495	40 495	40 495	40 495	40 626	44 583	37 855
Other revenue	20 198	5 563	6 148	16 713	19 537	19 537	19 537	18 995	20 071	23 265
Gains on disposal of PPE	17	3	–	80	80	80	80	120	127	134
Total Revenue (excluding capital transfers and contributions)	143 043	140 300	156 149	186 371	181 290	181 290	181 290	194 932	205 312	205 951

Table 2 Percentage growth in revenue by main revenue source

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Property rates	21,373		23,785		24,617		24,669	
Property rates - penalties & collection charges	–		–		–		–	
Service charges - electricity revenue	48,362		53,613		55,183		55,426	
Service charges - water revenue	22,465		24,575		25,681		28,325	
Service charges - sanitation revenue	13,047		13,906		14,671		14,952	
Service charges - refuse revenue	7,712		8,264		8,719		8,994	
Service charges – other	147		64		67		71	
Rental of facilities and equipment	529		795		838		867	
Interest earned - external investments	793		1 043		1 099		1 144	
Interest earned - outstanding debtors	740		818		851		883	
Dividends received	–		–		–		–	
Fines	4 779		6 624		7 014		7 470	
Licences and permits	1 230		1 704		1 790		1 897	
Agency services	–		–		–		–	
Transfers recognised - operational	40 495		40 626		44 583		37 855	
Other revenue	19 537		18 995		20 071		23 265	
Gains on disposal of PPE	80		120		127		134	
Total Revenue (excluding capital transfers and contributions)	181 290		194 932		205 312		205 951	

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. Rates and service charge revenues comprise more than ten percentage of the total revenue mix. In the 2014/15 financial year, revenue from rates and services charges totalled R124, 207 million or 53.96 %. This increases to R128, 938 million, and R132, 437 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 8.94 per cent in 2014/15, to 3.67 per cent in 2015/16 and to 2.64 % in 2016/17. This growth can be mainly 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 demand of electricity due to the various developments taking place in Emthanjeni Municipality. Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Water is the second largest revenue source totalling 10.68 per cent or R24, 575 million rand and increases to R28, 325 million by 2016/17. The third largest source is property rates and it followed by Sewerage revenue realised. The 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R40, 495 million in the 2013/14 financial year and steadily increases to R40, 197 million by 2016/17. Note that the year-on-year growth for the 2013/14 financial year is 1, 87 per cent and then flattens out to -0.71 and 1.51 per cent in the two outer years.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		29 962	32 679	37 623	38 260	38 260	38 260	38 876	44 583	37 855
Local Government Equitable Share		28 012	30 439	34 323	34 820	34 820	34 820	35 342	35 873	35 040
Finance Management		1 200	1 450	1 500	1 550	1 550	1 550	1 600	1 650	1 700
Municipal Systems Improvement		750	790	800	890	890	890	934	967	1 018
EPWP Incentive			-	1 000	1 000	1 000	1 000	1 000	-	-
Energy Efficiency and Demand Management		-								
Intergrated National Electrification Program Grant								-	6 093	97
Provincial Government:		440	218	1 683	2 235	2 235	2 235	1 750	-	-
Health subsidy		-		1 001	1 056	1 056	1 056	1 056		
Sport and Recreation		440		682	679	679	679	694		
Housing		-	218	-	500	500	500			
Intergrated National Electrification Program Grant										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Operating Transfers and Grants	5	30 402	32 897	39 306	40 495	40 495	40 495	40 626	44 583	37 855

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 higher levels of non-payment.

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

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

Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R13 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;

48 per cent rebate will be granted on all agricultural properties as per the rates policy

100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy if the market value of their property is R28 000 or less.

For pensioners a rebate will be granted upon application and must the criteria as set out in the Rates Policy

The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a percentage increases(decreases) from 1 July 2013 is contained below:

Table 4 Comparison of proposed rates to be levied for the 2014/15 financial year

Category	Current Tariff (1 July 2013)	Proposed tariff (from 1 July 2014)
	c/R	c/R
Residential properties	0.0115	0.0121
State owned properties	0.015	0.0159
Business & Commercial	0.0117	0.0126
Agricultural	0.002875	0.0030
Vacant land	0.0117	0.0163

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did 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, new water provision construction programmes and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Emthanjeni Municipality will increase water tariffs by 5 per cent from 1 July 2014.

Emthanjeni Municipality has undertaken a critical assessment of its capital infrastructure requirements. Regional Bulk Water's assessment indicates that for the extension of water resources in De Aar and Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice to upgrade infrastructure, hence the significant increase in the cost of water.

A tariff increase of 5 per cent from 1 July 2014 for water is proposed. This is based on input cost assumptions of between 5 to 15 per cent increase in the cost of bulk water to the water farmers. In addition 8 kℓ water per 30-day period will again be granted free of charge to all households.

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

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic fee: Residential	51.96	54.55
(i) 1 to 6 kℓ per 30-day period		
(ii) 7 to 15 kℓ per 30-day period	6.88	7.22
(iii) 16 to 30 kℓ per 30-day period	7.81	8.20
(iv) More than 30 kℓ per 30-day period	9.10	9.56
NON-RESIDENTIAL		
Basic fee: Business	263.39	276.56
(i) 1 to 6 kℓ per 30-day period	3.80	3.99
(ii) 7 to 15 kℓ per 30-day period	6.88	7.22
(iii) 16 to 30 kℓ per 30-day period	7.81	8.20
(iv) More than 30 kℓ per 30-day period	9.10	9.56

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

Table 6 Comparison between current water charges and increases (Domestic)

Monthly consumption kℓ	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
Basic Fee	51.96	54.55	2.59	5%
6	0			0 %
15	61.91	64.98	3.07	5%
25	140.07	147.07	7.00	5%
31	187.83	197.22	9.39	5%
51	369.94	388.44	18.50	5%
100	816.10	856.91	40.81	5%

The tariff structure of the 2014/15 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R9.56 per kilolitre for consumption in excess of 30kℓ per 30 day period.

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 8 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2014.

Considering the Eskom increases, the consumer tariff had to be increased by 8 per cent to offset the additional bulk purchase cost from 1 July 2014. 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.

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 on the water charges for domestic customers:

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

Monthly consumption kWh	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
100	93.42	100.32	6.90	7.39%
250	233.55	250.81	17.26	7.39%
500	467.10	501.69	34.59	7.39%
750	708.61	760.98	52.37	7.39%
1 000	944.81	1014.63	69.82	7.39%
2 000	1889.62	2029.26	123.62	7.39%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2014. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). Emthanjeni Municipality has implemented the Incline Block Tariff (IBT) structure since 01 July 2009.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and network reticulation was designed or strengthened during the 1980's and 1990's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately between 20 - 30 per cent of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

Free sanitation will be applicable to registered indigent households; and
The network extension and upgrade of existing purification plants will impact on tariffs over the MTEF period.

The total revenue expected to be generated from rendering this service amounts to R13, 906 million for the 2014/15 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF 2013/14	PROPOSED TARIFF 2014/15
Residential Households	125.87	133.43
Business	175.95	186.50
Government	237.24	251.47

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5 per cent increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 5 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2013:

Table 9 Comparison between current waste removal fees and increases

Service	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
Tariff per households container per month or part of a month:	78.49	83.20
Tariff per Special refuse removal *	136.84	145.61

Overall impact of tariff increases on households

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

Table 10 MBRR Table SA14 – Household bills

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	429.66	456.30	637.58	787.75	787.75	787.75	5.5%	831.08	876.79	925.01
Electricity: Basic levy	93.22	99.00	104.94	111.24	111.24	111.24	7.0%	119.02	126.76	135.38
Electricity: Consumption	771.50	881.38	977.74	1 042.67	1 042.67	1 042.67	7.4%	1 119.72	1 202.47	1 291.33
Water: Basic levy	43.54	46.24	49.01	51.96	51.96	51.96	5.0%	54.55	57.83	61.30
Water: Consumption	149.94	159.24	168.96	179.02	179.02	179.02	5.0%	187.97	197.37	207.24
Sanitation	105.49	112.03	118.75	125.86	125.86	125.86	6.0%	133.42	141.43	149.91
Refuse removal	65.78	69.86	74.05	78.49	78.49	78.49	6.0%	83.20	88.20	93.49
Other										
sub-total	1 659.13	1 824.05	2 131.03	2 376.99	2 376.99	2 376.99	6.4%	2 528.95	2 690.83	2 863.65
VAT on Services	172.13	191.49	209.08	222.49	222.49	222.49	6.8%	237.70	253.97	271.41
Total large household bill:	1 831.26	2 015.54	2 340.11	2 599.48	2 599.48	2 599.48	6.4%	2 766.66	2 944.80	3 135.06
% increase/-decrease		10.1%	16.1%	11.1%	-	-	6.4%	6.4%	6.4%	6.5%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	13.60	14.44	588.72	596.08	596.08	596.08	5.5%	628.87	663.46	699.95
Electricity: Basic levy	-	-	104.94	111.24	111.24	111.24	7.0%	119.02	126.76	135.38
Electricity: Consumption	452.50	485.87	653.02	695.21	695.21	695.21	7.4%	746.58	801.75	861.00
Water: Basic levy	43.54	46.24	49.01	51.96	51.96	51.96		54.55	57.83	61.30

Water: Consumption	124.95	132.70	132.11	140.04	140.04	140.04	5.0%	147.04	154.39	162.11
Sanitation	105.49	112.03	118.75	125.86	125.86	125.86	5.0%	133.42	141.43	149.91
Refuse removal	65.78	69.86	74.05	78.49	78.49	78.49	6.0%	83.20	88.20	93.49
Other							6.0%			
sub-total	805.86	861.14	1 720.60	1 798.87	1 798.87	1 798.87	–	1 912.68	2 033.81	2 163.14
VAT on Services	110.92	118.54	158.46	168.39	168.39	168.39	6.3%	179.73	191.85	204.85
Total small household bill:	916.78	979.68	1 879.07	1 967.27	1 967.27	1 967.27	6.7%	2 092.41	2 225.66	2 367.99
% increase/-decrease		6.9%	91.8%	4.7%	–	–	6.4%	6.4%	6.4%	6.4%
		12.38	–0.95	–1.00	–	–				
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	13.23	14.05	39.09	40.25	40.25	40.25		42.46	44.80	47.26
Electricity: Basic levy	–	–	–	–	–	–	5.5%	–	–	–
Electricity: Consumption	37.85	40.16	32.18	34.05	34.05	34.05	–	36.50	39.20	42.09
Water: Basic levy	43.54	46.24	49.01	51.96	51.96	51.96	7.2%	54.55	57.83	61.30
Water: Consumption	–	–	–	–	–	–	5.0%	–	–	–
Sanitation	105.49	112.03	118.75	125.86	125.86	125.86	–	133.42	141.43	149.91
Refuse removal	65.78	69.86	74.05	78.49	78.49	78.49	6.0%	83.20	88.20	93.49
Other							6.0%			
sub-total	265.89	282.34	313.08	330.61	330.61	330.61		350.13	371.45	394.06
VAT on Services	35.37	37.56	38.36	40.65	40.65	40.65	5.9%	43.07	45.73	48.55
Total small household bill:	301.26	319.90	351.43	371.25	371.25	371.25	6.0%	393.21	417.18	442.61
% increase/-decrease		6.2%	9.9%	5.6%	–	–	5.9%	5.9%	6.1%	6.1%

Operating Expenditure Framework

Emthanjeni Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

The asset renewal strategy and the repairs and maintenance plan;

Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

Strict adherence to the principle of *no project plan no budget*.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification Item

Expenditure By Type										
Employee related costs	51 491	45 675	56 440	59 618	61 039	61 039	61 039	61 556	62 244	63 131
Remuneration of councillors	3 223	3 421	3 694	3 918	4 154	4 154	4 154	4 308	4 502	4 750
Debt impairment	1 766	16 971	–	8 627	8 627	8 627	8 627	10 820	11 036	11 147
Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 469	8 530	9 204	9 984
Finance charges	755	1 284	1 041	933	1 030	1 030	1 030	1 715	1 734	1 804
Bulk purchases	26 380	34 106	38 781	44 159	42 005	42 005	42 005	47 529	49 668	51 652
Other materials	–	–	–	8 178	8 209	8 209	8 209	8 470	8 766	8 985
Contracted services	8 970	8 687	7 257	7 026	5 300	5 300	5 300	7 953	8 231	8 527
Transfers and grants	568	788	305	12 422	14 930	14 930	14 930	13 669	13 990	13 666
Other expenditure	27 853	25 901	38 923	32 649	29 931	29 931	29 931	36 262	38 206	42 606
Loss on disposal of PPE	382	395	1 001	–	–	–	–	–	–	–
Total Expenditure	188 225	205 896	216 367	186 009	183 695	183 695	183 695	200 812	207 581	216 252

The budgeted allocation for employee related costs for the 2014/15 financial year totals R61,556 million, which equals 30.65 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies only departmental prioritization of critical vacancies within the Municipality has been budgeted for. In addition expenditure against overtime must significantly be managed to reduced costs, with provisions against this budget item only being provided for essential services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 96 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R10, 820 million and escalates to R11, 147 million by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total a Net of R8, 530 million for the 2014/15 financial and equates to 4.25 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 has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0, 85 per cent (R1. 715 million) of operating

expenditure excluding annual redemption for 2014/15 and increases to R 1 804 million by 2016/17.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Farmers within the municipal boundaries. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. 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.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2014/15 financial year, this group of expenditure totals R7, 953 million and has increased since last year. For the two outer years growth has been limited to 3.38 and 3.47 per cent. . Further details relating to contracted services can be seen in Table 64 MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 17.46 per cent for 2014/15 and curbed at 5.09 and 10.33 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1.

The following table gives a breakdown of the main operating expenditure categories for the 2014/15 financial year.

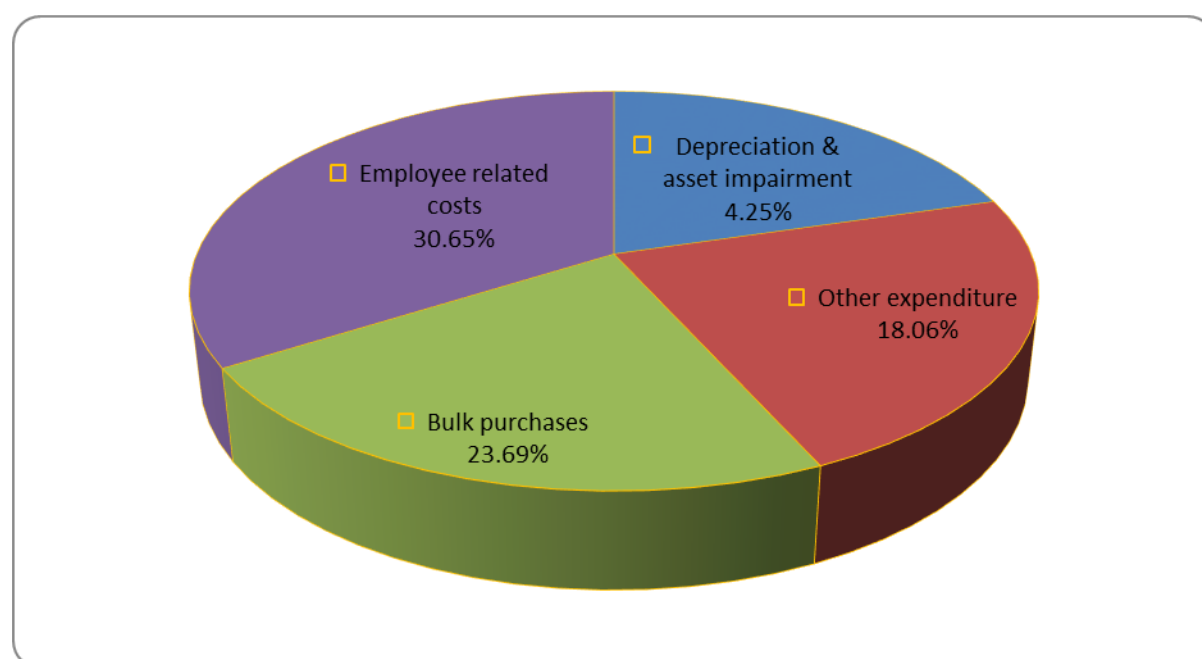


Figure 1 Main operational expenditure categories for the 2014/15 financial year

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the 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 12 Operational repairs and maintenance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Employee related costs	858	868	1 248	–	–	–	–	–	–	–
Other materials	6 113	4 352	7 175	8 178	8 140	8 140	8 140	8 470	8 766	8 985
Contracted Services	2 742	3 459	3 657	3 862	3 862	3 862	3 862	4 207	4 355	4 442
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	9 714	8 679	12 080	12 040	12 002	12 002	12 002	12 677	13 120	13 427

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, materials (repairs and maintenance) were gradually increased by 3.45 per cent in the 2014/15 financial year, from R8, 178 million to R8, 470 million. During the 2014 Adjustment Budget this allocation was adjusted slightly downwards to R8, 140 million as a result of the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2014/15 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/15 equates to R12, 677 million a growth of 5.32 per cent in relation to the Adjustment Budget and continues to grow at 3.38 and 2.29 per cent over the

MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 6.31, 6.32 and 6.21 per cent for the respective financial years of the MTREF.

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

Table 13 Repairs and maintenance per asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 530	9 204	9 984
Repairs and Maintenance by Asset Class	9 714	8 679	12 080	12 040	12 002	12 002	12 677	13 120	13 427
Infrastructure - Road transport	776	502	1 368	1 509	1 509	1 509	1 592	1 646	1 684
Infrastructure - Electricity	116	50	1 495	1 726	1 726	1 726	1 821	1 883	1 926
Infrastructure - Water	841	404	749	819	819	819	864	893	931
Infrastructure - Sanitation	905	432	712	779	779	779	822	850	869
Infrastructure - Other	711	351	711	777	777	777	819	847	867
Infrastructure	3 350	1 739	5 036	5 610	5 610	5 610	5 918	6 119	6 277
Community	970	452	1 626	1 777	1 777	1 777	1 875	1 939	1 984
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	158	172	172	172	182	188	192
Other assets	5 394	6 489	5 261	4 481	4 443	4 443	4 702	4 874	4 973
TOTAL EXPENDITURE OTHER ITEMS	76 551	77 347	81 006	20 519	20 471	20 471	21 207	22 324	23 411

For the 2014/15 financial year, 46.7 per cent or R5, 918 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 14.4 per cent (R1, 821 million), followed by road infrastructure at 12.6 per cent (R1, 592 million), water at 6.8 per cent (R864 000) and

sanitation at 6.5 per cent (R822 000). Community assets have been allocated R1, 875 million of total repairs and maintenance equating to 14.8 per cent.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register 3 000 or more indigent households during the 2014/15 financial year, a process reviewed annually by the end of September. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Capital expenditure

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

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

Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Capital Expenditure - Standard</u>										
<i>Governance and administration</i>	2 020	1 049	518	2 180	2 457	2 457	2 457	1 840	2 057	2 056
Executive and council	271	452	86	221	498	498	498	153	164	171
Budget and treasury office	1 479	597	432	1 479	1 479	1 479	1 479	1 317	1 496	1 471
Corporate services	270	–	–	479	479	479	479	370	396	414
<i>Community and public safety</i>	514	3 838	1 194	1 360	1 375	1 375	1 375	631	484	523
Community and social services	36	211	856	728	743	743	743	295	314	342
Sport and recreation	–	–	42	101	101	101	101	251	80	87
Public safety	82	–	294	510	510	510	510	85	91	94
Housing	360	3 627	2	–	–	–	–	–	–	–
Health	36	–	–	21	21	21	21	–	–	–
<i>Economic and environmental services</i>	2 180	9 639	1 948	18 863	15 063	15 063	15 063	15 528	15 094	15 605
Planning and development	377	60	5	15 344	11 844	11 844	11 844	812	12 006	12 344
Road transport	1 803	9 579	1 943	3 519	3 219	3 219	3 219	14 716	3 089	3 261
Environmental protection	–	–	–	–	–	–	–	–	–	–

Trading services	15 956	3 991	10 062	21 636	1 938	1 938	1 938	23 390	736	29 719
Electricity	1 527	1 833	3 145	505	505	505	505	1 300	556	586
Water	3 142	1 875	6 917	21 076	1 076	1 076	1 076	17 110	122	29 133
Waste water management	10 905	283	–	55	–	–	–	3 180	–	–
Waste management	382	–	–	–	357	357	357	1 800	58	–
Other	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904

For 2014/15 an amount of R41, 389 million has been budgeted for the development of assets. Infrastructure Assets represents 76.59 per cent of the total capital budget. In the outer years this amount totals R3, 018 million, 16.43 per cent and R31.636 million, 66.1 per cent respectively for each of the financial years. Water receives the highest allocation of R17, 011 million followed by Roads of R14, 716 million in 2014/15 financial years. Planning and development will receive the highest allocation of R12, 006 million in 2015/16 and will be replaced by Water again and will receive R29, 133 million in 2016/17.

Total new assets represent 73.66 per cent or R30, 488 million of the total capital budget while asset renewal equates to 26.44 per cent or R10, 941 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. 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. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

Annual Budget Tables - Emthanjeni Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Financial Performance										
Property rates	12 369	14 561	17 323	21 373	21 373	21 373	21 373	23 785	24 617	24 669
Service charges	66 005	75 541	79 884	96 874	91 733	91 733	91 733	100 422	104 321	107 768
Investment revenue	903	585	1 595	792	793	793	793	1 043	1 099	1 144
Transfers recognised - operational	32 356	34 533	43 510	40 495	40 495	40 495	40 495	40 626	44 583	37 855
Other own revenue	31 409	15 080	13 836	26 836	26 895	26 895	26 895	29 056	30 691	34 515
Total Revenue (excluding capital transfers and contributions)	143 043	140 300	156 149	186 371	181 290	181 290	181 290	194 932	205 312	205 951
Employee costs	51 491	45 675	56 440	59 618	61 039	61 039	61 039	61 556	62 244	63 131
Remuneration of councillors	3 223	3 421	3 694	3 918	4 154	4 154	4 154	4 308	4 502	4 750

Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 469	8 530	9 204	9 984
Finance charges	755	1 284	1 041	933	1 030	1 030	1 030	1 715	1 734	1 804
Materials and bulk purchases	26 380	34 106	38 781	52 337	50 214	50 214	50 214	55 999	58 434	60 637
Transfers and grants	568	788	305	12 422	14 930	14 930	14 930	13 669	13 990	13 666
Other expenditure	38 971	51 954	47 181	48 303	43 858	43 858	43 858	55 034	57 473	62 280
Total Expenditure	188 225	205 896	216 367	186 009	183 695	183 695	183 695	200 812	207 581	216 252
Surplus/(Deficit)	(45 182)	(65 597)	(60 218)	363	(2 405)	(2 405)	(2 405)	(5 880)	(2 270)	(10 302)
Transfers recognised - capital	9 121	9 354	11 451	36 382	12 882	12 882	12 882	35 248	11 969	41 305
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
<u>Capital expenditure & funds sources</u>										
Capital expenditure	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904
Transfers recognised - capital	10 358	13 252	12 241	36 382	12 882	12 882	12 882	29 248	11 969	41 305
Public contributions & donations	978	–	–	–	–	–	–	–	–	–
Borrowing	9 000	–	–	–	–	–	–	6 000	–	–
Internally generated funds	334	5 265	1 482	7 657	7 951	7 951	7 951	6 141	6 402	6 599
Total sources of capital funds	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904
<u>Financial position</u>										
Total current assets	111 896	114 802	126 894	77 197	74 135	74 135	74 135	78 943	82 271	85 221
Total non current assets	1 080 410	1 030 475	976 913	894 608	871 402	871 402	871 402	948 055	948 448	944 999
Total current liabilities	24 151	37 058	39 319	17 032	17 032	17 032	17 032	17 654	17 830	18 508
Total non current liabilities	41 020	38 714	43 751	42 802	42 802	42 802	42 802	45 370	45 771	45 906
Community wealth/Equity	1 127 135	1 069 504	1 020 737	911 971	885 703	885 703	885 703	963 974	967 118	965 806
<u>Cash flows</u>										
Net cash from (used) operating	7 928	25 306	17 392	59 957	28 991	28 991	28 991	42 556	27 651	51 670
Net cash from (used) investing	(20 497)	(19 171)	(13 688)	(39 622)	(20 738)	(20 738)	(20 738)	(40 469)	(18 229)	(47 754)
Net cash from (used) financing	7 650	(2 050)	(2 231)	(2 427)	(2 427)	(2 427)	(2 427)	2 751	(3 244)	(3 244)
Cash/cash equivalents at the year end	5 141	9 225	10 698	9 452	(2 629)	5 827	(2 629)	2 209	8 386	9 058
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	14 017	9 236	10 712	12 050	8 988	8 988	8 988	13 606	14 840	15 566
Application of cash and investments	(14 667)	(18 068)	(23 558)	(10 583)	(13 279)	(13 279)	(13 279)	(9 939)	(10 261)	(10 880)
Balance - surplus (shortfall)	28 684	27 305	34 270	22 634	22 267	22 267	22 267	23 544	25 101	26 446
<u>Asset management</u>										
Asset register summary (WDV)	1 080 172	1 030 342	976 803	894 431	871 226	871 226	947 887	947 887	948 298	944 841
Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 530	8 530	9 204	9 984
Renewal of Existing Assets	–	3 327	5 337	4 987	5 581	5 581	5 581	10 941	4 402	6 599
Repairs and Maintenance	9 714	8 679	12 080	12 040	12 002	12 002	12 677	12 677	13 120	13 427
<u>Free services</u>										
Cost of Free Basic Services provided	9 577	10 472	12 993	14 906	14 906	14 906	15 651	15 651	16 512	17 255
Revenue cost of free services provided	9 577	10 472	12 993	14 906	14 906	14 906	15 651	15 651	16 512	17 255
<u>Households below minimum service level</u>										
Water:	0	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	0	0	0	1	1	1	19	19	20	21

Energy:	0	0	0	1	1	1	1	1	1	1
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

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).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

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:

The operating surplus/(deficit) (after Total Expenditure) is positive over the MTREF

Capital expenditure is balanced by capital funding sources, of which

Transfers recognised is reflected on the Financial Performance Budget;

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 is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the adopted policies. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16, when a small surplus is reflected.

Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2014/15 the free basic water maybe increase from 6kl to 8kl for Indigent Households.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard									
Governance and administration									
Executive and council	30 729	34 711	40 840	42 501	42 501	42 501	42 548	45 259	47 476
Budget and treasury office	2 052	4 236	4 313	3 305	3 305	3 305	3 238	3 395	3 560
	15 886	30 444	36 485	39 155	39 154	39 154	39 235	41 785	43 833

Corporate services	12 791	31	42	41	43	43	74	79	83
Community and public safety	12 890	8 933	8 088	10 696	7 931	7 931	9 737	10 314	10 857
Community and social services	1 193	1 444	1 411	1 137	1 137	1 137	1 347	1 425	1 512
Sport and recreation	1 586	79	355	91	91	91	102	108	114
Public safety	9 177	7 165	5 103	7 892	5 127	5 127	7 196	7 642	8 040
Housing	686	244	1 219	520	520	520	36	39	41
Health	249	–	–	1 056	1 056	1 056	1 056	1 100	1 150
Economic and environmental services	6 650	4 205	5 939	18 948	15 432	15 432	14 524	12 930	13 286
Planning and development	4 490	3 586	746	18 250	14 734	14 734	1 800	856	916
Road transport	2 160	619	5 193	698	698	698	12 724	12 074	12 370
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	101 894	101 804	112 733	150 608	128 308	128 308	163 371	148 778	175 636
Electricity	54 965	58 063	55 964	70 289	68 924	68 924	75 899	78 440	82 519
Water	19 741	19 016	29 787	47 583	26 647	26 647	45 961	31 090	53 266
Waste water management	16 706	15 592	17 123	20 447	20 447	20 447	25 982	24 801	24 543
Waste management	10 482	9 134	9 858	12 289	12 289	12 289	15 529	14 447	15 308
Other	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	152 164	149 654	167 600	222 753	194 172	194 172	230 180	217 281	247 256
Expenditure - Standard									
Governance and administration	32 332	30 946	41 364	42 291	39 614	39 614	42 568	44 632	46 237
Executive and council	11 000	7 669	13 157	12 506	12 307	12 307	12 554	13 304	14 159
Budget and treasury office	13 430	15 412	17 771	17 105	16 974	16 974	18 310	18 951	19 140
Corporate services	7 902	7 865	10 436	12 681	10 333	10 333	11 704	12 377	12 938
Community and public safety	22 446	49 619	51 034	23 327	23 961	23 961	25 294	26 386	27 909
Community and social services	4 511	4 865	5 557	7 755	10 220	10 220	10 512	10 913	11 569
Sport and recreation	3 149	33 033	33 690	3 562	3 554	3 554	3 569	3 730	3 954
Public safety	9 828	8 018	8 214	9 359	7 883	7 883	8 975	9 384	9 994
Housing	4 673	3 534	3 489	2 441	2 096	2 096	2 069	2 181	2 203
Health	286	169	83	209	209	209	169	178	189
Economic and environmental services	77 679	17 257	18 703	24 009	23 794	23 794	24 916	26 297	27 730
Planning and development	7 164	8 624	8 057	10 511	9 804	9 804	9 398	9 921	10 304
Road transport	70 515	8 633	10 646	13 498	13 990	13 990	15 518	16 376	17 425
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	54 057	106 596	103 982	94 183	94 128	94 128	107 131	109 333	113 382
Electricity	31 194	54 353	56 079	58 448	57 215	57 215	65 379	66 686	69 354
Water	12 310	32 572	29 286	10 801	11 162	11 162	14 979	15 204	15 736
Waste water management	5 086	11 300	9 427	11 519	12 024	12 024	12 298	12 605	13 172
Waste management	5 467	8 370	9 191	13 415	13 727	13 727	14 476	14 838	15 120
Other	1 711	1 479	1 284	2 198	2 198	2 198	902	933	994
Total Expenditure - Standard	188 225	205 896	216 367	186 009	183 695	183 695	200 812	207 581	216 252
Surplus/(Deficit) for the year	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	29 368	9 699	31 003

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

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote									
Vote 1 - EXECUTIVE AND COUNCIL	2 052	4 236	4 313	3 305	3 305	3 305	3 238	3 395	3 560
Vote 2 - FINANCE AND ADMINISTRATION	28 677	30 475	36 528	39 196	39 196	39 196	39 310	41 864	43 916
Vote 3 - PLANNING AND DEVELOPMENT	4 490	3 586	746	18 250	14 734	14 734	1 800	856	916
Vote 4 - HEALTH	249	–	–	1 056	1 056	1 056	1 056	1 100	1 150
Vote 5 - COMMUNITY AND SOCIAL SERVICES	1 193	1 444	1 411	1 137	1 137	1 137	1 347	1 425	1 512
Vote 6 - PUBLIC SAFETY	9 177	7 165	5 103	7 892	5 127	5 127	7 196	7 642	8 040
Vote 7 - SPORT AND RECREATION	1 586	79	355	91	91	91	102	108	114
Vote 8 - ROAD TRANSPORT	2 160	619	5 193	698	698	698	12 724	12 074	12 370
Vote 9 - OTHER	–	–	–	–	–	–	–	–	–
Vote 10 - HOUSING SERVICES	686	244	1 219	520	520	520	36	39	41
Vote 11 - WASTE MANAGEMENT	10 482	9 134	9 858	12 289	12 289	12 289	15 529	14 447	15 308
Vote 12 - WASTE WATER MANAGEMENT	16 706	15 592	17 123	20 447	20 447	20 447	25 982	24 801	24 543
Vote 13 - ELECTRICITY	54 965	58 063	55 964	70 289	68 924	68 924	75 899	78 440	82 519
Vote 14 - WATER	19 741	19 016	29 787	47 583	26 647	26 647	45 961	31 090	53 266
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
Total Revenue by Vote	152 164	149 654	167 600	222 753	194 172	194 172	230 180	217 281	247 256
Expenditure by Vote to be appropriated									
Vote 1 - EXECUTIVE AND COUNCIL	11 000	7 669	13 157	12 506	12 307	12 307	12 554	13 304	14 159
Vote 2 - FINANCE AND ADMINISTRATION	21 332	23 277	28 207	29 786	27 307	27 307	30 014	31 328	32 078
Vote 3 - PLANNING AND DEVELOPMENT	7 164	8 624	8 057	10 511	9 804	9 804	9 398	9 921	10 304
Vote 4 - HEALTH	286	169	83	209	209	209	169	178	189
Vote 5 - COMMUNITY AND SOCIAL SERVICES	4 511	4 865	5 557	7 755	10 220	10 220	10 512	10 913	11 569
Vote 6 - PUBLIC SAFETY	9 828	8 018	8 214	9 359	7 883	7 883	8 975	9 384	9 994
Vote 7 - SPORT AND RECREATION	3 149	33 033	33 690	3 562	3 554	3 554	3 569	3 730	3 954
Vote 8 - ROAD TRANSPORT	70 515	8 633	10 646	13 498	13 990	13 990	15 518	16 376	17 425
Vote 9 - OTHER	1 711	1 479	1 284	2 198	2 198	2 198	902	933	994
Vote 10 - HOUSING SERVICES	4 673	3 534	3 489	2 441	2 096	2 096	2 069	2 181	2 203
Vote 11 - WASTE MANAGEMENT	5 467	8 370	9 191	13 415	13 727	13 727	14 476	14 838	15 120
Vote 12 - WASTE WATER MANAGEMENT	5 086	11 300	9 427	11 519	12 024	12 024	12 298	12 605	13 172
Vote 13 - ELECTRICITY	31 194	54 353	56 079	58 448	57 215	57 215	65 379	66 686	69 354
Vote 14 - WATER	12 310	32 572	29 286	10 801	11 162	11 162	14 979	15 204	15 736
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	188 225	205 896	216 367	186 009	183 695	183 695	200 812	207 581	216 252
Surplus/(Deficit) for the year	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	29 368	9 699	31 003

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

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

Table 17 Surplus/(Deficit) calculations for the trading services

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Electricity									
Total Revenue (incl capital grants and transfers)	54 965	58 063	55 964	70 289	68 924	68 924	75 899	78 440	82 519
Operating Expenditure	31 194	54 353	56 079	58 448	57 215	57 215	65 379	66 686	69 354
Surplus/(Deficit) for the year	23,771	3,710	-115	11,841	11,709	11,709	10,520	11,754	13,165
Percentage Surplus	43%	6%	0.2%	16%	16%	16%	14%	15%	16%
Water									
Total Revenue (incl capital grants and transfers)	19 741	19 016	29 787	47 583	26 647	26 647	45 961	31 090	53 266
Operating Expenditure	12 310	32 572	29 286	10 801	11 162	11 162	14 979	15 204	15 736
Surplus/(Deficit) for the year	7,431	-13,556	501	36,782	15,485	15,485	30,982	15,886	37,530
Percentage Surplus	38%	-42%	2%	77%	58%	58%	67%	51%	70%

The electricity trading surplus dropped over the 2014/15 MTREF from 16 per cent or R11.709 million in 2013/14 to 14 per cent by 2014/15. This is primarily as a result of capital projects and grants as well as the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.

The surplus on the water account remains positive over the MTREF translating into a surplus of 67 per cent, 51 per cent and 70 per cent for each of the respective financial years. The surplus excludes the capital expenditure that will be incurred during the 2014/15 financial year. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	12 193	14 337	17 220	21 373	21 373	21 373	21 373	23 785	24 617	24 669
Property rates - penalties & collection charges	176	223	103	–	–	–	–	–	–	–
Service charges - electricity revenue	38 908	45 757	48 279	52 567	48 362	48 362	48 362	53 613	55 183	55 426
Service charges - water revenue	13 371	15 574	16 434	23 401	22 465	22 465	22 465	24 575	25 681	28 325
Service charges - sanitation revenue	9 011	8 797	9 421	13 047	13 047	13 047	13 047	13 906	14 671	14 952
Service charges - refuse revenue	4 696	4 947	5 323	7 712	7 712	7 712	7 712	8 264	8 719	8 994
Service charges - other	19	466	428	147	147	147	147	64	67	71
Rental of facilities and equipment	566	587	947	529	529	529	529	795	838	867
Interest earned - external investments	903	585	1 595	792	793	793	793	1 043	1 099	1 144
Interest earned - outstanding debtors	843	1 116	494	741	740	740	740	818	851	883
Dividends received	1	–	–	–	–	–	–	–	–	–
Fines	8 699	6 703	4 987	7 543	4 779	4 779	4 779	6 624	7 014	7 470
Licences and permits	1 086	1 107	1 261	1 230	1 230	1 230	1 230	1 704	1 790	1 897
Agency services	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational	32 356	34 533	43 510	40 495	40 495	40 495	40 495	40 626	44 583	37 855
Other revenue	20 198	5 563	6 148	16 713	19 537	19 537	19 537	18 995	20 071	23 265
Gains on disposal of PPE	17	3	–	80	80	80	80	120	127	134
Total Revenue (excluding capital transfers and contributions)	143 043	140 300	156 149	186 371	181 290	181 290	181 290	194 932	205 312	205 951
Expenditure By Type										
Employee related costs	51 491	45 675	56 440	59 618	61 039	61 039	61 039	61 556	62 244	63 131
Remuneration of councillors	3 223	3 421	3 694	3 918	4 154	4 154	4 154	4 308	4 502	4 750
Debt impairment	1 766	16 971	–	8 627	8 627	8 627	8 627	10 820	11 036	11 147
Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 469	8 530	9 204	9 984
Finance charges	755	1 284	1 041	933	1 030	1 030	1 030	1 715	1 734	1 804
Bulk purchases	26 380	34 106	38 781	44 159	42 005	42 005	42 005	47 529	49 668	51 652
Other materials	–	–	–	8 178	8 209	8 209	8 209	8 470	8 766	8 985
Contracted services	8 970	8 687	7 257	7 026	5 300	5 300	5 300	7 953	8 231	8 527
Transfers and grants	568	788	305	12 422	14 930	14 930	14 930	13 669	13 990	13 666
Other expenditure	27 853	25 901	38 923	32 649	29 931	29 931	29 931	36 262	38 206	42 606
Loss on disposal of PPE	382	395	1 001	–	–	–	–	–	–	–
Total Expenditure	188 225	205 896	216 367	186 009	183 695	183 695	183 695	200 812	207 581	216 252
Surplus/(Deficit)	(45 182)	(65 597)	(60 218)	363	(2 405)	(2 405)	(2 405)	(5 880)	(2 270)	(10 302)
Transfers recognised - capital	9 121	9 354	11 451	36 382	12 882	12 882	12 882	35 248	11 969	41 305
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
Taxation	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
Attributable to minorities	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–

Surplus/(Deficit) for the year	(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
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Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total revenue is R230, 180million in 2014/15 and decreases to R217, 281 million by 2015/16. This represents an increase of 3.23 per cent for the 2014/15 financial year and decreases by -5.6 per cent for the 2015/16 financial year.

Revenue to be generated from property rates is R21, 373 million in the 2013/14 financial year and increases to R23, 785 million by 2014/15 which represents 10.1 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 10.1 per cent, 3.38 per cent and 0.2 per cent for each of the respective financial years of the MTREF.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R100, 359 million for the 2014/15 financial year and increasing to R104, 254 million by 2015/16 and increasing to R107, 696 million by 2016/17. For the 2014/15 financial year services charges amount to 43.6 per cent of the total revenue base and grows by 6.8 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government fluctuates over the 2014/15 MTREF, in 2015/16 it decreases 25 per cent and then increases by 28.56 per cent 2016/17. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

Bulk purchases have significantly increased over the 2010/11 to 2016/17 period escalating from R26, 380 million to R51, 562 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from the water contracts with farmers.

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.

Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote										
Multi-year expenditure to be appropriated										
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	-	-	-	-	-	-	-	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT	-	-	-	-	-	-	-	-	-	-
Vote 4 - HEALTH	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES	-	-	798	-	-	-	-	-	-	-
Vote 6 - PUBLIC SAFETY	-	-	-	-	-	-	-	-	-	-
Vote 7 - SPORT AND RECREATION	-	-	-	-	-	-	-	-	-	-
Vote 8 - ROAD TRANSPORT	1 803	-	-	-	-	-	-	-	-	-
Vote 9 - OTHER	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES	-	-	-	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT	-	-	-	-	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT	10 905	183	-	-	-	-	-	-	-	-
Vote 13 - ELECTRICITY	1 527	-	-	-	-	-	-	-	-	-
Vote 14 - WATER	3 142	1 817	6 912	20 000	-	-	-	16 640	-	29 000
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	17 377	2 000	7 710	20 000	-	-	-	16 640	-	29 000
Single-year expenditure to be appropriated										
Vote 1 - EXECUTIVE AND COUNCIL	271	452	86	221	498	498	498	153	164	171
Vote 2 - FINANCE AND ADMINISTRATION	1 749	597	432	1 959	1 959	1 959	1 959	1 687	1 892	1 885
Vote 3 - PLANNING AND DEVELOPMENT	377	60	5	15 344	11 844	11 844	11 844	812	12 006	12 344
Vote 4 - HEALTH	36	-	-	21	21	21	21	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES	36	211	58	728	743	743	743	295	314	342
Vote 6 - PUBLIC SAFETY	82	-	294	510	510	510	510	85	91	94
Vote 7 - SPORT AND RECREATION	-	-	42	101	101	101	101	251	80	87
Vote 8 - ROAD TRANSPORT	-	9 579	1 943	3 519	3 219	3 219	3 219	14 716	3 089	3 261
Vote 9 - OTHER	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES	360	3 627	2	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT	382	-	-	55	357	357	357	1 800	58	-
Vote 12 - WASTE WATER MANAGEMENT	-	100	-	-	-	-	-	3 180	-	-
Vote 13 - ELECTRICITY	-	1 833	3 145	505	505	505	505	1 300	556	586
Vote 14 - WATER	-	58	5	1 076	1 076	1 076	1 076	470	122	133
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	3 293	16 517	6 013	24 039	20 833	20 833	20 833	24 749	18 371	18 904
Total Capital Expenditure - Vote	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904
Capital Expenditure - Standard										
Governance and administration	2 020	1 049	518	2 180	2 457	2 457	2 457	1 840	2 057	2 056
Executive and council	271	452	86	221	498	498	498	153	164	171
Budget and treasury office	1 479	597	432	1 479	1 479	1 479	1 479	1 317	1 496	1 471

Corporate services	270	–	–	479	479	479	479	370	396	414
Community and public safety	514	3 838	1 194	1 360	1 375	1 375	1 375	631	484	523
Community and social services	36	211	856	728	743	743	743	295	314	342
Sport and recreation	–	–	42	101	101	101	101	251	80	87
Public safety	82	–	294	510	510	510	510	85	91	94
Housing	360	3 627	2	–	–	–	–	–	–	–
Health	36	–	–	21	21	21	21	–	–	–
Economic and environmental services	2 180	9 639	1 948	18 863	15 063	15 063	15 063	15 528	15 094	15 605
Planning and development	377	60	5	15 344	11 844	11 844	11 844	812	12 006	12 344
Road transport	1 803	9 579	1 943	3 519	3 219	3 219	3 219	14 716	3 089	3 261
Environmental protection	–	–	–	–	–	–	–	–	–	–
Trading services	15 956	3 991	10 062	21 636	1 938	1 938	1 938	23 390	736	29 719
Electricity	1 527	1 833	3 145	505	505	505	505	1 300	556	586
Water	3 142	1 875	6 917	21 076	1 076	1 076	1 076	17 110	122	29 133
Waste water management	10 905	283	–	55	–	–	–	3 180	–	–
Waste management	382	–	–	–	357	357	357	1 800	58	–
Other	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904
Funded by:										
National Government	10 358	13 252	12 241	36 382	12 882	12 882	12 882	29 248	11 969	41 305
Provincial Government	–	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	10 358	13 252	12 241	36 382	12 882	12 882	12 882	29 248	11 969	41 305
Public contributions & donations	978	–	–	–	–	–	–	–	–	–
Borrowing	9 000	–	–	–	–	–	–	6 000	–	–
Internally generated funds	334	5 265	1 482	7 657	7 951	7 951	7 951	6 141	6 402	6 599
Total Capital Funding	20 670	18 517	13 722	44 039	20 833	20 833	20 833	41 389	18 371	47 904

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

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

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R16, 640 million has been allocated of the total R41.389 million capital budget, which totals 40.20 per cent.

Single-year capital expenditure has been appropriated at R24, 749 million for the 2014/15 financial year and remains relatively constant over the MTREF.

Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

The capital programme is funded from capital and provincial grants and transfers, and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R29, 248 million (70.66 per cent) and decreases to R11, 969 million by 2015/16 (65.15 per

cent). Internally generated funding totaling R6, 141 million, R6, 402 million and R6, 599 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding)

Table 19 MBRR Table A6 - Budgeted Financial Position

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS										
Current assets										
Cash	9 161	14 379	17 196	2 585	2 585	2 585	2 585	2 844	3 000	3 185
Call investment deposits	8 668	–	–	10 716	7 654	7 654	7 654	11 788	12 861	13 401
Consumer debtors	40 831	38 361	46 604	12 037	12 037	12 037	12 037	9 171	9 109	9 543
Other debtors	7 236	7 789	10 123	8 558	8 558	8 558	8 558	9 243	9 400	9 795
Current portion of long-term receivables	13	79	26	–	–	–	–	–	–	–
Inventory	45 987	54 194	52 945	43 301	43 301	43 301	43 301	45 899	47 902	49 297
Total current assets	111 896	114 802	126 894	77 197	74 135	74 135	74 135	78 943	82 271	85 221
Non current assets										
Long-term receivables	30	1	1	–	–	–	–	–	–	–
Investments	208	11	14	–	–	–	–	–	–	–
Investment property	3 441	3 100	5 004	4 272	4 272	4 272	4 272	4 272	4 272	4 272
Investment in Associate	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	1 075 120	1 026 180	971 261	888 993	865 788	865 788	865 788	942 332	942 626	939 106
Agricultural	–	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–	–
Intangible	1 611	1 062	538	1 166	1 166	1 166	1 166	1 283	1 400	1 463
Other non-current assets	–	121	95	177	177	177	177	168	150	158
Total non current assets	1 080 410	1 030 475	976 913	894 608	871 402	871 402	871 402	948 055	948 448	944 999
TOTAL ASSETS	1 192 306	1 145 277	1 103 807	971 805	945 537	945 537	945 537	1 026 998	1 030 719	1 030 220
LIABILITIES										
Current liabilities										
Bank overdraft	4 020	5 154	6 498	1 251	1 251	1 251	1 251	1 026	1 020	1 020
Borrowing	2 025	2 257	2 485	1 296	1 296	1 296	1 296	1 374	1 400	1 456
Consumer deposits	1 711	1 782	1 825	1 899	1 899	1 899	1 899	1 932	2 011	2 108
Trade and other payables	15 304	27 087	27 629	10 666	10 666	10 666	10 666	11 306	11 200	11 616
Provisions	1 091	778	882	1 920	1 920	1 920	1 920	2 017	2 199	2 309
Total current liabilities	24 151	37 058	39 319	17 032	17 032	17 032	17 032	17 654	17 830	18 508
Non current liabilities										
Borrowing	13 100	33 641	34 847	10 543	10 543	10 543	10 543	11 176	10 477	9 729
Provisions	27 920	5 073	8 904	32 259	32 259	32 259	32 259	34 194	35 294	36 176
Total non current liabilities	41 020	38 714	43 751	42 802	42 802	42 802	42 802	45 370	45 771	45 906
TOTAL LIABILITIES	65 171	75 772	83 070	59 834	59 834	59 834	59 834	63 024	63 601	64 414
NET ASSETS	1 127 135	1 069 504	1 020 737	911 971	885 703	885 703	885 703	963 974	967 118	965 806
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	919 832	1 069 504	1 020 737	640 664	614 396	614 396	614 396	692 667	695 811	694 499
Reserves	207 303	–	–	271 307	271 307	271 307	271 307	271 307	271 307	271 307
Minorities' interests	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY	1 127 135	1 069 504	1 020 737	911 971	885 703	885 703	885 703	963 974	967 118	965 806

WEALTH/EQUITY										
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Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:

Call investments deposits;

Consumer debtors;

Property, plant and equipment;

Trade and other payables;

Provisions non - current;

Changes in net assets; and

Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 20 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										

Ratepayers and other	57 408	97 517	91 928	125 172	139 107	139 107	139 107	146 097	152 192	159 311
Government - operating	33 056	33 847	38 494	40 556	40 495	40 495	40 495	40 626	44 583	37 855
Government - capital	8 421	19 669	17 054	36 382	12 882	12 882	12 882	35 248	11 969	41 305
Interest	1 922	585	1 595	793	869	869	869	1 047	1 099	1 135
Dividends	1	–	–	1	–	–	–	–	–	–
Payments										
Suppliers and employees	(91 558)	(124 240)	(130 333)	(128 441)	(148 401)	(148 401)	(148 401)	(165 077)	(166 468)	(172 466)
Finance charges	(755)	(1 284)	(1 041)	(933)	(1 030)	(1 030)	(1 030)	(1 715)	(1 734)	(1 804)
Transfers and Grants	(568)	(788)	(305)	(13 573)	(14 930)	(14 930)	(14 930)	(13 669)	(13 990)	(13 666)
NET CASH FROM/(USED) OPERATING ACTIVITIES	7 928	25 306	17 392	59 957	28 991	28 991	28 991	42 556	27 651	51 670
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	160	47	–	12	80	80	80	120	142	149
Decrease (Increase) in non-current debtors	–	44	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	13	42	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		(7)	79	–	–	–	–			
Payments										
Capital assets	(20 670)	(19 297)	(13 767)	(39 634)	(20 818)	(20 818)	(20 818)	(40 589)	(18 371)	(47 904)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(20 497)	(19 171)	(13 688)	(39 622)	(20 738)	(20 738)	(20 738)	(40 469)	(18 229)	(47 754)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	9 000	–	–	–	–	–	–	6 000	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	43	111	111	111	111	135	140	140
Payments										
Repayment of borrowing	(1 350)	(2 050)	(2 275)	(2 538)	(2 538)	(2 538)	(2 538)	(3 384)	(3 384)	(3 384)
NET CASH FROM/(USED) FINANCING ACTIVITIES	7 650	(2 050)	(2 231)	(2 427)	(2 427)	(2 427)	(2 427)	2 751	(3 244)	(3 244)
NET INCREASE/(DECREASE) IN CASH HELD	(4 918)	4 085	1 473	17 908	5 827	5 827	5 827	4 838	6 177	672
Cash/cash equivalents at the year begin:	10 059	5 141	9 225	(8 456)	(8 456)	(8 456)	(8 456)	(2 629)	2 209	8 386
Cash/cash equivalents at the year end:	5 141	9 225	10 698	9 452	(2 629)	5 827	(2 629)	2 209	8 386	9 058

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

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

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

It can be seen that the cash levels of the Municipality increased significantly over the 2010/11 to 2011/12.

The 2012/13 year provide for a net increase in cash of R1.473 million for the 2012/13 financial year resulting in an overall cash position of R10 million at year end.

As part of the 2012/13 mid-year review and Adjustments Budget this sustainable cash position was reached because of various interventions that were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.

In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors, these interventions translated into a net cash position.

The 2013/14 has been informed by the planning principle of ensuring adequate cash reserves over the medium-term and after the adjustment budget process it became clear that huge amount of funds would become necessary in the next financial year to acquire new fleet which would curb raising costs of repairs and maintenance.

In the 2014/15 MTREF external sources of funding would be sought for a fleet of infrastructure vehicles, expected cash and cash equivalents totals R2.2 million as at the end of the 2014/15 financial year and escalates to R9 million by 2016/17.

Table 21 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	5 141	9 225	10 698	9 452	(2 629)	5 827	(2 629)	2 209	8 386	9 058
Other current investments > 90 days	8 668	(0)	(0)	2 598	11 617	3 161	11 617	11 397	6 454	6 508
Non current assets - Investments	208	11	14	-	-	-	-	-	-	-
Cash and investments available:	14 017	9 236	10 712	12 050	8 988	8 988	8 988	13 606	14 840	15 566
Application of cash and investments										
Unspent conditional transfers	-	11 954	12 541	1 272	1 272	1 272	1 272	1 348	1 000	1 060
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements										
Other working capital requirements	(15 829)	(30 023)	(36 099)	(11 855)	(14 551)	(14 551)	(14 551)	(11 287)	(11 261)	(11 940)
Other provisions	(1 091)									
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	2 253									
Total Application of cash and investments:	(14 667)	(18 068)	(23 558)	(10 583)	(13 279)	(13 279)	(13 279)	(9 939)	(10 261)	(10 880)
Surplus(shortfall)	28 684	27 305	34 270	22 634	22 267	22 267	22 267	23 544	25 101	26 446

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

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

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

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

From the table it can be seen that for the period 2010/11 to 2014/15 the surplus decreased from R28 million to R22 million.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/15 MTREF was funded owing to the surplus.

As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 22 MBRR Table A9 - Asset Management

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	20 670	15 190	8 386	39 052	15 252	15 252	30 448	13 969	41 305
Infrastructure - Road transport	3 430	1 738	4 186	2 670	2 370	2 370	13 808	2 000	-
Infrastructure - Electricity	981	-	-	-	-	-	-	-	-
Infrastructure - Water	4 380	3 585	-	21 058	1 058	1 058	16 640	-	29 000
Infrastructure - Sanitation	-	6 000	4 200	-	-	-	-	-	-
Infrastructure - Other	-	730	-	-	-	-	-	-	-
Infrastructure	8 790	12 053	8 386	23 728	3 428	3 428	30 448	2 000	29 000
Community	816	1 000	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	11 063	2 137	-	15 324	11 824	11 824	-	11 969	12 305
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	-	3 327	5 337	4 987	5 581	5 581	10 941	4 402	6 599
Infrastructure - Road transport	-	1 490	761	820	820	820	500	550	600
Infrastructure - Electricity	-	-	412	505	505	505	250	300	350
Infrastructure - Water	-	-	17	18	18	18	470	122	1 351
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	652	55	357	357	30	45	335
Infrastructure	-	1 490	1 842	1 398	1 700	1 700	1 250	1 018	2 636
Community	-	-	1 231	828	828	828	396	479	577
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	1 837	2 201	2 760	3 053	3 053	9 295	2 906	3 386
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	62	-	-	-	-	-	-
Total Capital Expenditure									
Infrastructure - Road transport	3 430	3 228	4 947	3 490	3 190	3 190	14 308	2 550	600
Infrastructure - Electricity	981	-	412	505	505	505	250	300	350
Infrastructure - Water	4 380	3 585	17	21 076	1 076	1 076	17 110	122	30 351
Infrastructure - Sanitation	-	6 000	4 200	-	-	-	-	-	-
Infrastructure - Other	-	730	652	55	357	357	30	45	335
Infrastructure	8 790	13 543	10 228	25 126	5 128	5 128	31 698	3 018	31 636
Community	816	1 000	1 231	828	828	828	396	479	577
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	11 063	3 974	2 201	18 084	14 877	14 877	9 295	14 875	15 691
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	62	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	20 670	18 517	13 722	44 039	20 833	20 833	41 389	18 371	47 904
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	474 979	480 979	492 059	315 765	300 765	300 765	325 791	332 890	320 848

<i>Infrastructure - Electricity</i>	61 762	64 762	51 035	55 118	55 118	55 118	68 752	68 668	64 461
<i>Infrastructure - Water</i>	110 077	112 077	97 954	105 790	100 790	100 790	121 745	112 770	113 876
<i>Infrastructure - Sanitation</i>	112 385	129 804	112 359	121 348	118 142	118 142	127 460	120 726	120 936
<i>Infrastructure - Other</i>	58 228	64 967	1 893	2 045	2 045	2 045	3 861	1 720	1 765
Infrastructure	817 431	852 588	755 300	600 065	576 860	576 860	647 609	636 775	621 885
Community	207 276	114 057	155 551	224 026	224 026	224 026	222 971	221 892	220 790
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	3 441	3 100	5 004	4 272	4 272	4 272	4 272	4 272	4 272
Other assets	50 413	59 535	60 410	64 901	64 901	64 901	71 752	83 959	96 431
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	1 611	1 062	538	1 166	1 166	1 166	1 283	1 400	1 463
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 080 172	1 030 342	976 803	894 431	871 226	871 226	947 887	948 298	944 841
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	66 837	68 668	68 925	8 479	8 469	8 469	8 530	9 204	9 984
<u>Repairs and Maintenance by Asset Class</u>	9 714	8 679	12 080	12 040	12 002	12 002	12 677	13 120	13 427
<i>Infrastructure - Road transport</i>	776	502	1 368	1 509	1 509	1 509	1 592	1 646	1 684
<i>Infrastructure - Electricity</i>	116	50	1 495	1 726	1 726	1 726	1 821	1 883	1 926
<i>Infrastructure - Water</i>	841	404	749	819	819	819	864	893	931
<i>Infrastructure - Sanitation</i>	905	432	712	779	779	779	822	850	869
<i>Infrastructure - Other</i>	711	351	711	777	777	777	819	847	867
Infrastructure	3 350	1 739	5 036	5 610	5 610	5 610	5 918	6 119	6 277
Community	970	452	1 626	1 777	1 777	1 777	1 875	1 939	1 984
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	158	172	172	172	182	188	192
Other assets	5 394	6 489	5 261	4 481	4 443	4 443	4 702	4 874	4 973
TOTAL EXPENDITURE OTHER ITEMS	76 551	77 347	81 006	20 519	20 471	20 471	21 207	22 324	23 411
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	18.0%	38.9%	11.3%	26.8%	26.8%	26.4%	24.0%	13.8%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	4.8%	7.7%	58.8%	65.9%	65.9%	128.3%	47.8%	66.1%
<i>R&M as a % of PPE</i>	0.9%	0.8%	1.2%	1.4%	1.4%	1.4%	1.3%	1.4%	1.4%
<i>Renewal and R&M as a % of PPE</i>	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.

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

Table 23 MBRR Table A10 - Basic Service Delivery Measurement

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Household service targets</u>									
<u>Water:</u>									
Piped water inside dwelling	7 850	8 046	8 288	8 738	8 738	8 738	9 175	9 679	10 115
Piped water inside yard (but not in dwelling)	–	–	–	450	450	450	473	498	521
Using public tap (at least min.service level)	20	21	21	471	471	471	495	522	545
Other water supply (at least min.service level)	–	–	–	450	450	450	473	498	521
<i>Minimum Service Level and Above sub-total</i>	7 870	8 067	8 309	10 109	10 109	10 109	10 614	11 198	11 702
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
No water supply	12	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	12	–	–	–	–	–	–	–	–
Total number of households	7 882	8 067	8 309	10 109	10 109	10 109	10 614	11 198	11 702
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	6 477	6 639	6 838	7 288	7 288	7 288	7 652	8 073	8 437
Flush toilet (with septic tank)	1 115	1 143	1 177	1 627	1 627	1 627	1 709	1 802	1 884
Chemical toilet	230	236	243	693	693	693	727	767	802
Pit toilet (ventilated)	–	–	–	450	450	450	473	498	521
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	7 822	8 018	8 258	10 058	10 058	10 058	10 561	11 142	11 643
Bucket toilet	60	62	63	513	513	513	539	569	594
Other toilet provisions (< min.service level)	–	–	–	450	450	450	9 175	9 679	10 115
No toilet provisions	–	–	–	–	–	–	9 175	9 679	10 115
<i>Below Minimum Service Level sub-total</i>	60	62	63	963	963	963	18 888	19 927	20 824
Total number of households	7 882	8 079	8 321	11 021	11 021	11 021	29 449	31 069	32 467
<u>Energy:</u>									
Electricity (at least min.service level)	3 143	3 222	3 318	3 768	3 768	3 768	3 957	4 174	4 362
Electricity - prepaid (min.service level)	4 729	4 847	4 993	5 443	5 443	5 443	5 715	6 029	6 300
<i>Minimum Service Level and Above sub-total</i>	7 872	8 069	8 311	9 211	9 211	9 211	9 671	10 203	10 662
Electricity (< min.service level)	10	10	11	461	461	461	484	510	533
Electricity - prepaid (< min. service level)	–	–	–	450	450	450	473	498	521
Other energy sources	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	10	10	11	911	911	911	956	1 009	1 054
Total number of households	7 882	8 079	8 321	10 121	10 121	10 121	10 627	11 212	11 717
<u>Refuse:</u>									
Removed at least once a week	7 882	8 079	8 321	10 121	10 121	10 121	10 627	11 212	11 716
<i>Minimum Service Level and Above sub-total</i>	7 882	8 079	8 321	10 121	10 121	10 121	10 627	11 212	11 716
Removed less frequently than once a week	–	–	–	–	–	–	–	–	–
Using communal refuse dump	–	–	–	–	–	–	–	–	–
Using own refuse dump	–	–	–	–	–	–	–	–	–
Other rubbish disposal	–	–	–	–	–	–	–	–	–
No rubbish disposal	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–	–	–	–	–	–
Total number of households	7 882	8 079	8 321	10 121	10 121	10 121	10 627	11 212	11 716
<u>Households receiving Free Basic Service</u>									

Water (6 kilolitres per household per month)	7 882	8 079	8 321	8 771	8 771	8 771	9 210	9 716	10 153
Sanitation (free minimum level service)	2 300	2 475	3 000	3 300	3 300	3 300	3 465	3 656	3 820
Electricity/other energy (50kwh per household per month)	2 300	2 475	3 000	3 300	3 300	3 300	3 465	3 656	3 820
Refuse (removed at least once a week)	2 300	2 475	3 000	3 300	3 300	3 300	3 465	3 656	3 820
<u>Cost of Free Basic Services provided (R'000)</u>									
Water (6 kilolitres per household per month)	4 118	4 483	4 894	5 469	5 469	5 469	5 742	6 058	6 331
Sanitation (free sanitation service)	2 912	3 159	4 275	4 985	4 985	4 985	5 234	5 522	5 770
Electricity/other energy (50kwh per household per month)	731	860	1 158	1 344	1 344	1 344	1 411	1 489	1 556
Refuse (removed once a week)	1 816	1 970	2 666	3 108	3 108	3 108	3 264	3 443	3 598
Total cost of FBS provided (minimum social package)	9 577	10 472	12 993	14 906	14 906	14 906	15 651	16 512	17 255
<u>Highest level of free service provided</u>									
Property rates (R value threshold)	18 000	18 000	18 000	18 000	18 000	18 000	18 900	19 940	20 837
Water (kilolitres per household per month)	6	6	6	6	6	6	6	7	7
Sanitation (kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (Rand per household per month)	105		119	126	126	126	132	139	146
Electricity (kwh per household per month)	50	50	50	50	50	50	53	55	58
Refuse (average litres per week)	66	70	74	78	78	78	82	87	91
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R15 000 threshold rebate)									
Property rates (other exemptions, reductions and rebates)									
Water	4 118	4 483	4 894	5 469	5 469	5 469	5 742	6 058	6 331
Sanitation	2 912	3 159	4 275	4 985	4 985	4 985	5 234	5 522	5 770
Electricity/other energy	731	860	1 158	1 344	1 344	1 344	1 411	1 489	1 556
Refuse	1 816	1 970	2 666	3 108	3 108	3 108	3 264	3 443	3 598
Municipal Housing - rental rebates	–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total revenue cost of free services provided (total social package)	9 577	10 472	12 993	14 906	14 906	14 906	15 651	16 512	17 255

Part 2 – Supporting Documentation

Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor, who is also the chairperson of the Finance Committee.

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

that the process followed to compile the budget complies with legislation and good budget practices;

that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;

that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and

that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in September 2013. Key dates applicable to the process were:

August 2013 – Strategic planning session of all the Councillors and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/15 MTREF;

November 2013 – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

January 2014 - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;

25 January 2014 - Council considers the 2013/14 Mid-year Review and Adjustments Budget;

January 2014 – Multi-year budget proposals are submitted to the Executive Committee for endorsement;

February 2014 - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments.

The draft 2014/15 MTREF is revised accordingly;

28 March 2014 - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;

April 2014 – Public consultation;

6 May 2014 - Closing date for written comments;

6 to 21 May 2014 – Draftisation of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and

30 May 2014 - Tabling of the 2013/14 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council due to commitments that arose on the planned activities.

IDP and Service Delivery and Budget Implementation Plan

The IDP as adopted by Council on 30 May 2014. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

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

Registration of community needs;

Compilation of departmental business plans including key performance indicators and targets;

Financial planning and budgeting process;

Public participation process;

Compilation of the SDBIP, and

The review of the performance management and monitoring processes.

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

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

Municipality's growth potential
Policy priorities and strategic objectives
Asset maintenance
Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
Performance trends
The approved 2013/14 adjustments budget and performance against the SDBIP
Cash Flow Management Strategy
Debtor payment levels
Loan and investment possibilities
The need for tariff increases versus the ability of the community to pay for services;
Improved and sustainable service delivery
Solar Energy project potentials

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

Community Consultation

The draft 2014/15 MTREF as tabled before Council on 31 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

Council held Budget Input meetings at venues in all wards of Emthanjeni municipality. Knock and drops were distributed at all households to inform the communities about the meetings. Advertisements of the notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

Ward Committees were utilised to facilitate the community consultation process from 01 to 15 March 2014, and included eight public briefing sessions with communities, and other stakeholders. The applicable dates and venues were published in all the local newspapers and were attended by the members of the community. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the Drafting of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

Significant changes effected in the Draft 2014/15 MTREF compared to the draft 2013/14 MTREF that was tabled for community consultation, include:

The Draft Eskom bulk tariff increase, applicable to municipalities from 1 July 2014, was factored into the proposed consumer tariffs, applicable from 1 July 2014. This resulted in an increase of 7.39 per cent;

The SALGBC parties' settlement regarding the salary negotiations have been Draftised for in the 2014/15 financial year;

The 2014 Division of Revenue Act (DORA) grant allocations were Draftized and aligned to the gazetted allocations; and

Funding was allocated to address metering discrepancies and unmetered premises.

Overview of alignment of annual budget with IDP

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

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

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

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

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

Green Paper on National Strategic Planning of 2009;

Government Programme of Action;

Development Facilitation Act of 1995;

Provincial Growth and Development Strategy (GGDS);

National and Provincial spatial development perspectives;

Relevant sector plans such as transportation, legislation and policy;
National Key Performance Indicators (NKPis);
Accelerated and Shared Growth Initiative (ASGISA);
National 2014 Vision;
National Spatial Development Perspective (NSDP) and
The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 24 IDP Strategic Objectives

	2013/14 Financial Year	2014/15 MTREF
1.	Ensure that all residents have access to sustainable free basic services and all other services rendered	Provision of access to all basic services rendered to residents within the available resources.
2.	Development and transformation of the institution with the aim of capacitating the municipality in meeting the Objectives	Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives.
3.	Promote sustainable and representative governance through the efficient, effective	Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area.
4.	Promote sustainable and representative governance through the efficient, effective and sustainable utilization of resources in consultation with the residents of Emthanjeni Municipality.	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality.
5.	Create an effective, efficient, sustainable and viable municipality through financial management	Maintaining a financially sustainable and viable Municipality.
6.	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.	Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor.
7.	Contribute to the development of caring communities which promote and protect the right and needs of all citizens, with a particular focus on the poor.	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.
	Ensure a healthy environment for all residents of Emthanjeni through effective environmental	

8.	management.	
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In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

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

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

Provide electricity;
 Provide water;
 Provide sanitation;
 Provide waste removal;
 Provide housing;
 Provide roads and storm water;
 Provide public transport;
 Provide Municipality planning services; and
 Maintaining the infrastructure of the Municipality.

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

Ensuring there is a clear structural plan for the Municipality;
 Ensuring planning processes function in accordance with set timeframes;
 Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

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

Effective implementation of the Indigent Policy;
 Working with the provincial department of health to provide primary health care services;
 Extending waste removal services and ensuring effective Municipality cleansing;
 Ensuring all waste water treatment works are operating optimally;
 Working with strategic partners such as SAPS to address crime;
 Ensuring safe working environments by effective enforcement of building and health regulations;
 Promote viable, sustainable communities through proper zoning; and
 Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

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

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

5.1 Promote sound governance through:

Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

Reviewing the use of contracted services

Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

Review of the organizational structure to optimize the use of personnel;

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

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

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

Developing dormant areas;

Enforcing hard development lines – so as to direct private investment;

Maintaining existing urban areas;

Strengthening key economic clusters;

Building social cohesion;

Strong developmental initiatives in relation to the municipal institution as a whole;

and

Sound financial fundamentals.

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

Strengthening the analysis and strategic planning processes of the Municipality;

Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;

Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and

Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjani municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)			329	345	360	389	339	339	362	370	415	
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjani municipality	To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance			1 723	3 890	2 449	2 915	2 541	2 541	2 939	2 774	3 112	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			277	303	1 142	1 045	911	911	1 053	994	1 115	
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water, sanitation and refuse management and maintain existing infrastructure			46 929	43 743	51 155	80 319	70 014	70 014	86 604	81 745	91 686	
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure			2 160	619	668	698	609	609	704	664	745	
Provision of access to all basic services rendered to residents within available resources	To provide a quality electricity supply, manage demand and maintain existing infrastructure			54 965	58 731	56 083	70 289	61 271	61 271	70 854	66 886	75 020	
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjani Municipality			368	505	338	376	328	328	379	358	401	
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjani Municipality			7 503	14 480	15 868	15 739	13 720	13 720	15 865	14 977	16 798	
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable properties within Emthanjani Municipality			2 114	9 038	13 305	16 990	14 811	14 811	17 127	16 168	18 134	
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair, equitable, transparent, competitive and cost effective			4 700	5 100	4 700	4 500	3 923	3 923	4 536	4 282	4 803	
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA			1 200	1 321	1 500	1 550	1 351	1 351	1 562	1 475	1 654	
Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives	To maintain a capacitated municipality, achieve Employment Equity targets, develop human resources and comply to required legislation			-	-	-	-	-	-	-	-	-	
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices			12 791	31	40	41	35	35	41	39	43	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			1 442	1 444	2 233	2 193	1 912	1 912	2 211	2 087	5 894	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities			2 272	323	105	611	533	533	616	582	652	
Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	To improve and facilitate rural development in the municipal area			4 213	3 283	10 319	17 206	14 998	14 998	17 344	16 373	18 364	
Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	To provide traffic services in terms of the legislation, awareness and training to the community, law enforcement, road safety participation and fire protection services within the municipal area			9 177	6 495	7 354	7 892	6 877	6 877	7 952	7 507	8 420	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	152 164	149 654	167 600	222 753	194 172	194 172	230 189	217 281	247 256

Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Promote representative governance through the sustainable utilisation of	To continuously review the accountable and transparent			2 200	1 056	2 614	3 074	3 036	3 036	3 295	3 402	3 539	
Promote representative governance through the sustainable utilisation of	To be an executive council by leading and consulting our community and do on-going			8 800	6 424	7 816	9 431	9 314	9 314	10 108	10 437	10 856	
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce			4 562	4 723	2 031	4 302	4 249	4 249	4 611	4 761	4 952	
Provision of access to all basic services rendered to residents within available	To provide all communities quality water, sanitation and refuse manage demand and			22 863	52 932	80 951	35 735	35 292	35 292	38 299	39 548	41 134	
Provision of access to all basic services rendered to residents within available	To upgrade and maintain road infrastructure			70 515	9 493	10 878	13 498	13 331	13 331	14 466	14 938	15 537	
Provision of access to all basic services rendered to residents within available	To provide a quality electricity supply, manage demand and maintain existing infrastructure			31 194	54 164	53 725	58 448	57 723	57 723	62 641	64 684	67 277	
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality			2 352	3 348	1 678	1 766	1 744	1 744	1 892	1 954	2 032	
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within			7 157	8 965	9 330	7 996	7 897	7 897	8 569	8 849	9 204	
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable			1 748	1 911	4 213	4 194	4 142	4 142	4 495	4 642	4 828	
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair equitable, transparent,			418	424	655	698	689	689	748	772	803	
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA			1 483	1 502	1 916	2 041	2 016	2 016	2 188	2 259	2 350	
Development and transformation of the institution with the aim of capacitating the	To maintain a capacitated municipality, achieve Employment Equity targets,			5 878	5 405	8 585	9 799	9 677	9 677	10 502	10 844	11 279	
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices			2 297	2 600	3 686	3 292	3 252	3 252	3 529	3 644	3 790	
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce			4 796	4 845	7 660	7 964	7 865	7 865	8 535	8 814	9 167	
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create			7 822	36 379	5 737	6 003	5 929	5 929	6 434	6 644	6 910	
Contribute to the development and protection of the rights and needs of all residents with a	To improve and facilitate rural development in the municipal area			4 313	5 195	6 220	8 407	8 303	8 303	9 010	9 304	9 677	
Contribute to the creation of communities where residents and visitors can work, live	To provide traffic services in terms of the legislation, awareness and training to the			9 828	6 532	8 673	9 359	9 236	9 236	11 489	12 087	12 918	
Allocations to other priorities													
Total Expenditure				1	188 225	205 896	216 367	186 009	183 695	183 695	200 812	207 581	216 252

Table 28 MBRR Table SA6 - NC073 Emthanjeni - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
R thousand													
Provision of access to all basic services rendered to residents within available	To provide all communities quality water manage demand and maintain existing	A		3 142	10 666	5 195	21 076	9 970	9 970	14 988	22	18 271	
Provision of access to all basic services rendered to residents within available	To upgrade and maintain road infrastructure	B		2 180	3 382	2 480	18 863	8 923	8 923	23 485	16 322	26 360	
Provision of access to all basic services rendered to residents within available	To provide all communities quality sanitation manage demand and maintain existing	C		11 287	283	3 160	55	26	26	39	27	44	
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality	D		629	1 561	266	489	232	232	348	242	391	
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within	E		850	990	1 010	990	468	468	704	489	790	
Contribute to the creation of communities where residents and visitors can work, live	To provide traffic services in terms of the legislation, awareness and training to the	F		82	876	420	510	241	241	363	252	407	
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices	G		270	80	347	479	227	227	341	237	383	
Provision of access to all basic services rendered to residents within available	To provide all communities sustainable electricity and to manage electricty increased	H		1 527	364	412	505	239	239	359	250	403	
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create	I		307	245	412	1 049	496	496	746	519	838	
Promote representative governance through the sustainable utilisation of	To continuously review the accountable and transparent	J		395	68	20	21	11	11	16	11	18	
		K											
		L											
		M											
		N											
		O											
		P											
Allocations to other priorities				3									
Total Capital Expenditure				1	20 670	18 517	13 722	44 039	20 833	20 833	41 389	18 371	47 904

Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 - Executive and Council										
Function 1 - Governance										
Sub-function 1 - Office of the Municipal Manager										
To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance	No of performance reports submitted to the council	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)	% completed	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sub-function 2 - Council										
Develop Risk based audit plan and submit to the audit committee for approval by end June	RBAP submitted to the audit committee	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Submit quarterly performance reports of the SDBIP to the council	No of performance reports submitted to the council	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Sub-function 3 - Internal audit Section										
Submit quarterly performance reports of the SDBIP to the council	No of performance reports submitted to the council	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Implement public education campaigns on municipal services and natural resources	No of education campaigns implemented	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Function 2 - Local Economic Development										
Sub-function 1 - Economic Development										
Arrange meetings with possible investors for the municipal area	No meetings	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Awareness programmes through exhibitions	Number of campaigns	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 2 - Office of the Mayor										
Compile a rural development strategy	Strategy approved	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Establish commonage committee	Committee established	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 3 - Public										

Sub-function 1 - Directorate Infrastructure Services										
Provide consideration (decisions) on building plans applications within 30 days for buildings less than 1000m2 and 60 days for buildings larger than 1000m2 after receipt of payment (Actual applications considered/actual applications received)	% building plans evaluated within the required time frames	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Implement the De Aar and Hanover housing project	Number of sites serviced	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sub-function 2 - Water										
Implementation of the WCWDM project funded by DWA	% of approved project budget spent	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Spent the approved maintenance budget for water assets	% of approved maintenance budget for water spent	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Sub-function 3 - Water and Waste Water Management										
Planning of new boreholes for De Aar	DWA approval and agreements with farmers	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Water quality as per blue drop	% water quality level	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Function 2 - Waste Water Management										
Sub-function 1 - Waste Water Management										
Submit business plan to council by end June for bulk sewerage infrastructure to upgrade UDS sanitation system to full waterborne in Britstown	Business plan submitted to council by end June	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Spent the approved maintenance budget for sanitation assets	% of approved maintenance budget for sanitation spent	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 2 - Road Transport										
Construct new tar roads	No of kilometers constructed	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Spent the approved maintenance budget for roads and storm water	% of approved maintenance budget for roads and storm water spent	3.0%	2\3%	2\3%	2\3%	2\3%	2\3%	2\3%	2\3%	2\3%
Sub-function 3 - Infrastructural Services										
Compile and submit business plan to MIG by end June for the project approval for the application of permits for Britstown and Hanover Landfill sites	Business plan submitted to MIG by end June	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Electricity Master plan	Completed plan	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
And so on for the rest of the Votes										

Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

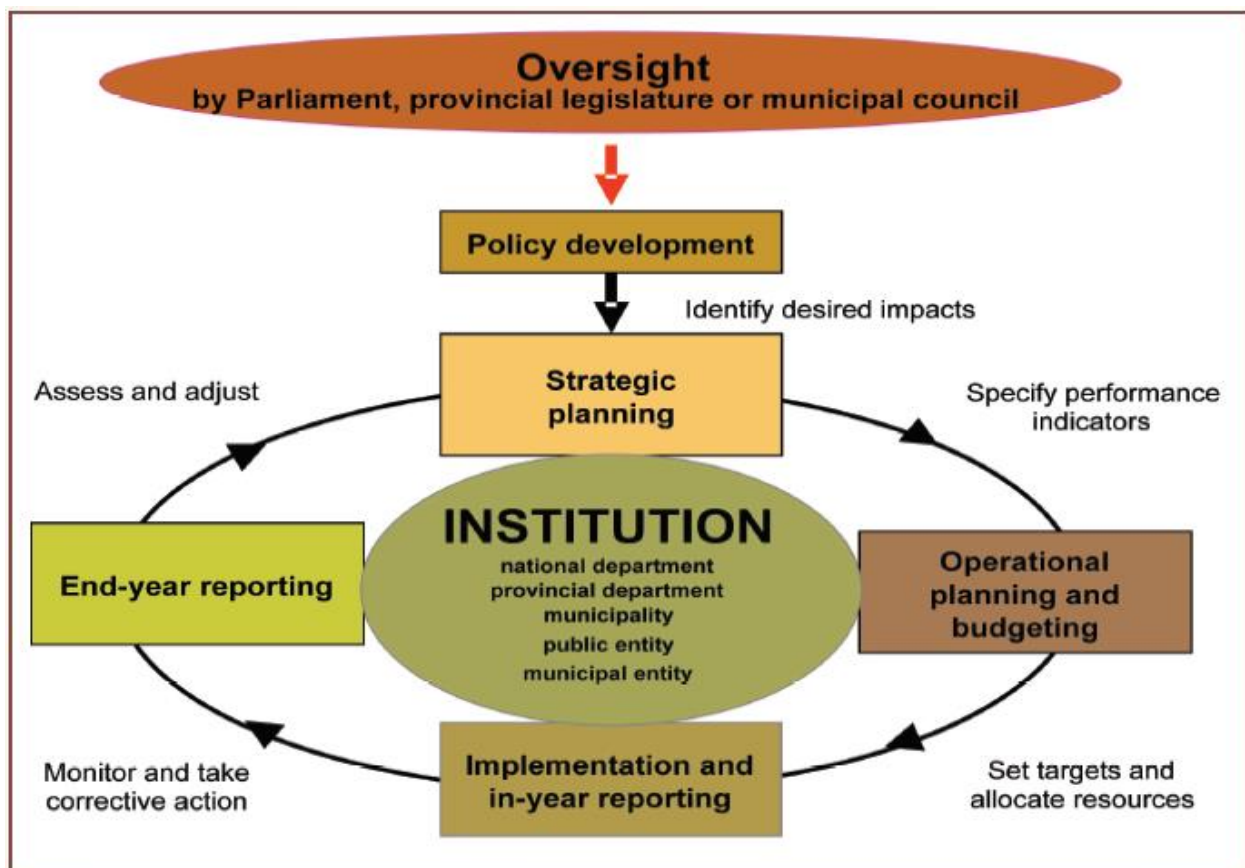


Figure 2 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

Planning (setting goals, objectives, targets and benchmarks);
Monitoring (regular monitoring and checking on the progress against plan);

Measurement (indicators of success);
 Review (identifying areas requiring change and improvement);
 Reporting (what information, to whom, from whom, how often and for what Purpose); and
 Improvement (making changes where necessary).

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



Figure 3 Definition of performance information concepts

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

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 27 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Borrowing Management</u>											
Credit Rating		B	B	B	B	B	B	B			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.1%	1.6%	1.5%	1.9%	1.9%	1.9%	1.9%	2.5%	2.5%	2.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.9%	3.2%	2.9%	2.4%	2.5%	2.5%	2.5%	3.3%	3.2%	3.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	96.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	49.4%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	6.3%	0.0%	0.0%	3.9%	3.9%	3.9%	3.9%	4.1%	3.9%	3.6%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	4.6	3.1	3.2	4.5	4.4	4.4	4.4	4.5	4.6	4.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	4.6	3.1	3.2	4.5	4.4	4.4	4.4	4.5	4.6	4.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.7	0.4	0.4	0.8	0.6	0.6	0.6	0.8	0.9	0.9
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		52.3%	52.8%	82.8%	86.3%	99.4%	99.4%	99.4%	95.4%	95.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		52.3%	52.7%	52.8%	86.3%	99.4%	99.4%	99.4%	95.4%	95.4%	95.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	33.6%	33.0%	36.3%	11.1%	11.4%	11.4%	11.4%	9.4%	9.0%	9.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	93.0%	99.0%	99.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		181.4%	136.4%	101.6%	62.7%	-225.3%	101.7%	-225.3%	284.3%	76.3%	72.1%
<u>Other Indicators</u>											
Electricity Distribution Losses (Z)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (Z)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	36.0%	32.6%	36.1%	32.0%	33.7%	33.7%	33.7%	31.6%	30.3%	30.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	38.2%	36.0%	36.5%	34.1%	34.9%	34.9%		33.8%	33.9%	35.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.8%	6.2%	7.7%	6.5%	6.6%	6.6%		6.5%	6.4%	6.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	47.3%	49.9%	44.8%	5.0%	5.2%	5.2%	5.2%	5.3%	5.3%	5.7%
<u>DP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	42.0	27.3	33.8	42.8	42.8	42.8	31.8	34.4	35.6	37.2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	60.9%	51.0%	57.8%	17.3%	18.1%	18.1%	18.1%	14.7%	14.3%	14.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.6	0.9	1.1	0.8	(0.2)	0.5	(0.2)	0.2	0.7	0.7

Performance indicators and benchmarks

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Emthanjeni's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 2.8 per cent to 2.5 per cent in 2016/17, it needs to be noted that the decrease capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capital Municipality in isolation of other ratios and measures.

Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 2.5 per cent in 2014/15 to 2.4 per cent in 2016/17. This increase can be attributed to the raising of loans to fund portions of the capital programme during the 2014/15 financial year. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2014 and 2017. Debt service costs are expected to peak in 2016 due to the redemption of the last few term loans held by the Municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Safety of Capital

The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2014/15 financial year the ratio deteriorated to a level 4.1 per cent.

The gearing ratio is a measure of the total long term borrowings over funds and reserves. Between 2010/11 and 2016/17 the gearing ratio peaked at 3.1 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio remain constant in the 2014/15 financial year, the medium term strategy is to steadily increase the gearing ratio to a level that does not exceed 5 per cent as a prudential limit, hence, over the 2014/15 MTREF the ratio increases 3.6 per cent by 2016/17.

Liquidity

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2014/15 MTREF the current ratio is 1.4 in the 2013/14 financial year and 1.4 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 0.6 and as part of the financial planning strategy it has been increased to 0.8 in the 2014/15 financial year. This is expected to reach optimal level by 2016/17. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. A Debt Collection firm has been appointed to recover arrear monies from consumers.

Creditors Management

The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has

had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

Other Indicators

The electricity distribution losses has increased from 14.36 per cent in the 2011/12 financial year to 14.84 per cent in 2012/13. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters, and the hiring of a meter readers that prevent increasing illegal connections.

The water distribution losses have been significantly reduced from 13.26 per cent in 2011/12 to 10.5 per cent in 2012/13. This has been achieved with the introduction of a water leakage report and action centre. Various awareness programmes are unfolding to reduce these losses and also to repair these leakages.

Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

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

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2013/14 financial year 3 000 registered indigents have been provided for in the budget with this figured increasing to 3 300 by 2014/15. In terms of the Municipality's indigent policy registered households are entitled to 8kℓ free water, 50 kwh of electricity, sanitation and free waste removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider.

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

Emthanjeni Municipality is striving to obtain full Blue Drop status in 2014/15, indicating that the Municipality's drinking water is of exceptional quality.

The following is briefly the main challenges facing the Municipality in this regard:

The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;

Shortage of skilled personnel makes proper operations and maintenance difficult;

Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

Overview of budget related-policies

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

Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in May 2013 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

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

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 96 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

Budget Adjustment Policy

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

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy has been adopted by Council.

Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2009 and was amended during May 2013 in respect of both Operating and Capital Budget Fund Transfers.

Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2013. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

Tariff Policies

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

Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2014/15 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

Approved 2013/14 Adjustments Budget;
Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
Loan and investment possibilities;

Performance trends;
Tariff Increases;
The ability of the community to pay for services (affordability);
Policy priorities;
Improved and sustainable service delivery; and
Debtor payment levels.

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

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

Overview of budget assumptions

External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2014 will be 2.3 per cent rising to 2.9 per cent by 2015.

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

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

National Government macro economic targets;

The general inflationary outlook and the impact on Municipality's residents and businesses;
 The impact of municipal cost drivers;
 The increase in prices for bulk electricity and water; and
 The increase in the cost of remuneration. Employee related costs comprise 30.65 per cent of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
 The Draftisation of the categorisation and job evaluation wage curves collective agreement is not yet concluded within our municipality.

Credit rating outlook

Table 28 Credit rating outlook

Security class	Currency	Rating	Annual rating 2012/13	Previous Rating
Short term	Rand	Prime	20 April 2012	Prime
Long-term	Rand	B	20 April 2012	B
Outlook	Rand	Negative	20 April 2012	Negative

The rating definitions are:

Short term : Prime – 1

Short-Term Debt Ratings (maturities of less than one year)

Prime-1 (highest quality)

Long-term : Aa3

Defined as high-grade. "B" rated are judged to be of high quality and are subject to very low credit risk.

Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (96 per cent) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

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

Salary increases

The collective agreement regarding salaries/wages is still not drafted which must come into operation on 1 July 2013. A provision for an increase of 6 per cent was budgeted for during the 2014/15 financial year.

Impact of national, provincial and local policies

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

Creating jobs;
Enhancing education and skill development;

Improving Health services;
Rural development and agriculture; and
Fighting crime and corruption.

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

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

Overview of budget funding

Medium-term outlook: operating revenue

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

Table 29 Breakdown of the operating revenue over the medium-term

Description	2014/15Medium Term Revenue & Expenditure Framework					
	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Financial Performance						
Property rates	23,785		24,617		24,669	
Service charges	100,359		102,675		107,696	
Investment revenue	1043		1099		1144	
Transfers recognised - operational	40,626		44,583		37 855	
Other own revenue	18,995		20,071		23 265	
Total Revenue (excluding capital transfers and contributions)	194 932	205 312	205 312	205 951	205 951	100%
Surplus/(Deficit)	(1,137)		(3,461)		(6,366)	
	(5 880)	(2 270)	(2 270)	(10 302)	(10 302)	
Transfers recognised - capital						
	35 248	11 969	11 969	41 305	41 305	
Surplus/(Deficit) for the year						

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.

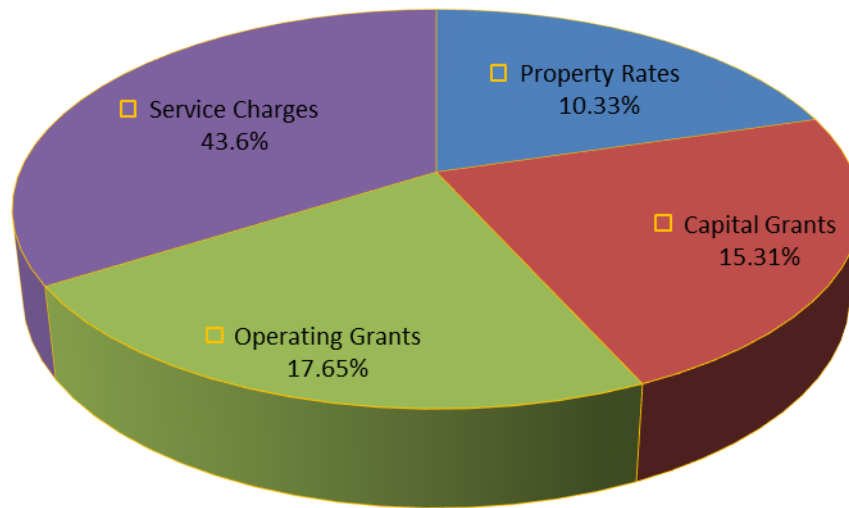


Figure 4 Breakdown of operating revenue over the 2013/14 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 96 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 30 Proposed tariff increases over the medium-term

Revenue category	2014/15 proposed tariff increase	2015/16 proposed tariff increase	2016/17 proposed tariff increase
	%	%	%
Property rates	5.5	5.5	5.5
Sanitation	6	6	6
Solid Waste	6	6	6
Water	5	5	5
Electricity	7.39	7.39	7.39

Revenue to be generated from property rates is R23, 785 million in the 2014/15 financial year and increases to R24, 669 million by 2016/17 which represents 3.6 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Operational grants and subsidies amount to R40,626 million, R44, 583 million and R37, 855 million for each of the respective financial years of the MTREF, or 17.65, 20.6 and 15.3 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are changing over the MTREF first decreasing by 2.1 per cent then increasing by 1.4 per cent for the two outer years.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1043 000, R1099 000 and R1144 000 for the respective three financial years of the 2014/15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 31 MBRR SA15 – Detail Investment Information

Investment type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		8 876	11	14	10 716	7 654	7 654	11 788	12 861	13 401
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	8 876	11	14	10 716	7 654	7 654	11 788	12 861	13 401
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		8 876	11	14	10 716	7 654	7 654	11 788	12 861	13 401

Table 32 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
<u>Parent municipality</u>														
General Investment		Yes	Fixed Deposit	Yes	Yes	7.50%	0	0	30/06/2014	11 788	800			12 588
														-
														-
														-
														-
														-
Municipality sub-total										11 788		-	-	12 588
<u>Entities</u>														
														-
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									11 788		-	-	12 588

Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 33 Sources of capital revenue over the MTREF

Vote Description R thousand	2013/14		2014/15Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +1 2016/17	%
Funded by:								
National Government	12 882	61.83	29 248	70.66	11 969	65.15	41 305	86.22
Provincial Government	–		–		–		–	–
District Municipality	–		–		–		–	–
Other transfers and grants	–		–		–		–	–
	12 882		29 248		11 969		41 305	
Transfers recognised - capital		61.83		70.66		65.15		86.22
	–		–		–		–	
Public contributions & donations	–	–	6 000	–	–	–	–	–
	–				–		–	
Borrowing	7 951	–	6 141	14.50	6 402	–	6 599	–
Internally generated funds		38.17		14.84		34.85		13.78
Total Capital Funding	20 833	100%	41 389	100%	18 371	100%	47 904	100%

Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts equates to 70.66 per cent of the total funding source which represents R29, 248 million for the 2014/15 financial year and decreases to R11, 969 million or 65.15 per cent by 2015/16 then for 2016/17 it increases to R41, 305 million or 86.22 per cent.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R6, 141 million in 2014/15, R6, 402 in

2015/16 and R6, 599 million in 2016/17. The percentage funding remains constant over the MTEF period. This reflects the commitment of the municipality to invest in renewal of their existing assets.

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

Table 34 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality										
Long-Term Loans (annuity/reducing balance)		13 100	33 641	34 847	10 543	10 543	10 543	11 176	10 477	9 729
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	13 100	33 641	34 847	10 543	10 543	10 543	11 176	10 477	9 729
Entities										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Borrowing	1	13 100	33 641	34 847	10 543	10 543	10 543	11 176	10 477	9 729

Table 35 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Transfers and Grants									
Provincial Government:	9 730	–	16 141	36 382	16 382	16 382	29 212	11 969	41 305
Provincial Infrastructure Grant	9 570		16 141	15 324	15 324	15 324	12 608	11 969	12 305
Provincial Bulk Infrastructure	160		–	20 000	–	–	16 604	–	29 000
Provincial Conservation Demand				1 058	1 058	1 058			
Provincial Government:	–	–	–	–	–	–	–	–	–
Provincial capital transfers/grants									
Provincial Municipality:	–	–	–	–	–	–	–	–	–
Provincial Municipality:									
Provincial grant providers:	978	–	–	–	–	–	–	–	–
Provincial grant providers:	978								
Total Capital Transfers and Grants	10 708	–	16 141	36 382	16 382	16 382	29 212	11 969	41 305

Cash Flow Management

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

Clear separation of receipts and payments within each cash flow category;

Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and

Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 36 MBRR Table A7 - Budget cash flow statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other	1	57 408	97 517	91 928	125 172	139 107	139 107	139 107	146 097	152 192	159 311
Government - operating		33 056	33 847	38 494	40 556	40 495	40 495	40 495	40 626	44 583	37 855
Government - capital	1	8 421	19 669	17 054	36 382	12 882	12 882	12 882	35 248	11 969	41 305
Interest		1 922	585	1 595	793	869	869	869	1 047	1 099	1 135
Dividends		1	-	-	1	-	-	-	-	-	-
Payments											
Suppliers and employees		(91 558)	(124 240)	(130 333)	(128 441)	(148 401)	(148 401)	(148 401)	(165 077)	(166 468)	(172 466)
Finance charges		(755)	(1 284)	(1 041)	(933)	(1 030)	(1 030)	(1 030)	(1 715)	(1 734)	(1 804)
Transfers and Grants	1	(568)	(788)	(305)	(13 573)	(14 930)	(14 930)	(14 930)	(13 669)	(13 990)	(13 666)
NET CASH FROM/(USED) OPERATING ACTIVITIES		7 928	25 306	17 392	59 957	28 991	28 991	28 991	42 556	27 651	51 670
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		160	47	-	12	80	80	80	120	142	149
Decrease (Increase) in non-current debtors		-	44	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		13	42	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments			(7)	79	-	-	-	-			
Payments											
Capital assets		(20 670)	(19 297)	(13 767)	(39 634)	(20 818)	(20 818)	(20 818)	(40 589)	(18 371)	(47 904)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(20 497)	(19 171)	(13 688)	(39 622)	(20 738)	(20 738)	(20 738)	(40 469)	(18 229)	(47 754)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		9 000	-	-	-	-	-	-	6 000	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	43	111	111	111	111	135	140	140
Payments											
Repayment of borrowing		(1 350)	(2 050)	(2 275)	(2 538)	(2 538)	(2 538)	(2 538)	(3 384)	(3 384)	(3 384)
NET CASH FROM/(USED) FINANCING ACTIVITIES		7 650	(2 050)	(2 231)	(2 427)	(2 427)	(2 427)	(2 427)	2 751	(3 244)	(3 244)
NET INCREASE/ (DECREASE) IN CASH HELD		(4 918)	4 085	1 473	17 908	5 827	5 827	5 827	4 838	6 177	672
Cash/cash equivalents at the year begin:	2	10 059	5 141	9 225	(8 456)	(8 456)		(8 456)	(2 629)	2 209	8 386
Cash/cash equivalents at the year end:	2	5 141	9 225	10 698	9 452	(2 629)	5 827	(2 629)	2 209	8 386	9 058

Cash Backed Reserves/Accumulated Surplus Reconciliation

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

What are the predicted cash and investments that are available at the end of the budget year?

How are those funds used?

What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 37 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	5 141	9 225	10 698	9 452	(2 629)	5 827	(2 629)	2 209	8 386	9 058
Other current investments > 90 days		8 668	(0)	(0)	2 598	11 617	3 161	11 617	11 397	6 454	6 508
Non current assets - Investments	1	208	11	14	-	-	-	-	-	-	-
Cash and investments available:		14 017	9 236	10 712	12 050	8 988	8 988	8 988	13 606	14 840	15 566
Application of cash and investments											
Unspent conditional transfers		-	11 954	12 541	1 272	1 272	1 272	1 272	1 348	1 000	1 060
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(15 829)	(30 023)	(36 099)	(11 855)	(14 551)	(14 551)	(14 551)	(11 287)	(11 261)	(11 940)
Other provisions		(1 091)									
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	2 253									
Total Application of cash and investments:		(14 667)	(18 068)	(23 558)	(10 583)	(13 279)	(13 279)	(13 279)	(9 939)	(10 261)	(10 880)
Surplus(shortfall)		28 684	27 305	34 270	22 634	22 267	22 267	22 267	23 544	25 101	26 446

From the above table it can be seen that the cash and investments available total R13, 606 million in the 2014/15 financial year however this increases to R15, 566 million by 2016/17, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2013/14 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2013/14 financial year no provision has been made for this liability as the total unspent conditional grant liability of R1, 272 million has been factored into the 2014/15 capital programme of the Municipality. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.

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

The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2014/15 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

5 Cash and cash equivalents / Cash backed reserves and accumulated funds

Funding compliance measurement

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

Table 38 MBRR SA10 – Funding compliance measurement

Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2014/15 MTREF shows R2, 209 million, R8, 386 million and R9, 058 million for each respective financial year.

Cash plus investments less application of funds

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

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens

revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2010/11 to 2016/17, moving from 1.0 to 0.9 with the adopted 2014/15 MTREF. As part of the 2013/14 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then improves slightly slightly to 1.2 and 3.3 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a surplus of R37, 898million, R18, 903 million and R40, 987 million.

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

Property Rates/service charge revenue as a percentage increase less macro inflation target

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 9.2, 4.8 and 5.5 per cent for the respective financial year of the 2013/14 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 5.5 per cent, with the increase in electricity at 7.39 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at

95.6, 91.5 and 87.1 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 96 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 8.7, 8.5 and 8.4 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

Capital payments percentage of capital expenditure

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

Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to less than a per cent of own funded capital.

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

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

Consumer debtors change (Current and Non-current)

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

Repairs and maintenance expenditure level

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

Asset renewal/rehabilitation expenditure level

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

Expenditure on grants and reconciliations of unspent funds

Table 39 MBRR SA19 - Expenditure on transfers and grant programmes

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		7 393	32 680	37 573	38 260	38 260	38 260	38 876	44 583	37 855
Local Government Equitable Share		5 443	30 440	34 323	34 820	34 820	34 820	35 342	35 873	35 040
Finance Management		1 200	1 450	1 500	1 550	1 550	1 550	1 600	1 650	1 700
Municipal Systems Improvement		750	790	800	890	890	890	934	967	1 018
EPWP Incentive		–	–	950	1 000	1 000	1 000	1 000	–	–
Energy Efficiency and Demand Management		–	–	–	–	–	–	–	–	–
Integrated National Electrification Program Grant		–	–	–	–	–	–	–	6 093	97
Provincial Government:		869	1 669	1 683	2 235	2 235	2 235	1 750	–	–
Health subsidy		–	979	1 001	1 056	1 056	1 056	1 056	–	–
Sport and Recreation		298	690	682	679	679	679	694	–	–
Housing		571	–	–	500	500	500	–	–	–
Integrated National Electrification Program Grant		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>		–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants		8 263	34 349	39 256	40 485	40 495	40 495	40 626	44 583	37 855
Capital expenditure of Transfers and Grants										
National Government:		9 760	13 566	16 141	36 382	16 382	16 382	29 212	11 969	41 305
Municipal Infrastructure Grant (MIG)		9 600	13 306	16 141	15 324	15 324	15 324	12 608	11 969	12 305
Regional Bulk Infrastructure		160	260	–	20 000	–	–	16 604	–	29 000
Water Conservation Demand Charge		–	–	–	1 058	1 058	1 058	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants <i>[insert description]</i>		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
<i>[insert description]</i>		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
<i>Lotto</i>		–	–	–	–	–	–	–	–	–
Total capital expenditure of Transfers and Grants		9 760	13 566	16 141	36 382	16 382	16 382	29 212	11 969	41 305
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		18 023	47 915	55 397	76 877	56 877	56 877	69 838	56 552	79 160

Table 40 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

[illegible]

Councillor and employee benefits

Table 41 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		2 713	2 475	2 475	2 783	2 832	2 832	2 962	3 098	3 219
Pension and UIF Contributions			-	-	-	54	54	-	-	-
Medical Aid Contributions			-	-	-	17	17	-	-	-
Motor Vehicle Allowance		273	825	825	932	994	994	985	1 030	1 070
Cellphone Allowance		202	183	183	203	257	257	314	329	341
Housing Allowances			-	-	-	-	-	-	-	-
Other benefits and allowances		35	-	20	-	23	23	47	50	52
Sub Total - Councillors		3 223	3 483	3 503	3 918	4 178	4 178	4 308	4 506	4 682
% increase	4		8.1%	0.6%	11.8%	6.6%	-	3.1%	4.6%	3.9%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 965	2 701	2 660	3 041	3 199	3 199	3 321	3 504	3 675
Pension and UIF Contributions		270	449	441	504	654	654	551	581	610
Medical Aid Contributions		53	40	90	66	82	82	159	168	176
Overtime		521	633	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	728	703	785	785	847	894	938
Cellphone Allowance	3	302	298	47	60	115	115	150	159	166
Housing Allowances	3	41	307	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	575	392	422	422	217	229	240
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		3 152	4 428	4 541	4 766	5 257	5 257	5 246	5 534	5 805
% increase	4		40.5%	2.5%	4.9%	10.3%	-	(0.2%)	5.5%	4.9%
Other Municipal Staff										
Basic Salaries and Wages		27 170	31 741	36 570	40 143	40 450	40 450	42 353	44 860	47 686
Pension and UIF Contributions		7 377	5 195	6 750	7 329	7 389	7 389	7 592	8 041	8 548
Medical Aid Contributions		1 710	2 555	2 605	2 622	2 672	2 672	1 476	1 563	1 661
Overtime		446	797	419	1 403	775	775	2 070	2 192	2 330
Performance Bonus		328	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	963	-	892	891	891	891	892	945	1 004
Cellphone Allowance	3	706	435	-	145	145	145	168	178	189
Housing Allowances	3	350	-	785	862	415	415	702	744	790
Other benefits and allowances	3	1 933	1 937	189	1 262	904	904	1 005	1 064	1 132
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		2 307	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	5 001	-	683	196	196	196	54	57	61
Sub Total - Other Municipal Staff		48 292	42 660	48 893	54 852	53 837	53 837	56 311	59 644	63 402
% increase	4		(11.7%)	14.6%	12.2%	(1.9%)	-	4.6%	5.9%	6.3%
Total Parent Municipality		54 667	50 571	56 937	63 535	63 272	63 272	65 865	69 685	73 889

Table 42 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<u>Councillors</u>	3							
Speaker	4		415 228	4 496	161 489			581 212
Chief Whip								-
Executive Mayor			511 713	8 660	193 004			713 377
Deputy Executive Mayor								-
Executive Committee			428 204	6 308	188 268			622 780
Total for all other councillors			1 607 038	27 940	755 895			2 390 873
Total Councillors	8	-	2 962 183	47 404	1 298 656			4 308 243
<u>Senior Managers of the Municipality</u>	5							
Municipal Manager (MM)			819 670	149 944	358 078			1 327 692
Chief Finance Officer			742 794	171 515	294 246			1 208 555
Director of infrastructure Services			578 760	104 836	171 156			854 752
Director of Corporate Services			529 228	146 061	155 743			831 032
Director of Community Services			650 692	198 054	174 761			1 023 507
<i>List of each official with packages >= senior manager</i>								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
Total Senior Managers of the Municipality	8,10	-	3 321 144	770 410	1 153 984	-		5 245 538

Table 43 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		14	2	12	14	2	12	14	2	12
Board Members of municipal entities	4	–	–	–	–	–	–			
Municipal employees	5	–	–	–	–	–	–			
Municipal Manager and Senior Managers	3	4	3	1	4	3	1	5		5
Other Managers	7	7	1	6	7	6	1	7	6	1
Professionals		2	–	2	3	3	–	3	3	–
<i>Finance</i>		1	–	1	1	1	–	1	1	
<i>Spatial/town planning</i>		–	–	–	–	–	–			
<i>Information Technology</i>		–	–	–	1	1	–	1	1	
<i>Roads</i>		–	–	–	–	–	–			
<i>Electricity</i>		1	–	1	1	1	–	1	1	
<i>Water</i>		–	–	–	–	–	–			
<i>Sanitation</i>		–	–	–	–	–	–			
<i>Refuse</i>		–	–	–	–	–	–			
<i>Other</i>		–	–	–	–	–	–			
Technicians		16	11	5	17	12	5	16	14	2
<i>Finance</i>		5		5	6	1	5	5	3	2
<i>Spatial/town planning</i>		–	–	–	–	–	–			
<i>Information Technology</i>		–	–	–	–	–	–			
<i>Roads</i>		3	3		3	3	–	3	3	
<i>Electricity</i>		6	6		6	6	–	6	6	
<i>Water</i>		2	2		2	2	–	2	2	
<i>Sanitation</i>					–	–	–			
<i>Refuse</i>					–	–	–			
<i>Other</i>										
Clerks (Clerical and administrative)		109	109		112	112	–	114	112	2
Service and sales workers					–	–	–			
Skilled agricultural and fishery workers					–	–	–			
Craft and related trades		36	36		36	36	–	45	45	
Plant and Machine Operators		24	24		20	20	–	20	20	
Elementary Occupations		132	122	10	133	124	9	150	140	10
TOTAL PERSONNEL NUMBERS	9	344	308	36	346	318	28	374	342	32

Monthly targets for revenue, expenditure and cash flow

Table 44 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source																
Property rates		10 500	2 000	1 450	1 221	1 000	988	1 008	1 050	1 100	1 151	1 192	1 125	23 785	24 617	24 669
Property rates - penalties & collection charges		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - electricity revenue		5 900	5 825	5 090	4 590	4 050	4 090	3 750	3 405	3 700	3 950	4 250	5 013	53 613	55 183	55 426
Service charges - water revenue		1 306	1 590	1 855	2 260	2 205	2 590	2 900	2 500	2 290	2 000	1 650	1 429	24 575	25 681	28 325
Service charges - sanitation revenue		1 159	1 159	1 159	1 159	1 159	1 159	1 159	1 159	1 159	1 159	1 159	1 159	13 906	14 671	14 952
Service charges - refuse revenue		689	689	689	689	689	689	689	689	689	689	689	689	8 264	8 719	8 994
Service charges - other		5	5	5	5	5	5	5	5	5	5	5	5	64	67	71
Rental of facilities and equipment		66	60	78	62	75	87	72	65	53	45	66	66	795	838	867
Interest earned - external investments		74	74	154	74	74	74	74	74	154	74	74	74	1 043	1 099	1 144
Interest earned - outstanding debtors		70	62	73	82	140	72	52	45	47	54	69	54	818	851	883
Dividends received		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines		480	635	351	365	365	505	685	835	765	564	651	424	6 624	7 014	7 470
Licences and permits		97	75	88	155	164	156	173	151	165	187	159	137	1 704	1 790	1 897
Agency services		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers recognised - operational		14 900	1 334	1 000	5 557	8 300	3 152	1 500	400	4 483	—	—	—	40 626	44 583	37 855
Other revenue		1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	1 583	18 995	20 071	23 265
Gains on disposal of PPE		10	10	10	10	10	10	10	10	10	10	10	10	120	127	134
Total Revenue (excluding capital transfers and contributions)		36 838	15 100	13 584	17 811	19 818	15 160	13 659	11 970	16 202	11 469	11 555	11 766	194 932	205 312	205 951
Expenditure By Type																
Employee related costs		5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	61 556	62 244	63 131
Remuneration of councillors		359	359	359	359	359	359	359	359	359	359	359	359	4 308	4 502	4 750
Debt impairment		—	—	—	—	—	—	—	—	—	—	—	10 820	10 820	11 036	11 147
Depreciation & asset impairment		—	—	—	—	—	—	—	—	—	—	—	8 530	8 530	9 204	9 984
Finance charges		114	114	286	114	114	114	114	114	286	114	114	114	1 715	1 734	1 804
Bulk purchases		5 800	6 050	5 490	4 865	3 209	3 001	2 661	2 568	2 787	3 090	3 291	4 719	47 529	49 668	51 652
Other materials		302	660	905	404	629	500	650	859	989	1 501	659	413	8 470	8 766	8 985
Contracted services		625	798	450	870	378	656	456	729	957	902	560	572	7 953	8 231	8 527
Transfers and grants		836	1 351	1 690	1 507	1 651	666	959	990	1 865	681	866	609	13 669	13 990	13 666
Other expenditure		3 908	2 103	2 235	3 027	2 593	2 441	2 636	3 299	3 909	2 945	3 299	3 865	36 262	38 206	42 606
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure		17 074	16 565	16 545	16 275	14 063	12 867	12 965	14 049	16 281	14 721	14 278	35 130	200 812	207 581	216 252
Surplus/(Deficit)																
Transfers recognised - capital		19 764	(1 464)	(2 961)	1 536	5 755	2 293	694	(2 079)	(79)	(3 253)	(2 723)	(23 364)	(5 880)	(2 270)	(10 302)
Contributions recognised - capital		3 152	2 080	6 000	9 637	—	2 080	4 000	—	6 219	2 080	—	—	35 248	11 969	41 305
Contributed assets		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003
Taxation		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Attributable to minorities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	1	22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003

Table 45 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand																
Revenue by Vote																
Vote 1 - EXECUTIVE AND COUNCIL		909	800	300	205	560	67	85	33	150	55	40	35	3 238	3 395	3 560
Vote 2 - FINANCE AND ADMINISTRATION		15 871	4 080	2 050	2 043	1 060	2 860	1 650	1 801	3 750	1 550	1 055	1 538	39 310	41 864	43 916
Vote 3 - PLANNING AND DEVELOPMENT		56	5	11	705	7	98	6	90	358	93	302	70	1 800	856	916
Vote 4 - HEALTH		—	—	—	—	1 056	—	—	—	—	—	—	—	1 056	1 100	1 150
Vote 5 - COMMUNITY AND SOCIAL SERVICES		79	40	60	55	405	49	68	45	280	51	156	61	1 347	1 425	1 512
Vote 6 - PUBLIC SAFETY		583	363	165	201	370	169	588	858	1 861	696	798	545	7 196	7 642	8 040
Vote 7 - SPORT AND RECREATION		1	2	3	11	19	23	25	10	4	2	1	1	102	108	114
Vote 8 - ROAD TRANSPORT		1 878	1 989	585	2 259	188	690	562	758	2 080	754	392	590	12 724	12 074	12 370
Vote 9 - OTHER		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 10 - HOUSING SERVICES		4	3	2	3	4	—	5	3	2	1	5	5	36	39	41
Vote 11 - WASTE MANAGEMENT		2 442	795	1 465	1 709	3 720	630	721	727	585	505	555	1 676	15 529	14 447	15 308
Vote 12 - WASTE WATER MANAGEMENT		4 685	1 680	2 551	4 865	2 991	1 212	1 435	1 265	1 259	1 506	1 492	1 041	25 982	24 801	24 543
Vote 13 - ELECTRICITY		7 500	4 256	7 967	9 365	5 999	7 884	6 958	4 095	7 565	5 583	4 005	4 723	75 899	78 440	82 519
Vote 14 - WATER		5 982	3 168	4 425	6 026	3 439	3 560	5 556	2 287	4 527	2 754	2 756	1 481	45 961	31 090	53 266
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue by Vote		39 990	17 180	19 584	27 448	19 818	17 240	17 659	11 970	22 422	13 549	11 555	11 766	230 180	217 281	247 256
Expenditure by Vote to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL		1 250	965	908	915	979	1 050	1 221	1 051	989	805	1 003	1 418	12 554	13 304	14 159
Vote 2 - FINANCE AND ADMINISTRATION		1 757	2 050	2 865	2 050	2 450	3 051	1 965	2 095	2 765	2 204	2 901	3 861	30 014	31 328	32 078
Vote 3 - PLANNING AND DEVELOPMENT		501	710	651	905	798	915	745	880	921	859	765	750	9 398	9 921	10 304
Vote 4 - HEALTH		14	14	14	14	14	14	14	14	14	14	14	14	169	178	189
Vote 5 - COMMUNITY AND SOCIAL SERVICES		565	422	765	630	594	389	582	1 298	1 090	959	1 035	2 183	10 512	10 913	11 569
Vote 6 - PUBLIC SAFETY		746	620	600	619	846	695	681	777	960	977	562	893	8 975	9 384	9 994
Vote 7 - SPORT AND RECREATION		201	403	221	209	305	290	301	380	400	202	265	392	3 569	3 730	3 954
Vote 8 - ROAD TRANSPORT		956	1 595	1 015	1 001	891	605	910	965	2 050	832	1 100	3 598	15 518	16 376	17 425
Vote 9 - OTHER		75	75	75	75	75	75	75	75	75	75	75	75	902	933	994
Vote 10 - HOUSING SERVICES		126	130	121	169	202	165	157	259	303	170	130	138	2 069	2 181	2 203
Vote 11 - WASTE MANAGEMENT		958	921	1 218	1 401	985	967	985	1 047	795	865	1 056	3 279	14 476	14 838	15 120
Vote 12 - WASTE WATER MANAGEMENT		808	908	697	857	774	956	720	1 056	865	905	1 132	2 620	12 298	12 605	13 172
Vote 13 - ELECTRICITY		6 249	6 893	6 436	5 865	4 242	2 829	3 956	3 488	4 320	4 995	3 275	12 831	65 379	66 686	69 354
Vote 14 - WATER		2 868	859	959	1 565	908	866	653	665	734	859	965	3 079	14 979	15 204	15 736
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure by Vote		17 074	16 565	16 545	16 275	14 063	12 867	12 965	14 049	16 281	14 721	14 278	35 130	200 812	207 581	216 252
Surplus/(Deficit) before assoc.		22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003
Taxation													—	—	—	—
Attributable to minorities													—	—	—	—
Share of surplus/ (deficit) of associate													—	—	—	—
Surplus/(Deficit)	1	22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003

Table 46 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard																
<i>Governance and administration</i>		16 780	4 880	2 350	2 248	1 620	2 927	1 735	1 834	3 900	1 605	1 095	1 574	42 548	45 259	47 476
Executive and council		909	800	300	205	560	67	85	33	150	55	40	35	3 238	3 395	3 560
Budget and treasury office		15 855	4 068	2 044	2 038	1 057	2 854	1 645	1 798	3 747	1 545	1 051	1 533	39 235	41 785	43 833
Corporate services		17	12	6	5	3	6	5	3	3	5	4	6	74	79	83
<i>Community and public safety</i>		667	408	230	270	1 854	240	685	915	2 147	750	959	612	9 737	10 314	10 857
Community and social services		79	40	60	55	405	49	68	45	280	51	156	61	1 347	1 425	1 512
Sport and recreation		1	2	3	11	19	23	25	10	4	2	1	1	102	108	114
Public safety		583	363	165	201	370	169	588	858	1 861	696	798	545	7 196	7 642	8 040
Housing		4	3	2	3	4	—	5	3	2	1	5	5	36	39	41
Health		—	—	—	—	1 056	—	—	—	—	—	—	—	1 056	1 100	1 150
<i>Economic and environmental services</i>		1 934	1 994	596	2 965	195	787	568	847	2 438	846	694	660	14 524	12 930	13 286
Planning and development		56	5	11	705	7	98	6	90	358	93	302	70	1 800	856	916
Road transport		1 878	1 989	585	2 259	188	690	562	758	2 080	754	392	590	12 724	12 074	12 370
Environmental protection		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>		20 609	9 899	16 408	21 965	16 149	13 286	14 670	8 374	13 936	10 348	8 807	8 921	163 371	148 778	175 636
Electricity		7 500	4 256	7 967	9 365	5 999	7 884	6 958	4 095	7 565	5 583	4 005	4 723	75 899	78 440	82 519
Water		5 982	3 168	4 425	6 026	3 439	3 560	5 556	2 287	4 527	2 754	2 756	1 481	45 961	31 090	53 266
Waste water management		4 685	1 680	2 551	4 865	2 991	1 212	1 435	1 265	1 259	1 506	1 492	1 041	25 982	24 801	24 543
Waste management		2 442	795	1 465	1 709	3 720	630	721	727	585	505	555	1 676	15 529	14 447	15 308
<i>Other</i>		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue - Standard		39 990	17 180	19 584	27 448	19 818	17 240	17 659	11 970	22 422	13 549	11 555	11 766	230 180	217 281	247 256
Expenditure - Standard																
<i>Governance and administration</i>		3 007	3 015	3 773	2 965	3 429	4 101	3 186	3 146	3 754	3 009	3 904	5 280	42 568	44 632	46 237
Executive and council		1 250	965	908	915	979	1 050	1 221	1 051	989	805	1 003	1 418	12 554	13 304	14 159
Budget and treasury office		1 082	1 048	1 715	1 150	1 361	1 899	1 080	1 190	1 716	1 129	1 900	3 041	18 310	18 951	19 140
Corporate services		675	1 002	1 150	900	1 089	1 152	885	905	1 049	1 075	1 001	821	11 704	12 377	12 938
<i>Community and public safety</i>		1 652	1 589	1 721	1 641	1 961	1 553	1 735	2 727	2 767	2 322	2 006	3 620	25 294	26 386	27 909
Community and social services		565	422	765	630	594	389	582	1 298	1 090	959	1 035	2 183	10 512	10 913	11 569
Sport and recreation		201	403	221	209	305	290	301	380	400	202	265	392	3 569	3 730	3 954
Public safety		746	620	600	619	846	695	681	777	960	977	562	893	8 975	9 384	9 994
Housing		126	130	121	169	202	165	157	259	303	170	130	138	2 069	2 181	2 203
Health		14	14	14	14	14	14	14	14	14	14	14	14	169	178	189
<i>Economic and environmental services</i>		1 457	2 305	1 666	1 906	1 689	1 520	1 654	1 845	2 971	1 691	1 865	4 348	24 916	26 297	27 730
Planning and development		501	710	651	905	798	915	745	880	921	859	765	750	9 398	9 921	10 304
Road transport		956	1 595	1 015	1 001	891	605	910	965	2 050	832	1 100	3 598	15 518	16 376	17 425
Environmental protection		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>		10 883	9 581	9 310	9 688	6 909	5 618	6 314	6 256	6 714	7 624	6 428	21 807	107 131	109 333	113 382
Electricity		6 249	6 893	6 436	5 865	4 242	2 829	3 956	3 488	4 320	4 995	3 275	12 831	65 379	66 686	69 354
Water		2 868	859	959	1 565	908	866	653	665	734	859	965	3 079	14 979	15 204	15 736
Waste water management		808	908	697	857	774	956	720	1 056	865	905	1 132	2 620	12 298	12 605	13 172
Waste management		958	921	1 218	1 401	985	967	985	1 047	795	865	1 056	3 279	14 476	14 838	15 120
<i>Other</i>		75	75	75	75	75	75	75	75	75	75	75	75	902	933	994
Total Expenditure - Standard		17 074	16 565	16 545	16 275	14 063	12 867	12 965	14 049	16 281	14 721	14 278	35 130	200 812	207 581	216 252
Surplus/(Deficit) before assoc.		22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	1	22 916	616	3 039	11 173	5 755	4 373	4 694	(2 079)	6 141	(1 173)	(2 723)	(23 364)	29 368	9 699	31 003

Table 47 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand																
Multi-year expenditure to be appropriated	1															
Vote 1 - EXECUTIVE AND COUNCIL														-	-	-
Vote 2 - FINANCE AND ADMINISTRATION														-	-	-
Vote 3 - PLANNING AND DEVELOPMENT														-	-	-
Vote 4 - HEALTH														-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES														-	-	-
Vote 6 - PUBLIC SAFETY														-	-	-
Vote 7 - SPORT AND RECREATION														-	-	-
Vote 8 - ROAD TRANSPORT														-	-	-
Vote 9 - OTHER														-	-	-
Vote 10 - HOUSING SERVICES														-	-	-
Vote 11 - WASTE MANAGEMENT														-	-	-
Vote 12 - WASTE WATER MANAGEMENT														-	-	-
Vote 13 - ELECTRICITY														-	-	-
Vote 14 - WATER		1 387	1 387	1 387	1 387	1 387	2 387	387	1 387	1 387	1 387	1 387	1 387	16 640	-	29 000
Vote 15 - [NAME OF VOTE 15]														-	-	-
Capital multi-year expenditure sub-total	2	1 387	1 387	1 387	1 387	1 387	2 387	387	1 387	1 387	1 387	1 387	1 387	16 640	-	29 000
Single-year expenditure to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL		39	11	20	1	1	-	1	31	-	29	9	11	153	164	171
Vote 2 - FINANCE AND ADMINISTRATION		72	418	24	55	-	23	41	6	449	-	404	193	1 687	1 892	1 885
Vote 3 - PLANNING AND DEVELOPMENT		55	243	72	48	69	85	18	45	20	27	72	57	812	12 006	12 344
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		25	25	25	25	25	25	25	25	25	25	25	26	295	314	342
Vote 6 - PUBLIC SAFETY		7	7	7	7	7	7	7	7	7	7	7	7	85	91	94
Vote 7 - SPORT AND RECREATION		19	-	123	9	7	17	8	5	22	17	25	-	251	80	87
Vote 8 - ROAD TRANSPORT		214	2 720	46	44	2 020	13	220	2 806	3 086	2 402	953	193	14 716	3 089	3 261
Vote 9 - OTHER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT		-	1 770	-	12	-	9	-	4	-	-	4	2	1 800	58	-
Vote 12 - WASTE WATER MANAGEMENT		-	3 180	-	-	-	-	-	-	-	-	-	-	3 180	-	-
Vote 13 - ELECTRICITY		8	1 050	5	-	17	-	59	35	86	26	-	13	1 300	556	586
Vote 14 - WATER		50	3	105	78	151	8	35	16	7	8	4	6	470	122	133
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	489	9 426	427	279	2 296	187	414	2 979	3 702	2 540	1 502	508	24 749	18 371	18 904
Total Capital Expenditure	2	1 876	10 813	1 814	1 665	3 683	2 574	801	4 365	5 089	3 926	2 889	1 894	41 389	18 371	47 904

Table 48 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard	1															
Governance and administration		111	429	45	56	1	23	43	37	449	29	413	204	1 840	2 057	2 056
Executive and council		39	11	20	1	1	–	1	31	–	29	9	11	153	164	171
Budget and treasury office		72	418	24	55	–	23	41	6	449	–	404	(177)	1 317	1 496	1 471
Corporate services													370	370	396	414
Community and public safety		51	32	154	41	39	49	39	37	54	49	57	33	631	484	523
Community and social services		25	25	25	25	25	25	25	25	25	25	25	26	295	314	342
Sport and recreation		19	–	123	9	7	17	8	5	22	17	25	–	251	80	87
Public safety		7	7	7	7	7	7	7	7	7	7	7	7	85	91	94
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		269	2 963	118	92	2 089	98	238	2 851	3 106	2 429	1 025	250	15 528	15 094	15 605
Planning and development		55	243	72	48	69	85	18	45	20	27	72	57	812	12 006	12 344
Road transport		214	2 720	46	44	2 020	13	220	2 806	3 086	2 402	953	193	14 716	3 089	3 261
Environmental protection		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services		1 445	7 389	1 496	1 477	1 554	2 404	481	1 441	1 480	1 420	1 394	1 408	23 390	736	29 719
Electricity		8	1 050	5	–	17	–	59	35	86	26	–	13	1 300	556	586
Water		1 437	1 389	1 492	1 465	1 537	2 395	422	1 402	1 394	1 394	1 390	1 392	17 110	122	29 133
Waste water management		–	3 180	–	–	–	–	–	–	–	–	–	–	3 180	–	–
Waste management		–	1 770	–	12	–	9	–	4	–	–	4	2	1 800	58	–
Other													–	–	–	–
Total Capital Expenditure - Standard	2	1 876	10 813	1 814	1 665	3 683	2 574	801	4 365	5 089	3 926	2 889	1 894	41 389	18 371	47 904
Funded by:																
National Government		1 437	4 109	1 492	560	3 557	1 595	–	4 208	4 480	3 796	2 343	1 671	29 248	11 969	41 305
Provincial Government		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital		1 437	4 109	1 492	560	3 557	1 595	–	4 208	4 480	3 796	2 343	1 671	29 248	11 969	41 305
Public contributions & donations		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing		–	6 000	–	–	–	–	–	–	–	–	–	–	6 000	–	–
Internally generated funds		439	704	322	1 106	125	979	801	157	609	130	546	224	6 141	6 402	6 599
Total Capital Funding		1 876	10 813	1 814	1 665	3 683	2 574	801	4 365	5 089	3 926	2 889	1 894	41 389	18 371	47 904

Table 49 MBRR SA30 - Budgeted monthly cash flow

NC073 Emthanjeni - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Cash Receipts By Source</u>													1		
Property rates	9 975	1 900	1 378	1 160	950	939	958	998	1 045	1 093	1 132	1 069	22 595	23 386	23 436
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	5 605	5 534	4 836	4 361	3 848	3 886	3 563	3 235	3 515	3 753	4 038	4 762	50 932	52 424	52 655
Service charges - water revenue	1 241	1 511	1 762	2 147	2 095	2 461	2 755	2 375	2 176	1 900	1 568	1 358	23 346	24 397	26 908
Service charges - sanitation revenue	1 101	1 101	1 101	1 101	1 101	1 101	1 101	1 101	1 101	1 101	1 101	1 101	13 211	13 938	14 204
Service charges - refuse revenue	654	654	654	654	654	654	654	654	654	654	654	654	7 851	8 283	8 544
Service charges - other	5	5	5	5	5	5	5	5	5	5	5	5	64	67	71
Rental of facilities and equipment	56	63	80	72	79	65	81	89	72	65	45	29	795	838	867
Interest earned - external investments	87	87	87	87	87	87	87	87	87	87	87	87	1 047	1 099	1 144
Interest earned - outstanding debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	390	229	1 122	556	924	116	321	1 024	656	229	890	166	6 624	7 014	7 470
Licences and permits	141	142	41	250	105	36	114	150	250	155	110	211	1 704	1 790	1 897
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational	16 444	934	–	–	11 663	–	–	2 750	8 836	–	–	–	40 626	44 583	37 855

Other revenue	1 581	1 581	1 581	1 581	1 581	1 581	1 581	1 581	1 581	1 581	1 581	1 583	18 974	20 056	23 249
Cash Receipts by Source	37 280	13 741	12 647	11 974	23 092	10 930	11 220	14 049	19 978	10 623	11 212	11 025	187 770	197 875	198 300
Other Cash Flows by Source															
Transfer receipts - capital	12 337				14 804				8 107			–	35 248	11 969	41 305
Contributions recognised - capital & Contributed assets												–	–	–	–
Proceeds on disposal of PPE	10	10	10	10	10	10	10	10	10	10	10	10	120	127	134
Short term loans		6 000										–	6 000	–	–
Borrowing long term/refinancing												–			
Increase (decrease) in consumer deposits												135	135	140	140
Decrease (Increase) in non-current debtors												–			
Decrease (increase) other non-current receivables												–			
Decrease (increase) in non-current investments												–			
Total Cash Receipts by Source	49 627	19 751	12 657	11 984	37 906	10 940	11 230	14 059	28 095	10 633	11 222	11 170	229 273	210 111	239 879
Cash Payments by Type															
Employee related costs	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	5 130	61 556	62 244	63 131
Remuneration of councillors	359	359	359	359	359	359	359	359	359	359	359	359	4 308	4 502	4 750
Finance charges	114	114	286	114	114	114	114	114	286	114	114	114	1 715	1 734	1 804
Bulk purchases - Electricity	6 186	5 611	4 410	2 735	2 770	2 618	2 151	2 721	2 721	3 401	4 721	5 184	45 229	47 264	49 155
Bulk purchases - Water & Sewer	283	178	155	194	168		259	288	165	155	149	307	2 300	2 404	2 497

Other materials	463	515	838	529	581	500	353	960	896	1 838	581	416	8 470	8 766	8 985
Contracted services	663	663	663	663	663	663	663	663	663	663	663	663	7 953	8 231	8 527
Transfers and grants - other municipalities												–	–	–	–
Transfers and grants - other	1 139	1 139	1 139	1 139	1 139	1 139	1 139	1 139	1 139	1 139	1 139	1 139	13 669	13 990	13 666
Other expenditure	2 938	2 938	2 938	2 938	2 938	2 938	2 938	2 938	2 938	2 938	2 938	2 939	35 261	33 058	35 420
Cash Payments by Type	17 274	16 648	15 917	13 801	13 862	13 462	13 107	14 312	14 297	15 737	15 795	16 251	180 462	182 193	187 935
Other Cash Flows/Payments by Type															
Capital assets	2 214	8 000	2 407	2 124	6 552	2 221	2 563	3 771	3 871	2 710	2 504	1 653	40 589	18 371	47 904
Repayment of borrowing	282	282	282	282	282	282	282	282	282	282	282	282	3 384	3 384	3 384
Other Cash Flows/Payments												–			
Total Cash Payments by Type	19 770	24 930	18 606	16 207	20 696	15 965	15 952	18 365	18 450	18 729	18 580	18 186	224 435	203 948	239 223
NET INCREASE/(DECREASE) IN CASH HELD	29 857	(5 178)	(5 950)	(4 223)	17 210	(5 025)	(4 722)	(4 306)	9 645	(8 096)	(7 358)	(7 015)	4 838	6 162	656
Cash/cash equivalents at the month/year begin:	(2 629)	27 227	22 049	16 099	11 877	29 087	24 062	19 340	15 033	24 678	16 582	9 224	(2 629)	2 209	8 371
Cash/cash equivalents at the month/year end:	27 227	22 049	16 099	11 877	29 087	24 062	19 340	15 033	24 678	16 582	9 224	2 209	2 209	8 371	9 027

Annual budgets and SDBIPs – internal departments

Water Services Department – Vote 14

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

There are currently no unfilled positions in the top management structure of the Water Services Department. The top management structure consists of the Director of Infrastructural and Housing Services, three Managers who report directly to him.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2014/15 financial year is and has been informed by a collection rate of 96 per cent and distribution losses of 12 per cent.

The establishment of a water demand management unit has proven to be extremely successful with the reduction of distribution losses by 6.6 per cent for the 2013/14 financial year. The further expansion of this unit will inevitably result in the further lowering of the distribution losses, thus paying for the unit itself and effecting additional savings for the municipality.

Contracts having future budgetary implications

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

Capital expenditure details

The following three table's present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and daftly on the repair and maintenance of assets.

Table 50 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		8 790	12 053	8 386	23 728	3 428	3 428	30 448	2 000	29 000
Infrastructure - Road transport		3 430	1 738	4 186	2 670	2 370	2 370	13 808	2 000	-
Roads, Pavements & Bridges		3 430	1 738		2 670	2 370	2 370	13 808	2 000	
Storm water				4 186						
Infrastructure - Electricity		981	-	-	-	-	-	-	-	-
Generation										
Transmission & Reticulation		981	-							
Street Lighting										
Infrastructure - Water		4 380	3 585	-	21 058	1 058	1 058	16 640	-	29 000
Dams & Reservoirs										
Water purification										
Reticulation		4 380	3 585		21 058	1 058	1 058	16 640	-	29 000
Infrastructure - Sanitation		-	6 000	4 200	-	-	-	-	-	-
Reticulation		-	6 000							
Sewerage purification				4 200						
Infrastructure - Other		-	730	-	-	-	-	-	-	-
Waste Management										
Transportation	2									
Gas										
Other	3	-	730							
Community		816	1 000	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia		110								
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries		706								
Social rental housing	8									
Other			1 000							
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		11 063	2 137	-	15 324	11 824	11 824	-	11 969	12 305
General vehicles		5 923								
Specialised vehicles	10	3 077	-	-	-	-	-	-	-	-
Plant & equipment		977								
Computers - hardware/equipment		977	576							
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other		110	1 561		15 324	11 824	11 824		11 969	12 305
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on new assets	1	20 670	15 190	8 386	39 052	15 252	15 252	30 448	13 969	41 305

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure		-	1 490	1 842	1 398	1 700	1 700	1 250	1 018	2 636
Infrastructure - Road transport		-	1 490	761	820	820	820	500	550	600
Roads, Pavements & Bridges			1 490	761	820	820	820	500	550	600
Storm water										
Infrastructure - Electricity		-	-	412	505	505	505	250	300	350
Generation										
Transmission & Reticulation				412	505	505	505	250	300	350
Street Lighting										
Infrastructure - Water		-	-	17	18	18	18	470	122	1 351
Dams & Reservoirs										
Water purification					18	18	18	470	122	1 351
Reticulation				17						
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		-	-	652	55	357	357	30	45	335
Waste Management				652	55	357	357	30	45	335
Transportation										
Gas										
Other										
Community		-	-	1 231	828	828	828	396	479	577
Parks & gardens				45	48	48	48	51	53	56
Sportsfields & stadia				50	53	53	53	65	50	77
Swimming pools				118	-	-	-			
Community halls				300	680	680	680	250	350	400
Libraries				-	-	-	-			
Recreational facilities				-	-	-	-			
Fire, safety & emergency				-	-	-	-			
Security and policing				-	-	-	-			
Buses				-	-	-	-			
Clinics				-	-	-	-			
Museums & Art Galleries				-	-	-	-			
Cemeteries				300	48	48	48	30	25	45
Social rental housing				-	-	-	-			
Other				418	-	-	-			
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other										
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		-	1 837	2 201	2 760	3 053	3 053	9 295	2 906	3 386
General vehicles						300	300	4 460	-	-
Specialised vehicles		-	-	600	-	-	-	1 770	-	-
Plant & equipment			591	691	376	376	376	552	742	750
Computers - hardware/equipment			435	535	421	421	421	698	549	549
Furniture and other office equipment			275	375	261	239	239	462	492	508
Abattoirs				-	-	-	-	-	-	-
Markets				-	-	-	-	-	-	-
Civic Land and Buildings				-	-	-	-	-	-	-
Other Buildings					425	425	425	510	611	734
Other Land					-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)				-	-	-	-	-	-	-
Other			536	-	1 277	1 293	1 293	844	511	845

Table 52 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		3 350	1 739	5 036	5 610	5 610	5 610	5 918	6 119	6 277
Infrastructure - Road transport		776	502	1 368	1 509	1 509	1 509	1 592	1 646	1 684
Roads, Pavements & Bridges		776	502	1 368	1 509	1 509	1 509	1 592	1 646	1 684
Storm water										
Infrastructure - Electricity		116	50	1 495	1 726	1 726	1 726	1 821	1 883	1 926
Generation										
Transmission & Reticulation		116	50	1 495	1 726	1 726	1 726	1 821	1 883	1 926
Street Lighting										
Infrastructure - Water		841	404	749	819	819	819	864	893	931
Dams & Reservoirs				149	163	163	163	172	178	181
Water purification		841	404	237	259	259	259	273	282	307
Reticulation				363	397	397	397	419	433	443
Infrastructure - Sanitation		905	432	712	779	779	779	822	850	869
Reticulation				712	779	779	779	822	850	869
Sewerage purification		905	432							
Infrastructure - Other		711	351	711	777	777	777	819	847	867
Waste Management		711	351	711	777	777	777	819	847	867
Transportation										-
Gas										
Other										
Community		970	452	1 626	1 777	1 777	1 777	1 875	1 939	1 984
Parks & gardens		-		33	36	36	36	38	39	40
Sportsfields & stadia		-		58	63	63	63	66	69	70
Swimming pools		582	163	278	304	304	304	321	332	339
Community halls		388	289	375	410	410	410	433	448	458
Libraries		-		38	41	41	41	44	45	46
Recreational facilities		-		-	-	-	-	-	-	-
Fire, safety & emergency		-		762	833	833	833	879	909	930
Security and policing		-		-	-	-	-	-	-	-
Buses		-		-	-	-	-	-	-	-
Clinics		-		-	-	-	-	-	-	-
Museums & Art Galleries		-		-	-	-	-	-	-	-
Cemeteries		-		34	37	37	37	39	40	41
Social rental housing		-		-	-	-	-	-	-	-
Other		-		48	53	53	53	56	58	59
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other										
Investment properties		-	-	158	172	172	172	182	188	192
Housing development				158	172	172	172	182	188	192
Other										
Other assets		5 394	6 489	5 210	4 425	4 387	4 387	4 643	4 813	4 911
General vehicles		1 811	1 935	2 872	2 046	2 046	2 046	2 159	2 232	2 283
Specialised vehicles		3 247	4 330	317	347	347	347	366	379	387
Plant & equipment		-		382	239	239	239	252	260	266
Computers - hardware/equipment		306	224	321	351	351	351	370	383	392
Furniture and other office equipment		30		443	484	484	484	511	541	541
Abattoirs		-		-	-	-	-	-	-	-
Markets		-		-	-	-	-	-	-	-
Civic Land and Buildings		-		-	-	-	-	-	-	-
Other Buildings		-		496	542	504	504	532	550	563
Other Land		-		140	153	153	153	161	167	171
Surplus Assets - (Investment or Inventory)		-		-	-	-	-	-	-	-
Other		-		240	263	263	263	291	301	308
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class										
Intangibles		-	-	51	56	56	56	59	61	62
Computers - software & programming				51	56	56	56	59	61	62
Other (list sub-class)										
Total Repairs and Maintenance Expenditure	1	9 714	8 679	12 080	12 040	12 002	12 002	12 677	13 120	13 427
Specialised vehicles		3 247	4 330	317	347	347	347	366	379	387
Refuse		3 247	4 330	317	347	347	347	366	379	387
Fire										
Conservancy										
Ambulances										

1.20 Legislation compliance status

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

In year reporting

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

Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Three interns have been appointed, recruitment process have commenced for the appointment of another three. Since the introduction of the Internship programme the Municipality has successfully employed and trained 5 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as DBSA Vulindlela Academy, KPMG, Ernest & Young, SARS, Auditor General, and National Treasury. One new intern will be appointed before the end of the current financial year.

Budget and Treasury Office

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

Audit Committee

An Audit Committee has been established and is fully functional. Capacitation training will be provided to Audit Committee members.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be Draftised after approval of the 2014/15 MTREF in June 2014 directly aligned and informed by the 2014/15 MTREF.

Annual Report

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

MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Other supporting documents

Table 53 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
REVENUE ITEMS:										
<u>Property rates</u>										
Total Property Rates	12 193	14 337	17 220	46 552	46 552	46 552	46 552	49 684	51 423	52 788
<i>less Revenue Foregone</i>				25 179	25 179	25 179	25 179	25 899	26 806	28 119
Net Property Rates	12 193	14 337	17 220	21 373	21 373	21 373	21 373	23 785	24 617	24 669
<u>Service charges - electricity revenue</u>										
Total Service charges - electricity revenue	38 908	45 757	48 279	52 567	48 362	48 362	48 362	53 613	55 183	55 426
<i>less Revenue Foregone</i>										
Net Service charges - electricity revenue	38 908	45 757	48 279	52 567	48 362	48 362	48 362	53 613	55 183	55 426
<u>Service charges - water revenue</u>										
Total Service charges - water revenue	13 371	15 574	16 434	23 401	22 465	22 465	22 465	24 575	25 681	28 325
<i>less Revenue Foregone</i>										
Net Service charges - water revenue	13 371	15 574	16 434	23 401	22 465	22 465	22 465	24 575	25 681	28 325
<u>Service charges - sanitation revenue</u>										
Total Service charges - sanitation revenue	9 011	8 797	9 421	13 047	13 047	13 047	13 047	13 906	14 671	14 952
<i>less Revenue Foregone</i>										
Net Service charges - sanitation revenue	9 011	8 797	9 421	13 047	13 047	13 047	13 047	13 906	14 671	14 952
<u>Service charges - refuse revenue</u>										
Total refuse removal revenue	4 696	4 947	5 323	7 712	7 712	7 712	7 712	8 264	8 719	8 994
Total landfill revenue	–	–	–	–	–	–	–	–	–	–
<i>less Revenue Foregone</i>	–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue	4 696	4 947	5 323	7 712	7 712	7 712	7 712	8 264	8 719	8 994
<u>Other Revenue by source</u>										
<i>Prepaid Electricity Sales</i>	15 951	2 775	3 084	14 202	16 256	16 256	16 256	18 358	19 423	22 628
<i>Cemetery Fees</i>	185	228	253	212	243	243	243	320	325	329
<i>Sundry Income</i>	3 826	2 340	2 566	2 074	2 782	2 782	2 782	180	184	186
<i>Insurance Claims Received</i>			–	66	75	75	75	–	–	–
<i>Connection fees</i>	186	170	188	38	44	44	44	46	47	48
<i>Special meter readings</i>	16	12	13	24	27	27	27	26	27	29
<i>Parking meters fees</i>	25	20	22	11	12	12	12	–	–	–
<i>Valuation certificates</i>	9	19	22	12	14	14	14	16	16	17
<i>Other</i>				74	85	85	85	50	49	28
Total 'Other' Revenue	20 198	5 563	6 148	16 713	19 537	19 537	19 537	18 995	20 071	23 265
EXPENDITURE ITEMS:										
<u>Employee related costs</u>										
Basic Salaries and Wages	33 071	29 132	39 457	40 143	40 952	40 952	40 952	41 362	41 858	42 486

Pension and UIF Contributions	6 846	6 154	6 469	7 718	7 867	7 867	7 867	7 906	7 985	8 104
Medical Aid Contributions	869	780	1 794	2 622	2 605	2 605	2 605	2 615	2 654	2 707
Overtime	1 331	1 195	835	1 633	1 659	1 659	1 659	1 494	1 449	1 435
Performance Bonus	–	–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	1 956	1 756	1 983	1 594	1 735	1 735	1 735	1 756	1 774	1 809
Cellphone Allowance	–	–	316	409	441	441	441	444	449	455
Housing Allowances	111	100	134	186	180	180	180	184	187	191
Other benefits and allowances	–	–	1 742	1 421	1 571	1 571	1 571	1 630	1 647	1 647
Payments in lieu of leave	–	–	350	3 203	3 341	3 341	3 341	3 474	3 544	3 594
Long service awards	2 307	2 071	1 980	–	–	–	–	–	–	–
Post-retirement benefit obligations	5 001	4 489	1 378	688	688	688	688	690	697	703
sub-total	51 491	45 675	56 440	59 618	61 039	61 039	61 039	61 556	62 244	63 131
<u>Less: Employees costs capitalised to PPE</u>										
Total Employee related costs	51 491	45 675	56 440	59 618	61 039	61 039	61 039	61 556	62 244	63 131
<u>Contributions recognised - capital</u>										
<i>List contributions by contract</i>										
Total Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
<u>Depreciation & asset impairment</u>										
Depreciation of Property, Plant & Equipment	66 837	68 668	68 925	53 600	53 590	53 590	53 590	54 554	55 918	57 539
Lease amortisation	–	–	–	–	–	–	–	–	–	–
Capital asset impairment	–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	–	–	–	45 121	45 121	45 121	45 121	46 024	46 714	47 555
Total Depreciation & asset impairment	66 837	68 668	68 925	8 479	8 469	8 469	8 469	8 530	9 204	9 984
<u>Bulk purchases</u>										
Electricity Bulk Purchases	25 509	33 174	37 634	43 086	40 931	40 931	40 931	45 229	47 264	49 155
Water Bulk Purchases	871	932	1 147	1 074	1 074	1 074	1 074	2 300	2 404	2 497
Total bulk purchases	26 380	34 106	38 781	44 159	42 005	42 005	42 005	47 529	49 668	51 652
<u>Transfers and grants</u>										
Cash transfers and grants	–	–	–	–	–	–	–	–	–	–
Non-cash transfers and grants	568	788	305	12 422	14 930	14 930	14 930	13 669	13 990	13 666
Total transfers and grants	568	788	305	12 422	14 930	14 930	14 930	13 669	13 990	13 666
<u>Contracted services</u>										
Traffic Violation Systems	5 308	5 135	4 290	4 147	2 421	2 421	2 421	4 124	4 268	4 422
Security Services	1 032	1 001	836	1 244	1 244	1 244	1 244	1 654	1 712	1 773
IMQS: Asset Maintenance	–	–	–	–	–	–	–	–	–	–
Ubertech: IT Maintenance	–	–	–	–	–	–	–	–	–	–
Syntell: PrepaidElectricity	351	340	284	890	890	890	890	1 184	1 226	1 270
Proffessional Consultancy Fees	2 279	2 210	1 846	745	745	745	745	991	1 025	1 062

<i>sub-total</i>	8 970	8 687	7 257	7 026	5 300	5 300	5 300	7 953	8 231	8 527
Allocations to organs of state:										
Electricity										
Water										
Sanitation										
Other										
Total contracted services	8 970	8 687	7 257	7 026	5 300	5 300	5 300	7 953	8 231	8 527
Other Expenditure By Type										
Collection costs	95	–	66	1 696	1 696	1 696	1 696	2 653	2 799	2 967
Contributions to 'other' provisions	–	–	–	–	400	400	400	–	–	–
Consultant fees	995	949	1 230	-						
Audit fees	1 163	1 506	1 952	2 466	2 411	2 411	2 411	2 207	2 722	2 941
General expenses	7 978	6 937	13 270	10 779	8 268	8 268	8 268	12 665	11 639	12 795
<i>Departmental Service Accounts</i>	3 015	2 874	3 726	3 196	3 195	3 195	3 195	3 196	3 612	3 906
<i>External Licences and Subscriptions</i>	361	344	446	334	339	339	339	392	410	450
<i>Fuel and Oil</i>	2 932	2 796	4 624	2 838	2 832	2 832	2 832	2 838	3 281	3 809
<i>General Valuation Roll expenses</i>	1 260	2 252	2 919	650	650	650	650	650	651	651
<i>Insurance</i>	2 112	2 014	2 611	1 305	1 295	1 295	1 295	1 305	1 664	1 831
<i>Workmen's Compension (COIDA)</i>	–	–	–	411	411	411	411		–	–
<i>SALGA Membership Fees</i>	348	331	430	461	461	461	461	461	490	500
<i>Telephone expenses</i>	2 253	1 148	1 489	895	892	892	892	908	1 008	1 250
<i>Printing and Stationery</i>	651	621	805	773	763	763	763	465	703	993
<i>Protective Clothing</i>	333	317	411	465	520	520	520	530	554	609
<i>Publicity Costs</i>	240	229	297	284	268	268	268	799	835	919
<i>Tourism Strategy</i>	263	250	325	426	426	426	426	426	444	475
<i>Subsistence and Travel</i>	1 205	1 149	1 490	2 057	2 020	2 020	2 020	2 057	2 300	2 550
<i>SAIMSA Games</i>	358	–	–	–	–	–	–	–	–	–
<i>Skills Development Training</i>	401	382	496	600	616	616	616	600	694	763
<i>Electricity Costs for Rural Water pumps</i>	911	868	1 126	1 214	1 214	1 214	1 214	1 214	1 344	1 479
Employee Wellness expenses	979	933	1 210	1 400	1 120	1 120	1 120	1 400	1 450	2 000
Ward Capacitation and Training				400	133	133	133	120	125	138
Electricity Master plan								500	523	575
Operation fix-it								600	660	685
Brand Execution								276	299	320
Total 'Other' Expenditure	27 853	25 901	38 923	32 649	29 931	29 931	29 931	36 262	38 206	42 606
Repairs and Maintenance by Expenditure Item										
Employee related costs	858	868	1 248	–	–	–	–	–	–	–
Other materials	6 113	4 352	7 175	8 178	8 140	8 140	8 140	8 470	8 766	8 985
Contracted Services	2 742	3 459	3 657	3 862	3 862	3 862	3 862	4 207	4 355	4 442
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	9 714	8 679	12 080	12 040	12 002	12 002	12 002	12 677	13 120	13 427

Table 54 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Ref	Vote 1 - EXECUTIVE AND COUNCIL	Vote 2 - FINANCE AND ADMINISTRATION	Vote 3 - PLANNING AND DEVELOPMENT	Vote 4 - HEALTH	Vote 5 - COMMUNITY AND SOCIAL SERVICES	Vote 6 - PUBLIC SAFETY	Vote 7 - SPORT AND RECREATION	Vote 8 - ROAD TRANSPORT	Vote 9 - OTHER	Vote 10 - HOUSING SERVICES	Vote 11 - WASTE MANAGEMENT	Vote 12 - WASTE WATER MANAGEMENT	Vote 13 - ELECTRICITY
R thousand	1													
Revenue By Source														
Property rates		-	23 785	-	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	13 906	-
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-	8 264	-	-
Service charges - other		-	-	-	-	29	-	-	-	-	35	-	-	-
Rental of facilities and equipment		455	69	-	-	267	-	102	4	-	-	-	-	-
Interest earned - external investments		-	940	-	-	-	-	-	-	-	-	-	-	-
Interest earned - outstanding debtors		-	125	-	-	-	-	-	-	-	1	80	-	184
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	6 382	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	807	-	897	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue		110	31	-	-	358	-	-	14	-	-	-	-	28
Transfers recognised - operational		2 553	14 360	1 000	1 056	694	7	-	-	-	-	5 415	8 683	-
Gains on disposal of PPE		120	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		3 238	39 310	1 000	1 056	1 347	7 196	102	916	-	36	13 759	22 802	-
Expenditure By Type														
Employee related costs		2 884	14 270	4 583	-	6 621	3 905	2 321	6 878	370	1 834	7 476	2 932	-
Remuneration of councillors		4 308	-	-	-	-	-	-	-	-	-	-	-	-
Debt impairment		-	2 418	-	-	-	-	-	-	-	-	661	1 113	-
Depreciation & asset impairment		12	798	22	151	1 894	-	-	3 578	-	49	213	755	-
Finance charges		219	126	-	-	-	-	-	321	-	-	382	402	-
Bulk purchases		-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		-	2 845	56	-	-	3 511	-	-	-	-	-	-	-
Transfers and grants		420	934	1 000	-	694	-	-	-	-	-	3 219	4 032	-
Other expenditure		4 711	8 623	3 738	19	1 302	1 559	1 249	4 740	532	186	2 524	3 064	-
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		12 554	30 014	9 398	169	10 512	8 975	3 569	15 518	902	2 069	14 476	12 298	-
Surplus/(Deficit)		(9 316)	9 295	(8 398)	887	(9 164)	(1 778)	(3 468)	(14 602)	(902)	(2 033)	(717)	10 504	-
Transfers recognised - capital		-	-	800	-	-	-	-	11 808	-	-	1 770	3 180	-
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(9 316)	9 295	(7 598)	887	(9 164)	(1 778)	(3 468)	(2 794)	(902)	(2 033)	1 053	13 684	-

Table 55 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Call investment deposits											
Call deposits < 90 days											
Other current investments > 90 days		8 668			10 716	7 654	7 654	7 654	11 788	12 861	13 401
Total Call investment deposits	2	8 668	-	-	10 716	7 654	7 654	7 654	11 788	12 861	13 401
Consumer debtors											
Consumer debtors		40 831	38 361	46 604	79 038	79 038	79 038	79 038	83 781	85 099	89 865
Less: Provision for debt impairment		-		-	(67 001)	(67 001)	(67 001)	(67 001)	(74 610)	(75 990)	(80 321)
Total Consumer debtors	2	40 831	38 361	46 604	12 037	12 037	12 037	12 037	9 171	9 109	9 543
Debt impairment provision											
Balance at the beginning of the year		(29 309)			59 822	59 822	59 822	59 822	(67 001)	(74 610)	(77 744)
Contributions to the provision		(20 011)			7 178	7 178	7 178	7 178	(7 609)	(8 076)	(8 238)
Bad debts written off											-
Balance at end of year		(49 320)	-	-	67 001	67 001	67 001	67 001	(74 610)	(82 686)	(85 981)
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		1 515 115	1 094 848	1 039 911	1 407 492	1 384 286	1 384 286	1 384 286	1 491 941	1 501 937	1 531 976
Leases recognised as PPE	3	149			50	50	50	50	53	57	60
Less: Accumulated depreciation		440 143	68 668	68 650	518 548	518 548	518 548	518 548	549 661	559 368	592 930
Total Property, plant and equipment (PPE)	2	1 075 120	1 026 180	971 261	888 993	865 788	865 788	865 788	942 332	942 626	939 106
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		2 025	2 257	2 485	1 296	1 296	1 296	1 296	1 374	1 400	1 456
Total Current liabilities - Borrowing		2 025	2 257	2 485	1 296	1 296	1 296	1 296	1 374	1 400	1 456
Trade and other payables											
Trade and other creditors		9 326	12 766	10 864	5 924	5 924	5 924	5 924	6 279	6 400	6 528
Unspent conditional transfers			11 954	12 541	1 272	1 272	1 272	1 272	1 348	1 000	1 060
VAT		5 979	2 367	4 223	3 470	3 470	3 470	3 470	3 679	3 800	4 028
Total Trade and other payables	2	15 304	27 087	27 629	10 666	10 666	10 666	10 666	11 306	11 200	11 616
Non current liabilities - Borrowing											
Borrowing	4	13 076	33 641	34 847	10 486	10 486	10 486	10 486	11 115	10 415	9 665
Finance leases (including PPP asset element)		24			57	57	57	57	61	62	64
Total Non current liabilities - Borrowing		13 100	33 641	34 847	10 543	10 543	10 543	10 543	11 176	10 477	9 729
Provisions - non-current											
Retirement benefits		23 201	5 073	8 904	29 224	29 224	29 224	29 224	30 977	31 995	32 795
List other major provision items											
Refuse landfill site rehabilitation		2 412		-	3 035	3 035	3 035	3 035	3 217	3 299	3 381
Other		2 307		-							
Total Provisions - non-current		27 920	5 073	8 904	32 259	32 259	32 259	32 259	34 194	35 294	36 176
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		964 868	919 832	1 069 504	584 785	584 785	584 785	584 785	639 063	675 131	652 331
GRAP adjustments		(37 821)									
Restated balance		927 047	919 832	1 069 504	584 785	584 785	584 785	584 785	639 063	675 131	652 331
Surplus/(Deficit)		(36 060)	(56 243)	(48 767)	36 745	10 477	10 477	10 477	29 368	9 699	31 003
Appropriations to Reserves		14 812			10 735	10 735	10 735	10 735	15 333	1 881	1 975
Transfers from Reserves		2 253									
Depreciation offsets		11 781			8 399	8 399	8 399	8 399	8 903	9 100	9 191
Other adjustments		-	205 914								
Accumulated Surplus/(Deficit)	1	919 832	1 069 504	1 020 737	640 664	614 396	614 396	614 396	692 667	695 811	694 499
Reserves											
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation		207 303			271 307	271 307	271 307	271 307	271 307	271 307	271 307
Total Reserves	2	207 303	-	-	271 307	271 307	271 307	271 307	271 307	271 307	271 307
TOTAL COMMUNITY WEALTH/EQUITY	2	1 127 135	1 069 504	1 020 737	911 971	885 703	885 703	885 703	963 974	967 118	965 806

Table 56 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population		Census count/estimate				36	36	36	36	36	36	36
Females aged 5 - 14		Census count/estimate				6	6	6	6	6	6	6
Males aged 5 - 14		Census count/estimate				6	6	6	6	6	6	6
Females aged 15 - 34		Census count/estimate				5	5	5	5	5	5	5
Males aged 15 - 34		Census count/estimate				5	5	5	5	5	5	5
Unemployment		Census count/estimate				14	14	14	14	14	14	14
Monthly household income (no. of households)	1, 12											
No income		Census count/estimate				924	924	924	924	924	924	924
R1 - R1 600		Census count per month				2 728	2 728	2 728	2 728	2 728	2 728	2 728
R1 601 - R3 200		Census count per month				2 350	2 350	2 350	2 350	2 350	2 350	2 350
R3 201 - R6 400						1 760	1 760	1 760	1 760	1 760	1 760	1 760
R6 401 - R12 800						1 264	1 264	1 264	1 264	1 264	1 264	1 264
R12 801 - R25 600						939	939	939	939	939	939	939
R25 601 - R51 200						368	368	368	368	368	368	368
R52 201 - R102 400						68	68	68	68	68	68	68
R102 401 - R204 800						32	32	32	32	32	32	32
R204 801 - R409 600						24	24	24	24	24	24	24
R409 601 - R819 200												
> R819 200												
Poverty profiles (no. of households)												
< R2 060 per household per month	13											
Insert description	2											
Household/demographics (000)												
Number of people in municipal area						7	7	7	7	7	7	7
Number of poor people in municipal area						6	6	6	6	6	6	6
Number of households in municipal area						2	2	2	2	2	2	2
Number of poor households in municipal area						2	2	2	2	2	2	2
Definition of poor household (R. per month)						3 800	3 800	3 314	3 314	3 314	3 314	3 314
Housing statistics	3											
Formal						1 845	1 845	1 845				
Informal						-	-	-				
Total number of households			-	-	-	1 845	1 845	1 845	-	-	-	-
Dwellings provided by municipality	4					-	-	-				
Dwellings provided by province/s						-	-	-				
Dwellings provided by private sector	5					-	-	-				
Total new housing dwellings			-	-	-	-	-	-	-	-	-	-
Economic	6											
Inflation/inflation outlook (CPIX)						6.0%	6.0%	6.0%				
Interest rate - borrowing						11.5%	11.5%	11.5%				
Interest rate - investment						7.5%	7.0%	8.0%				
Remuneration increases						8.3%	12.0%	9.5%				
Consumption growth (electricity)						0.0%	0.0%	0.0%				
Consumption growth (water)						-40.0%	-40.0%	0.0%				
Collection rates	7											
Property tax/service charges						91.0%	89.0%	100.0%				
Rental of facilities & equipment						95.0%	95.0%	100.0%				
Interest - external investments						7.5%	7.0%	8.0%				
Interest - debtors						0.0%	0.0%	0.0%				
Revenue from agency services						95.0%	100.0%	100.0%				

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Alle korrespondensie moet gerig word
aan die **MUNISIPALE BESTUURDER**

All Correspondence must be addressed
to the **MUNICIPAL MANAGER**

Kantoor van die/Municipal Manager

Office of the:

Verw. Nr/Ref. No:

Datum/Date:

Navrae/Enquiries:

Municipal manager's quality certificate

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

Print Name Isak Visser

Municipal manager of Emthanjeni (NC073)

Signature

Date

31/03/2014

**VISION**

We, Emthanjeni Municipality, commit ourselves to a humane and caring society, living in a healthy and secure environment, conducive to sustainable economic development.

MISSION STATEMENT

We strive to: Deliver quality services and promote development in our municipal area in a non-sexist, non-racial and non-discriminating manner. We do this by creating a climate of co-operative governance with meaningful partnerships with all stakeholders, especially the members of the general public.

ANNEXURE 1:

POLICIES

EMTHANJENI MUNICIPALITY



BUDGET IMPLEMENTATION AND MONITORING POLICY

FIRST DRAFT – DRAFT BUDGET 2014/2015 MTREF

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ABBREVIATIONS

NC073	<i>Emthanjeni Municipality</i>
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
HOD	Directors/Head of Department
IDP	Integrated Development Plan
MBRR	Municipal Budget and Reporting Regulations, 2008
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
SCM	Supply Chain Management
VAT	Value Added Tax

1 PURPOSE OF THIS DOCUMENT

1.1 The objective of the budget policy is to set out:

- (a) The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget (MTREF);
- (b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget;
- (c) To control and inform the basis, format and information included in the Budget documentation; and
- (d) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

2 DEFINITIONS

In this Budget Implementation Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

"Accounting Officer"- means the Municipal Manager;

"Allocation", means-

- a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- an allocation of money to a municipality in terms of a provincial budget; or
- any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

"Approved budget," means an annual budget-

- approved by a municipal council, or
- includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

- "Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-
- the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function / vote.

"Budget Year" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"chief financial officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"councillor" means a member of a municipal council;

"creditor", means a person to whom money is owed by the municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA;

"financial statements", means statements consisting of at least-

- a statement of financial position;
- a statement of financial performance;
- a cash-flow statement;
- any other statements that may be prescribed; and
- any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year;

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment", in relation to funds of a municipality, means-

- the placing on deposit of funds of a municipality with a financial institution; or
- the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"long-term debt" means debt repayable over a period exceeding one year;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"mayor" means the councillor elected as the mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"municipal entity" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipality"-

- when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

- an employee of a municipality or municipal entity;
- a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

- means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- 1 July to 30 September;
- 1 October to 31 December;
- 1 January to 31 March; or
- 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- projections for each month of-
- revenue to be collected, by source; and
- operational and capital expenditure, by vote;
- service delivery targets and performance indicators for each quarter; and
- any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(l) (c) of the MFMA.

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (ii), (iii) or (iv) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA; "virement" means transfer of funds between functions / votes.

"vote" means-

- one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

In this document unless the context otherwise indicates, words and expressions denoting the singular shall include the plural and vice versa, words and expressions denoting the male sex shall include the female sex and vice versa and reference to a natural person shall include a legal person and vice versa.

3 BUDGETING PRINCIPLES

The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels.

The municipality shall ensure that the budget reflects the net depreciation amount (gross depreciation less backlog depreciation) due to the increase of measurement of PPE.

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget. Vote accessibility of supply chain management systems for small businesses must be taken into account.

Municipality shall prepare a multi-year budget (three year) - medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.

4 BUDGETING PROCESS

4.1 Planning for the preparation of the budget

- 4.1.1 The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- 4.1.2 The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- 4.1.3 IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework (MTREF) budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- 4.1.4 The mayor shall convene a strategic workshop in September/October with the senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.
- 4.1.5 The Mayor shall table the Draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.).
- 4.1.6 The Chief Financial Officer and senior managers undertake the technical preparation of the budget including:-
 - 4.1.6.1 Review past performance;
 - 4.1.6.2 Prepare initial preview assumptions;
 - 4.1.6.3 Analyse past revenue trends and develop initial projections;
 - 4.1.6.4 Prepare the IDP and make necessary revisions;
 - 4.1.6.5 Prepare initial budget scenarios:-
 - (a) The budget must be in the prescribed format, and must be divided into capital and operating budget.
 - (b) The budget must reflect the realistically expected revenues and expenditure by major source for the budget year concerned; and
 - (c) Estimated revenue and expenditure by vote for the budget year; and
 - 4.1.6.6 The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

Annexure A provides an outline of the budget activities, timeframes and responsibilities.

4.2 Public participation process

- 4.2.1 During the consultation process administration should consult with political executive; and

- 4.2.2 Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public and stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

4.3 Approval of the budget

- 4.3.1 Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year);
- 4.3.2 The council resolution, must contain budget policies and performance measures be adopted; and
- 4.3.3 Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved.

4.4 Publication of the budget

- 4.4.1 Within 14 days after the draft annual budget has been tabled, the Director of Corporate Services must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury; and
- 4.4.2 The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

5 CONTENTS OF THE BUDGET

The budget consist of the following key elements:

5.1 Mayor's Report

5.2 Council Resolutions

5.3 The Council approves and adopts: -

- 5.3.1 Budget set out in various tables;
- 5.3.2 by standard classification;
- 5.3.3 by municipal vote;
- 5.3.4 by source and expenditure by type;
- 5.3.5 Policies; and
- 5.3.6 Tariffs.

5.4 Executive Summary

5.4.1 Operating Revenue Framework

- 5.4.1.1 Property Rates ;
- 5.4.1.2 Sale of Water and Impact of Tariff Increases;
- 5.4.1.3 Sale of Electricity and Impact of Tariff Increases;
- 5.4.1.4 Sanitation and Impact of Tariff Increases;
- 5.4.1.5 Waste Removal and Impact of Tariff Increases; and
- 5.4.1.6 Overall impact of tariff increases on households.

5.4.2 Operating Expenditure Framework

- 5.4.2.1 Main operational expenditure categories;
- 5.4.2.2 Priority areas i.e. repairs and maintenance; and
- 5.4.2.3 Free Basic Services: Basic Social Services Package.

5.4.3 Capital expenditure

- 5.4.3.1 Focus area
- 5.4.3.2 Highlighted projects where major investment in Capex is made
- 5.4.3.3 Future operational cost of new infrastructure

5.5 Supporting Documentation

5.5.1 Budget Process Overview

- 5.5.1.1 IDP and Service Delivery and Budget Implementation Plan
- 5.5.1.2 Financial Modelling and Key Planning Drivers
- 5.5.1.3 Community Consultation
- 5.5.1.4 Overview of alignment of annual budget with IDP

- 5.5.2 Measurable performance objectives and indicators
- 5.5.3 Overview of budget related-policies
- 5.5.4 Monthly revenue cash flow projections by month
- 5.5.5 IDP amendments
- 5.5.6 Amendments to Budget related policies
- 5.5.7 Details of investments
- 5.5.8 Municipal entities – new and existing
- 5.5.9 Proposed service delivery agreements
- 5.5.10 Grants to external bodies
- 5.5.11 Contracts having future budgetary implications
- 5.5.12 Capital expenditure details
- 5.5.13 Legislation compliance status
- 5.5.14 Salary, allowances and benefits of:
 - 5.5.14.1 Councillors
 - 5.5.14.2 MM, CFO, Director and Managers
- 5.5.15 Overview of budget assumptions
 - 5.5.15.1 External factors
 - 5.5.15.2 General inflation outlook and its impact on the municipal activities
 - 5.5.15.3 Credit rating outlook
 - 5.5.15.4 Interest rates for borrowing and investment of funds
 - 5.5.15.5 Collection rate for revenue services
 - 5.5.15.6 Growth or decline in tax base of the municipality
 - 5.5.15.7 Salary increases
 - 5.5.15.8 Impact of national, provincial and local policies
 - 5.5.15.9 Ability of the municipality to spend and deliver on the programmes; and
- 5.5.16 Municipal manager's quality certificate

6 OPERATING BUDGET

- 6.1 The municipality shall budget in each annual and adjustments budget for the contribution to:
 - 6.1.1 provision for accrued leave entitlements equal to between 10 - 20% of the accrued leave
 - 6.1.2 entitlement of officials as at 30 June of each financial year,
 - 6.1.3 provision for bad debts in accordance with its rates and tariffs policies
 - 6.1.4 provision for the obsolescence and deterioration of stock in accordance with its stores management policy
 - 6.1.5 Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
 - 6.1.6 A sufficient proportion of the operating budget component of each annual and adjustments budget shall be set aside for maintenance in accordance with the asset maintenance plans of the Municipalities.
- 6.2 When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- 6.3 The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- 6.4 The operating budget shall reflect the impact of the capital component on:
 - 6.4.1 depreciation charges
 - 6.4.2 repairs and maintenance expenses
 - 6.4.3 interest payable on external borrowings
 - 6.4.4 other operating expenses.
- 6.5 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

7 CAPITAL BUDGET

- 7.1 Expenditure of a project shall be included in the capital budget if it meets the asset definition and has a useful life in excess of one year.
- 7.2 A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- 7.3 The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
- 7.4 Before approving a capital project, the Council must consider:
 - 7.4.1 the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - 7.4.2 future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
 - 7.4.3 the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - 7.4.4 depreciation of fixed assets,
 - 7.4.5 maintenance of fixed assets, and
 - 7.4.6 any other ordinary operational expenses associated with any item on such capital budget.
- 7.5 Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

8 FUNDING OF THE BUDGET

8.1 Operational Budget

The operational budget can only be funded from –

- 8.1.1 Realistically expected revenues.
 - 8.1.1.1 Based on collection levels to date
 - 8.1.1.2 Actual revenue collected in previous financial years
- 8.1.2 Uncommitted accumulated surpluses to the extent that the surpluses are cash backed.

8.2 Capital Budget

- 8.2.1 Revenue or Surplus
 - 8.2.1.1 If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.
 - 8.2.1.2 If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.
- 8.2.2 External loans
 - 8.2.2.1 External loans can be raised only if it is linked to the financing of an asset;
 - 8.2.2.2 A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
 - 8.2.2.3 The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
 - 8.2.2.4 Interest payable on external loans shall be included as a cost in the revenue budget;
 - 8.2.2.5 Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
- 8.2.3 Capital Replacement Reserve (CRR)
 - 8.2.3.1 Council may establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:
 - unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - interest on the investments of the CRR, appropriated in terms of the investments policy;
 - additional amounts appropriated as contributions in each annual or adjustments budget; and
 - Sale of land and profit or loss on the sale of assets.
 - 8.2.3.2 Before any asset can be financed from the CRR the financing may be available within the reserve and available as cash as this fund must be cash backed;
 - 8.2.3.3 If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
 - 8.2.3.4 Transfers to the CRR may be budgeted for in the cash budget;

8.2.4 Grant Funding

8.2.4.1 Non capital expenditure funded from grants

- must be budgeted for as part of the revenue budget;
- Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

8.2.4.2 Capital expenditure must be budgeted for in the capital budget;

8.2.4.3 Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts.

8.2.4.4 Grant funding does not need to be cash backed but cash should be secured before spending can take place.

8.3 Unspent Funds / Roll over of Budget

8.3.1 The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.

8.3.2 Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year.

8.3.3 Conditions of the grant fund shall be taken into account in applying for such roll over of funds.

8.3.4 In order to apply for a rollover of unspent conditional grants the following must be submitted to National Treasury:

8.3.4.1 Municipalities must submit their June conditional grant expenditure reports according to section 71 of MFMA reflecting all accrued expenditure on conditional grants;

8.3.4.2 Submit the pre-audited AFS indicating the portion of each national conditional allocation it received which remained unspent as at 30 June;

8.3.4.3 Formal letter addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the of DoRA

8.3.4.4 Motivation of Commitment:

- a. Evidence that work on each of the projects has commenced, namely either of the following:
 - Proof that the project tender was published and the period for tender submissions closed before 30 June; or
 - Proof that a contract for delivery of the project was signed before 30 June.
- b. A progress report on the state of implementation of each of the projects;
- c. The amount of funds committed to each project, and the conditional allocation from which the funds come;
- d. An indication of the time-period within which the funds are to be spent; and
- e. Proof that the Chief Financial Officer is permanently appointed.
 - National Treasury to confirm in writing approval or not;
 - The municipality must return the remaining unspent conditional grant funds National Revenue Fund;
 - Non return will result in the offset against the municipality's November equitable share allocation

8.3.5 Adjustments to the rolled over budget shall be done during the 1st Adjustments budget in the new financial year after taking into account expenditure up to the end of the previous financial year.

8.3.6 No unspent operating budget shall be rolled over to the next budget year

9 VIREMENTS

Virements represents a flexible mechanism to affect budgetary amendments within a municipal financial year, and is the major mechanism to align and take corrective (financial / budgetary) action within a Directorate (Vote) or functional area during a financial year.

9.1 Virement procedure requirements and restrictions

- 9.1.1 In order for a "vote" to transfer funds from one cost element, operating or capital project to another cost element, operating or capital project, a saving has to be identified within the monetary limitations of an identified cost element, operating or capital project allocations on the respective budgets.
- 9.1.2 Sufficient, budgetary provision should be available within the "giving" vote's cost element or capital project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element operating, or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
- 9.1.3 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).
- 9.1.4 In terms of Section 17 of the MFMA a Municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets other than through an Adjustments Budget.
- 9.1.5 Virements are not permissible across, or between, votes without recommendation of the Directors and the Chief Financial Officer, support of the Municipal Manager and approval of Council.
- 9.1.6 Virements between Trading- and Rate-funded functions are not allowed, due to the differing impacts on respective tariff- or Rates-borne services' budgets, unless adopted via an Adjustments Budget (MFMA Section 28).
- 9.1.7 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years (MFMA Sections 19 and 21).
- 9.1.8 Virements resulting in adjustments to the approved SDBIP need to be submitted with an Adjustments Budget to the Council with revised targets and indicators for approval. (MFMA Circular 13).
- 9.1.9 No virement may be made to cover/ allow for unauthorised, irregular or fruitless and wasteful expenditure (MFMA Section 32).
- 9.1.10 The virement that relates to an unfunded vacant position is subject to the approval of the Accounting Officer. The budget for such position may only be transferred from Employee related cost, if approved by the Municipal Manager.
- 9.1.11 No transfers are permitted within the first three months or the final month of the financial year without the support of Chief Financial Officer and approval by the Municipal Manager.
- 9.1.12 All virements should be approved in line with the Council's System of delegations.

- 9.1.13 All transfers within votes (directorates) or functional area must be reported by the Chief Financial Officer to the Municipal Manager on a monthly basis.

9.2 Operating Budget Virements

- 9.2.1 No virements are permitted between expenditure categories without the support of Chief Financial Officer and approval by the Municipal Manager.
- 9.2.2 Salaries, Wages and Allowances Category
- 9.2.2.1 Virements are allowed between cost elements only if these virements are within this expenditure category.
- 9.2.2.2 Virements in this expenditure category are subject to the approval of the Chief Financial Officer.
- 9.2.3 Remuneration of Councillors
- 9.2.3.1 Virements in this expenditure category are allowed only if these virements are within this category.
- 9.2.3.2 Virements in this expenditure category are subject to the approval of the Chief Financial Officer.
- 9.2.4 General Expenditure and Repairs and Maintenance (Primary)
- 9.2.4.1 Virements to and from cost elements within each category are allowed.
- 9.2.4.2 Virements are allowed from General Expenditure to Repairs and Maintenance.
- 9.2.4.3 The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category:
- 9.2.4.4 Training related expenditure.
- 9.2.4.5 Bargaining Council provisions and skills development levies.
- 9.2.4.6 Insurance related provisions.
- 9.2.4.7 Pensioner and Continued Members.
- 9.2.4.8 Repairs and Maintenance.
- 9.2.5 Contracted Services and Collection Costs

Virements to and from these elements are allowed.

9.3 Operating Projects And Capital Budget Virement

- 9.3.1 All virements to capital projects will only be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).
- 9.3.2 Only virements between existing projects approved by Council and within the same Directorate will be permitted subject to approval by the Municipal Manager.
- 9.3.3 Virements will only be considered if recommended by a director responsible for the vote or functional area and supported by the Chief Financial Officer.
- 9.3.4 Motivations for virements between projects should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

- 9.3.5 No virements, of which the affect will be to add "new" projects onto the Capital Budget, will be allowed.
- 9.3.6 Virements may not cause an increase to the individual projects' total project cost.
- 9.3.7 Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- 9.3.8 Implementation of the project may not be prejudiced due to the virement of funds (i.e. must not hinder completion of the project).
- 9.3.9 Virements will only be considered upon submission of revised business plans for both the "giving" and the "receiving" operating and capital project.

10 ADJUSTMENT BUDGET

The MFMA 28(2) recognises that there will be instances where unforeseen and unavoidable expenditure is required, as well as other circumstances which could necessitate the submission of an Adjustments Budget:

It is compulsory to prepare an adjustments budget:-

- 10.1 when there is an under collection of revenue
- 10.2 when a downwards adjustment of revenue and expenditure is required

The MFMA also recognises that a voluntary adjustment budget can be prepared as a result of the following:-

- 10.3 Over-collection of revenue – to support existing budgeted programmes (MFMA 28(2) (b) to be submitted after midyear performance assessment and before 28 February.
- 10.4 Unforeseen and unavoidable expenditure recommended by the Mayor (will be a prescribed framework) (MFMA 28(2) (c) must be reported to Council at its next meeting and be included in adjustments budget within 60 days of expenditure being incurred.
- 10.5 Virements – utilise savings in one vote (MFMA 28(2) (d) to be submitted after midyear performance assessment and before 28 February.
- 10.6 Under spending in prior financial year - if unforeseen (MFMA 28(2) (e) should be completed after year end but before 25 August.
- 10.7 Correct errors (MFMA 28(2) (f) to be submitted after midyear performance assessment and before 28 February.
- 10.8 To ratify unauthorised expenditure and any other expenditure within a prescribed framework in terms of Unauthorised Expenditure the Municipality may submit a Special Adjustments Budget when submitting the Annual Report for consideration.
- 10.9 When an adjustments budget is tabled, it must be accompanied by—
 - an explanation how the adjustments budget affects the annual budget;
 - a motivation of any material changes to the annual budget;
 - an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
 - any other supporting documentation that may be prescribed.
- 10.10 The Municipality may not change tax and tariffs unless in terms of a financial recovery plan.
- 10.11 Formats of adjustments budget
An adjustment budget and supporting documentation of a municipality must be in a the format specified in Schedule B of the MBRR and include all the required tables, charts and explanatory information, in view of any guidelines issued by National Treasury
- 10.12 Funding of adjustment budgets

An adjustments budget of a municipality must be suitably funded. The supportive documentation to accompany an adjustments budget in terms of section 28(5) of the MFMA must contain an explanation of how the adjustments budget is funded.

10.13 Submission of tabled adjustments budgets

The municipal manager must comply with section 28(7) of the MFMA together with section 22(b)(i) of the MFMA, within ten working days after mayor has tabled an adjustments budget in the municipal council. When submitting the tabled adjustments budget to National Treasury and relevant provincial treasury in terms of section 28(7) of the MFMA, municipal manager must submit in both printed and electronic.

10.14 Approval of adjustments budgets

The municipal council must consider the full consequences, fiscal or otherwise, of the adjustments budget and supporting documentation. When approving an adjustments budget, municipal council must consider and adopt separate resolutions dealing with each of the matters listed below:

10.14.1 Approval of the adjustment budget;

10.14.1 Approval of any adjustments permitted in terms of section 28(2) of the MFMA;

10.14.1 Approval of the transfer of funds to a separate bank account for purpose contemplated in section 12 of the MFMA;

10.14.1 Approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget;

10.14.1 Approval of any amendments to budget related policies necessitated by the adjustments budget.

10.15 Quality Certification

When an adjustment budget and supporting documentation is tabled in council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule B and signed by the municipal manager.

10.16 Publication of approved adjustment budgets

Within five working days after the municipal council has approved an adjustments budget, the municipal manager must in agreement with section 21(A) of the Municipal System Act make public that approved adjustments budget and supporting documentation, as well as the resolution referred to in item 4, Schedule B, resolutions.

11 BUDGET IMPLEMENTATION

11.1 Monitoring

11.1.1 *The accounting officer with the assistance of the chief financial officer, Directors and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:*

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

11.1.2 *The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.*

11.1.3 *The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.*

11.2 Reporting

11.2.1 Monthly budget statements

The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- The report to the National Treasury must be both in electronic format and in a signed written document

11.2.2 Quarterly reports

The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality

11.2.3 Mid-year budget and performance assessment

- The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12 APPROVAL AND EFFECTIVE DATE

The Chief Financial Officer (CFO) is responsible for the submission of the Policy to Council to consider its adoption after consultation with the AO. Council shall indicate the effective date for implementation of the policy.

This policy will be effective from 01 July 2014

13 POLICY AMENDMENT

The Budget Implementation and Monitoring Policy must be reviewed on an annual basis to ensure that it complies with the regulations and guidelines published by National Treasury. It is imperative that this policy is assessed with the latest MFMA Budget Circulars as published from time to time by National Treasury.

14 RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Asset Disposal Policy;
- Asset Management Policy;
- Credit Control and Debt Collection Policy
- Delegation of Powers;
- Funding, Borrowing and Reserves Policy;
- Infrastructure Investment and Capital Projects Policy;
- Long Term Financial Plan Policy;
- Management of Electricity and Water Distribution Losses Policy;
- Property Rates Policy; and
- Tariff, Indigent and Free Basic Services Policy.

15 REFERENCES

The following references were observed in compiling this document:

- Municipal Finance Management Act, 2003
- Municipal Systems Act, 2000
- Municipal transfer and disposal regulations, Government Gazette no.31346
- The Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000);
- The Municipal Budget and Reporting Regulations;
- MFMA Circulars 66 and 67

16 POLICY IMPLEMENTATION

Procedures should be prepared and adopted by the AO, in consultation with the CFO and HOD(SO)s, to give effect to this policy.

ANNEXURE A: BUDGET PROCESS TIMETABLE

TIMEFRAME	ACTIVITY	RESPONSIBILITY
1 November Year 1 – 10 December Year 1	Heads of Departments to prepare and submit first draft operating and capital budgets in line with the approved operational plans, budget guidelines and secured financing sources.	Directors
10 December Year 1 –	Revision of the current operational and capital budget.	CFO/ Directors
	Compilation of the MFMA Sec 72 Report and submission to the Mayor.	AQ/ CFO
	Approval of adjustments budget by Mayoral Committee.	AQ/ CFO
	Approval of adjustments budget by Council.	AQ/ Mayor
10 December Year 1 – 21 January Year 2	Finance Department to consolidate and prepare the first draft capital and operating budget in the following formats:	CFO/Manager Financial Services/ Directors
	High level consolidated format;	
	Line item budget; and	
	Proposed Tariffs.	
21 January Year 2 – 4 February Year 2	Evaluation of and discussions on first draft budget by Mayoral Committee in line with operational plans, budget guidelines and IDP.	AQ/ CFO/ Directors
	Finance Department to consolidate and prepare the second draft capital and operating budget.	CFO/Manager Accounting/ Directors
7 February Year 2 – 14 February Year 2	Evaluation of and discussions on second draft by Mayoral Committee.	AQ/ CFO
	Evaluation of and discussions on second draft by Portfolio Committees.	Chairpersons of Portfolio Committees/ Directors
14 February Year 2 – 4 March Year 2	Evaluation and discussions of proposals from Portfolio Committees by the Mayoral Committee.	AQ/ CFO
4 March Year 2 – 11 March Year 2	Finance Department to consolidate and prepare the third draft capital and operating budget.	CFO/Manager Accounting/ Directors
	Evaluation and finalisation of the draft MTREF operational and capital budgets by the Mayoral Committee.	AQ/ CFO
11 March Year 2 – 31 March Year 2	Finance Department to consolidate and prepare the final draft capital and operating budgets.	CFO/Manager Accounting/ Directors

TIMEFRAME	ACTIVITY	RESPONSIBILITY
	Evaluation of and discussions on final draft capital and operating budget by Council.	AO/ Mayor
31 March Year 2 – 29 April Year 2	Consultation on final draft budget through formal meetings with all possible stakeholders.	Mayor
		AO/ CFO
29 April Year 2 – 13 May Year 2	Finance Department to consolidate and prepare the final draft capital and operating budgets.	CFO/ Directors
	Evaluation of and discussions on final draft by Mayoral Committee.	AO/ CFO
13 May Year 2 – 31 May Year 2	Finance Department to consolidate and prepare the final capital and operating budgets.	CFO/ Directors
	Adoption of budget by Council.	AO/ Mayor
31 May Year 2 – 13 June Year 2	Finance Department to submit approved budget to Provincial Treasury and National Treasury.	CFO
31 May Year 2	Finance Department to finalise all preparations to ensure proper and timeous implementation of budget, including promulgation of tariffs	CFO
30 June Year 2	Municipal Manager to submit draft SDBIP's and draft performance agreements of all section 57 personnel to Mayor.	AO
	Mayor to approve SDBIP's and note performance agreements.	AO/Mayor

CREDIT CONTROL & DEBT COLLECTION POLICY

1. INTRODUCTION

The Debt Collection Policy must be read with the Customer Care and Management Policy.

2. OBJECTIVE

The objective of the Debt Collection Policy is to ensure that all revenues, rates and taxes, service levies, rentals and any other revenue due to the Municipality is collected in good time and in a humane and a cost efficient manner.

3. ARRANGEMENT FOR SETTLEMENT

3.1 If the domestic household's total gross financial income of all occupants over 18 years of age is less than the threshold of **R3 350, as determined by Council annually, such household is regarded as indigent and the indigent policy will apply.**

3.2 If a domestic household's total gross income exceeds the threshold amount of **R3 350, as determined by Council annually, and** should that household refuse or neglect to pay their bill with the Municipality, and is not willing to pay according to the payment schedule as outlined below:

3.21. Current Account must always be paid plus

3.2.2 Reconnection fees plus

3.3.3 Initial amount per payment schedule below:

OUTSTANDING AMOUNT	REPAYMENT TO RE-CONNECT SERVICES
Up to R800	Full amount plus reconnection
R801 – R2000	40% Initial payment and arrears must be settled within 4 months
R2001 – R4000	30% Initial payment and arrears must be settled within 9 months
R4001 – R6000	25% Initial payment and arrears must

	be settled within 15 months
R6001 – R10 000	15% Initial payment and arrears must be settled within 30 months
R10 001 and more	12% Initial payment and arrears must be settled within 36 months

And also agree to where possible

pay the current portion of the account in cash and sign an acknowledgement of debt; or provide a garnishee order/emolument order/stop order (if he or she is in employment); sign Consent to Judgement;

acknowledge that interest will be charged at the prescribed rate;

acknowledge that if the arrangements negotiated are later defaulted on, no further arrangements will be possible and disconnection of water and electricity will immediately follow, as will legal proceedings,

the Municipality will not enter into an extended term of payment with this customer and reserve it's right to restrict, block, disconnect or suspend the supply of water and electricity or other municipal services.

3.3 All business customers must pay their accounts in full on due date – exception can only be considered on a case-by-case basis after written application from the individual business has been received. The Chief Financial Officer will consider and approve such applications for arrangements from business within his/her discretion to a maximum of twelve instalments.

3.4 Down payments and instalments will be scaled according to the income of the household and the size of the down payment and the terms of the repayment will be determined by Council on an annual basis, as contained in the tariff and rates schedule.

3.5 The Chief Financial Officer will consider and approve such application for arrangement, should such terms stated in the schedule be exceeded. Customers with arrears will convert to a prepayment meter, the cost of which will be paid off by adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase, at not less than 10% of electricity until the debt is liquidated. Should the defaulter be a tenant, the owner will be held liable for the cost of conversion to a prepayment meter.

3.7 Customers wishing to apply for arrangements for the settling of their accounts must provide:

proof of income, such as a pay slip of all members in the household elder than 18 years;
or a state grant slip, etc;

proof of unemployment as attested to by the Department of Labour;

proof of address, physical and postal (if any), such as a telephone account, consumer (not municipal) account; contact details, and

personal details as required by Council on the Municipality's prescribed form.

3.8 Customers with valid arrears arrangements will not be charged interest while agreed arrangements are met – should one such instalment not be met, interest will be charged on all arrear instalments as in clause 4.2.2 of this policy.

3.9 Should a customer fall into arrears,

the full amount outstanding will become due and immediately payable;

restriction, disconnection, blocking or suspension of services processes will immediately begin;

the arrears arrangement will be enforced and legal action will begin immediately;

no new agreement may be entered into; and

if the customer has a prepayment meter installed, such outstanding amount will be collected by adding it as a surcharge to the prepaid electricity cost at not less than 20% of each electricity purchase until the debt is liquidated.

3.10 The Chief Financial Officer, in consultation with the Municipal Manager, may appoint a Debt Collection Business to collect all arrear amounts on accounts older then 60 days. A fixed commission of not more than 25% on a risk basis will be paid on all arrear amounts recovered.

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4. ENFORCEMENT MECHANISMS

4.1 INTERRUPTION OF SERVICES

4.1.1 Customers that are in arrears with their municipal bill will have their supply of electricity and water and other municipal services, restricted, blocked, suspended or disconnected.

Council reserves the right to restrict or deny the sale of electricity or water coupons to customers who are in arrears with their rates or any other municipal charges or fees.

4.1.2 Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the restricted service will be reconnected as soon as conveniently possible, there after the conventional meter will be replaced by a prepayment meter and the cost of the meter will be recovered through a deduction of not less than 20% of pre-paid sales or cash payment.

4.1.3 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the consumer before reconnection.

Households, classified as indigent, will be treated as per indigent policy.

Council may recover arrear amounts of prepayment customers through the deduction of a percentage of sales until the debt is liquidated.

If services have been disconnected or restricted for an account that is in arrears and such arrears has not been paid or an acceptable arrangement has not been made within 30 days after disconnection or restriction, legal processes will commence which could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

4.2 INTEREST

4.2.1 Interest will be raised as a charge on all accounts not paid by the due date **except on those who accounts who are classified as Indigent Households account and those who have made arrangements to pay their outstanding accounts.**

4.2.2 Interest will be charged on the total outstanding capital balance of the accounts (i.e. total capital levied for services less interest charged), at a rate determined by Council annually as per tariff policy.

4.2.3 The decision to waive interest in specific instances can only be taken by the Chief Financial Officer.

4.3 CONTACT

4.3.1 The Chief Financial Officer, in consultation with the Municipal Manager, may appoint Debt Collectors to assist, within the constraints of affordability, make personal contact with all arrears debtors to encourage their payment, and to inform them of the state of their arrears, and their rights (if any) to conclude arrangements or to indigence subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

Directorate of Finance shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors as in 4.3.1

Such contact is not a right for debtors that debtors enjoy – disconnection of services, and other collection

proceedings, will continue in the absence of such contact for whatever reason.

4.4 LEGAL PROCESS

4.4.1 INTERNAL LEGAL PROCESS

The Municipality will, after all enforcement mechanisms, as referred to in 4.1 to 4.3 above, have failed, proceed with the legal process of issuing final demands and summonses. Should these actions fail, the legal process will be continued with the use of attorneys as referred to in 4.4.2.

4.4.2 USE OF ATTORNEYS/ CREDIT BUREAUS

- i The Chief Financial Officer will, when a debtor falls into arrears, immediately commence the debt collection process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.
- ii The Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from the Chief Financial Officer.
- iii The Chief Financial Officer will establish procedures and codes of conduct with outside parties, be they attorneys, the courts, the sheriff and others and will require regular reports on progress from them.
- iv Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the Municipality's armoury of debt collection procedures.
- v All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.
- vi All costs of this process are for the account of the debtor.
- vii Individual debtor accounts are protected and are not the subject of public information. However, the Municipal Manager and the Chief Financial Officer may release debtor information to Credit Bureaux. This release will be in writing, and this situation will be included in the Municipality's agreement with its customers.
- viii Council will receive and consider reports on relevant matters, including cost effectiveness, of this process.

4.5 USE OF COLLECTION AGENTS

4.5.1 The Chief Financial Officer will consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct, and the success of such agents and products will be

both part of the agreement the Municipality might conclude with such agents or product vendors and will be closely monitored by the Municipal Manager.

4.5.2 Customers will be informed of the powers and duties of such agents, and their responsibilities including their responsibility to observe agreed codes of conduct.

4.5.3 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

5 THEFT AND FRAUD

5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.

The Municipality will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.

The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.

The Municipality will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

Council may distinguish in its penalties between cases of vandalism and cases of theft.

Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.

The Municipality reserves the right to lay charges and to take any other legal action against both vandals and thieves.

6 COST OF COLLECTION

All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with credit control are for the account of the debtor and should reflect at least the cost of the particular action. This onus is to be specifically outlined in Council's credit agreement with a future customer.

7 ABANDONMENT

7.1 The Municipal Manager, and through delegation the Chief Financial Officer, must ensure that all avenues are utilized to collect the municipality's debt.

There are some circumstances that allow for the valid termination of debt collection procedures:

the insolvency of the debtor, whose estate has insufficient funds; and

a balance being too small to recover, for economic reasons, considering the cost of recovery.

The decision to terminate the debt collection procedures in specific instances will only be taken by the Chief Financial Officer.

The Chief Financial Officer will maintain audit trails in such an instance and document the reasons for the abandonment and the writing-off of the abandoned debt.

WRITE-OFF

Council will consider, on an annual basis, the writing off of service arrears, after the Chief Financial Officer has submitted a report with the reasons, but not for tampering charges or connection/reconnection fees or legal/collection costs or any other fee/instalment in terms of an existing agreement or for the purpose of selling properties within a period of 24 months after write-off of arrears.

BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and amended by Council from time to time.

10 COMMENCEMENT

This policy takes effect on 1 JULY 2014.

INDIGENT POLICY

INTRODUCTION

The Indigent Policy must be read along with the Customer Care and Management Policy.

PRINCIPLES THAT UNDERPIN AN INDIGENT POLICY

The following principles are applied in the policy:

Administrative Integrity must be maintained at all costs – policy and execution are legally separate and must also be practically separate.

Communication of policies, rights and responsibilities, must be understandable, effective and regular.

Billing is to be accurate, timely and understandable.

The customer is entitled to efficient, effective and reasonable access to pay points, and to a variety of reliable payment methods.

Poor households are to be identified and supported, with appropriate policies and practices.

Enforcement of payment will be prompt, consistent, effective and humane.

Fraud and criminality will lead to loss of rights and severe penalties.

Targets for performance in both customer service and debt collection will be set and strived for.

Results will be regularly and efficiently reported.

Indigent Policy will be agreed to by Council and management, and thereafter supported by these parties.

RESPONSIBILITIES AND DELEGATED AUTHORITY

The Council --

must create, evaluate, review and adopt the Indigent Policy and related by-laws.

The Mayor must oversee and monitor the implementation and enforcement of the municipality's policies in this regard.

The Municipal Manager --

as Accounting Officer, must implement and enforce this policy and any relevant by-laws.

must establish and control the administration necessary to fulfil this policy, and report efficiently and regularly to the Executive Committee in this regard.

may delegate authority in this regard to the Chief Financial Officer (CFO).

3.3 The Applicant Indigent --

3.3.1 must apply annually to be considered for the indigent equitable share, subsidy or rebate in terms of this and any other policy of Council in this regard; and

3.3.2 must report any change in his/her circumstances which moves his/her household out of the eligibility brackets in clause 4.1.2.

4. INDIGENT POLICY

4.1 Criteria

4.1.1 Council will provide an indigent subsidy, in line with national government regulations and guidelines, to assist the poorest households in the community to receive a basket of basic municipal services either free or rebated, and thereby make basic municipal services available to all.

4.1.2 Indigent subsidies are available **only to domestic households** where the total income of all occupants over 18 years of age is equal to two state pensions or less than **R3 350 per month** (threshold), as contained in the tariff schedule, as annually determined by Council.

4.1.3 The subsidy will be available **only to households legally occupying premises and legally consuming municipal services.**

4.1.4 All other consumers who are not households as mentioned above, **do not qualify to be recognised as an Indigent Household.**

4.2 Funding

4.2.1 The source of funding for the indigent subsidy is the Equitable Share contribution to the Municipality made by the government from the National Treasury. Council will determine the subsidy amount or percentage, per service category, per household, on a year-to-year basis, taking into account the Equitable Share allocation. The subsidy allocation must be contained in the tariff schedule and must be reviewed annually with the annual budget and tariffs.

4.2.2 The subsidy will be widely publicised by the Council, the Municipality and civil society structures.

4.3 Services

4.3.1 Monthly subsidised services will be as follows:

refuse removal;

sewerage.

4.3.2 Subsidised services, on a free basic service (consumption basis) will be the following:

electricity (50kWh);

water (**8 kl**).

Property Rates will be dealt with as per Rates Policy as per exemption of **R28 000** per property.

4.3.3 Households that qualify for an indigent subsidy

will be required to consent to a prepayment electricity meter, the cost of which will be recovered as a surcharge on their subsequent electricity coupon cost; or a cash payment by the household;

The owner will be required to consent to a prepayment electricity meter, the cost of which will be recovered as a cash payment by the owner, in those cases where the household is a tenant.

Households that exceed 8 kl of water per month and are in arrears will have a restriction apparatus fitted to their water supply.

Households that exceed the 50kWh of electricity per month and are in arrears will have their electricity suspended.

Indigent households who's property valuation exceeds R28 000 will have to pay the difference in property rates.

4.3.4 The indigent debtor will be responsible for payment of the difference between the subsidy received and the standard tariff determined by Council annually.

4.4 Household Eligibility

4.4.1 Households become eligible for the rebate through an approved application, annually, on a specific Municipal application form, after which screening and ongoing auditing will occur. This form will require at least the following data:

Information of owner of household;

Physical and postal address;

Telephone details (if applicable);

A list of all persons in the household, names and ages;

Listed gross monthly income of all adults (over 18), with proof (pay slip, grant proof, etc);

Ownership of business or second properties;

Confirmation that he/she has had Municipality's Indigent subsidy explained to them; that they are aware that the provision of fraudulent information is an offence;

In the case of claims of unemployment amongst adults, proof attested by the Department of Labour in this regard must be attached.

4.5 Exclusion

A household will be excluded from the subsidy if:

the household head owns a business or a second property;

the application was filled in dishonestly;

applicant reports a change in his/her circumstances which moves his/her household out of the eligibility brackets in clause 4.1.2;

an arrangement to pay arrears over time falls months or more into arrears with their current account and their current arrangement in dishonoured;

on going audits suggest improvements in the financial circumstances of the household moving it out of the eligibility brackets in clause 4.1.2.

the house is rented to someone who does not qualify or a shop is opened up it will lead to immediate disqualification.

4.6 Investigation

4.6.1 The Municipality reserves the right to verify the details provided in 4.4.1

4.6.2 The Municipality will undertake an ongoing inspection of the applicant household and any changes in that household's circumstances must be reported.

4.6.3 Applicant must attest to the above before a Commissioner of Oaths and a representative of a civil society structure must attest to the veracity of the application.

4.7 Write-off

Council will consider, on an annual basis, the writing off of subsidised existing service arrears at the time of enrolment as an indigent household, **but not for tampering charges or connection/reconnection fees or legal/collection cost or any other fee/instalment in terms of an existing agreement or for the purpose of selling properties within a period of 24 months after the writing off.**

4.8 Auditing

The indigent subsidy will be activated after the indigent application has been approved by the Executive Committee of Council or by approval by the Municipal Manager or the Chief Financial Officer. An initial inspection of the applicant household by the Municipality's designated officials must be done within one month of application. Follow-up inspections will be performed, within six months to determine changes in household circumstances. Such inspections will be conducted by individuals appointed by the Chief Financial Officer to do so and they will make recommendations on whether the subsidy should be continued or discontinued. The Executive Committee of Council, the Municipal Manager or Chief Financial Officer shall decide on the discontinuation of a subsidy.

5. DEBT COLLECTION RELATED TO THE INDIGENT

5.1 Enforcement Mechanisms

5.1.1 Customers who are Indigent and who are in arrears and whose usage on their municipal bill exceeds the predetermined levels, will have their supply of electricity and water, and other municipal services, restricted, blocked, suspended or disconnected.

5.1.2 The Municipality reserves the right to restrict or deny the sale of electricity or water coupons to indigent customers who are in arrears with their rates or other municipal charges.

5.1.3 Upon the liquidation of arrears, or the conclusion of arrangements for instalment payment, the restricted, suspended or disconnected service will be reconnected or unblocked as soon as conveniently possible.

5.1.4 The cost of the restriction, blocking, suspension or disconnection, and the reconnection or unblocking, will be determined by tariffs agreed by Council, and will be payable by the consumer before reconnection.

5.1.5 Households, classified as indigent, will not be handed over for legal processes, including judgement and summonses.

5.1.6 The arrear amount, including the cost of the restriction, blocking, suspension or disconnection, and the reconnection or unblocking, must be transferred to the electricity vending system and collected through the deduction of not less than 20% of electricity purchases.

5.2 Interest

5.2.1 Interest will **NOT** be raised as a charge on **Indigent Households accounts** not paid by the due date.

5.2.2 Interest will NOT be charged on the total outstanding capital balance of the accounts at a rate determined by Council annually as per tariff policy. *See the debt collection policy section that deals with interest*

The decision to waive interest in specific instances can only be taken by the Chief Financial Officer.

The charging of interest will cease from the date the arrear debt is transferred as per 5.1.6 above or when an agreement has been signed with a customer.

5.3 Personal Contact

5.3.1 The Municipality will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of the state of their arrears, and their rights (if any) to conclude arrangements or to indigent subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

5.3.2 The cost of the contact, by telephone, e-mail or short message service (sms), will be determined by tariffs agreed by Council, and will be payable by the consumer.

5.3.3 Directorate of Finance shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors as in 5.3.1.

5.3.4 Such contact is not a right that debtors enjoy – disconnection of services, and other collection proceedings, will continue in the absence of such contact for whatever reason.

6 THEFT AND FRAUD

6.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.

6.2 The Municipality will immediately terminate the subsidy and the supply of services to a customer should such conduct as outlined above be detected.

6.3 A customer who has his subsidy terminated as per 6.2 above, will not be eligible for a subsidy for the remaining portion of the current and the following financial year.

6.4 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.

6.5 The debt collection process as outlined in the Debt Collection Policy will become applicable.

7 CLEARANCE CERTIFICATES

Are issued on request by the transferring attorney and on receipt of the applicable fees.

Are only issued when all amounts due in connection with that property for municipal fees, surcharges on fees, property rates and other municipal taxes, levies and duties have been fully paid.

Any instalment for rates, refuse and sewerage is immediately payable.

The Municipality, as owner of municipal property, may issue a clearance certificate provided proper arrangement for the payment of any outstanding amount has been made.

8 REPORTING TO COUNCIL

The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council and other interested parties.

This report shall reflect on:

- 8.1 Number of indigent households applied;
- 8.2 Amount of subsidy allocated per service category;
- 8.3 Amount of debt accumulating and debt recovery information (numbers of customer; enquires; default arrangement; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
- 8.4 Performance of all areas against targets agreed to in item 9 of this policy document.

9 PERFORMANCE EVALUATION

- 9.1 The performance measured will be to identify the number of indigent households and to measure the percentage of these households to whom the Municipality provides assistance.
- 9.2 Council will create a forum wherein these targets are assessed, Council's performance evaluated and remedial steps taken.

10 BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and amended by Council from time to time.

11 COMMENCEMENT

This policy takes effect on 1 JULY 2014.

TARIFF POLICY

DEFINITIONS

For the purpose of this Policy any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this Policy unless the context indicates otherwise-

Trading Services: Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council realises a surplus on the delivery of the services.

Economic services: Are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.

Community services: Are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature.

Fixed costs: Are costs that do not vary with consumption or volume produced?

Variable costs: These are costs that vary with consumption or volume produced.

Total cost: Is the sum of all fixed and variable costs.

Flat rates: Are the unit tariffs that are calculated by dividing the total costs by volume used.

Two-part tariffs: Are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed.

Units consumed: Are the number of units consumed of a particular service and are measured in terms of the units of measurement reflect in Section 6.

PURPOSE OF THIS POLICY

The council wishes to achieve the following objectives by adopting this tariff policy:

To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

To prescribe procedures for calculating tariffs where the EMTHANJENI MUNICIPALITY wishes to appoint service providers in terms of section 76(b) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

TARIFF PRINCIPLES

3.1 The Council wishes to record the following tariff principles:

- (a) All users of municipal services will be treated equitably. The various categories of customers will pay the same charges based on the same cost structure¹.
- (b) The amount payable will be in proportion to usage and based on the tariff structure adopted for the approved category of consumer.
- (c) Indigent households will have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Integrated Development Plan².
- (d) Tariffs will reflect the total cost of services³.
- (e) Tariffs will be set at a level that facilitates the sustainability of services.⁴

¹ Section 74(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);

² Section 74(2) (c) (i) and (ii).

³ Section 74(2)(d)

⁴ Section 74(2)(e)

3.2 Sustainability will be achieved by ensuring that:

(a) Cash inflows cover cash outflows. This means that sufficient provision for bad debts will be made in accordance with accounting policy.

(b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and realising surpluses on trading services.

3.3 Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required⁵.

3.4 Providing for penalties to prohibit exorbitant use will encourage efficient and effective use of resources.

3.5 The extent of rebates on tariffs will be disclosed. This will be achieved by publishing the true costs of the service and the rebate as well as the source of the rebate.

CATEGORIES OF CUSTOMERS

4.1 The tariff structure of the EMTHANJENI MUNICIPALITY makes provision for the following categories of customers⁶

domestic;

commercial;

industrial;

agricultural;

institutional;

rural;

municipal;

within municipal boundaries;

not within municipal boundaries; and

special agreements.

⁵ Section 74(2)(l)

⁶ Section 74(3)

4.2 Where there is a substantial difference between the standard of services provided within a specified category, the Council may, after the presentation of a report by the Municipal Manager or the relevant department, determine differentiated tariffs within the specified category.

EXPENDITURE CLASSIFICATION AND COST ELEMENTS

The Chief Financial Officer shall, subject to the guidelines of the Directorate of Finance and Executive Committee of the Council, make provision for the following classification of services:

5.1 Trading services:

- (i) Electricity;
- (ii) Water.

5.2 Economic services:

- (i) Refuse removal;
- (ii) Sewerage disposal;
- (iii) Recreation Resorts.

5.3 Community services:

Air pollution;

Building control;

Cemeteries;

Child care facilities;

Control of undertakings that sell liquor to the public;

Facilities for accommodation, care and burial of animals;

Fencing and fences;

Fire fighting services;

Fixed billboards and the display of advertisements in public places;

Local economic development;

Licensing and control of undertakings that sell food to the public;

Licensing of dogs;

Local amenities;
Local sport facilities;
Local tourism;
Municipal parks and recreation;
Municipal planning;
Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
Municipal roads;
Noise pollution;
Parking;
Pounds;
Pest control;
Public places;
Storm water management system in built-up areas;
Street lighting;
Street trading;
Trading regulations;
Traffic.

5.4 Subsidised services:

- (i) Libraries;
- (ii) Primary health care.
- (iii) Proclaimed roads

5.5 Expenditure classification

Subjective classification into various expenditure groups as contained in the National Treasury guidelines and General Recognised Accounting Practises.

5.6 Cost elements

The following cost elements will be used to calculate the tariffs of the different services:

(i) *Fixed costs* which consist of the capital costs (interest) on external loans as well as depreciation whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.

(ii) *Variable cost*: This includes all other variable costs that have reference to the service.

Total cost is equal to the fixed cost plus variable cost.

DEPOSITS

The raising of deposits is permissible where certain levies are made in arrears and payable with new application for the relevant service:

Electricity: Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule, where applicable.

Water: Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule, where applicable.

Other services: As and when required.

See tariff schedule for 2014/2015 financial year.

TARIFF TYPES

7.1 In setting service charges the Council shall accurately reflect costs to achieve economic efficiency; ensure equity and fairness between different types and categories of consumers; utilise appropriate metering and/or supporting technology; and be transparent.

In determining the type of tariff applicable to the type of service the Council shall make use of the following options or a combination of the same:

Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Surpluses on trading services may be allowed subject to Council approval.

Cost related two part tariff: This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and

be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.

Inclining block tariff: This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be used during special agreements and incentives.

Availability charges: Payable in respect of even not connected to Council's existing infrastructure. Once Council provided a connection, normal tariffs as per respective service are payable.

Outside Municipal Area: These tariffs shall apply to consumers who are not residing within the municipal boundaries but are making use, on application, of certain services.

Recoverable work: These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

REBATES

8.1 Rebates are allowed in accordance with the tariff and rate schedule as determined by Council annually.

UNIT OF MEASUREMENT

The following units of measurement will, where possible and applicable, be used to determine tariffs:

9.1 Water

Water will be measured with a water meter and meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

Cost per unit (kilolitres consumed); or

Basic cost plus cost per unit charge (kilolitres consumed); or

When consumption is not measured a flat rate will be applicable.

9.2 Electricity

Electricity will be measured with an electricity meter and meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

Maximum demand plus kWh consumed; or

Basic costs or Fixed costs plus kWh consumed; or

Cost per unit (kWh consumed); or

KVA.

9.3 Refuse removal

The annual amount levied is due and payable in monthly payment account. On written request the amount may be raised annually. The levy is payable by the registered owner and recoverable with clearance certificate.

9.4 Sewerage

Annual amount levied is due and payable in monthly payment account. On written request the amount may be raised annually. The levy is payable by the registered owner and recoverable with clearance certificate:

Basic charge - based on the number of properties within those categories of customers and fixed cost associated with the service.

Additional charge – based on the area and variable costs of the service.

Additional charge – based on the number of properties within those categories of customers and variable costs of the service.

When number of properties is not available a flat rate based on the average consumption per categories of

consumers will be applicable.

9.5 Assessment Rates

Assessment rate is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations. The assessment rate must be calculated in such a manner that the Council realise a net surplus when adopting its tariffs.

Assessment rates are calculated according to market valuation of property. Annual amount levied due and payable with September account. On written request the amount may be raised monthly. The levy is payable by the registered owner and recoverable with clearance certificate.

9.6 Social benefits

The Council, in order to measure social benefits enjoyed by the community, has approved of the under mentioned standards to achieve cost recovery and to measure service delivery, where possible. These measures will be used to ensure that the service is affordable to the Council, business and households. The measures will be used to determine whether the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed.

Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION	UNIT OF OUTPUT	CLASSIFICATION BY COUNCIL
Airfields	Number of landings	Subsidised
Art Gallery and Museum	Number of attendance	Community
Engineering Administration	Population Percentage of Municipal expenditure	Community
Building Section	Number of plans submitted Value of buildings Municipal value of buildings	Subsidised
Caravan Park	Number of bookings Number of sites	Subsidised

Cemeteries	Number of burials Number of graves	Subsidised
Civic and other halls	Number of bookings	Subsidised
Cleansing, Refuse removal and disposal	Number of removals Population Number of properties	Economic
Corporate Services	Population Percentage of total expenditure	Community (Charged out)
Council General	Population Percentage of total expenditure	Community (Charged out)
Electricity	Number of units purchased Number of units sold Number of connections	Trading
Estates	Number of properties	Economic
Financial Services	Percentage of municipal expenditure Population	Community (Charged out)
Fire	Number of call-outs Number of properties Population	Subsidised
Grant-in-aid	Percentage of rates income	Community
Health Clinics Other	Number of attendance Population	Subsidised
Housing (Selling and letting schemes)	Number of dwellings	Economic
Libraries	Number of members Number of book in stock	Community

	Population	
Licensing	Number of licences	Subsidised
Marketing	Number of industrial properties Number of industries	Community
Municipal Manager	Percentage of municipal expenditure Population	Community (Charged out)
Parking	Number of bays	Community
Parks and recreation	Number of properties Population	Community
Personnel administration	Number of municipal staff Population	Community (Charged out)
Recreation resorts	Number of users Population	Economic
Roads and Stormwater (including sidewalks)	Length of roads Population	Community
Security and Civil Defence	Number of installations	Community
Sewerage reticulation (Disposal)	Number of connections Sewerage purified Population	Economic
Street lighting	Number of street lighting	Community
Swimming pools	Number of attendance Population	Subsidised
Stores	Number of stock items held Value of stock Number of orders	Economic (fully charge out)
Town Planning	Number of properties Population	Community
Traffic	Number of registered	Subsidised

	vehicles Population	
Valuations	Number of properties Value of municipal valuations	Community
Water	Number of units sold Cost per unit supplied Length of mains Kilolitres purified Cost per kiloliter purified	Trading

BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and adjusted by Council from time to time.

11 COMMENCEMENT

This policy takes effect on 1 JULY 2014

CUSTOMER CARE AND MANAGEMENT POLICY**1. DEFINITIONS**

For the purpose of this policy the following definitions will apply and any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this Policy, unless the context indicates otherwise-

- i **Act:** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), as amended from time to time,
- ii **apparatus:** includes a building, structure, pipe, pump, wire, cable, meter, machine or any fitting,
- iii **billing:** means proper formal notification on an account to persons liable for payment of amounts levied for assessment rates and other taxes by die municipality and the charges of the fees for municipal services and indicating the net accumulated balance of the account,
- iv **council:** the municipal council of the Municipality of EMTHANJENI,
- v **credit control and debt collection:** means the functions relating to the collection of all money that is due and payable to the municipality,
- vi **customer:** means any occupier of any premises to which the municipality has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises,
- vii **customer management:** means focusing on the client's needs in a responsive and reciprocal relationship between persons liable for these payments and the municipality, and when applicable, a service provider, thereby limiting the need for enforcement,
- viii **defaulter:** means a person owing the municipality money in respect of taxes and/or municipal service charges not paid on the due date for payment,
- ix **engineer:** means a person in charge of the civil or electrical departments of the municipality,
- x **interest:** constitutes a levy equal in legal priority to service levies and is equivalent to the prime banking rate applicable from time to time.
- xi **municipal account:** shall include levies or charges in respect of the following services and taxes:
 - electricity consumption
 - water consumption
 - refuse removal
 - sewerage services

rates and taxes

interest, and

miscellaneous and sundry charges.

xi ***municipal manager***: means the person appointed by the Municipal Council as the Municipal Manager of the municipality in terms of Section 82 of the Local Government Structures Act, 1998 (Act 117 of 1998) and includes any person

acting in such position, and

to whom the Municipal Manager has delegated a power, function or duty in respect of such delegated power, function or duty,

xii ***municipal services***: those services, rates and taxes reflected on the municipal account for which payment is required by the municipality,

xiii ***municipal treasurer***: means a person appointed by the Council to manage the Council's financial administration,

xiv ***occupier***: means any person who occupies any premises or part thereof, without regard to the title under which he or she occupies,

xv ***owner***: means

the person in whom the legal title to the premises is vested,

in a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative,

in any case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises or a building thereon,

in the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof,

in relation to

a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property, or

a section as defined in such Act, the person in whose name such section is registered under sectional title deed and includes the lawfully appointed agent of such a person,

any legal person including but not limited to

a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), Trust *inter vivos*, Trust *mortis causa*, a Closed Corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984), a Voluntary Association.

any Department of State.

any Council or Board established in terms of any legislation applicable to the Republic of South Africa

any Embassy or other foreign entity.

xvi ***policy document***: means the approved customer care, credit control and debt collection policies of the Municipal Council and as amended from time to time,

xvii ***premises***: includes any piece of land, the external surface boundaries of which are delineated on

a general plan or diagram registered in terms of the Land Survey Act, 9 of 1927) or in terms of the Deeds Registry Act, 47 of 1937, or

a sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

2. GENERAL OBJECTIVES

The objectives of this policy are to:

provide a framework for customer care

provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection

ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community, residents and consumers and in financially sustainable manner

describe credit control measures and sequence of events

outline debt collection procedures and mechanisms: and

set realistic targets for debt collection

3. PRINCIPLES THAT UNDERPIN A CUSTOMER CARE AND MANAGEMENT AND DEBT COLLECTION POLICY

The following principles are applied in the policy:

Customer Care and Management and Debt Collection are entirely interrelated issues – debt collection is part of customer management.

Administrative integrity must be maintained at all costs – policy and execution are legally separate and must also be practically separate.

Communication of policies, rights and responsibilities, and systems of appeal, must be understandable, effective and regular.

There must be legal causes between the Municipality and its customer, and customer debt must arise out of a legal framework and must be legally collectable.

Billing is to be accurate, timely and understandable.

The customer is entitled to efficient, effective and reasonable access to pay points and to a variety of reliable payment methods.

The customer is entitled to an efficient, effective and reasonable response to appeals, and to suffer no disadvantage during the process of a reasonable appeal.

Indigent households are to be identified and supported with appropriate policies and practices.

Enforcement of payment will be prompt, consistent, effective and humane.

Fraud and criminality will lead to loss of rights and severe penalties.

Incentives and disincentives can be used in collection procedures.

The collection process must be cost effective.

Collection best practices will be pursued.

Targets for performance in both customer service and debt collection will be set and strived for.

Results will be regularly and efficiently reported.

Policies for Customer Care and Management and Debt Collection will be agreed by Council and Management, and supported thereafter by these parties.

RESPONSIBILITIES AND DELEGATED AUTHORITY

Council:

Council must create, evaluate, review and adapt the Customer Care and Management and Debt Collection Policies and related by-laws.

This political structure must oversee and monitor the implementation and enforcement of the Municipality's policies in this regard.

To maintain the credibility in the implementation of the policy and the attendant by-laws, Councillors should lead by example by ensuring that their own accounts will not fall into arrears.

Ward committees, through their ward councillor, be involved in communicating the credit control and debt collection programme and ensure that customer relations are of an acceptable standard to the community.

Accounting Officer:

The Municipal Manager (MM), as accounting officer, must implement and enforce this policy and any relevant by-laws.

The Municipal Manager must establish and control the administration necessary to fulfil this policy, and report efficiently and regularly to the Mayor and Executive Committee in this regard.

The Municipal Manager must collect all money that is due and payable to the Municipality.

The Municipal Manager may delegate authority in this regard to the Chief Financial Officer.

5 CUSTOMER CARE AND MANAGEMENT POLICY

5.1 COMMUNICATION AND FEEDBACK

5.1.1 Council's Customer Care and Management and Debt Collection Policies must be available in suitable formats, including all locally used languages, and must be made available by general publication and on specific request, and will also be available at Council's cash collection points.

5.1.2 The Municipality will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.

5.1.3 Ward Councillors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.

5.1.4 The press will be encouraged to give prominence to Council's Customer Care and Debt issues, and will be invited to Council meetings where these are discussed.

5.1.5 Council aims to establish, within its financial means:

a central complaints/feedback office;

a centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;

appropriate training for officials dealing with the public to enhance communications and service delivery;

5.2 CUSTOMER SIGN-ON AND AGREEMENTS

5.2.1 All prospective tenants will be required to sign a lease agreement prior to occupation of municipal property;

5.2.2 All prospective buyers will be required to sign a purchase agreement prior to occupation of the property, unless the prospective buyer is the current tenant;

5.2.3 All owners of property and tenants of municipal property will be required to sign agreements governing the supply of, and cost of, municipal services.

5.2.4 The Municipality will not enter into a separate agreement with a tenant of privately owned residential properties, the owner will be responsible for the services on that particular erf(ven). The owner will be held responsible for all outstanding fees, where applicable.

5.2.5 The Municipality will only allow a tenant to sign a separate agreement with the Municipality on business properties and sectional titles, but the owner will be held overall responsible and liable for any arrears accrued. On default by a tenant, the owner is the debtor of last resort, and the agreements must cover this specifically between the owner and tenant.

5.2.6 Private property owners will not be allowed to apply to the Municipality or to enter into an agreement with a tenant for the supply of, and cost of municipal services. The private property owner will be responsible for the debt incurred on that property.

5.2.7 Services, including occupation of property, where applicable, will only be rendered after the signing of the agreement.

5.2.8 Within a specified period (in the agreement) of change of ownership, meters will be read and an account posted.

5.2.9 In the agreement, customers will acknowledge liability for costs of collection and interest, in the event of delayed payment.

5.3 ACCOUNTS AND BILLING

5.3.1 Customers will receive an understandable and accurate bill from the Municipality, which bill will consolidate all service costs for that property.

5.3.2 Accounts will be produced in accordance with the meter reading cycle and due dates are similarly linked.

5.3.3 Accounts will be rendered monthly in cycles of approximately 30 days.

5.3.4 As the Municipality does not control delivery of accounts, it is the owner's, customer's and/or consumer's responsibility to ensure timely payment in the event of a bill not arriving.

5.3.5 It is the owner's, customer's and/or consumer's responsibility to ensure that the postal address and other contact details are correct.

5.3.6 Settlement or due date is the fifth (7th) day of each month.

5.4 METERING

5.4.1 The Municipality will endeavour, within practical and financial limits, to provide adequate meters to every paying customer for all measurable services.

5.4.2 All meters will be read monthly, if at all possible. If a meter is not read the consumption will be estimated in terms of Council's operational procedures. The account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustment.

5.4.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

5.4.4 An actual reading must be obtained once every six months.

5.4.5 Customers are to be informed of meter replacement.

5.4.6 Voluntary readings are permitted, but final readings and actual readings are the responsibility of the Municipality.

5.5 RIGHTS OF ACCESS TO PREMISES

5.5.1 The customer agreement, signed by the customer and the Municipality, must include a clause in which the owner and the occupier of premises give an authorized representative of the Municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service. The customer will accept the cost of relocating a meter if satisfactory access is not possible.

5.6 PROPERTY VALUATION

5.6.1 The Municipality, within its financial and administrative capacity, will maintain a register of all properties within its jurisdiction. This register will be valued and regularly re-valued. Independent valuers will perform such revaluation, and the process of initial valuation and subsequent revaluation will include opportunities for owners to appeal and be heard.

5.6.2 Matters related to property valuation are more comprehensively dealt with in the property rates policy in accordance with the Local Government: Property Rates Act 2004, Act no. 6 of 2004.

5.7 PAYMENT FACILITIES AND METHODS, and STOP ORDERS AND DEBIT ORDERS

5.7.1 The Municipality must operate and maintain suitable banking and cash facilities. The Municipality is permitted to consider the costs and benefits of such facilities; which facilities should be accessible to all users.

5.7.2 The Municipality will offer a range of payment options to customers, which will include cash and may include cheques, credit cards, electronic payments, debit and stop orders.

5.7.3 The Municipality may, at its sole discretion, allocate a payment received between service debts and/or overdue debt. A debtor may not specify that the payment be for a specific portion of the account.

5.7.4 The Municipality may, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

5.7.5 The customer will acknowledge, in the customer agreements that the use of agents in the transmission of payments to the Municipality is at the risk of the customer – also for the transfer time of the payment.

5.8 ENQUIRIES, APPEALS AND SERVICE COMPLAINTS

If a customer is convinced that his or her account is inaccurate; he or she can lodge an appeal in writing with the Directorate Finance for recalculation of this account.

In the interim, **the debtor must pay the average of the last three months account where history of the account is available.** Where no such history is available the debtor is to pay an estimate provided by the Chief Financial Officer before payment due date until the matter is resolved.

The relevant department must investigate and inform the debtor within one month.

Failure to make such agreed interim payment or payments would make the customer liable for disconnection.

5.9 OMBUDSPERSON

Council should, if financially possible, employ an Ombudsperson, working under the direct control of the Municipal Manager, where applicable

This person's duties are to attend to complaints routed to his or her office by Councillors or the community, and to access these complaints, ensure readdress or resolution thereof, and make recommendations on improvements of Council's systems as and when he/she believes such changes to be necessary.

5.10 BUSINESSES WHO TENDER TO THE MUNICIPALITY

5.10.1 The Supply Chain Management Policy must, *inter alia*, include the following:

When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Chief Financial Officer a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which

include the right to set off in the event of non-compliance) have been made for payment of any arrears;

A municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated bill or overdue in terms of the contract or any other due date that has passed;

Tender conditions must contain a condition allowing the Chief Financial Officer to deduct moneys owing to the Municipality from contract payments in terms of a reasonable arrangement with the debtor.

Council's Grants-in-Aid Policy must, *inter alia*, include that consideration thereof will be subject to the applicant obtaining from the Chief Financial Officer a certified letter reflecting the status of the applicant's municipal debt, if any, and that the awarding of grants-in-aid will be subject to payment thereof or an arrangement to pay any arrear municipal account.

INCENTIVES FOR PROMPT PAYMENT

The Municipality will, to encourage prompt payment and to reward good payers, assess incentives for prompt payment. Should such incentives prove to be financially sustainable and of mutual benefit to the Municipality and its customers, the Municipality will commission such incentives.

Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

5.12 CUSTOMER ASSISTANCE PROGRAMMES

5.12.1 Water Leaks Rebates

5.12.1.1 A customer will qualify for a water leak rebate if:

- i the leak occurred underground and was not easily discernable from above ground;
- ii the leak had been repaired within 48 hours of detection;
- iii the customer had only applied for one rebate in a 24-month cycle;
- iv a certificate from a registered plumber, or a sworn affidavit (in the case of a private individual having repaired the leak) must reach the Chief Financial Officer within 10 working days of the repair, and contain the following details:

the date of both invoice and repair;

confirmation that the leak was not discernable from above ground;
certifying that the burst occurred on a pipe listed on the Schedule of Approved Pipes and Fittings as kept by the Director Infrastructure and Housing Services.

5.12.1.2 The adjustment will be calculated based on the difference between the average consumption (kl) for the previous year's corresponding periods and the period of the leakage, for a maximum period of three years.

5.12.2 Faulty Meters

No Consumption Registered

i Meter will be replaced, and if found tampered with, the relevant penalty will be imposed and must be paid, otherwise the service will be restricted, blocked, disconnected or suspended.

ii An interim adjustment will be calculated based on the difference between the average consumption (kl) for the previous year's corresponding periods and the period when the meter was not registering, for a maximum period of three years.

iii The final adjustment will be calculated and debited by using the average consumption for the first three months on the new meter, for the period when the meter was not registering, for a maximum period of three years.

5.12.2.2 Assumed Faulty Meters

i Customers may request the testing of a meter and should the result of the test indicate the meter to be faulty, an adjustment of the levy will be made in accordance thereof.

ii Should the result of the testing indicate the meter not to be faulty, test within the limit of 2,5% in respect of an electricity meter and 5% in respect of a water meter, the customer will be liable for the cost of the applicable tariff payable in advance.

iii The adjustment will be calculated based on the difference between the average consumption (kl) for the previous year's corresponding periods and the period of the faulty metering, for a maximum period of three years.

Rates And Instalments

The property rates bill is payable in equal monthly instalments over 12 months at no interest cost or customers may apply to pay annually on 30 September.

If a monthly instalment is unpaid, the full bill outstanding is immediately due and payable.

Matters related to rates are more comprehensively dealt with in the Property Rates Policy in accordance with the Local Government: Property Rates Act 2004, Act no. 6 of 2004

Sewerage And Cleansing

5.12.4.1 The sewerage and cleansing bill is annually payable on 30 September, but customers may apply to pay or in equal monthly instalments over 12 months at no interest cost.

If three instalments are unpaid, the full bill outstanding is immediately due and payable.

5.13 CLEARANCE CERTIFICATES

5.13.1 are issued after receipt of the applicable fees and of the clearance certificate application form.

5.13.2 are only issued when all amounts due in connection with that property for municipal fees, surcharges on fees, property rates and other municipal taxes, levies and duties have been fully paid.

5.13.3 Any instalment for rates refuse and sewerage is immediately payable.

5.13.4 A rates clearance certificate will be issued in terms of Section 118 of the Local Government: Municipal Systems Act, 2000, Act No. 32 of 2000, and will be valid till 30 June, following the date of application received.

5.13.5 If an amount liable for rates levied in respect of a property which formed part of a Municipal Housing Scheme, is unpaid by the owner and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy. Transfers affected may be one of the following:

- (i) Transfer of a property from the EMTHANJENI MUNICIPALITY to the new owner;
- (ii) Transfer of a property from one spouse to the other;
- (iii) Transfer of a property from the owner (parent) to a child.

5.13.6 The Chief Financial Officer will consider and approve such applications for clearance certificates.

6 PERFORMANCE EVALUATION

6.1 CUSTOMER SERVICE TARGETS

Council to create targets that would include:

- i Response time to customer queries
- ii Date of first account delivery to new customers
- iii Reconnection time lapse
- iv Meter reading cycle

ADMINISTRATIVE PERFORMANCE

Council to create targets that will include:

- i Cost efficiency of debt collection
- ii Query rates
- iii Enforcement mechanism ratios.

Council will create a forum wherein these targets are assessed, the Municipality's performance evaluated and remedial steps taken.

7 REPORTING TO COUNCIL

7.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council and other interested parties. This report shall reflect on:

cash flow information for the capital and operating accounts, and combined, showing Council's actual performance against its cash flow budgets;

cash collection statistics, showing high-level debt recovery information (numbers of customer; enquires; default arrangement; growth or diminishing of arrear debtors; ideally divided into wards, business (commerce and industry) and domestic, state, institutional and other such divisions; and names and quantum) of major outstanding individual debtors;

Performance of all areas against targets agreed to in item 6 of this policy document and

Council's ongoing income and expenditure statements, comparing both billed income, and cash receipt income, against ongoing expenditure in both the capital and operating accounts. If, in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels

STRUCTURES OF THE DEPARTMENT OF FINANCE

Council shall regularly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements by the Directorate Finance which requirements take into account Council's agreed targets of customer care and management, and debt collection, and, after considering this report, Council will, within reason, vote such resources as are necessary to ensure that the Directorate Finance has the staffing and structures to meet Council's targets in this regard.

BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and amended by Council from time to time.

10 COMMENCEMENT

This policy takes effect on 1 JULY 2014.

CASH AND INVESTMENT POLICY

1. Introduction

As trustees of public funds, Councillors and officials have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

The Council of the Municipality has a responsibility to invest public funds carefully and has to report to the community in this regard.

In terms of The Municipal Finance Management Act , 2003 (Act No 56 of 2003), Chapter 3, Section 13 –

(1.) The Minister may prescribe a framework within which Municipalities must –
conduct their Cash Management and Investments; and
invest money not immediately required

(2.) A Municipality must establish an appropriate and effective Cash Management and Investment Policy in accordance with any framework that may be prescribed in terms of subsection (1).

Objective

The objective of the investment policy is to gain the highest possible return, without unnecessary risk, during periods when excess funds are not being used. To establish this, it is essential to have an effective Cash Flow Management Program.

Responsibility/Accountability

3.1 In terms of the Municipal Finance Management Act, 2003, Chapter 8, Section 60, the Municipal Manager is the Accounting Officer of the Municipality. However, he may delegate in terms of Section 79(1) certain duties/tasks to designated officials, referred to in section 77(1), who would be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates. One of the main functions

of the Municipal Manager is that of adequate and effective cash management. The duty to manage the municipality's cash and investments is delegated to the Chief Financial Officer.

3.2 The Chief Financial Officer is responsible, as delegated, for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management. Sound cash management includes the following:

Collecting revenue when it is due and banking it promptly;

Making payments, including transfers to other levels of government and non-government entities, no earlier than

necessary, with due regard for efficient, effective and economical programme delivery and the government's

normal terms for account payments;

Avoiding pre-payments for goods or services unless required by the contractual arrangements with the supplier;

Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow

estimates provided to the relevant treasury;

Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are

collected and banked promptly;

Accurately forecasting the institution's cash flow requirements;

Timing the inflow and outflow of cash;

Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash; and

Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories

to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised

assets.

3.3 The overall responsibility of investments rests with the Municipal Manager. However, the day to day handling of investments is the Chief Financial Officer's responsibility.

In terms of Section 79(1) of the Municipal Finance Management Act, 2003 the powers and duties to do investments are delegated to the Chief Financial Officer. In terms of Section 82 (1) of the MFMA, the Chief Financial Officer may sub-delegate the duties and authority to do investments to any official in the budget and treasury office or to the holder of a specific post in that office. The Chief Financial Officer is accountable to the Municipal Manager for the investments made by the Chief Financial Officer or his delegated officials. In the instance that the Chief Financial Officer has to do an investment, quotations are required from various financial institutions. In the case of telephonic quotations, the following information is required:

The name of the person who gave the quotation;

The relevant terms and rates; and

Other facts such as if interest is payable on a monthly basis or on maturation date

3.6 Where payments to financial institutions in respect of investments are to be effected by cheque, the following procedures apply:

The Chief Financial Officer's clerk must complete a cheque requisition form and submit it to the Chief Financial Officer or his delegated official together with the supporting quotations;

The Chief Financial Officer or his delegated official must authorise the requisition.

3.7 All investment documents will require two signatories, namely the Chief Financial Officer or his delegated official and one other official in the treasury office. Specimen signatures must be held by all financial institutions that the Municipality deals with.

4. Cash Management

Adequate and effective cash management is one of the main functions of the Chief Financial Officer or his/her Delegate.

4.1 Debtor Collections:

4.1.1 All funds due to the Municipality must be collected in good time and banked on a daily basis. Cash left in the safe which poses a security risk, could result in higher insurance premiums to cover the additional risk and does not earn interest. Large sums of money received must be deposited into the bank account on the same day the payment is received.

It is important that all monies owing to the Municipality are correctly reflected in the debtors system. The following control measures are necessary:

A well managed debtors and banking control system will ensure that funds owed to the Municipality are received and banked; and

It is also important to review debt collection performance by comparing the debtors outstanding in relation to total turnover and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating or improving.

4.1.3 All monies collected by the Municipality must be banked in the bank account of the Municipality.

4.1.4 Moneys collected by some other agency on behalf of the Municipality shall be paid over to the Municipality or deposited in the bank account of the Municipality in a manner prescribed by the Chief Financial Officer.

4.1.5 The receipt of all monies collected by the Municipality shall be acknowledged forthwith by the issue of a numbered official receipt.

4.2 Payment of Creditors

4.2.1 Due to the high bank charges with regard to cheque payments, it is essential to limit the payment of creditors to one payment per creditor per week, where possible. Exceptions, authorised by the Chief Financial Officer, with regard to emerging contractors can, however, be made, should the cash position allow for it. Should the facility be available, payments should be done by electronic transfer – subject to strict control measures.

When considering the time to pay a creditor, proper consideration must be given to the conditions of credit terms of payment offered:

In cases where a cash discount is given for early settlement, the discount, if the relevant time scale is taken into account, will in most cases be more than any investment benefit that could be received from temporarily investing the funds.

If discounts are offered for early settlement they must be properly considered and utilised. Besides this, the normal conditions of credit terms of payment offered by suppliers, must also be considered and utilised to the full by paying on the due date and not earlier.

4.3 Receipt of Payments

4.3.1 Receipt of money over the counter:

Every amount of payment received by a Cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and

Every receipt form, which is cancelled, will be reattached, in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

4.3.2 Receipt of Money by Post:

When money (including postal orders and cheques) is received with the Council's mail, the Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness. Post-dated cheques received in the Council's mail must also be recorded in the cheque register. The cheque register shall be regarded as the register of remittances received by post;

The cheque register together with all remittances received must be sent to a designated official in the finance section, before close of cashier on the same day;

The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting;

The Cashier will receipt all remittances and issue official receipts to the designated official;

The designated official will record all receipts in the cheque register and return same to registry. The Registry Clerk must ensure that all receipts are recorded in the cheque register;

All documents relating to remittances received in the mail must be filed for audit purposes;

A separate register for post dated cheques will be maintained by the Registry Clerk and all post-dated cheques must be stored safely in the Registry Safe; and

The Registry Clerk will ensure that all post-dated cheques, which become due are sent promptly to the designated official for receipting and recording of receipts in the post-dated cheque register.

4.4 Bank and Cash:

4.4.1 All names of bank accounts or investment accounts must be in the name of EMTHANJENI MUNICIPALITY.

4.4.2 New bank accounts may be opened if required and approved by the CFO.

4.4.3 All bank accounts must be accounted for in the accounting system.

4.4.4 All bank and cash should be made in terms of the Cash Management Policy.

4.5 Management of Inventory

Cash management must be improved by seeing to it that adequate inventory control is exerted over all goods kept in inventory. For this purpose an Inventory Management Policy must be developed.

4.6 Management of Debt

The Municipality may only incur debt in terms of the Municipal Finance Management Act, 2003, Chapter 6. The Municipality may incur two types of debt, namely short term and long term debt.

Short term debt.

4.6.1.1 The Municipality:--

may incur short-term debt only in accordance with and subject to the Provisions of the MFMA, Section 45(1), and only when necessary to bridge –

shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

may incur short-term debt only if –

a resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement; and

the Accounting Officer has signed the agreement or other document which creates or acknowledges the debt.

Must pay off short term debt within a financial year; and

May not renew or refinance its short term debt.

4.6.1.2 No lender may extend credit to the Municipality for the purpose of renewing or refinancing debt that must be paid off in terms of the above, unless such extension was agreed and approved by the Council. If a lender wilfully extends credit to the Municipality for the purpose of renewing or refinancing debt, the Municipality is not bound by the contract in terms of which the credit was extended to the Municipality.

4.6.2 Long term debt.

4.6.2.1 The Municipality may incur long term debt in terms of Section 46(1) of the MFMA only for the purpose of capital investment in property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution, and only if –

a resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement; and

the Accounting Officer has signed the agreement or other document which creates or acknowledges the debt.

the Accounting Officer of the Municipality has complied with Section 21A of the Municipal Systems Act, by making public an information statement setting out the particulars of the proposed debt, the purpose for which the debt is to be incurred and the particulars of any security to be provided, at least 21 days prior to the meeting of the Council at which approval for the debt is to be considered.

4.6.2.2 Section 152 of the Constitution reads as follows: “The objects of local government are:

To provide democratic and accountable government for local communities;

To ensure the provision of services to communities in a sustainable manner;

To promote social and economic development;

To promote a safe and healthy environment; and

To encourage the involvement of communities and community organisations in the matters of local government.”

5. Investments

5.1 Legal Requirements

5.1.1 The way in which surplus funds and other municipal funds can be invested, is controlled in terms of legislation:

GRAP ACCOUNTING STANDARDS;

Local Government Municipal Finance Management Act 2003, Act No 56 of 2003, section 13(1)

The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must –

Conduct their cash management and investments; and

Invest money not immediately required. Invest only with --

Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

Securities issued by the National Government;

Deposits with the Public Investment Commissioners as contemplated by the Public Deposits Act, 1984 (Act No. 45 of 1984);

Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984)

Listed corporate bonds with an investment grade rating from an internationally recognized credit rating agency.

Bankers, acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);

Guaranteed endowment policies with the intention of establishing a sinking fund;

Repurchase agreements with banks registered in terms of the Banks Act, 1990(Act 94 of 1990)

Any other instruments or investments in which a Municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: Provided that such instruments shall not extend beyond the date of maturity or redemption thereof.; and

Any other investments determined by the Minister of Finance and published in the Government Gazette.

5.2 Cash Flow Estimates

5.2.1 Before money can be invested, the Chief Financial Officer must determine whether there will be surplus funds available during the term of the investment. He/she must fix the term of the investment.

5.2.2 In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.

When drawing up cash flow estimates, it is essential that the Chief Financial Officer take note of the following:

Be aware of the expected cash flow and when it is likely to take place, as well as the timing with regard to cash outflow, as far as both the operating and the capital budgets are concerned;

By utilising the available information and expertise, the Chief Financial Officer or his/her delegate must assess the timing with regard to when, for how long and the amount to be invested; and

Daily cash flow estimates must provide for daily call investments and investment withdrawals, whereas long-term investments must be based on projections further into the future.

5.3 From time to time the Council will have surplus funds available which are not needed immediately and which could be invested. Depending on circumstances some funds could be invested for a long term whilst others would only be short-term

investments. Surplus funds in the current account may also be invested for short periods (days).

5.4 Generally investments are done every month when prior investments mature and funds are available for re-investment. Investments may be made by the Chief Financial Officer as follows:

Long term investments should be made with financial institutions of minimum BBB rating (where BBB refers to lower risk institutions);

Short term investments should be made with an financial institutions of minimum B rating (where B refers to higher risk institutions);

All available funds should not be placed with a single institution, the invested amount should, where possible, be spread equally to all relevant institution's; and

The total amount invested at an institution may not exceed 10% of the relevant institution's shareholder's funds (Capital and Reserves).

6. Investment Ethics

The following ethics must apply when dealing with financial institutions and other interested parties:

The Municipal Manager and Chief Financial Officer will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual Councillors, agents or any other institution.

6.2 Under no circumstances may he/she be forced or bribed into making an investment. No official may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill. A certificate in respect of the gift should be furnished to the Chief Financial Officer. The gift should not be in lieu of a commission.

6.3 The Chief Financial Officer must act according to his/her discretion and must report any serious cases of payment in kind or gifts, to the Municipal Manager. Excessive gifts and hospitality should, however, be avoided.

6.4 Interest rates offered should never be divulged to another institution.

7. Investment Principles

7.1 Exposure to a Single Institution:

Money, especially large sums of money, must be invested with more than one institution, in order to limit risk exposure of the Municipality. All available funds should not be placed with a single institution, the invested amount should, where possible, be spread equally to all relevant institutions. If legislation permits, the Chief Financial Officer must try to plan the distribution of the investments to cover different types of investments.

7.2 Risks and Return

It can be accepted as a general rule that the larger the return, the greater the risk.

7.3 Borrowing Money for Reinvestment

The Municipality may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

7.4 Registered Financial Institutions

If the Chief Financial Officer invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions – as approved by the Reserve Bank, from time to time. An updated list of the approved financial institutions should be obtained regularly.

7.5 Growth-related Investments

When making growth-related investments, the Chief Financial Officer must obtain a guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

8. Investment of Funds by the Municipality:

8.1 The investment register must be examined on a daily basis to identify investments falling due within the two weeks following and start the investment process such as looking at alternatives, cash flow requirements and timely reporting to the Municipal Manager and Council.

8.2 Prior to the investment of monies, the Chief Financial Officer (CFO), must determine whether there will be surplus funds available, as well as to fix the term for which such money should be invested.

8.3 In order to be able to make investments for any fixed term, it is essential that cash flow forecasts be drawn up.

8.4 In the instance surplus funds are available for investment, the Chief Financial Officer should contact the various banking institutions for interest rate quotations and prepare a manual or computerised list of the quotations indicating the amounts to be invested, the rates quoted and the maturity values (maximum return).

8.5 Based on the results of 8.4 above, and the value of the prospective investment, the Chief Financial Officer should, authorise the investment. All relevant information must be filed together with the investment documentation.

9. Call Deposits and Fixed Deposits

9.1 Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.

Quotations must be obtained electronically, otherwise per facsimile, as rates can generally change on a regular basis and time is a determining factor when investments are made. It is however prudent to obtain written (e-mail acceptable) quotations. No verbal quote or quotes received after closing date and time may be considered. The person responsible for requesting quotations from institutions must record the following:

Name of institution;

Name of person quoting rates;

Closing date and time;

Period of the investment;

Relevant terms; and

Other facts i.e. are interest payable monthly or on maturation date.

9.3 Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. The Chief Financial Officer must note any

deviation if such best offer is not accepted. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

9.4 If institutions have been asked for a quotation with regard to a specific package, the institution must be requested to give the best rate in their quotation. They must also be informed that, once the quotation has been given, no further bargaining or discussions will be entered into in that regard.

9.5 The above procedure must be followed for all investments.

9.6 The Chief Financial Officer must make sure that the investment document received is a genuine document, issued by an approved institution, and the investment capital must be paid over only to the institution with which it is to be invested and not to an agent.

10. Other External Deposits

Other investment possibilities, which are subject to the applicable legislation and are available to the Municipality, include debentures and other securities of the State as well as other Municipalities or statutory bodies in the Republic, instituted under and in terms of any law. With regard to such investments, the principles and practices set out above must apply.

11. Control of Investments

11.1 An Investment Register must be kept of all investments made. The following facts must be indicated:

Name of institution;

Type of investment;

Capital invested

Date invested;

Term of investment

Interest rate;

Maturation date;

Interest earned;

Interest received;

Interest capitalised.

The Investment Register and accounting records must be reconciled on monthly basis.

11.2 The Investment Register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.

11.3 Interest, correctly calculated, must be received in good time, together with any distributable capital. The Chief Financial Officer must check that the interest is calculated correctly.

Investment documents and certificates must be kept in a safe place. The following documents must be safeguarded:

Fixed deposit letter or investment certificate;

Receipt for capital invested;

Copy of electronic transfer or cheque requisition;

Excel schedule of comparative investment figures;

Commission certificate indicating no commission was paid on the investment; and

Interest rate quoted.

The Chief Financial Officer is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.

12. General Investment Practice

12.1 General

After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer must consider the way in which the investment is to be made. As rates can vary according to money market perceptions with regard to the terms of investment, quotations must be requested electronically, within term limitations, and these must be set out on a schedule.

12.2 Commission Certificate

The Auditor General requires the financial institution, where the investment is made, to issue a certificate for each investment made. This certificate must state that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.

12.3 Reports:

12.3.1 The Council must be given a monthly report on all borrowings and investments.

With specific reference to:

(a) Borrowings: (For each individual loan)

Name of institution;

Date of initial borrowing/loan received (in respect of existing loans)

Balance beginning of month;

Loans received during month;

Loans redeemed during month;

Balance at end of the month;

Interest rate;

Interest paid during month;

Maturity date;

Type of loan;

Total Amount.

(b) Investments: (For each individual Investment)

Name of Institution invested with;

Date of investment;

Type of investment;

Period of investment;

Interest rate;

Maturity date;

Interest earned during month;

Balance of investment at beginning of month;

Investments made during month;

Investments withdrawn during month;

Balance of Investments at end of the month;

Allocation of investments to reserves and other funds

Source of investment;

Appropriation of investments.

The Municipality must within 30 days after an investment with currency of 13 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

12.4 Cash in the Bank

12.4.1 Where money is kept in current accounts, it would be possible to bargain for more beneficial rates with regards to deposits, for instance call deposits. Fixed term deposits can increase these rates.

12.4.2 The most important factor is that the cash in the current account must be kept to an absolute minimum. (Not more than R 5 000 000 at end of each month in cash book)

12.5 Creditworthiness

When investments are placed with smaller registered institutions, the Chief Financial Officer has to see to it that the Municipality is not exposed to too much risk. He/she has to ensure that the creditworthiness and performance of the institution is to his/her satisfaction, before investing money in the institution. The Chief Financial Officer is entitled to information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

GRAP

It is of utmost importance that the Chief Financial Officer applies GRAP in the compilation of the budgets and financial statements of the Municipality as well as the financial systems in use.

13. Investment Managers

If the Council will benefit from it, it is permitted to make use of Investment Managers as defined in the Municipal Investment Regulations.

14. Oversight Role of Council

14.1 The Council reserves its right to maintain oversight over the implementation of this Policy.

14.2 For the purposes of such oversight the Accounting Officer must-

- (a) within 30 days of the end of each financial year; submit a report on the implementation of this Policy, to the Council; and.
- (b) when ever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council.

15. COMMENCEMENT

This policy takes effect on 1 JULY 2014.

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption:

Original : [29 September 2005]

- 1st Review : [15 October 2009]
- 2nd Review : [5 May 2011]
- 3rd Review : [31 May 2012]
- 4th Review : [31 May 2013]
- 5th Review : [31 March 2014]

Emthanjeni Local Council resolves in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of Emthanjeni Local Municipality.

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Definitions

1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

“Accounting officer” means the Accounting Officer referred to in section 60 of the Municipal Finance Management Act, No. 56 of 2003, in relation to a municipal entity, means the official referred to in section 93, and includes a person acting as the accounting officer.

“Accredited Agent” means a provider who is authorized to deliver certain goods / services and can be trading in a specific area, however, an accredited agent is not a sole provider.

“accredited” means goods / services that are officially recognized, are generally accepted or having a guaranteed quality.

“black people”; is as generic term which means Africans, Coloureds and Indians as defined in the Broad-Based Black Empowerment Act (No. 53 of 2003);

“competitive bid” means a bid in terms of a competitive bidding process;

“competitive bidding process” means procurement above a transaction value of R200 000 (including VAT) and long term contracts.

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

“emergency procurement” emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or misery such as floods or fires.

“exceptional / urgent cases” exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical.

However a lack of proper planning should not be constituted as an urgent case subject To the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded and the AO to approve.

“Exempted Micro Enterprise” [EME’s] Enterprises with an annual total revenue of R5 million or less [all taxes included] for goods and services. Sector charters have been developed for the Tourism and Construction industry where thresholds of Rand 2.5 million and Rand 1.5 million respectively have been established.

“final award”, in relation to bids or quotations submitted for a contract, means **bids or quotations submitted for a contract, means the final decision on which-bid or quote to accept;**

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;

“Fruitless expenditure”-expenditure made in vain and could have been avoided if reasonable care taken;

“final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

“formal written price quotation” means quotations for procurement of transaction value of over R10 000 up to R200 000

“in the service of the state” means to be –

- (a) a member of –
 - (i) any municipal Council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;

(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(e) a member of the accounting authority of any national or provincial public entity; or

(f) an employee of Parliament or a provincial legislature;

“ Irregular expenditure”-expenditure incurred that is not in accordance with a requirement of a SCM policy of the municipality or by-laws giving effect to such a policy/eg. Unsolicited bids

“long term contract” means a contract with a duration period exceeding one year;

“list of accredited prospective providers” means the list of accredited prospective providers which the **municipality must** keep;

“other applicable legislation” means any other legislation applicable to municipal supply chain management, including –

(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
and

(c)the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Sole Provider”-means a provider of specialized or exclusive goods/services who has a sole distribution / patent /manufacturing rights and copy rights.

“Transversal contract” means a contract arranged for more then one dept/mun or for more than one level of government eg. National and Provincial Government.

(d) Circular issued dated 08 December 2011 by Minister of Trade And Industry

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

“the Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005, and also Circular 1/2/1/2/2 that deals with Insurance and validity of Broad Based Black Economic Empowerment(B-BBEE) Status Level Certificates in respect of Exempted Micro Enterprises (EMEs)

“the Treasury Circulars” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005, Circular 1/2/1/2/2 that deals with Issuance and validity of Broad Based Black Economic Empowerment(B-BBEE) Status Level Certificates in respect of Exempted Micro Enterprises (EMEs) and: Local production and content.

“written” means quotations of transaction value of R2 000 up to R30 000(VAT included).

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of **Emthanjeni** Local Municipality must implement this Policy in a way that –

(a) gives effect to –

(i) Section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the Act;

(b) is fair, equitable, transparent, competitive and cost effective;

(c) complies with –

(i) the Regulations; and

(ii) any minimum norms and standards that may be prescribed in terms of Section 168 of the Act;

- (d) is consistent with other applicable legislation;
- Broad Based Black Economic Empowerment Act [B-BBEEA];
 - Corruption Act, 1998 – anti-corruption measures and practices;
 - Competition Law and Regulations;
 - Promotion of Administrative Justice Act, 2000;
 - National Archives of South Africa Act, 1996;
 - National Small Business Act;
 - Construction Industry Development Board Act, 2000 [Act no 38 of 2000].
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (3) This Policy applies when Emthanjeni Local Municipality–
- (a) procures goods or services;
 - (b) disposes of goods no longer needed;
 - (c)selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies;
- or
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contracted with another organ of state, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The Accounting Officer must –

- (a) at least annually review the implementation of this Policy; and
- (b) when the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Council.

- (2) If the Accounting Officer submits proposed amendments to the Council that differ from the model policy issued by the National Treasury, the Accounting Officer must –
- (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

Delegation of supply chain management powers and duties

4. (1) The Emthanjeni Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –
- (a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable, cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (1).
- (3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Emthanjeni Local Municipality or to a committee which is not exclusively composed of officials of Emthanjeni Local Municipality;

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system, provided for in paragraph 28 of this Policy.

Sub-delegations

The Chief Financial Officer may only appoint supply chain practitioners on the committees with express prior permission from the Accounting Officer [Municipal Manager].

5. (1) The Accounting Officer may in terms of Section 79 or 106 of the Act sub - delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent.

(2) The power to make a final award –

(a) Above R10 million (including VAT) **must not** be sub-delegated by the Accounting Officer;

(b) above R2 million (including VAT), but not exceeding R10 million (including VAT), may be sub-delegated but only to –

(i) the Chief Financial Officer;

(ii) a Senior Manager; or

(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is a member; or

(c) not exceeding R2 million (including VAT) may be sub-delegated but only to –

(i) the Chief Financial Officer;

(ii) a Senior Manager;

(iii) a Manager directly accountable to the Chief Financial Officer or a Senior Manager; or

(iv) a Bid Adjudication Committee.

(3) An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated must, within five days of the end of each month, submit to the Accounting Officer a written report containing particulars of each final award made by such official or committee during that month, including–

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.

(4) A written report must be submitted –

(a) to the Accounting Officer, in the case of an award by –

(i) the Chief Financial Officer;

(ii) a Senior Manager; or

(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is a member; or to the Chief Financial Officer or the Senior Manager responsible for the

relevant bid, in the case of an award by –

(i) a manager; or

(ii) a Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is not a member.

This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system.

No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of Council

6. (1) Emthanjeni Council reserves its right to maintain oversight over the implementation of this Policy.

For the purposes of such oversight the Accounting Officer must –

within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the Supply Chain Management Policy of any municipal entity under the sole or shared control of the municipality, to the Council of the municipality; and whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council.

(3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the Mayor.

(4) The reports must be made public in accordance with Section 21A of the Municipal Systems Act.

Compliance with Ethical Standards

In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of Emthanjeni Municipality who are involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.

All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards.

Supply chain management unit

7. Emthanjeni municipality shall strive to a centralised supply chain management system is hereby established to implement this Policy; the supply chain unit operates under the direct supervision of the Chief Financial Officer.

A centralized purchasing structure offer benefits in terms of:

Greater standardisation, because purchases are made through one office.

The buying power for each transaction is increased.

Buyers are afforded the opportunity to become experts.

Control over all aspects of the purchasing system is improved, and the system tends to be simpler.

Suppliers may communicate more easily with a centralised purchasing structure than with different departments.

Training of supply chain management officials

8. The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

- (vii) asset management

Part 1: Demand management

System of demand management

10. (1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Emthanjeni Local Municipality support its operational commitments and its strategic goals outlined in the IDP.

(2) The demand management system must –
include timely planning and management processes to ensure that all goods and services required by Emthanjeni Local Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
provide for the compilation of the required specifications to ensure that its needs are met.
To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

(e) The municipality must compile a Procurement Plan containing all planned Procurement for the financial year in respect of the procurement of goods, services and infrastructure projects which exceed R 200 000 [all applicable taxes included] per case as described in the Supply Chain Management Guide for Accounting Officers.

The procurement plan must be finalized on the 1 July every year. The relevant information should preferably be furnished in the format contained in the Procurement Plan Template enclosed as Annexure A.

(Also refer to National Treasury MFMA Circular 62.

Part 2: Acquisition management

System of acquisition management

11. (1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by Emthanjeni Local Municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget;
- (c) that the threshold values for the different procurement processes are complied with;
- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are as per National and Provincial prescripts [SCM Practice note 2, Explanatory notes: Revised quotation / bid forms]
- (e) that the preference point system used in accordance with the Revised Preferential Procurement Policy Regulations of 7 December 2011 [utilizing B-BBEE status level verification certificates to claim preference points].
- (f) that any Treasury guidelines on acquisition management are properly taken into account.
- (g) Verification of bids in excess of R10 million

Prior to advertisement:

Verification by the CFO

The senior manager responsible for a vote must submit to the CFO:

- proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
- any ancillary budgetary implications related to the bid;
- any multi -year budgetary implications;

Prior to the award of a bid

Contracts above the value of R 10 million [all applicable taxes included] may only be awarded to the preferred bidder after the CFO has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and /or services and that it is consistent with the Integrated Development Plan.

(h) Publication of awards in respect of advertised competitive bids [above the threshold value of R 200 000]

The following information on the successful bids must be placed on the municipal website:

- Contract numbers and description of goods, services or infrastructure projects;
- Names of the successful bidders and the B-BBEE level of contribution claimed;
- Brand names and dates for completion of contracts.

(i) **Functionality**

Adhere to the revised guidelines when functionality is included as a criterion in the evaluation of bids [National Treasury note issued in September 2010].

Clear indication must be given in bid documents if bids will be evaluated on functionality. Evaluation criteria must be objective.

The weight of each criterion, applicable values and the minimum qualifying score [for each bid on its own merit] must be indicated in the bid documents.

Bidders failing to achieve the qualifying score for functionality must be disqualified.

Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and B-BBEE status level contribution

Pre –evaluation

- After closure of the bid pre-evaluation is done to ensure all bidders comply with the prescribed minimum norms and standards, NO TECHNICAL EVALUATION IS DONE AT THIS POINT.

- Bidders are then invited to prepare for a functionality presentation in line with the criteria set out in the bid document on a specific date and provided with a time slot.

Appointment of a functionality committee

-The functionality committee is an ad-hoc committee appointed per bid.

- It should consist out of a cross functional team

- To be included as well:
- A SCM Practitioner;
- The end-user;
- Technical experts;
 - Members of the Bid Evaluation- and Adjudication committees;
- CFO or a person with knowledge of the available budget from the CFO's office;
- Any other official deemed to be relevant;
- Provincial SCM official.
- Each member will complete a score sheet per bidder.
- The totals to be calculated by SCM, an average calculated and only the bidders who scored the minimum qualifying score will be evaluated further.
- Prior to the functionality committee meeting the end-user and the technical experts can sit with all the appointed committee members and peruse each bidder's proposal and draw-up a list of questions for clarification. Each member can add his / her own questions and during the presentations clarify or verify the information presented with relevant questions.

NOTE: There cannot be two [2] technical evaluation processes, only one done by a duly appointed functionality committee.

Functionality evaluation forms part of the formal evaluation processes and is open for legal scrutiny and challenges –therefore it is a formal once off process with proper procedures and score sheets to be completed per committee member for each bidder, duly signed off by the relevant committee member.

Score sheets form part of a bid and year-end audit by the Auditor –General.

Not following proper processes may lead to expenditure been classified as irregular by the Auditor-General's office.

that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;

and

(j) that any Treasury guidelines on acquisition management are properly taken into account.

(2) Where the municipality contracts with another organ of state for the provision of goods and services, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -

- (a) the kind of goods or services; and
- (b) the name of the supplier.

Range of procurement processes

12. (1)

AMOUNT [VAT INCL.]	PROCEDURES
R up to R 1 000	One quotation will be required The supplier is to be selected and will be appointed on a rotation basis, provided that parts or repairs could be supplied immediately. Normal stock items: the Buyer will re-order on the agreed minimum stock level. For the purchasing of non-stock items authorization is required in accordance with delegations. Approval: Chief Financial Officer
R 1 001 up to R 2 000	Two quotations will be required. Supplier is to be appointed on a rotation basis, provided that parts or repairs could be supplied immediately. Normal stock items: The Buyer will re-order on the agreed minimum stock level. For the purchasing of non-stock items authorization is required in accordance with delegations. Approval: Chief Financial Officer

R 2 001 up to R 10 000	Three written quotations will be required Supplier is to be appointed on a rotation basis, provided that parts or repairs could be supplied immediately Normal stock items: the buyer will re-order on the agreed minimum stock level For the purchasing of non-stock items authorization is required in accordance with delegations Approval: Chief Financial Officer
R 10 001 up to R 200 000	Three formal written quotations are required The CFO will appoint the supplier of on a rotation basis depending on the urgency and delivery period. All requirements in excess of R30 000 must be advertised for at least 7 days on the website and an official notice board of Emthanjeni Local Municipality; Purchases above R100 000 CFO will approve
More than R 200 000 & long term contracts	Standard procedures as defined in the Procurement Policy apply

(2) The Accounting Officer may, in writing-

(a) lower, but not increase, the different threshold values specified in table (1); or

(b) direct that –

a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

The following types of transactions are excluded from the normal bid process:

Where there are only sole suppliers of a product / service e.g.

Eskom

Bulk water suppliers
Postage and telephone
Rail and road transport
De Aar Printers / Die Echo
De Aar Stone Crushers
De Aar Chemist
De Aar Glassworks
Lexis Nexis
Lex Patria
Swift Print
OVK

Where prices are fixed or regulated

Fuel purchases
Newspapers and magazines

Where services / products are subjected to maintenance contracts e.g.

Assets under guarantee (Servicing vehicles and machinery)
Alarm Monitoring
Nashua Mobile

Where the normal bid process is not feasible e.g:

Subsistence and travel
Official lunches
Annual health examinations for officials
Stripped (dismantled) machinery requiring a quote for repairs.
Annual licence fees. Software & vehicles

Emerging contractors (Decision by Municipal Manager or designate)

Service Level Agreements

External professional membership institutions within the Local Government sphere: membership fees.

IPMSA (Institute of municipal practitioners of SA)
ILGM (Institute for Local Government management in SA)

IMFO (Institute for municipal financial officers)

IMESA (Institute for municipal engineers of SA)

Please note. The list of transactions will be excluded from the normal bidding processes and may be amended or extended, as and when required

General pre-conditions for consideration of written quotations or bids

13. A formal written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

(a) has furnished that provider's –

(i) full name;

(ii) identification number or company or other registration number; and tax reference number and VAT registration number, if any;

check in respect of the recommended bidder whether municipal

rates and taxes and municipal service charges are not in arrears for more than three [3] months;

Bids/ quotations should only be awarded to suppliers who are not in arrears with their municipal rates and taxes. If the suppliers are not resident in this municipality, but offer their services from any other municipality, the same applies. It should be established if they are not in arrears in their own municipality.

requirements for construction and engineering related bids should be awarded according to CIDB regulations;

(vii) The CIDB Act requires that all projects need to be registered with the CIDB;

(viii) Before an award is done to a contractor, the contractor's CIDB grading must be confirmed with the CIDB website;

(ix) The CIDB grading designation is as follows:

Grading designation	Less than or equal to
---------------------	-----------------------

1	R	200 000
2	R	650 000
3	R	2 000 000
4	R	4 000 000
5	R	6 500 000
6	R	13 000 000
7	R	40 000 000
8	R	130 000 000
9		No Limit

(b) has authorised Emthanjeni Local Municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and

(c) has indicated –

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers: Database

14. (1) The Accounting Officer must –

(a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written quotations and formal written price quotations; and

- (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - (c) specify the listing criteria for accredited prospective providers; and
 - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

Petty cash purchases

15. The conditions for the procurement of goods by means of petty cash purchases, are as follows –

- (a) a Senior Manager may delegate responsibility for petty cash to an official reporting to the manager if the amount is equal to or less than R2 000;
- (b) the maximum number of petty cash purchases or the maximum amounts per month for each manager is R2 000;
- (c) types of excluded expenditure from petty cash purchases include office furniture and equipment; and
- (d) a monthly reconciliation report from each manager must be provided to the Chief Financial Officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 receipts and appropriate documents for each purchase.

Written quotations

Although the Act makes provision for verbal quotations, Emthanjeni Local Municipality will not apply this condition due to the loopholes it poses and lack of capacity to monitor it. Only written quotations will be applicable as per decision by the Municipal Manager.

Written or verbal quotations

16. The conditions for the procurement of goods or services through written or verbal quotations are as follows:

Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

where no suitable accredited service providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that such service providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this policy.

[c] quotations must be approved on a rotation basis.

[d] to the extent feasible, providers must be requested to submit such quotations in writing **if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;**

(f) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider:

(g) The municipality will investigate and utilize various other options to advertise bids/quotations viz. community boards, the library, public buildings, police station, etc. This is to ensure that the municipality tried to obtain at least three quotations.

In cases where there are only a few suppliers for certain goods and, vehicle repairs, the municipality will then use these suppliers on a rotation basis, in order to give everybody a chance. This practice will only be utilized in exceptional cases. As soon as more suppliers become available, such goods / services will be provided via the database.

Formal written price quotations

17. (1) The conditions for the procurement of goods or services through formal written price quotations are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of Emthanjeni Local Municipality;

quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1) (b) and (c) of this Policy;

The revised PPPFA prescripts are applicable, eg. Point system and Status level verification certificates [score cards] must be applied in the adjudication process. Please refer to paragraph 19 [3] for more detail.

offers received must be evaluated on a comparative basis taking into account unconditional discounts;

the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;

offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who's offer is according to specifications, has the ability to deliver and is compliant with all the other requirements and scored the highest points. Minimum requirements for proper record keeping must be complied with.

if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer, and

the CFO must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that sub-paragraph.

Procedures for procuring goods or services through written quotations and formal written price quotations

The procedure for the procurement of goods or services through written quotations or formal written price quotations is as follows:

- (a) when using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
 - (b) all requirements in excess of R30 000 that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least 7 days on the website and an official notice board of Emthanjeni Local Municipality;
 - (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
 - (d) the Accounting Officer must on a monthly basis be notified in writing of all written quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;
- offers below R30 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services; acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;

Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Competitive bids

19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11 (2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

(3) The 80 / 20 principle is applicable; 80 points for price and 20 points for B-BBEE status level verification certificates. The 20 points will be standard as follows;

B-BBEE Status Level of Contributor	Number of points [80 / 20]	Number of points [90/10]
1	20	10
2	18	9
3	16	8
4	12	5
5	8	4
6	6	3
7	4	2
8	2	1
Non compliant Contributor	0	0

The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE status.

PLEASE NOTE:

[a] The 80/20 point system is applicable from R30 000 [all taxes included] up to R1million [all taxes included]

[b] The 90/10 point system is applicable to bids invited exceeding R 1million [all taxes included]

This should not be interpreted that quotations can be invited for up to R 1million.

The threshold for the invitation of quotations did not change and it is still at R200 000.

Note: Quotations can only be invited not exceeding R 200 000.

Process for competitive bidding

20. The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation;
- (b) Public invitation of bids;
- (c) Site meetings or briefing sessions;
- (d) Handling of bids submitted in response to public invitation;
- (e) Evaluation of bids;
- (f) Award of contracts;
- (g) Administration of contracts
- (h) After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement. Proper record keeping Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.
- (i) Sub-contracting

A bidder must not be awarded the points claimed for B-BBEE status level contribution if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the contract value to any other enterprise that does not qualify for at least the same number of points that the bidder qualifies for, unless the intended sub-contractor is an EME that has the capacity to execute the sub-contract.

A contractor is not allowed to sub-contract more than 25% of the contract value to another enterprise that does not have an equal or higher B-BBEE status level, unless the intended sub-contractor is an EME that has the capacity and ability to execute the sub-contract.

- (i) Evaluation of bids that scored equal points

In the event that two or more bids have scored equal total, the successful bid must be the one that scored the highest points for B-BBEE.

If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be the one scoring the highest points for functionality, if functionality is part of the evaluation process. In the event that two or more bids are equal in all respects, the award must be decided by drawing lots.

(k) Cancellation and re-invitation of bids

In the application of the 80/20 point system, if **all** bids received exceed R1 million, the bid must be cancelled. If one or more of the acceptable bid[s] received are within the R 1 million thresholds, all bids received must be evaluated on the 80/20 preference point system.

In the application of the 90/10 preference point system, if all bids received are equal or below R1million, the bid must be cancelled. If one or more of the acceptable bid[s] received are above the R1million threshold, all bids received must be evaluated on the 90/10 preference point system.

If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

(l) Awarding of contracts

A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system. Points scored must be rounded off to the nearest 2 decimal places.

In exceptional circumstances a contract may, on reasonable and justifiable grounds be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

(m) Sale and letting of assets

The Preferential Procurement Regulations, 2011, are not applicable to the sale and letting of assets.

In instances where assets are sold or leased, by means of a bidding process, the bid must be awarded to the bidder with the highest price

(n) Proper record keeping

(o) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –

(a) take into account –

(i) the general conditions of contract and any special conditions of contract, if specified;

(ii) any Treasury guidelines on bid documentation; and

(iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

(i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

(aa) for the past three years; or

(bb) since their establishment if established during the past three years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

(iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

(e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

(f) The Accounting Officer reserves the right to stipulate such a dispute to be settled utilizing a court of law preferably within the municipal boundaries or as close as possible to the municipal boundaries

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of Emthanjeni Local Municipality or any other appropriate ways; and

(b) the information contained in a public advertisement, must include –

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper;

a statement that bids may only be submitted on the bid documentation provided by Emthanjeni Local Municipality; and

date, time and venue of any proposed site meetings or briefing sessions;

(2) The Accounting Officer may determine a closing date for the submission of bids which is less than the 30 or 14 days requirement, only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

Bids submitted must be sealed.

(4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

23. The procedures for the handling, opening and recording of bids, are as follows:

(a) Bids—

(i) must be opened only in public;

must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

received after the closing time should not be considered and returned unopened immediately.

Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The Accounting Officer must —

(i) record in a register all bids received in time;

(ii) make the register available for public inspection; and

(iii) publish the entries in the register and the bid results on the website.

Registration of contractor

24. Contractors/bidders who are compelled to register with controlling authorities regarding their goods/services to be delivered should ensure that their relevant registration is in order prior to the closure of the bids.

Negotiations with preferred bidders

25. (1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- (a) does not allow any preferred bidder a second or unfair opportunity;
- (b) is not to the detriment of any other bidder; and
- (c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

Unbundling of tender

26. When it is considered in Emthanjeni Local Municipality's best interest to divide the total requirement on any one tender between two or more tenderers e.g. in order to draw from the most convenient or nearest sources, or to ensure continued competition or to optimize available resources or to support SMME's, a supply or service may be divided amongst several tenderers, and contracts can be placed accordingly, provided that this was a tender condition

Two-stage bidding process

27. (1) A two-stage bidding process is allowed for –

- (a) large complex projects;
- (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
- (c) long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

In the second stage final technical proposals and priced bids should be invited.

No obligation to accept lowest or any bid

The lowest of any tender or quotation shall not necessarily be recommended for

acceptance, provided that this was a tender condition.

Committee system for competitive bids

29. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the Accounting Officer may determine:

- (a) a Bid Specification Committee;
- (b) a Bid Evaluation Committee; and
- (c) a Bid Adjudication Committee;

The services of the consultant in the committee system will only be procured with express invitation from Municipal Manager and their participation will explicitly be of advisory nature

Quorum

The quorum for meetings will be fifty percent of members plus one member.

(2) The Accounting Officer appoints the members of each committee, taking into account that councillors are barred from serving on municipal tender committees; and Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations or final approval.

(3) A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

- (a) paragraph 28, 29 and 30 of this Policy; and
- (b) any other applicable legislation.

The Accounting Officer may apply the committee system to formal written price quotations.

Bid Specification Committees

(1) A Bid Specification Committee must compile the specifications for each procurement of goods or services by Emthanjeni Local Municipality.

(2) Specifications –

- (a) to be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
- (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g) must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

- (3) A Bid Specification Committee may be composed of
of:

manager responsible for the function involved

legal advisor

when appropriate, include external specialist advisors.

- (4) No person, advisor or corporate entity involved with the Bid Specification Committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid Evaluation Committees

- 31.** (1) A Bid Evaluation Committee must –

- (a) evaluate bids in accordance with –

the specifications for a specific procurement; and

the points system set out in terms of paragraph 29(2) (f).

- (b) evaluate each bidder's ability to execute the contract;

(c) check in respect of the recommended bidder, whether municipal rates and taxes and municipal service charges are not in arrears, and;

- (d) submit to the Adjudication Committee a report and recommendations regarding the award of the bid or any other related matter.

- (2) A Bid Evaluation Committee must as far as possible be composed of:

One or two senior managers from departments requiring the goods or services;

Supply chain practitioner/controller

Tender secretariat

Internal Auditor:

To promote transparency, the Internal Auditor's role in the committee system will be purely to monitor and not to participate in the committee system.

Bid Adjudication Committees

32. (1) A Bid Adjudication Committee must –

- (a) consider the report and recommendations of the bid evaluation committee; and
- (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
 - (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

For better control and efficiency purposes Directorates who will serve on this committee will be appointed by the Accounting Officer and it will be on a rotational basis

A Bid Adjudication Committee **may** include –

Chief Financial Officer ;

Supply Chain Manager; **[The Chairperson of Committee]**

Director;

Internal Auditor;

Tender Secretariat; and or

Technical expert in the relevant field who is an official, if such an expert exists.

(3) If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) **Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting the Evaluation Committee, may be a member of a Bid**

Adjudication Committee.

(5) (a) If the Bid Adjudication Committee decides to award a bid other than the one recommended by the bid evaluation committee, the Bid Adjudication Committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;

(ii) notify the Accounting Officer.

(b) The Accounting Officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee referred to in paragraph (a); and

(ii) if the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the Evaluation Committee or the Adjudication Committee back to that committee for reconsideration of the recommendation.

The Accounting Officer must comply with Section 114 of the Act within 10 working days

For the purposes of continuity and not to delay meetings the Accounting Officer may also appoint any official to temporarily replace members that are absent from meetings due to illness, leave, etc. The Accounting Officer may also decide whether or not such an official will have the same powers as committee members

Extension of Awarded Contract

(b) The Accounting Officer may –

(i) award or extend a existing contract when a written submission has been received by the specific Director for the extension due to circumstances unknown.

(ii) That the extension must not be more than 20% of the original contract price of the tender amount awarded.

(iii) That all the relevant supporting documentation form the Director, Consulting Engineer and also the Contractor involved.

(iv) that National Treasury be informed about the extensions.

Procurement of banking services

33. (1) A contract for banking services –

- (a) must be procured through competitive bids;
- (b) must be consistent with Section 7 or 85 of the Act; and
- (c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

34. (1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –

- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (including VAT); or
- (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (including VAT).

(4) If SITA comments on the submission and Emthanjeni Local Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the relevant Provincial treasury and the Auditor General.

Procurement of goods and services under contracts secured by other organs of state

35. (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

(2) Sub-paragraphs (1) (c) and (d) do not apply if –

- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

36. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

Proudly SA Campaign

37. Emthanjeni Local Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services and see also Cir 1/2/1/2/2 that deals with the promotion of local production and content

Appointment of consultants

38. (1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if

- (a) the value of the contract exceeds R200 000 (VAT included); or
- (b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) all consultancy services provided to an organ of state in the last five years; and
- (b) any similar consultancy services provided to an organ of state in the last five years.

The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in Emthanjeni Local Municipality.

Deviation from, and ratification of, minor breaches of procurement processes

39. (1) The Accounting Officer may –

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in an emergency;
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The Accounting Officer must record the reasons for any deviations in terms of this policy and report them to the next meeting of the Council and include as a note to the annual financial statements.

(3) Reasons for any deviation will not apply to the procurement of goods and services contracted with another organ of state.

Management of expansion or variation of orders against the original contract

39.1. Contracts may be expanded or varied by not more than 20% for construction related goods, services and /or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the above mentioned thresholds must be reported to council. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of Section 116 (3) of the MFMA which will be regarded as an amendment of the contract.

39.2. The contents of this paragraph are not applicable to transversal

contracts, facilitated by the relevant treasuries on behalf of municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

39.3 Local Content

The Preferential Procurement Regulations, 2011 pertaining to the Preferential Procurement Policy Framework Act, Act No 5 OF 2000 which came into effect on 7 December 2011 make provision for the dti to designate sectors in line with national development and industrial policies for local production. To this end the dti has designated and determined the stipulated minimum thresholds for the following sectors:

-Bus Sector	70 - 80 %
-Pylons	100 %
-Rolling Stock	55 – 80 %
-Textiles	100%
- Processed Vegetables	80 %
- Set Top Boxes	30 %
- Furniture Products	from 65 to 100%

Note: Other designated sectors may be added by dti in future.

When inviting bids/quotations where local content is applicable, municipalities must indicate this in the bid advertisement. The MBD 6.2, SABS Specification SATS 1286:2011, and dti Guidance on the calculations of local content [available on dti's official website <http://www.thedti.gov.za>] should also be included in the bid documents/quotations.

The supplier has to proof that the product he offers does indeed comply with the stipulated thresholds. In order to do this there are three annexures which the supplier has to fill in and submit together with the bid document/quotation. These forms are also available on the dti Guidance on the calculations of Local content. It is advisable that municipalities attach the Guidance document to the bid documents/quotations in order to assist the suppliers to fill in the bid documents.

A two stage evaluation process may be followed

- First stage: calculate if the bidder adheres to the local content percentage requirement
- Second stage: Only the bidders who comply with the local content percentage requirement will be evaluated further.

Urgent and emergency cases

40. In urgent and emergency cases, a municipality may dispense with the invitation of bids and may obtain the required goods, works or services by means of quotations by preferably making use of the database of prospective suppliers, or otherwise in any manner to the best interest of the municipality.

Urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical .However, a lack of proper planning should not be constituted as an urgent case.

Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.

The reasons for the urgency/emergency and for dispensing of competitive bids should be clearly recorded and approved by the Accounting Officer.

Unsolicited bids

41. (1) In accordance with Section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The Accounting Officer may decide in terms of Section 113(2) of the Act to consider an unsolicited bid, only if –

- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
- (c) the person who made the bid is the sole provider of the product or service; and
- (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

If the municipality will not incur any cost in monetary value.

(3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public together with –

- (a) reasons as to why the bid should not be open to other competitors;
- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and

(c)an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The Accounting Officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The Adjudication Committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.

(6) A meeting of the Adjudication Committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the Adjudication Committee must take into account –

- (a) any comments submitted by the public; and
- (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

(9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing Emthanjeni Local Municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

42. (1) The Accounting Officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject any bid from a bidder –
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to Emthanjeni Local Municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with Emthanjeni Local Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of Emthanjeni Local Municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

43. The Accounting Officer must establish and implement an effective system of logistics management, which must include -

the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

the placing of manual or electronic orders for all acquisitions other than those from petty cash;

before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

(h) the maintenance and administration of term contracts is co-managed with acquisition management for general goods / services.

Disposal management

44. (1) The criteria for the disposal or letting of capital assets, including unserviceable, redundant or obsolete capital assets are as follows:

Section 14 and 90-Disposal of capital assets

A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

A municipality may transfer ownership or otherwise dispose of a capital asset other than an asset contemplated in subsection 1, but only after the municipal Council, in a meeting open to the public-

Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service; and

Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.

A municipal council may delegate to the Accounting Officer of the municipality its power to make the determinations referred to in sub-section 2 (a) and (b) in respect of movable capital assets below a value determined by the council.

Any transfer of ownership of a capital asset in terms of sub-section 2 or 4 must be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality must have and maintain in terms of Section 111.

This section does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework

(2) Assets may be disposed of by –

(i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) selling the asset; or
- destroying the asset.

The Accounting Officer must ensure that –

immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

(b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

(c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

(d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

(e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

(f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

(g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

45. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

(2) Risk management must include –

(a) the identification of risks on a case-by-case basis;

- (b) the allocation of risks to the party best suited to manage such risks;
- (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

46. The Accounting Officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

Safe custody of contracts

47. Original contracts should be kept by the Corporate Department, with the copies to the relevant department. The Accounting officer together with the Chief Financial Officer will be the only officials who will hold the keys to the safe.

Prohibition on awards to persons whose tax matters are not in order

48. (1) No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 days such person's tax matters may be presumed to be in order.

Prohibition on awards to persons in the service of the state

49. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with Emthanjeni Municipality.

Municipalities are exempted from complying with this regulation until 2011 , insofar as this regulation prohibits making awards to a persons in the following circumstances:

where the person receiving the award is a non-executive member of the Board of Directors of a municipality entity; or

where the person receiving the award is not a natural person and any of it's directors, managers, principal shareholders or stakeholders is a non-executive member of the Board of Director of a municipal entity.

Awards to close family members of persons in the service of the state

50. The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and

(c) the amount of the award.

Ethical standards

51. (1) A code of ethical standards is hereby established for officials and other role players in the supply chain management system of Emthanjeni Local Municipality in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

Note:

<i>It is recommended that the municipality or municipal entity adopt the 'National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management'. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation". This code of conduct must be adopted by council or board of directors to become binding.</i>
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Inducements, rewards, gifts and favours to municipalities, officials and other role players

52. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

- (a) any inducement or reward to Emthanjeni Local Municipality for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –

- (i) any official; or
- (ii) any other role player involved in the implementation of this Policy.

(2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

53. The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
a provider or prospective provider of goods or services; or
[a](#) recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

54. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

55. (1) The Accounting Officer must appoint an independent and impartial person, [not directly involved in the](#) supply chain management processes –
- (a) to assist in the resolution of disputes between Emthanjeni Local Municipality and other persons regarding -

- (i) any decisions or actions taken in the implementation of the supply chain management system; or
- (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

A parent municipality and a municipal entity under its sole or shared control may for purposes of subparagraph (1) appoint the same person

(2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) the dispute, objection, complaint or query is not resolved within 60 days; or

(b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

56. If a service provider acts on behalf of Emthanjeni Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and Emthanjeni Local Municipality must stipulate –

- (a) a cap on the compensation payable to the service provider; and
- (b) that such compensation must be performance based.

Penalties

57. If the supplier fails to deliver any or all the goods or to perform the services within the period specified in the contract, the Municipality should, without prejudice to its other remedies under the contract, deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day until actual delivery or performance. The Municipality may also consider termination of the contact

CHAPTER 3

CODE OF CONDUCT FOR SUPPLY CHAIN PRACTITIONERS

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

1 General Principles

Emthanjeni Local Municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role layers should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual. They should not abuse the power and authority vested in them.

Conflict of interest

An official or other role player involved with supply chain management-

must treat all providers and potential providers equitably;

May not use his or her position for private gain or to improperly benefit another person; may not accept any reward ,gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, a value of more than R350;

must declare to the Accounting Officer details of any reward ,gift, favour, hospitality or other benefits promised, offered or granted to that person or any other family member, partner or associate of that person;

must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by Emthanjeni Local Municipality;

must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person ,or close family member, partner or associate , has any private or business interest;

must declare any business, commercial and financial interest or activities undertaken for financial gain that may raise possible conflict of interest;

should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and

should not take improper advantages of their previous office after leaving their official position.

3 Accountability

Practitioners are accountable for their decisions and actions to the public.

Practitioners should use public property scrupulously.

Only Accounting Officer or their delegates have the authority to commit Emthanjeni Local Municipality to any transaction for the procurement of goods and/ or services.

All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.

Practitioner must assist the Accounting Officer in combating fraud, corrupt, favouritism and unfair and irregular practices in the supply chain management system

Practitioners must report to the Accounting Officer any alleged irregular conduct in the supply chain management which that person may become aware of, including

any alleged fraud, corruption, favouritism or unfair conduct
an alleged contravention of the policy on inducements, reward, gifts and favours to municipalities or municipal entities, officials or other role players; and
any alleged breach of this code of conduct.

Any declarations made must be recorded in a register which the Accounting Officer must keep for this purpose. Any declarations made by the Accounting Officer must be made to the Mayor who must ensure that such declaration is recorded in the register.

4. Openness

Practitioners should be as open as possible about all the decision and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

5. Confidentiality

Any information that is the property of Emthanjeni Local Municipality or its providers should be protected at all times. No information regarding any bid/contract/bidder/contractor may be revealed if such an action will infringe on the relevant bidder's/contractor's personal rights.

Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role layers involved in SCM after separation from service.

6. Bid Committees

Bid Specification, Evaluation and Adjudication Committees should implement supply chain management on behalf of Emthanjeni Local Municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.

Bid Evaluation /Adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

All members of Bid Adjudication Committees should be cleared by the Accounting Officer at the level of 'CONFIDENTIAL' and should be required to declare their financial interest annually.

No person should-
interfere with the supply chain management system of Emthanjeni Local Municipality; or
amend or tamper with any price quotation/bid after its submission.

7. Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

Suggestions of fictitious lower quotations;
Reference to non-existent competition;
Exploiting errors in price quotations/bids
Soliciting price quotations/bids from bidders/contractors whose names appear on the Register for Tender Defaulters

When adopted, this code of conduct becomes binding on all officials and other role players involved in the implementation of the Supply Chain Management Policy of Emthanjeni Local Municipality.

(2) A breach of the code of ethics must be dealt with as follows –

(a) in the case of an employee, in terms of the disciplinary procedures of Emthanjeni Local Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;

in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.

In all cases, financial misconduct must be dealt with in terms of Chapter 15 of the Act.

The Accounting Officer must review the policy at least annually and, where necessary, submit proposals for amendment to the Council (Regulation 3).

Commencement

This Policy takes effect on 01 July 2013.

CHAPTER 4

PURCHASES PROCEDURES

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
1.	Purchase Requisitions:			
1.1	Purchase requisitions (PR) are completed in the various sections of the Municipality.	Ongoing	MM, Directors	Yes
1.2	The CFO should assign the responsibility of maintaining the Purchases Requisition Book to a specific person in each section.	Ongoing	CFO	Yes
1.3	The buyer is responsible for maintaining a record of the pre-numbered colour coded purchase requisition books issued to each section.	Ongoing	CFO	Yes
2.	The Officer authorising the purchase requisition, should ensure that there is sufficient funds available within the nominated vote. Where there are insufficient funds, the Municipal Manager may utilise a saving in the amount appropriated under a main division within a vote, towards the defrayment of excess expenditure under another main division within the same vote.	Ongoing	Municipal Manager CFO	Yes
3.	Purchases requisitions should be forwarded to the Supply Chain Clerks.	Ongoing	CFO	Yes
3.1				
3.2	The Supply Chain Clerks check the requisition to	Ongoing	CFO	Yes

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
	ensure the following: The correct vote has been inserted; The description of the goods/services is accurate and the quantity specified; That all unused lines have been ruled off to prevent unauthorised additions; and That the requisition has been signed by an authorised Officer designated by the Municipal Manager.			
4.	It is the SC Clerks' responsibility to source the supplier for the goods requested. The database is to be used, unless these suppliers are unable to fulfill the order on and as required basis.	Ongoing	Supply Chain Manager	Yes
5.	In the instance that quotations are required, the purchase requisitions together with the quotations must be handled according to the Supply Chain Management Policy.	Ongoing	Municipal Manager, Chief Financial Officer, Supply Chain Manager	Yes
6.	Once the requisition has been through the process and has been approved, the requisition and quotations should be returned to the buyer.	Ongoing	Municipal Manager CFO Supply Chain Manager.	Yes
7.	The buyer would then make out the order. Four copies of the order must be produced. The first must be sent to the supplier, the second must be attached to the requisition and forwarded to the creditors department, the third copy must be sent to the receiving section, and the final copy remains in the order book.	Ongoing	CFO	Yes
8.	All goods should be received in a demarcated area by			

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
	the stores. An exception to this would be the delivery of capital works or maintenance projects, as well as goods to be delivered directly to the department for example motor vehicles, plant and equipment.	Ongoing	CFO	Yes
9.	<p>When the delivery of goods is made by the suppliers, the receiver must:</p> <p>Match the supplier delivery note to a properly authorised purchase order; Check the quantity of goods received against the supplier delivery note and the purchase order; Reject all incorrect deliveries. In the case of short deliveries, clearly indicate as such on the suppliers delivery note and the purchase order; Prepare a goods received note (GRN) in duplicate detailing the items and quantities received; Sign the suppliers delivery note and GRN to indicate receipt of the goods; and Ensure that the supplier's delivery personnel sign the delivery note to indicate agreement with the delivery and to the adjustments, if any.</p>	Ongoing	CFO	Yes
10.	Goods should then be sent to the relevant section. The official that authorised the requisition should sign the goods received note to indicate receipt of the goods.	Ongoing	CFO	Yes
11.	<p>The supplier's delivery note and the original goods received note should be forwarded to the creditors section.</p> <p>The duplicate goods received note should be filed.</p>	Ongoing	CFO	Yes

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
12.	If the Chief Financial Officer instructs that a supplier make delivery of goods at a location other than the demarcated area, a person designated by the Chief Financial Officer, shall take delivery thereof and sign the supplier's delivery note to indicate receipt of the goods. This delivery note must then be submitted to the creditors section after being signed by the Chief Financial Officer.	Periodic	CFO	Yes
13.	The creditors section receives the following in batches as the invoices are finalised for payment: Orders with corresponding requisitions from the buying section; The supplier's delivery note and the internal goods received note (GRN) from the receiving section; and If the supplier forwards his invoice with the delivery note, the receiving official should date stamp and forward to creditors.	Weekly	CFO	Yes
14.	Procedures for actual payment of creditor invoices are documented under the creditor payment section.			

CREDITORS PAYMENT PROCEDURE

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
1.	Each supplier invoice must be matched to a properly approved requisition and order form.	Ongoing	CFO (Creditors Section)	Yes
2. 4.	The invoice must then be matched to the delivery note. The description of the goods, the quantity supplied and the signature of the authorised person receiving the goods must be confirmed.	Ongoing	CFO (Creditors Section)	Yes
3.1.	The creditors section is responsible for checking the adequacy and completeness of documents received from the purchasing and stores sections.	Ongoing	CFO (Creditors Section)	Yes
3.2.	If the creditors section is not satisfied with the documents received from the purchasing or stores sections, they must interrogate the relevant purchasing or stores officials.	Ongoing	SC Manager CFO (Head of Creditors Section)	No
4. 5.	If the invoice relates to a service that was supplied, the official that requested the service, should sign the invoice to indicate that the service was received.	Ongoing	CFO (Creditors Section)	Yes
5.	Where a service is rendered regularly in terms of a standing contract, or where a continuing service such as a telephone is provided, order forms are not required. The official receiving the service must approve the invoice before submitting it to the creditors section for checking and payment.	Ongoing	CFO	Yes
6.	All payments: Should be effected by cheque or by electronic transfer. Apart from petty cash, no payments should be made in cash; and	Ongoing	CFO	Yes

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
	Should be made monthly, and, only under exceptional circumstances, as determined by the Chief Financial Officer, should a payment be made outside of these intervals.			
7.	The creditors section must prepare a list of payments to be made, differentiating between electronic and cheque payments.	Monthly	CFO (Creditors section)	Yes
8.	The creditors section must present the payment listing together with supporting documentation to the Chief Financial Officer.	Monthly	CFO (Creditors Section)	Yes
9.	The CFO must critically inspect the supporting documentation to satisfy himself/herself that the requested payments are in order.	Monthly as whenever payments are request	CFO	Yes
10.	Disputed payments will be returned to the creditors section. It is the responsibility of the creditors section to ensure that the supporting documentation is complete.	Monthly	CFO (Creditors Section).	Yes
11.	These cheque requisition forms will be forwarded to an official who has been assigned the responsibility to prepare cheques.	Monthly	Chief Financial Officer	No
12.	The cheques and the supporting documentation are forwarded to the Municipal Manager and Chief Financial Officer or to the signatories appointed by them for signing.		Municipal Manager CFO SCM	

NO.	PROCEDURE	FREQUENCY	RESPONSIBILITY	KPI
13.	The cheques and the supporting documentation are forwarded to the Municipal Manager and Chief Financial Officer or to the signatories appointed by them for signing.	Monthly		
14.	Every signatory must inspect the documentation and satisfy him/herself as to the validity of the expense before he/she signs the cheque.	Monthly	All designated signatories	Yes
15.1	Two signatories must sign every cheque.	Monthly	All designated signatories	Yes
15.2	The cheque number must appear on the supporting documentation. The documentation should also be stamped as evidence of it being paid.		Chief Financial Officer	
16.	The cheques should then be posted to or collected by the respective creditor.	Monthly	Chief Financial Officer	No

EMTHANJENI MUNICIPALITY



DRAFT RATES POLICY

**FORMULATED IN TERMS OF SECTION 3 OF THE LOCAL
GOVERNMENT: MUNICIPAL PROPERTY RATES ACT,**

NO. 6 OF 2004

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ABBREVIATIONS

<i>NC073</i>	<i>Emthanjeni Municipality</i>
AO	Accounting Officer
CFO	Chief Financial Officer
EM	Executive Mayor
IBT	Inclining Block Tariff
MFMA	Municipal Finance Management Act
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
NCA	National Credit Act
SAPOA	South African Property Owners Association
SARS	South African Revenue Services
VAT	Value Added Tax

PURPOSE OF THIS DOCUMENT

This purpose of this Policy is to set out the guiding principles and legislative requirements that governs the compilation and management of the municipal Valuation Roll. This policy should at all times be read together with the Municipal Property Rates Act, 2004

DEFINITIONS

In this policy, definitions, words and expressions have the same meanings as assigned to them in the Act, unless the context indicates otherwise: –

“accommodation” means accommodation in an accommodation establishment, a room, dwelling/ house or second dwelling unit, self-catering room, self-catering apartment or free standing building let to transient guests consisting of three or more lettable units;

“accommodation establishments” – consists of one or more of the following lettable types of accommodation, consisting of three or more lettable units –

“Camping” (informal temporary accommodation in a unique environment) is defined by a property used for erection of tents or other temporary structures for temporary accommodation for visitors or holiday-makers, which includes ablution, cooking and other facilities that are reasonably and ordinarily related to camping , for use of such visitors, and includes a caravan park, whether publicly or privately owned, but which excludes the alienation of land on the basis of time sharing, sectional title share blocks or individual subdivision; and excludes resort accommodation or mobile homes;

“Bed and Breakfast” (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling in which the owner of the dwelling supplies lodging and meals for compensation to transient guests who have permanent residence elsewhere; provided that the primary use of the dwelling-house concerned shall remain for the living accommodation of a single family and where not more than 3 guest rooms are provided;

“Guest House” (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house (with a maximum of 10 rooms) or second dwelling which is used for the purpose of supplying lodging and meals to transient guests for compensation, in an establishment which exceeds the restrictions of a bed and breakfast establishment and may include business meetings, training sessions and conference facilities for resident guests;

“Self catering Accommodation” (accommodation for non-permanent residents and transient guests) is defined by a house, cottage, chalet, bungalow, flat, studio, apartment, villa, or similar accommodation where facilities and equipment are provided for guests to cater for themselves. The facilities should be adequate to cater for the maximum advertised number of residents the facility can accommodate;

“Self catering Apartments” (accommodation for non-permanent residents and transient guests) is defined by a building or group of buildings consisting of separate accommodation units, each incorporating a kitchen / -ette facility, and which may include other communal facilities for the use of transient guests, together with outbuildings as are normally used therewith; which are rented for residential purposes and may include holiday flats; but does not include a hotel, dwelling-house, second dwelling or group house;

“Backpackers Accommodation” (accommodation and communal facilities in a building or free standing buildings for transient guests) is defined by a building where lodging is provided, and may incorporate cooking dining and communal facilities for the use of lodgers, together with such outbuildings as are normally used therewith and includes a building in which dormitories/rooms/beds are rented for residential purposes, youth hostel, and backpackers’ lodge; but does not include a hotel, dwelling house, second dwelling or group house;

“Boarding House” a dwelling-house or second dwelling which is used for the purpose of supplying lodging with or without meals or self catering to non permanent/permanent residents for compensation; provided that the primary use of the dwelling-house shall remain for the living accommodation of a single family;

"Act" – means the Local Government: Municipal Property Rates Act, 2004 (Act No 6 of 2004) and any amendment thereof;

"annually" – means once every financial year;

"business and commercial property" – means -

property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
property on which the administration of the business of private or public entities take place;

"Calendar year" shall mean 12 consecutive months of a financial year(s);

"category" –

in relation to a property, means a category of properties determined in terms of section 8(2) of the Act;

in relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Act;

"conservation area" –

a protected area as listed in section 10 of the Protected Areas Act, 2003;

a nature reserve established in accordance with the Nature and Environment Conservation Ordinance, no 19 of 1974;
or

any land area zoned as open area zone III in accordance with the Municipality's zoning scheme regulations;

provided that such protected areas, nature reserves or land areas, with the exception of tourism facilities that may be erected thereupon, be used exclusively for the conservation of the fauna and flora and the products of those land areas may not be traded for commercial gain;

"exclusion" – in relation to a Municipality's rating power, means a restriction of that power as provided for in sections 16 and 17 of the Act;

"exemption" - in respect of the calculation of a rate means an exemption granted in terms of section 15(1)(a) of the Act;

"farm property or small holding used for agricultural purpose" – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes. In this definition such properties could also be included within the urban edge of a town;

"farm property or small holding not used for any purpose" – means agricultural property or an agricultural zoned land which is not used for farming purposes, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property;

"financial year" – the period starting from 1 July in a year to 30 June the following year;

"industrial property" – means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

"local community" – in relation to the Municipality –

(a) means that body of persons comprising –

(i) the residents of the Municipality;

(ii) the rate payers of the Municipality;

(iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the Municipality; and

(iv) visitors and other people residing outside the Municipality, who, because of their presence in the Municipality, make use of services or facilities provided by the Municipality; and

(b) includes, more specifically, the poor and other deprived sections of such body of persons;

“local Municipality” – a Municipality that shares municipal executive and legislative authority in its area with a district Municipality within whose area it falls and which is described in section 155(1) of the Constitution as a category B Municipality;

“market value” – in relation to a property, means the value of the property determined in accordance with section 46 of the Act;

“multiple purposes” – in relation to a property, means the use of a property for more than one purpose as intended in section 9 of the Act;

“municipal council” or **“council”** – is a municipal council referred to in section 18 of the Municipal Structures Act, 1998 (Act No 117 of 1998);

“municipal manager” – means a person appointed in terms of section 82 of the Municipal Structures Act, 1998 (Act No 117 of 1998);

“municipal property” – is property registered or established in the name of the Example Municipality;

“Municipality” –

as a corporate entity means a Municipality as described in section 2 of the Municipal Systems Act, 2000 (Act No 32 of 2000); and

as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);

“occupier” – in respect of a property means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

“open space” - means land that is used as a park, garden, for passive leisure or maintained in its natural state and that is zoned as open space;

“owner”-

in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;

in relation to a right referred to paragraph (b) of the definition of “property” means a person in whose name the right is registered;

in relation to a land tenure right referred to in paragraph (c) of the definition of “property” means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure, as envisaged in the definition in the Act of the term “publicly controlled” provided that a person mentioned below may for the purposes of this Act be regarded by a Municipality as the owner of a property in the following cases:-

a trustee, in the case of a property in a trust, excluding state trust land;

an executor or administrator, in the case of a property in a deceased estate (the applicant must produce a letter from the Master of the Court or appropriate legal proof to substantiate the appointment);

a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

a judicial manager, in the case of a property in the estate of a person under judicial management;

a curator, in the case of a property in the estate of a person under curatorship;

a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude (the applicant must produce a letter from the Master of the Court or appropriate legal proof to substantiate the appointment);

a lessee, in the case of a property that is registered in the name of a Municipality and is leased by it;

a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“permitted use” – in respect of a property means the limited purposes for which a property may be used in terms of the following –

(a) any restrictions imposed by –

(i) a condition of title; or

(ii) a provision of a town planning or land use scheme; or

(iii) any legislation applicable to any specific property or properties; or
any alleviation of any such restrictions;

“private open space” means land that is privately owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, cemetery or nature area and which is joined as Private Open Space;

“privately owned townships serviced by the owner” – means single properties (group housing or single residential erven), situated in an area not ordinarily being serviced by the Municipality, divided through subdivision or township establishment in (ten or more) full-title stands and/or sectional title units and where all rates-related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreation facilities, are installed at the full cost of the developer and are rendered and maintained by the residents, Home owners association or management companies/ bodies of such estate;

“property” – means

immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
public services infrastructure;

“property register” – a register of properties referred to in section 23 of the Act;

“rate” – a municipal rate on a property envisaged in section 229(1)(a) of the Constitution;

“rateable property” – means property on which a Municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act;

“rebate” – in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Act on the amount of the rate payable on the property;

“reduction” - in respect of a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of that property at that lower amount;

“residential property” – means improved property that:-

is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes, if still used dominantly for residential purposes;

is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

is owned by a share-block company and is used predominantly for residential purposes;

is a residence used for residential purposes situated on a property used for educational purposes;

is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;

are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

“small holding” - means

all agricultural zoned land units situated within an urban region with an area of one to three hectares; or

any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

“state owned property” – excludes any property included in the valuation roll under the category ‘residential property’ or ‘vacant land’;

“vacant property” – means any land without any improvements thereon.

OBJECTIVES OF THE POLICY

The objectives of this policy are: –

to comply with the provisions of section 3 of the Act;

to determine criteria to be applied for –

levying differential rates for different property categories;

exemptions;

reductions;

rebates; and

rate increases.

to determine or provide criteria for the determination of the following –

property categories for the purpose of levying different rates; and

categories of owners of properties for the purpose of granting exemptions, rebates and reductions;

to determine how the Municipality's power should be exercised in terms of multiple-used properties;

to identify and quantify the following for the Municipality in terms of costs and the benefit for the community

exemptions, rebates and reductions; and

exclusions.

to take into account the effect of rates on the indigent;

to take into account the effect of rates on organisations that perform activities for public benefit;

to take into account the effect of rates on the public services infrastructure;

to determine measures for promoting local economic and social development; and

to identify all rateable revenue not being rated.

CONSTITUTIONAL AND LEGAL FRAMEWORK

The Municipal Property Rates Act, 2004 forms the legal basis of this policy. However, the following additional legal references were observed during the compilation of this policy:-

Municipal Finance Management Act, 2003;

Municipal Systems Act, 2000;

Municipal Property Rates Policy, as reviewed annually; and

Constitution of the Republic of South Africa, 1996 as amended.

APPROVAL AND EFFECTIVE DATE

The Chief Financial Officer (CFO) is responsible for the submission of the Policy to Council to consider its adoption after consultation with the AO. Council shall indicate the effective date for implementation of the policy.

The policy will take effect on 01 July 2014

POLICY PRINCIPLES

Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.

The levying of rate on a property is an exclusive right of the Municipality which will be exercised: –

optimally and comprehensively within the Municipality; and
with consideration of the total revenue source of the Municipality.

The rating of properties will be done independently, justly, equitably and without prejudice and this principle will also be applied with the determination of criteria for exemptions, reductions and rebates as provided for in section 15 of the Act.

The levying of property rates must be implemented in such a way that: -

it is aimed at development;
it promotes sustainable local government by providing a stable and constant revenue source within the discretionary control of the Municipality; and
it promotes economic, social and local development.

Property rates will be levied to: –

correct the imbalances of the past; and
minimise the effect of rates on the indigent.

The market value of a property serves as basis for the calculation of property rates.

The rate tariff will be based on the value of all rateable properties and the amount the Municipality needs to fund community and subsidised services, after taking into account any possible surplus generated from trading and economic services and the amounts required to finance exemptions, rebates and reductions of rate, as approved by council from time to time.

Trade and economic services will be financially ring fenced and tariffs and service charges will as far as possible be calculated in such a way that the revenue generated covers the cost of the services or generate a surplus.

The provision for operating capital and bad debt must be related to community and subsidised services and must not include any provisions in respect of trade and economic services.

Property rates will be used to finance community and subsidised services.

Surpluses from trade and economic services may be used to subsidise community and subsidised services.

The revenue basis of the Municipality will be optimally protected by limiting the exemptions, rebates and reductions.

CATEGORISATION OF SERVICES

The Chief Financial Officer must, subject to the guidelines provided by the National Treasury and Mayoral Committee

of council, make provision for the following categories of municipal services: –

Trade services

Water

Electricity

Economic services

Waste removal

Sewerage

Camping facilities

Community services

Air pollution

Local tourism

Municipal planning

Municipal public works, in respect of the needs of the Municipality in the execution of its responsibilities and to administer functions specially assigned to the Municipality under the Constitution or any other law

Storm water management systems in built-up areas

Trade regulations

Advertising billboards and the display of advertisements in public places

Cemeteries

Control of public nuisances

Control over undertakings that sell alcohol to the public

Township development

Facilities for accommodation, care and burial of animals

Fencing and fences

Licensing of dogs

Licensing and control of undertakings that sell food to the public

Local amenities

Local sport facilities

Municipal parks and recreation

Municipal roads

Noise pollution

Pounds

Public places

Street trading / Street lighting

Traffic control and parking

Building control

Licensing of vehicles and vehicle permits

Nature reserves

Child-care facilities

Ferry boats, jetties, piers and harbours

Markets

Cleaning

Beaches and entertainment facilities.

CATEGORIES OF PROPERTIES

Subject to section 19 of the Act, Example Municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable properties, which may include categories determined according to the (SAPOA vs City of Johannesburg (648/20111)[2012] ZASCA 157 (8 November 2012)): –

use of the property;
permitted use of the property; or
geographical area in which the property is situated.

Categories of rateable property that may be determined in terms of paragraph 5.1 include the following: –

residential (improved property);
property that is vacant (empty stands) with zoning or proposed use earmarked for residential;
property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;
industrial;
business and commercial;
farm properties used for –

agricultural purposes;
other commercial or business purposes;
residential purposes; or
purposes other than those specified in subparagraphs (8.3.6.1) to (8.3.6.3);

farm properties not used for any purpose;
smallholdings used for –

agricultural purposes;
residential purposes;
industrial purposes;
commercial and business purposes; or
purposes other than those specified in subparagraphs (8.3.8.1) to (8.3.8.4).

state-owned property;
municipal property;
public services infrastructure;
property
acquired through the Provision of Land and Assistance Act, 1993 (Act No 126 of 1993) or the Restitution of Land Rights Act, 1994 (Act No 22 of 1994); or
which is subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);

protected areas;
properties used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962);
properties used for multiple purposes, subject to section 9 of the Act;
accommodation establishments;
private open space; and
such other categories as may be determined by the council from time to time.

Properties or sections of properties where renewable solar energy are generated which were specifically rezoned, where portions or properties are rented or leased to Solar Businesses and where rental income is generated.

CATEGORISATION OF OWNERS

For the purpose as described in section 3.2.1 of the policy the following categories of owners will be recognised in terms of section 15(2) of the Act:–

Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the Municipality;

Owners of properties situated within an area affected by: –

a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or
any serious adverse social or economic conditions.

Owners of properties situated in “privately owned townships” serviced by the owner as referred to in clause 12.1.2 of this policy;

Owners of agricultural properties as referred to in clause 12.1.3 of this policy;

Owners of farm properties that are used for residential purposes;

Owners of farm properties that are used for industrial, commercial and business purposes;

Owners of smallholdings used for residential purposes;

Owners of smallholdings used for industrial, commercial and business purposes; and

Owners of developed properties not yet sold and transferred.

Owners or Occupiers of farm properties that are used for renewable energy or renewable solar energy

DIFFERENTIAL RATING

Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to –

the nature of the property including its sensitivity to rating, e.g. agricultural properties used for agricultural purposes; and
the promotion of social and economic development within the Municipality.

Differential rating among the various property categories will be done by way of setting a different cent amount in the rand for each property category; and

by way of reductions and rebates as provided for in this policy document.

EXEMPTIONS

Categories of properties

The following property categories are exempt from the payment of property rates: –

Municipal properties are exempted from paying property rates.

Residential properties

All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The impermissible rates of R28 000 contemplated in terms of section 17(1)(h) of the Act and can be supplemented by council based on affordability, ratepayer profile and the municipality's predetermined level of support to the poor..

Public Service Infrastructure

Is exempted from paying rates as it provides essential services to the community.

Public Benefit Organisations –

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

Exemptions in 11.1.1.1 to 11.1.1.3 will automatically apply and no application is thus required by the owners of such property.

All possible benefiting organisations in clause 11.1.1.4 must apply annually, by 31 August, for exemption for the financial year in respect of which the application is made. If the exemption applied for is approved the exemption will be valid for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.

A rate-exemption certificate as issued by the South African Revenue Service (SARS), as contemplated in terms of Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962), may be submitted together with the application.

The Municipality retains the right to refuse the application for exemption if the details supplied in the application were incomplete, incorrect or false.

Impermissible Rates

In terms of section 17(1) of the Property Rates Act, 2004, the Municipality may, inter alia, not levy rates: –

on those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No 57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management Biodiversity Act, 2004 (Act No 10 of 2004), which are not developed or used for commercial, business, residential or agricultural purposes.

on mineral rights within the meaning of paragraph (b) of the definition for "property" in section 1 of the Act.

on a property belonging to a land reform beneficiary or his or her heirs, provided that the exclusion lapses ten years from the date on which such beneficiary's title was registered in the Deeds register.

on a property registered in the name of and primarily used as a place of public worship, including an official residence registered in the name of the church that is occupied by an office-bearer who acts as officiant of the church.

REBATES

Categories of properties

Business, commercial and industrial properties

The Municipality may grant rebates to rateable undertakings that promote local, social or economic development within the municipal jurisdiction. The following criteria will apply: –

- job creation in the municipal area;
- social upliftment of the local community; and
- creation of infrastructure for the benefit of the community.

Rebates will be granted on application subject to: –

- a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the Municipality are going to be met;
 - a continuation plan issued by the directors and certified by the auditors stating that the objectives have been met and how they plan to continue meeting the objectives; and
 - an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- Council will consider all LED requests on an individual basis according to merits.

Rebate on agricultural property

When considering the criteria to be applied in respect any exemptions, rebates and reductions on any properties used for agricultural purposes the Municipality must take into account: –

- the extent of rates-funded services rendered by the Municipality in respect of such properties;
- the contribution of agriculture to the local economy;
- the extent to which agriculture assists in meeting the service delivery and developmental objectives of the Municipality; and
- the contribution of agriculture to the social and economic welfare of farm workers.

In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by council on a category of non-residential property may not exceed a prescribed ratio to the tariff levied on residential properties. In the absence of any such promulgation the Municipality will apply a standard ratio for agricultural properties from 1:0.25 (75% rebate on the tariff for residential properties). Before the start of 2009/2010 financial year the Minister had promulgated a ratio of 1:0.25 which remains unchanged for the 2014/2015 financial year.

An rebate (based on the total property value) of maximum 10% will be granted by the Municipality in respect of the following and **will be part of the rebate as mentioned in clause 12.1.2.6**: –

- 2,5% for the provision of accommodation in a permanent structure to full-time farm workers and their dependents or families;
- 2,5% if these residential properties are provided with potable water;
- 2,5% if the residential properties of the farm workers are electrified; or
- 2,5% for the provision of land for burial for own workers or for educational or recreational purposes to own workers and workers from surrounding farms.

The granting of additional rebates is subject to the following: –

All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once-off requirement;

Any new applications must be addressed in writing to the Municipality by 31 August of the financial year in respect of which the application is made. If the rebate applied for is granted the rebate will apply for the full financial year and such application will again be regarded as a once-off requirement. Applications received after 31 August for the

financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved;

Council reserves the right to send officials or its agents on an annual basis to premises/households receiving relief for the purposes of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original applications; and

The Municipality retains the right to refuse applications for rebates if the details supplied in the application form were incomplete, incorrect or false.

No other rebates will be granted to properties that qualify for the agricultural rebate. In order to avoid doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in paragraph 11.1.1.2 of this policy.

12.1.2.6 As a result of, and taking into account, limited rate-funded services supplied to such properties in general, the contribution of agriculture to the local economy, the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality, and the contribution of agriculture to the social and economic welfare of farm workers, the Municipality grants a additional rates rebate (as set out below) in respect of properties used for agricultural purposes only, of **40%** after to the current property rates levy ratio of (1:0.25) is applied, which is the applicable rate for properties used for agricultural purposes, but does not exceed the maximum ratio of the rate on residential property prescribed in the MPRA Rate Ratio Regulations.

Unless the usage of a property has changed, owners of qualifying agricultural properties must apply for the rebate in the year when a new General Valuation Roll ("GV") or Supplementary Valuation Roll ("SV") or change of ownership, as the case may be, which affects the property, is implemented.

Rebates for the extent of municipal services not provided to agricultural property form part of the **40% rebate as mentioned in section 12(1)(2)(5)** and no additional rebates will be granted in respect of the following:

No municipal roads adjacent to the property.
No municipal sewerage to the property.
No municipal electricity to the property.
Gravel access roads not provided or maintained by the municipality
No refuse removal provided by the municipality.
Provision of permanent residence to farm workers.
Provision of potable water farm workers .
Provision of electricity to houses of farm workers.

Rebates will be granted on application, subject to the following:

A bona fide farmer must submit certified copies of the following documents in order to qualify for the additional rebate of 40% as mentioned in clause b(iv)

Official Emthanjeni Municipality's Rates Rebate application form.

An affidavit of the predominant used of the property

Affidavit that the total revenue of eco-tourism and game farming constitute not more than 8% of the total farming revenue on the farm. The primary use of the property must be clearly outlined.

Proof of postal address must also be provided. Omission of proof of postal address will lead to automatic disqualification of application.

Portions of farms must be clearly indicated when applying for rebates.

An individual or consolidated application in writing together with the documentation as required must be made for each property or portion of property.

or before the 31 August 2014.

3. Emthanjeni Municipality's application form must be used and Incomplete applications will not be considered and the onus is placed on the owner to provide all supporting documentation before any application will be considered.

4. Applications received after 31 August 2014 will be disqualified for the current financial year and will only be processed in the next financial year.

5. The current rebates application are applicable as from the 2014/2015 financial year.

6. Investigation

(i) The Municipality reserves the right to verify the details provided in the application

(ii) The Municipality will undertake an on going inspection of the applicant farming property and any changes in that farming property's circumstances must be reported.

(iii) Applicant must attest to the above before a Commissioner of Oaths and a representative of a civil society structure must attest to the veracity of the application.

12.1.2.7. Rebates will **only be granted on vacant municipal properties** which are being developed. Proper buildings and plants must be erected within six months after registration at the deeds office. Construction must be completed within one year in order to qualify for rates rebates. Failure to complete construction on these properties within one year after registration of properties at the deeds office, the municipality will use the building plans amount as a basis of municipal property valuation, and levy the properties accordingly. Rebates will only be granted on vacant municipal land. The rebates will be implemented as follows:

First Year (Year 1)

A rebate of 100% on the municipal value will be allowed to these properties.

Second Year (Year 2)

A rebate of 100% on the municipal value will be allowed to these properties.

Third Year (Year 3)

A rebate of 60% on the municipal value will be allowed to these properties.

Fourth Year (Year 4)

A rebate of 40% on the municipal value will be allowed to these properties.

Fifth Year (Year 5)

A rebate of 20% on the municipal value will be allowed to these properties.

Sixth Year (Year 6)

A rebate of 0% on the municipal value will be allowed to these properties.

The rebates will be applicable on all these municipal properties where development has taken place since 01 July 2012.

Categories of Owners

Indigent owners -.

The owners that qualify and are registered indigents in terms of the Municipality's policy for indigents receive a rebate on the payment of rates as specified in the Municipality's policy for indigents.

Rebates for retired and disabled persons

Retired and disabled persons qualify for special rebates in accordance with their monthly household income. Property owners who meet the following requirements may apply for a rebate:-

The property must be registered in the name of the applicant or the usufruct of the property must be established in the name of the applicant.

(b) The owner must be at least sixty (65) years of age and total gross monthly income or earnings must not exceed an amount of R4 750.

The property owner may not be the owner of more than one property.

The owner must occupy the relevant property. Where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.

In the case of a semi-detached house, of which a section is rented out, only the rates paid on that section occupied by the owner is subject to rebates.

Property owners must apply annually for a rebate on a prescribed form as stipulated by the Municipality, and these applications must reach the Municipality by 31 August of the financial year in respect of which rates are levied. If the rebate applied for is granted, the rebate will apply for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.

The Municipality retains the right to refuse the granting of rebates if the details supplied in the application were incomplete, incorrect or false.

Applications as intended in paragraph 12.2.2.4 must be accompanied by the following information: –

a certified copy of the identity document of the owner or any other proof of the owner's age which is acceptable to the Municipality;

sufficient proof of income of the owner and the his/her spouse;

an affidavit from the owner;

if the owner is a disabled person, satisfactory proof submitted to the Municipality that the relevant person receives a disability pension payable by the state; and

REDUCTIONS

Reductions as contemplated in section 15 of the Act will be considered on an ad-hoc basis in the event of the following:-

Partial or total destruction of a property; or

Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

The following conditions shall be applicable in respect of clause 13.1:-

The owner of the property referred to in clause 13.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the Municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.

Owners of property referred to in clause 13.1.2 will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

A maximum reduction to be determined on an annual basis shall be allowed in respect of both clauses 13.1.1 and 13.1.2. .

An ad-hoc reduction will not be given for a period in excess of 6 months, unless the Municipality gives further extension on application.

If rates were paid in advance prior to granting of a reduction the Municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

COST OF EXEMPTIONS, REBATES AND REDUCTIONS

The chief financial officer must inform council during the budgeting process of all the costs associated with the proposed exemptions, rebates, reductions, phasing-in of rates and grants in the place of rates.

Provision must be made on the operating budget for –

the full potential revenue associated with property rates; and

the full cost associated with exemptions, rebates and reductions.

MULTIPLE USE OF PROPERTIES

Properties used for multiple purposes which for example do not fall within the definition of Residential Properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple-use properties, as per section 9 (1) (c) of the Property Rates Act, for which an apportionment of value for each distinct use of the property will be calculated by the municipal valuer and used for billing at the appropriate and applicable rate, in cases where the municipal valuer considers it reasonable to apply this category as per section 9 (1) (c) of the Property Rates Act.

PROPERTY REGISTER

A property register, divided into Sections A and B, regarding all properties in the municipal area of jurisdiction, must be compiled and maintained by the Municipality.

Section A of the register will consist of the current valuation roll of the Municipality and will include all supplementary valuations, as done from time to time.

Section B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to: –

- exemption from rates in terms of section 15 of the Act;
- a reduction or rebate in terms of section 15 of the Act;
- the phasing in of tariffs in terms of section 21 of the Act; and
- exclusions as referred to in section 17 of the Act.

The register will be open for inspection by the public during office hours at the head office of the Municipality or on the internet website of the Municipality.

Section A of the register will be updated at least annually by the Municipality during the supplementary valuation process.

Section B of the register will be updated annually as part of the implementation of the Municipality's annual budget.

NOTIFICATION OF RATES

Council will give notice at least 30 days before the rate approved during the annual budget meeting will come into effect. Accounts furnished after the 30 days' notice will be based on the new rates.

A notice containing the extent of council's resolution and the date on which the new rate will come into effect will be displayed by the Municipality at places installed for this purpose.

CONSULTATION PROCESS

Before council commands a new valuation in terms of the Act, a consultation process involving all interest groups will be undertaken during which the purpose and method of valuation will be explained.

Before the Municipality accepts the rates policy the municipal manager will follow a process of public participation, as prescribed in chapter 4 of the Municipal Systems Act, and comply with the following requirements: –

Display the draft property rates policy continuously for a period of thirty (30) days at the Municipality's head office, satellite offices and on the website.

Publish a notice in the media stating that the draft property rates policy was compiled for submission to council and that such a policy is available at the different municipal offices and on the website for public inspection.

Property owners and interested persons may obtain a copy of the draft policy from the municipal office during office hours at a prescribed cost per copy.

Property owners and interested parties are invited to address written suggestions or representations to the Municipality within the period prescribed in the notice.

Council will consider all suggestions and/or representations received during the finalisation of the property rates policy.

FURNISHING OF ACCOUNTS

The Municipality will furnish each person liable for the payment of a rate with a written account, specifying: -
the amount due for rates payable;
the date on or before which the amount is payable;
how the amount was calculated;
the market value of the property; and
exemptions, reductions and rebates or the phasing-in of rates, if applicable.

A person liable for the payment of rates remains liable for payment, whether or not that person has received a written account from the Municipality. Inquiries must be addressed to the Municipality by such a person who has not received a written account.

In the case of joint ownership the Municipality will, upon request, furnish written accounts to one or more individual owners.

In the case of joint ownership the Municipality may, in order to limit costs and prevent unnecessary administration, recover the rates continuously from one of the joint owners.

PAYMENT OF RATES

Council may claim the payment of rates: -
on a monthly basis; or
annually before 20 September of each year.

Rate payers may choose to pay rates in one instalment annually on or before 20 September of each year. The property owner subject to rates must notify the municipal manager or his/her nominee by no later than 30 June in any financial year, or such later date in the financial year as determined by the Municipality, that he/she wishes to pay all rates in respect of such a property in annual instalments, after which such an owner shall be entitled to pay all rates in the subsequent financial year and all subsequent financial years annually until he/she withdraws this notice in similar manner.

If a rate is payable: -
in a single amount annually, it must be paid on or before a date determined by the Municipality.
in instalments, it must be paid on or before a date in each period determined by the Municipality.

Interest on rates in arrear, whether paid annually or in equal monthly instalments, shall be calculated in accordance with the provisions of the Municipality's policy on credit control and debt collection.

If a property owner who in terms of this policy is liable for the payment of property rates fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Municipality's by-law on credit control and debt collection.

Rates in arrear shall be recovered from tenants, occupiers and agents for the owner in terms of section 28 and 29 of the Act and the Municipality's policy on credit control and debt collection.

In the event of rates levied emanating from a supplementary valuation, payment thereof will be according to the date determined by the Municipality and payment thereof may not be withheld pending an objection or appeal as determined by section 78(2) of the Act.

In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the owner on date of the levy will be held responsible for the settlement of the interim rates account.

Where the rates on a specific property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned, or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be adjusted retrospectively for the period of the date on which the error or omission is detected, back to the date on which rates were first levied in terms of the current valuation roll.

Where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

Rates Clearance Certificates:-

will be valid for up to 60 days;

no extension on a certificate will be granted. If it expires a new application for clearance must be made;

if the valid period surpasses 30 June, the total annual debit for the following financial year will be payable; and

ADJUSTMENT OF RATES PRIOR TO SUPPLEMENTARY VALUATION

In circumstances where a valuation has been carried out by the municipal valuer in pursuance of a Supplementary Valuation (SV) in terms of section 78(1)(d) or 78(1)(f) of the MPRA as a result, for example, of a demolition having taken place on a property or a fire having destroyed buildings on a property, but the Municipality has not yet included such valuation of the relevant property in a SV, such valuation shall be submitted to the CFO for approval to levy rates on the property in accordance with such valuation, with effect from the date of the occurrence of the event which caused a SV to be required.

If the owner of a property which has been subdivided or consolidated after the last general valuation wishes to sell the consolidated erf, or one or more of the erven which have been subdivided off the parent erf, as the case may be, applies to the Municipality for a clearance certificate in terms of section 118 of the Systems Act and if the Municipality has not yet included such valuation of the relevant property/s in a SV, then:-

the municipal valuer shall conduct a valuation of the relevant property(ies) for purposes of a SV; and
the valuation shall be submitted to the CFO for approval of the levying of rates on such property(ies) in accordance with such valuation, with effect from the date on which the relevant subdivision or consolidation (as the case may be) was registered in the Deeds Office.

20.3 Any valuations performed in terms of paragraph 15 shall be included in the next SV prepared by the City without any amendments to the valuation and any objections to such valuation may only be lodged once such SV is made public in terms of section 49 of the MPRA.

FREQUENCY OF VALUATIONS

The Municipality shall prepare a new valuation roll at least every four (4) years.

In accordance with the Act the Municipality, under exceptional circumstances, may request the MEC for Local Government and Housing, to extend the validity of the valuation roll to five (5) years.

Supplementary valuations shall be done on a continual basis, but at least on an annual basis, in order to ensure that the valuation roll is maintained.

REVIEW PROCESS

The Property Rates Policy must be reviewed on an annual basis to ensure that it complies with the strategic objectives of the Municipality, as stipulated in the Integrated Development Plan and other applicable legislation.

This policy will come into effect on 01 July 2014

IMPLEMENTATION

This policy has been approved by the Municipality in terms of Council Resolution datedand comes into effect on 1 July 2014

EMTHANJENI MUNICIPALITY



ASSET MANAGEMENT POLICY

FIRST DRAFT – DRAFT BUDGET 2014/2015 MTREF

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ABBREVIATIONS

NC073 ***Emthanjeni Municipality***

AMP	Asset Management Plan
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CMIP	Comprehensive Municipal Infrastructure Plan
CoGTA	Department of Co-operative Governance and Traditional Affairs
CRC	Current Replacement Cost
DRC	Depreciated Replacement Cost
EPWP	Expanded Public Work Program
EUL	Estimated Useful Life
GIAMA	Government-wide Immoveable Asset Management Act
GRAP	Generally Recognised Accounting Practise
HOD(SO)	Head of Department (Senior Official)
IAMP	Infrastructure Asset Management Plan
IDP	Integrated Development Plan
IIMM	International Infrastructure Management Manual
ISO	International Standards Organisation
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
ODRC	Optimised Depreciated Replacement Cost
OHSA	Occupational Health and Safety Act
PPE	Property, Plant and Equipment
RUL	Remaining Useful Life
RV %	RV % Residual Value Percentage
SDBIP	Service Delivery and Budget Implementation Plan
VAT	Value Added Tax

1 PURPOSE OF THIS DOCUMENT

This document indicates the policy framework for the management of Municipal movable and immovable Property Plant and Equipment (PPE), investment property, intangible, biological assets and heritage assets.

This document was prepared in line with the prevailing legislation and Accounting Standards and therefore will be applicable for the financial years commencing on or after the first of July 2014. It is the user's responsibility to ensure that the document remains in line with legislation and Accounting Standards for future financial periods.

2 BACKGROUND

2.1 CONSTITUTIONAL AND LEGAL FRAMEWORK

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:

- providing democratic and accountable government for local communities;
- ensuring the provision of services to communities in a sustainable manner;
- promoting social and economic development;
- promoting a safe and healthy environment; and
- encouraging the involvement of communities and community organisations in matters of local government.

The manner in which a municipality manages its Property, Plant and Equipment (PPE), investment property, intangible assets and heritage assets are central to meeting the above challenges. Accordingly, the Municipal Systems Act, 2000 (MSA) section 2(d) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Accounting Officer (AO).

The Occupational Health and Safety Act (OHSA) requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its PPE safe.

2.2 ACCOUNTING STANDARDS

The MFMA requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice.

The Accounting Standards Board (ASB) has approved a number of Standards of GRAP. When compiling the asset register in accordance with the accounting standards, the requirements of GRAP 17 cannot be seen in isolation. Various other accounting standards impact on the recognition and measurement of assets within the municipal environment and should be taken into account during the compilation of a GRAP compliant asset register. The applicable standards of GRAP are noted in section 8.

2.3 MANAGEMENT OF INFRASTRUCTURE AND COMMUNITY ASSETS

Effective management of infrastructure and community facilities is central to the municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the manner in which the municipality discharges its responsibilities as a public entity is also important. The municipality must demonstrate good governance and customer care, and the processes adopted must be efficient and sustainable. Councillors and officials are custodians on behalf of the public of infrastructure assets, the replacement value of which amounts to several hundred million Rand.

Key themes of the latest generation of national legislation introduced relating to municipal infrastructure management include:

- long-term sustainability and risk management;
- service delivery efficiency and improvement;
- performance monitoring and accountability;

- community interaction, transparent processes and reporting;

- priority development of minimum basic services for all; and
- the provision of financial support from central government in addressing the needs of the poor.

Legislation has also entrenched the Integrated Development Plan (IDP) as the principal strategic planning mechanism for municipalities. However, the IDP cannot be compiled in isolation – for the above objectives to be achieved, the IDP needs to be informed by robust, relevant and holistic information relating to the management of the municipality's infrastructure.

There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintaining and renewing existing infrastructure whilst also addressing backlogs in basic services and facing on-going changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of departments of the municipality.

CoGTA has prepared guidelines in line with international practice, that propose that an Infrastructure Asset Management Plan (IAMP) is prepared for each sector (such as potable water, roads etc.). These plans are used as inputs into a Comprehensive Municipal Infrastructure Plan (CMIP) that presents an integrated plan for the municipality covering all infrastructure. The arrangements outlined in the CoGTA guidelines are further strengthened by the provision of National Treasury's Local Government Capital Asset Management Guidelines. This is in line with the practice adopted in national and provincial spheres of government in terms of the Government-wide Immoveable Asset Management Act (GIAMA).

Accordingly, the asset register adopted by a municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

Recognised good practice in the management of infrastructure assets from across the globe has been increasingly documented over the past 10 to 15 years. In 2000, the World Bank cited practice in Australasia as representative of best practice and this has been captured in the International Infrastructure Management Manual (IIMM), and regularly updated with case studies from across the globe, including South Africa. In 2008 the British Standards Institute issued PAS 55 (a publicly available specification on asset management). There is now an initiative by the International Standards Organisation (ISO) to draw on these documents to establish an international standard for infrastructure asset management (ISO 55000 series) that is expected to be issued in 2014. Progressive entities are expected to set compliance with the proposed ISO as a benchmark for practice.

3 OBJECTIVES

The objective of this policy is for the municipality to:

- implement prevailing accounting standards; and
- apply asset management practice in a consistent manner and in accordance with legal requirements and recognised good practice.

4 APPROVAL AND EFFECTIVE DATE

The CFO is responsible for the submission of the Policy to Council to consider its adoption after consultation with the AO. Council shall indicate the effective date for implementation of the policy.

5 DELEGATIONS AND KEY RESPONSIBILITIES

Accounting Officer

The Accounting Officer (AO) is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The AO shall ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with the standard of generally recognised accounting practice;
- That the municipality has and maintains a system of internal control for assets, including an asset register; and
- The HOD(SO)s and their teams comply with this policy.

The Accounting Officer of the municipality shall be the principal custodian of the entire municipality's assets, and shall be responsible for ensuring that this policy is effectively applied on adoption by Council. To this end, the AO shall be responsible for the preparation, in consultation with the Chief Financial Officer (CFO) and Heads of Department (Senior Official) (HOD(SO)), of procedures to effectively and efficiently apply this policy.

This policy should be applied with due observance of the municipality's policy with regard to delegated powers. Such delegations refer to delegations between the AO and other responsible officials as well as between Council and the Executive Mayor and the Council and the AO. All delegations in terms of this policy must be recorded in writing.

In accordance with the MFMA, the AO of the municipality and all designated officials are accountable to him / her. The AO is therefore accountable for all transactions entered into by his / her delegates. The overall responsibility of asset management lies with the AO. However, the day to day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing. The AO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible to the AO to ensure that the financial investment in the municipality's assets are safeguarded and maintained.

The CFO, as one of the Director's of the municipality, shall also ensure, in exercising his financial responsibilities, that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilised effectively, efficiently, economical and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to immovable assets;
- The systems, procedures and registers required to substantiate the financial values of the municipality's assets are maintained to standards sufficient to satisfy the requirements of the Accounting Standards;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The AO is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The Senior management team are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets; and

- This policy and support procedures are established, maintained and effectively communicated.

In terms of section 82 read with section 81(1)(e) of the MFMA the CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

Directors

Directors report directly to the AO shall ensure that:

- The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be input to the municipal fixed asset register;
- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Manage asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

Directors may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring these activities are performed.

6 POLICY AMENDMENT

This policy should be reviewed annually to ensure continued compliance with the relevant legislation and accounting standards. Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the CFO in consultation with the AO and respective Directors. The recommendations of the CFO shall be considered for adoption by Council.

7 RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, will replace the pre-existing Asset Management with respect to the scope of assets covered by this policy.

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Delegation of Powers;
- Accounting Policy;
- Insurance Policy;
- Enterprise Risk Management Policy;
- Disaster Management Policy;
- Supply Chain Management Policy;
- Credit Control and Debt Collection Policy;
- Tariff Policy;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Cash Management and Investment Policy
- Long Term Financial Plan Policy;
- Infrastructure Investment And Capital Projects Policy;
- Indigents Policy;
- Provision of Free Basic Services Policy;
- Budget Implementation and Monitoring Policy;
- Managing Electricity and Water Distribution Losses; and
- Asset Disposal Policy.

8 REFERENCES

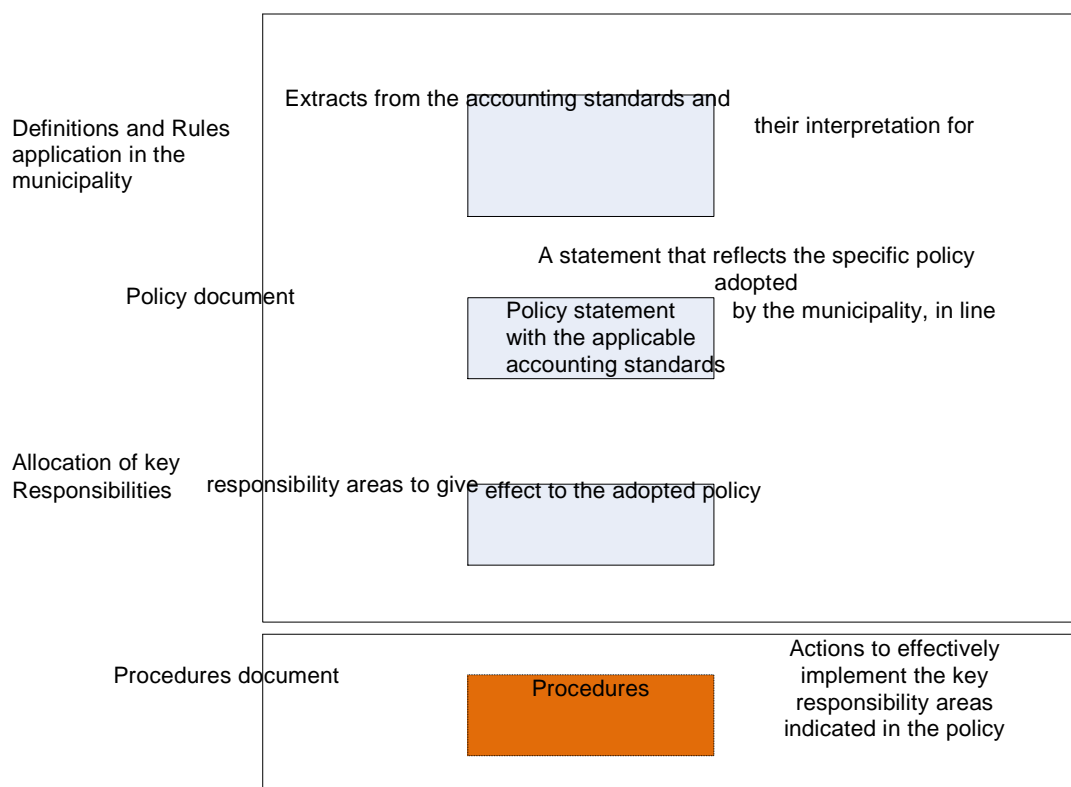
The following references were observed in compiling this document:

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- Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- Municipal Finance Management Act, 2003
- Disaster Management Act, 2002
- Municipal Systems Act, 2000
- Municipal Structures Act, 1998
- Accounting Standards Board
- MFMA Circular 18 & 44
- Local Government Capital Asset Management Guidelines, National Treasury, 2008
- Government Gazettes (30013 & 31021)
- Generally Recognised Accounting Practice (1-14, 16, 17, 19, 21, 23-27, 31 and 100-104)
- Interpretations of the standards of GRAP issued by the Accounting Standards Board (ASB) (IGRAP 1- 17)
- Directives issued by the ASB
- Municipal transfer and disposal regulations, Government Gazette no.31346
- Accounting guideline issued by National Treasury relating to intangible assets
- Government Gazette, 30 May 2005, No. 27636 on disposal

9 POLICY FORMAT

Figure 1 gives an overview to the format of presentation of this policy document, and how it links to a separate document that provides the procedures. Procedures should be prepared and adopted to give effect to this policy.

Figure 1 - Interaction between the policy and the procedures



10 POLICY FOR FIXED ASSET ACCOUNTING

10.1 RECOGNITION OF IMMOVABLE AND MOVABLE ASSETS

(a) Definitions and rules

Asset

An asset is defined as a resource controlled by an entity, as a result of past events; future economic benefits or service potential associated with the item will flow to the entity.

Fixed Asset

A fixed asset (also referred to as a "non-current asset") is an asset with an expected useful life greater than 12 months.

PPE

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes; and are expected to be used during more than one reporting period. This includes items necessary for environmental or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the municipality's operations for the purposes of disclosure in the financial statements.

Immovable PPE

Immoveable PPE are fixed structures such as buildings and roads. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

Movable PPE

Movable assets are the stock of equipment owned or leased by the municipality such as office equipment and furniture, motor vehicles and mobile plant.

Investment property

Investment property is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks that are rented out. There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

Intangible assets

Identifiable non-monetary assets, without physical substance are intangible assets, for examples licenses or rights (such as water licenses), servitudes and software.

An asset meets the criterion of being identifiable in the definition of an intangible asset when it:

- (a) is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- (b) arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable and separable from the municipality or from other rights and obligations.

Biological Assets

Biological assets are living animals or plants as per the definition in the GRAP on Agriculture.

Capital Spares (Major Spare Parts)

Spares and materials used on a regular basis in the ordinary course of operations are usually carried as inventory (i.e. they are not usually considered fixed assets) and are expensed when consumed. Major spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE as they are expected to be used for more than one period or they can only be used in connection with an item of PPE.

Useful Life

The period over which an asset is expected to be available for use by an entity, or the number of production units expected to be obtained from the asset by an entity.

Major inspections

A condition of continuing to operate an item of PPE may be to perform regular major inspections for faults regardless of whether parts of the item are replaced (for example, Occupational Health and Safety Act no. 85 of 1993 requires lifting equipment to be inspected once a year). When each major inspection is performed, its cost is recognised in the carrying amount of the item of PPE as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is de-recognised. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

Items used irregularly

Tangible items that are used in the production or supply of goods or services on an irregular basis (such as standby equipment) are recognised as items of PPE.

Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of others to that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

Past transactions or events

Assets are only recognised from the point when some event or transaction transferred control to an entity.

Probability of the flow of benefits or service potential

The degree of certainty that any economic benefits or service potential associated with an item will flow to the municipality is based on the judgement. The CFO shall exercise such judgement on behalf of the municipality, in consultation with the respective HOD(SO).

Economic benefits

Economic benefits are derived from assets that generate net cash inflows.

Service Potential

An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality, such as the provision of services.

Leased assets

A lease is an agreement whereby the lessor conveys to the lessee (in this case, the municipality) the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are categorised into finance and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the asset are substantially transferred to the municipality, the lease is regarded as a finance lease and the asset recognised by the municipality. Where there is no substantial transfer of risks and rewards of ownership to the municipality, the lease is considered an operating lease and payments are expensed in the income statement on a systematic basis (straight line basis over the lease term).

Asset custodian

The department that controls an asset, as well as the individual (asset custodian) or post that is responsible for the operations associated with such asset in the department, is identified by the respective HOD(SO), recorded, and communicated on recognition of the asset.

Reliable measurement

Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.

(b) Policy statement

The municipality shall recognise all movable and immovable assets existing at the time of adoption of this policy and the development of new, upgraded and renewed assets on an on-going basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

(c) Responsibilities

- The CFO, in consultation with the AO and Directors, shall determine effective procedures for the recognition of existing and new assets.
- Every Director shall ensure that all assets under their control are correctly recognised as assets.
- The CFO shall keep a lease register with the following minimum information: name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.

10.2 CLASSIFICATION OF ASSETS

(a) Definitions and rules

Fixed asset categories

- Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations) (GRAP 17);
- Intangible assets (GRAP 31);
- Heritage assets (GRAP 103);
- Biological assets (GRAP 101/27);
- Capital Finance Lease assets (GRAP 13); and

-
- Investment property (GRAP 16).

Class of PPE

A class of PPE is defined as a group of assets of a similar nature or function. The total balance of each class of assets is disclosed in the notes to the financial statements.

PPE Asset hierarchy

An asset hierarchy is adopted for PPE which enables separate accounting of parts (components) of the asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality, including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and components.

PPE: Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets that jointly provide service potential.

PPE: Community Property

Community property is immovable assets contributing to the general well-being of the community, such as community halls and recreation facilities.

PPE: Other property

Buildings that are used for municipal operations such as administration buildings and rental stock or housing not held for capital gain.

PPE: Other Assets

Movable assets are by nature stand-alone assets which are not directly attached or associated with an item of immovable assets and are utilised in an enabling or assisting role on a day-to-day basis.

Heritage assets

Heritage assets are assets of cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations, such as monuments, nature reserves, and works of art. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The CFO, on behalf of the municipality, must use his / her judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Investment property

Investment property is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks that are rented out. There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

Intangible assets

Identifiable non-monetary assets, without physical substance are intangible assets, for examples licenses or rights (such as water licenses), servitudes and software.

An asset meets the criterion of being identifiable in the definition of an intangible asset when it:

(c) is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or

(d) arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable and separable from the municipality or from other rights and obligations.

However, if the municipality is of the opinion that even though a servitude may meet the definition of an intangible asset, it is essential to the operation of a tangible asset. For example, where the municipality would not be able to construct or operate infrastructure on land that it does not own without acquiring certain rights from the landowner. Therefore the municipality may be of the opinion that it would be more appropriate to include the cost of the servitude in the cost of the tangible asset rather than recognising a separate intangible asset. In such cases servitudes will be accounted for as PPE by applying GRAP 17, and componentisation may be required as the values, nature and the useful life of the servitude and the tangible asset are different.

Servitudes

Where municipalities establish servitudes as part of the registration of a township, the associated rights are granted in statute and are specifically excluded from the standard on intangible assets. Such servitudes cannot be sold, transferred, rented or exchanged freely and are not separable from the municipality. Consequently such servitudes are not recognised in the asset register.

Servitudes that are created through acquisition (including by way of expropriation or agreement) can be recognised as *either intangible assets or PPE* at cost. The municipality *may* include the cost of the servitude in the cost of the PPE if it is essential to the construction or operation of the asset (such as in the case of pipes).

Biological Assets

Biological assets are living animals or plants as per the definition in the GRAP on Agriculture.

Non-current assets held for sale

A non-current asset (or disposal group) is considered to be "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An immovable asset classified as a "non-current asset held for sale" shall be reclassified as a current asset, and will therefore be taken off the Asset Register. This provision does not apply to immovable assets that are abandoned.

To be classified as "held for sale", the asset must be available for immediate sale (i.e. to be completed within a year) in its present condition, and it must be highly probable that the sale will take place (management must be committed to a plan to sell the asset and an active programme to locate a buyer must have been initiated). If the municipality acquires an immovable asset exclusively for the purpose of selling it, it shall be classified as a "non-current asset held for sale" at its acquisition date only if all the above requirements are met.

An extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the municipality's control and there is sufficient evidence that the municipality remains committed to its plan to sell the asset. However, if the municipality has classified an asset as held for sale, but the criteria are no longer met, the municipality shall cease to classify the asset as held for sale.

If the criteria are only met after the reporting date, the municipality shall not classify the immovable asset as held for sale in those financial statements when issued. However, when those criteria are met after the reporting date but before the authorisation date for the financial statements to be issued, the municipality shall disclose a description of the immovable asset; a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of disposal; and if applicable, the segment in which the asset (or disposal group) is presented. Non-current assets held for sale are not similar to inventory. Inventory refers to assets held for trading purposes, assets manufactured or purchased to be sold for a profit. If a management decision has been made to sell a non-current asset, that asset will be classified as a non-current asset held for sale.

(b) Policy statement

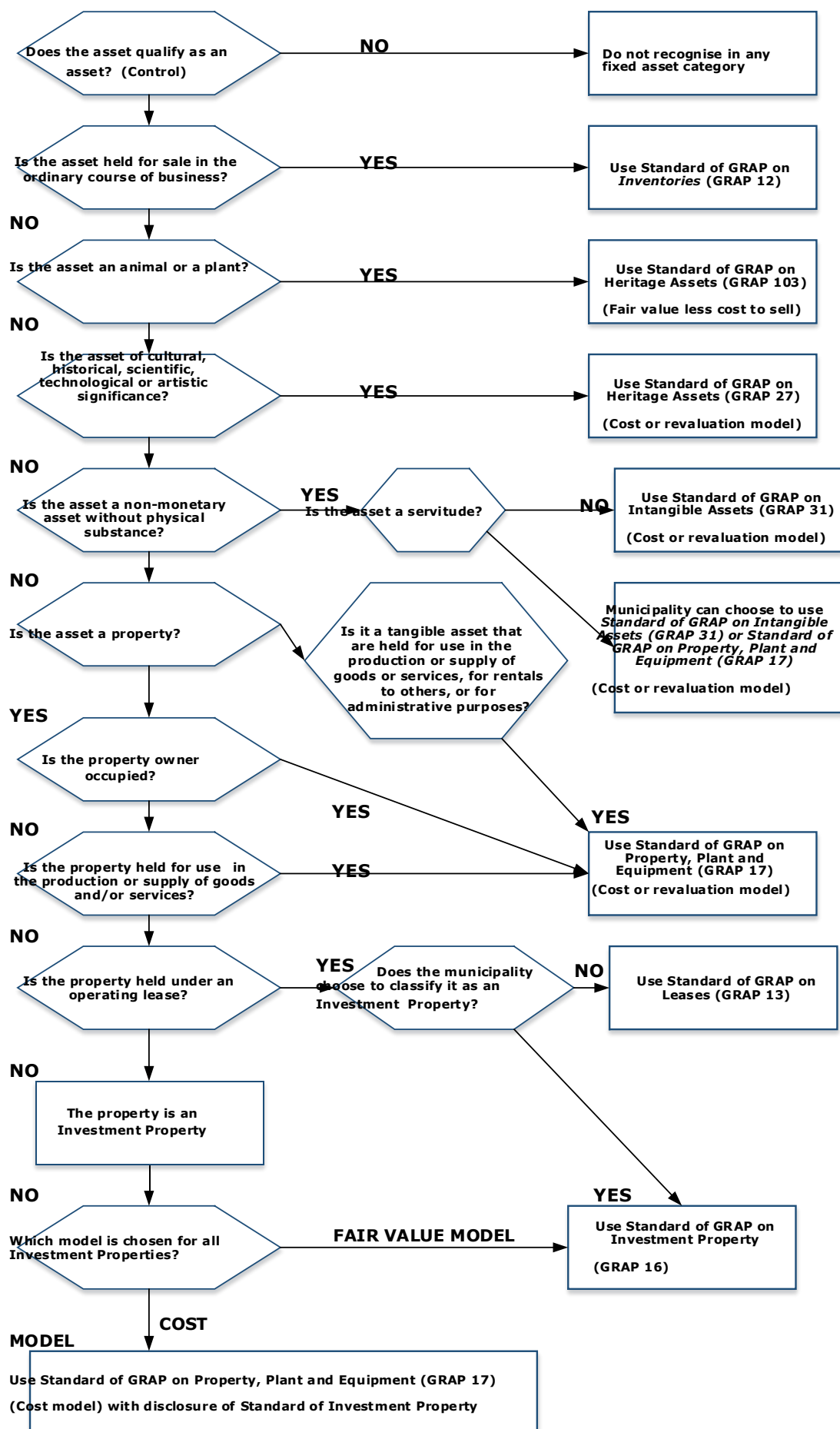
Asset hierarchies shall be adopted for each of the asset groups, separately identifying items of PPE at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant. Investment Property and Intangible assets are not required to be componentised.

PPE shall be disclosed in the financial statements at the sub-category level.

A committee to be nominated by Council will consider the recognition of assets as heritage assets and motivate their recommendation for adoption by Council.

Annexure A indicates the hierarchy structure for immovable assets while **Annexure B** indicates the hierarchy structure for movable assets.

Figure 2 – Decision tree – Classification of assets



(c) Responsibilities

- The CFO shall ensure that the classification of immovable assets adopted by the municipality complies with the statutory requirements.
- The CFO shall consult with the Directors responsible for PPE to determine an effective and appropriate asset hierarchy for each asset class of PPE to component level and record such in the asset management procedures document.
- Every Director shall ensure that all immovable assets under their control are classified correctly within the classification adopted by the municipality.
- Every Director shall advise the CFO when assets should be re-classified.

10.3 IDENTIFICATION OF ASSETS**(a) Definitions and rules**Immovable asset coding

An asset coding system is the means by which the municipality is able to uniquely identify each immovable asset (at the lowest level in the adopted asset hierarchy) in order to ensure that it can be accounted for on an individual basis.

Barcoding system

A barcoding system will be used for movable assets as the means by which the municipality is able to uniquely identify each movable asset in order to ensure that it can be accounted for on an individual basis, which will also assist with the subsequent verification process of movable assets.

(b) Policy statement

A coding system shall be adopted and applied that will enable each asset of immovable assets (with PPE at the lowest level in the adopted asset hierarchy) to be uniquely and readily identified. Similarly a barcoding system shall be adopted for movable assets.

(c) Responsibilities

- The AO shall develop and implement an immovable asset coding system in consultation with the CFO and other Directors to meet the policy objective.
- Directors shall ensure that all the immovable assets under their control are correctly coded.
- Directors shall ensure that all the movables assets under their control are barcoded.

10.4 ASSET REGISTER**(a) Definitions and rules**Asset register

A fixed asset register is a database with information relating to each asset. The fixed asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standards for each of the asset classes, and the strategic and operational asset management needs of the municipality.

Procurement of assets

All assets acquired must be in terms of the capital budget and assets must be procured in such a way that:

- a proper need for the asset was identified;
- procurement documentation supports the format adopted for the asset register and the asset hierarchy; and
- proper and approved procurement procedures are adhered to in terms of the Supply Chain Management Policy.

Authorisation for procurement should be as per the Municipalities' delegation of authority and payment for assets should be in accordance with the financial policies and regulations of the Council.

Updating data in the asset register

The fixed asset register is updated by an Asset Management Administrator only when authorised and instructed to do so by the CFO. The Asset Management Administrator is precluded from being a custodian of any asset.

(b) Policy statement

A fixed asset register shall be established to provide the data required to apply the applicable accounting standards, as well as other data considered by the municipality to be necessary to support strategic asset management planning and operational management needs. The asset register shall be updated and reconciled to the general ledger on a regular basis, which will be reconciled to the financial statements at year end.

(c) Responsibilities

- The CFO shall define the format of the fixed asset register in consultation with the AO and the Directors shall ensure that the format complies with the prevailing accounting standards and disclosure requirements.
- Directors shall provide the CFO with the data required to establish and update the asset register in a timely fashion.
- The CFO shall establish procedures to control the completeness and integrity of the asset register data.
- The CFO shall ensure proper application of the control procedures.

10.5 MEASUREMENT AT RECOGNITION

(a) Definitions and rules

Measurement at recognition of PPE

An item of PPE that qualifies for recognition is measured at cost. Where an asset is acquired at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as on recognising PPE for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

Measurement at recognition of investment property

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

Measurement at recognition of intangible assets

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

Measurement at recognition of heritage assets

Heritage assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements as follows:

- A description of the heritage asset or class of heritage assets.
- The reason why the heritage asset or class of heritage assets could not be measured reliably.
- On disposal of the heritage asset or class of heritage assets, the compensation received and the amount recognised in the statement of financial performance.

Measurement at recognition of biological assets

Biological assets shall be measured on initial recognition and at each reporting date at its fair value less costs to sell.

Fair value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market based evidence by appraisal can be used where there is an active and liquid market for assets (for example land and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost (DRC) approach may be used to identify the fair value. The appraisal of the fair value of assets is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualifications and appropriate knowledge and experience in valuation of the respective assets.

Depreciated replacement cost

If no evidence is available to determine the market value in an active and liquid market of an item of property, the fair value of the item may be established by reference to other items with similar characteristics, in similar circumstances and location. In many cases, the depreciated replacement cost of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market. In some cases, an asset's reproduction cost will be the best indicator of its replacement cost. For example, in the event of loss, a parliament building may be reproduced rather than replaced with alternative accommodation because of its significance to the community.

Costs associated with heritage assets

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

Changes in the existing decommissioning or restoration cost included in the cost of an item

Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows:

10.5.1 If the cost model is used -

- Changes in the liability shall be added to or deducted from the cost of the related asset.
- If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the municipality should test the asset for impairment.

10.5.2 If the revaluation model is used -

- A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit;

and

- an increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset.
- If the decrease in liability exceeds the carrying amount that would have been recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit.
- If the change in liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.
- The change in the revaluation surplus arising from the change in the liability shall be separately identified and disclosed on the face of the statement of changes in net assets.

Finance leases

At the commencement of a lease term, the municipality (the lessee) shall recognise a finance lease as an asset and liability in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

Self-constructed immovable PPE

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality. All assets that are constructed by the municipality should be recorded in the asset register and each component that is part of this immovable PPE should be depreciated over its estimated useful life for that category of asset.

Proper records are kept such that all costs associated with the construction of these assets are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

Construction of future investment property

If property is developed for future use as an investment property, such property shall in every respect be accounted for as investment property.

Borrowing costs

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include at interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings; finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) and external funding is sourced to fund the project.

In the following cases it is inappropriate to capitalise borrowing costs:

- It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded i.e. capital or current. In such case, the municipality shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.
- In exceptional cases the municipality is allowed to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. It may be difficult for the municipality to identify a direct relationship between an asset and borrowing costs incurred because the financing activity is controlled centrally and it will not always be possible to keep track of the specific borrowing costs which should be allocated to the qualifying asset. As a result the reasonable effort and cost may outweigh the benefit of presenting the information, making it inappropriate to capitalise the borrowing cost.

Non-current assets held for sale

Immovable assets classified as non-current assets held for sale shall be measured at the lower of its carrying value and its fair value less cost to sell immediately before meeting the criteria for such classification.

In the event that a non-current asset held for sale ceases to meet the criteria for such classification, it is recognised in the asset register and measured at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, or
- its recoverable amount or recoverable service amount at date of the subsequent decision not to sell.

The municipality shall include any required adjustment to the carrying amount of an immovable asset that ceases to be classified as held for sale in revenue of the continuing operations in the period in which the criteria to be held for sale are no longer met. The municipality shall present that adjustment in the same caption in the Statement of Financial Performance used to present a gain or loss.

Deferred payment

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit unless such interest is recognised in the carrying value of the asset in accordance with the Standard on Borrowing Costs, GRAP 5.

Exchanged PPE assets

In cases where assets are exchanged, the cost is deemed to be the fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

Cost of an item of PPE

The capitalisation value comprises of;

- (i) the purchase price,
- (ii) any directly attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, and
- (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT).

Directly attributable costs

Directly attributable costs are defined as:

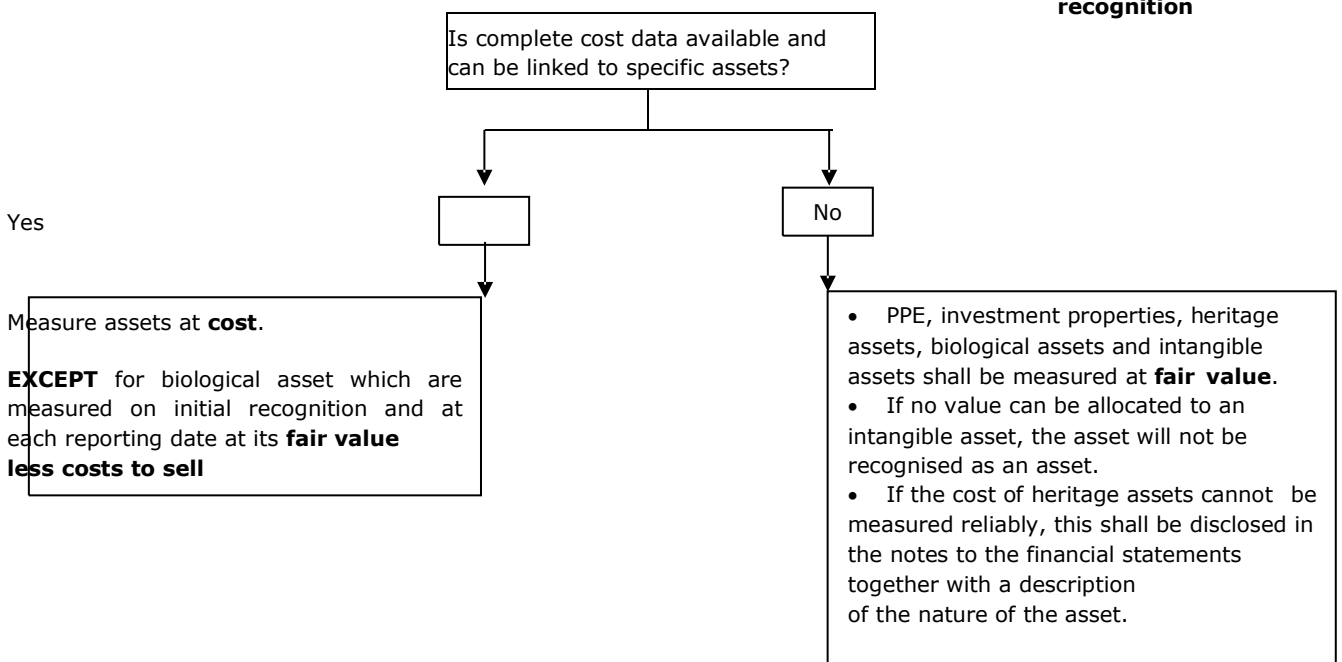
- Cost of employee benefits arising directly from the construction or acquisition of the item of immovable PPE and intangible assets.
- costs of site preparation (in the case of PPE assets);
- initial delivery and handling costs (in case of PPE infrastructure, PPE community assets and PPE heritage assets) ;
- installation and assembly costs, cost of testing whether the immovable PPE or associated intangible asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to that location and condition;
- commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to its current condition and location)
- professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes); and
- proper transfer taxes (in the case of all asset classes).

(b) Policy statement

PPE, intangible assets, heritage assets and investment property that qualify for recognition shall be capitalised **at cost**. Interest on deferred payments will be expensed. Biological assets that qualify for recognition shall be capitalised at **fair value less costs to sell**.

In cases where complete cost data is not available or cannot be reliably linked to specific assets:

- The fair value of PPE infrastructure, community property and building property shall be adopted on the basis of depreciated replacement cost;
- If the cost of heritage assets cannot be measured reliably, this shall be disclosed in the notes to the financial statements together with a description of the nature of the asset; and
- Investment property and intangible assets shall be measured at fair value on the date of acquisition. If no fair value can be allocated to the intangible asset, the asset will not be recognised as an asset.

Figure 3: Measurement at initial**(c) Responsibilities**

- The CFO, in consultation with the AO and Directors, shall determine effective procedures for the capitalisation of assets on recognition.
- Every Director shall ensure that all assets under their control are correctly capitalised.
- Every Director shall advise the CFO of any deferred payments from the municipality, providing the relevant details of such.

10.6 MEASUREMENT AFTER RECOGNITION**(a) Definitions and rules**Options

Accounting standards allow measurement after recognition on immovable assets as follows:

- PPE, heritage assets and intangible assets: on either a cost or revaluation model;
- Biological assets: fair value less costs to sell; and
- Investment Property: either cost model or the fair value model.

Different models can be applied, providing the treatment is consistent per asset class.

Cost model

When the cost model is adopted, the asset is carried after recognition at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation model

When the revaluation model is adopted an asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued. The appraisal of the fair value of assets is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualifications and appropriate knowledge and experience in valuation of the respective assets.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

When an asset is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- Restated proportionately with the change in the gross carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to its DRC.
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus is transferred to the Accumulated Surpluses/ (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such asset before the revaluation in question *may* be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. *If this option is selected, an adjustment of the aggregate transfer is made at the end of each financial year.*

Investment property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The fair value of the investment property shall reflect market conditions at the reporting date. It shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year. If a municipality selects the cost model to measure all of its investment property, it does so in accordance with the Standard of GRAP on Property, Plant and Equipment, i.e., at cost less any accumulated depreciation and any accumulated impairment losses.

Statutory inspections

The cost of a statutory inspection that is required for the municipality to continue to operate immovable PPE is recognised at the time the cost is incurred, and any previous statutory inspection cost is de-recognised.

Expenses to be capitalised

Expenses incurred in the enhancement of PPE (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of assets are capitalised. Such expenses are recognised once the municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) – prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of PPE that

ensures that the useful operating life of the asset is attained, are considered as operating expenses and are not capitalised, irrespective of the quantum of the expenses concerned.

Spares

The location of capital spares shall be amended once they are placed in service, and re-classified to the applicable PPE asset sub-category. Depreciation on the capital spares will commence once the items are placed in service as this is when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Major inspection

Major inspections will be recognised at the value of the major inspection.

(b) Policy statement

Measurement after recognition shall be on the following basis:

- PPE: *cost model or revaluation model* (selected based on municipalities policy)
- Heritage: *cost model or revaluation model* (selected based on municipalities policy)
- Investment property: *cost model or fair value model* (selected based on municipalities policy)
- Intangible assets: *cost model or revaluation model* (selected based on municipalities policy)
- Biological assets: fair value less cost to sell

An increase in asset value as a result of revaluation shall be reflected in a Revaluation Reserve, while fair value adjustments will be recognised in surplus / deficit.

The restatement method will be applied to proportionately restate the accumulated depreciation to be in line with the gross replacement cost or CRC of the revalued asset or the elimination method will be applied and the accumulated depreciation will be eliminated against the gross carrying amount of the asset (therefore accumulated depreciation becomes zero) and the net amount restated to the revalued amount of the asset or DRC of the revalued asset.

Figure 4: Measurement after recognition

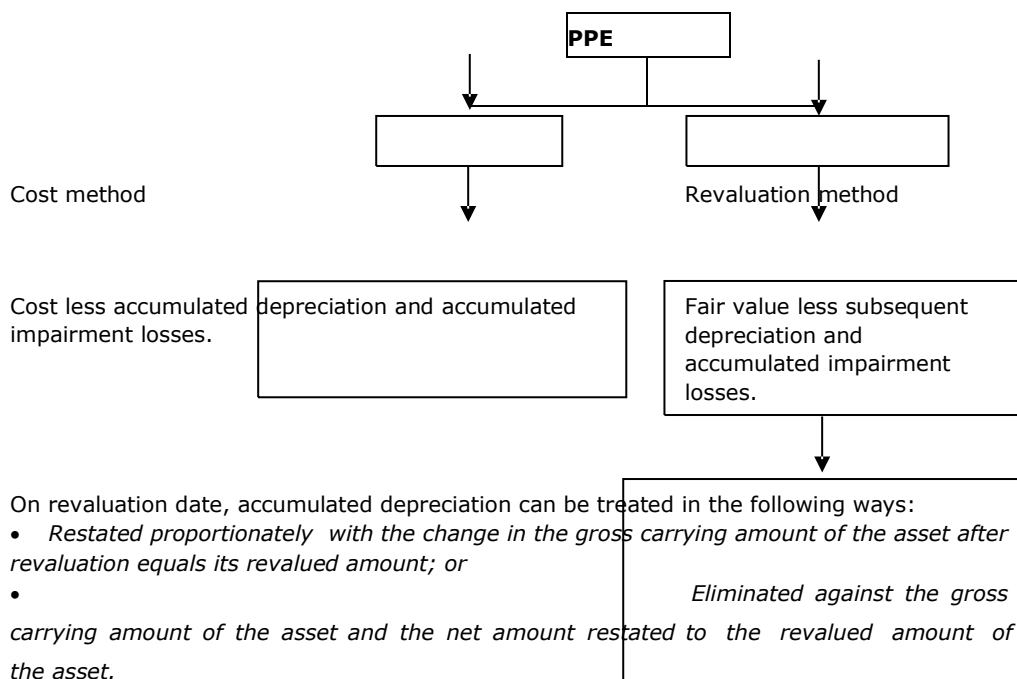


Figure 5: Measurement after recognition

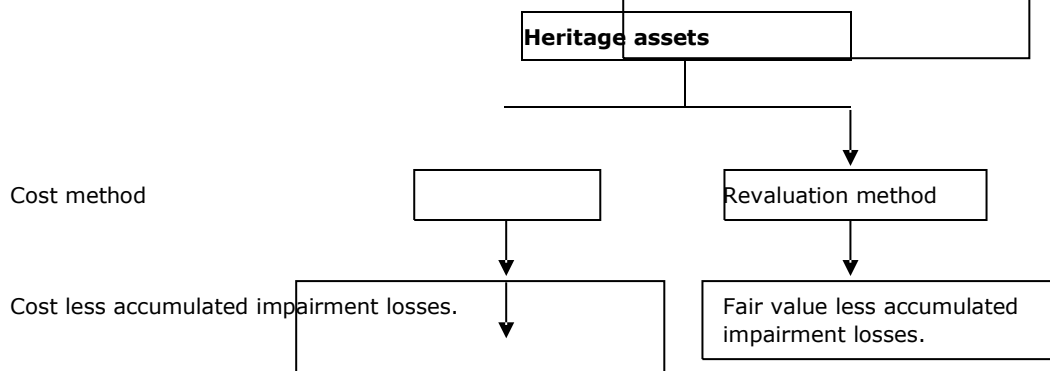


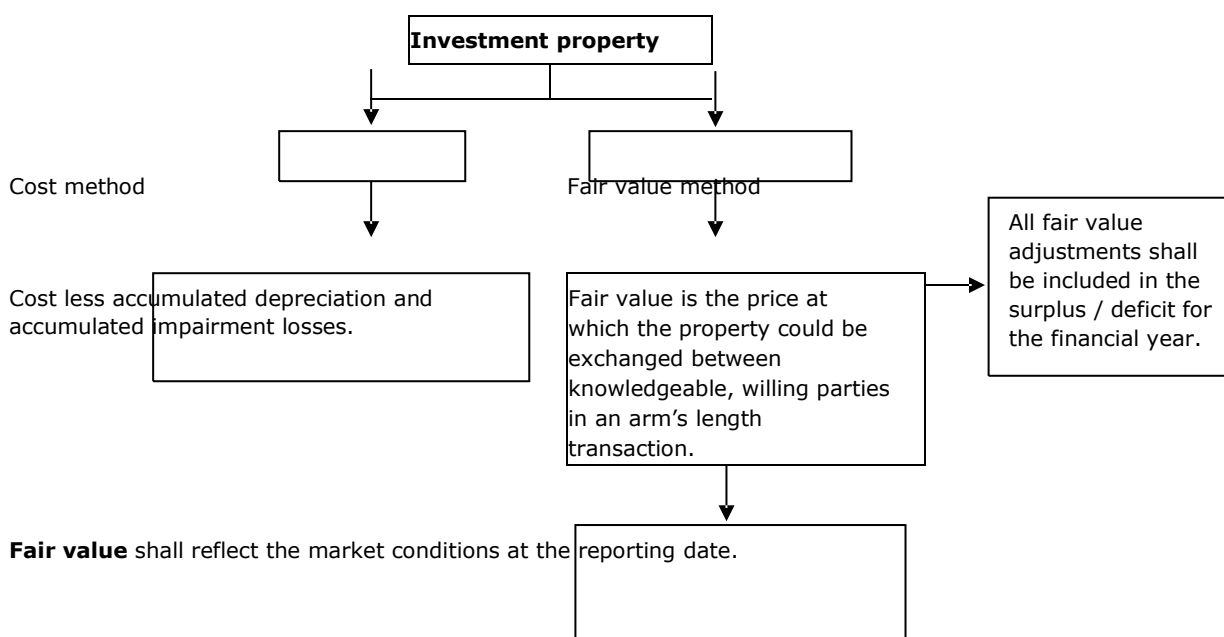
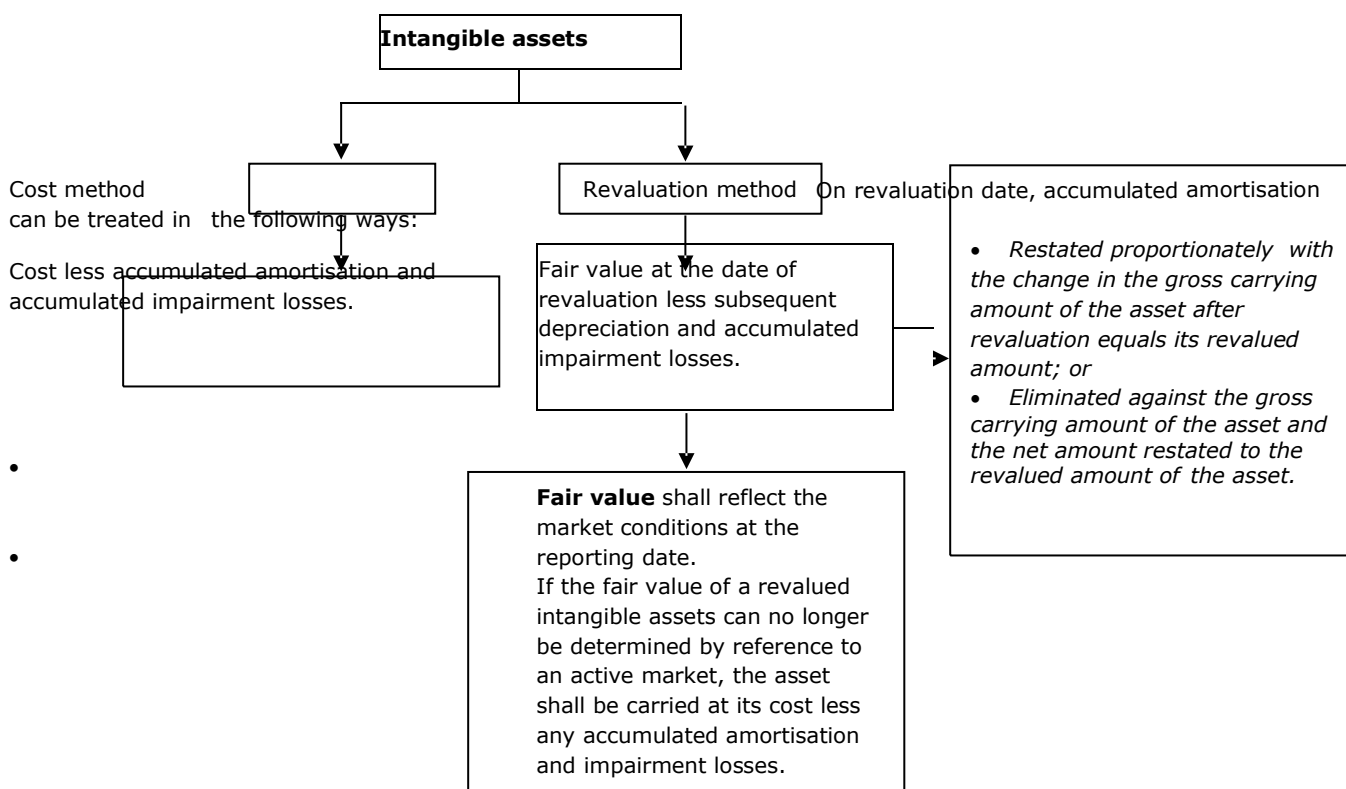
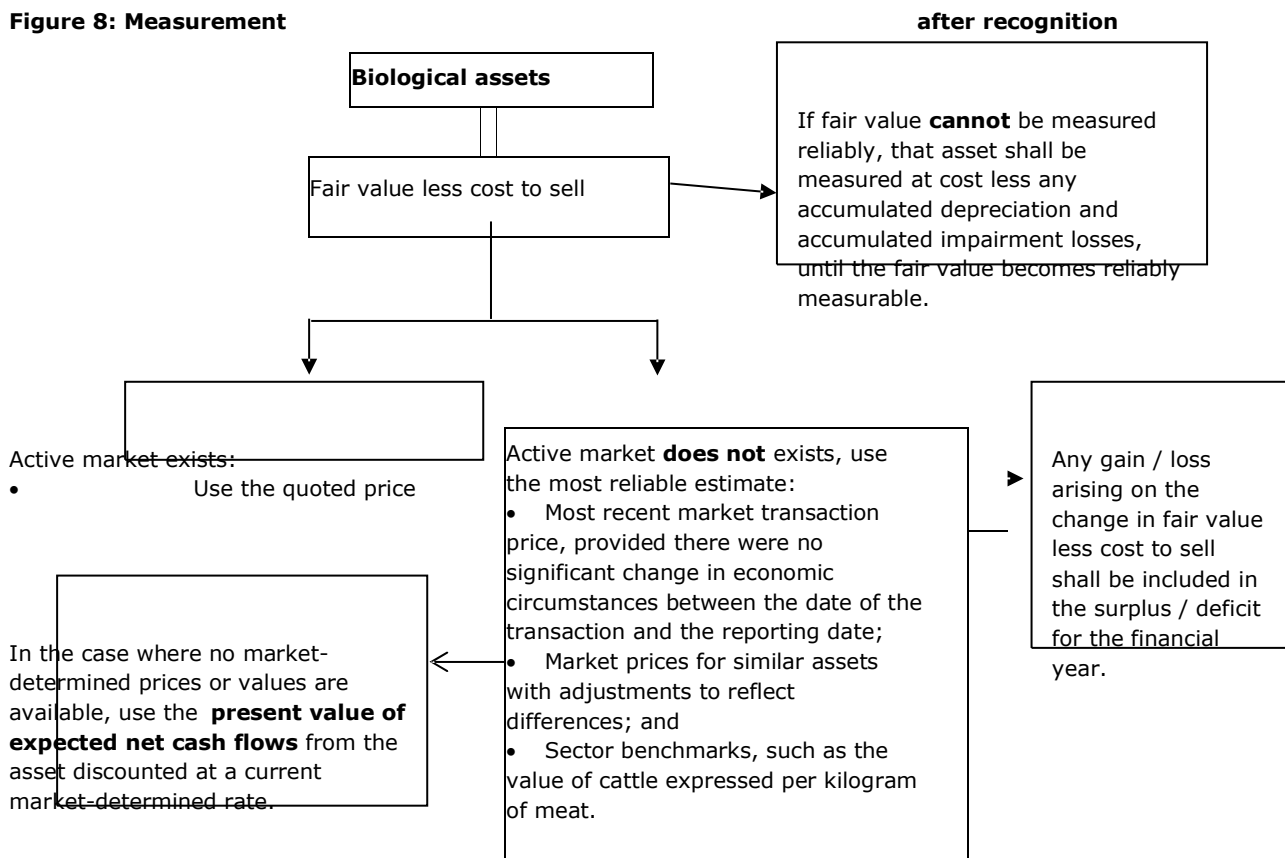
Figure 6: Measurement after recognition**Figure 7: Measurement after****recognition**

Figure 8: Measurement



(c) Responsibilities

- The CFO, in consultation with the AO and Directors, shall determine effective procedures for the on-going capitalisation of assets after recognition.
- Every Director shall ensure that all capital expenses associated with assets under their control are correctly capitalised.
- Every Director shall ensure that revaluations and fair value adjustments are conducted where applicable to immovable infrastructure under their control.

10.7 DEPRECIATION

(a) Definition and rules

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its remaining useful life. The amortisation of intangible assets is identical.

Land and servitudes are considered to have unlimited life; therefore they are not depreciated. Heritage assets and investment property are also not depreciated.

Depreciable amount

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Residual value

The residual value is the estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The residual values of assets are indicated in **Annexure C** and **D** in the form of a percentage. In the case of assets measured after recognition on the cost model, the percentage is of the initial cost of acquisition. In the case of assets measured after recognition on the revaluation model, the percentage is of the revalued cost.

Intangible assets with an indefinite useful life

An intangible asset with an indefinite useful life will not be amortised. Impairment testing shall be performed on these assets on an annual basis and whenever there is an indication that the assets might be impaired, comparing its recoverable amount with its carrying amount.

Remaining useful life

The remaining useful life (RUL) of a depreciable PPE asset is the time remaining until an asset ceases to provide the required standard of performance or economic usefulness.

The remaining useful life of all depreciable immovable PPE assets at initial recognition is the same as the expected useful life indicated in **Annexure C** above. The remaining useful life of all depreciable movable PPE assets that are new, or are considered to have been renewed, at initial recognition is the same as the expected useful life indicated in **Annexure D**.

Annual review of remaining useful life

The remaining useful lives of depreciable PPE are reviewed every year at the reporting date. Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments (as contemplated in **Section 10.8** of this policy). Depreciation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

Depreciation method

Depreciation of PPE is applied at the component level. A range of depreciation methods exist and can be selected to model the consumption of service potential or economic benefit (for example the straight line method, diminishing amount method, fixed percentage on reducing balance method, sum of the year digits method, production unit method). The approach used should reflect the consumption of future economic benefits or service potential, and should be reviewed annually where there has been a change in the pattern of consumption.

Depreciation charge

Depreciation starts once an asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an assets ceases at the earlier of the date that the asset is classified as held for sale (in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations) and the date the asset is de-recognised.

Carrying amount

The carrying amount is the cost price / fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

Capital spares

Depreciation on capital spares will commence once the items are placed in service as this is when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Finance lease

Depreciable assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with the Standard on Property, Plant and Equipment, GRAP 17. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. If there is certainty that the municipality will obtain ownership by the end of the lease term, the asset will be fully depreciated over the asset's useful life.

(b) Policy statement

All PPE, except land, servitudes and heritage assets, shall be depreciated over their remaining useful lives. All intangible assets, other than intangibles with an indefinite useful life, shall be amortised over their remaining useful lives.

The method of depreciation / amortisation shall be reviewed on an annual basis, though the *straight line method / diminishing amount method / fixed percentage on reducing balance method / sum of the year digits method / production unit method* shall be used in all cases unless Council determines otherwise. Investment Property on the fair value method will also not be depreciated. The existence, remaining useful lives and residual values shall also be reviewed at each reporting date.

(c) Responsibilities

- The Director shall ensure that a budgetary provision is made for the depreciation of the immovable PPE in the ensuing financial year, in consultation with the CFO.
- The CFO shall indicate a fixed annual date for the review of the remaining useful life of immovable PPE under the control of the respective Directors.
- Every Director shall annually review the remaining useful life as well as the expected useful life and residual values stated in **Annexures C and D** and the depreciation method of PPE that are under their control and motivate to the AO and CFO any adjustments if these are required, in the judgement of the Directors.
- Changes should not be made on a continuous basis because the accounting principle of consistency would be violated.
- The CFO shall report changes made to the remaining useful life of immovable PPE in the asset register to the AO and Council.
- The CFO shall ensure that depreciation charges are debited on a monthly basis and that the fixed asset register is reconciled with the general ledger.

10.8 IMPAIRMENT

(a) Definition and rules

Impairment

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Indications of impairment

The municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a

minimum the following indicators:

10.8.1 External sources of information:

- decline or cessation in demand;
- significant long-term changes in the technological, legal or government policy environment;
- the carrying amount of the net assets of the entity is more than its market capitalisation;
- market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; or
- a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

10.8.2 Internal sources of information:

- evidence of physical damage;
- evidence of obsolescence;
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
- a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
- operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

10.8.3 Other indications, such as loss of market value.

Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

Intangible assets

The municipality must test all intangible assets associated with immovable PPE not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period provided it is performed at the same time every year.

Investment property on the fair value model

Investment property that is measured at fair value is specifically excluded from the scope of GRAP 21 and GRAP 26 (impairment standards). Any impairment would be reflected in the annual review of fair value.

Recoverable amount

The events and circumstances in each instance must be recorded. Where there are indications of impairment, the municipality must estimate the recoverable service amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

Impairment loss

An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (smallest group of assets that generate cash inflows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

Non-cash generating unit

Non-cash-generating units are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit. The recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash generating assets which are held on an on-going basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit/asset is defined as the present value of the asset's remaining service potential.

This can be determined using any of the following approaches:

- the Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciated Replacement Cost (ODRC) approach may be used);
- the restoration cost approach (the Depreciated Replacement Cost less cost of restoration) – usually used in cases where there has been physical damage; or
- the service units approach (which could be used for example where a production units model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired.

Cash-generating unit

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and net cash flows to be received or (paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

Judgement

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be a non-cash-generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating- or a cash-generating asset. Judgement is needed in these circumstances.

Recognition of impairment

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow from an asset, it is de-recognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Statement of Financial Performance as a "Loss on Disposal of Asset".

In the event of compensation received for damages to an item of PPE, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/ de-recognised.

Reversing an impairment loss

The municipality must assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

(b) Policy statement

Impairment of assets shall be recognised as an expense in the Statement of Financial Performance when it occurs or at least at every reporting date. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

The municipality considers the following asset classes to be cash generating:

- *note asset classes*

All assets relating to these classes are held with the primary objective of generating a commercial return. Consequently the municipality adopts the impairment treatment for cash generating units in the impairments of its PPE and associated intangible assets that relate to these classes.

The municipality considers all other following classes:

- *note asset classes*

All these asset classes are considered to be assets whose primary objective is to provide goods and services for community or social benefit, and where positive cash flows are generated, these are with the view to support the primary objective rather than for financial return to equity holders. Consequently the municipality adopts the impairment treatment for non-

cash generating units in the impairments of its PPE and associated intangible assets that relate to these asset classes.

(c) Responsibilities

- The CFO shall indicate a fixed annual date for the review of any impairment that may have occurred on assets under the control of the respective Directors.
- The Directors shall review any impairment on the PPE under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material negative effect on the performance of these assets. The Directors shall motivate to the CFO proposed changes to the performance of such assets and the necessary impairments that needs to be recognised on such assets.
- The Directors should evaluate all the immovable PPE for impairment, taking into consideration any discussions with the senior accountants and operating managers.
- The Asset register administrator should update the fixed asset register with the information received, relating to the impairment, from the financial management system where the impairment journals have been processed.
- The CFO shall report changes made to the carrying values of these assets in the asset register to the AO and Council.

10.9 DE-RECOGNITION**(a) Definition and rules**Exempt assets

Capital assets transferred to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework in terms of the Municipal Asset Transfer Regulations.

Non-exempt assets

Assets other than exempt assets.

De-recognition

Assets are de-recognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. Where assets exist that have reached the end of their useful life yet they pose potential liabilities, the assets will not be de-recognised until the obligations under the potential liabilities have been settled.

The gain or loss arising from de-recognition of an item of immovable assets shall be included in surplus or deficit when the item is de-recognised.

PPE that is associated with the provision of basic services cannot be disposed without the approval of Council.

Government Gazette no.31346, Municipal asset transfer regulations, sets out the regulations regarding municipal asset transfers and disposals, for example type of assets that need approval to be disposed or transferred, timeframes, possible public participation requirements, considerations in approving the transfer or disposal and Council approval.

Read in conjunction with the Municipal Finance Management Act (MFMA) it is clear that a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services unless that transfer is to an organ of state, and the following conditions must be met:

- Ownership in the capital asset (including replacements, upgrading and improvements made by the organ of state) must immediately revert to the municipality should the organ of state for any reason cease to or is unable to render the service;
- The organ of state may not without the written approval of the municipality:
- Transfer, dispose of or encumber the capital asset (including replacements, upgrading and improvements made by the

organ of state) in any way;

- Grant a right to another person to use, control or manage the capital asset (including replacements, upgrading and improvements made by the organ of state);
- The transfer agreement must reflect the conditions above; and
- The organ of state must demonstrate the ability to adequately maintain and safeguard the asset.

If the combined value of any non-exempt capital assets a municipality intends to transfer or dispose of in any financial year exceeds 5% of the total value of its assets, as determined from its latest available audited AFS, a public participation process must be conducted to facilitate the determinations of the municipal council, in relation to all the non-exempt capital assets proposed to be transferred or disposed of during the year.

Council may delegate the following powers and responsibilities to the AO:

- The decision as to whether the non-exempt capital asset is needed to provide a basic service;
- The power to approve in-principle that the non-exempt capital asset may be transferred or disposed of; and
- The authority to approve in-principle of the granting of a right to use a capital asset. This delegation does not extend however, to cover long-term high-value transactions.

Disposal of assets should be at fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent (the total proceeds discounted to the present value as at the transaction date). The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

Disposal Management System

An effective system of disposal management for disposal or letting of assets, including unserviceable, redundant or obsolete assets, must be provided for in the Supply Chain Management Policy.

This must specify the ways in which assets may be disposed of, including by:

- transfer the asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;
- transferring the assets to another organ of state at market related value or, when appropriate, free of charge;
- selling the asset; or
- destroying the asset.

PPE may be sold only at market related prices except when the public interest or the poor demands otherwise. When assets are traded in for other assets, the highest possible trade-in price must be negotiated.

Revaluation model

The revaluation surplus is transferred to the Accumulated Surpluses/ (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. An adjustment of the aggregate transfer is made at the end of each financial year.

(b) Policy statement

Fixed assets for which no future economic benefits or service potential are expected shall be identified and methods of disposal and the associated costs or income considered by Council. The carrying amount of the asset shall be de-recognised when no future economic benefits or service potential are expected from its use or its disposal. Where assets exist that have reached the end of their useful life yet they pose potential liabilities, the assets will not be de-recognised until the obligations under the potential liabilities have been settled.

Where an asset being de-recognised was previously revalued, the revaluation surplus is transferred to the Accumulated Surpluses/ (Deficits) Account on de-recognition of an asset.

(c) Responsibilities

- Fixed assets shall be de-recognised only on the recommendation of the Directors controlling the asset, and with the approval of the AO.
- Every Directors shall report to the CFO on assets which such Directors wishes to have de-recognised, stating in full the reason for such recommendation, indicating whether or not the assets are associated with the provision of basic services. The CFO shall consolidate all such reports, and shall promptly make a submission to the Disposals Committee with a copy to the AO on the PPE to be de-recognised, the proposed method of disposal, and the estimated cost or income from such disposal. The Disposals Committee shall consider the submission and make recommendations to the Council for adoption.
- Assets that are replaced in the nominal course of the life-cycle renewal should be de-recognised and removed from the asset register.
- The AO, in consultation with the CFO and other Directors shall formulate norms and standards from the replacement of all PPE.

10.10 INSURANCE OF ASSETS

(a) Definition and rules

Insurance provides selected coverage for the accidental loss of asset value.

Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The municipality can however elect to insure certain infrastructure risks, though approval must be obtained from the Council. The CFO must conduct a risk assessment of all assets and after considering the risks involved, report to Council, which assets must be insured. The risk assessment must be based on a loss probability analysis and if there is no capacity within the municipality to conduct the analysis, the CFO should be authorised to obtain external professional assistance.

The municipality may elect to operate a self-insurance reserve, in which case the CFO shall annually determine the premiums payable by the departments or votes after having received a list of assets and insurable values of all relevant assets from the HOD(SO)s concerned. This will be reflected in the accumulated surplus and will be cash backed.

Assets must be insured internally or externally and coverage must be based on the loss probability analysis. All insurance claims must be assessed by an official, charged with the responsibility for the insurance of assets, to determine whether the damage to the assets can be recovered from possible third parties involved. If the damage was caused by an identifiable third party the CFO should compile a report advising the AO of the facts thereof and any possible further action.

(b) Policy statement

The municipality should adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster. The Council shall decide on insurance cover for assets each financial year based on the recommendation from the AO after consultation with the CFO.

(c) Responsibilities

- The AO will consult with the CFO on the basis of insurance to be applied to each type of asset: either the carrying value or the replacement value of the immovable asset concerned. The approach shall take due cognisance of the budgetary resources of the municipality, and where applicable asset classes shall be prioritised in terms of their risk exposure and value.

- The AO shall advise Council on the insurance approach taken.

- In the event that the CFO is directed by Council to establish a self-insurance reserve, the CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

11. POLICY FOR SAFEGUARDING

(a) Definitions and rules

The municipality applies controls and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage.

The existence of assets is physically verified from time-to-time, and measures adopted to control their use, as follows:

- All above ground assets should be verified for existence and any changes in condition at least once a year. These inspections should be formally recorded and signed off and, where possible, shall be worked into the routine maintenance inspections. These inspections may be prioritised on a risk basis to give emphasis to assets approaching the end of their useful life and assets with a high value in relation to total assets (the threshold for high value will be determined by the CFO), whereas a sample basis may be adopted for long life or multiple assets of a similar nature;
- Performance data shall be reviewed for buried assets to identify possible changes in condition; and
- A detailed road condition survey shall be conducted every 5 years.

Every Director shall at least once during every financial year undertake a comprehensive verification of all movable PPE controlled by or used by the department concerned. Every Director shall promptly and fully report in writing to the CFO, in the format determined by the CFO, all relevant results of such verification.

This report in respect of the annual physical verification of movable assets shall:-

- Confirm the location of the asset;
- Confirm the physical description of the asset;
- Confirm the level of utilisation of the asset;
- Indicate the assessment of the condition of the asset (Condition Grade);
- Indicate the expected useful life of the asset (RUL); and
- The existence or absence of any physical impairment of the asset.

The municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such in the asset register.

(b) Policy statement

An asset safeguarding plan shall be prepared for all assets indicating measures that are considered effective to ensure that all immovable assets under control of the municipality are appropriately safeguarded from inappropriate use or loss, including the identification of asset custodians for all assets. The impact of budgetary constraints on such measures shall be reported to Council. The existence, condition and location of these assets shall be verified annually (in line with the assessment of impairment).

(c) Responsibilities

- Each Director shall prepare and submit to the CFO, upon request, an annual asset safeguarding plan for the assets under the control of their respective departments, indicating the budget required.
- The CFO shall confirm the available budget, and in consultation with the respective Directors, determine the impact of any budget shortfall. The CFO shall report the impacts to the AO for review, and advise Council.

- Each Director shall implement the safeguarding plan within the resources made available.

- Each Director shall report, within the time frame indicated by the CFO, the existence, condition, location and appropriate use of assets under the control of their respective departments at the review date.
- Every Director shall at least once during every financial year undertake a comprehensive verification of all movable PPE controlled by or used by the department concerned.
- Every Director shall promptly and fully report in writing to the CFO, in the format determined by the CFO, all relevant results of such movable asset verification.
- Every Director shall at least once during every financial year undertake a comprehensive verification of all movable PPE controlled by or used by the department concerned.
- Every Director shall promptly and fully report in writing to the CFO, in the format determined by the CFO, all relevant results of such movable asset verification.
- Malicious damage, theft, and break-ins must be reported to the AO or delegated person within 48 hours of its occurrence or awareness by the respective Directors.
- The AO must report criminal activities to the South African Police Service.

12. POLICY FOR LIFE-CYCLE MANAGEMENT OF IMMOVABLE PPE ASSETS

(a) Definitions and rules

Service delivery

Immovable PPE assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

Asset management

The goal of asset management of immovable PPE is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers.

The core principles are:

- taking a life-cycle approach;
- developing cost-effective management strategies for the long-term;
- providing a defined level of service and monitoring performance;
- understanding and meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset failures;
- sustainable use of physical resources; and
- continuous improvement in the immovable PPE asset management practices.

(b) Policy statement

The municipality shall provide municipal services for which the municipality is responsible, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

Effective governance

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected.

To this end, the municipality shall:

- continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;

- regularly review updates and amendments to the above legislation;

- review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- effectively apply legislation for the benefit of the community.

Sustainable service delivery

The municipality shall strive to provide to its customers services that are technically, environmentally and financially sustainable.

To this end, the municipality shall:

- identify a suite of levels and standards of service that conform with statutory requirements and rules for their application based on long-term affordability to the municipality;
- identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- identify current and future demand for services, and demand management strategies;
- set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose infrastructure assets, where applicable in line with national targets;
- apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- allocate budgets based on long-term financial forecasts that take cognisance of the full life-cycle needs of existing and future infrastructure assets and the risks to achieving the adopted performance targets;
- strive for alignment of the financial statements with the actual service delivery potential of the infrastructure assets; and
- implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

Social and economic development

The municipality shall strive to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the municipality shall:

- regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- implement changes to services in response to changing customer needs and expectations where appropriate;
- foster the appropriate use of services through the provision of clear and appropriate information;
- ensure services are managed to deliver the agreed levels and standards; and
- create job opportunities and promote skills development in support of the national Expanded Public Work Program (EPWP).

Custodianship

The municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations.

To this end, the municipality shall:

- establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- establish appropriate development control measures including community information;
- cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- ensure that heritage resources are identified and protected; and

- ensure that a long-term view is taken into account in infrastructure asset management decisions.

Transparency

The municipality shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future.

To this end, the municipality shall:

- develop and maintain a culture of regular consultation with the community with regard to its management of infrastructure in support of service delivery;
- clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- avail immovable PPE asset management information on a ward basis; and
- continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

Cost-effectiveness and efficiency

The municipality shall strive to manage its infrastructure assets in an efficient and effective manner.

To this end, the municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
 - regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;
 - assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of infrastructure assets;
 - continue to secure and optimally utilise governmental grants in support of the provision of free basic services;
 - implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
 - ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
 - establish and implement demand management plans;
 - timeously renew infrastructure assets based on capacity, performance, risk exposure, and cost;
 - timeously dispose of infrastructure assets that are no longer in use;
 - review management and delivery capacity, and procure external support as necessary;
 - establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
 - strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary;
- and
- conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

(c) Responsibilities

- Upon adoption of this policy by Council, the AO shall meet regularly with the CFO and Directors to take measures to effectively implement this policy, and to report to Council on progress made at a frequency indicated by Council.
- Directors shall develop, and update at regular intervals to be determined by the AO in consultation with the CFO and Directors, an Asset Management Plan (AMP) for each service involving immovable PPE that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the AO to Council for adoption. AMPs shall be used to inform the preparation of a CMIP and budgets through the IDP process. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and Directors.
- The CFO shall, in consultation with Directors, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and utilisation for that are common and applicable to all services. Where necessary,

the Directors shall interpret the grading scales for the immovable PPE assets under their control. HOD(SO)s shall determine the grading of all immovable PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at intervals to be determined by the AO in consultation with the CFO and HOD(SO)s.

- Directors shall prepare, and review at regular intervals to be determined by the AO in consultation with the CFO and Directors, an Operations and Maintenance Strategy and Plan, and submit such, through the AO, to Council for adoption. The municipality shall engage contractors when necessary to support in the implementation of maintenance actions and adopt a system that assists in managing such maintenance. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and Directors.
- Directors shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the AO, to Council for adoption and inclusion in the Services Delivery and Budget Implementation Plan. Directors shall establish a monitoring regime, and report actual performance each financial year. The time frame for the first time implementation of this will be determined by the AO in consultation with the CFO and Directors.
- The AO shall establish procedures to ensure that legislative requirements regarding the management of immovable PPE assets, including but not limited to health and safety, and environmental protection, are documented and advised to Directors. Directors shall address legislative needs in their strategies and plans, and shall enforce implementation.
- Review the municipality's Risk Management framework to ensure that it is effective for the management of physical risks to infrastructure and buildings. Important actions shall be identified and implemented. The Directors shall report risk exposure relating to their respective assets each financial year.

13. POLICY IMPLEMENTATION

Procedures should be prepared and adopted by the AO, in consultation with the CFO and HOD(SO)s, to give effect to this policy.

ANNEXURE A: IMMOVABLE ASSET HIERARCHY

The following asset categories, sub-categories and groups shall be used at the highest level of the classification structure for immovable assets:

Table 1 - Asset categories, sub-categories and groups

CATEGORY	SUB-CATEGORY	GROUP
Emthanjeni municipality's hierarchy		

ANNEXURE B: MOVABLE ASSET HIERARCHY

The following asset categories, sub-categories and groups shall be used at the highest level of the classification structure for movable assets:

Table 2 - Asset categories, sub-categories and groups

CATEGORY	SUB-CATEGORY	GROUP
Emthanjeni municipality's hierarchy		

ANNEXURE C: EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF IMMOVABLE ASSETS

ASSET TYPE	COMPONENT TYPE	EUL	Residual (%)
Emthanjeni municipality's component list indicating EUL and RV			

ANNEXURE D: EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF MOVABLE ASSETS

Components	Description	EUL years	RV %
Emthanjeni municipality's component list indicating EUL and RV			

ANNEXURE 2:

TARIFFS

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Cemeteries				
Cemetery : Caroluspoort, cemeteries next N1 & N12				
A) Funerals*				
Adults older than 12 years	896.23	976.93	1,050.18	1,128.95
Children younger than 12 years	714.30	778.51	836.93	899.65
Still born child	785.61	856.32	920.53	989.65
Extra depth (deeper than 2m per 300 mm)	171.93	187.46	201.49	216.58
B) Reservations*				
Residents	386.23	420.96	452.54	486.49
Non - residents	542.72	591.58	635.96	683.60
C) Funerals - weekends & public holidays*	1,609.21	1,754.04	1,885.61	2,027.02
Kareeville Cemetery Jansenville, Mziwabantu & next to Burgerville road				
A) Funerals*				
Selfdug graves	145.18	158.25	170.09	182.81
Children younger than 12 years & still born	72.72	79.30	85.26	91.67
* Tariffs does not include VAT				
Housing				
Nonzwakazi hostel				
House rent sewerage *	133.56	145.58	156.49	168.23
House rent refuse *	84.05	91.61	98.48	105.87
House rent water *	55.63	60.64	65.19	70.08
* Tariffs does not include VAT				

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Building plans*				
A) Minimum building plan fees	163.07	177.72	191.05	205.44
B) Buildings with a value higher than R 25 000, 2 % of value of the building* (value calculated per m2)				
Description of building				
Economic houses	2,885.09	3,144.74	3,380.61	3,634.12
Sub-economic houses	1,794.74	1,956.23	2,102.98	2,260.70
Outbuildings	1,798.68	1,960.53	2,107.63	2,265.70
Factories and stores	2,622.89	2,858.95	3,073.33	3,303.86
Offices and business premises	1,256.32	1,369.39	1,472.02	1,582.46
Multistorey buildings	2,622.89	2,858.95	3,073.33	3,303.86
Toilets	2,899.04	3,160.00	3,396.93	3,651.75
Carports	800.70	872.81	938.25	1,008.60
Shadeports	414.39	451.67	485.53	521.93
Open verandahs	276.32	301.23	323.77	348.07
Closed verandahs	1,435.79	1,565.09	1,682.46	1,808.60
Swimming pool	1,435.79	1,565.09	1,682.46	1,808.60
Solar panels - excluding buildingplan fees	1,612.54	1,757.63	1,889.47	2,031.23
C) Sewerage plans*				
5c/ R100.00 of the value of new buildings or alterations				
D) Building plan copies*				
Small A1	30.61	33.33	35.88	38.51
Large A0	54.04	58.95	63.33	68.07
E) Sewerage connections *	2,106.67	2,296.23	2,468.51	2,653.60
F) Search fee for building plan*	69.30	75.53	81.14	87.19
G) Valuation & Clearance certificate* (If both are required, this amount 2x)	45.00	49.04	52.72	56.67
* Tariffs does not include VAT				

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Fire prevention				
A) For each motor pump*				
Call out fee	551.84	601.58	646.67	695.18
Pump cost - Plus for each jet per hour or a portion thereof of during which the motor pump is used at the scene of the fire	149.30	162.72	174.91	188.07
Standby fee - each hour or a portion thereof which the motor pump is on standby at the scene of the fire.	551.84	601.58	646.67	695.18
B) For each vehicle called out*	193.60	211.05	226.93	243.86
C) For each chemical fire extinguisher*				
Normal extinguisher 9 litre	104.65	114.04	122.54	131.75
Lux extinguisher	193.60	211.05	226.93	243.86
D) Fire brigade vehicles (per km)*	24.12	26.23	28.25	30.35
E) Patrol vehicle (per km)*	15.26	16.58	17.81	19.21
F) Tanker vehicle (per km)*	18.25	19.91	21.40	22.98
* Tariffs do not include VAT				

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Assessment rates				
Market value rate	-	-	-	-
Bussiness Properties	-	-	-	-
Guest Houses	-	-	-	-
Agricultural Properties	0.0115	0.012133	0.012860	0.013696
(Agricultural Property must take note that the Nett Effect of the Agricultural Levy will be as follows:)	0.0029	0.003033	0.003215	0.003424
Residential	0.0115	0.012133	0.012860	0.013696
State Owned	0.0150	0.015900	0.016854	0.017950
Bussiness & Guest Houses	0.0117	0.012578	0.013332	0.014199
Industrial	0.0150	0.016125	0.017093	0.018204
Place of Worship	0.0115	0.012133	0.012860	0.013696
Public Benefit Organization	0.0115	0.012133	0.012860	0.013696
Public Service Infrastructure	0.0150	0.015825	0.016775	0.017865
Mining	0.0150	0.016275	0.017252	0.018373
Vacant Land	0.0115	0.016275	0.017252	0.018373
* Tariffs do not include VAT (0% rated)				
Sale of municipal erven per m²*				
Residential Properties				
> De Aar East	10.06	11.32	12.73	14.33
> Nonzwakazi	10.06	11.32	12.73	14.32
> Britstown	10.06	11.32	12.73	14.32
> Hanover	10.06	11.32	12.73	14.32
> Solheim / Rantsig	36.82	41.42	46.60	52.43
Business Properties				
> De Aar	37.52	42.21	47.49	53.42
> Britstown	28.14	31.66	35.61	40.07
> Hanover	24.39	27.44	30.87	34.73
Industrial Properties				
> De Aar	37.52	42.21	47.49	53.42
> Britstown	28.14	31.66	35.61	40.07
> Hanover	24.39	27.44	30.87	34.73
Other Properties	Other Properties will be sold as per SCM Policy after Council's Authorisation			
Printing of Duplicate Monthly Service accounts	0.87	0.98	1.10	1.24
Printing of Duplicate Copies of Deeds of Property from the Deeds Office	12.28	13.82	15.54	17.48
* Tariffs do not include VAT				

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Electricity				
A) Basic levies				
Household *	111.24	119.02	126.76	135.38
Business *	102.35	119.02	126.76	135.38
KVA and Transnet *	102.35	109.51	116.63	124.56
Departmental *	14.44	15.12	16.11	17.20
B) Consumption levies (per unit)				
Prepaid meter* - Households				
Prepaid meter * 1 kWh - 50 kWh (Free Indigents only)	0.6800	0.73	0.77	0.87
Prepaid meter * 51 kWh - 350 kWh	0.8700	0.93	0.99	1.15
Prepaid meter * 351 kWh - 600 kWh	1.1700	1.26	1.34	1.59
Prepaid meter * 601 and more	1.3800	1.48	1.59	1.93
Prepaid meter* - Business	1.3589	1.47	1.59	1.79
Conventional meters - Households *				
Households * 1 kWh - 50 kWh (Free Indigents only)	0.7700	0.83	0.87	0.99
Households *51 kWh - 350 kWh	0.9100	0.98	1.03	1.20
Households *351 kWh - 600 kWh	1.0700	1.15	1.23	1.45
Households *601 kWh and more	1.1600	1.25	1.33	1.63
Business *	1.4082	1.51	1.62	1.62
External consumers *	1.4082	1.51	1.62	1.62
KVA *	151.5145	162.71	174.10	174.10
kWh of KVA *	0.7723	0.83	0.89	0.89
Streetlights *	1.4100	1.51	1.62	1.62
Transnet KVA *(minimum of 700 KVA)	151.5100	162.71	174.10	174.10
Transnet kWh *	0.7723	0.83	0.89	0.89
Departmental : small consumers *	0.5940	0.59	0.64	0.64
Departmental : large KVA *	68.8800	73.97	79.15	79.15
Departmental : large kWh *	0.5940	0.64	0.68	0.68
Departmental : rural small consumers *	0.5940	0.64	0.68	0.68
Departmental : bulk consumers KVA *	57.2100	61.44	65.74	65.74
C) Consumer deposits				
Households	1,411.00	1,499.00	1,592.00	1,691.00
Small and medium business	1,911.00	1,911.00	1,911.00	1,911.00
Large business	2,102.00	2,102.00	2,102.00	2,102.00
Industrial :KVA	8,470.00	8,470.00	8,470.00	8,470.00

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
D) Service connections				
Single phase under ground level 60 A *	4,934.39	5,230.44	5,544.21	5,876.84
Overhead connection single phase 60 A *	3,287.63	3,484.91	3,693.95	3,915.61
3 Phase *				
6.6 KV or 11 KV				
Change from conventional meter to prepaid *	643.86	682.46	723.68	766.67
Replacing of overhead connection *	1,828.07	1,937.72	2,054.39	2,178.07
Replacing of connection under ground *				
Change from prepaid to conventional meter *				
Temporary or building connection 60 A				
single phase *	4,967.46	5,265.53	5,581.40	5,916.32
Temporary or building connection				
3 Phase *				
Reconnection temporary households *	150.09	159.12	168.68	178.77
Reconnection temporary business *	281.32	298.16	316.05	335.00
Reconnection fee after services have been				
terminated due to non-payment *	163.95	173.77	184.21	195.26
Tampering with meter - households *	3,101.05	3,287.11	3,484.30	3,693.33
Tampering with meter - business *	16,076.58	17,041.23	18,063.68	19,147.54
Tampering with meter - KVA *	22,226.58	23,560.18	24,973.77	26,472.19
Tampering with prepaid meter - households*	3,101.05	3,287.11	3,484.30	3,693.33
Tampering with prepaid meter - business *	16,076.58	17,041.23	18,063.68	19,147.54
E) Call out fees and repair due to consumer				
faults				
Meter testing				
kWh single phase meter *	401.67	431.75	464.12	498.95
kWh 3 phase meter *	504.91	542.81	583.51	627.28
Rural *				
F) Call out fee due to consumer faults				
Urban area *	42.98	40.35	43.86	46.49
Rural *	42.98	40.35	43.86	46.49
After hours and Saturdays *	42.98	40.35	43.86	46.49
Sundays & public holidays *	42.98	40.35	43.86	46.49
G) Special meter reading when services are				
terminated				
All consumers *	70.26	75.53	81.23	87.28
F) Removing of service connection				
requested by consumer				
Overhead service connection *	350.61	376.93	405.18	435.61
Under ground *	504.91	542.81	583.51	627.28
Ticky box electricity*	405.05	435.43	468.08	503.19
Electricity Hanover Highmass lightning*	10.56	11.35	12.21	13.12
Prepaid Cards	9.91	10.70	11.49	12.37
*Tariffs do not include VAT				
Caravan parks				
Day or a portion of a day - max 4 persons*	112.28	121.05	129.82	139.47
Per person for more than 4 per day*	52.63	56.14	60.53	64.91
Electricity per day*	23.68	25.44	28.07	29.82
*Tariffs do not include VAT				

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Sewerage and Refuse removal				
Households, Churches & Church halls				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	50.07	53.07	56.26	59.63
Halls, Libraries, Sport clubs, Showground's,				
Swimming pools				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	100.14	106.14	112.51	119.26
All Businesses				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	100.14	106.14	112.51	119.26
Old age homes, Creches, Hostels & Schools				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	161.41	171.09	181.35	192.24
Hotels, guest houses & Correctional Services				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	161.43	171.11	181.38	192.26
Hospitals				
Fixed costs *	75.81	80.36	85.18	90.29
Running costs *	161.43	171.11	181.38	192.26
Availability levy				
Abattoirs (Industrial effluent)*	272.48	288.83	306.16	324.53
Septic tanks				
Monday to Friday - per load or a portion thereof. One free removal per month. (Excluding public holidays) *	108.29	114.79	121.68	128.98
Monday to Friday - per load or a portion thereof. Add removal				
Public holidays excluded.*	71.05	75.44	79.82	84.21
After hours & public holidays (As above)*				
Industrial effluent (85 % of water consumption or as determined by contract)*	3.40	3.61	3.83	4.05
Km to outside of urban area per km *	24.56	26.32	27.19	28.95
Waste water removal				
Waste water removal*	62.93	66.71	70.71	74.95
Water water removal per bucket*	62.93	66.71	70.71	74.95
Dry sanitation *	44.35	47.01	49.83	52.82
Sewerage clearance Monday - Friday				
during office hours *	228.95	242.98	257.02	272.81
Sewerage clearance Monday - Friday				
After hours & public holidays *	547.37	579.82	614.91	651.75
E) Sewerage connections *	1,962.28	2,079.82	2,205.26	2,336.84
Refuse removal				
Refuse removal*	78.49	83.20	88.20	93.49
Special refuse removal *	136.84	145.61	154.39	163.16
Building rubble*	274.56	291.23	308.77	327.19
*Tariffs do not include VAT				

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	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Town halls and community halls				
De Aar Town hall West				
Deposit	555.00	605.00	650.00	699.00
Rent				
07:00 to 17:59	556.14	606.14	650.88	700.00
18:00 to 23:59	831.58	906.14	973.68	1,046.49
(This amount is applicable if renting from 07:00 - 23:59)				
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
After 23:59 per hour and 2 hours thereafter the hall will be closed				
Kitchen per period of part thereof	113.16	123.68	133.33	142.98
Electricity - Stoves per kWh	5.26	5.26	6.14	6.14
Tables (per table) (if not renting anything else)				
Hiring of cutlery and crockery and tables	417.54	454.39	488.60	525.44
Tariff for broken or damaged items per item				
Cups	33.33	36.84	39.47	42.11
Saucers	33.33	36.84	39.47	42.11
Dessert plates	33.33	36.84	39.47	42.11
Dinner and soup plates	33.33	36.84	39.47	42.11
Table spoons	33.33	36.84	39.47	42.11
Tea spoons	33.33	36.84	39.47	42.11
Table knives	33.33	36.84	39.47	42.11
Table forks	33.33	36.84	39.47	42.11
Dessert knives	33.33	36.84	39.47	42.11
Dessert forks	33.33	36.84	39.47	42.11
Dessert spoons	33.33	36.84	39.47	42.11
Soup spoons	33.33	36.84	39.47	42.11
Dessert bowls	33.33	36.84	39.47	42.11
Small dessert bowls	33.33	36.84	39.47	42.11
Small Plates	33.33	36.84	39.47	42.11
Trays	33.33	36.84	39.47	42.11
Coffee pots	210.53	229.82	246.49	264.91
Rent of piano's				
Upright piono per function	92.98	100.88	108.77	116.67
Upright piono per practice	33.33	36.84	39.47	42.11
Grand piano per function	275.44	300.88	322.81	347.37
Grand piano per practice	78.07	85.09	91.23	98.25
Bar				
Rent	78.07	85.09	91.23	98.25
Vacation of premisses				
If lessee does not evacuate within time limits above of have written permission to stay until the next day at 10:00				
, the applicable tariff is	78.07	85.09	91.23	98.25

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Stands				
Stands (for trading)	24.56	27.19	28.95	31.58
De Aar Town Hall - side hall	104.39	113.16	121.93	130.70
Caretaker fee	107.89	117.54	126.32	135.96
De Aar Juvenes Hall				
Rent				
07:00 to 18:00	313.16	342.11	367.54	394.74
18:00 to 23:59	417.54	454.39	488.60	525.44
Deposit	552.12	601.81	646.95	695.47
Caretaker fee	228.07	248.25	266.67	286.84
Community hall East & Nonzwakazi				
Rent				
Church services	141.23	153.51	164.91	177.19
Meetings	141.23	153.51	164.91	177.19
Film shows & concerts	279.82	304.39	327.19	351.75
Disco	346.49	378.07	406.14	435.96
Weddings	141.23	153.51	164.91	177.19
Social functions	141.23	153.51	164.91	177.19
Deposit	288.00	313.00	337.00	362.00
Caretaker fee	116.67	127.19	135.96	146.49
Vacation of premises				
As applicable for De Aar town hall				
Hanover town hall				
Rent				
07:00 to 18:00	416.67	453.51	487.72	524.56
18:00 to 23.59	692.98	755.26	811.40	871.93
Deposit	686.00	748.00	804.00	864.00
Deposit only cover crockery and cutlery & rent, if applicable.				
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Vacation of premisses				
If lessee does not evacuate within time limits above of have written permission to stay until the next day at 10:00				
, the applicable tariff is	78.07	85.09	91.23	98.25

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Hanover Community Hall Kwezi				
Rent				
Church services	141.23	153.51	164.91	177.19
Meetings	141.23	153.51	164.91	177.19
Film shows & concerts	279.82	304.39	327.19	351.75
Disco	346.49	378.07	406.14	435.96
Weddings	141.23	153.51	164.91	177.19
Social functions	141.23	153.51	164.91	177.19
Vacation of premisses				
Same as above for Hanover Town Hall				
Britstown town hall				
Rent				
07:00 to 18:00	416.67	453.51	487.72	524.56
18:00 to 23:59	623.68	679.82	730.70	785.96
After 23:59 per hour and 2 hours thereafter				
the hall will be closed	556.14	606.14	650.88	700.00
Braai area at Town Hall	144.74	157.89	169.30	182.46
Vacation of premisses				
If lessee does not evacuate within time limits				
above of have written permission to stay				
until the next day at 10:00				
, the applicable tariff is	78.07	85.09	91.23	98.25
Deposit				
Kitchen per period of part thereof	93.00	101.00	109.00	117.00
Electricity - Stoves per kWh	5.26	5.26	6.14	6.14
*Tariffs do not include VAT				
Vacation of premisses				
If lessee does not evacuate within time limits				
above of have written permission to stay				
until the next day at 10:00				
, the applicable tariff is	78.07	85.09	91.23	98.25
Community Halls in Jansenville & Mziwabantu				
Rent				
Church services	141.23	153.51	164.91	177.19
Meetings	141.23	153.51	164.91	177.19
Film shows and concerts	209.65	228.95	245.61	264.04
Disco	209.65	228.95	245.61	264.04
Weddings	141.23	153.51	164.91	177.19
Social functions	141.23	153.51	164.91	177.19
Vacation of premisses				
If lessee does not evacuate within time limits				
above of have written permission to stay				
until the next day at 10:00				
, the applicable tariff is	78.07	85.09	91.23	98.25
Multipurpose centre				
Rent Multipurpose centre	450.00	490.35	527.19	566.67
Deposit	374.00	407.00	438.00	470.00

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Sportgrounds				
De Aar West				
Athletics				
Rent : Affiliated (Changerooms included)	853.51	930.70	1,000.00	1,075.44
(Marking, layout of lanes and toilet paper excluded)				
Rent : Not Affiliated	1,734.21	1,890.35	2,032.46	2,185.09
(Marking, layout of lanes and toilet paper excluded)				
Rent : Chreche	388.60	423.68	455.26	489.47
Deposit changerrooms and pavilion hall	705.00	768.00	826.00	887.00
Rent changerrooms	270.18	294.74	316.67	340.35
Rent pavilion hall	256.14	278.95	300.00	321.93
Floodlights	196.49	214.04	230.70	247.37
Caretaker fee	270.18	294.74	316.67	340.35
Rugby				
Rent Field "A"(affiliated changerrooms included)	171.05	186.84	200.00	215.79
Rent Field "B"(affiliated changerrooms included)	125.44	136.84	147.37	158.77
Rent Field "A"(not affiliated)	388.60	423.68	455.26	489.47
Rent Field "B"(not affiliated)	225.44	246.49	264.91	284.21
Deposit changerrooms and pavilion hall				
Affiliated	529.00	577.00	620.00	667.00
Not Affiliated	914.04	996.49	1,071.05	1,151.75
Rent changerrooms	270.18	294.74	316.67	340.35
Rent pavilion hall	256.14	278.95	300.00	321.93
Floodlights	196.49	214.04	230.70	247.37
Caretaker fee	270.18	294.74	316.67	340.35
Cricket				
Rent Field "A" (not affiliated)	388.60	423.68	455.26	489.47
Rent Field "B" (not affiliated)	225.44	246.49	264.91	284.21
Rent Field "A" (affiliated)				
Rent Field "B" (affiliated)				
Deposit changerrooms and pavilion hall				
Affiliated	529.00	577.00	620.00	667.00
Not Affiliated	914.00	996.00	1,071.00	1,151.00
Rent changerrooms	270.18	294.74	316.67	340.35
Rent pavilion hall	256.14	278.95	300.00	321.93
Floodlights	196.49	214.04	230.70	247.37
Caretaker fee	270.18	294.74	316.67	340.35
*Tariffs do not include VAT				

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Social functions				
Deposit changerooms and pavilion hall	571.93	623.68	670.18	720.18
Rent changerooms	256.14	278.95	300.00	321.93
Rent pavilion hall	542.98	591.23	635.96	683.33
Floodlights	182.46	199.12	214.04	229.82
Caretaker fee	270.18	294.74	316.67	340.35
Annual fees (Affiliation fees)				
De Aar Rugby Klub	1,424.56	1,552.63	1,669.30	1,793.86
Primary De Aar (without trompoppies)	7,042.11	7,675.44	8,250.88	8,870.18
High school De Aar	10,963.16	11,950.00	12,846.49	13,809.65
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Merino Park				
Rent sportsgrounds (not affiliated)	141.23	153.51	164.91	177.19
Rent sportsgrounds (affiliated)	64.91	70.18	75.44	81.58
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Nonzwakazi				
Rent sportsgrounds (not affiliated)	141.23	153.51	164.91	177.19
Rent sportsgrounds (affiliated)	64.91	70.18	75.44	81.58
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Proteaville & Mziwabantu				
Rent sportsgrounds (not affiliated)	141.23	153.51	164.91	177.19
Rent sportsgrounds (affiliated)	64.91	70.18	75.44	81.58
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Kwezi				
Rent sportsgrounds (not affiliated)	141.23	153.51	164.91	177.19
Rent sportsgrounds (affiliated)	64.91	70.18	75.44	81.58
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
Criket oval				
Rent	674.56	735.09	790.35	850.00
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
*Tariffs do not include VAT				

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Swimming pools*				
Public swimming pool*				
A) Admission fees daily per visit				
Adults	12.28	14.04	14.91	15.79
Children	9.65	10.53	11.40	12.28
B) Seasonal admission fees (1/10 - 30/3)				
Adults	223.68	243.86	262.28	281.58
Children	141.23	153.51	164.91	177.19
C) Rent of swimming pool				
Schools 10:00 - 13:00 (Mondays - Fridays)	279.82	304.39	327.19	351.75
(Saturdays)	279.82	304.39	327.19	351.75
Provincial level	831.58	906.14	973.68	1,046.49
Functions : Schools & Private after 18:00	499.12	543.86	585.09	628.95
D) Deposit	405.00	441.00	474.00	510.00
E) Flood lights*	182.46	199.12	214.04	229.82
F) Caretaker fee*	182.46	199.12	214.04	229.82
Oasis swimming pool				
A) Admission fees daily per visit*				
Adults	10.53	11.40	12.28	13.16
Children	7.89	8.77	9.65	9.65
B) Seasonal admission fees (1/10 - 30/3)				
Adults	196.49	214.04	230.70	247.37
Children	113.16	123.68	133.33	142.98
C) Rent of swimming pool*				
Schools 10:00 - 13:00 (Mondays - Fridays)	141.23	153.51	164.91	177.19
(Saturdays)	208.77	227.19	244.74	263.16
Provincial level	209.65	228.95	245.61	264.04
Functions : Schools & Private after	346.49	378.07	406.14	435.96
D) Deposit	293.00	319.00	343.00	369.00
E) Flood lights*	196.49	214.04	230.70	247.37
F) Caretaker fee*	154.39	167.54	180.70	193.86
If there is any major damages not covered by the deposit the lessee will be alliable for repairs.(Work done departmentally)				
*Tariffs do not include VAT				
Airdome*				
One engine Aircraft	78.95	85.96	92.11	99.12
Two engine Aircraft	86.84	94.74	101.75	109.65
Three and more engine Aircraft	128.07	139.47	150.00	160.53
Annual airstrip hiring - local	1,101.23	1,200.34	1,290.37	1,387.14
*Tariffs do not include VAT				

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Water				
Basic levy per service connection				
Households *	51.96	54.55	57.83	61.30
Businesses*	263.39	276.56	293.16	310.75
Defence Force*	263.39	276.56	293.16	310.75
Industrial *	263.39	276.56	293.16	310.75
Schools *	263.39	276.56	293.16	310.75
Flats *	263.39	276.56	293.16	310.75
Old age homes *	263.39	276.56	293.16	310.75
Churches *	49.06	51.51	54.60	57.88
Municipal activities *	12.45	13.07	13.86	14.69
Government offices *	263.39	276.56	293.16	310.75
Hospitals *	263.39	276.56	293.16	310.75
S A P D *	263.39	276.56	293.16	310.75
Correctional Services *	263.39	276.56	293.16	310.75
Transnet *	263.39	276.56	293.16	310.75
Clinics *	263.39	276.56	293.16	310.75
Consumptions - households				
1 - 6 kl * (Tariff per kiloliter)	-	-	-	-
7 - 15 kl * (Tariff per kiloliter)	6.88	7.22	7.65	8.11
16 - 30 kl * (Tariff per kiloliter)	7.81	8.20	8.69	9.21
31 kl and more * (Tariff per kiloliter)	9.10	9.56	10.13	10.74
Consumptions - Indigent households				
1 - 6 kl * (Tariff per kiloliter)	-	-	-	-
7 - 15 kl * (Tariff per kiloliter)	6.88	7.22	7.65	8.11
16 - 30 kl * (Tariff per kiloliter)	7.81	8.20	8.69	9.21
31 kl and more * (Tariff per kiloliter)	9.10	9.56	10.13	10.74
Consumptions - Government Departments (Exc schools)				
1 - 6 kl * (Tariff per kiloliter)	3.80	3.99	4.23	4.48
7 - 15 kl * (Tariff per kiloliter)	6.88	7.22	7.65	8.11
16 - 30 kl (Tariff per kiloliter)	7.81	8.20	8.69	9.21
31 kl and more * (Tariff per kiloliter)	9.10	9.56	10.13	10.74
Consumptions - all other activities excluding Households, Municipal, Indigent and Government cons.				
1 - 6 kl * (Tariff per kiloliter)	3.80	3.99	4.23	4.48
7 - 15 kl * (Tariff per kiloliter)	6.88	7.22	7.65	8.11
16 - 30 kl (Tariff per kiloliter)	7.81	8.20	8.69	9.21
31 kl and more * (Tariff per kiloliter)	9.10	9.56	10.13	10.74
Consumptions - Muncipal activities				
1 - 6 kl * (Tariff per kiloliter)	2.51	2.63	2.79	2.96
7 kl and more * (Tariff per kiloliter)	2.51	2.63	2.79	2.96
Consumer deposit				
Household	541.00	568.00	602.00	638.00
Small and medium business	660.00	693.00	734.00	778.00
Industrial	1,095.00	1,150.00	1,219.00	1,292.00
Government Department	Determined by CFO : Actual cost be the basis			
Testing of meter *	205.26	214.91	228.07	242.11

Emthanjeni Municipality
Final Draft Tariffs for 2014/2015 MTEF Period

	CURRENT YR	BUDGET		
	2013/2014	2014/2015	2015/2016	2016/2017
Service connections				
20 mm / 15 mm water meter *	1,650.88	1,733.33	1,837.72	1,947.37
25 mm / 20 mm water meter *	2,021.93	2,122.81	2,250.00	2,385.09
Larger than abovementioned *				
Special meter readings as requested by consumer				
Read of meter *	128.95	135.09	142.98	151.75
Special meter readings by termination of service *	87.72	92.11	97.37	103.51
Communal water *	50.46	52.98	56.16	59.53
Machinery & Plant equipment				
Hiring of machinery and plant equipment (Excluding Show Grounds)				
Selling of red soil	Actual Cost as determined by relevant Director			
* Tariff do not include VAT				
Libraries				
Photocopies - per page or part thereof	0.88	0.88	1.05	1.14
Rent				
Rent of Library Hall (De Aar West, De Aar East, Nonzwakazi, Britstown and Hanover)	185.09	201.75	213.86	226.67
Deposit				
Deposit of Library Hall (De Aar West, De Aar East, Nonzwakazi, Britstown and Hanover)	151.00	165.00	175.00	185.00
* Tariff does not include VAT				
Guest Houses*				
Application for Guest House	268.77	292.98	314.91	338.60
* Tariff does not include VAT				

ANNEXURE 3:

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DRAFT Toplayer Service Delivery Budget Implementation Plan for 2014/15

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
1	Corporate Services	The percentage of the municipality's operational budget actually spent on implementing its workplace skills plan	(Actual amount spent on training/total operational budget)x100	All	Director: Corporate Services	0.70%	Stand-Alone	Percentage	0.7	0	0	0	0.7
2	Corporate Services	Review the Human Resource Plan and submit to Council by end June	Human Resource Plan submitted to Council by end June	All	Director: Corporate Services	1	Carry Over	Number	1	0	0	0	1
3	Corporate Services	Establish a client service desk by end June	Service desk established by end June	All	Director: Corporate Services	1	Carry Over	Number	1	0	0	0	1
4	Corporate Services	The number of jobs created through the municipality's LED initiatives including capital projects.	The number of jobs created through the municipality's LED initiatives including capital projects.	All	Director: Corporate Services	550	Accumulative	Number	550	0	0	0	550
5	Corporate Services	Review the Rural Development Strategy and submit to Council by end June	Rural Development Strategy submitted to Council by end June	All	Director: Corporate Services	1	Carry Over	Number	1	0	0	0	1
6	Corporate Services	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Number of people employed	All	Director Corporate Services	New Key Performance Indicators	Accumulative	Number	1	0	0	0	1

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
7	Community Services	Review the Community Safety Plan and submit to Council by end June	Community Safety Plan submitted to Council by end June	All	Director: Community Services	1	Carry Over	Number	1	0	0	0	1
8	Community Services	Review the Disaster Management Plan and submit to the District Municipality by end March	Disaster Management Plan submitted to the District Municipality by end March	All	Director: Community Services	1	Carry Over	Number	1	0	0	1	0
9	Community Services	Review the Intergated Waste Management Plan and submit to Council by end June	Intergated Waste Management Plan submitted to Council by end June	All	Director: Community Services	New Key Performance Indicators	Carry Over	Number	1	0	0	0	1
10	Community Services	Develop a Fire-arm Management policy and submit to Council by end June	Fire-arm Management policy submitted to Council by end June	All	Director: Community Services	New Key Performance Indicators	Carry Over	Number	1	0	0	0	1
11	Municipal Manager	Develop Risk based audit plan and submit to the audit committee for approval by end June	RBAP submitted to the audit committee by end June	All	Municipal Manager	1	Carry Over	Number	1	0	0	0	1
12	Municipal Manager	Implement the RBAP for the 2014/15 year (Audits completed for the period / planned audits for the period)x100	(Audits completed for the period / planned audits for the period)x100	All	Municipal Manager	70%	Carry Over	Percentage	70	0	0	0	70

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
13	Infrastructure Services	90% of the water maintenance budget spent (Actual expenditure divided by the approved budget)x100	% of approved water maintenance budget spent	All	Director: Infrastructure Services	90%	Carry Over	Percentage	90	0	0	0	90
14	Infrastructure Services	Limit % water unaccounted for to 19.5%	% unaccounted for	All	Director: Infrastructure Services	19.50%	Reverse Stand-Alone	Percentage	19.5	19.5	19.5	19.5	19.5
15	Infrastructure Services	95% water quality as per SANS 241 requirements	% water quality level	All	Director: Infrastructure Services	95%	Stand-Alone	Percentage	95	95	95	95	95
16	Infrastructure Services	Complete the refurbishment of the De Aar WWTW by the end of June	Project completed	All	Director: Infrastructure Services	1	Carry Over	Number	1	0	0	0	1
17	Infrastructure Services	Submit business plan to Council by end of the end of December for the upgrade of the De Aar WWTW	Business plan submitted to Council by end December	All	Director: Infrastructure Services	1	Carry Over	Number	1	0	1	0	0
18	Infrastructure Services	90% of the waste water maintenance budget spent ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent	All	Director: Infrastructure Services	90%	Carry Over	Percentage	90	0	0	0	90

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
19	Infrastructure Services	Construct new surfaced roads	Number of kilometers constructed	All	Director: Infrastructure Services	2.5	Accumulative	Number	2	0	0	0	2
20	Infrastructure Services	90% of the roads and stormwater maintenance budget spent (Actual expenditure divided by the approved budget)x100	% of approved roads and stormwater maintenance budget spent	All	Director: Infrastructure Services	90%	Carry Over	Percentage	90	0	0	0	90
21	Infrastructure Services	Reseal existing tar roads	Number of kilometers resealed	All	Director: Infrastructure Services	1	Accumulative	Number	1	0	0	0	1
22	Infrastructure Services	Limit % electricity unaccounted for to 22%	% unaccounted for	All	Director: Infrastructure Services	16%	Reverse Stand-Alone	Percentage	22	0	0	0	22
23	Infrastructure Services	90% of the recreational and swimming pool maintenance budget spent (Actual expenditure divided by the approved budget)x100	% of approved recreational areas and swimming pool maintenance budget spent	All	Director: Infrastructure Services	90%	Carry Over	Percentage	90	0	0	0	90
24	Financial Services	Achieve an unqualified audit opinion	Audit opinion received	All	Director: Financial Services	1	Carry Over	Number	1	0	0	1	0

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
25	Financial Services	Submit the annual financial statements by the end of August to the Auditor-General	Statements submitted to the AG by end August	All	Director: Financial Services	1	Carry Over	Number	1	1	0	0	0
26	Financial Services	Financial viability measured in terms of the available cash to cover fixed operating expenditure (Available cash+ investments / Monthly fixed operating expenditure)	(Available cash+ investments) / Monthly fixed operating expenditure	All	Director: Financial Services	0.5	Carry Over	Number	0.5	0	0	0	0.5
27	Financial Services	Financial viability measured in terms of the municipality's ability to meet its service debt obligations (Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year))	(Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year))	All	Director: Financial Services	30	Carry Over	Number	30	0	0	0	30
28	Financial Services	Financial viability measured in terms of the outstanding service debtors (Service debtors to revenue – (Total outstanding service debtors/ revenue received for services))x100	((Service debtors to revenue – (Total outstanding service debtors/ revenue received for services))x100	All	Director: Financial Services	20.50%	Carry Over	Percentage	20.5	0	0	0	20.5
29	Financial Services	Achievement of a payment percentage of above 80% (Actual payments received from debtors divided by actual levies)	(Actual payments received from debtors divided by actual levies)x100	All	Director: Financial Services	80	Carry Over	Percentage	80	0	0	0	80

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DRAFT Toplayer Service Delivery Budget Implementation Plan for 2014/15

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target	Q1	Q2	Q3	Q4
30	Financial Services	Prepare and submit to Council the adjustments budget by the end of February, the draft budget by the end of March and the final budget by the end of May	Adjustments budget submitted by end February, Draft budget by end March and Final Budget by end May	All	Director: Financial Services	3	Accumulative	Number	3	0	0	2	1
31	Financial Services	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed	Number of residential properties which are billed for water or have pre-paid meters	All	Director Engineering Services	8000	Stand-Alone	Number	8000	0	0	0	8000
32	Financial Services	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas)	Number of residential properties which are billed for electricity or have pre-paid meters (Excluding Eskom areas)	All	Director Electricity	8000	Stand-Alone	Number	8000	0	0	0	8000
33	Financial Services	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service irrespective of the number of water closets (toilets)	Number of residential properties which are billed for sewerage	All	Director Engineering Services	8000	Stand-Alone	Number	8000	0	0	0	8000
34	Financial Services	Number of formal residential properties for which refuse is removed once per week	Number of residential properties which are billed for refuse removal	All	Director Community Services	8000	Stand-Alone	Number	8000	0	0	0	8000
35	Financial Services	Provide free basic electricity, water, sanitation and refuse removal to qualifying indigent households earning less than R3200	Number of households receiving free basic services	All	Director Financial Services	2400	Stand-Alone	Number	2400	0	0	0	2400

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DRAFT Toplayer Service Delivery Budget Implementation Plan for 2014/15

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Ref	Directorate (R)	KPI	Unit of Measurement	Ward	Program Driver	Baseline	KPI Calculation Type	KPI Target Type	Annual Target		Q1	Q2	Q3	Q4
36	Infrastructure Services	Upgrade De Aar West sport stadium by the end of March	Project completed	5	Director: Infrastructure Services	New kpi for 2014/15	Carry Over	Number	1		0	0	1	0
37	Infrastructure Services	90% of the electricity maintenance budget spent ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent	All	Director: Infrastructure Services	90%	Carry Over	Percentage	90		0	0	0	90

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ANNEXURE 4:

A – SCHEDULES

ANNEXURE 5:

IDP

❖
❖ **EMTHANJENI LOCAL
MUNICIPALITY**



❖ **DRAFT INTEGRATED
DEVELOPMENT PLAN**
❖ **2011 – 2016**

❖
❖ **EXECUTIVE SUMMARY**
❖ **IDP 2014/2015 REVIEW**

“... a centre for development and service excellence focused on economic development in pursuit of a better life.”



EMTHANJENI LOCAL MUNICIPALITY: EXECUTIVE SUMMARY OF THE REVISED IDP 2014/2015

1. INTRODUCTION

The IDP of Emthanjeni Municipality is an elaborate and collaborative planning process which produces a strategic plan designated to guide the municipality and its entities to systematically eradicate service delivery backlogs. The plan covers a five year period and is reviewed annually to accommodate new and pressing priorities.

The Integrated Development Process and subsequently the IDP document is merely a means to an end. The expected end is the implementation of projects that will maintain or improve the quality of life in the Municipality. The implementation involves various municipal departments that deliver services in an integrated manner based on priorities and available resources.

This plan was developed in terms of the Municipal Systems Act 32 of 2000 particular Chapter 5 which elaborate on how IDP process will unfold and clear guidelines to be followed when compiling the document. Chapter 4 of the Municipal Financial Management Act provides that the Mayor should compile a budget plans in consultation with communities who supposed to input on their needs in the form of projects and programmes. To achieve this, Council approved the IDP Process Plan and budget programmes with the aim to use them as guiding tool at the level of Strategic Plan. The outcome of Strategic Plan will result to Strategic Objectives which later be operationalize to KPI and targets, and then be aligned to the Budget and Performance Management System (PMS). This process result to the full Draft IDP Review 2014/15.

The emphasis for this year's IDP Review was on community consultation with the aim to solicit community views and translated them to programmes and projects. Most infrastructural projects adopted in last IDP Review will still reflect as most were not finished rather other phases are continuing with new infrastructural project as they will reflect to DORA will also appear in the final IDP Review for 2014/15.

The programmes and projects are intended for all seven wards and this document will acknowledge the source of information used in the process, amongst others are the following contributing sources:

- (a) Comments received from the community and various role-players in the IDP Process;
- (b) Consideration of the MEC's comments on the IDP;
- (c) General discussions and meetings with members of the IDP Steering Committee.
- (d) Areas requiring additional attention in terms of legislation requirements;
- (e) Areas identified through self-assessment;
- (f) The implementation of Performance Management System (PMS);
- (g) The implementation of Service Delivery Budget Implementation Plan(SDBIP);

- (h) The adoption of the Spatial Development Framework (SDF);
- (i) The update of the list of projects; and
- (j) The preparation and update of the sector plans.
- (k) Integration of all programmes and plans in the municipal areas.
- (l) The municipality further developed an IMAP (Implementation Map) for better monitoring of IDP, Budget and SDBIP.

The Municipality adopted key performance areas and agreed to a set of strategic objectives that guides the Local Government mandate.

The document focuses on the following:

1. Basic Service Delivery
2. Municipal Transformation and Institutional Development
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation
6. Safety and Security
7. Social Development

During the Strategic Planning session the Municipality has agreed on the following **Strategic Objectives (STO)** that are to be achieved;

1. To develop an elaborate employee wellness programme that seeks to ensure that the municipality functions optimally and realizes full production and thereby dealing with high levels of absenteeism and low staff morale
2. To improve organizational inefficiency by undertaking a wholesale institutional realignment exercise and in the process address as a matter of urgency the realignment of the satellite office and as such ensure its effectiveness
3. To eliminate the health risks and public indecency through the lack public ablution facilities by developing public ablution facilities and at the same time investigating the feasibility of partnering with private sector in this regard
4. To improve the situation with regards to uncontrollable squatting as a result of lack of serviced sites by Review and implement the Spatial Development Framework with all its accompanying plans and procedures and align programmes as per the SPLUMA requirements
5. To improve the conditions within unhealthy communities/neighborhoods and seek to improve on the waste management situation by investigating a revised approach towards a greener focus on waste management
6. Improve the limited money circulating in the town as a result of limited parking in the CBD by exploring the possibility of alternative transport mechanisms and investigating the development of new parking areas within the towns.
7. Improve the limited exposure of tourism attractions in the area by the development and implement a comprehensive tourism development strategy in pursuit of holistic tourism development
8. Improve economic growth in the area by developing and implementing a comprehensive LED Strategy together with all SMME Development components
9. Ensure that the area leverages its full economic potential of the area by undertaking and implementing a N10, N1, N12 Corridor Study
10. Limit grant dependency and thereby improve the municipal debt collection by development and implement a revenue enhancement strategy

11. Ensure that the municipality meets the 2014 deadline and thereby increase public confidence by engaging in a programme aimed at improving the audit outcomes (incrementally) on an annual basis in order to meet the deadline
12. Avoid putting pressure on already declining resources of the municipality by identifying the most crucial services and seek council approval to secure funding
13. Ensure improved civic empowerment by developing and improving public participation systems and procedures whilst increasing resource support to public participation processes in the municipality
14. Improve the low morality of both the public and in the workplace by developing a municipal based moral regeneration programme and developing programmes aimed at social cohesion
15. Ensure that there are no bad relations between the various parties by improving the communication systems by introducing both internal and external communication measures
16. Eliminate the escalation in road accidents damage to property due to stray animals by developing an Ensure a decrease in drug abuse and crime prevalence by coordinating a process of engaging the various departments in order to ameliorate the issue
17. Improve the skills situation in the area and as such ensure that the human capital within the municipality is ready for the economic development in the area by ensuring that there is an integrated approach towards education development and explore the possibility of a fully-fledged FET College in the area.

The needs of the communities reflected amongst others:

- Economic Development
- Electricity Improvements
- Youth Development
- Availability of Agricultural Land
- Infrastructure Development
- Improved Health Services
- Communication Network
- Skills Development
- Storm Water drainage
- SMME Development
- Housing Delivery
- Environmental Management
- Revitalization
- Sport & Recreation Facilities
- Disaster Management

The Municipality sees this Plan as instrumental in its efforts to becoming more developmentally orientated. Despite all the positive outcomes, mistakes were also made in the previous rounds of IDPs, but this Municipality increased its efforts to correct these mistakes in subsequent review processes and will continue to strive towards its vision:

2. HOW TO READ THIS DOCUMENT

The complexity and magnitude of the IDP process, makes it very difficult to capture all its events in one single document. Trying to do this will result in a very elaborate document, not being user-friendly and not doing credit to the process. The breakdown of information for the issues and needs, as identified by the communities in the various residential areas of the municipal area, are contained in the minutes of the IDP participatory process.

To overcome this situation, it was decided to take minutes of the process, to make these minutes available at the subsequent Council meetings and at the end of the process only capture the results in the document, which is the Integrated Development Plan. Doing it in this manner also resulted in the Municipality being able to reflect on the particular process it went through, building on the positive and trying to rectify the mistakes during the following phase. For the purposes of this document, the same strategy was followed.

2.1 The Process Plan of the Municipality:

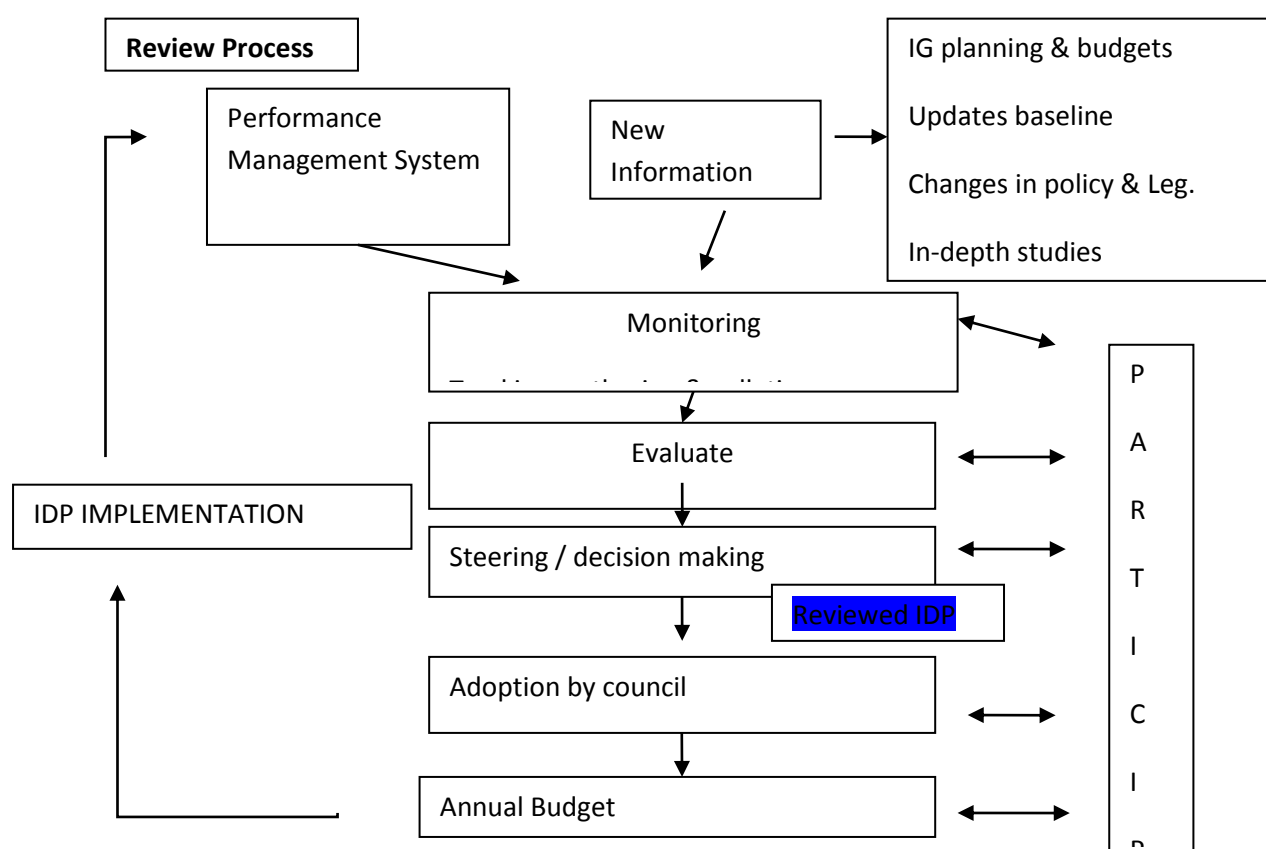


Fig 1: The IDP Review Process & Procedures: 2014 / 2015

The Process Plan focuses on the organizational arrangements for the planning process and indicates the time-frames and community participation process of Emthanjeni. This was done in line with the guidelines set out in the Municipal Finance Management Act and concrete efforts were made to align the planning and budgeting processes. The process illustrates the important relationship between the IDP and the Performance Management System.

2.2 Section A: IDP Process: Introduction

This section focuses on the purpose of the document and the legal standing of the IDP. The section further identifies the basis for the IDP and clarifies the process followed with review. During the planning process each phase poses unique challenges to ensure that the output of one phase adds sufficient value in the next phase.

The IDP planning process and the subsequent IDP document is merely a means to an end. The expected end is the implementation of projects that will maintain or improve the quality of life in the Municipality. The implementation involves various municipal departments that deliver services in an integrated manner, based on priorities and available resources. The Municipality managed to improve its performance both with regards to service delivery and financial viability.

2.3 Section B: Situation Analysis

This section focuses on the existing situation. It focuses on the situation in Emthanjeni and the types of problems faced by people in the Municipal area. It also focuses on new developments. It contains the departments of the Municipality that was developed and approved and focuses on the developmental objectives formulated for the Municipality.

The issues range from lack of basic services, crime, unemployment, HIV/AIDS, poverty etc. Attention should be given to the abovementioned challenges throughout the planning phases to ensure that enough information is available for an integrated program.

According to the 2011 census statistics the total population Emthanjeni Municipal area is 42 356 which constitute 22, 7% of the district population. An increase from - 1, 91% to 1, 69 %(translated to 6571). Emthanjeni Local Municipality comprise the largest population in Pixley Ka Seme District Municipality.

2.4 Section C: Municipal context of priority issues /objectives and strategies

The section outlines the priorities of the community and the objectives and strategies agreed upon. People affected should be involved in determining the problems and the solutions to the problems. In the section the Municipality outlines the key performance areas, strategic objectives and how they will be attained.

Priorities must be translated into objectives. Once the Municipality knows where it wants to go and what it needs to achieve to realise the vision, it must then develop strategies. Once strategies are formulated, they resulted in the identification of projects.

The priorities of the community and the objectives and strategies agreed upon are also an important part of the process. The problems identified are weighed according to their urgency and importance to prioritise those to be addressed first. We are therefore obliged to review the situation and apply correct and manageable solutions.

2.5 Section D: Operational Framework and Strategies(Institutional Arrangements & Constitutional Mandate)

The section sets out the institutional arrangements, developed by Emthanjeni Municipality to operationalize the delivery of its mandates, in terms of the constitution and municipal legislation.

Once the Municipality understands the problem, affecting the people of the area it must formulate the solutions to address the problems.

2.7 Section E: Integrated Sector Plans

The section focuses on all integrated programmes and plans developed by the Municipality. Once the projects are identified the Municipality must make sure that they are in line with the municipality's objective and strategies and also with the resources framework and comply with the legal requirements.

Output:

- 5 Year Capital Investment programme
- 5 Year Financial Plan
- 5 Year Infrastructure Plan
- Integrated Transport Plan
- Integrated Waste Management Plan
- Local Economic & Marketing Strategy
- Integrated Institutional Plan

- Tourism Strategy
- Municipal Turn-Around Strategy
- Integrated Housing Plan and Housing Allocation Policy etc.
- 4114 Housing Action Plan

2.8 Section F: Project per Key Performance Areas

The section is about the identification of suitable projects and the design and specification of projects for implementation. It further sets out each individual project designed and possible funding sources are highlighted. The identification of projects represents the next strategic step towards implementation.

The Municipality must make sure that the projects have a direct linkage to the priority issues and the objectives that were identified. It must be clear on the target group / intended beneficiaries. The location of the project, when it will commence and end, who will be responsible for managing it, how much it will cost and where the money will come from.

Targets and indicators are formulated to measure the performance and impact of the project.

3. PUBLIC PARTICIPATION

The Local Government Municipal Systems Act, 32 of 2000 – Chapter 4 requires that all Municipalities develop a culture of participatory governance by putting mechanisms and procedures in place that allow for public participation in the affairs of the Municipality, including the IDP Process. Central to this, community members have a constitutional right to be well informed about the affairs of the Municipality at all times and to take part in the decision-making processes of Council. This, however, poses a great challenge to the Municipality.

To address this, the Council set up Ward Committees and an IDP Representative Forum as well as IDP/ Budget / PMS Steering Committee.

In an effort to maximise community participation with regard to the compilation of the Draft IDP we were able to do the following:

- Council Meets the People 4 times a year.
- IDP/Budget /PMS /SDBIP input meetings in the wards.
- Sectoral meetings with Emerging Farmers i.e. Hanover, Britstown & De Aar
- Input received from the public.

- Ward Committee input.
- Meetings of Public Participation Committees
- Engagements with Sector Departments

Public sessions were undertaken in February/March 2014. The Municipality have four public participation committees which reflect different interested groups and categories. These committees serve as opinion makers to Council, as they represent the broader community. These committees are as follows:

- Stimulus Committee
- Integration Committee
- Innovation Committee
- Unique partnership Committee

4. INSTITUTIONAL ARRANGEMENTS

An organizational structure was developed for the process of developing and implementing the IDP. The roles and responsibilities of the entities are described in the illustration and table below.

Executive Committee:

- Political oversight over the IDP.

Ward Councillors:

- Link the planning process to their constituencies and / or wards
- Be responsible for organizing public consultation and participation
- Monitor the implementation of the IDP with respect to their particular wards

Municipal Manager:

- Overall responsibility for the IDP.

IDP Manager / IDP Officer:

Responsible for managing the IDP Process through:

- Facilitation of the IDP Process,
- Co-ordinating IDP related activities, including capacity building programmes,
- Facilitating reporting and the documentation thereof,
- Liaising with the PIMS Centre and Provincial Sector Departments,
- Providing secretariat functions for the IDP Steering Committee and the Representative Forum.

The Chief Financial Officer:

He ensures that the municipal budget is linked to the IDP, responsible for:

- ❖ Co-ordinating the budget implementation in a manner aimed at addressing the issues raised in the IDP,
- ❖ Development of the 5-year municipal integrated financial plan.

IDP Steering Committee:

- ❖ This Committee meets monthly.
- ❖ It is responsible for IDP processes, resources and output,
- ❖ It oversees the monthly status reports that are received from departments,
- ❖ It makes recommendations to Council,
- ❖ It oversees the meetings of the IDP Representative Forum,
- ❖ The Committee is responsible for the process of integration and alignment.
- ❖ Oversees effective management of the IDP Process
- ❖ Contribute to the assessing of needs & prioritising
- ❖ Ensure proper organisational linkage with the Budget
- ❖ Ensure the terms of reference of the Steering Committee steers the interlinking of IDP with Budgeting Processes
- ❖ Serves as a resource to the Representative Forum by advising and integrating the forum input.
- ❖ Evaluation of IDP/ Budget / PMS alignment

IDP Representative Forum:

- ❖ It forms the interface for community participation in the affairs of Council
- ❖ Operates on consensus basis in the determination of priority issues for the municipal area
- ❖ Participates in the annual IDP Review Process
- ❖ Meets on a quarterly basis to discuss progress and shortcomings
- ❖ All the wards within the municipal area must be represented on this forum through the Ward Committee Members

Shared Services:

Situated at Pixley ka Seme District Municipality

- ❖ This Shared Services Centre is there to build capacity in the municipalities with the development of their IDPs and related matters.
- ❖ The centre plays a significant role in supporting the local municipality
- ❖ It contributes to the IDP process by facilitating activities and processes, especially during difficult times.
- ❖ Facilitates the process of alignment amongst the municipalities in the district and the various other sector departments.

5. ALIGNMENT

In terms of the Municipal Systems Act development strategies must be aligned with National and Provincial Sector Plans as well as planning requirements. It also envisages that a single inclusive and strategic plan must be adopted which links, integrates and coordinates plans.

The Municipality realized that good effective alignment would result in successful implementation, whilst a failure to align might result in a total collapse of the implementation of the IDP. The Municipality tried to ensure alignment with the assistance of the Shared Services located at the Pixley Ka Seme District Municipality and the involvement of the sector departments in the IDP Representative Forum. Only two sector departments were able to forward their priorities for this financial year, others just promised.

We have made some progress, with input from some departments and NGO's. We expect Sector Departments to provide further input later based on their planning cycle.

Majority of the municipal sector plans require review; the SDF being a priority for review and must be aligned to the Provincial SDF.

5.1 SPATIAL DEVELOPMENT FRAMEWORK

Emthanjeni Municipality developed a Spatial Development Framework. The framework was adopted by Council in February 2007 and would serve as a guideline for spatial development within the Municipality. The Spatial Development Framework would be reviewed in the 2014 / 2015 financial year. We have requested the assistance of Department of Agriculture, Land Reform and Rural Development. They were considering the review of the district first with the possibility of next financial year being on DRDLR priority municipality for assistance. We also expected to participate in the District SDF Review, but we were not part of this process from the beginning. We were only informed later, but we intended to play a meaningful role, as they will assist during the SDF Process of Emthanjeni Local Municipality.

5.2 INTEGRATED ENVIRONMENTAL MANAGEMENT PLAN

This programme was finalized during the 2002 financial year. Require update but the challenge is resources to ensure this become possible.

5.3 INTEGRATED LOCAL ECONOMIC DEVELOPMENT PLAN

The Municipality has approved a Local Economic Development and Marketing Strategy at a meeting of the Executive Committee on 15 April 2010. Continuous update occurs through the Public participation Committees processes. During this financial year we supposed to have reviewed LED, but efforts had been done to request service of Department of Economic Affairs to assist and they were able to commit themselves. Due to National process of LED Framework review target date being the end of March 2014, the LED Strategy would be finalised by end June 2014. The Department then requested municipalities' in particular Emthanjeni Local Municipality to start the process next year in order to align with National LED Strategy.

5.4 INTEGRATED INSTITUTIONAL PROGRAMME

Part of the Institutional Programme is capacity building amongst officials and Councillors. It is acknowledged that the dynamic environment of local government poses new challenges on a daily basis to the officials and Councillors of the Municipality. The Municipality has appointed an official who is responsible for skills development and the skills development programmes. We further also had assistance from SALGA in relation to councillor training.

HUMAN RESOURCES

The successful implementation of this IDP depends on the institutional capacity of the Municipality. A functional organogram for Emthanjeni was finalized and is also part of the integrated sector programmes.

The municipal functions are divided in the following Directorates, reporting directly to the Municipal Manager.

Office of the Municipal Manager : Isak Visser (MM)
Financial Services : MF Manuel (CFO)
Directorate Corporate Services: Ms EV Diamane (Director)
Directorate Infrastructure Services: D. Makaleni (Director)
Directorate Community Services: MR Jack (Director)

INSTITUTIONAL CAPACITY vs THE IDP

Training needs are identified for their departments in relation to departmental KPA's which are informed by the IDP. This is an annual exercise.

5.5 INTEGRATED HIV/AIDS POLICY

The Municipality does have an adopted HIV / Aids Policy for Councillors and officials. The integrated HIV / AIDS Programme were reviewed during the 2011/2012 financial year. We will work with relevant institutions to update further.

5.6 DISASTER MANAGEMENT PLAN

The Municipality must consider developing a new plan to ensure compliance and readiness in the event of disaster. COGHSTA has committed their support with the development of the plan. We also depend on the District Municipality for guidance as this function resides with them. We only just respond to assist the district where necessary.

5.7 INTEGRATED WASTE MANAGEMENT PLAN

Plan was adopted in 2008. Update is required.

5.8 INTEGRATED TRANSPORT PLAN

The District was awaiting assistance from the Department of Transport Safety and Liaison to help local municipalities with the drafting of the plans. This has not yet transpired. The Province has finish their plan with the intension that the District will follow, challenge is still resources.

5.9 MUNICIPAL HUMAN SETTLEMENTS SECTOR PLAN

The Municipality does have a Housing Unit to deal with the housing backlog and the management of this accordingly. The Municipality does have a Human Settlement Sector Plan and prepared a housing accreditation business plan. The Municipality would ensure that project readiness is in place in terms of bulk, EIA etc. The Municipality has also developed a Housing Action Plan. The Housing Action Plan aims to ensure effective allocation of limited resources, provide a formal and practical housing priority for implementation with a focus on the IDP and identify the strategic implementation for the 4114 housing needed in Emthanjeni Municipal area.

5.10 TOURISM PLAN

The Municipality does have an approved Tourism Strategy for the Municipality consisting of a ten year plan (2010-2020). This plan is outdated; we are of the view that in the next financial year a new plan needs to be prioritised to reflect new challenges facing the Municipality. We have also set out priorities to ensure new vision for the Tourism section as part of municipal revival of this office.

5.11 PERFORMANCE MANAGEMENT SYSTEM (PMS)

The White Paper on Local Government (1998) nationally introduced Performance Management System (PMS) as a tool to ensure developmental local government. It concluded that Integrated Development Planning, Budgeting and Performance Management were powerful tools, which could assist municipalities to develop an integrated perspective on development in their areas. Performance management will cover both the institutional performance and municipal performance.

The Municipal Systems Act (Act 32 of 2000), requires all municipalities to:

- Develop a Performance Management System
- Set targets, monitor and review performance based on indicators linked to the IDP
- Publish an annual report on performance to the Councillors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators pre-established nationally by the Minister responsible for Local Government.
- Conduct an internal audit on performance before tabling the report.
- Have their annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance.

Emthanjeni Municipality has compiled a Draft PMS Framework which for the first time in our district has been cascaded to the next level below the Directors to Senior Managers. This process will operate like before, but it will include all Unit Managers to also account for their KPI's in order to assume the responsibility. This process was followed by the development of a detailed Performance Management System with key indicators based on the five key performance areas (KPA's) listed below:

1. Basic Service Delivery
2. Municipal Transformation and Institutional Development
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation
6. Safety and Security
7. Social Development

The KPA's and key indicators are based on the local priorities and IDP objectives. Performance agreements were concluded between the Council and the Municipal Manager as well as all Directors. These agreements directly supported the implementation of the IDP process. Individual performance agreements are compiled and signed by all individuals.

As part of the PMS monitoring and evaluation process, monthly IDP project and programme status reports are compiled by the responsible managers.

5.12 WATER SERVICES DEVELOPMENT PLAN

The Water Service Development Plan was completed and adopted by Council in 2007. The Draft Water Service Development Plan was compiled in 2012. Since then update on the plan was as per assistance from DWA. We are still waiting for the updated plan.

5.13. PROJECT LIST

The project list is incorporated into the IDP based on the needs of the community. The critical areas remain Infrastructure and Local Economic Development. Within the limited resources of the Municipality it will have to address the following;

- Roads
- Storm water
- Housing delivery (servicing of sites)
- Bulk services (electricity, water)
- Support to SMME's
- Sewerage

Note: Emthanjeni Local Municipality does not have a Sanitation Master Plan; a plan needs to be developed for a period of 5 years.

SUMMARY

The summary document of the IDP provides a concise outline of the document and covers all the activities and outcomes achieved. Central to delivery of services, is the impact that this could made in bettering the lives of the people of Emthanjeni Local Municipality. The Municipal Budget is aligned to the IDP for 2014/2015.

ANNEXURE 5:

A - SCHEDULES