EMTHANJENI MUNICIPALITY

MTREF DRAFT BUDGET

2016/2017 FINANCIAL YEAR

EMTHANJENI MUNICIPALITY
(NC073)

SCHEDULE A

DRAFT BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

2016-17 MTREF

DRAFT BUDGET OF

EMTHANJENI MUNICIPALITY

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

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Abbreviations and Acronyms

AMR Automated Meter Reading
ASGISA Accelerated and Shared Growth Initiative
BPC Budget Planning Committee
CBD Central Business District
CFO Chief Financial Officer
MM Municipality Manager
CPI Consumer Price Index
CRRF Capital Replacement Reserve Fund
DBSA Development Bank of South Africa
DoRA Division of Revenue Act
DWA Department of Water Affairs
EE Employment Equity
EEDSM Energy Efficiency Demand Side Management
M Mayor
FBS Free basic services
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
NKPIs National Key Performance Indicators
OHS Occupational Health and Safety
OP Operational Plan
PBO Public Benefit Organisations
PHC Provincial Health Care
PMS Performance Management System
PPE Property Plant and Equipment
PPP Public Private Partnership
PTIS Public Transport Infrastructure System
RG Restructuring Grant
RSC Regional Services Council
SALGA South African Local Government Association
SAPS South African Police Service
SDBIP Service Delivery Budget Implementation Plan
SMME Small Micro and Medium Enterprises

1.1 Mayor's Budget Speech

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1.1.1 Extract of Council Budget Resolutions

SPESIALE RAADSVERGADERING / SPECIAL *COUNCIL MEETING*
2016/03/31

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1.	MUNISIPALE KONSEPBEGROTING EN HERSIENE GEINTEGREERDE ONTWIKKELINGSPLAN: FINANSIëLE JAAR 2016/2017 MTEF / *MUNICIPAL DRAFT BUDGET AND REVISED INTEGRATED DEVELOPMENT PLAN: FINANCIAL YEAR 2016/2017 MTEF* (5/1/1/18 & 19/2)	
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FINALE MUNISIPALE KONSEPBEGROTING EN HERSIENE GEINTEGREERDE ONTWIKKELINGSPLAN: FINANSIëLE JAAR 2016/2017 MTEF / *FINAL MUNICIPAL DRAFT BUDGET AND REVISED INTEGRATED DEVELOPMENT PLAN: FINANCIAL YEAR 2016/2017 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 Stelselswet 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 Stelselswet.

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.
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 2016 sal in ooreenstemming wees met die goedgekeurde begroting soos bepaal in die WMFB.

All expenditure incurred from 1 July 2016 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 2016/2017 wat R237 459 584 bedra.
1.2 Die Konsepbegroting vir Totale Kapitaal- en Bedryfsuitgawes vir 2016/2017 wat R253 784 205 bedra, asook aanduidende totale bedrae vir die tydperk van die Mediumtermynuitgaweraamwerk:
1.2.1 Konsepbegroting vir Bedryfsuitgawes wat R232 847 651 bedra.
1.2.2 Konsepbegroting vir Kapitale Uitgawes wat R20 936 554 bedra.
1.2.3 aanwendingsbegrotingsposte volgens die regering se finansiëlestatiestiek-funksie.
1.3 Verhoging van tariewe soos per tariewe skedule
(i) Eiendomsbelasting
(ii) Elektrisiteit
(iii)Water
(iv)Vullisverwydering
(v) Riolering / Sanitasie

1.4 Die Dienslewerings- en Begrotingsimplementeringsplan (DLBIP) vir elke Direktoraat, dit wil sê Munisipale Bestuurder, Korporatiewe, Gemeenskaps- en Ontwikkelingsdienste, Finansiële Dienste en Infrastruktuur en Behuisings-dienste, soos uiteengesit in elk van die Sleutelprestasiemetingsaanwysers wat gekoppel is aan die Sleutelprestasie-areas.

2. Ander begrotingsverwante dokumente

(a) 'n Opsomming van die Hersiene Geintegreerde Ontwikkelingsplan vir 2016/2017 wat gekoppel is aan die begroting soos uiteengesit in die Kapitaalbegroting en Bedryfsbegroting.
(b) die Hersiene Konsepeiendomsbelastingsbeleid
(c) die Hersiene Konsepkredietbeheerbeleid
(d) die Konsepklientediensbeleid
(e) die Hersiene Konsepbehoeftigheidsbeleid tesame met die begroting vir

gesubsideerde gratis dienste soos water, elektrisiteit, vullisverwydering en riolering

(f) die Hersiene Konseptariefbeleid vir water, elektrisiteit en ander munisipale dienste

(g) die Konsepbeleggingsbeleid 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

(b) (i) Munisipale Bestuurder
(ii) Hoof- Finansiële Beampte
(iii) Direkteur: Korporatiewe Dienste
(iv) Direkteur: Gemeenskapsdienste
(v) Direkteur: Infrastruktuur en Behuisingsdienste
(vi) Ander Artikel 56-bestuurders

That the Council take note of:

1. The Mayor's comments on -

1.1 The Draft Total Revenue Budget for 2016/2017 amounting to R237 459 584.
1.2 The Draft Total Capital and Operating Budget for 2016/2017 amounting to R253 784 205 and also indicative total amounts for Medium Term Expenditure Framework:
1.2.1 Draft Operating Budget amounting to R232 847 651.
1.2.2 Draft Capital Budget amounting to R20 936 554.
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
(vi) Secondary Tariffs

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 2015/2016, 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)
(i) Revised SCM
(j) Revised Subsistence and Travel Policy

- *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

(b) (i) Municipal Manager
(ii) Chief Financial Officer
(iii)Director: Corporate Services
(iv)Director: Community Services
(v) Director: Infrastructure and Housing Services
(vi) Other ***Section 56 managers***

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*

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

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

6. Aanhangsels / *Attachments*

1. Hersiene Geintegreerde Ontwikkelingsplan vir 2016/2017 word aangeheg as **RV tot RV.**
2. Hersiene Konsepeiendomsbelastingsbeleid word aangeheg as **RV tot RV.**
3. Hersiene Konsepkredietbeheerbeleid word aangeheg as **RV tot RV.**
4. Konsepklientediensbeleid word aangeheg as **RV tot RV.**
5. Hersiene Konsepbehoeftigheidsbeleid en begroting vir gratis basiese dienste word aangeheg as **RV tot RV.**
6. Konsepbegrotingsbeleid word aangeheg as **RV tot RV.**
7. Konsepbeleggingsbeleid en beleggingskedule word aangeheg as **RV tot RV.**
8. Batebestuurbeleid word aangeheg as **RV tot RV.**
9. Konseptariefbeleid word aangeheg as **RV tot RV.**
10. Munisipale Voorsieningskanaalbestuurbeleid: Munisipale Finansiële Bestuur Wet, 2003 word aangeheg as **RV tot RV.**
11. MFBW Omsendskrywes no. 78 en 79 word aangeheg as **RV tot RV.**
12. Konsepbegroting vir Inkomste en Uitgawe vir 2016/2017 volgens funksionele klassifikasie (Opsommingsverslag) word aangeheg as **RV tot RV.**
13. Skedule van Beraamde Tariewe word aangeheg as **RV tot RV.**

1. *Revised Integrated Development Plan for 2016/2017 is attached as **RV to R** .*
2. *Revised Draft Property Rates Policy is attached as **RV to RV.***
3. *Revised Draft Credit Control Policy is attached as **RV to RV.***
4. *Draft Customer Care Policy is attached as **RV to RV.***
5. *Revised Draft Indigent Policy and budget for free basic services is attached as **RV to RV** .*
6. *Draft Budget Policy is attached as **RV to RV.***
7. *Draft Investment Policy and schedule of investments is attached as **RV to RV.***
8. *Asset Management Policy is attached as **RV to RV.***
9. *Draft Tariff Policy is attached as **RV to RV** .*
10. *Municipal Supply Chain Management Policy: Municipal Finance Management Act, 2003 is attached as **RV to RV.***
11. *MFMA Circulars No. 78 and 79 are attached as **RV to RV.***
12. *The Operating Draft Income and Expenditure for 2016/2017 by Classification (Summary Report) is attached as **RV to RV.***
13. *Schedule of Estimated Tariffs is attached as **RV to RV.***

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 2016 hernu moet word.

ABSA Bank het ook verskeie wentelkredietfasiliteite aan Emthanjeni Munisipaliteit toegestaan, wat ook op 30 Junie 2016 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 2016.

ABSA Bank also provided various revolving credit facilities to Emthanjeni Municipality which must also be renewed on 30 June 2016.

2. Regsimplikasies / *Legal Implications*

Aangesien die MFBW, Wet 56 van 2003, verwag dat plaaslike owerhede teen 30 Junie 2016, nie meer 'n oortrokke banksaldo mag hê nie, moet 'n fasiliteit met ABSA onderhandel word vir die finansiële jaar 1 Julie 2016 tot 30 Junie 2017.

Die betrokke banksaldo moet herstel word na 'n gunstige banksaldo op 30 Junie 2016, wat sal meebring dat ons nie meer 'n oortrokke banksaldo op 30 Junie 2016 sal hê nie.

Algemene Beleggings sal, indien nodig, op 30 Junie 2016 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 2016, a facility must be negotiated with ABSA for the financial year 1 July 2016 to 30 June 2017.

The overdraft balance must be restored to a positive bank balance on 30 June 2016 which will result in us not having a bank overdraft on 30 June 2016.

General Investments will, if necessary, have to be withdrawn on 30 June 2016 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 resolusie van die Munisipale Raad, onderteken deur die Burgemeester, die skuldooreenkoms goedkeur, en
(b) die rekenpligtige beampte 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 2016 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 R2 000 000.00 met ABSA onderhandel word vir die finansiële jaar 1 Julie 2016 tot 30 Junie 2017, indien van toepassing.

1. *That the bank balance on 30 June 2016 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 R2 000 000.00 be negotiated with ABSA for the financial year 1 July 2016 to 30 June 2017, if applicable.*

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*

Executive Summary Draft Budget 2016/2017 MTEF

Council adopted the budget schedule at the end of August 2015 where after the IDP and the Budget processes started in earnest. Several consultative meetings, such as "Council meets the People", IDP Rep forums, Ward committee meetings were conducted to silicate the views, input, needs, etc. of the various communities of Emthanjeni Municipality. These will be recorded and will be taken into consideration when the Budget is aligned to the IDP.

The budget was prepared in conjunction with the MFMA circulars and other regulations. The Budget was prepared on a conservative approach as stipulated in MFMA Circulars 66, 67, 70, 71, 72, 74, 75, 78 and 79.

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

An Revised IDP will be tabled to Council during March 2016 and thereafter it will published for comments before it will be adopted by Council during the final budget meeting of 31 May 2016.

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.

Emthanjeni Municipality's total direct Draft Capital Budget for 2016/2017 financial year amounts to R20 936 554.

The current linkage of the IDP to the budget amount to R59 449 304, that includes grants in kind of R37 903 000 which the municipality does not has control over.

The total is broken down as follows:

1.	**Capital Grants**	**R14 602 000**
1.1	Municipal Infrastructure Grant	R11 602 000
1.2	Integrated National Electricity Programme (INEP)	R 3 000 000
2.	**Own Capital Funding**	**R 6 944 304**
2.1	Resealing and construction of new streets -R2 800 000 will be financed form surplus internal funding	R2 800 000
2.2	Machinery and Equipment amounts to	R 962 765
2.3	Building Renovations	R 643 370
2.4	Prepaid Electricity Meters	R 600 000
2.5	Grap Compliance/SCOA Readiness	R1 305 668
2.6	Vehicles	R 220 000
2.3	Other smaller Capital Projects estimated to	R 412 501.
3.	**Borrowed Capital**	**R 0**

4.	**CAPITAL GRANTS IN KIND**	**R37 903 000**
4.1	Regional Bulk Infrastructure Grant (RBIG) Water	R15 000 000
4.2	Eradication of the Bucket System	R22 903 000

These grants are administered by the Department of Water Sanitation. The grant amounts have decrease over the years. The majority of grants promulgated over the past financial years, never realized or were taken away or not spent. These grants should directly be allocated to Emthanjeni Municipality so that the municipality can administered these grants directly. Emthanjeni Municipality has no control over the spending or realization of these grants.

B. OPERATING BUDGET

1.Budgeted Income

1.1. Total expected Net Rates Income will be R 29 165 435

-Rates will be levied on the market value of properties as per our municipal valuation roll.
-The Amendments MPRA played a crucial role in calculating the net revenue
-New property categories such solar renewable energy has been created will be levied for the time on 01 July 2015
- Agriculture properties will be levied according the ratio of 1:0,25 as per MPRA. Further rebates will be granted to agricultural property according to the Rates Policy.
-Vacant property and Renewal Energy property have its own tariff.

1.2 Other Levied Services budgeted income are almost R113 841 258

1.2.1 -Electricity amount to R57 925 365
1.2.2 -Water amounts R27 952 647
1.2.3 -Sewerage amounts to R17 568 115
1.2.4 -Refuse removal amounts to R10 277 230
1.2.5 -Other service charges amounts to R117 901.

1.3 Fines will be budgeted for at gross amounts of R6 542 895

1.4 Licenses and permits will be R1 978 232

1.5 Rental of facilities and equipment expected income will be R685 723

1.6 Interest Income will be R1 759 690

1.6.1 External Investments amounts to R805 600
1.6.2 Interest charged on Arrear accounts amounts to R954 090

1.7 Operating Grants and Subsidies amount to R41 660 000

1.7.1	- Equitable Share	R36 197 000
1.7.2	-Finance Management Grant	R1 625 000
1.7.3	-Municipal Systems Grant	R 0
1.7.4	-Library Development Fund	R1 611 000
1.7.5	-EPWP	R1 000 000
1.7.6	Primary Health Subsidy	R1 227 000

Since the Municipal Systems Grants have been allocated to the Provincial Government, COGSHTA, we need to re-assess our Shared Service Agreement with Pixley Ka Seme District. This is important as the Shared Service Accounts have been paid from the MSIG that the municipality received over the years.

1.8 Other Budgeted Revenue R27 094 751

Prepaid Electricity Sales of R26 209 506 is included in the other budgeted revenue.

1.9 The Total Budgeted Revenue (Income) for the 2016/2017 Financial year are R237 459 584. The total budgeted income consists out of

1.9.1	Capital Grants	-	R 14 602 000
1.9.2	Operating Grants and Subsidies	-	R 41 660 000
1.9.3	Borrowed Capital	-	R 0
1.9.4	Own generation of budgeted income	-	R 181 197 584

There is an increase in total budgeted income of between 7 and 8 % in relation to the previous year.

The main reasons for the increase are:

(i) **All tariffs for Rates and Taxes, Water, Sewerage and Refuse will be increase very conservatively by 6% in relation to the previous financial year.**

(ii) **Electricity tariffs will be increased by 8% but NERSA final guidelines and approval will have an impact on this final tariffs.**

(iii) **A very cautious and conservative approach were followed during the budget preparations. The current payment patterns of consumers played a crucial role in our budget approach.**

(iv) **The Anticipated Budgeted Revenue for the majority of services has decrease from the previous year. This relates to the current economic conditions that exist nationally and within Emthanjeni Municipality.**

(v) **The general increment of service tariffs and levies was followed as per MFMA guidelines.**

(vi) **The capital budget was separated between direct allocations that Emthanjeni Municipality will received. The In Kind Grants that are not administered or control by the municipality hence it does not really forms part of our Draft Budget.**

(vii) **The general apathy of non-payment for municipal services by the consumers were considered when tariff increments were determined. funding, as well as the transfer of funds from Investment portfolio.**

(viii) **Continuous Credit Control Mechanisms and the enforcement of credit control policies together with all budgetary policies cannot be more emphasize as it will impact negative or positive on the operations of the municipality.**

(ix) **The budget has been prepared on the basis of sustainable delivery and financial viability and cost effectiveness to render municipal services to its communities, residents and consumers on an ongoing, unstoppable basis.**

2. Expenditure

2.1 Salary and wages

-The total salaries and social contributions for the year amounts to **R70 201 232** (R66 803 570 in 2015/2016)
-Annual increase of 6.5 % has been provided as per Collective Wage Agreement as per SALGBC (before the SALGBC official notice).
-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 2016-2017 financial year. If we have to budget for all the positions, our salary budget will take up more than 70% of the municipal operating budget
-Efficient and effective alignment of staff, should to be undertaken to ensure overall productivity of staff within the municipality.
-The salary budget needs to be monitored as we must really assess the current staff and positions. The productivity of staff need to be prioritized as much more work must be done on this issue.
-The salary percentage to the **Operating Budget is 32%** and to the **total capital and operating budget is +/- 29%**

2.2 Councillor Remuneration

-Councilor Remuneration amounts for **R4 786 954** (R4 579 928 in 2015/2016).

-Councillor remuneration has been provided a 7.5% increase on the current Public Officers Bearers Act, dated December 2015.

-the councilor remuneration percentage to the total capital and operating budget is +/- 1.6%

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

2.3 Provision for Bad Debts, working capital reserve to R11 119 127 (R10 229 410 2015/2016).

2.4 Net Impairment of assets & depreciation estimated at R9 597 035 (R9 248 185 in 2015/2016)

2.5 Repair and maintenance total estimation are R 17 805 174 (R16 618 102 in 2015/2016) **which is being be split between Materials and Contracted Services. An amount of R3 900 000 is included for the Operating Vehicle Leases (Full Maintenance Leases)**

2.6 Contracted Services costs are budgeted for R11 395 198 (R11 654 783 in 2015/2016)

2.7 Capital Charges for interest on loans amounts to R5 633 340 (R3 555 663 in 2015/2016). **The main reason for the 200% increase is due to the augmentation of the fleet that will be according the full maintenance lease agreement.**

2.8 Bulk Purchases for Water and Electricity amounts to R57 390 803 (R 53 094 484 in 2015/2016). **This increase represents mainly the Eskom's tariff increment of**

8% as stated in the MFMA Circular issued by National Treasury. The approved

remuneration of Farmers for the mining of water whether through access or damage should be finalise before the end of the current financial year. An Equitable Damage costs for all farmers should be determine and concluded before the end of 30 June 2016.

2.9 **Operating Grants and subsidy expenditure amounts to R8 730 948** (R11 661 951 in 2015/2016), **which are mostly spent on the Indigent Households for the subsidized free basic services provide to approved Indigent Households.**

2.10 **Capital Grants payments amounts to R14 602 000. These amounts are mainly recognized on the income side and also on the expenditure side.**

2.11 **Capital projects that are finance from own funds amounts to R6 944 304** (R6 330 541 in 2015/2016).

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

2.13 **Other expenditure amounts to R37 616 391** (R27 708 488 in 2015/2016) **include some of activities that will take place amongst others:**

-Employee Wellness	R1 600 000.
-Audit Fees	R3 647 241
-Telephone	R1 029 568
-Departmental Accounts (Water, Electricity, Street lighting, etc.)	R4 272 085
-Fuel and Oil	R3 478 019
-General Valuation Costs	R 650 000
-Insurance	R1 679 497
-Subsistence and Travel	R1 589 779
-SALGA Membership	R 715 176
-Electrical Rural Pump Costs for Water provision	R2 120 810
-Postage	R 352 604
-Stationery and Printing	R 915 250
-Skills Development and Training	R 429 906
-Security Services	R2 658 000

The major types have been decrease in relation to the previous year. A marginal increment was allocated at those expenditure types who increased. Real Budget Austerity measures are being introduce to monitor expenditure. Proper planning must be the order of the day when it comes to spending. The *"NICE TO HAVES"* procurement must be stopped or eliminated as it will not assist the current plans and reserves,

Strict control mechanisms must be enforced by Budget Drivers. Expenditure must be prioritized. Travelling expenses must be managed properly and only meetings that will add value to the municipality should be attended by Councillors and Officials of the municipality.

The Budgeted Expenditure for 2016/2017 are **R253 784 205** which comprise of Operating Budget of **R232 847 651** and the Capital budget of **R20 936 554.** This represents a total increase of +-4% in the relation to the previous year's Budget. The increase is almost insignificant as it is our attempt to enforce budgeting control. The realization of revenue impacts on the expenditure management.

C.Tariff Increments

Tariffs expected increases for the 2016/2017 financial year are set out below. These are

1. Rates and taxes

- Residential and Agricultural properties will increased by 6%
- Other categories will increased see an exponential increments
- The General Valuation Roll will be continued up and till June 2017. 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 28% before the end of August 2016.
- The owner must be at least sixty (65) years of age and total gross monthly income or earnings must not exceed

  (i) an amount of R4 950 to qualify for a 50% rates rebate

  (ii) an amount of R5 550 to qualify for a 45% rates rebate

  (iii) an amount of R6 200 to qualify for a 40% rates rebate
- 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 8%
- Conventional and Prepaid electricity tariffs will be increase (see tariff schedule
  - 1-50 kWh increase by 8 %
  - 51-350 kWh increase by 8%
  - 351 and more kWh units increase by 8%

3. Water

- Basic fee will increase by 6%.
- Water consumption will be increased by 6% 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 introduced for consumers who are consuming more than 45kl.

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 4000 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
2. 50 kWh of electricity		R46. 74
3. Water		R118.48
➢ Basic fee	R69.35	
➢ Consumption: 6000 liters (6kl) of water	R30.64	
➢ Consumption: 2000 liters (8kl) of water	R18.49	
(Policy makes provision that Indigent Households will receive 8kl of water).		
4. Monthly sewerage		R171.71
5. Monthly refuse removal		R107.08
Total monthly subsidized services to Indigent Households		**R444.01**

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 2016/2017 financial year. The process needs to be completed by end of June 2016 in order to update our records and registers annually. Auditors are auditing the application process very intensively.

J. CONCLUSION

The 2016/2017 budget is an 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 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 increases of tariffs are mainly focused on affordability and to ensure that we generated all revenue as budgeted for. Hence the low increment of operating expenditure and expenditure control that will be sharpened over the next financial year.

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.

3.The budget is prepared under the auspices and principles from the Minister of finance and the MEC of Finance that all sectors of government must ensure that austerity measures are introduced. Sustainable service delivery still takes precedence in this draft budget.

1.2 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 2016/17 MTREF (classified by main revenue source): Table 1 Summary of revenue classified by main revenue source

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	17 220	21 035	21 905	27 503	27 503	27 503	27 503	29 165	30 915	51 010
Property rates - penalties & collection charges	103	150	170	–	–	–	–	–	–	–
Service charges - electricity revenue	48 279	56 488	59 935	57 935	53 635	53 635	53 635	57 925	61 401	101 311
Service charges - water revenue	16 439	18 746	20 888	26 111	25 411	25 411	25 411	27 953	29 630	48 889
Service charges - sanitation revenue	9 421	10 302	10 691	14 888	14 888	14 888	14 888	17 568	18 622	30 727
Service charges - refuse revenue	5 323	5 705	5 822	8 937	8 937	8 937	8 937	10 277	10 894	17 975
Service charges - other	428	415	405	240	240	240	240	118	270	445
Rental of facilities and equipment	947	747	1 189	652	652	652	652	686	732	885
Interest earned - external investments	1 595	1 030	950	715	715	715	715	806	854	1 409
Interest earned - outstanding debtors	494	625	646	873	873	873	873	954	1 011	1 669
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines	12 611	17 765	23 011	7 581	7 581	7 581	7 581	6 543	6 935	11 444
Licences and permits	1 201	1 305	1 257	2 099	2 099	2 099	2 099	1 978	2 097	3 460
Agency services	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 660	41 753	47 657
Other revenue	6 148	3 223	7 256	23 434	24 234	24 234	24 234	27 095	28 688	47 256
Gains on disposal of PPE	319	164	979	130	130	130	130	130	139	148
Total Revenue (excluding capital transfers and contributions)	**164 039**	**183 452**	**194 653**	**211 697**	**207 497**	**207 497**	**207 497**	**222 858**	**233 942**	**364 285**

Table 2 Percentage growth in revenue by main revenue source

Description	Current Year 2016/17	2016/17 Medium Term Revenue & Expenditure Framework

R thousand	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source								
Property rates	27 503	13.25%	29 165	13.09%	30 915	13.21%	51 010	14.00%
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–
Service charges - electricity revenue	53 635	25.85%	57 925	25.99%	61 401	26.25%	101 311	27.81%
Service charges - water revenue	25 411	12.25%	27 953	12.54%	29 630	12.66%	48 889	11.81%
Service charges - sanitation revenue	14 888	7.18%	17 568	7.88%	18 622	7.96%	30 727	8.43%
Service charges - refuse revenue	8 937	4.31%	10 277	4.61%	10 894	4.66%	17 975	4.93%
Service charges – other	240	0.12%	118	0.05%	270	0.12%	445	0.12%
Rental of facilities and equipment	652	0.31%	686	0.31%	732	0.31%	885	0.24%
Interest earned - external investments	715	0.34%	806	0.36%	854	0.37%	1 409	0.39%
Interest earned - outstanding debtors	873	0.42%	954	0.43%	1 011	0.43%	1 669	0.46%
Dividends received	–	–	–	–	–	–	–	–
Fines	7 581	3.65%	6 543	2.94%	6 935	2.96%	11 444	3.14%
Licences and permits	2 099	1.01%	1 978	0.89%	2 097	0.89%	3 460	0.95%
Agency services	–	–	–	–	–	–	–	–
Transfers recognised - operational	40 601	19.57%	41 660	18.69%	41 735	17.84%	47 657	13.08%
Other revenue	24 234	11.68%	27 095	12.16%	28 688	12.26	47 256	12.97%
Gains on disposal of PPE	130	0.06%	130	0.06%	139	0.08%	148	0.04%
Total Revenue (excluding capital transfers a and contributions)	**207 497**	100%	**222 858**	100%	**233 942**	100%	**364 285**	100%

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 2016/17 financial year, revenue from rates and services charges totalled R143, 007 million or 64.17 %. This increases to R151, 732 million, and R250, 357 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 8.67 per cent in 2016/17, to 5.75 per cent in 2017/18 and to 39.39 % in 2018/19. 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.

The largest source of income is generated from Electricity which totals R57, 925. Property Rates is the second largest revenue source totalling 13.09 per cent or R29, 165 million rand and increases to R51, 010 million by 2018/19. The third largest source is water and it followed

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 R41, 660 million in the 2016/17 financial year and steadily increases to R47, 256 million by 2018/19.

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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:									
Operating Transfers and Grants									
National Government:	**37 623**	**38 493**	**38 876**	**39 459**	**39 459**	**39 459**	**38 822**	**38 586**	**41 307**
Local Government Equitable Share	34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management	1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement	800	890	934	930	930	930	–	–	–
EPWP Incentive	1 000	1 234	1 000	1 000	1 000	1 000	1 000	–	–
Energy Efficiency and Demand Man	–	–	–	–	–	–	–	–	–
Provincial Government:	**1 683**	**4 912**	**757**	**1 142**	**1 142**	**1 142**	**2 838**	**2 527**	**2 674**
Health subsidy	1 001	1 150	–	–	–	–	1 227	1 288	1 363
Housing	–	458	–	–	–	–	–	–	–
Sport and Recreation	682	679	757	1 142	1 142	1 142	1 611	1 239	1 311
Department of Education	–	235	–	–	–	–	–	–	–
Department of Roads	–	2 389	–	–	–	–	–	–	–
District Municipality:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other grant providers:	**–**	**2 050**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Department of Water Affairs	–	2 050	–	–	–	–	–	–	–
Total Operating Transfers and Gran	**39 306**	**45 455**	**39 633**	**40 601**	**40 601**	**40 601**	**41 660**	**41 113**	**43 981**

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 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.

1.2.1 Property Rates

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

Property Rates tariffs increased very conservatively since 2009.

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;
- 28 per cent rebate will be granted on all agricultural properties but must be applied for before 31 August 2016 as per the 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.
- 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 further 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 2016/17 financial year based on a percentage increases(decreases) from 1 July 2016 is contained below:

Table 4 Comparison of proposed rates to be levied for the 2016/17 financial year

Category	Current Tariff (1 July 2015)	Proposed tariff (from 1 July 2016)
	c/R	c/R
Residential properties	0.012860	0,013632
State owned properties	0.016934	0,016854
Business & Guesthouses	0.013396	0,013333
Industrial	0.017415	0,017093
Place of Worship	0.128610	0,128610
Public Benefit Organization	0.012861	0,012861
Mining	0.020344	0,017252
Vacant land	0.032550	0,017252
Farm property where a portion is used for renewable energy generation purpose	0.041000	0,043460

1.2.2 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 2015.

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 an average of 6 per cent from 1 July 2016.

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 6 per cent from 1 July 2016 for water is proposed. This is based on input cost assumptions of between 6 to 15 per cent increase in the cost of bulk water to the water farmers. In addition 6 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 2014/15	PROPOSED TARIFFS 2016/17
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Basic fee: Residential	57.39	60.83
(i) 1 to 6 kℓ per 30-day period		
(ii) 7 to 15 kℓ per 30-day period	7.65	8.11
(iii) 16 to 30 kℓ per 30-day period	8.69	9.21
(iv) 31 to 45 kℓ per 30-day period	10.13	10.74
(v) 46 kℓ and more per 30-day period	10.64	11.28
NON-RESIDENTIAL		
Basic fee: Business	293.16	310.75
(i) 1 to 6 kℓ per 30-day period	4.23	4.48
(ii) 7 to 15 kℓ per 30-day period	7.65	8.11
(iii) 16 to 30 kℓ per 30-day period	8.69	9.21
(iv) 31 to 45 kℓ per 30-day period	10.13	10.74
(v) 46 kℓ and more per 30-day period	10.64	11.28

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	60.83	60.83	3.44	6%
6				0%
15	68.85	72.99	4.14	6%
30	130.35	138.15	7.80	6%
45	151.95	161.10	9.15	6%
51	63.84	67.68	3.84	6%
100	521.36	575.28	53.92	6%

The tariff structure of the 2016/17 financial year has unchanged, however the tariff structure is still designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R11.28 per kilolitre for consumption in excess of 45kℓ per 30 day period.

1.2.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 9.4 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

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 2016. 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	90.75	98.00	7.25	8%
250	149.68	162.00	12.32	8%
500	300.20	324.00	23.80	8%
750	350.63	378.00	27.37	8%
1 000	365.85	390.00	24.15	8%
2 000	1447.38	1560.00	112.62	8%

It should further be noted that Emthanjeni Municipality implemented the IBT as required by NERSA. 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.

1.2.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2016 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 exiting purification plants will impact on tariffs over the MTEF period.

The total revenue expected to be generated from rendering this service amounts to R17, 568 million for the 2016/17 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF 2016/17	**PROPOSED TARIFF 2016/17**
Residential Households	**142.10**	**150.62**
Business	**198.62**	**210.53**
Government	**267.82**	**283.88**

1.2.5 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 6 per cent increase in the waste removal tariff is proposed from 1 July 2016. Higher increases will not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2016:

Table 9 Comparison between current waste removal fees and increases

Service	CURRENT TARIFFS 2016/17	PROPOSED TARIFFS 2016/17
Tariff per households container per month or part of a month:	**88.61**	**93.90**
Tariff per Special refuse removal *	**155.07**	**163.60**
Building rubble*	**310.16**	**329.10**

1.2.6 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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Rand/cent							% incr.			
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	637.58	787.75	831.08	880.94	880.94	880.94	6.0%	933.80	989.83	1 049.22
Electricity: Basic levy	104.94	111.24	117.35	131.67	131.67	131.67	8.0%	142.20	147.94	156.82
Electricity: Consumption	977.74	1 042.67	1 119.72	1 256.33	1 256.33	1 256.33	8.0%	1 356.84	1 465.39	1 582.62
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.87
Water: Consumption	168.96	179.02	187.97	199.25	199.25	199.25	6.0%	211.20	223.87	237.30
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.66	169.24
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.92	99.56	105.53
Other								–	–	–
sub-total	2 131.03	2 376.99	2 527.28	2 756.71	2 756.71	2 756.71	7.0%	2 949.87	3 151.22	3 369.60
VAT on Services	209.08	222.49	237.47	262.61	262.61	262.61		412.61	441.17	471.74
Total large household bill:	2 340.11	2 599.48	2 764.75	3 019.32	3 019.32	3 019.32	11.4%	3 362.48	3 592.39	3 841.34
% increase/-decrease		11.1%	6.4%	9.2%	–	–		11.4%	6.8%	6.9%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	588.72	596.08	628.87	666.60	666.60	666.60	6.0%	706.60	748.99	793.93
Electricity: Basic levy	104.94	111.24	117.35	131.67	131.67	131.67	8.0%	142.20	147.94	156.82
Electricity: Consumption	653.02	695.21	746.58	837.66	837.66	837.66	8.0%	904.67	977.05	1 055.21
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.86
Water: Consumption	132.11	140.04	147.04	155.86	155.86	155.86	6.0%	165.21	175.12	185.63
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.65	169.23
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.93	99.56	105.54
Other	–	–	–	–	–	–	–	–	–	–
sub-total	1 720.60	1 798.87	1 911.01	2 080.31	2 080.31	2 080.31	6.9%	2 224.52	2 373.28	2 535.22
VAT on Services	158.46	168.39	179.50	197.92	197.92	197.92		212.14	227.40	243.78
Total small household bill:	1 879.07	1 967.27	2 090.51	2 278.23	2 278.23	2 278.23	7.0%	2 436.66	2 600.68	2 779.00
% increase/-decrease		4.7%	6.3%	9.0%	–	–		7.0%	6.7%	6.9%
			0.33	0.43	-1.00	-				
Monthly Account for Household - 'Indigent' Household receiving free										
Rates and services charges:										
Property rates	39.09	40.25	42.46	45.01	45.01	45.01	6.0%	47.71	50.57	53.61
Electricity: Basic levy	–	–	–	–	–	–	–	–	–	–
Electricity: Consumption	32.18	34.05	36.50	40.95	40.95	40.95	8.0%	44.23	47.76	51.59
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.86
Water: Consumption	–	–	–	–	–	–	–	–	–	–
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.65	169.23
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.93	99.56	105.54
Other	–	–	–	–	–	–	–	–	–	–
sub-total	313.08	330.61	350.13	374.48	374.48	374.48	6.2%	397.78	422.51	448.83
VAT on Services	38.36	40.65	43.07	46.13	46.13	46.13		49.01	52.07	55.33
Total small household bill:	351.43	371.25	393.21	420.61	420.61	420.61	6.2%	446.79	474.58	504.16
% increase/-decrease		5.6%	5.9%	7.0%	–	–		6.2%	6.2%	6.2%

1.3 Operating Expenditure Framework

Emthanjeni Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- 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 2016/17 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification Item

NC073 Emthanjeni - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type										
Employee related costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	70 201	74 514	79 842
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	4 787	5 122	5 481
Debt impairment	12 035	53 283	35 712	11 429	10 229	10 229	10 229	11 119	11 786	19 447
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	9 597	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 633	6 143	9 731
Bulk purchases	38 781	43 536	47 049	53 094	53 094	53 094	53 094	57 391	60 834	100 377
Other materials	2 056	11 611	11 215	8 648	16 618	16 618	16 618	17 805	18 864	30 971
Contracted services	8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 967	10 565	17 432
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	8 731	9 255	15 270
Other expenditure	25 409	19 739	21 979	41 969	29 743	29 743	29 743	37 616	38 877	58 106
Loss on disposal of PPE	319	70	744	–	–	–	–	–	–	–
Total Expenditure	**218 175**	**267 088**	**258 437**	**220 896**	**215 864**	**215 864**	**215 864**	**232 848**	**246 133**	**353 431**

The budgeted allocation for employee related costs for the 2016/17 financial year totals R70, 201 million, which equals 30.15 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement and as per National Treasury Budget Circular 79/2016, salary increases have been factored at a percentage increase of 6.5 per cent for the 2016/17 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 2016/17 financial year this amount equates to R11, 119 million and escalates to R19, 447 million by 2018/19. 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 R9, 597 million for the 2016/17 financial and equates to 4.1 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 2, 42 per cent (R5. 633 million) of operating expenditure excluding annual redemption for 2016/17 and increases to R 9 731 million by 2018/19.

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 2016/17 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this group of expenditure totals R9, 967 million and has increased since last year. For the two outer years growth has been limited to 4.29 and 4.93 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 20.93 per cent for 2016/17 and curbed at 3.24 and 33.09 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 2016/17 financial year.

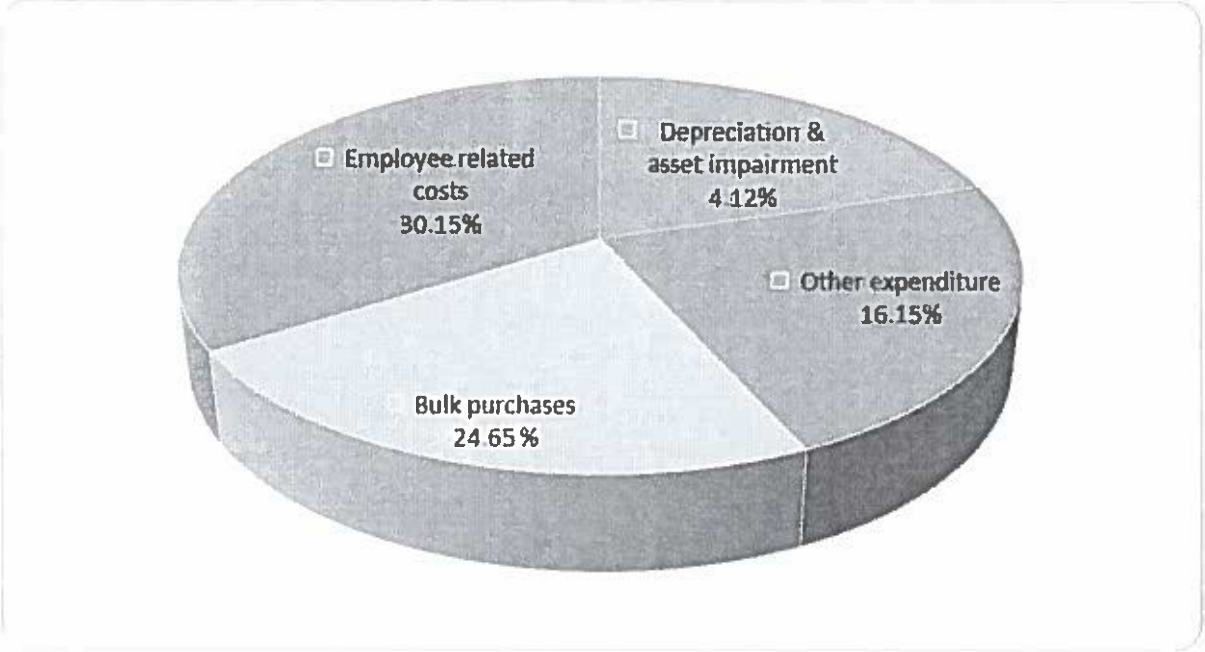

Figure 1 Main operational expenditure categories for the 2016/17 financial year

1.3.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 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	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	–	–	–	–	–	–	–	–
Other materials	5 675	7 663	7 402	8 648	8 648	8 648	8 648	8 879	9 412	15 485
Contracted Services	2 795	3 948	3 813	7 970	7 970	7 970	7 970	8 926	9 451	15 486
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Ex	8 471	11 611	11 215	16 618	16 618	16 618	16 618	17 805	18 864	30 971

During the compilation of the 2016/17 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 6.67 per cent in the 2016/17 financial year, from R16, 618 million to R17, 805 million. As part of the 2016/17 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2016/17 equates to R17, 805 million a growth of 6.67 per cent in relation to the Adjustment Budget and continues to grow at 5.61 and 39.09 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 7.65, 7.66 and 8.76 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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Repairs and Maintenance by Asset Class	8 471	11 611	11 215	16 618	16 618	16 618	17 805	18 864	30 971
Infrastructure - Road transport	1 368	1 277	317	616	616	616	628	562	1 099
Infrastructure - Electricity	1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Infrastructure - Water	750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Infrastructure - Sanitation	712	464	228	64	64	64	66	70	116
Infrastructure - Other	711	1 068	–	1 975	1 975	1 975	–	–	–
Infrastructure	5 036	4 435	2 399	5 143	5 143	5 143	3 470	3 785	6 151
Community	1 626	2 218	3 409	3 098	3 098	3 098	2 037	2 302	4 263
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	158	–	–	–	–	–	–	–	–
Other assets	1 651	4 958	5 407	8 377	8 377	8 377	12 298	12 777	20 557
TOTAL EXPENDITURE OTHER ITEMS	77 746	76 824	72 601	25 866	25 866	25 866	27 402	29 037	47 746

For the 2016/17 financial year, 19 per cent or R3, 470 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 8.6 per cent (R1, 545 million), water infrastructure at 6.9 per cent (R1, 231 million) and road at 3.5 per cent (R0, 628 million). Community assets have been allocated R2, 037 million of total repairs and maintenance equating to 11.44 per cent.

1.3.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register +/- 4 000 indigent households during the 2016/17 financial year, a process reviewed annually by the end of June 2016. 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.

1.4 Capital expenditure

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

Table 14 2016/17 Medium-term capital budget per vote

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard										
Governance and administration	**518**	**878**	**183**	**2 056**	**1 726**	**1 726**	**1 726**	**1 929**	**2 046**	**3 291**
Executive and council	86	585	9	159	89	89	89	137	147	157
Budget and treasury office	432	172	49	1 369	1 369	1 369	1 369	1 441	1 528	2 521
Corporate services		120	125	528	268	268	268	350	371	612
Community and public safety	**1 194**	**778**	**179**	**657**	**557**	**557**	**557**	**431**	**447**	**699**
Community and social services	856	63	134	307	207	207	207	268	284	469
Sport and recreation	42	1	–	261	261	261	261	70	65	68
Public safety	294	–	–	88	88	88	88	93	98	162
Housing	2	714	45	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–
Economic and environmental serv	**2 048**	**15 901**	**–**	**11 737**	**11 737**	**11 737**	**11 737**	**4 232**	**10 106**	**15 261**
Planning and development	5	500	–	12	12	12	12	13	13	22
Road transport	2 043	15 401	–	11 724	11 724	11 724	11 724	4 220	10 092	15 239
Environmental protection	–	–	–	–	–	–	–	–	–	–
Trading services	**9 960**	**3 995**	**13 833**	**52 895**	**5 102**	**5 102**	**5 102**	**14 344**	**6 585**	**2 756**
Electricity	3 145	2 314	–	6 726	2 100	2 100	2 100	5 400	4 601	2 049
Water	6 815	1 681	13 833	10 180	180	180	180	7 822	500	350
Waste water management	–	–	–	35 958	2 791	2 791	2 791	1 090	1 450	300
Waste management	–	–	–	31	31	31	31	32	34	56
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Standar	**13 721**	**21 552**	**14 194**	**67 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**
Funded by:										
National Government	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 992	12 491	13 118
Provincial Government	–	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	**12 139**	**15 313**	**13 833**	**55 958**	**12 791**	**12 791**	**12 791**	**13 992**	**12 491**	**13 118**
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	5 046	–	–	–	–	–	–
Internally generated funds	1 582	6 239	362	6 341	6 331	6 331	6 331	6 944	6 694	8 888
Total Capital Funding	**13 721**	**21 552**	**14 194**	**67 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**

For 2016/17 an amount of R20, 937 million has been budgeted for the development of assets. Infrastructure Assets represents 88.12 per cent of the total capital budget. In the outer years this amount totals R16, 542 million, 86.22 per cent and R17, 794 million, 80.86 per cent respectively for each of the financial years. Water department receives the highest allocation of R7, 822 million followed by Electricity of R5, 400 million in 2016/17 financial years. Roads will receive the highest allocation in 2017/18 as well as in 2018/19, this will amount to R10, 092 and R 5, 239 respectively.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). 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:

1.5 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 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

NC073 Emthanjeni - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	**17 323**	21 185	22 075	27 503	27 503	27 503	27 503	29 165	30 915	51 010
Service charges	79 889	91 655	97 741	108 111	103 111	103 111	103 111	113 841	120 816	199 347
Investment revenue	1 595	1 030	950	715	715	715	715	806	854	1 409
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 660	41 753	47 657
Other own revenue	21 721	23 829	34 337	34 768	35 568	35 568	35 568	37 385	39 603	64 861
Total Revenue (excluding capital transfers and contributions)	164 039	183 452	194 653	211 697	207 497	207 497	207 497	222 858	233 942	364 285
Employee costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	70 201	74 514	79 842
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	4 787	5 122	5 481
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	9 597	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 633	6 143	9 731
Materials and bulk purchases	40 837	55 146	58 263	61 743	69 713	69 713	69 713	75 196	79 698	131 348
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	8 731	9 255	15 270
Other expenditure	45 858	80 320	66 235	63 028	50 302	50 302	50 302	58 702	61 228	94 985
Total Expenditure	218 175	267 088	258 437	220 896	215 864	215 864	215 864	232 848	246 133	353 431
Surplus/(Deficit)	(54 137)	(83 636)	(63 784)	(9 199)	(8 367)	(8 367)	(8 367)	(9 990)	(12 192)	10 854
Transfers recognised - capital	11 451	13 102	14 694	56 565	13 398	13 398	13 398	14 602	14 343	13 798
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	5 031	4 612	2 151	24 652
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	5 031	4 612	2 151	24 652
Capital expenditure & funds sources										
Capital expenditure	**13 721**	21 552	14 194	67 344	19 121	19 121	19 121	20 937	19 184	22 006
Transfers recognised - capital	**12 139**	15 313	13 833	55 958	12 791	12 791	12 791	13 992	12 491	13 118
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	5 046	–	–	–	–	–	–
Internally generated funds	**1 582**	6 239	362	6 341	6 331	6 331	6 331	6 944	6 694	8 888
Total sources of capital funds	**13 721**	21 552	14 194	67 344	19 121	19 121	19 121	20 937	19 184	22 006
Financial position										
Total current assets	**139 835**	121 847	125 401	109 842	99 318	99 318	99 318	111 861	112 571	112 075
Total non current assets	**976 067**	932 000	883 982	944 097	946 897	946 897	946 897	937 687	940 181	943 923
Total current liabilities	**40 848**	42 302	45 643	33 313	33 327	33 327	33 327	32 428	32 217	32 018
Total non current liabilities	**52 267**	52 911	54 198	67 490	63 471	63 471	63 471	37 370	37 737	38 544
Community wealth/Equity	**1 022 787**	958 633	909 543	953 136	949 417	949 417	949 417	979 749	982 798	985 436
Cash flows										
Net cash from (used) operating	**16 875**	12 659	14 269	55 260	25 550	25 550	25 550	27 784	17 323	23 504
Net cash from (used) investing	**(13 186)**	(20 562)	(13 008)	(59 374)	(18 967)	(18 967)	(18 967)	(20 807)	(19 046)	(21 858)
Net cash from (used) financing	**(2 275)**	(2 504)	(2 777)	1 096	(894)	(894)	(894)	(3 125)	90	71
Cash/cash equivalents at the year en	**10 640**	233	(1 283)	606	4 407	4 407	4 407	2 867	1 234	2 951
Cash backing/surplus reconciliation										
Cash and investments available	**10 654**	254	(1 257)	11 503	4 407	4 407	4 407	2 896	1 263	2 980
Application of cash and investments	**(21 650)**	(10 300)	(11 391)	(11 624)	(11 666)	(11 666)	(11 666)	(13 546)	(12 611)	(5 266)
Balance - surplus (shortfall)	**32 304**	10 554	10 134	23 127	16 073	16 073	16 073	16 442	13 874	8 246
Asset management										
Asset register summary (WDV)	**975 957**	931 972	883 952	935 454	935 454	935 454	937 575	937 575	940 067	943 807
Depreciation & asset impairment	**69 275**	65 214	61 386	9 248	9 248	9 248	9 597	9 597	10 173	16 775
Renewal of Existing Assets	**5 437**	9 253	362	11 386	6 331	6 331	6 331	6 944	6 572	8 888
Repairs and Maintenance	**8 471**	11 611	11 215	16 618	16 618	16 618	17 805	17 805	18 864	30 971
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	8 589	8 589	8 589	8 589	8 589	9 204	9 756
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	0	1	19	0	0	0	0	0	0	0
Energy:	0	1	1	1	1	1	1	1	1	1
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/(deficit) (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        (i) Transfers recognised is reflected on the Financial Performance Budget;
        (ii) 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.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the 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 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2016/17 the free basic water will remain at 8kl for Indigent Households.

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

NC073 Emthanjeni - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)									
Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard									
Governance and administration	**41 938**	**43 770**	**43 011**	**46 348**	**46 348**	**46 348**	**49 681**	**50 723**	**75 457**
Executive and council	5 410	5 639	5 537	3 335	3 335	3 335	4 295	4 090	6 673
Budget and treasury office	36 485	38 083	37 390	42 932	42 932	42 932	45 301	46 545	68 638
Corporate services	42	48	84	80	80	80	84	89	146
Community and public safety	**17 260**	**21 917**	**25 486**	**10 229**	**10 229**	**10 229**	**10 775**	**11 072**	**16 774**
Community and social services	1 394	1 435	1 516	1 844	1 844	1 844	2 192	1 987	2 545
Sport and recreation	355	171	112	114	114	114	123	131	216
Public safety	14 291	19 281	23 180	8 232	8 232	8 232	7 191	7 623	12 578
Housing	1 220	1 031	678	39	39	39	41	44	72
Health	–	–	–	–	–	–	1 227	1 288	1 363
Economic and environmental serv	**5 939**	**14 819**	**11 044**	**13 110**	**13 110**	**13 110**	**3 686**	**2 833**	**16 430**
Planning and development	746	1 235	897	3 395	3 395	3 395	1 610	1 692	2 429
Road transport	5 193	13 584	10 147	9 715	9 715	9 715	2 077	1 141	14 001
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	**110 352**	**116 048**	**129 806**	**198 576**	**151 209**	**151 209**	**173 317**	**183 656**	**269 422**
Electricity	52 352	60 590	66 606	83 494	79 994	79 994	91 961	94 570	151 919
Water	29 792	25 603	25 602	41 211	30 511	30 511	40 560	46 633	55 012
Waste water management	17 737	18 167	19 576	59 345	26 178	26 178	25 918	26 681	39 288
Waste management	10 472	11 687	18 021	14 526	14 526	14 526	14 879	15 772	23 204
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue - Standard	**175 490**	**196 554**	**209 347**	**268 262**	**220 895**	**220 895**	**237 460**	**248 284**	**378 083**
Expenditure - Standard									
Governance and administration	**38 789**	**44 755**	**44 414**	**46 086**	**45 463**	**45 463**	**49 395**	**53 437**	**68 877**
Executive and council	15 139	15 360	16 148	13 292	12 819	12 819	14 140	15 904	16 959
Budget and treasury office	14 896	18 325	17 363	20 440	20 290	20 290	21 639	23 037	31 844
Corporate services	8 755	11 069	10 902	12 354	12 354	12 354	13 617	14 496	20 074
Community and public safety	**23 420**	**40 283**	**41 685**	**29 011**	**29 085**	**29 085**	**30 628**	**32 178**	**41 078**
Community and social services	5 895	19 743	25 058	11 629	11 758	11 758	12 925	13 307	16 510
Sport and recreation	3 299	3 714	4 142	4 162	4 167	4 167	4 721	5 039	6 209
Public safety	9 304	12 122	8 026	10 818	10 758	10 758	10 374	11 047	15 094
Housing	4 843	4 630	4 452	2 218	2 218	2 218	2 419	2 586	2 936
Health	79	75	7	183	183	183	188	199	329
Economic and environmental serv	**16 697**	**39 053**	**38 419**	**27 157**	**27 163**	**27 163**	**29 093**	**29 852**	**40 384**
Planning and development	6 051	18 450	19 447	10 663	10 670	10 670	12 190	11 865	15 012
Road transport	10 646	20 604	18 972	16 493	16 493	16 493	16 903	17 987	25 372
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	**137 979**	**141 376**	**132 297**	**117 903**	**113 414**	**113 414**	**122 958**	**129 903**	**202 072**
Electricity	74 911	79 689	79 852	69 900	69 476	69 476	74 751	79 294	127 217
Water	26 484	32 710	28 399	15 894	14 794	14 794	16 901	17 940	28 125
Waste water management	16 377	15 771	12 790	16 925	15 060	15 060	17 246	17 528	26 282
Waste management	20 206	13 206	11 255	15 184	14 084	14 084	14 060	15 142	20 448
Other	**1 290**	**1 621**	**1 623**	**739**	**739**	**739**	**774**	**763**	**1 020**
Total Expenditure - Standard	**218 175**	**267 088**	**258 437**	**220 896**	**215 864**	**215 864**	**232 848**	**246 133**	**353 431**
Surplus/(Deficit) for the year	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is 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.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

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

NC073 Emthanjeni - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote									
Vote 1 - EXECUTIVE AND COUNCIL	5 410	5 639	5 537	3 335	3 335	3 335	4 295	4 090	6 673
Vote 2 - FINANCE AND ADMINISTRATION	36 528	38 131	37 474	43 012	43 012	43 012	45 385	46 634	68 784
Vote 3 - PLANNING AND DEVELOPMENT	746	1 235	897	3 395	3 395	3 395	1 610	1 692	2 429
Vote 4 - HEALTH	–	–	–	–	–	–	1 227	1 288	1 363
Vote 5 - COMMUNITY AND SOCIAL SERVICES	1 394	1 435	1 516	1 844	1 844	1 844	2 192	1 987	2 545
Vote 6 - PUBLIC SAFETY	14 291	19 281	23 180	8 232	8 232	8 232	7 191	7 623	12 578
Vote 7 - SPORT AND RECREATION	355	171	112	114	114	114	123	131	216
Vote 8 - ROAD TRANSPORT	5 193	13 584	10 147	9 715	9 715	9 715	2 077	1 141	14 001
Vote 9 - OTHER	–	–	–	–	–	–	–	–	–
Vote 10 - HOUSING SERVICES	1 220	1 031	678	39	39	39	41	44	72
Vote 11 - WASTE MANAGEMENT	10 472	11 687	18 021	14 526	14 526	14 526	14 879	15 772	23 204
Vote 12 - WASTE WATER MANAGEMENT	17 737	18 167	19 576	59 345	26 178	26 178	25 918	26 681	39 288
Vote 13 - ELECTRICITY	52 352	60 590	66 606	83 494	79 994	79 994	91 961	94 570	151 919
Vote 14 - WATER	29 792	25 603	25 602	41 211	30 511	30 511	40 560	46 633	55 012
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
Total Revenue by Vote	**175 490**	**196 554**	**209 347**	**268 262**	**220 895**	**220 895**	**237 460**	**248 284**	**378 083**
Expenditure by Vote *to be appropriated*									
Vote 1 - EXECUTIVE AND COUNCIL	15 139	15 360	16 148	13 292	12 819	12 819	14 140	15 904	16 959
Vote 2 - FINANCE AND ADMINISTRATION	23 650	29 395	28 265	32 794	32 644	32 644	35 256	37 532	51 918
Vote 3 - PLANNING AND DEVELOPMENT	6 051	18 450	19 447	10 663	10 670	10 670	12 190	11 865	15 012
Vote 4 - HEALTH	79	75	7	183	183	183	188	199	329
Vote 5 - COMMUNITY AND SOCIAL SERVICES	5 895	19 743	25 058	11 629	11 758	11 758	12 925	13 307	16 510
Vote 6 - PUBLIC SAFETY	9 304	12 122	8 026	10 818	10 758	10 758	10 374	11 047	15 094
Vote 7 - SPORT AND RECREATION	3 299	3 714	4 142	4 162	4 167	4 167	4 721	5 039	6 209
Vote 8 - ROAD TRANSPORT	10 646	20 604	18 972	16 493	16 493	16 493	16 903	17 987	25 372
Vote 9 - OTHER	1 290	1 621	1 623	739	739	739	774	763	1 020
Vote 10 - HOUSING SERVICES	4 843	4 630	4 452	2 218	2 218	2 218	2 419	2 586	2 936
Vote 11 - WASTE MANAGEMENT	20 206	13 206	11 255	15 184	14 084	14 084	14 060	15 142	20 448
Vote 12 - WASTE WATER MANAGEMENT	16 377	15 771	12 790	16 925	15 060	15 060	17 246	17 528	26 282
Vote 13 - ELECTRICITY	74 911	79 689	79 852	69 900	69 476	69 476	74 751	79 294	127 217
Vote 14 - WATER	26 484	32 710	28 399	15 894	14 794	14 794	16 901	17 940	28 125
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	**218 175**	**267 088**	**258 437**	**220 896**	**215 864**	**215 864**	**232 848**	**246 133**	**353 431**
Surplus/(Deficit) for the year	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**

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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Electricity Total Revenue (incl capital grants and transfers)	52 352	60 590	66 606	83 494	79 994	79 994	91 961	94 570	151 919
Operating Expenditure	74 911	79 689	79 852	69 900	69 476	69 476	74 751	79 294	127 217
Surplus/(Deficit) for the year	**(22 559)**	**(19 099)**	**(13 245)**	**13 593**	**10 517**	**10 517**	**17 210**	**15 276**	**24 701**
Percentage Surplus	-43.09%	-31.52%	-19.89%	16.28%	13.15%	13.15%	18.71%	16.15%	16.26%
Water Total Revenue (incl capital grants and transfers)	29 792	25 603	25 602	41 211	30 511	30 511	40 560	46 633	55 012
Operating Expenditure	26 484	32 710	28 399	15 894	14 794	14 794	16 901	17 940	28 125
Surplus/(Deficit) for the year	**3 308**	**(7 106)**	**(2 797)**	**25 317**	**15 717**	**15 717**	**23 658**	**28 693**	**26 887**
Percentage Surplus	11.10%	-27.76%	-10.93%	61.43%	51.51%	51.51%	58.33%	61.53%	48.87%

- The electricity trading surplus increases over the 2016/17 MTREF in terms of rand value but decreases in terms of percentage surplus, from 18.71 per cent to 16.26 per cent or R17, 210 million to R24, 701 throughout the MTREF. 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 58 per cent, 61 per cent and 48 per cent for each of the respective financial years. The surplus excludes the capital expenditure that will be incur during the 2016/17 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)

NC073 Emthanjeni - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	17 220	21 035	21 905	27 503	27 503	27 503	27 503	29 165	30 915	51 010
Property rates - penalties & collection char	103	150	170	–	–	–	–	–	–	–
Service charges - electricity revenue	48 279	56 488	59 935	57 935	53 635	53 635	53 635	57 925	61 401	101 311
Service charges - water revenue	16 439	18 746	20 888	26 111	25 411	25 411	25 411	27 953	29 630	48 889
Service charges - sanitation revenue	9 421	10 302	10 691	14 888	14 888	14 888	14 888	17 568	18 622	30 727
Service charges - refuse revenue	5 323	5 705	5 822	8 937	8 937	8 937	8 937	10 277	10 894	17 975
Service charges - other	428	415	405	240	240	240	240	118	270	445
Rental of facilities and equipment	947	747	1 189	652	652	652	652	686	732	885
Interest earned - external investments	1 595	1 030	950	715	715	715	715	806	854	1 409
Interest earned - outstanding debtors	494	625	646	873	873	873	873	954	1 011	1 669
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines	12 611	17 765	23 011	7 581	7 581	7 581	7 581	6 543	6 935	11 444
Licences and permits	1 201	1 305	1 257	2 099	2 099	2 099	2 099	1 978	2 097	3 460
Agency services	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 660	41 753	47 657
Other revenue	6 148	3 223	7 256	23 434	24 234	24 234	24 234	27 095	28 688	47 256
Gains on disposal of PPE	319	164	979	130	130	130	130	130	139	148
Total Revenue (excluding capital transfers and contributions)	**164 039**	**183 452**	**194 653**	**211 697**	**207 497**	**207 497**	**207 497**	**222 858**	**233 942**	**364 285**
Expenditure By Type										
Employee related costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	70 201	74 514	79 842
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	4 787	5 122	5 481
Debt impairment	12 035	53 283	35 712	11 429	10 229	10 229	10 229	11 119	11 786	19 447
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	9 597	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 633	6 143	9 731
Bulk purchases	38 781	43 536	47 049	53 094	53 094	53 094	53 094	57 391	60 834	100 377
Other materials	2 056	11 611	11 215	8 648	16 618	16 618	16 618	17 805	18 864	30 971
Contracted services	8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 967	10 565	17 432
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	8 731	9 255	15 270
Other expenditure	25 409	19 739	21 979	41 969	29 743	29 743	29 743	37 616	38 877	58 106
Loss on disposal of PPE	319	70	744	–	–	–	–	–	–	–
Total Expenditure	**218 175**	**267 088**	**258 437**	**220 896**	**215 864**	**215 864**	**215 864**	**232 848**	**246 133**	**353 431**
Surplus/(Deficit)	**(54 137)**	**(83 636)**	**(63 784)**	**(9 199)**	**(8 367)**	**(8 367)**	**(8 367)**	**(9 990)**	**(12 192)**	**10 854**
Transfers recognised - capital	11 451	13 102	14 694	56 565	13 398	13 398	13 398	14 602	14 343	13 798
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**
Taxation	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**
Attributable to minorities	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	**(42 686)**	**(70 534)**	**(49 091)**	**47 366**	**5 031**	**5 031**	**5 031**	**4 612**	**2 151**	**24 652**

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

1. Total revenue is R237, 460 million in 2016/17 and increases to R248, 284 million by 2017/18. This represents an increase of 6.97 per cent for the 2016/17 financial year and increases by 4.36 per cent for the 2017/18 financial year.

2. Revenue to be generated from property rates is R29, 165 million in the 2016/17 financial year and increases to R30, 915 million by 2017/18 which represents 12.28 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 6 per cent across the MTREF.

3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R113, 841 million for the 2016/17 financial year and increasing to R120, 816 million by 2017/18 and increasing to R199, 347 million by 2018/19. For the 2016/17 financial year services charges amount to 47.94 per cent of the total revenue base and grows by 4.79 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.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government fluctuates over the 2016/17 MTREF, in 2016/17 it increases 2.54 per cent and then increases again by 12.58 per cent 2018/19. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

5. Bulk purchases have significantly increased over the 2012/13 to 2018/19 period escalating from R38, 781 million to R100, 377 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. As well as the increase in demand for the above mentioned commodities.

6. 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

NC073 Emthanjeni - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding										
Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
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	–	–	–	–	–	–	–	–	–	–
Vote 9 - OTHER	–	–	–	–	–	–	–	–	–	–
Vote 10 - HOUSING SERVICES	–	–	–	–	–	–	–	–	–	–
Vote 11 - WASTE MANAGEMENT	–	–	–	–	–	–	–	–	–	–
Vote 12 - WASTE WATER MANAGEMENT	–	–	–	–	–	–	–	–	–	–
Vote 13 - ELECTRICITY	–	–	–	–	–	–	–	–	–	–
Vote 14 - WATER	6 810	–	13 833	10 000	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	**7 608**	**–**	**13 833**	**10 000**	**–**	**–**	**–**	**–**	**–**	**–**
Single-year expenditure *to be appropriated*										
Vote 1 - EXECUTIVE AND COUNCIL	86	585	9	159	89	89	89	137	147	157
Vote 2 - FINANCE AND ADMINISTRATION	432	292	174	1 897	1 637	1 637	1 637	1 792	1 899	3 133
Vote 3 - PLANNING AND DEVELOPMENT	5	500	–	12	12	12	12	13	13	22
Vote 4 - HEALTH	–	–	–	–	–	–	–	–	–	–
Vote 5 - COMMUNITY AND SOCIAL SERVICES	58	63	134	307	207	207	207	268	284	469
Vote 6 - PUBLIC SAFETY	294	–	–	88	88	88	88	93	98	162
Vote 7 - SPORT AND RECREATION	42	1	–	261	261	261	261	70	65	68
Vote 8 - ROAD TRANSPORT	2 043	15 401	–	11 724	11 724	11 724	11 724	4 220	10 092	15 239
Vote 9 - OTHER	–	–	–	–	–	–	–	–	–	–
Vote 10 - HOUSING SERVICES	2	714	45	–	–	–	–	–	–	–
Vote 11 - WASTE MANAGEMENT	–	–	–	31	31	31	31	32	34	56
Vote 12 - WASTE WATER MANAGEMENT	–	–	–	35 958	2 791	2 791	2 791	1 090	1 450	300
Vote 13 - ELECTRICITY	3 145	2 314	–	6 726	2 100	2 100	2 100	5 400	4 601	2 049
Vote 14 - WATER	5	1 681	–	180	180	180	180	7 822	500	350
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	**6 113**	**21 552**	**362**	**57 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**
Total Capital Expenditure - Vote	**13 721**	**21 552**	**14 194**	**67 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**
Capital Expenditure - Standard										
Governance and administration	**518**	**878**	**183**	**2 056**	**1 726**	**1 726**	**1 726**	**1 929**	**2 046**	**3 291**
Executive and council	86	585	9	159	89	89	89	137	147	157
Budget and treasury office	432	172	49	1 369	1 369	1 369	1 369	1 441	1 528	2 521
Corporate services		120	125	528	268	268	268	350	371	612
Community and public safety	**1 194**	**778**	**179**	**657**	**557**	**557**	**557**	**431**	**447**	**699**
Community and social services	856	63	134	307	207	207	207	268	284	469
Sport and recreation	42	1	–	261	261	261	261	70	65	68
Public safety	294	–	–	88	88	88	88	93	98	162
Housing	2	714	45	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–
Economic and environmental services	**2 048**	**15 901**	**–**	**11 737**	**11 737**	**11 737**	**11 737**	**4 232**	**10 106**	**15 261**
Planning and development	5	500	–	12	12	12	12	13	13	22
Road transport	2 043	15 401	–	11 724	11 724	11 724	11 724	4 220	10 092	15 239
Environmental protection	–	–	–	–	–	–	–	–	–	–
Trading services	**9 960**	**3 995**	**13 833**	**52 895**	**5 102**	**5 102**	**5 102**	**14 344**	**6 585**	**2 756**
Electricity	3 145	2 314	–	6 726	2 100	2 100	2 100	5 400	4 601	2 049
Water	6 815	1 681	13 833	10 180	180	180	180	7 822	500	350
Waste water management	–	–	–	35 958	2 791	2 791	2 791	1 090	1 450	300
Waste management	–	–	–	31	31	31	31	32	34	56
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Standard	**13 721**	**21 552**	**14 194**	**67 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**
Funded by:										
National Government	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 992	12 491	13 118
Provincial Government	–	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	**12 139**	**15 313**	**13 833**	**55 958**	**12 791**	**12 791**	**12 791**	**13 992**	**12 491**	**13 118**
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	5 046	–	–	–	–	–	–
Internally generated funds	1 582	6 239	362	6 341	6 331	6 331	6 331	6 944	6 694	8 888
Total Capital Funding	**13 721**	**21 552**	**14 194**	**67 344**	**19 121**	**19 121**	**19 121**	**20 937**	**19 184**	**22 006**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17 has been allocated of the total R0 capital budget.

3. Single-year capital expenditure has been appropriated at R20, 937 million for the 2016/17 financial year and remains relatively constant over the MTREF.

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

5. The capital programme is funded from capital and provincial grants and transfers, internally generated funds from current year surpluses as well as borrowings from financial institutions. For 2016/17, capital transfers totals R13, 992 million (66.83 per cent) and decreases to R12, 491 million by 2017/18 (65.11 per cent). Internally generated funding totaling R6, 944 million, R6, 694 million and R8, 888 million for each of the respective financial years of the MTREF. The municipality does not plan to enter into any borrowings over the 2016/17 MTREF.
   These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 19 MBRR Table A6 - Budgeted Financial Position

NC073 Emthanjeni - Table A6 Budgeted Financial Position										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS										
Current assets										
Cash	17 196	12 210	12 282	3 128	997	997	997	2 130	2 279	1 721
Call investment deposits	–	–	–	9 070	2 789	2 789	2 789	10 075	9 505	10 765
Consumer debtors	46 604	30 486	31 918	20 584	18 472	18 472	18 472	22 824	22 305	20 734
Other debtors	12 586	16 090	18 237	10 167	10 167	10 167	10 167	11 277	11 615	11 855
Current portion of long-term receivables	26	1	2	–	–	–	–	–	–	–
Inventory	63 424	63 059	62 963	66 894	66 894	66 894	66 894	65 556	66 867	67 001
Total current assets	**139 835**	**121 847**	**125 401**	**109 842**	**99 318**	**99 318**	**99 318**	**111 861**	**112 571**	**112 075**
Non current assets										
Long-term receivables	1	1	1	–	–	–	–	–	–	–
Investments	14	21	26	8 575	11 375	11 375	11 375	29	29	30
Investment property	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004
Investment in Associate	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	970 415	926 584	878 712	930 037	930 037	930 037	930 037	932 114	934 601	938 325
Agricultural	–	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–	–
Intangible	538	384	235	413	413	413	413	458	462	478
Other non-current assets	95	5	3	68	68	68	68	83	85	86
Total non current assets	**976 067**	**932 000**	**883 982**	**944 097**	**946 897**	**946 897**	**946 897**	**937 687**	**940 181**	**943 923**
TOTAL ASSETS	**1 115 902**	**1 053 847**	**1 009 383**	**1 053 938**	**1 046 215**	**1 046 215**	**1 046 215**	**1 049 548**	**1 052 752**	**1 055 998**
LIABILITIES										
Current liabilities										
Bank overdraft	6 557	11 977	13 564	9 269	10 753	10 753	10 753	9 338	10 550	9 535
Borrowing	2 485	2 758	2 478	3 003	3 003	3 003	3 003	1 477	499	–
Consumer deposits	1 825	1 949	2 112	2 191	2 191	2 191	2 191	2 289	2 379	2 450
Trade and other payables	28 680	24 205	26 142	16 752	15 283	15 283	15 283	16 352	16 199	17 333
Provisions	1 302	1 414	1 346	2 097	2 097	2 097	2 097	2 972	2 589	2 700
Total current liabilities	**40 848**	**42 302**	**45 643**	**33 313**	**33 327**	**33 327**	**33 327**	**32 428**	**32 217**	**32 018**
Non current liabilities										
Borrowing	6 008	3 231	37 747	14 777	2 348	2 348	2 348	1 299	–	–
Provisions	46 259	49 680	16 451	52 713	61 123	61 123	61 123	36 071	37 737	38 544
Total non current liabilities	**52 267**	**52 911**	**54 198**	**67 490**	**63 471**	**63 471**	**63 471**	**37 370**	**37 737**	**38 544**
TOTAL LIABILITIES	**93 115**	**95 213**	**99 840**	**100 803**	**96 798**	**96 798**	**96 798**	**69 799**	**69 954**	**70 562**
NET ASSETS	**1 022 787**	**958 633**	**909 543**	**953 136**	**949 417**	**949 417**	**949 417**	**979 749**	**982 798**	**985 436**
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	979 749	982 798	985 436
Reserves	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**1 022 787**	**958 633**	**909 543**	**953 136**	**949 417**	**949 417**	**949 417**	**979 749**	**982 798**	**985 436**

Explanatory notes to Table A6 - Budgeted Financial Position

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

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

3. Table 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

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

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

Table 20 MBRR Table A7 - Budgeted Cash Flow Statement

NC073 Emthanjeni - Table A7 Budgeted Cash Flows										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges	13 593	17 407	23 732	25 578	25 578	25 578	25 578	27 999	29 239	48 909
Service charges	66 533	86 506	50 909	99 481	97 831	97 831	97 831	108 309	112 127	147 552
Other revenue	12 295	(2 790)	39 982	32 048	32 848	32 848	32 848	35 489	36 608	53 421
Government - operating	38 073	38 678	36 215	40 601	40 601	40 601	40 601	41 660	42 910	45 055
Government - capital	17 054	15 152	14 694	56 565	13 398	13 398	13 398	14 602	14 343	13 798
Interest	1 595	1 030	1 596	715	715	715	715	806	830	863
Dividends	–	–	–	–	–	–	–	–	–	–
Payments										
Suppliers and employees	(130 205)	(140 967)	(151 296)	(184 234)	(170 203)	(170 203)	(170 203)	(186 891)	(202 336)	(261 093)
Finance charges	(1 758)	(1 608)	(1 337)	(2 556)	(3 556)	(3 556)	(3 556)	(5 633)	(6 143)	(9 731)
Transfers and Grants	(305)	(750)	(225)	(12 938)	(11 662)	(11 662)	(11 662)	(8 556)	(10 255)	(15 270)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**16 875**	**12 659**	**14 269**	**55 260**	**25 550**	**25 550**	**25 550**	**27 784**	**17 323**	**23 504**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	558	990	1 186	124	124	124	124	130	139	148
Decrease (increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	(0)	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	79	–	–	2 800	30	30	30	–	–	–
Payments										
Capital assets	(13 822)	(21 552)	(14 194)	(62 298)	(19 121)	(19 121)	(19 121)	(20 937)	(19 184)	(22 006)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(13 186)**	**(20 562)**	**(13 008)**	**(59 374)**	**(18 967)**	**(18 967)**	**(18 967)**	**(20 807)**	**(19 046)**	**(21 858)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–	–	–		–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	5 046	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	135	135	135	135	98	90	71
Payments										
Repayment of borrowing	(2 275)	(2 504)	(2 777)	(4 084)	(1 028)	(1 028)	(1 028)	(3 222)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(2 275)**	**(2 504)**	**(2 777)**	**1 096**	**(894)**	**(894)**	**(894)**	**(3 125)**	**90**	**71**
NET INCREASE/ (DECREASE) IN CASH HELD	**1 415**	**(10 407)**	**(1 515)**	**(3 017)**	**5 690**	**5 690**	**5 690**	**3 852**	**(1 633)**	**1 717**
Cash/cash equivalents at the year begin:	**9 225**	**10 640**	**233**	**3 624**	**(1 283)**	**(1 283)**	**(1 283)**	**(985)**	**2 867**	**1 234**
Cash/cash equivalents at the year end:	**10 640**	**233**	**(1 283)**	**606**	**4 407**	**4 407**	**4 407**	**2 867**	**1 234**	**2 951**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

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

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

3. It can be seen that the cash levels of the Municipality increased slightly over the 2016/17 MTREF.

4. The 2013/14 year provide for a net decrease in cash of R10,640 million for the 2013/14 financial year resulting in an overall cash position of R233 thousand at year end.

5. In 2016/17 the Municipality will undertake an extensive debt collection drive resulting in cash receipts on arrear debtors, these interventions translated into a net cash position.

6. The 2016/17 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.

7. In the 2016/17 MTREF the municipality will enter into a lease contract in order to finance a fleet of infrastructure vehicles, expected cash and cash equivalents totals R2.867 million as at the end of the 2016/17 financial year and escalates to R2.951 million by 2018/19.

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

NC073 Emthanjeni - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and Investments available											
Cash/cash equivalents at the year end	1	10 640	233	(1 283)	606	4 407	4 407	4 407	2 867	1 234	2 951
Other current investments > 90 days		(0)	(0)	(0)	2 322	(11 375)	(11 375)	(11 375)	0	–	(0)
Non current assets - Investments	1	14	21	26	8 575	11 375	11 375	11 375	29	29	30
Cash and Investments available:		10 654	254	(1 257)	11 503	4 407	4 407	4 407	2 896	1 263	2 980
Application of cash and investments											
Unspent conditional transfers		12 120	7 095	3 761	1 470	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2								658	697	736
Other working capital requirements	3	(33 770)	(17 395)	(15 152)	(13 093)	(11 666)	(11 666)	(11 666)	(16 147)	(15 376)	(8 513)
Other provisions									1 942	2 067	2 511
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5								–		
Total Application of cash and investments:		(21 650)	(10 300)	(11 391)	(11 624)	(11 666)	(11 666)	(11 666)	(13 546)	(12 611)	(5 266)
Surplus(shortfall)		32 304	10 554	10 134	23 127	16 073	16 073	16 073	16 442	13 874	8 246

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

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

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2012/13 to 2016/17 the surplus decreased from R32 million to R16 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 MTREF was funded owing to the surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2016/16 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

NC073 Emthanjeni - Table A9 Asset Management									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE									
Total New Assets	8 284	12 299	13 833	55 958	12 791	12 791	13 992	12 612	13 118
Infrastructure - Road transport	4 084	10 682	–	8 500	8 500	8 500	1 000	7 212	12 118
Infrastructure - Electricity	–	918	–	1 500	1 500	1 500	4 800	3 965	1 000
Infrastructure - Water	–	699	13 833	10 000	–	–	7 322	–	–
Infrastructure - Sanitation	4 200	–	–	35 958	2 791	2 791	870	1 435	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	*8 284*	*12 299*	*13 833*	*55 958*	*12 791*	*12 791*	*13 992*	*12 612*	*13 118*
Community	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	5 437	9 253	362	11 386	6 331	6 331	6 944	6 572	8 868
Infrastructure - Road transport	761	4 640	–	2 800	2 800	2 800	3 105	2 744	2 920
Infrastructure - Electricity	412	611	–	5 226	170	170	600	636	1 049
Infrastructure - Water	17	406	–	180	180	180	500	500	350
Infrastructure - Sanitation	–	–	–	–	–	–	220	15	300
Infrastructure - Other	652	1 312	–	31	31	31	32	34	56
Infrastructure	*1 842*	*6 969*	–	*8 237*	*3 181*	*3 181*	*4 457*	*3 929*	*4 676*
Community	1 231	64	68	353	353	353	322	332	509
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	2 301	2 126	294	1 913	1 913	1 913	2 165	2 311	3 704
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	62	93	–	884	884	884	–	–	–
Total Capital Expenditure									
Infrastructure - Road transport	4 845	15 322	–	11 300	11 300	11 300	4 105	9 956	15 038
Infrastructure - Electricity	412	1 528	–	6 726	1 670	1 670	5 400	4 601	2 049
Infrastructure - Water	17	1 106	13 833	10 180	180	180	7 822	500	350
Infrastructure - Sanitation	4 200	–	–	35 958	2 791	2 791	1 090	1 450	300
Infrastructure - Other	652	1 312	–	31	31	31	32	34	56
Infrastructure	*10 126*	*19 268*	*13 833*	*64 195*	*15 972*	*15 972*	*18 449*	*16 542*	*17 794*
Community	1 231	64	68	353	353	353	322	332	509
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	2 301	2 126	294	1 913	1 913	1 913	2 165	2 311	3 704
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	62	93	–	884	884	884	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	13 721	21 552	14 194	67 344	19 121	19 121	20 937	19 184	22 006
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	491 212	348 530	466 220	317 410	317 410	317 410	318 515	318 774	318 530
Infrastructure - Electricity	51 035	56 646	72 304	55 797	55 797	55 797	56 978	57 579	58 629
Infrastructure - Water	97 954	101 896	140 606	112 244	112 244	112 244	114 066	114 566	114 916
Infrastructure - Sanitation	112 359	118 142	38 185	143 736	143 736	143 736	143 826	144 276	144 576
Infrastructure - Other	1 893	3 357	12 102	3 861	3 861	3 861	3 893	3 927	3 984
Infrastructure	*754 453*	*628 571*	*729 418*	*633 048*	*633 048*	*633 048*	*637 279*	*639 123*	*640 635*
Community	155 551	224 026	68	223 324	223 324	223 324	219 049	219 381	219 890
Heritage assets	–	6 959	6 959	–	–	–	6 959	6 959	6 959
Investment properties	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004
Other assets	60 410	67 028	142 268	73 665	73 665	73 665	68 826	69 137	70 841
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	538	384	235	413	413	413	458	462	478
TOTAL ASSET REGISTER SUMMARY - PPE (WDV	975 957	931 972	883 952	935 454	935 454	935 454	937 575	940 067	943 807
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 597	10 173	16 775
Repairs and Maintenance by Asset Class	8 471	11 611	11 215	16 618	16 618	16 618	17 805	18 864	30 971
Infrastructure - Road transport	1 368	1 277	317	616	616	616	628	562	1 099
Infrastructure - Electricity	1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Infrastructure - Water	750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Infrastructure - Sanitation	712	464	228	64	64	64	66	70	116
Infrastructure - Other	711	1 068	–	1 975	1 975	1 975	–	–	–
Infrastructure	*5 036*	*4 435*	*2 399*	*5 143*	*5 143*	*5 143*	*3 470*	*3 785*	*6 151*
Community	1 626	2 218	3 409	3 098	3 098	3 098	2 037	2 302	4 263
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	158	–	–	–	–	–	–	–	–
Other assets	1 651	4 958	5 407	8 377	8 377	8 377	12 298	12 777	20 557
TOTAL EXPENDITURE OTHER ITEMS	77 746	76 824	72 601	25 866	25 866	25 866	27 402	29 037	47 746
Renewal of Existing Assets as % of total capex	*39.6%*	*42.9%*	*2.5%*	*16.9%*	*33.1%*	*33.1%*	*33.2%*	*34.3%*	*40.4%*
Renewal of Existing Assets as % of deprecn"	*7.8%*	*14.2%*	*0.6%*	*123.1%*	*68.5%*	*68.5%*	*72.4%*	*64.6%*	*53.0%*
R&M as a % of PPE	*0.9%*	*1.3%*	*1.3%*	*1.8%*	*1.8%*	*1.8%*	*1.9%*	*2.0%*	*3.3%*
Renewal and R&M as a % of PPE	*1.0%*	*2.0%*	*1.0%*	*3.0%*	*2.0%*	*2.0%*	*3.0%*	*3.0%*	*4.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. 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

NC073 Emthanjeni - Table A10 Basic service delivery measurement									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets									
Water:									
Piped water inside dwelling	8 288	8 736	9 175	11 114	11 114	11 114	11 480	11 504	11 640
Piped water inside yard (but not in dwelling)	–	450	473	605	605	605	736	743	763
Using public tap (at least min service level)	21	473	495	405	405	405	452	444	430
Other water supply (at least min service level)	–	450	473	341	341	341	333	320	310
Minimum Service Level and Above sub-total	8 309	10 109	10 614	12 615	12 615	12 615	13 001	13 101	13 143
Using public tap (< min service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min service level)	–	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	**8 309**	**10 109**	**10 614**	**12 615**	**12 615**	**12 615**	**13 001**	**13 101**	**13 143**
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	6 838	7 286	7 652	8 847	8 847	8 847	9 377	9 507	9 590
Flush toilet (with septic tank)	1 177	1 027	1 700	2 252	2 252	2 252	2 385	2 425	2 480
Chemical toilet	243	693	727	705	705	705	693	636	625
Pit toilet (ventilated)	–	450	473	458	458	458	431	406	402
Other toilet provisions (> min service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	8 258	10 058	10 561	12 262	12 262	12 262	12 836	12 974	13 097
Bucket toilet	63	513	530	353	353	353	331	328	319
Other toilet provisions (< min service level)	–	450	9 175	–	–	–	–	–	–
No toilet provisions	–	–	9 175	–	–	–	–	–	–
Below Minimum Service Level sub-total	63	963	18 888	353	353	353	331	328	319
Total number of households	**8 321**	**11 021**	**29 449**	**12 615**	**12 615**	**12 615**	**13 167**	**13 302**	**13 416**
Energy:									
Electricity (at least min service level)	3 318	3 768	3 957	3 838	3 838	3 838	3 900	4 005	4 200
Electricity - prepaid (min service level)	4 993	5 443	5 715	8 115	8 115	8 115	8 296	8 290	8 350
Minimum Service Level and Above sub-total	8 311	9 211	9 671	11 953	11 953	11 953	12 196	12 295	12 640
Electricity (< min service level)	11	461	484	469	469	469	435	410	400
Electricity - prepaid (< min service level)	–	450	473	193	193	193	189	175	162
Other energy sources	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	11	911	956	662	662	662	624	594	562
Total number of households	**8 321**	**10 121**	**10 627**	**12 615**	**12 615**	**12 615**	**12 820**	**12 889**	**13 202**
Refuse:									
Removed at least once a week	8 321	10 121	10 627	12 615	12 615	12 615	13 624	13 909	14 210
Minimum Service Level and Above sub-total	8 321	10 121	10 627	12 615	12 615	12 615	13 624	13 909	14 210
Removed less frequently than once a week	–	–	–	–	–	–	–	–	–
Using communal refuse dump	–	–	–	–	–	–	–	–	–
Using own refuse dump	–	–	–	–	–	–	–	–	–
Other rubbish disposal	–	–	–	–	–	–	–	–	–
No rubbish disposal	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	**8 321**	**10 121**	**10 627**	**12 615**	**12 615**	**12 615**	**13 624**	**13 909**	**14 210**
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 004	4 226
Sanitation (free minimum level service)	2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 004	4 226
Electricity/other energy (50kwh per househo	2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 004	4 226
Refuse (removed at least once a week)	2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 004	4 226
Cost of Free Basic Services provided - Formal Settlements (R'000)									
Water (6 kilolitres per **indigent** household pe	–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent**	–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent**	–	–	–	–	–	–	–	–	–
Refuse (removed once a week **for indigent**	–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Info	–	–	–	–	–	–	–	–	–
Total cost of FBS provided	–	–	–	–	–	–	–	–	–
Highest level of free service provided per household									
Property rates (R value threshold)	18 000	18 000	18 000	28 000	28 000	28 000	28 000	28 000	28 000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (Rand per household per month)	119	128	132	161	161	161	172	182	193
Electricity (kwh per household per month)	50	50	53	50	50	50	50	50	50
Refuse (average litres per week)	74	78	82	101	101	101	101	101	101
Revenue cost of subsidised services provided (R'000)									
Property rates **(tariff adjustment) (impermissable values per section 17 of MPRA)**									
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**	–	–	–	8 589	8 589	8 589	8 589	9 204	9 756
Water **(in excess of 6 kilolitres per indige**	–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation ser**	–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kw**	–	–	–	–	–	–	–	–	–
Refuse **(in excess of one removal a week**	–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of subsidised services provided	–	–	–	8 589	8 589	8 589	8 589	9 204	9 756

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor, 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.

i. 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 2015) 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 2015. Key dates applicable to the process were:

- **August 2015** – 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 2016/17 MTREF;
- **November 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2016** - 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 2016** - Council considers the 2016/17 Mid-year Review and Adjustments Budget;
- **January 2016** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- **February 2016** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2016/17 MTREF is revised accordingly;
- **31 March 2016** - Tabling in Council of the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
- **April 2016** – Public consultation;
- **25 April 2016** - Closing date for written comments;
- **6 to 21 May 2016** – Draftisation of the 2016/17 IDP and 2016/17 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

- **31 May 2015** - Tabling of the 2016/17 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.

ii. IDP and Service Delivery and Budget Implementation Plan

The IDP as adopted by Council on 26 May 2016. It started in September 2015 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 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 2016/17 MTREF, based on the approved 2016/17 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 2016/17 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 2016/17 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.

iii. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/17 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 2016/17 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 2015/16 adjustments budget and performance against the SDBIP

- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for

services;
- Improved and sustainable service delivery
- 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.

iv. Community Consultation

The Draft Budget 2016/17 MTREF as tabled before Council on 31 March 2016 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 ll 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 2016, 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 Draftisation of the 2016/17 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 2016/17 MTREF compared to the draft 2015/16MTREF that was tabled for community consultation, include:

- The Draft Eskom bulk tariff increase, applicable to municipalities from 1 July 2016, was factored into the proposed consumer tariffs, applicable from 1 July 2016. This resulted in an increase of 8 per cent;

- The SALGBC parties' settlement regarding the salary negotiations have been Draftised for in the 2016/17 financial year;
- The 2016 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.

2.2 Overview of alignment of annual budget with IDP

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

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The

plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

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

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the 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 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget.

Table 24 IDP Strategic Objectives

	2015/16 Financial Year	2016/17 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.
8.	Ensure a healthy environment for all residents of Emthanjeni through effective environmental management.	

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

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

1. Provision of quality basic services and infrastructure which includes, amongst others:
   - Provide 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.

2. Economic growth and development that leads to sustainable job creation by:
   - Ensuring the 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:

- 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 save 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 2016/17 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

NC073 Emthanjeni - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)											
Strategic Objective	Goal	Goal Code	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan		350	390	371	458	377	377	403	422	643
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance		6 339	7 068	2 469	8 072	6 646	6 646	7 111	7 438	11 330
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 unemployment and poverty in the municipal area		1 142	1 273	–	3 625	2 985	2 985	3 194	3 340	5 088
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water, sanitation and refuse manage demand and maintain existing infrastructure		51 155	57 038	77 311	95 433	78 579	78 579	84 072	87 939	133 958
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure		658	734	10 443	12 890	10 614	10 614	11 356	11 878	18 094
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		59 083	65 878	67 020	82 729	68 119	68 119	72 881	76 234	116 127
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality		338	377	11 272	13 914	11 457	11 457	12 258	12 822	19 532
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjeni		15 868	17 693	706	7 419	6 109	6 109	6 536	6 836	10 414
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable properties within Emthanjeni Municipality		13 305	17 449	21 135	26 089	21 482	21 482	22 983	24 040	36 621
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair equitable, transparent, competitive and cost effective		5 700	6 356	825	1 018	838	838	897	938	1 429
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA		1 500	1 673	1	2	1	1	25	26	40
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		–	–	3 721	4 593	3 782	3 782	4 046	4 232	6 447
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices		40	45	66	81	67	67	71	75	114
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 unemployment and poverty in the municipal area		2 233	2 490	–	–	–	–	–	–	–
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities		105	117	–	–	–	–	–	–	–
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		10 319	11 506	7 629	3 090	2 544	2 544	3 722	3 893	5 931
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		7 354	8 469	8 359	8 849	7 295	7 295	7 905	8 170	12 316
Allocations to other priorities											
Total Revenue (excluding capital transfers and contribu			175 490	196 554	209 347	268 262	220 895	220 895	237 460	246 284	378 083

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

NC073 Emthanjeni - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)											
Strategic Objective	Goal	Goal Code	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)		2 614	4 077	3 954	4 366	4 274	4 274	4 616	4 879	7 001
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance		7 816	9 198	8 922	7 594	7 419	7 419	8 013	8 469	12 153
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 unemployment and poverty in the municipal area		2 031	5 390	5 228	4 450	4 348	4 348	4 695	4 963	7 122
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water, sanitation and refuse manage demand and maintain existing infrastructure		80 951	95 271	92 413	78 654	76 845	76 845	82 992	87 723	125 882
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure		10 878	14 802	14 358	12 221	11 939	11 939	12 895	13 630	19 558
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		53 725	63 229	61 332	52 200	51 000	51 000	55 080	58 219	83 544
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality		1 678	4 997	4 847	2 456	2 399	2 399	2 591	2 739	3 931
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjeni Municipality		9 330	10 980	10 651	9 065	8 857	8 857	9 565	10 110	14 508
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable properties within Emthanjeni Municipality		4 213	4 958	4 809	4 093	3 999	3 999	4 319	4 565	6 551
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair equitable, transparent, competitive and cost effective		655	1 770	1 717	1 462	1 428	1 428	1 542	1 630	2 339
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA		1 916	2 255	2 187	1 861	1 819	1 819	1 964	2 076	2 979
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		8 585	10 104	9 801	8 342	8 150	8 150	8 802	9 303	13 350
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices		3 686	4 338	4 208	3 582	3 499	3 499	3 779	3 995	5 732
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 unemployment and poverty in the municipal area		7 660	9 015	8 744	7 442	7 271	7 271	7 853	8 301	11 911
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities		7 545	8 880	8 614	7 331	7 162	7 162	7 735	8 176	11 733
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		6 220	7 321	6 463	6 044	5 905	5 905	6 377	6 741	9 673
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		8 673	10 502	10 187	9 734	9 551	9 551	10 029	10 614	15 461
Allocations to other priorities											
Total Expenditure			218 175	267 088	258 437	220 896	215 864	215 864	232 848	246 133	353 431

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

NC073 Emthanjeni - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)											
Strategic Objective	Goal	Goal Code	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water manage demand and maintain existing infrastructure	A	5 195	9 970	6 481	10 180	180	180	5 400	4 601	2 049
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure	B	2 480	8 923	5 800	11 724	11 724	11 724	4 220	5 537	12 813
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality sanitation manage demand and maintain existing infrastructure	C	3 160	26	17	35 958	2 791	2 791	1 090	1 450	300
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality	D	266	232	151	166	166	166	620	–	–
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjeni Municipality	E	1 010	1 187	771	849	849	849	2 165	2 311	3 704
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	F	420	241	157	1 013	583	583	322	332	509
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices	G	347	227	147	162	162	162	333	353	582
Provision of access to all basic services rendered to residents within available resources	To provide all communities sustainable electricity and to manage electricty increased demand within the current infrastructure	H	412	239	155	6 726	2 100	2 100	6 400	4 601	2 049
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities	I	412	496	508	559	559	559	387	–	–
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)	J	18	11	7	8	8	8	–	–	–
Allocations to other priorities											
Total Capital Expenditure			13 721	21 552	14 194	67 344	19 121	19 121	20 937	19 184	22 006

Supporting Table SA7 Measureable performance objectives

NC073 Emthanjeni - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Vote 1 - Executive and Council										
Function 1 - Governance										
Sub-function 1 - Office of the										
To be an executive council by leading and	No of performance	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
To continuously review the accountable	% 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	RBAP submitted to the	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Submit quarterly performance reports ito	No of performance	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 ito of the	No of performance	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Implement public education campaigns on	No of educaton	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Function 2 - Local Economic										
Sub-function 1 - Economic										
Arrange meetings with possible investors for	No meetings	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Awareness programmes through	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 Safety										
Establish community safety plans in	Number of plans	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Inspect and assess infrastructure and role	Number of reports	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Vote 2 - Finance and Admin										
Function 1 - Directorate Chief Financial										
Sub-function 1 - Directorate CFO										
Submit the annual financial statements by the	Statements submitted	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Monthly financial reporting to council	No of reports	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 2 - Financial Services										
Compilation of a Revenue Enhancement	% Completion	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Achievement of a payment percentage of	Payment %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Sub-function 3 - Assessment Rates										
Complete the Supplementary Valuation Roll by	Valuation Roll completed	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Prepare and submit the adjustments	Approved main &	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Function 2 - Public Participation										
Sub-function 1 - DCCDS										
Annual workshop with ward committees to	Workshop held	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Compile contingency plans for all	Number of plans	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 2 - Public Safety										
Increase capacity of traffic services to	Number of staff appointed	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Road safety awareness campaigns held in	Number of campaigns	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sub-function 3 - Community Services										
Participate in annual National Arrive Alive	Number of joint	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Speed law enforcement (direct prosecution)	# of enforcement	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Vote 3 - Basic Service Delivery										
Function 1 - Infrastructure Services										
Sub-function 1 - Directorate										
Provide consideration (decisions) on building	% building plans	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Implement the De Aar and Hanover	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	% of approved project	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Spent the approved maintenance budget	% of approved	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Sub-function 3 - Water and Waste										
Planning of new boreholes for De Aar	DWA approval and	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										
Submit business plan to council by end June	Business plan submitted	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Spent the approved maintenance budget	% of approved	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	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Spent the approved maintenance budget	% of approved	213%	213%	213%	213%	213%	213%	213%	213%	213%
Sub-function 3 - Infrastructural										
Compile and submit business plan to MIG by	Business plan submitted	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										

2.3 Measurable performance objectives and indicators

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

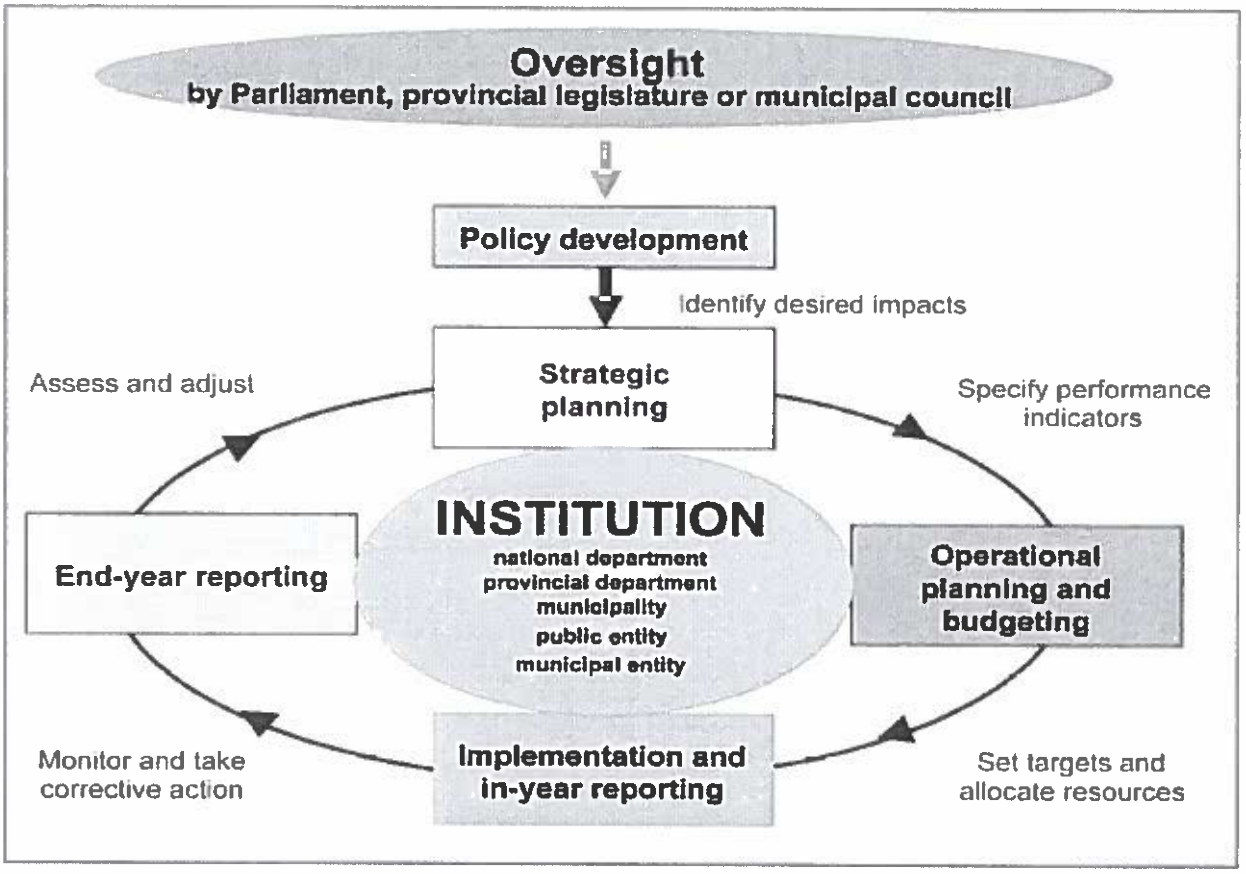

Figure 2 Planning, budgeting and reporting cycle

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:

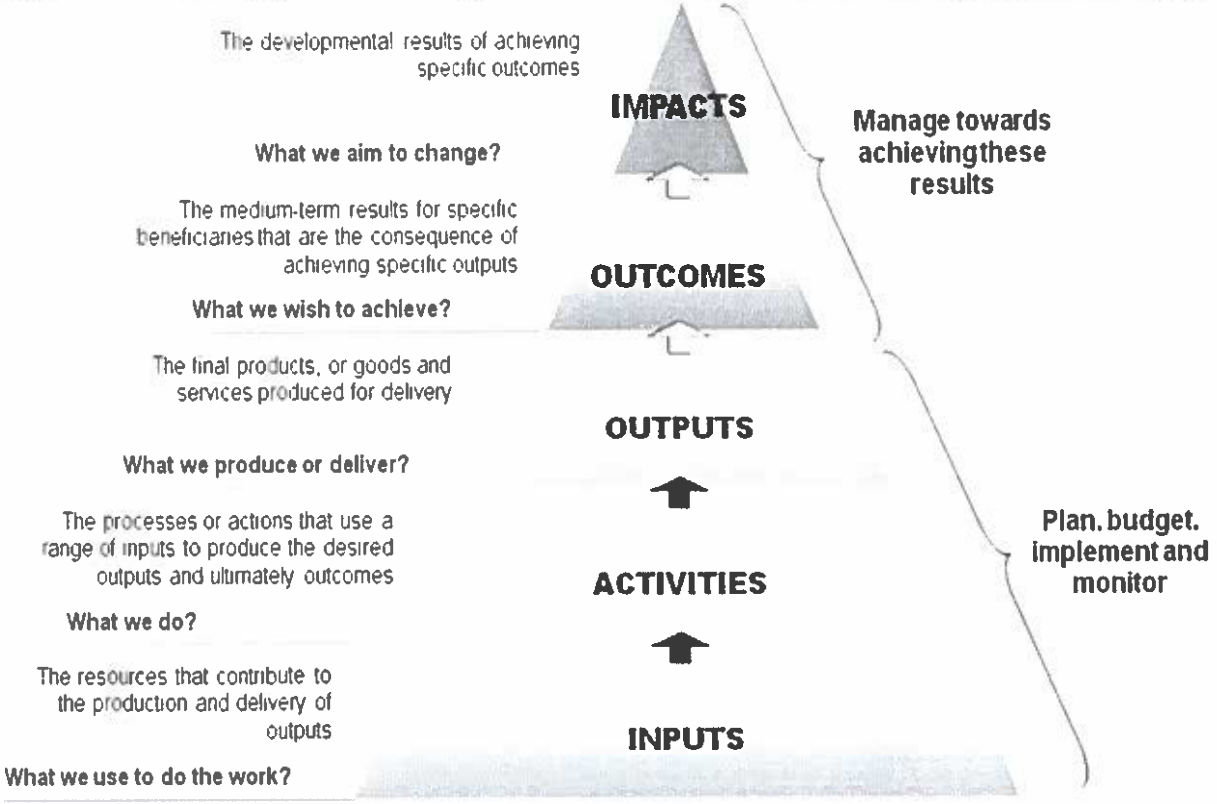

Figure 3 Definition of performance information concepts

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 2016/17 MTREF.

NC073 Emthanjeni - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Borrowing Management											
Credit Rating		B	B	B	B	B	B	B			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1 8%	1 5%	1 6%	3 0%	2 1%	2 1%	2.1%	3 8%	2 5%	2 8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3 3%	3 0%	2 7%	3 9%	2 7%	2 7%	2.7%	4 9%	3 2%	3 1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl transfers and grants and contributions	0 0%	0 0%	0 0%	44 3%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Liquidity											
Current Ratio	Current assets/current liabilities	3 4	2 9	2 7	3 3	3 0	3 0	3 0	3 4	3 5	3 5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3 4	2 9	2 7	3 3	3 0	3 0	3 0	3 4	3 5	3 5
Liquidity Ratio	Monetary Assets/Current Liabilities	0 4	0 3	0 3	0 4	0 1	0 1	0 1	0 4	0 4	0 4
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		82 4%	92 1%	62 3%	92 2%	94 5%	94 5%	94 5%	95 3%	93 2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		82 4%	92 1%	62 3%	92 2%	94 5%	94 5%	94 5%	95 3%	93 2%	78 5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	36 1%	25 4%	25 8%	14 5%	13 8%	13 8%	13 8%	15 3%	14 5%	8 9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	99 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%
Creditors to Cash and Investments		116 1%	7349 5%	1744 9%	2520 0%	346 8%	346 8%	346 8%	570 3%	1312 8%	587 4%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	8234071	7 428 611	6 700 414	6200000	6200000	6200000	6200000	5580000	5022000	4519800
	Total Cost of Losses (Rand '000)	5 599	5 497	5 293	5 000	5 000	5 000	5 000	4 900	4 802	4 706
	% Volume (units purchased and generated less units sold)/units purchased and generated	15	13	12	12	12	12	12	12	11	11
Water Distribution Losses (2)	Total Volume Losses (kl)	565	652	372	550	550	550	550	528	507	487
	Total Cost of Losses (Rand '000)	386444	497258	310646	450500	450500	450500	450500	441490	432660 2	424006.996
	% Volume (units purchased and generated less units sold)/units purchased and generated	19	17	14	16	16	16	16	15	15	15
Employee costs	Employee costs/(Total Revenue - capital revenue)	34 4%	32 6%	34 4%	31 6%	32 2%	32 2%	32 2%	31 5%	31 9%	21 9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34 7%	34 9%	34 5%	33 7%	34 4%	34 4%		33 6%	35 2%	24 8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5 2%	6 3%	5 8%	7 8%	8 0%	8 0%		8 0%	8 1%	8 5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	43 3%	36 4%	32 2%	5 6%	6 2%	6 2%	6 2%	6 8%	7 0%	7 3%
IDP regulation financial viability indicators											
i Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	34 1	31 5	32 3	98 1	98 1	98 1	41 4	218 4	222 7	366 9
ii O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	60 3%	41 0%	41 5%	22 6%	21 8%	21 8%	21 8%	23 7%	22 2%	13 0%
iii Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1 0	0 0	(0 1)	0 0	0 3	0 3	0 3	0 2	0 1	0 1

2.4 Performance indicators and benchmarks

2.4.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, 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 2016/17 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 2.65 per cent to 0 per cent in 2018/19, it needs to that this decrease is due to the fact that the municipality will pay off all loans over the MTREF.

- *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 fluctuated from 1.38 per cent in 2016/17, 0 per cent in 2017/18 and 0 per cent in 2017/18. This decrease can be attributed to the paying off of loans 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.

2.4.2 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 2016/17 financial year the ratio deteriorated to a level 0.1 per cent.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2012/13 and 2018/19 the gearing ratio peaked at 0.01 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 2016/17 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.

2.4.3Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2016/17 MTREF the current ratio is 3.4 in the 2016/17 financial year. 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 2016/17 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.2 in the 2017/18 financial year. This is expected to reach optimal level by 2018/19. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.4.4Revenue 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.

2.4.5Creditors Management

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

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

2.4.6Other Indicators

- The electricity distribution losses has decreased from 14.8 per cent in the 2012/13 financial year to 10.5 per cent in 2018/19. 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 19.2 per cent in 2012/13 to 14.5 per cent in 2018/19. 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 decreases 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.

2.5 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 2015/16 financial year 3 334 registered indigents have been provided for in the budget with this figured increasing to almost 4 000 by 2016/17. 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.

2.6 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 2016/17, 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

2.7 Overview of budget related-policies

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

2.7.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in May 2015. 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 2016/17 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. The policy is currently being revised.

2.7.2 Asset Management, Infrastructure Investment and Funding Policy

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

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

2.7.3 Budget Adjustment Policy

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

2.7.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy has been approved by council on the 26 May 2015. The policy is currently being revised.

2.7.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2009 and was amended during May 2014 in respect of both Operating and Capital Budget Fund Transfers. An amended policy has been approved by council on the 26 May 2015. The policy is currently being revised.

2.7.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in May 2015. 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. An amended policy has been been approved by council on the 26 May 2015. The policy is currently being revised.

2.7.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. An amended policy has been approved by council on the 26 May 2015. The policy is currently being revised.

2.7.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2016/17 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 2015/16 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).

The policy is currently being revised.

2.8 Overview of budget assumptions

The following assumptions were crucial and determining factors during the budget process and the preparations of the budget.

2.8.1 ASSUMPTIONS

- National Treasury direction or guidelines on budget increases that must be in line with the macro-economic strategy as reflected in the MFMA Budgetary Circular 79.

- Inflation is just inside the Reserve Bank parameters of 6% but it does not really reflect the real price increases on the ground.

- NERSA tariff increase guideline stated that municipalities should budget for increases of 8%. The average increment will be as from 01 July 2016 which, will not only have a direct impact on the sale and procurement of electricity but to price hikes in general.

- The current situation at ESKOM is also contributing the uncertainties and uncontrollable factors experienced by South Africans as a whole.

- Salary increment negotiations have been not yet been DRAFTized for the new three year cycle. Salary increase for the next Financial Year is estimated at 6.5% as guided by the MFMA circular 79. But this guideline was not realistically anticipated.

- Apart from the normal salary increments, Medical Aid Employers contributions increments will be between 7% and 11 %. 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.

- The weak Rand Foreign Exchange Rate and the increase of Oil prices are also not favorable to the current economic outlook.

- The Macro Economic outlook impacts not only directly on municipalities but forced municipalities to operate within its budgetary means. Expenditure control will be a major controlling factor for the years to come.

- 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. This is an area where much more investment will be invested over the next few years.

2.8.2 FORECASTING OF REVENUE AND EXPENDITURE

REVENUE

1.1. RATES AND TAXES

- Tariffs will increase and decrease depending the on valuation of the property.
- Conservative an increment of 6 % for properties are being anticipated, but the main levy driver will be the valuation of properties. Various category of properties are being levied differently including farm property where a portion is used for renewable energy generation purpose Solar and Wind Mills or Turbines.

1.2. ELECTRICITY

- Electricity Tariffs will increase on a total average between 8% for the block of 0-350 kWh and 8% for a consumption of 351 and more KWh as from 01 July 2016 for prepaid and conventional electricity meters. DRAFT approval for Electricity tariffs is still outstanding from NERSA.

1.3. WATER

- Water will increase by 6 %.
- 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%.

1.5. SECONDARY TARIFFS

- Secondary Tariffs will increase by ± 9 % for the 2016/2017 financial year.

The total budgeted average increment for all revenue sources will between 6-9 %.

EXPENDITURE

2.1 EMPLOYEE COSTS: SALARIES AND WAGES

- Salaries and wages has been provided at an increment of 6.5 %

2.2 EMPLOYEE COSTS: SOCIAL CONTRIBUTIONS

- A provision of an average increment of 6.5 % has been provided

- A provision of an average increment of 6.6 % will provided. However Repair and Maintenance expenditure increased by almost 7% in relation to last year. This show Council's commitment to the maintenance of all assets, it also includes an amount for operating vehicle leases (full maintenance lease).

2.4 BULK PURCHASES

- Electricity purchases will increase on a weighted average of 9.4 % from 01 July 2016 and water will increase on average of 6 %.

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 9% will provided.

2.7 PROVISION FOR BAD DEBTS

- A provision of an average increment of 8% has been provided on all budgeted levied revenue.

BUDGET ANALYSIS

- The overall increases during the 2016/2017 and 2017/2018 financial years reflects an annual increment of ± 10 % and in 2018/2019 budget year on average decrease of 13% will be expected. This is mainly due to the non-allocation of Capital Grant Funding as gazetted in the DORA

- 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 tariff increment between 6-9% 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 maintain infrastructure development within the Emthanjeni Municipality.

- All budgeted income will 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 has been identified in order to provide sustainable LED projects for the communities.

- The budget is also biased towards the Indigent Households within the municipality.

BUDGET RELATED POLICIES

The following policies were tabled to council during Council Meeting held on 31 March 2016 of the Budget Meeting. The policies are

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

CONCLUSION

The 2016/2017 budget is an 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 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 increases of tariffs are mainly focused on affordability and to ensure that we generated all revenue as budgeted for. Hence the low increment of operating expenditure and expenditure control that will be sharpened over the next financial year.

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.

1 The budget is prepared under the auspices and principles from the Minister of finance and the MEC of Finance that all sectors of government must ensure that austerity measures are introduced. Sustainable service delivery still takes precedence in this draft budget.

2.9 Overview of budget funding

2.9.1 Medium-term outlook: operating revenue

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

Description	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source			
Property rates	29 165	30 915	51 010
Property rates - penalties & collection charges	–	–	–
Service charges - electricity revenue	57 925	61 401	101 311
Service charges - water revenue	27 953	29 630	48 889
Service charges - sanitation revenue	17 568	18 622	30 727
Service charges - refuse revenue	10 277	10 894	17 975
Service charges - other	118	270	445
Rental of facilities and equipment	686	732	885
Interest earned - external investments	806	854	1 409
Interest earned - outstanding debtors	954	1 011	1 669
Dividends received	–	–	–
Fines	6 543	6 935	11 444
Licences and permits	1 978	2 097	3 460
Agency services	–	–	–
Transfers recognised - operational	41 660	41 753	47 657
Other revenue	27 095	28 688	47 256
Gains on disposal of PPE	130	139	148
Total Revenue (excluding capital transfers and contributions)	**222 858**	**233 942**	**364 285**
Surplus/(Deficit)	**(9 990)**	**(12 192)**	**10 854**
Transfers recognised - capital	14 602	14 343	13 798
Surplus/(Deficit) for the year	**4 612**	**2 151**	**24 652**

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 2016/17 MTREF on the different revenue categories are:

Table 27 Proposed tariff increases over the medium-term

Revenue category	2016/17 proposed tariff increase	2017/18 proposed tariff increase	2018/19 proposed tariff increase
	%	%	%
Property rates	**6**	**6**	**6**
Sanitation	**6**	**6**	**6**
Solid Waste	**6**	**6**	**6**
Water	**6**	**6**	**6**
Electricity	**8**	**9.5**	**10.5**

Revenue to be generated from property rates is R29, 165 million in the 2016/17 financial year and increases to R51, 010 million by 2018/19 which represents 14 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 R41,660 million, R41, 753 million and R47, 657 million for each of the respective financial years of the MTREF, or 18.69, 17.85 and 13.08 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..

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1, 760 million, R1, 865 million and R3, 078 million for the respective three financial years of the 2016/17 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 28 MBRR SA15 – Detail Investment Information

NC073 Emthanjeni - Supporting Table SA15 Investment particulars by type										
Investment type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		14	21	26	17 644	14 163	14 163	10 103	9 534	10 795
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	14	21	26	17 644	14 163	14 163	10 103	9 534	10 795
Consolidated total:		14	21	26	17 644	14 163	14 163	10 103	9 534	10 795

Table 29 MBRR SA16 – Investment particulars by maturity

NC073 Emthanjeni - Supporting Table 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												
Parent municipality														
General Investment		Yes	Fixed Deposit	Yes	Yes	0.075	0	0	30/06/2016	13 448	715			14 163
														-
														-
														-
														-
														-
														-
Municipality sub-total										13 448		-	-	14 163
TOTAL INVESTMENTS AND INTEREST	1									13 448		-	-	14 163

2.9.1 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

Table 30 Sources of capital revenue over the MTREF

Vote Description	Ref	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funded by:				
National Government		13 992	12 491	13 118
Provincial Government		–	–	–
District Municipality		–	–	–
Other transfers and grants		–	–	–
Transfers recognised - capital	4	**13 992**	**12 491**	**13 118**
Public contributions & donations	5	–	–	–
Borrowing	6	–	–	–
Internally generated funds		6 944	6 694	8 888
Total Capital Funding	7	**20 937**	**19 184**	**22 006**

Sources of capital revenue for the 2016/17 financial year

Capital grants and receipts equates to 66.83 per cent of the total funding source which represents R13, 992 million for the 2016/17 financial year and decreases to R12, 491 million or 65.11 per cent by 2017/18 then for 2018/19 it increases to R13, 118 million or 59.61 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, 944 million in 2016/17, R6, 694 in 2017/18 and R8, 888 million in 2018/19. 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 31 MBRR Table SA 17 - Detail of borrowings

NC073 Emthanjeni - Supporting Table SA17 Borrowing										
Borrowing - Categorised by type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Parent municipality										
Long-Term Loans (annuity/reducing balance)		6 008	3 231	37 747	14 777	2 348	2 348	1 299	–	–
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	6 008	3 231	37 747	14 777	2 348	2 348	1 299	–	–
Total Borrowing	1	6 008	3 231	37 747	14 777	2 348	2 348	1 299	–	–

Various External loans will be entered into during the 2016/17 Medium Term Revenue and Expenditure Framework. These funds will be used to fund the following capital Projects:

- Development Bank of Southern Africa to fund Electricity network upgrades within the Emthanjeni Municipal areas.
- These loans will be paid off in the 2016/17 financial year.

Table 32 MBRR Table SA 18 - Capital transfers and grant receipts

NC073 Emthanjeni - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		37 623	38 493	38 876	39 459	39 459	39 459	38 822	38 586	41 307
Local Government Equitable Share		34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management		1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement		800	890	934	930	930	930	–	–	–
EPWP Incentive		1 000	1 234	1 000	1 000	1 000	1 000	1 000	–	–
Energy Efficiency and Demand Management										
Provincial Government:		1 683	4 912	757	1 142	1 142	1 142	2 838	2 527	2 674
Health subsidy		1 001	1 150	–	–	–	–	1 227	1 288	1 363
Housing		–	458	–	–	–	–	–	–	–
Sport and Recreation		682	679	757	1 142	1 142	1 142	1 611	1 239	1 311
Department of Education		–	235	–	–	–	–	–	–	–
Department of Roads		–	2 389	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	2 050	–	–	–	–	–	–	–
Department of Water Affairs		–	2 050	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	39 306	45 455	39 633	40 601	40 601	40 601	41 660	41 113	43 981
Capital Transfers and Grants										
National Government:		16 141	13 102	12 708	56 565	13 398	13 398	29 602	24 342	13 798
Municipal Infrastructure Grant (MIG)		16 141	13 102	12 608	11 898	11 898	11 898	11 602	12 342	12 798
Regional Bulk Infrastructure		–	–	100	10 000	–	–	15 000	10 000	–
Integrated National Electrification Programme		–	–	–	1 500	1 500	1 500	3 000	2 000	1 000
Bucket Eradication Programme Grant		–	–	–	33 167	–	–	–	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Department of Water Af		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	16 141	13 102	12 708	56 565	13 398	13 398	29 602	24 342	13 798
TOTAL RECEIPTS OF TRANSFERS & GRANTS		55 447	58 557	52 341	97 166	53 999	53 999	71 262	65 455	57 779

2.9.2 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 33 MBRR Table A7 - Budget cash flow statement

NC073 Emthanjeni - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 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 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		13 593	17 407	23 732	25 578	25 578	25 578	25 578	27 999	29 239	48 909
Service charges		66 533	86 506	50 909	99 481	97 831	97 831	97 831	108 309	112 127	147 552
Other revenue		12 295	(2 790)	39 982	32 048	32 848	32 848	32 848	35 489	36 608	53 421
Government - operating	1	38 073	38 678	36 215	40 601	40 601	40 601	40 601	41 660	42 910	45 055
Government - capital	1	17 054	15 152	14 694	56 565	13 398	13 398	13 398	14 602	14 343	13 798
Interest		1 595	1 030	1 596	715	715	715	715	806	830	863
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(130 205)	(140 967)	(151 296)	(184 234)	(170 203)	(170 203)	(170 203)	(186 891)	(202 336)	(261 093)
Finance charges		(1 758)	(1 608)	(1 337)	(2 556)	(3 556)	(3 556)	(3 556)	(5 633)	(6 143)	(9 731)
Transfers and Grants	1	(305)	(750)	(225)	(12 938)	(11 662)	(11 662)	(11 662)	(8 556)	(10 255)	(15 270)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**16 875**	**12 659**	**14 269**	**55 260**	**25 550**	**25 550**	**25 550**	**27 784**	**17 323**	**23 504**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		558	990	1 186	124	124	124	124	130	139	148
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	(0)	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		79	–	–	2 800	30	30	30	–	–	–
Payments											
Capital assets		(13 822)	(21 552)	(14 194)	(62 298)	(19 121)	(19 121)	(19 121)	(20 937)	(19 184)	(22 006)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(13 186)**	**(20 562)**	**(13 008)**	**(59 374)**	**(18 967)**	**(18 967)**	**(18 967)**	**(20 807)**	**(19 046)**	**(21 858)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–		–	–	–	–	–	–
Borrowing long term/refinancing		–	–	–	5 046	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	135	135	135	135	98	90	71
Payments											
Repayment of borrowing		(2 275)	(2 504)	(2 777)	(4 084)	(1 028)	(1 028)	(1 028)	(3 222)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(2 275)**	**(2 504)**	**(2 777)**	**1 096**	**(894)**	**(894)**	**(894)**	**(3 125)**	**90**	**71**
NET INCREASE/ (DECREASE) IN CASH HELD		**1 415**	**(10 407)**	**(1 515)**	**(3 017)**	**5 690**	**5 690**	**5 690**	**3 852**	**(1 633)**	**1 717**
Cash/cash equivalents at the year begin:	2	**9 225**	**10 640**	**233**	**3 624**	**(1 283)**	**(1 283)**	**(1 283)**	**(985)**	**2 867**	**1 234**
Cash/cash equivalents at the year end:	2	**10 640**	**233**	**(1 283)**	**606**	**4 407**	**4 407**	**4 407**	**2 867**	**1 234**	**2 951**

2.9.4 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 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC073 Emthanjeni - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	10 640	233	(1 283)	606	4 407	4 407	4 407	2 867	1 234	2 951
Other current investments > 90 days		(0)	(0)	(0)	2 322	(11 375)	(11 375)	(11 375)	0	–	(0)
Non current assets - Investments	1	14	21	26	8 575	11 375	11 375	11 375	29	29	30
Cash and investments available:		10 654	254	(1 257)	11 503	4 407	4 407	4 407	2 896	1 263	2 980
Application of cash and investments											
Unspent conditional transfers		12 120	7 095	3 761	1 470	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2								658	697	736
Other working capital requirements	3	(33 770)	(17 395)	(15 152)	(13 093)	(11 666)	(11 666)	(11 666)	(16 147)	(15 376)	(8 513)
Other provisions									1 942	2 067	2 511
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5								–		
Total Application of cash and investments:		(21 650)	(10 300)	(11 391)	(11 624)	(11 666)	(11 666)	(11 666)	(13 546)	(12 611)	(5 266)
Surplus(shortfall)		32 304	10 554	10 134	23 127	16 073	16 073	16 073	16 442	13 874	8 246

From the above table it can be seen that the cash and investments available total R2, 867 million in the 2016/17 financial year however this increases to R2, 951 million by 2018/19, 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.
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 2016/17 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.

2.9.3 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 35 MBRR SA10 – Funding compliance measurement

NC073 Emthanjeni Supporting Table SA10 Funding measurement												
			2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
Description	MFMA section	Ref	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	10 640	233	(1 283)	606	4 407	4 407	4 407	2 867	1 234	2 951
Cash + investments at the yr end less applications - R'000	18(1)b	2	32 304	10 554	10 134	23 127	16 073	16 073	16 073	16 442	13 874	8 246
Cash year end/monthly employee/supplier payments	18(1)b	3	1.0	0.0	(0.1)	0.0	0.3	0.3	0.3	0.2	0.1	0.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(42 686)	(70 534)	(49 091)	56 615	14 280	14 280	14 280	14 209	12 324	41 427
Service charge rev % change - macro CPIX target exclusiv	18(1)a,(2)	5	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	12.4%	47.2%	29.8%	8.4%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Capital payments % of capital expenditure	18(1)c;19	8	100.7%	100.0%	100.0%	92.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers	18(1)c	9	0.0%	0.0%	0.0%	44.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(21.3%)	7.7%	(38.7%)	(6.9%)	0.0%	0.0%	19.1%	(0.5%)	(3.9%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	8.6%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.9%	1.3%	1.3%	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	3.3%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.9.4.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2016/17 MTREF shows R2, 687 million, R1, 234 million and R2, 951 million for each respective financial year.

2.9.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The 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.

2.9.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2012/13 to 2018/19, moving from 1.0 to 0.9 with the adopted 2016/17 MTREF.

As part of the 2016/17 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then improves slightly slightly to 1.2 and 0.8 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.

2.9.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R14, 209 million, R12, 324 million and R41, 427million.

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.

2.9.4.5 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. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 8 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.

2.9.4.6 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 95.4, 96.3 and 94.3 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?

2.9.4.7 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 8.5, 8.2 and 7.8 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.

2.9.4.8 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.

2.9.4.9 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 be excluded. It can be seen that borrowing equates to less than a per cent of own funded capital.

2.9.4.10 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.

2.9.4.11 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.

2.9.4.12 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.

2.9.4.13 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.

2.9.5 Expenditure on grants and reconciliations of unspent funds

Table 36 MBRR SA19 - Expenditure on transfers and grant programmes

NC073 Emthanjeni - Supporting Table SA19 Expenditure on transfers and grant programme									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	**37 573**	**38 259**	**38 876**	**39 459**	**39 459**	**39 459**	**38 822**	**38 586**	**41 307**
Local Government Equitable Share	34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management	1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement	800	890	934	930	930	930	–	–	–
EPWP Incentive	950	1 000	1 000	1 000	1 000	1 000	1 000	–	–
Energy Efficiency and Demand Management	–	–	–	–	–	–	–	–	–
Provincial Government:	**1 683**	**6 811**	**757**	**1 142**	**1 142**	**1 142**	**2 838**	**2 527**	**2 674**
Health subsidy	1 001	1 311	–	–	–	–	1 227	1 288	1 363
Housing	–	268	–	–	–	–	–	–	–
Sport and Recreation	682	679	757	1 142	1 142	1 142	1 611	1 239	1 311
Department of Education	–	2 503	–	–	–	–	–	–	–
Department of Roads	–	2 050	–	–	–	–	–	–	–
District Municipality:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other grant providers:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Department of Water Affairs	–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants:	**39 256**	**45 070**	**39 633**	**40 601**	**40 601**	**40 601**	**41 660**	**41 113**	**43 981**
Capital expenditure of Transfers and Grants									
National Government:	**16 141**	**14 362**	**11 908**	**56 565**	**13 398**	**13 398**	**28 992**	**23 866**	**13 118**
Municipal Infrastructure Grant (MIG)	16 141	14 362	11 808	11 898	11 898	11 898	10 992	11 866	12 118
Regional Bulk Infrastructure	–	–	100	10 000	–	–	15 000	10 000	–
Integrated National Electrification Programme	–	–	–	1 500	1 500	1 500	3 000	2 000	1 000
Bucket Eradication Programme Grant	–	–	–	33 167	–	–	–	–	–
Provincial Government:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
District Municipality:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other grant providers:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Department of Water Af	–	–	–	–	–	–	–	–	–
Total capital expenditure of Transfers and Grants	**16 141**	**14 362**	**11 908**	**56 565**	**13 398**	**13 398**	**28 992**	**23 866**	**13 118**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	**55 397**	**59 433**	**51 541**	**97 166**	**53 999**	**53 999**	**70 652**	**64 979**	**57 099**

Table 37 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

NC073 Emthanjeni - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	41 827	40 840	38 793	39 459	39 459	39 459	38 822	39 226	44 983
Conditions met - transferred to revenue	41 827	40 840	38 793	39 459	39 459	39 459	38 822	39 226	44 983
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts	1 683	4 912	757	1 142	1 142	1 142	2 838	2 527	2 674
Conditions met - transferred to revenue	1 683	4 912	757	1 142	1 142	1 142	2 838	2 527	2 674
Conditions still to be met - transferred to liabilities									
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	43 510	45 752	39 550	40 601	40 601	40 601	41 660	41 753	47 657
Total operating transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	12 139	15 313	13 833	55 958	12 791	12 791	13 992	12 491	13 118
Conditions met - transferred to revenue	12 139	15 313	13 833	55 958	12 791	12 791	13 992	12 491	13 118
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Total capital transfers and grants revenue	12 139	15 313	13 833	55 958	12 791	12 791	13 992	12 491	13 118
Total capital transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	55 649	61 065	53 382	96 559	53 392	53 392	55 652	54 244	60 775
TOTAL TRANSFERS AND GRANTS - CTBM	–	–	–	–	–	–	–	–	–

2.9.6 Councillor and employee benefits

Table 38 MBRR SA22 - Summary of councillor and staff benefits

NC073 Emthanjeni - Supporting Table SA22 Summary councillor and staff benefits									
Summary of Employee and Councillor remuneration	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	2 475	2 920	2 962	3 170	3 170	3 170	3 278	3 508	3 753
Pension and UIF Contributions	–	338	–	–	–	–	–	–	–
Medical Aid Contributions	–	38	–	–	–	–	–	–	–
Motor Vehicle Allowance	825	629	985	1 051	1 051	1 051	1 093	1 169	1 251
Cellphone Allowance	183	198	314	313	313	313	368	394	422
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	20	34	–	47	47	47	48	51	55
Sub Total - Councillors	**3 503**	**4 157**	**4 261**	**4 580**	**4 580**	**4 580**	**4 787**	**5 122**	**5 481**
% increase		**18.7%**	**2.5%**	**7.5%**	**–**	**–**	**4.5%**	**7.0%**	**7.0%**
Senior Managers of the Municipality									
Basic Salaries and Wages	2 660	3 102	3 369	3 442	3 442	3 442	3 861	4 247	4 672
Pension and UIF Contributions	441	469	560	608	608	608	642	706	776
Medical Aid Contributions	90	132	159	110	110	110	115	127	139
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	–	475	–	–	–	–	–	–	–
Motor Vehicle Allowance	728	588	847	814	814	814	759	835	919
Cellphone Allowance	47	177	151	155	155	155	138	164	192
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	575	168	217	240	240	240	245	257	271
Payments in lieu of leave	–	–	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	**4 541**	**5 112**	**5 303**	**5 370**	**5 370**	**5 370**	**5 760**	**6 336**	**6 970**
% increase		**12.6%**	**3.7%**	**1.3%**	**–**	**–**	**7.3%**	**10.0%**	**10.0%**
Other Municipal Staff									
Basic Salaries and Wages	36 570	35 534	43 450	46 748	46 748	46 748	48 864	53 751	59 126
Pension and UIF Contributions	6 750	6 403	7 592	8 057	8 057	8 057	8 195	9 014	9 915
Medical Aid Contributions	2 605	2 140	1 505	1 614	1 614	1 614	1 810	1 991	2 190
Overtime	419	2 262	2 070	2 006	2 006	2 006	2 234	2 367	2 514
Performance Bonus	–	2 993	–	–	–	–	–	–	–
Motor Vehicle Allowance	892	1 269	892	1 050	1 050	1 050	1 191	1 310	1 441
Cellphone Allowance	–	254	168	207	207	207	219	231	241
Housing Allowances	785	1 124	702	733	733	733	762	797	820
Other benefits and allowances	189	2 436	1 230	963	963	963	1 108	1 364	1 664
Payments in lieu of leave	–	366	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	683	–	54	56	56	56	58	61	64
Sub Total - Other Municipal Staff	**48 893**	**54 781**	**57 662**	**61 434**	**61 434**	**61 434**	**64 441**	**70 885**	**77 974**
% increase		**12.0%**	**5.3%**	**6.5%**	**–**	**–**	**4.9%**	**10.0%**	**10.0%**
Total Parent Municipality	**56 937**	**64 051**	**67 226**	**71 384**	**71 384**	**71 384**	**74 988**	**82 343**	**90 424**
		12.5%	**5.0%**	**6.2%**	**–**	**–**	**5.0%**	**9.8%**	**9.8%**
TOTAL SALARY, ALLOWANCES & BENEFITS	**56 937**	**64 051**	**67 226**	**71 384**	**71 384**	**71 384**	**74 988**	**82 343**	**90 424**
% increase		**12.5%**	**5.0%**	**6.2%**	**–**	**–**	**5.0%**	**9.8%**	**9.8%**
TOTAL MANAGERS AND STAFF	**53 434**	**59 894**	**62 965**	**66 804**	**66 804**	**66 804**	**70 201**	**77 221**	**84 943**

Table 39 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

NC073 Emthanjeni - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/sen							
Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.				2.
Councillors							
Speaker	1	457 798	4 909	178 902			641 610
Chief Whip	–	–	–	–			–
Executive Mayor	1	572 248	5 672	217 052			794 972
Deputy Executive Mayor	–	–	–	–			–
Executive Committee	2	474 344	6 876	210 722			691 941
Total for all other councillors	10	1 773 753	30 394	854 285			2 658 431
Total Councillors	**14**	**3 278 143**	**47 851**	**1 460 961**			**4 786 955**
Senior Managers of the Municipality							
Municipal Manager (MM)	1	933 970	170 428	389 922	–		1 494 320
Chief Finance Officer	1	904 150	204 730	268 036	–		1 376 916
Director of Corporate Services	1	605 856	159 653	160 552	–		926 061
Director of Infrastructure Services	1	742 607	133 380	68 278	–		944 265
Director of Community Services	1	674 738	255 322	148 005	–		1 078 066
							–
Total Senior Managers of the Municipal	**5**	**3 861 322**	**923 513**	**1 034 793**	**–**		**5 819 628**
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	**19**	**7 139 465**	**971 364**	**2 495 754**	**–**		**10 606 582**

Table 40 MBRR SA24 – Summary of personnel numbers

NC073 Emthanjeni - Supporting Table SA24 Summary of personnel numbers									
Summary of Personnel Numbers	2014/15			Current Year 2015/16			Budget Year 2016/17		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	14	2	12	14	2	12	14	2	12
Board Members of municipal entities	–	–	–	–	–	–	–	–	–
Municipal employees	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	5		5	5		5	5	–	5
Other Managers	7	6	1	7	6	1	7	6	1
Professionals	6	6	–	6	6	–	6	6	–
Finance	4	4	–	4	4	–	4	4	–
Spatial/town planning	–	–	–	–	–	–	–	–	–
Information Technology	1	1	–	1	1	–	1	1	–
Roads	–	–	–	–	–	–	–	–	–
Electricity	1	1	–	1	1	–	1	1	–
Water		–	–		–	–		–	–
Sanitation	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Technicians	33	31	2	33	31	2	33	31	2
Finance	5	3	2	5	3	2	5	3	2
Spatial/town planning	–	–	–	–	–	–	–	–	–
Information Technology	–	–	–	–	–	–	–	–	–
Roads	3	3	–	3	3	–	3	3	–
Electricity	6	6		6	6		6	6	
Water	2	2	–	2	2	–	2	2	–
Sanitation	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–
Other	17	17	–	17	17	–	17	17	–
Clerks (Clerical and administrative)	138	136	2	138	136	2	138	136	2
Service and sales workers	–	–	–	–	–	–	–	–	–
Skilled agricultural and fishery workers	–	–	–	–	–	–	–	–	–
Craft and related trades	45	45	–	45	45	–	45	45	–
Plant and Machine Operators	40	40	–	40	40	–	40	40	–
Elementary Occupations	170	160	10	170	160	10	170	169	10
TOTAL PERSONNEL NUMBERS	**458**	**426**	**32**	**458**	**426**	**32**	**458**	**435**	**32**
% increase				–	–	–	–	2.1%	–
Total municipal employees headcount	**359**	**340**	**19**	**359**	**340**	**19**	**352**	**332**	**20**
Finance personnel headcount	**44**	**37**	**7**	**44**	**37**	**7**	**45**	**39**	**6**
Human Resources personnel headcount	**3**	**3**	**–**	**3**	**3**	**–**	**3**	**3**	**–**

2.9.7 Monthly targets for revenue, expenditure and cash flow

Table 41 MBRR SA25 - Budgeted monthly revenue and expenditure

NC073 Emthanjeni - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Budget Year 2016/17												Medium Term Revenue and		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source															
Property rates	12 912	4 168	1 069	1 109	1 108	1 111	1 212	1 077	1 075	1 163	1 356	1 806	29 165	30 915	51 010
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	4 304	4 645	4 433	4 032	4 102	3 724	4 260	2 717	4 610	5 382	7 169	8 547	57 925	61 401	101 311
Service charges - water revenue	2 116	3 114	2 039	1 362	2 168	8 810	2 802	1 033	1 642	1 023	963	680	27 953	29 630	48 889
Service charges - sanitation revenue	1 359	1 360	1 361	1 359	1 364	1 361	1 366	1 314	1 314	1 314	1 314	2 781	17 568	18 622	30 727
Service charges - refuse revenue	784	784	784	784	785	785	765	789	789	789	789	1 629	10 277	10 894	17 975
Service charges - other	10	10	10	10	10	10	10	10	10	10	10	10	118	270	445
Rental of facilities and equipment	70	66	69	73	74	74	78	-	-	-	-	183	666	732	885
Interest earned - external investments	16	13	2	7	4	17	1	64	64	64	64	492	806	854	1 409
Interest earned - outstanding debtors	32	36	29	76	51	56	150	84	58	68	73	241	954	1 011	1 669
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	125	33	1 126	296	36	39	670	42	463	1 775	1 226	712	6 543	6 935	11 444
Licences and permits	39	35	34	32	31	23	31	47	252	381	501	572	1 978	2 097	3 460
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	15 144	582	185	788	10 980	2 318	760	535	10 151	217	-	0	41 660	41 753	47 657
Other revenue	658	2 183	2 115	2 292	2 454	2 009	3 143	2 621	3 173	1 449	1 903	3 094	27 095	28 688	47 256
Gains on disposal of PPE	10	10	10	10	10	10	10	10	10	10	10	20	130	139	148
Total Revenue (excluding capital transfers and	**37 579**	**17 039**	**13 265**	**12 232**	**23 176**	**20 347**	**15 278**	**10 342**	**23 610**	**13 645**	**15 378**	**20 965**	**222 858**	**233 942**	**364 285**
Expenditure By Type															
Employee related costs	5 750	5 750	5 750	5 750	5 750	5 750	6 950	5 750	5 750	5 750	5 750	5 750	70 201	74 514	79 842
Remuneration of councillors	399	399	399	399	399	399	399	399	399	399	399	399	4 787	5 122	5 481
Debt impairment	-	-	-	-	-	-	-		-	-	-	11 119	11 119	11 786	19 447
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-	-	9 597	9 597	10 173	16 775
Finance charges	19	17	578	554	554	559	555	558	558	558	558	565	5 633	6 143	9 731
Bulk purchases	7 117	7 557	7 061	2 081	3 965	3 755	4 068	7 116	5 041	4 570	3 784	1 275	57 391	60 834	100 377
Other materials	1 264	1 936	1 501	1 771	1 613	896	1 073	775	2 545	1 888	1 417	1 128	17 805	18 864	30 971
Contracted services	819	366	561	1 065	327	182	416	1 004	1 573	1 242	771	1 620	9 967	10 565	17 432
Transfers and grants	786	751	726	726	751	726	751	751	742	751	608	664	8 731	9 255	15 270
Other expenditure	3 713	1 326	2 955	2 700	3 681	3 133	2 190	2 581	3 444	5 172	4 508	2 214	37 616	38 877	58 106
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	**19 868**	**18 102**	**19 531**	**15 066**	**17 040**	**15 399**	**16 402**	**18 932**	**20 052**	**20 329**	**17 794**	**34 331**	**232 848**	**246 133**	**353 431**
Surplus/(Deficit)	**17 712**	**(1 063)**	**(6 266)**	**(2 834)**	**6 136**	**4 947**	**(1 124)**	**(8 590)**	**3 558**	**(6 684)**	**(2 416)**	**(13 365)**	**(9 990)**	**(12 192)**	**10 854**
Transfers recognised - capital	1 000	-	1 550	-	3 500	-	1 875	-	5 587	-	1 090	-	14 602	14 343	13 798
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	**18 712**	**(1 063)**	**(4 716)**	**(2 834)**	**9 636**	**4 947**	**751**	**(8 590)**	**9 145**	**(6 684)**	**(1 326)**	**(13 365)**	**4 612**	**2 151**	**24 652**
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	**18 712**	**(1 063)**	**(4 716)**	**(2 834)**	**9 636**	**4 947**	**751**	**(8 590)**	**9 145**	**(6 684)**	**(1 326)**	**(13 365)**	**4 612**	**2 151**	**24 652**

Table 42 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2016/17												Medium Term Revenue and		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote															
Vote 1 - EXECUTIVE AND COUNCIL	242	71	76	150	925	2 245	95	67	58	44	51	273	4 295	4 090	6 673
Vote 2 - FINANCE AND ADMINISTRATION	19 406	1 459	1 344	1 457	5 029	1 427	1 386	1 309	2 620	1 817	3 147	4 985	45 385	46 634	68 784
Vote 3 - PLANNING AND DEVELOPMENT	-	430	-	-	184	-	-	323	-	560	114	-	1 610	1 692	2 429
Vote 4 - HEALTH	-	-	-	-	-	-	-	-	-	-	-	1 227	1 227	1 288	1 353
Vote 5 - COMMUNITY AND SOCIAL SERVICES	81	49	67	689	79	66	657	55	145	32	182	91	2 192	1 987	2 545
Vote 6 - PUBLIC SAFETY	44	59	157	310	50	32	472	599	1 278	2 175	1 150	866	7 191	7 623	12 578
Vote 7 - SPORT AND RECREATION	3	2	3	29	27	-	30	-	4	-	8	17	123	131	216
Vote 8 - ROAD TRANSPORT	2	2	2	2	3	2	2	5	646	202	500	709	2 077	1 141	14 001
Vote 9 - OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES	3	3	3	3	3	3	3	3	3	4	3	9	41	44	72
Vote 11 - WASTE MANAGEMENT	3 257	791	792	649	2 470	794	794	773	2 266	847	803	622	14 879	15 772	23 204
Vote 12 - WASTE WATER MANAGEMENT	4 329	1 375	1 375	1 374	4 071	1 377	1 382	2 297	3 170	1 728	1 740	1 699	25 918	26 681	39 288
Vote 13 - ELECTRICITY	7 097	8 843	8 047	6 295	6 859	5 744	6 550	4 396	15 773	5 741	7 574	9 041	91 961	94 570	151 919
Vote 14 - WATER	4 114	3 955	2 951	1 275	6 976	8 656	5 782	517	3 214	495	1 198	1 427	40 560	46 633	55 012
Vote 15 - [NAME OF VOTE 15]				-			-		-			-	-	-	-
Total Revenue by Vote	38 579	17 039	14 815	12 232	26 676	20 347	17 153	10 342	29 197	13 645	16 468	20 965	237 460	248 284	378 083
Expenditure by Vote to be appropriated															
Vote 1 - EXECUTIVE AND COUNCIL	1 012	903	837	1 060	1 388	875	1 204	1 082	1 180	1 532	1 033	2 032	14 140	15 904	16 959
Vote 2 - FINANCE AND ADMINISTRATION	2 125	2 347	2 657	3 180	2 532	1 841	2 298	3 858	4 211	3 072	3 320	3 816	35 256	37 532	51 918
Vote 3 - PLANNING AND DEVELOPMENT	713	795	1 019	1 091	1 187	956	861	1 179	1 286	704	565	1 836	12 190	11 865	15 012
Vote 4 - HEALTH	0	-	-	-	-	-	-	19	21	-	-	148	188	199	329
Vote 5 - COMMUNITY AND SOCIAL SERVICES	629	650	764	762	724	796	809	1 741	1 897	909	1 569	1 675	12 925	13 307	16 510
Vote 6 - PUBLIC SAFETY	1 120	665	735	823	710	545	761	1 041	1 135	709	569	1 560	10 374	11 047	15 094
Vote 7 - SPORT AND RECREATION	320	279	317	300	389	744	374	400	436	380	305	477	4 721	5 039	6 209
Vote 8 - ROAD TRANSPORT	1 146	725	869	988	896	683	982	1 294	1 411	1 550	1 245	5 115	16 903	17 987	25 372
Vote 9 - OTHER	65	65	65	65	65	65	65	65	65	65	65	65	774	763	1 020
Vote 10 - HOUSING SERVICES	373	179	224	207	214	300	202	129	141	177	142	132	2 419	2 586	2 936
Vote 11 - WASTE MANAGEMENT	1 009	1 031	1 238	1 305	1 224	1 299	1 222	1 070	1 563	1 109	1 212	779	14 060	15 142	20 448
Vote 12 - WASTE WATER MANAGEMENT	782	839	1 006	1 094	1 122	1 249	1 069	1 416	1 544	2 650	1 288	3 187	17 246	17 528	26 282
Vote 13 - ELECTRICITY	9 549	9 026	8 721	2 919	5 495	4 837	5 371	4 528	3 955	5 824	5 158	9 357	74 751	79 294	127 217
Vote 14 - WATER	1 025	600	1 079	1 273	1 093	1 210	1 185	1 110	1 210	1 650	1 325	4 143	16 901	17 940	28 125
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	19 868	18 102	19 531	15 066	17 040	15 399	16 402	18 932	20 052	20 329	17 794	34 331	232 848	246 133	353 431
Surplus/(Deficit) before assoc.	18 712	(1 063)	(4 716)	(2 834)	9 636	4 947	751	(8 590)	9 145	(6 684)	(1 326)	(13 365)	4 612	2 151	24 652
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	18 712	(1 063)	(4 716)	(2 834)	9 636	4 947	751	(8 590)	9 145	(6 684)	(1 326)	(13 365)	4 612	2 151	24 652

Table 43 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC073 Emthanjeni - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard															
Governance and administration	19 649	1 530	1 420	1 607	5 954	3 672	1 481	1 376	2 678	1 861	3 197	5 257	49 681	50 723	75 457
Executive and council	242	71	76	150	925	2 245	95	67	58	44	51	273	4 295	4 090	6 673
Budget and treasury office	19 371	1 457	1 342	1 454	5 020	1 424	1 384	1 306	2 615	1 814	3 141	4 973	45 301	46 545	68 638
Corporate services	35	3	2	3	9	3	2	2	5	3	6	11	84	89	146
Community and public safety	131	113	229	1 031	159	101	1 162	656	1 430	2 210	1 343	2 210	10 775	11 072	16 774
Community and social services	81	49	67	689	79	66	657	55	145	32	182	91	2 192	1 987	2 545
Sport and recreation	3	2	3	29	27	–	30	–	4	–	8	17	123	131	216
Public safety	44	59	157	310	50	32	472	599	1 278	2 175	1 150	866	7 191	7 623	12 578
Housing	3	3	3	3	3	3	3	3	3	4	3	9	41	44	72
Health	–	–	–	–	–	–	–	–	–	–	–	1 227	1 227	1 288	1 363
Economic and environmental se	2	432	2	2	187	2	2	328	646	762	614	709	3 686	2 833	16 430
Planning and development	–	430	–	–	184	–	–	323	–	560	114	–	1 610	1 692	2 429
Road transport	2	2	2	2	3	2	2	5	646	202	500	709	2 077	1 141	14 001
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	18 798	14 964	13 164	9 592	20 377	16 572	14 508	7 983	24 444	8 812	11 314	12 789	173 317	183 656	269 422
Electricity	7 097	8 843	8 047	6 295	6 859	5 744	6 550	4 396	15 773	5 741	7 574	9 041	91 961	94 570	151 919
Water	4 114	3 955	2 951	1 275	6 976	8 656	5 782	517	3 214	495	1 198	1 427	40 560	46 633	55 012
Waste water management	4 329	1 375	1 375	1 374	4 071	1 377	1 382	2 297	3 170	1 728	1 740	1 699	25 918	26 681	39 288
Waste management	3 257	791	792	649	2 470	794	794	773	2 286	847	803	622	14 879	15 772	23 204
Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	38 579	17 039	14 815	12 232	26 676	20 347	17 153	10 342	29 197	13 645	16 468	20 965	237 460	248 284	378 083
		26 431	23 005	19 366	34 723	28 402	24 455	15 182	45 173	20 022	24 388				
Expenditure - Standard															
Governance and administration	3 137	3 250	3 494	4 240	3 921	2 717	3 502	4 940	5 391	4 604	4 353	5 848	49 395	53 437	68 877
Executive and council	1 012	903	837	1 060	1 388	875	1 204	1 082	1 180	1 532	1 033	2 032	14 140	15 904	16 959
Budget and treasury office	1 339	1 479	1 674	2 003	1 595	1 160	1 448	2 430	2 653	1 935	2 091	1 832	21 639	23 037	31 844
Corporate services	786	868	983	1 177	937	681	850	1 427	1 558	1 137	1 228	1 984	13 617	14 496	20 074
Community and public safety	2 443	1 773	2 040	2 092	2 037	2 385	2 146	3 330	3 630	2 174	2 586	3 991	30 628	32 178	41 078
Community and social services	629	650	764	762	724	798	809	1 741	1 897	909	1 569	1 675	12 925	13 307	16 510
Sport and recreation	320	279	317	300	389	744	374	400	436	380	305	477	4 721	5 039	6 209
Public safety	1 120	665	735	823	710	545	761	1 041	1 135	709	569	1 560	10 374	11 047	15 094
Housing	373	179	224	207	214	300	202	129	141	177	142	132	2 419	2 586	2 936
Health	0	–	–	–	–	–	–	19	21	–	–	148	188	199	329
Economic and environmental se	1 859	1 519	1 888	2 079	2 082	1 638	1 843	2 474	2 696	2 254	1 809	6 951	29 093	29 852	40 384
Planning and development	713	795	1 019	1 091	1 187	956	861	1 179	1 286	704	565	1 836	12 190	11 865	15 012
Road transport	1 146	725	869	988	896	683	982	1 294	1 411	1 550	1 245	5 115	16 903	17 987	25 372
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	12 364	11 495	12 045	6 591	8 935	8 595	8 647	8 124	8 271	11 233	8 982	17 477	122 958	129 903	202 072
Electricity	9 549	9 026	8 721	2 919	5 495	4 837	5 371	4 528	3 955	5 824	5 158	9 367	74 751	79 294	127 217
Water	1 025	600	1 079	1 273	1 093	1 210	1 185	1 110	1 210	1 650	1 325	4 143	16 901	17 940	28 125
Waste water management	782	839	1 006	1 094	1 122	1 249	1 069	1 416	1 544	2 650	1 288	3 187	17 246	17 528	26 282
Waste management	1 009	1 031	1 238	1 305	1 224	1 299	1 222	1 070	1 563	1 109	1 212	779	14 060	15 142	20 448
Other	65	65	65	65	65	65	65	65	65	65	65	65	774	763	1 020
Total Expenditure - Standard	19 868	18 102	19 531	15 066	17 040	15 399	16 402	18 932	20 052	20 329	17 794	34 331	232 848	246 133	353 431
Surplus/(Deficit) before assoc.	18 712	(1 063)	(4 716)	(2 834)	9 636	4 947	751	(8 590)	9 145	(6 684)	(1 326)	(13 365)	4 612	2 151	24 652
Surplus/(Deficit)	18 712	(1 063)	(4 716)	(2 834)	9 636	4 947	751	(8 590)	9 145	(6 684)	(1 326)	(13 365)	4 612	2 151	24 652

Table 44 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC073 Emthanjeni - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)															
Description	Budget Year 2016/17												Medium Term Revenue		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Multi-year expenditure *to be appropriated*															
Capital multi-year expenditure sub-total	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*															
Vote 1 - EXECUTIVE AND COUNCIL	–	18	–	–	26	59	–	–	–	13	21	–	137	147	157
Vote 2 - FINANCE AND ADMINISTRATION	–	350	79	14	706	–	70	115	352	106	–	–	1 792	1 899	3 133
Vote 3 - PLANNING AND DEVELOPMENT	–	–	4	–	9	–	–	–	–	–	–	–	13	13	22
Vote 4 - HEALTH	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 5 - COMMUNITY AND SOCIAL SERVICES	–	–	100	–	–	91	–	18	–	59	–	–	268	284	469
Vote 6 - PUBLIC SAFETY	10	–	11	–	4	–	30	–	2	35	–	–	93	98	162
Vote 7 - SPORT AND RECREATION	2	–	2	43	–	3	–	3	18	–	–	–	70	65	68
Vote 8 - ROAD TRANSPORT	–	1 178	–	–	1 265	–	594	–	1 183	–	–	–	4 220	10 092	15 239
Vote 9 - OTHER	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 - HOUSING SERVICES	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 11 - WASTE MANAGEMENT	–	5	–	–	10	–	–	17	–	–	–	–	32	34	56
Vote 12 - WASTE WATER MANAGEMENT	190	42	56	–	41	34	34	515	–	170	9	–	1 090	1 450	300
Vote 13 - ELECTRICITY	1 040	274	214	1 340	–	566	–	–	1 687	–	280	–	5 400	4 601	2 049
Vote 14 - WATER	214	3 166	–	–	2 266	–	–	1 236	–	–	–	941	7 822	500	350
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	**1 456**	**5 033**	**464**	**1 396**	**4 328**	**753**	**728**	**1 903**	**3 242**	**383**	**310**	**941**	**20 937**	**19 184**	**22 006**
Total Capital Expenditure	**1 456**	**5 033**	**464**	**1 396**	**4 328**	**753**	**728**	**1 903**	**3 242**	**383**	**310**	**941**	**20 937**	**19 184**	**22 006**

Table 45 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC073 Emthanjeni - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)															
Description	Budget Year 2016/17												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard															
Governance and administration	**–**	**368**	**79**	**14**	**732**	**59**	**70**	**115**	**352**	**119**	**21**	**–**	**1 929**	**2 046**	**3 291**
Executive and council	–	18	–	–	26	59	–	–	–	13	21	–	137	147	157
Budget and treasury office	–	326	79	–	706	–	–	115	110	106	–	–	1 441	1 528	2 521
Corporate services	–	24	–	14	–	–	70		242			–	350	371	612
Community and public safety	**12**	**–**	**113**	**43**	**4**	**94**	**30**	**21**	**20**	**94**	**–**	**–**	**431**	**447**	**699**
Community and social services	–	–	100	–	–	91	–	18	–	59	–	–	268	284	469
Sport and recreation	2	–	2	43	–	3	–	3	18	–	–	–	70	65	68
Public safety	10	–	11	–	4	–	30	–	2	35	–	–	93	98	162
Housing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services	**–**	**1 178**	**4**	**–**	**1 274**	**–**	**594**	**–**	**1 183**	**–**	**–**	**–**	**4 232**	**10 106**	**15 261**
Planning and development	–	–	4	–	9	–	–	–	–	–	–	–	13	13	22
Road transport	–	1 178	–	–	1 265	–	594	–	1 183	–	–	–	4 220	10 092	15 239
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	**1 444**	**3 487**	**269**	**1 340**	**2 317**	**600**	**34**	**1 768**	**1 687**	**170**	**289**	**941**	**14 344**	**6 585**	**2 756**
Electricity	1 040	274	214	1 340	–	566	–	–	1 687	–	280	–	5 400	4 601	2 049
Water	214	3 166	–	–	2 266	–	–	1 236	–	–	–	941	7 822	500	350
Waste water management	190	42	56	–	41	34	34	515	–	170	9	–	1 090	1 450	300
Waste management	–	5	–	–	10	–	–	17	–	–	–	–	32	34	56
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Standard	**1 456**	**5 033**	**464**	**1 396**	**4 328**	**753**	**728**	**1 903**	**3 242**	**383**	**310**	**941**	**20 937**	**19 184**	**22 006**
Funded by:															
National Government	1 456	3 759	–	–	4 328	–	388	1 903	2 158	–	–	–	13 992	12 491	13 118
Provincial Government	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	**1 456**	**3 759**	**–**	**–**	**4 328**	**–**	**388**	**1 903**	**2 158**	**–**	**–**	**–**	**13 992**	**12 491**	**13 118**
Public contributions & donations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	1 274	464	1 396	–	753	340	–	1 084	383	310	941	6 944	6 694	8 888
Total Capital Funding	**1 456**	**5 033**	**464**	**1 396**	**4 328**	**753**	**728**	**1 903**	**3 242**	**383**	310	941	20 937	19 184	22 006

Table 46 MBRR SA30 - Budgeted monthly cash flow

NC073 Emthanjeni - Supporting Table SA30 Budgeted monthly cash flow															
MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Receipts By Source													1		
Property rates	14 773	1 157	1 309	1 099	1 097	1 183	1 207	1 067	959	1 065	1 129	1 953	27 999	29 239	48 909
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	4 294	3 976	3 988	4 781	3 461	6 164	3 145	4 292	4 842	5 189	5 478	4 839	54 450	56 454	71 037
Service charges - water revenue	1 449	1 357	1 179	1 459	1 276	1 688	1 474	2 185	2 492	3 233	3 461	5 582	26 835	27 908	45 467
Service charges - sanitation revenue	955	1 974	1 032	1 221	1 087	1 070	1 109	1 632	1 627	1 654	1 871	1 808	17 041	17 382	20 347
Service charges - refuse revenue	734	927	775	987	795	752	772	905	737	846	805	833	9 866	10 261	10 569
Service charges - other	10	10	10	10	10	10	10	10	10	10	10	10	118	123	132
Rental of facilities and equipment	69	65	68	62	73	73	77	64	74	34	24	–	686	734	770
Interest earned - external investments	67	67	67	67	67	67	67	67	67	67	67	67	806	830	863
Interest earned - outstanding debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	125	33	116	893	835	338	664	889	459	759	781	651	6 543	6 870	7 076
Licences and permits	39	35	33	32	31	23	31	365	249	377	496	267	1 978	2 038	2 099
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational	19 156	1 365	–	–	11 106	2 129	605	–	7 299	–	–	–	41 660	42 910	45 055
Other revenue	2 652	2 162	2 096	2 271	2 082	1 990	2 054	2 395	1 400	2 719	1 509	2 952	26 282	26 967	43 475
Cash Receipts by Source	**44 321**	**13 128**	**10 673**	**12 882**	**21 921**	**15 488**	**11 215**	**13 872**	**20 215**	**15 955**	**15 630**	**18 962**	**214 263**	**221 714**	**295 800**
Other Cash Flows by Source															
Transfer receipts - capital	4 356	–	525	–	4 594	–	–	–	4 593	–	–	534	14 602	14 343	13 798
Contributions recognised - capital & Contributed	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	70	16	–	6	–	–	–	–	37	130	139	148
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	9	10	9	10	1	5	6	11	8	12	10	6	98	90	71
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivai	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	**48 687**	**13 139**	**11 207**	**12 963**	**26 532**	**15 492**	**11 227**	**13 883**	**24 816**	**15 967**	**15 640**	**19 540**	**229 092**	**236 286**	**309 817**
Cash Payments by Type															
Employee related costs	5 968	5 718	5 165	6 644	6 667	6 449	7 188	5 205	5 205	5 105	5 005	5 372	69 691	73 073	77 674
Remuneration of councillors	348	358	358	358	358	358	441	435	435	435	435	428	4 748	4 985	5 269
Finance charges	119	117	276	553	554	559	555	555	551	562	573	658	5 633	6 143	9 731
Bulk purchases - Electricity	6 895	7 396	6 860	1 800	3 755	3 496	3 835	3 281	3 469	3 918	4 427	1 200	50 332	56 359	90 859
Bulk purchases - Water & Sewer	155	90	135	261	173	224	195	313	215	217	275	187	2 440	2 736	4 315
Other materials	1 261	1 234	1 496	764	1 608	392	1 369	1 789	1 893	1 288	1 161	1 770	16 025	17 986	30 971
Contracted services	811	363	556	775	524	1 180	612	1 075	1 012	763	524	773	8 970	10 565	10 608
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Transfers and grants - other	675	721	617	776	704	666	733	766	721	721	789	667	8 556	10 255	15 270
Other expenditure	3 697	2 314	2 937	2 674	2 656	3 103	2 179	2 222	3 008	3 135	3 254	3 506	34 685	36 633	41 397
Cash Payments by Type	**19 931**	**18 312**	**18 400**	**14 607**	**16 999**	**16 428**	**17 109**	**15 641**	**16 509**	**16 144**	**16 442**	**14 560**	**201 081**	**218 734**	**286 094**
Other Cash Flows/Payments by Type															
Capital assets	1 456	5 033	464	1 396	4 328	753	728	1 903	3 242	383	310	941	20 937	19 184	22 006
Repayment of borrowing	187	189	645	192	192	195	197	654	192	192	192	196	3 222	–	
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total Cash Payments by Type	**21 574**	**23 534**	**19 509**	**16 195**	**21 518**	**17 376**	**18 034**	**18 199**	**19 943**	**16 719**	**16 944**	**15 697**	**225 240**	**237 919**	**308 101**
NET INCREASE/(DECREASE) IN CASH HELD	**27 113**	**(10 395)**	**(8 302)**	**(3 232)**	**5 014**	**(1 883)**	**(6 807)**	**(4 316)**	**4 873**	**(752)**	**(1 304)**	**3 843**	**3 852**	**(1 633)**	**1 717**
Cash/cash equivalents at the month/year begin:	(985)	26 129	15 734	7 432	4 200	9 214	7 331	524	(3 792)	1 081	328	(976)	(985)	2 867	1 234
Cash/cash equivalents at the month/year end:	26 129	15 734	7 432	4 200	9 214	7 331	524	(3 792)	1 081	328	(976)	2 867	2 867	1 234	2 951

2.9.8 Annual budgets and SDBIPs – internal departments

2.9.8.1 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 2016/17 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 2.6 per cent for the 2015/16 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.

2.10 Contracts having future budgetary implications

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

2.11 Capital expenditure details

The following 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 47 MBRR SA 34a - Capital expenditure on new assets by asset class

NC073 Emthanjeni - Supporting Table SA34a Capital expenditure on new assets by asset class									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	**8 284**	**12 299**	**13 833**	**55 958**	**12 791**	**12 791**	**13 992**	**12 612**	**13 118**
Infrastructure - Road transport	4 084	10 682	–	8 500	8 500	8 500	1 000	7 212	12 118
Roads, Pavements & Bridges	–	10 682	–	8 500	8 500	8 500	1 000	7 212	12 118
Storm water	4 084	–	–	–	–	–	–	–	–
Infrastructure - Electricity	–	918	–	1 500	1 500	1 500	4 800	3 965	1 000
Generation	–	–	–	–	–	–	–	–	–
Transmission & Reticulation	–	918	–	1 500	1 500	1 500	4 800	3 965	1 000
Street Lighting	–	–	–	–	–	–	–	–	–
Infrastructure - Water	–	699	13 833	10 000	–	–	7 322	–	–
Dams & Reservoirs	–	–	–	–	–	–	–	–	–
Water purification	–	–	–	–	–	–	–	–	–
Reticulation	–	699	13 833	10 000	–	–	7 322	–	–
Infrastructure - Sanitation	4 200	–	–	35 958	2 791	2 791	870	1 435	–
Reticulation	–	–	–	–	–	–	–	–	–
Sewerage purification	4 200	–	–	35 958	2 791	2 791	870	1 435	
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Waste Management	–	–	–	–	–	–	–	–	–
Transportation	–	–	–	–	–	–	–	–	–
Gas	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Community	–	–	–	–	–	–	–	–	–
Parks & gardens	–	–	–	–	–	–	–	–	–
Sportsfields & stadia	–	–	–	–	–	–	–	–	–
Swimming pools	–	–	–	–	–	–	–	–	–
Community halls	–	–	–	–	–	–	–	–	–
Libraries	–	–	–	–	–	–	–	–	–
Recreational facilities	–	–	–	–	–	–	–	–	–
Fire, safety & emergency	–	–	–	–	–	–	–	–	–
Security and policing	–	–	–	–	–	–	–	–	–
Buses	–	–	–	–	–	–	–	–	–
Clinics	–	–	–	–	–	–	–	–	–
Museums & Art Galleries	–	–	–	–	–	–	–	–	–
Cemeteries	–	–	–	–	–	–	–	–	–
Social rental housing	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Buildings	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Housing development	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
General vehicles	–	–	–	–	–	–	–	–	–
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	–	–	–	–	–	–	–	–	–
Computers - hardware/equipment	–	–	–	–	–	–	–	–	–
Furniture and other office equipment	–	–	–	–	–	–	–	–	–
Abattoirs	–	–	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–	–	–
Other Buildings	–	–	–	–	–	–	–	–	–
Other Land	–	–	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming	–	–	–	–	–	–	–	–	–
Other *(list sub-class)*	–	–	–	–	–	–	–	–	–
Total Capital Expenditure on new assets	**8 284**	**12 299**	**13 833**	**55 958**	**12 791**	**12 791**	**13 992**	**12 612**	**13 118**

Table 48 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

NC073 Emthanjeni - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
existing assets by Asset Class/Sub-class									
Infrastructure	**1 842**	**6 969**	**–**	**8 237**	**3 181**	**3 181**	**4 457**	**3 929**	**4 676**
Infrastructure - Road transport	761	4 640	–	2 800	2 800	2 800	3 105	2 744	2 920
Roads, Pavements & Bridges	761	4 640	–	2 800	2 800	2 800	3 105	2 744	2 920
Storm water	–	–	–	–	–	–	–	–	–
Infrastructure - Electricity	412	611	–	5 226	170	170	600	636	1 049
Generation	–	–	–	–	–	–	–	–	–
Transmission & Reticulation	412	611	–	5 226	170	170	600	636	1 049
Street Lighting	–	–	–	–	–	–	–	–	–
Infrastructure - Water	17	406	–	180	180	180	500	500	350
Dams & Reservoirs	–	–	–	–	–	–	–	–	–
Water purification	–	–	–	180	180	180	500	500	350
Reticulation	17	406	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	220	15	300
Reticulation	–	–	–	–	–	–	–	–	–
Sewerage purification	–	–	–	–	–	–	220	15	300
Infrastructure - Other	652	1 312	–	31	31	31	32	34	56
Waste Management	652	1 312	–	31	31	31	32	34	56
Transportation	–	–	–	–	–	–	–	–	–
Gas	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Community	**1 231**	**64**	**68**	**353**	**353**	**353**	**322**	**332**	**509**
Parks & gardens	45	–	–	22	22	22	25	25	30
Sportsfields & stadia	50	1	–	39	39	39	45	40	38
Swimming pools	118	–	–	–	–	–	–	–	–
Community halls	300	63	–	260	260	260	220	233	385
Libraries	–	–	–	–	–	–	–	–	–
Recreational facilities	–	–	–	–	–	–	–	–	–
Fire, safety & emergency	–	–	–	–	–	–	–	–	–
Security and policing	–	–	–	–	–	–	–	–	–
Buses	–	–	–	–	–	–	–	–	–
Clinics	–	–	–	–	–	–	–	–	–
Museums & Art Galleries	–	–	–	–	–	–	–	–	–
Cemeteries	300	–	–	31	31	31	32	34	56
Social rental housing	–	–	–	–	–	–	–	–	–
Other	418	–	68	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Buildings	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Housing development	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Other assets	**1 701**	**2 126**	**294**	**1 913**	**1 913**	**1 913**	**2 165**	**2 311**	**3 704**
General vehicles	–	959	–	–	–	–	–	–	–
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	791	153	16	845	845	845	473	517	754
Computers - hardware/equipment	535	–	–	339	339	339	200	212	341
Furniture and other office equipment	375	515	157	189	189	189	226	240	396
Abattoirs	–	–	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–	–	–
Other Buildings	–	500	122	540	540	540	333	353	582
Other Land	–	–	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	933	989	1 631
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Intangibles	62	93	–	884	884	884	–	–	–
Computers - software & programming	62	93	–	884	884	884	–	–	–
Other *(list sub-class)*	–	–	–	–	–	–	–	–	–
Total Capital Expenditure on renewal of existing assets	**4 837**	**9 253**	**362**	**11 386**	**6 331**	**6 331**	**6 944**	**6 572**	**8 888**

Table 49 MBRR SA34c - Repairs and maintenance expenditure by asset class

NC073 Emthanjeni - Supporting Table SA34c Repairs and maintenance expenditure by asset class									
Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	**5 036**	**4 435**	**2 399**	**5 143**	**5 143**	**5 143**	**3 470**	**3 785**	**6 151**
Infrastructure - Road transport	1 368	1 277	317	616	616	616	628	562	1 099
Roads, Pavements & Bridges	1 368	1 277	317	322	322	322	329	259	575
Storm water	–	–	–	294	294	294	300	304	524
Infrastructure - Electricity	1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Generation	–	–	–	–	–	–	–	–	–
Transmission & Reticulation	1 495	929	832	995	995	995	1 067	1 362	2 153
Street Lighting	–	–	333	347	347	347	478	486	631
Infrastructure - Water	750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Dams & Reservoirs	–	–	–	382	382	382	200	212	350
Water purification	750	697	689	–	–	–	–	–	–
Reticulation	–	–	–	763	763	763	1 030	1 092	1 802
Infrastructure - Sanitation	712	464	228	64	64	64	66	70	116
Reticulation	–	–	–	64	64	64	66	70	116
Sewerage purification	712	464	228	–	–	–	–	–	–
Infrastructure - Other	711	1 068	–	1 975	1 975	1 975	–	–	–
Waste Management	–	987	–	1 975	1 975	1 975	–	–	–
Transportation	–	–	–	–	–	–	–	–	–
Gas	–	–	–	–	–	–	–	–	–
Other	711	81	–	–	–	–	–	–	–
Community	**1 626**	**2 218**	**3 409**	**3 098**	**3 098**	**3 098**	**2 037**	**2 302**	**4 263**
Parks & gardens	–	232	–	19	19	19	–	–	–
Sportsfields & stadia	–	104	260	47	47	47	–	–	–
Swimming pools	–	–	–	603	603	603	119	127	257
Community halls	–	244	77	692	692	692	–	227	373
Libraries	–	128	–	47	47	47	–	–	–
Recreational facilities	–	–	–	–	–	–	–	–	–
Fire, safety & emergency	–	–	–	1 612	1 612	1 612	1 918	1 948	3 549
Security and policing	–	–	–	–	–	–	–	–	–
Buses	–	–	–	–	–	–	–	–	–
Clinics	–	–	–	–	–	–	–	–	–
Museums & Art Galleries	–	–	–	–	–	–	–	–	–
Cemeteries	–	–	–	–	–	–	–	–	–
Social rental housing	–	–	–				–	–	–
Other	1 626	1 509	3 071	79	79	79	–	–	84
Heritage assets	–	–	–	–	–	–	–	–	–
Buildings	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Investment properties	**158**	–	–	–	–	–	–	–	–
Housing development	–	–	–	–	–	–	–	–	–
Other	158	–	–	–	–	–	–	–	–
Other assets	**1 651**	**4 958**	**4 767**	**7 068**	**7 068**	**7 068**	**10 774**	**11 202**	**18 005**
General vehicles	–	2 322	2 189	3 731	3 731	3 731	6 424	6 864	11 888
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	–	488	1 209	774	774	774	963	1 074	1 260
Computers - hardware/equipment	–	430	133	380	380	380	624	633	770
Furniture and other office equipment	–	–	–	631	631	631	891	965	999
Abattoirs	–	–	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–	–	–
Other Buildings	1 651	–	–	1 436	1 436	1 436	1 697	1 571	2 584
Other Land	–	1 091	1 147	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–	–	–
Other	–	627	90	116	116	116	176	95	503
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Intangibles	–	–	640	1 308	1 308	1 308	1 523	1 575	2 552
Computers - software & programming	–	–	640	1 308	1 308	1 308	1 523	1 575	2 552
Other *(list sub-class)*	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	**8 471**	**11 611**	**11 215**	**16 618**	**16 618**	**16 618**	**17 805**	**18 864**	**30 971**

2.12 Legislation compliance status

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

1. In year reporting

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

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and 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 Kgolo Institute, KPMG, Ernest &Young, SARS, Auditor General, and National Treasury..

3. Budget and Treasury Office

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

4. Audit Committee

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

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be Draftised after approval of the 2016/17 MTREF in June 2016 directly aligned and informed by the 2016/17 MTREF.

6. Annual Report

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

7. MFMA Training

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

8. 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.

2.13 Other supporting documents

Table 50 MBRR Table SA1 - Supporting detail to budgeted financial performance

NC073 Emthanjeni - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
REVENUE ITEMS:										
Property rates										
Total Property Rates	17 220	21 035	21 905	36 092	36 092	36 092	36 092	38 370	40 672	67 108
less Revenue Foregone (exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA)				8 589	8 589	8 589	8 589	9 204	9 756	16 098
Net Property Rates	17 220	21 035	21 905	27 503	27 503	27 503	27 503	29 165	30 915	51 010
Service charges - electricity revenue										
Total Service charges - electricity revenue	48 279	56 488	59 936	57 936	53 636	53 636	53 636	57 926	61 401	101 311
less Revenue Foregone (in excess of 50 kwh per indigent household per month)										
less Cost of Free Basis Services (50 kwh per indigent household per month)	–	–	–	–	–	–	–	–	–	–
Net Service charges - electricity revenue	48 279	56 488	59 936	57 936	53 636	53 636	53 636	57 926	61 401	101 311
Service charges - water revenue										
Total Service charges - water revenue	18 439	18 746	20 888	26 111	25 411	25 411	25 411	27 953	29 630	48 889
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)										
less Cost of Free Basis Services (6 kilolitres per indigent household per month)	–	–	–	–	–	–	–	–	–	–
Net Service charges - water revenue	18 439	18 746	20 888	26 111	25 411	25 411	25 411	27 953	29 630	48 889
Service charges - sanitation revenue										
Total Service charges - sanitation revenue	9 421	10 302	10 591	14 888	14 888	14 888	14 888	17 588	18 622	30 727
less Revenue Foregone (in excess of free sanitation service to indigent households)										
less Cost of Free Basis Services (free sanitation service to indigent households)	–	–	–	–	–	–	–	–	–	–
Net Service charges - sanitation revenue	9 421	10 302	10 591	14 888	14 888	14 888	14 888	17 588	18 622	30 727
Service charges - refuse revenue										
Total refuse removal revenue	5 323	5 705	5 822	8 937	8 937	8 937	8 937	10 277	10 894	17 975
Total landfill revenue										
less Revenue Foregone (in excess of one removal a week to indigent households)										
less Cost of Free Basis Services (removed once a week to indigent households)	–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue	5 323	5 705	5 822	8 937	8 937	8 937	8 937	10 277	10 894	17 975
Other Revenue by source										
Prepaid Electricity Sales	3 067	2 869	6 081	22 801	23 401	23 401	23 401	26 210	27 782	45 840
Cemetery Fees	250	21	44	342	342	342	342	370	392	647
Sundry Income	2 572	–	–	205	205	205	205	180	180	232
Insurance Claims Received	–	–	–	–	–	–	–	–	–	–
Connection Fees	100	181	406	40	40	40	40	50	53	87
Special meter readings	14	11	28	28	28	28	28	30	32	53
Parking meter fees	26	20	40		–	–	–	–	–	–
Valuation certificates	20	32	75	17	17	17	17	18	19	31
Other				196	196	196	196	226	221	365
Total 'Other' Revenue	6 148	3 223	7 256	23 434	24 234	24 234	24 234	27 065	28 688	47 256
EXPENDITURE ITEMS:										
Employee related costs										
Basic Salaries and Wages	35 690	37 787	50 748	50 196	50 196	50 196	50 196	52 856	55 746	59 680
Pension and UIF Contributions	7 339	7 008	7 223	8 865	8 865	8 865	8 865	9 473	10 001	10 707
Medical Aid Contributions	938	1 185	2 667	1 724	1 724	1 724	1 724	1 850	2 531	2 700
Overtime	2 433	2 554	2 432	1 798	1 798	1 798	1 798	1 484	1 564	1 668
Performance Bonus	–	–	–	–	–	–	–	–	–	–
Motor Vehicles Allowance	2 091	2 296	1 798	1 859	1 859	1 859	1 859	1 756	1 852	1 980
Cellphone Allowance	–	–	518	362	362	362	362	365	349	374
Housing Allowances	130	146	101	160	160	160	160	701	750	804
Other benefits and allowances	–	–	1 157	1 293	1 293	1 293	1 293	1 025	1 083	1 171
Payments in lieu of leave	–	–	–							
Long service awards	2 470	2 603	–							
Post-retirement benefit obligations	5 340	5 417	201	546	546	546	546	583	619	718
sub-total	56 449	59 894	66 864	66 804	66 804	66 804	66 804	70 201	74 514	79 842
Less: Employee costs capitalised to PPE										
Total Employee related costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	70 201	74 514	79 842
Contributions recognised - capital										
Total Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment										
Depreciation of Property, Plant & Equipment	69 275	65 214	61 386	60 013	60 013	60 013	60 013	63 178	66 970	110 436
Lease amortisation	–	–	–	–	–	–	–	–	–	–
Capital asset impairment	–	–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	–	–	–	51 665	51 665	51 665	51 665	53 641	56 797	93 660
Total Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	9 537	10 173	16 776
Bulk purchases										
Electricity Bulk Purchases	37 034	42 153	45 222	50 658	50 658	50 658	50 658	54 700	57 902	95 668
Water Bulk Purchases	1 147	1 383	1 826	2 436	2 436	2 436	2 436	2 692	2 843	4 709
Total bulk purchases	38 781	43 536	47 049	53 094	53 094	53 094	53 094	57 391	60 834	100 377
Transfers and grants										
Cash transfers and grants	305	750	225	12 938	11 662	11 662	11 662	8 731	9 266	15 270
Non-cash transfers and grants	–	–	–	–	–	–	–	–	–	–
Total transfers and grants	305	750	225	12 938	11 662	11 662	11 662	8 731	9 266	15 270
Contracted services										
Traffic Violation Systems	4 786	4 273	4 002	4 566	4 566	4 566	4 566	3 613	3 830	6 320
Security Services	933	833	856	2 246	2 246	2 246	2 246	2 658	2 817	4 649
IMQS Asset Maintenance	–	–	–	–	–	–	–	–	–	–
Ubontech IT Maintenance	–	–	–	–	–	–	–	–	–	–
Prepaid Electricity Commission	317	283	312	1 660	1 660	1 660	1 660	1 743	1 848	3 049
Professional Consultancy Fees	2 060	1 839	2 026	1 156	1 856	1 856	1 856	1 052	2 000	3 414
sub-total	8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 067	10 565	17 432
Allocations to organs of state:										
Total contracted services	8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 067	10 565	17 432
Other Expenditure By Type										
Collection costs	66	–	283	1 676	1 326	1 326	1 326	1 429	1 514	2 499
Contributions to 'other' provisions	–	–	–	491	566	566	566	636	675	1 021
Consultant fees	926	876	814	7 970	–	–	–	–	–	–
Audit fees	1 473	1 411	1 256	3 822	3 822	3 822	3 822	3 993	4 269	6 810
General expenses	5 788	1 537	5 862	7 987	3 946	3 946	3 946	9 516	9 264	11 087
Departmental Service Accounts	2 812	2 858	2 387	4 150	4 150	4 150	4 150	4 272	4 530	7 380
External Licences and Subscriptions	337	346	304	385	385	385	385	400	425	655
Fuel and Oil	2 736	2 806	2 321	3 383	3 383	3 383	3 383	3 478	3 680	5 961
General Valuation Roll expenses	2 203	2 260	1 886	389	389	389	389	407	431	711
Insurance	1 970	1 822	1 671	1 617	1 617	1 617	1 617	1 679	1 782	2 861
SALGA Membership Fees	324	333	282	672	672	672	672	715	795	819
Telephone expenses	1 123	983	955	1 019	1 019	1 019	1 019	1 030	1 093	1 701
Printing and Stationery	607	604	521	881	881	881	881	915	971	1 563
Protective Clothing	310	319	282	550	550	550	550	583	618	1 019
Publicity Costs	224	240	195	430	430	430	430	427	455	623
Tourism Strategy	245	259	206	148	148	148	148	150	95	142
Subsistence and Travel	1 124	1 064	986	1 671	1 671	1 671	1 671	1 590	1 569	2 219
Skills Development Training	374	365	321	728	448	448	448	430	456	723
Electricity Costs for Rural Water pumps	850	803	737	1 364	1 364	1 364	1 364	2 121	2 248	3 700
Employee Wellness expenses	913	867	738	1 352	1 352	1 352	1 352	1 600	1 696	2 798
Ward Capacitation and Training	–	–	–	63	63	63	63	20	21	23
Electricity Master plan	–	–	–	–	–	–	–	–	–	–
Operation S-R	–	–	–	–	–	–	–	–	–	–
Brand Execution	–	–	–	62	62	62	62	80	85	140
Cleaning materials	–	–	–	600	650	650	650	665	708	1 160
Motor Registration	–	–	–	270	270	270	270	220	235	252
SPLUMA Expenses	–	–	–					1 260	1 260	1 350
Total 'Other' Expenditure	25 409	19 739	21 979	41 969	29 743	29 743	29 743	37 616	38 877	58 106
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	–	–	–	–	–	–	–	–
Other materials	5 075	7 663	7 402	8 648	8 648	8 648	8 648	8 879	9 412	15 485
Contracted Services	2 796	3 948	3 813	7 970	7 970	7 970	7 970	8 926	9 461	15 486
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditu	8 471	11 611	11 215	16 618	16 618	16 618	16 618	17 805	18 874	30 971

Table 51 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

NC073 Emtbanjeni - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)															
Description R thousand	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	Total
Revenue By Source															
Property rates	-	29 165	-	-	-	-	-	-	-	-	-	-	-	-	29 165
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	57 925	-	57 925
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	27 953	27 953
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	17 568	-	-	17 568
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	10 277	-	-	-	10 277
Service charges - other	-	6	-	-	72	-	-	-	-	40	-	-	-	-	118
Rental of facilities and equipment	521	-	-	-	126	-	34	4	-	-	-	-	-	-	686
Interest earned - external investments	-	806	-	-	-	-	-	-	-	-	-	-	-	-	806
Interest earned - outstanding debtors	-	143	-	-	-	-	-	-	-	1	93	218	247	251	954
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	6 261	-	-	-	-	-	-	282	-	6 543
Licences and permits	-	-	-	-	-	922	-	1 056	-	-	-	-	-	-	1 978
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	148	107	-	-	383	8	89	16	-	-	-	32	26 267	45	27 095
Transfers recognised - operational	3 497	15 159	1 000	1 227	1 611	-	-	-	-	-	4 509	7 230	2 439	4 989	41 660
Gains on disposal of PPE	130	-	-	-	-	-	-	-	-	-	-	-	-	-	130
Total Revenue (excluding capital transfers and contributions)	**4 295**	**45 385**	**1 000**	**1 227**	**2 192**	**7 191**	**123**	**1 077**	**-**	**41**	**14 879**	**25 048**	**87 161**	**33 237**	**222 858**
Expenditure By Type															
Employee related costs	3 160	16 113	6 130	-	7 605	5 050	3 395	6 937	432	2 160	7 019	3 907	5 830	2 463	70 201
Remuneration of councillors	4 787	-	-	-	-	-	-	-	-	-	-	-	-	-	4 787
Debt impairment	-	2 985	-	-	-	-	-	-	-	-	793	1 224	4 349	1 768	11 119
Depreciation & asset impairment	14	964	25	168	2 079	-	-	3 795	-	56	241	920	525	810	9 597
Finance charges	363	136	-	-	-	89	-	1 141	-	-	976	739	1 064	1 125	5 633
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	54 709	2 682	57 391
Other materials	234	1 932	2 228	-	711	717	536	1 723	67	35	828	4 906	2 367	1 520	17 805
Contracted services	-	4 443	58	-	-	3 613	-	-	-	-	-	-	1 852	-	9 967
Transfers and grants	540	950	1 000	-	510	-	-	-	-	-	1 279	1 218	1 913	1 321	8 731
Other expenditure	5 042	7 734	2 749	20	2 020	905	790	3 306	275	168	2 923	4 333	2 141	5 212	37 616
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	**14 140**	**35 256**	**12 190**	**188**	**12 925**	**10 374**	**4 721**	**16 903**	**774**	**2 419**	**14 060**	**17 246**	**74 751**	**16 901**	**232 848**
Surplus/(Deficit)	**(9 845)**	**10 130**	**(11 190)**	**1 039**	**(10 733)**	**(3 183)**	**(4 597)**	**(15 826)**	**(774)**	**(2 378)**	**820**	**7 802**	**12 410**	**16 336**	**(9 990)**
Transfers recognised - capital	-	-	610	-	-	-	-	1 000	-	-	-	870	4 808	7 322	14 602
Surplus/(Deficit) after capital transfers & contributions	**(9 845)**	**10 130**	**(10 580)**	**1 039**	**(10 733)**	**(3 183)**	**(4 597)**	**(14 826)**	**(774)**	**(2 378)**	**820**	**8 672**	**17 218**	**23 658**	**4 612**

Table 52 MBRR Table SA3 – Supporting detail to Statement of Financial Position

NC073 Emthanjeni - Supporting Table SA3 Supportinging detail to 'Budgeted Financial Position'										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
ASSETS										
Call investment deposits										
Call deposits < 90 days				–	–	–	–	–	–	
Other current investments > 90 days				9 070	2 789	2 789	2 789	10 075	9 505	10 765
Total Call investment deposits	**–**	**–**	**–**	**9 070**	**2 789**	**2 789**	**2 789**	**10 075**	**9 505**	**10 765**
Consumer debtors										
Consumer debtors	46 604	30 486	31 918	32 013	32 013	32 013	32 013	33 943	34 092	40 181
Less: Provision for debt impairment				(11 429)	(13 541)	(13 541)	(13 541)	(11 119)	(11 786)	(19 447)
Total Consumer debtors	**46 604**	**30 486**	**31 918**	**20 584**	**18 472**	**18 472**	**18 472**	**22 824**	**22 305**	**20 734**
Debt impairment provision										
Balance at the beginning of the year				–	2 112	2 112	2 112	–	–	–
Contributions to the provision				11 429	11 429	11 429	11 429	11 119	11 786	19 447
Bad debts written off	970 415	923 699	35 712	–	–	–	–	–		
Balance at end of year	**970 415**	**923 699**	**35 712**	**11 429**	**13 541**	**13 541**	**13 541**	**11 119**	**11 786**	**19 447**
Property, plant and equipment (PPE)										
PPE at cost/valuation (excl. finance leas	1 039 690	991 798	940 098	1 014 178	1 014 178	1 014 178	1 014 178	1 025 851	1 038 511	1 059 010
Leases recognised as PPE		–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation	69 275	65 214	61 386	84 141	84 141	84 141	84 141	93 738	103 911	120 686
Total Property, plant and equipment (	**970 415**	**926 584**	**878 712**	**930 037**	**930 037**	**930 037**	**930 037**	**932 114**	**934 601**	**938 325**
LIABILITIES										
Current liabilities - Borrowing										
Short term loans (other than bank overdraft)				–	–	–	–	–	–	–
Current portion of long-term liabilities	2 485	2 758	2 478	3 003	3 003	3 003	3 003	1 477	499	–
Total Current liabilities - Borrowing	**2 485**	**2 758**	**2 478**	**3 003**	**3 003**	**3 003**	**3 003**	**1 477**	**499**	**–**
Trade and other payables										
Trade and other creditors	12 349	17 110	22 381	15 283	15 283	15 283	15 283	16 352	16 199	17 333
Unspent conditional transfers	12 120	7 095	3 761	1 470	–	–	–	–	–	–
VAT	4 211			–	–	–	–	–	–	–
Total Trade and other payables	**28 680**	**24 205**	**26 142**	**16 752**	**15 283**	**15 283**	**15 283**	**16 352**	**16 199**	**17 333**
Non current liabilities - Borrowing										
Borrowing	6 008	3 231	37 747	14 777	2 348	2 348	2 348	1 299	–	–
Finance leases (including PPP asset element)				–	–	–	–	–		
Total Non current liabilities - Borrowi	**6 008**	**3 231**	**37 747**	**14 777**	**2 348**	**2 348**	**2 348**	**1 299**	**–**	**–**
Provisions - non-current										
Retirement benefits	46 259	49 680	16 451	52 661	52 661	52 661	52 661	26 321	28 427	29 005
List other major provision items										
Refuse landfill site rehabilitation	–	–	–	52	52	52	52	78	75	80
Other	–	–	–	–	8 410	8 410	8 410	9 672	9 235	9 459
Total Provisions - non-current	**46 259**	**49 680**	**16 451**	**52 713**	**61 123**	**61 123**	**61 123**	**36 071**	**37 737**	**38 544**
CHANGES IN NET ASSETS										
Accumulated Surplus/(Deficit)										
Accumulated Surplus/(Deficit) - opening	1 022 787	956 006	909 543	962 384	962 384	962 384	962 384	949 417	979 249	982 298
GRAP adjustments	–	–	–	–	–	–	–	–	–	–
Restated balance	1 022 787	956 006	909 543	962 384	962 384	962 384	962 384	949 417	979 249	982 298
Surplus/(Deficit)	(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	5 031	4 612	2 151	24 652
Appropriations to Reserves	–	–	–	–	–	–	–	–	–	–
Transfers from Reserves	–	–	–	–	–	–	–	–	–	–
Depreciation offsets		–		9 248	9 248	9 248	9 248	9 597	10 173	16 775
Other adjustments	42 686	73 162	49 091	(65 863)	(27 247)	(27 247)	(27 247)	16 124	(8 775)	(38 290)
Accumulated Surplus/(Deficit)	**1 022 787**	**958 633**	**909 543**	**953 136**	**949 417**	**949 417**	**949 417**	**979 749**	**982 798**	**985 436**
Reserves	–	–	–	–	–	–	–	–	–	–
Housing Development Fund	–	–	–	–	–	–	–	–	–	–
Capital replacement	–	–	–	–	–	–	–	–	–	–
Self-insurance	–	–	–	–	–	–	–	–	–	–
Other reserves	–	–	–	–	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	–	–	–	–
Total Reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL COMMUNITY WEALTH/EQUITY	**1 022 787**	**958 633**	**909 543**	**953 136**	**949 417**	**949 417**	**949 417**	**979 749**	**982 798**	**985 436**

Table 53 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

NC073 Emthanjeni - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics											
Population	Census count/estimate	36	36	42	44	44	44	44	44	44	44
Females aged 5 - 14	Census count/estimate	6	6	7	7	7	7	7	7	7	7
Males aged 5 - 14	Census count/estimate	6	6	7	7	7	7	7	7	7	7
Females aged 15 - 34	Census count/estimate	8	8	8	8	8	8	8	8	8	8
Males aged 15 - 34	Census count/estimate	7	7	8	9	9	9	9	9	9	9
Unemployment	Census count/estimate	14	14	14	14	14	14	14	14	14	14
Monthly household income (no. of households)											
No income	Census count/estimate			924	924	924	924	924	905	900	900
R1 - R1 600	Census count/estimate			2 728	2 728	2 728	2 728	2 728	2 755	2 760	2 821
R1 601 - R3 200	Census count/estimate			2 350	2 350	2 350	2 350	2 350	2 374	2 380	2 402
R3 201 - R6 400	Census count/estimate			1 760	1 760	1 760	1 760	1 760	1 778	1 789	1 802
R6 401 - R12 800	Census count/estimate			1 264	1 264	1 264	1 264	1 264	1 277	1 290	1 350
R12 801 - R25 600	Census count/estimate			939	939	939	939	939	949	987	992
R25 601 - R51 200	Census count/estimate			368	368	368	368	368	371	380	390
R52 201 - R102 400	Census count/estimate			68	68	68	68	68	68	70	72
R102 401 - R204 800	Census count/estimate			32	32	32	32	32	32	34	37
R204 801 - R409 600	Census count/estimate			24	24	24	24	24	24	27	30
R409 601 - R819 200	Census count/estimate										
> R819 200	Census count/estimate										
Poverty profiles (no. of households) < R2 060 per household per month											
Household/demographics (000)											
Number of people in municipal area	Census count/estimate	38	38	42	42	42	42	42	43	43	45
Number of poor people in municipal area	Census count/estimate	3	3	3	3	3	3	3	4	4	4
Number of households in municipal area	Census count/estimate	13	13	13	13	13	13	13	13	13	14
Number of poor households in municipal area	Census count/estimate	2	2	3	3	3	3	3	3	3	4
Definition of poor household (R per month)	Census count/estimate			3	3	3	3	3	3	3	3
Housing statistics											
Formal		-	-	-	-	-	-	-	-	-	-
Informal											
Total number of households											
Dwellings provided by municipality											
Dwellings provided by province/s											
Dwellings provided by private sector											
Total new housing dwellings		-	-	-	-	-	-	-	-	-	-
Economic											
Inflation/inflation outlook (CPIX)					6 0%	6 0%	6 0%	6 0%	6 0%	6 0%	6 0%
Interest rate - borrowing					11 5%	11 5%	11 5%	11 5%	11 5%	11 5%	11 5%
Interest rate - investment					7 5%	7 5%	7 5%	7 5%	7 5%	7 5%	7 5%
Remuneration increases					8 3%	8 3%	8 3%	8 3%	8 3%	8 3%	8 3%
Consumption growth (electricity)					0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Consumption growth (water)					-40 0%	-40 0%	-40 0%	-40 0%	-40 0%	-40 0%	-40 0%
Collection rates											
Property tax/service charges					89 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%
Rental of facilities & equipment					95 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%
Interest - external investments					7 0%	8 0%	8 0%	8 0%	8 0%	8 0%	8 0%
Interest - debtors					0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Revenue from agency services					100 0%	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%

2.14 Municipal Manager Quality Certificate

DE AAR
Tel: 053 632 9100
Fax: 053 631 0105
E-mail: deaar@emthanjeni.co.za
Website: www.emthanjeni.co.za
Posbus/P.O.Box 42, De Aar, 7000

HANOVER
Tel: 053 643 0026

BRITSTOWN
Tel: 053 672 0202

EMTHANJENI LOCAL MUNICIPALITY
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All Correspondence must be addressed to the **MUNICIPAL MANAGER**

MM office

Kantoor van die/Municipal Manager
Office of the: .....

Verw. Nr/Ref. No: .....

Datum/Date: .....

Navrae/Enquiries: .....

MUNICIPAL MANAGER 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 Integrated Development Plan of the municipality.

Print Name Isak Visser

Municipal manager of Emthanjeni (NC073)

Signature

Date 07/04/2016

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

DRAFT RATES POLICY

2016/2017 MTREF

MUNICIPAL PROPERTY RATES POLICY

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ABBREVIATIONS

NC073	*Emthanjeni Municipality*
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

1. 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 Ac, 2004 AND the Municipal Property Rates Amendments Act, 2015.

2. 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 –

(a) "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;

(b) "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;

(c) "Guest House" is defined by a dwelling-house 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;(includes Self Catering units)

(d) "Bed and Breakfasts" establishment means a dwelling house or second dwelling unit in which the occupant of the dwelling house supplies lodging and meals for remuneration to transient guests who have permanent residence elsewhere

(e) "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;

(f) "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;

(g) "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;

(h) "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 -

(a) 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

(b) 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" –

(a) in relation to a property, means a category of properties determined in terms of section 8(2) of the Act;

(b) 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) a protected area as listed in section 10 of the Protected Areas Act, 2003;

(b) a nature reserve established in accordance with the Nature and Environment Conservation Ordinance, no 19 of 1974; or

(c) 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; OR for the trading in hunting of game, accommodation of members of the public for gain, and in the respect of property on which game is reared, trade or hunted, **it excludes any portion that is used for commercially for the hospitality of guests, 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;

"Renewable Solar Energy farm or property and Wind Farms" – means agricultural land as defined in the Subdivision of Agricultural Land Act, 70 of 1970, on which energy producing solar energy panels have been erected for the purpose of generating electricity, but which are dually used for agricultural purposes as defined as defined under "agricultural use", which are dually utilise and includes all land situated in the demarcated municipal area.

"Wind Farms" – means agricultural land as defined in the Subdivision of Agricultural Land Act, 70 of 1970, on which energy-producing windmills or wind turbines have been erected for the purpose of generating electricity, but which are

dually used for agricultural purposes as defined as defined under "agricultural use", which are dually utilise and includes all land situated in the demarcated municipal area.

This property or an agricultural zoned land where a portion is used for generating of electricity purposes, **which is *not used for farming purposes,*** regardless of whether such portion of such property has renewable equipment and windmills or wind turbines on it which is used as exclusively for renewable energy generation purposes and must be regarded as renewable solar energy property and wind farms.

"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" –

(a) as a corporate entity means a Municipality as described in section 2 of the Municipal Systems Act, 2000 (Act No 32 of 2000); and

(b) 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"-

(a) 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;

(b) in relation to a right referred to paragraph (*b*) of the definition of "property" means a person in whose name the right is registered;

(c) 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

(d) 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:-

- (i) a trustee, in the case of a property in a trust, excluding state trust land;
- (ii) 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);
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) 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);
- (vii) a lessee, in the case of a property that is registered in the name of a Municipality and is leased by it;
- (viii) 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

(b) 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

(a) 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;

(b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

(c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or

(d) public services infrastructure;

"property register" – a register of properties referred to in section 23 of the Act;

"public benefits organisation" means an organisation conducting specified public benefit activities as defined in the act and registered in terms of the Income Tax Act for tax reductions because of tis activities.

"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:-

(a) 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;

(b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

(c) is owned by a share-block company and is used predominantly for residential purposes;

(d) is a residence used for residential purposes situated on a property used for educational purposes;

(e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;

(f) 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

(a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or

(b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

"public service infrastructure" – section 13 of the Amendment Act amends section 17(1) which prohibits the rating of these category of property;

"public services purposes" - property used by an organ of state for rendering of a service directly to the public such as Health, education, police stations, court of law **but** exclude property contemplated in the definition of **"Public Service Infrastructure"**

"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.

3. OBJECTIVES OF THE POLICY

The objectives of this policy are: –

3.1 to comply with the provisions of section 3 of the Act;

3.2 to determine criteria to be applied for –

3.2.1 levying differential rates for different property categories;
3.2.2 exemptions;
3.2.3 reductions;
3.2.4 rebates; and
3.2.5 rate increases.

3.3 to determine or provide criteria for the determination of the following –

3.3.1 property categories for the purpose of levying different rates; and
3.3.2 categories of owners of properties for the purpose of granting exemptions, rebates and reductions;

3.4 to determine how the Municipality's power should be exercised in terms of multiple-used properties;

3.5 to identify and quantify the following for the Municipality in terms of costs and the benefit for the community

3.5.1 exemptions, rebates and reductions; and
3.5.2 exclusions.

3.6 to take into account the effect of rates on the indigent;

3.7 to take into account the effect of rates on organisations that perform activities for public benefit;

3.8 to take into account the effect of rates on the public services infrastructure;

3.9 to determine measures for promoting local economic and social development; and

3.10 to identify all rateable revenue not being rated.

4. 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.

5. 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 2015

6. POLICY PRINCIPLES

6.1 Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.

6.2 The levying of rate on a property is an exclusive right of the Municipality which will be exercised:-

6.2.1 optimally and comprehensively within the Municipality; and

6.2.2 with consideration of the total revenue source of the Municipality.

6.3 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.

6.4 The levying of property rates must be implemented in such a way that: -

6.4.1 it is aimed at development;

6.4.2 it promotes sustainable local government by providing a stable and constant revenue source within the discretionary control of the Municipality; and

6.4.3 it promotes economic, social and local development.

6.5 Property rates will be levied to: –

6.5.1 correct the imbalances of the past; and

6.5.2 minimise the effect of rates on the indigent.

6.6 The market value of a property serves as basis for the calculation of property rates.

6.7 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.

6.8 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.

6.9 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.

6.10 Property rates will be used to finance community and subsidised services.

6.11 Surpluses from trade and economic services may be used to subsidise community and subsidised services.

6.12 The revenue basis of the Municipality will be optimally protected by limiting the exemptions, rebates and reductions.

7. CATEGORISATION OF SERVICES

7.1 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: –

7.1.1 Trade services
7.1.2.1 Water
7.1.2.2 Electricity

7.1.2 Economic services
7.1.2.3 Waste removal
7.1.2.4 Sewerage

7.1.3 Community services
7.1.3.1 Air pollution
7.1.3.2 Local tourism
7.1.3.3 Municipal planning
7.1.3.4 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
7.1.3.5 Storm water management systems in built-up areas
7.1.3.6 Trade regulations
7.1.3.7 Advertising billboards and the display of advertisements in public places
7.1.3.8 Cemeteries
7.1.3.9 Control of public nuisances
7.1.3.10 Control over undertakings that sell alcohol to the public
7.1.3.11 Township development
7.1.3.12 Facilities for accommodation, care and burial of animals
7.1.3.13 Fencing and fences
7.1.3.14 Licensing of dogs
7.1.3.15 Licensing and control of undertakings that sell food to the public
7.1.3.16 Local amenities
7.1.3.17 Local sport facilities
7.1.3.18 Municipal parks and recreation
7.1.3.19 Municipal roads

7.1.3.20 Noise pollution
7.1.3.21 Pounds
7.1.3.22 Public places
7.1.3.23 Street trading / Street lighting
7.1.3.24 Traffic control and parking
7.1.3.25 Building control
7.1.3.26 Licensing of vehicles and vehicle permits
7.1.3.27 Nature reserves
7.1.3.28 Child-care facilities
7.1.3.29 Ferry boats, jetties, piers and harbours
7.1.3.30 Markets
7.1.3.31 Cleaning
7.1.3.32 Beaches and entertainment facilities.

8. CATEGORIES OF PROPERTIES

8.1 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)): -

8.1.1 Predominant use of the property;
8.1.2 permitted use of the property; or
8.1.3 geographical area in which the property is situated.

8.2 Categories of rateable property that may be determined in terms of paragraph 5.1 include the following: -
8.2.1 residential (improved property);
8.2.2 property that is vacant (empty stands) with zoning or proposed use earmarked for residential;
8.2.3 property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;

8.2.4 industrial;

8.2.5 business, commercial and guest houses;

8.2.6 farm properties used for -
8.2.6.1 agricultural purposes as defined in paragraph 2 under definitions;
8.2.6.2 residential purposes as defined in paragraph 2 under definitions;

8.2.7 farm properties not used for any purpose;

8.2.8 smallholdings used for -
8.2.8.1 agricultural purposes;
8.2.8.2 residential purposes;
8.2.8.3 industrial purposes;
8.2.8.4 commercial and business purposes; or
8.2.8.5 purposes other than those specified in subparagraphs (8.3.8.1) to (8.3.8.4).

8.2.9 state-owned property and public service purpose;

8.2.10 municipal property;

8.2.11 public services infrastructure;

8.2.12 property

8.2.12.1 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

8.2.12.2 which is subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);

8.2.13 protected areas;

8.2.14 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);

8.2.15 properties used for multiple purposes, subject to section 9 of the Act;

8.2.16 accommodation establishments;

8.2.17 private open space; and

8.2.18 such other categories as may be determined by the council from time to time.

8.2.19 Properties or sections of properties (solar renewable panels and windmills or wind turbines) where renewable energy are generated which were specifically rezoned, where portions or properties are rented or leased to Solar Businesses and where rental income is generated as **defined in paragraph 2 under definitions**

8.2.20 Public Benefit Organisation's properties

9. CATEGORISATION OF OWNERS

9.1 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:-

9.1.1 Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the Municipality;

9.1.2 Owners of properties situated within an area affected by: -

9.1.2.1 a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or

9.1.2.2 any serious adverse social or economic conditions.

9.1.3 Owners of agricultural properties as referred to in clause 12.1.1 of this policy;

9.1.4 Owners of farm properties that are used for residential purposes;

9.1.5 Owners of farm properties that are used for industrial, commercial and business purposes;

9.1.6 Owners of smallholdings used for residential purposes;

9.1.7 Owners of smallholdings used for industrial, commercial and business purposes; and

9.1.8 Owners of developed properties not yet sold and transferred.

9.1.9 Owners or Occupiers of farm properties that are used for renewable energy or renewable solar energy and wind mills or wind turbines

10. DIFFERENTIAL RATING

10.1 Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to -

10.1.1 the nature of the property including its sensitivity to rating, e.g. agricultural properties used for agricultural purposes; and

10.1.2 the promotion of social and economic development within the Municipality.

10.2 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

10.3 by way of reductions and rebates as provided for in this policy document.

11. EXEMPTIONS

11.1 Categories of properties

11.1.1 The following property categories are exempt from the payment of property rates: –

11.1.1.2 Municipal properties are exempted from paying property rates.

11.1.1.3 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..

11.1.1.4 Public Service Infrastructure

Is exempted from paying rates as it provides essential services to the community.

11.1.1.5 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.

11.1.1.6 Exemptions in 11.1.1.1 to 11.1.1.4 will automatically apply and no application is thus required by the owners of such property.

11.1.1.7 All possible Recreational organisations such as Country Club, Recreational clubs, Show Grounds, etc must apply annually on the prescribe application form, by 31 August, for rebate exemption of 40% 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. The rates account must in paid up to date otherwise the application will be unsuccessful.

11.1.1.8 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.

11.1.1.9 The Municipality retains the right to refuse the application for exemption if the details supplied in the application were incomplete, incorrect or false.

11.2 Impermissible Rates

In terms of section 17(1) of the Property Rates Act, 2004, the Municipality may, inter alia, not levy rates: –

11.2.1 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.

11.2.2 on mineral rights within the meaning of paragraph (b) of the definition for "property" in section 1 of the Act.

11.2.3 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.

11.2.4 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.

12. REBATES

12.1 Categories of properties

12.1.1 Business, commercial and industrial properties

12.1.1.1 The Municipality may grant rebates to rateable undertakings that promote local, social or economic development within the municipal jurisdiction. The following criteria will apply: -

(a) job creation in the municipal area;

(b) social upliftment of the local community; and

(c) creation of infrastructure for the benefit of the community.

12.1.1.2 Rebates will be granted on application subject to: -

(a) 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;

(b) 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

(c) an assessment by the municipal manager or his/her nominee indicating that the company qualifies.

12.1.1.3 Council will consider all LED requests on an individual basis according to merits.

12.1.2 Rebate on agricultural property

12.1.2.1 the Municipality grants additional rates rebate (as set out below) in respect of properties used for agricultural purposes only, 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

Financial Year	*% Percentage Rebate*	*Application date*
2016/2017	**28%**	**31 August 2016**
2017/2018	25%	31 August 2017
2018/2019	**18%**	**31 August 2018**
2019/2020	10%	31 August 2019

12.1.2.2 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% impermissible 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 2015/2016 financial year. The Amendment Municipal Property Rates Act gives more clear interpretations on the ratio(1:0.25).

12.1.2.3 The granting of additional rebates is subject to the following: -

(a) All applications must be addressed in writing to the Municipal Manager 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;

(b) 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. Applications are only valid for one financial year.

(c) 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

(d) The Municipality retains the right to refuse applications for rebates if the details supplied in the application form were incomplete, incorrect or false.

12.1.2.4 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.

12.1.2.5 Rebates will be granted on prescribed application form.

12.1.2.6 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 used 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.

12.2 Categories of Owners

12.2.1 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.

12.2.2 Rebates for retired and disabled persons

12.2.2.1 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:-

(a) 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

(i) an amount of R4 900 to qualify for a 50% rates rebate

(ii) an amount of R5 600 to qualify for a 45% rates rebate

(iii) an amount of R6 400 to qualify for a 40% rates rebate

(c) The property owner may not be the owner of more than one property.

(d) 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.

(e) 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.

12.2.2.2 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 30 September 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 30 September 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.

12.2.2.3 The Municipality retains the right to refuse the granting of rebates if the details supplied in the application were incomplete, incorrect or false.

12.2.2.4 In the case of where the property has been sold during the financial year and where rebates have been granted, the rebates amount will be written back or debited against the account of the owner. The rebate will be forfeited.

12.2.2.5 Applications for rebates must be completed on the official Emthanjeni Municipality's Rebate application form and must be accompanied by the following information: -

(a) 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;

(b) sufficient proof of income of the owner and the his/her spouse;

(c) an affidavit from the owner;

(d) 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

13. REDUCTIONS

13.1 Reductions as contemplated in section 15 of the Act will be considered on an ad-hoc basis in the event of the following:-

13.1.1 Partial or total destruction of a property; or

13.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

13.2 The following conditions shall be applicable in respect of clause 13.1:-

13.2.1 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.

13.2.2 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).

13.2.3 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. .

13.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the Municipality gives further extension on application.

13.2.5 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.

13.2.6 The CFO in consultation with the Executive Committee will determine the percentage (%) of reduction in rates levy applicable to the damage caused by these properties.

14. COST OF EXEMPTIONS, REBATES AND REDUCTIONS

14.1 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.

14.2 Provision must be made on the operating budget for –

14.2.1 the full potential revenue associated with property rates; and

14.2.2 the full cost associated with exemptions, rebates and reductions.

15. 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.

16. PROPERTY REGISTER

16.1 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.

16.2 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.

16.3 Section B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to: –

16.3.1 exemption from rates in terms of section 15 of the Act;

16.3.2 a reduction or rebate in terms of section 15 of the Act;

16.3.3 the phasing in of tariffs in terms of section 21 of the Act; and

16.3.4 exclusions as referred to in section 17 of the Act.

16.4 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.

16.5 Section A of the register will be updated at least annually by the Municipality during the supplementary valuation process.

16.6 Section B of the register will be updated annually as part of the implementation of the Municipality's annual budget.

17. NOTIFICATION OF RATES

17.1 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.

17.2 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.

18. CONSULTATION PROCESS

18.1 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.

18.2 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: -

18.2.1 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.

18.2.2 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.

18.2.3 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.

18.2.4 Property owners and interested parties are invited to address written suggestions or representations to the Municipality within the period prescribed in the notice.

18.2.5 Council will consider all suggestions and/or representations received during the finalisation of the property rates policy.

19. FURNISHING OF ACCOUNTS

19.1 The Municipality will furnish each person liable for the payment of a rate with a written account, specifying: -

19.1.1 the amount due for rates payable;

19.1.2 the date on or before which the amount is payable;

19.1.3 how the amount was calculated;

19.1.4 the market value of the property; and

19.1.5 exemptions, reductions and rebates or the phasing-in of rates, if applicable.

19.2 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.

19.3 In the case of joint ownership the Municipality will, upon request, furnish written accounts to one or more individual owners.

19.4 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.

20. PAYMENT OF RATES

20.1 Council may claim the payment of rates: -

20.1.1 on a monthly basis; or

20.1.2 annually before 30 September of each year.

20.2 Rate payers may choose to pay rates in one instalment annually on or before 30 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.

20.3 If a rate is payable: -

20.3.1 in a single amount annually, it must be paid on or before a data determined by the Municipality.

20.3.2 in instalments, it must be paid on or before a date in each period determined by the Municipality.

20.4 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.

20.5 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.

20.6 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.

20.7 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.

20.8 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.

20.9 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.

20.10 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.

20.11 Rates Clearance Certificates:-

20.11.1 will be valid for up to 60 days;

20.11.2 no extension on a certificate will be granted. If it expires a new application for clearance must be made;

20.11.3 if the valid period surpasses 30 June, the total annual debit for the following financial year will be payable;

21. ADJUSTMENT OF RATES PRIOR TO SUPPLEMENTARY VALUATION

21.1 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.

21.2 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:-

21.2.1 the municipal valuer shall conduct a valuation of the relevant property(ies) for purposes of a SV; and

21.2.2 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.

22. FREQUENCY OF VALUATIONS

22.1 The Municipality shall prepare a new valuation roll at least every five (5) years as stated in the Amendments to the Municipal Property Rates Act.

22.2 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 (7) years.

22.3 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.

23. 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 2016

24. IMPLEMENTATION

This policy will comes into effect on 1 July 2016

EMTHANJENI MUNICIPALITY

DRAFT CREDIT CONTROL & DEBT COLLECTION POLICY

BUDGET 2016/2017 MTERF

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 700, 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 700, 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

3.2.3 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 6 months
R2001 – R4000	30% Initial payment and arrears must be settled within 12 months
R4001 – R6000	25% Initial payment and arrears must be settled within 24 months
R6001 – R10 000	15% Initial payment and arrears must be settled within 36 months
R10 001 and more	12% Initial payment and arrears must be settled within 42 months

And also agree to where possible

i. pay the full current portion of the account in cash and sign an acknowledgement of debt; or

ii. provide a garnishee order/emolument order/stop order (if he or she is in employment);

iii. sign Consent to Judgement;

iv. acknowledge that interest will be charged at the prescribed rate;

v. 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:

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

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

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

iv) 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,

i) the full amount outstanding will become due and immediately payable;

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

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

iv) no new agreement may be entered into; and

v) 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.

4.1.4 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.

ix Council may sell the fixed property of default consumers via "EXECUTION OF SALE" who does not settled their Rates and Taxes and Municipal Services Accounts.

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.

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

5.3 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.

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

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

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

5.7 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.

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

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

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

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

7.4 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.

8 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.

9 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 2016

EMTHANJENI MUNICIPALITY

DRAFT CUSTOMER CARE AND MANAGEMENT POLICY

BUDGET 2016/2017 MTERF

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:

2.1 provide a framework for customer care

2.2 provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection

2.3 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

2.4 describe credit control measures and sequence of events

2.5 outline debt collection procedures and mechanisms: and

2.6 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:

3.1 Customer Care and Management and Debt Collection are entirely interrelated issues – debt collection is part of customer management.

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

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

3.4 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.

3.5 Billing is to be accurate, timely and understandable.

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

3.7 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.

3.8 Indigent households are to be identified and supported with appropriate policies and practices.

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

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

3.11 Incentives and disincentives can be used in collection procedures.

3.12 The collection process must be cost effective.

3.13 Collection best practices will be pursued.

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

3.15 Results will be regularly and efficiently reported.

3.16 Policies for Customer Care and Management and Debt Collection will be agreed by Council and Management, and supported thereafter by these parties.

4 RESPONSIBILITIES AND DELEGATED AUTHORITY

4.1 Council:

4.1.1 Council must create, evaluate, review and adapt the Customer Care and Management and Debt Collection Policies and related by-laws.

4.1.2 This political structure must oversee and monitor the implementation and enforcement of the Municipality's policies in this regard.

4.1.3 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.

4.1.4 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.

4.2 Accounting Officer:

4.2.1 The Municipal Manager (MM), as accounting officer, must implement and enforce this policy and any relevant by-laws.

4.2.2 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.

4.2.3 The Municipal Manager must collect all money that is due and payable to the Municipality.

4.2.4 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) a central complaints/feedback office;

b) a centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;

c) 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 If meter readings on the accounts are faulty (overstated or understated) then the municipality must correct the incorrect readings on the service account. The corrections must be process before the next monthly services account reach the consumers.

5.3.4 When Council approved levies are incorrectly charged for any municipal service, then the correct approved levies must be charged and the necessary corrections or adjustments must made immediately on the account. Value Added Tax (VAT) on accounts where applicable must also be enforced.

5.3.5 Accounts will be rendered monthly in cycles of approximately 30 days.

5.3.6 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.

5.3.7 It is the owner's, customer's and/or consumer's responsibility to ensure that the postal address and other contact details are correct.

5.3.8 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 valuators 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

5.8.1 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.

5.8.2 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.

5.8.3 The relevant department must investigate and inform the debtor within one month.

5.8.4 Failure to make such agreed interim payment or payments would make the customer liable for disconnection.

5.9 OMBUDSPERSON

5.9.1 Council should, if financially possible, employ an Ombudsperson, working under the direct control of the Municipal Manager, where applicable

5.9.2 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:

i. 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;

ii. 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;

iii. 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.

5.10.2 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.

5.11 INCENTIVES FOR PROMPT PAYMENT

5.11.1 The Municipality may, 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.

5.11.2 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

5.12.2.1 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.

5.12.3 Rates And Instalments

5.12.3.1 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.

5.12.3.2 If a monthly instalment is unpaid, the full bill outstanding is immediately due and payable.

5.12.3.3 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

5.12.4 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.

5.12.4.1 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. Caselaw in terms of s118 will also be adhere to.

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:

7.1.1 cash flow information for the capital and operating accounts, and combined, showing Council's actual performance against its cash flow budgets;

7.1.2 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 quantums) of major outstanding individual debtors;

7.1.3 Performance of all areas against targets agreed to in item 6 of this policy document and

7.1.4 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

8 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.

9 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 2016.

EMTHANJENI MUNICIPALITY

FINAL INDIGENT HOUSEHOLD POLICY

BUDGET 2015/2016 MTERF

INDIGENT POLICY

INTRODUCTION

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

2 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.

3. RESPONSIBILITIES AND DELEGATED AUTHORITY

3.1. The Council –

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

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

3.2 The Municipal Manager –

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

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

3.2.3 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(Old Age or Disability Grants) plus Two Child Grant payments or less than **R3 700 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

i) 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.

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

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

iv) 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 or access consumption between the subsidy received and the standard consumtion used by the indigent debtor.

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:

4.5.1 the household head owns a business or a second property;

4.5.2 the application was filled in dishonestly;

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

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

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

4.5.6 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 not consider, *on an annual basis, the writing off of subsidised existing service arrears at the time of enrolment as an indigent household,*

4.7.1 not for tampering charges

4.7.2 or connection/reconnection fees

4.7.3 or legal/collection cost

4.7.4 or any other fee/instalment in terms of an existing agreement

4.7.5 or for the purpose of selling properties within a period of 24 months after the writing off. The amount that will be required to be paid back by the seller before an clearance certificate will be issued.

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*

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

5.2.4 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

7.1 Are issued on request by the transferring attorney and on receipt of the applicable fees.

7.2 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.

7.3 Any instalment for rates, refuse and sewerage is immediately payable.

7.4 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 2016.

EMTHANJENI MUNICIPALITY

BUDGET IMPLEMENTATION AND MONITORING POLICY

DRAFT BUDGET 2016/2017 MTREF

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ABBREVIATIONS

NC073	*Emthanjeni Municipality*
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.

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(I) (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(1) (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.

2 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.

3 BUDGETING PROCESS

3.1 Planning for the preparation of the budget

3.1.1 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.

3.1.2 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).

3.1.3 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.

3.1.4 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.

3.1.5 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.).

3.1.6 The Chief Financial Officer and senior managers undertake the technical preparation of the budget including.-

3.1.6.1 Review past performance;

3.1.6.2 Prepare initial preview assumptions;

3.1.6.3 Analyse past revenue trends and develop initial projections;

3.1.7 Prepare the IDP and make necessary revisions;

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

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.

3.2 Public participation process

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

3.2.2 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.

3.3 Approval of the budget

3.3.1 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);
3.3.2 The council resolution, must contain budget policies and performance measures be adopted, and
3.3.3 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.

3.4 Publication of the budget

3.4.1 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
3.4.2 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.

4 CONTENTS OF THE BUDGET

The budget consist of the following key elements:

4.1 Mayor's Report

4.2 Council Resolutions

4.3 The Council approves and adopts: -

4.3.1 Budget set out in various tables;
4.3.2 by standard classification;
4.3.3 by municipal vote,
4.3.4 by source and expenditure by type;
4.3.5 Policies; and
4.3.6 Tariffs.

4.4 Executive Summary

4.4.1 Operating Revenue Framework

4.4.1.1 Property Rates ;
4.4.1.2 Sale of Water and Impact of Tariff Increases;
4.4.1.3 Sale of Electricity and Impact of Tariff Increases;
4.4.1.4 Sanitation and Impact of Tariff Increases;
4.4.1.5 Waste Removal and Impact of Tariff Increases; and
4.4.1.6 Overall impact of tariff increases on households.

4.4.2 Operating Expenditure Framework

4.4.2.1 Main operational expenditure categories;
4.4.2.2 Priority areas i.e. repairs and maintenance; and
4.4.2.3 Free Basic Services: Basic Social Services Package.

4.4.3 Capital expenditure

4.4.3.1 Focus area
4.4.3.2 Highlighted projects where major investment in Capex is made
4.4.3.3 Future operational cost of new infrastructure

4.5 Supporting Documentation

4.5.1 Budget Process Overview

4.5.1.1 IDP and Service Delivery and Budget Implementation Plan
4.5.1.2 Financial Modelling and Key Planning Drivers
4.5.1.3 Community Consultation
4.5.1.4 Overview of alignment of annual budget with IDP
4.5.2 Measurable performance objectives and indicators

4.5.3 Overview of budget related-policies

4.5.4 Monthly revenue cash flow projections by month

4.5.5 IDP amendments

4.5.6 Amendments to Budget related policies

4.5.7 Details of investments

4.5.8 Municipal entities – new and existing

4.5.9 Proposed service delivery agreements

4.5.10 Grants to external bodies

4.5.11 Contracts having future budgetary implications

4.5.12 Capital expenditure details

4.5.13 Legislation compliance status

4.5.14 Salary, allowances and benefits of:

4.5.14.1 Councillors
4.5.14.2 MM, CFO, Director and Managers

4.5.15 Overview of budget assumptions

4.5.15.1 External factors
4.5.15.2 General inflation outlook and its impact on the municipal activities
4.5.15.3 Credit rating outlook
4.5.15.4 Interest rates for borrowing and investment of funds
4.5.15.5 Collection rate for revenue services

4.5.15.6 Growth or decline in tax base of the municipality
4.5.15.7 Salary increases
4.5.15.8 Impact of national, provincial and local policies
4.5.15.9 Ability of the municipality to spend and deliver on the programmes; and

4.5.16 Municipal manager's quality certificate

5 OPERATING BUDGET

5.1 The municipality shall budget in each annual and adjustments budget for the contribution to:

5.1.1 provision for accrued leave entitlements equal to between 10 - 20% of the accrued leave
5.1.2 entitlement of officials as at 30 June of each financial year,
5.1.3 provision for bad debts in accordance with its rates and tariffs policies
5.1.4 provision for the obsolescence and deterioration of stock in accordance with its stores management policy
5.1.5 Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
5.1.6 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.

5.2 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.

5.3 The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

5.4 The operating budget shall reflect the impact of the capital component on:

5.4.1 depreciation charges
5.4.2 repairs and maintenance expenses
5.4.3 interest payable on external borrowings
5.4.4 other operating expenses.

5.5 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

6. CAPITAL BUDGET

6.1 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.

6.2 A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

6.3 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.

6.4 Before approving a capital project, the Council must consider

6.4.1 the projected cost of the project over all the ensuing financial years until the project becomes operational,

6.4.2 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).

6.4.3 the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans.

6.4.4 depreciation of fixed assets,

6.4.5 maintenance of fixed assets, and

6.4.6 any other ordinary operational expenses associated with any item on such capital budget.

6.5 Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

7 FUNDING OF THE BUDGET

7.1 Operational Budget

The operational budget can only be funded from –

7.1.1 Realistically expected revenues.

7.1.1.1 Based on collection levels to date

7.1.1.2 Actual revenue collected in previous financial years

7.1.2 Uncommitted accumulated surpluses to the extent that the surpluses are cash backed.

7.2 Capital Budget

7.2.1 Revenue or Surplus

7.2.1.1 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.

7.2.1.2 If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

7.2.2 External loans

7.2.2.1 External loans can be raised only if it is linked to the financing of an asset;

7.2.2.2 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;

7.2.2.3 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;

7.2.2.4 Interest payable on external loans shall be included as a cost in the revenue budget;

7.2.2.5 Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

7.2.3 Capital Replacement Reserve (CRR)

7.2.3.1 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.

7.2.3.2 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;

7.2.3.3 If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

7.2.3.4 Transfers to the CRR may be budgeted for in the cash budget;

7.2.4 Grant Funding

7.2.4.1 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.

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

7.2.4.3 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.

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

7.3 Unspent Funds / Roll over of Budget

7.3.1 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.

7.3.2 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.

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

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

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

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

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

7.3.4.4 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

7.3.5 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.

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

8 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.

8.1 Virement procedure requirements and restrictions

8.1.1 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.

8.1.2 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.

8.1.3 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).

8.1.4 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.

8.1.5 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.

8.1.6 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).

8.1.7 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).

8.1.8 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).

8.1.9 No virement may be made to cover/ allow for unauthorised, irregular or fruitless and wasteful expenditure (MFMA Section 32).

8.1.10 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.

8.1.11 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.

8.1.12 All virements should be approved in line with the Council's System of delegations.

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

8.2 Operating Budget Virements

8.2.1 No virements are permitted between expenditure categories without the support of Chief Financial Officer and approval by the Municipal Manager.

8.2.2 Salaries, Wages and Allowances Category

8.2.2.1 Virements are allowed between cost elements only if these virements are within this expenditure category.

8.2.2.2 Virements in this expenditure category are subject to the approval of the Chief Financial Officer.

8.2.3 Remuneration of Councillors

8.2.3.1 Virements in this expenditure category are allowed only if these virements are within this category.

8.2.3.2 Virements in this expenditure category are subject to the approval of the Chief Financial Officer.

8.2.4 General Expenditure and Repairs and Maintenance (Primary)

8.2.4.1 Virements to and from cost elements within each category are allowed.

8.2.4.2 Virements are allowed from General Expenditure to Repairs and Maintenance.

8.2.4.3 The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category:

8.2.4.4 Training related expenditure.

8.2.4.5 Bargaining Council provisions and skills development levies.

8.2.4.6 Insurance related provisions.
8.2.4.7 Pensioner and Continued Members.
8.2.4.8 Repairs and Maintenance.

8.2.5 Contracted Services and Collection Costs

Virements to and from these elements are allowed.

8.3 Operating Projects And Capital Budget Virement

8.3.1 All virements to capital projects will only be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).

8.3.2 nly virements between existing projects approved by Council and within the same Directorate will be permitted subject to approval by the Municipal Manager.

8.3.3 Virements will only be considered if recommended by a director responsible for the vote or functional area and supported by the Chief Financial Officer.

8.3.4 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.

8.3.5 No virements, of which the affect will be to add "new" projects onto the Capital Budget, will be allowed.

8.3.6 Virements may not cause an increase to the individual projects' total project cost.

8.3.7 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.

8.3.8 Implementation of the project may not be prejudiced due to the virement of funds (i.e. must not hinder completion of the project).

8.3.9 Virements will only be considered upon submission of revised business plans for both the "giving" and the "receiving" operating and capital project.

9 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 :-

9.1 when there is an under collection of revenue

9.2 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:-

9.3 Over-collection of revenue – to support existing budgeted programmes (MFMA 28(2) (b) to be submitted after midyear performance assessment and before 28 February.

9.4 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.

9.5 Virements – utilise savings in one vote (MFMA 28(2) (d) to be submitted after midyear performance assessment and before 28 February.

9.6 Under spending in prior financial year - if unforeseen (MFMA 28(2) (e) should be completed after year end but before 25 August.

9.7 Correct errors (MFMA 28(2) (f) to be submitted after midyear performance assessment and before 28 February.

9.8 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.

9.9 When an adjustments budget is tabled, it must be accompanied by—

9.9.1.1 an explanation how the adjustments budget affects the annual budget;

9.9.1.2 a motivation of any material changes to the annual budget;

9.9.1.3 an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and

9.9.1.4 any other supporting documentation that may be prescribed.

9.10 The Municipality may not change tax and tariffs unless in terms of a financial recovery plan.

9.11 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

9.12 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.

9.13 Submission of tabled adjustments budgets

The municipal manager must comply with section28(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.

9.14 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:

9.14.1 Approval of the adjustment budget;

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

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

9.14.4 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;

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

9.15 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.

9.16 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.

10 BUDGET IMPLEMENTATION

10.1 Monitoring

10.1.1 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:

10.1.1.1 funds are spent in accordance with the budget;

10.1.1.2 expenses are reduced if expected revenues are less than projected; and

10.1.1.3 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.

10.2 Reporting

10.2.1 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:

10.2.1.1 actual revenues per source, compared with budgeted revenues;

10.2.1.2 actual expenses per vote, compared with budgeted expenses;

10.2.1.3 actual capital expenditure per vote, compared with budgeted expenses;

10.2.1.4 actual borrowings, compared with the borrowings envisaged to fund the capital budget;

10.2.1.5 the amount of allocations received, compared with the budgeted amount;

10.2.1.6 actual expenses against allocations, but excluding expenses in respect of the equitable share;

10.2.1.7 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;

10.2.1.8 the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

10.2.1.9 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.

10.2.1.10 The report to the National Treasury must be both in electronic format and in a signed written document

10.2.2 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

10.2.2.1 Mid-year budget and performance assessment

10.2.3 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.

10.2.3.1 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.

10.2.3.2 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.

11 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 2016

12 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.

13 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.

14 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 48, 51, 54, 55, 66, 67 and 67

15 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.	AO/ CFO
	Approval of adjustments budget by Mayoral Committee.	AO/ CFO
	Approval of adjustments budget by Council.	AO/ 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

TIMEFRAME	ACTIVITY	RESPONSIBILITY
	High level consolidated format;	
	Line item budget; and	
	Proposed Tariffs.	
	Evaluation of and discussions on first draft budget by Mayoral Committee in line with operational plans, budget guidelines and IDP.	AO/ CFO/ Directors
21 January Year 2 – 4 February Year 2	Finance Department to consolidate and prepare the second draft capital and operating budget.	CFO/Manager Accounting/ Directors
	Evaluation of and discussions on second draft by Mayoral Committee.	AO/ CFO
7 February Year 2 – 14 February Year 2	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.	AO/ 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.	AO/ 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
	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

TIMEFRAME	ACTIVITY	RESPONSIBILITY
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

EMTHANJENI MUNICIPALITY

FINAL CASH AND INVESTMENT POLICY

BUDGET 2016/2017 MTERF

CASH AND INVESTMENT POLICY

1. Introduction

1.1 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.

1.2 The Council of the Municipality has a responsibility to invest public funds carefully and has to report to the community in this regard.

1.3 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).

2. 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.

3. **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.

3.4 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

3.5 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 Municipal Manager, 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.

4.1.2 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.

4.2.2 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.

4.2.3 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.

4.6.1 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 –
  - (a) 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
  - (b) 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) 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 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 approve 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) 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 other document which creates or acknowledges the debt.

(c) 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 ACCOUNTNG STANDARDS;
- Local Government Municipal Finance Management Act 2003, Act No 56 of 2003, section 13(1)

5.1.2 The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must –

(a) Conduct their cash management and investments; and

(b) 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.

5.2.3 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:

6.1 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.

7.2 Quotations must be obtained electronically, otherwise per facsimile or emails, 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.

11.4 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.

11.5 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.

12.3.2 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.

12.6 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 2016.

EMTHANJENI MUNICIPALITY

FINAL ASSET MANAGEMENT POLICY

BUDGET 2016/2017 MTERF

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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.

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:

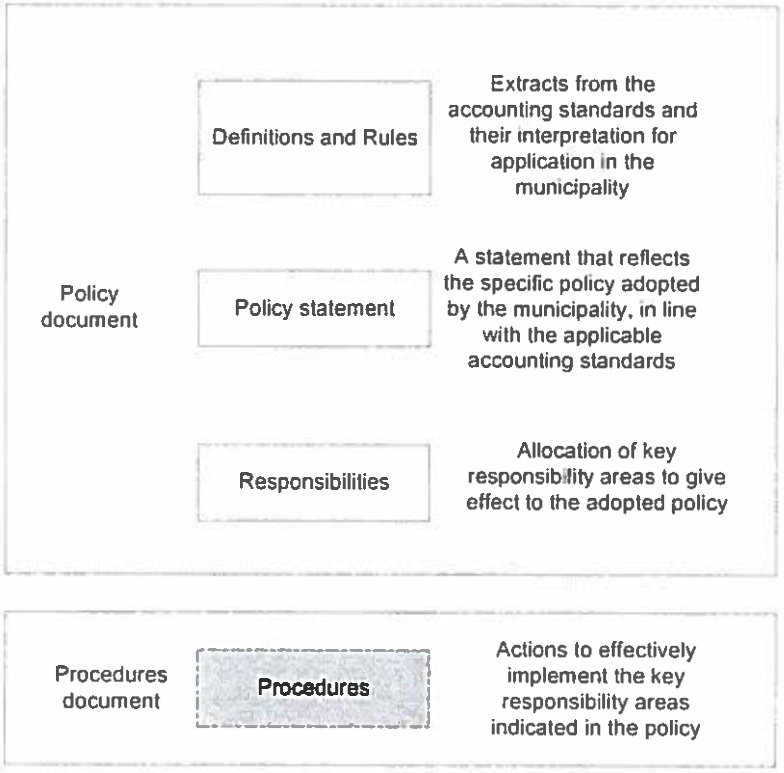
- Asset Management Framework, National Treasury, 2004
- Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- Municipal Finance Management Act, 2003
- Disaster Management Act, 2002
- Municipal Systems Act, 2000
- Municipal Structures 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 immoveable assets which are part of a network of similar assets that jointly provide service potential.

PPE: Community Property

Community property is immoveable 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

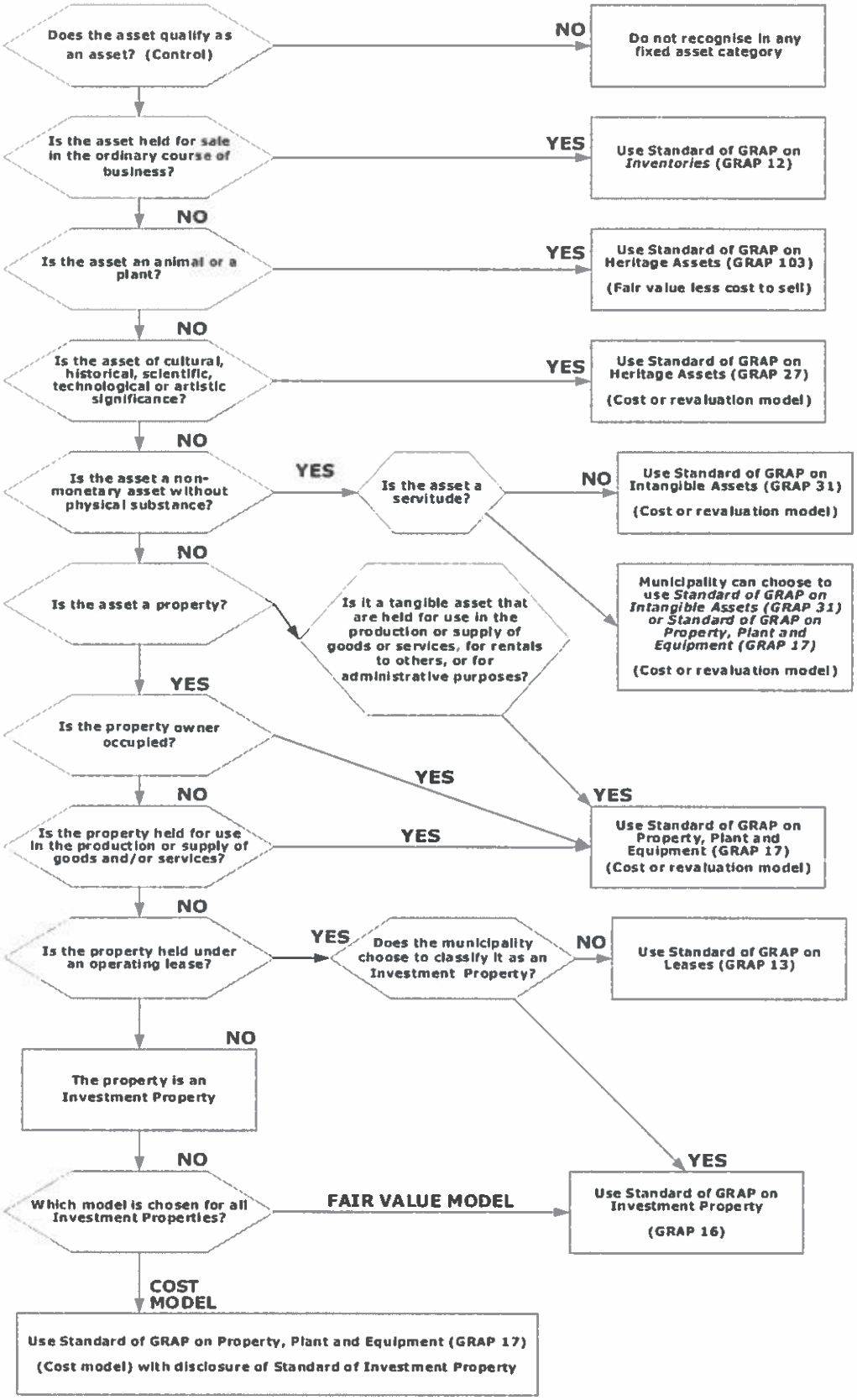
Asset hierarchies shall be adopted for each of the asset groups, separately identifying items of PPE at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant. Investment Property and Intangible assets are not 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).

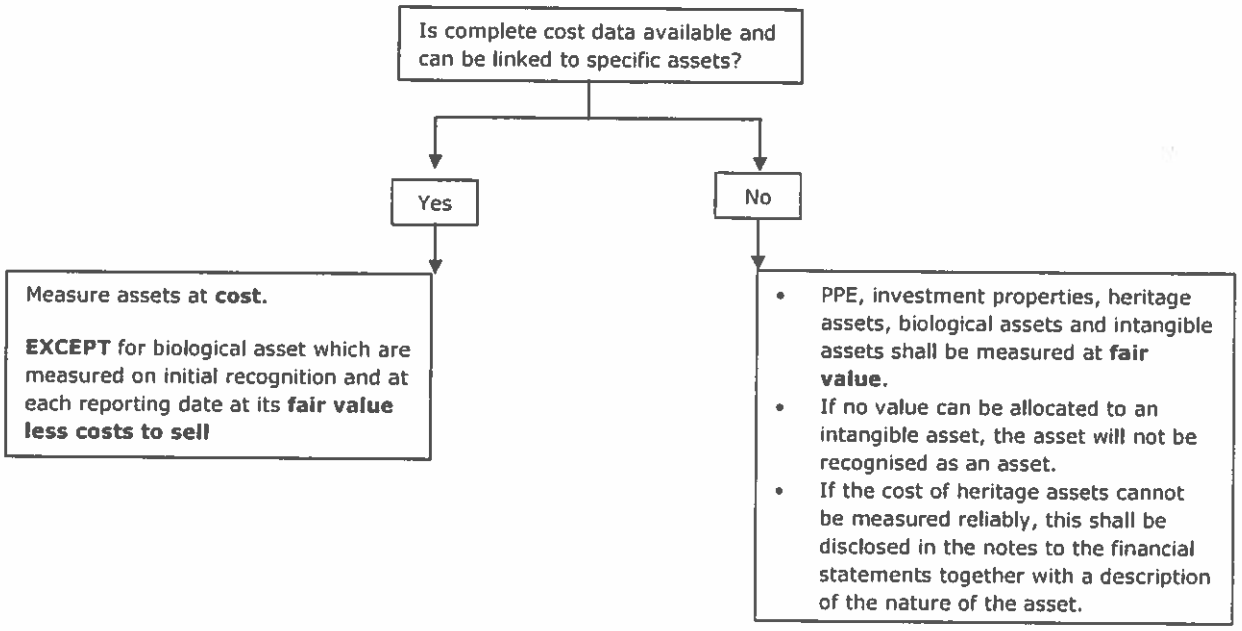
(b) Policy statement

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 recognition



(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

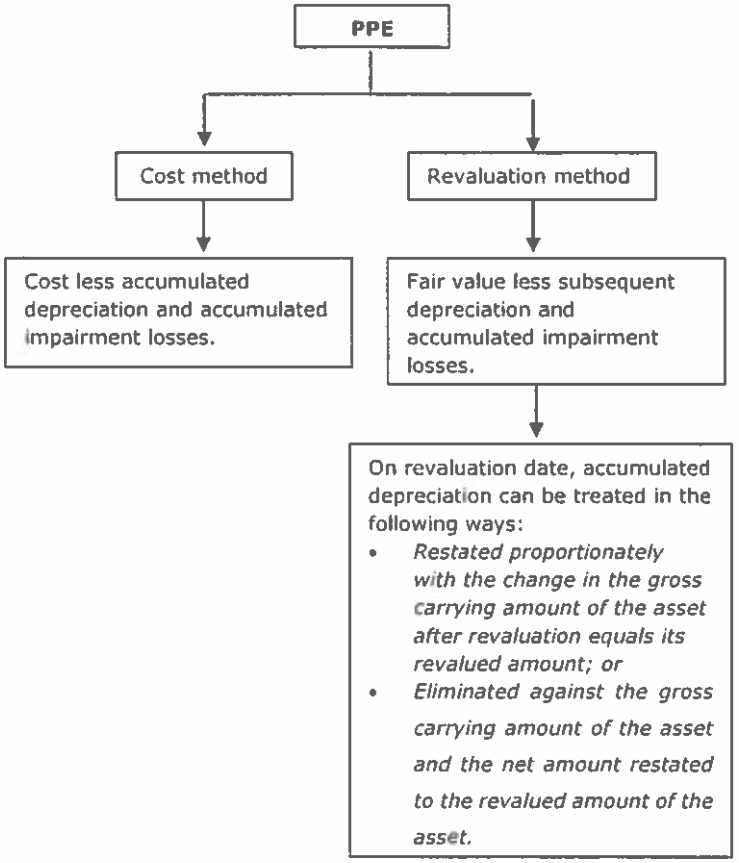


Figure 5: Measurement after recognition

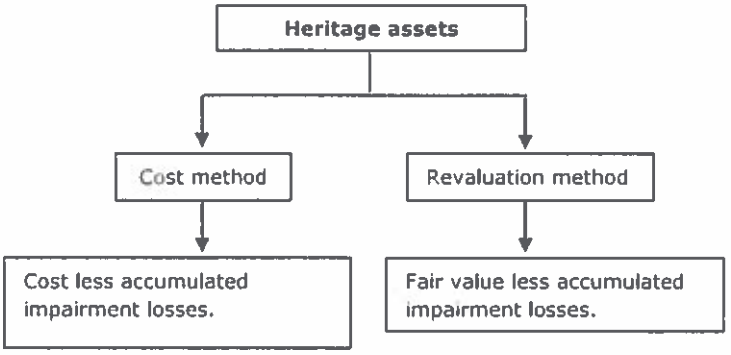


Figure 6: Measurement after recognition

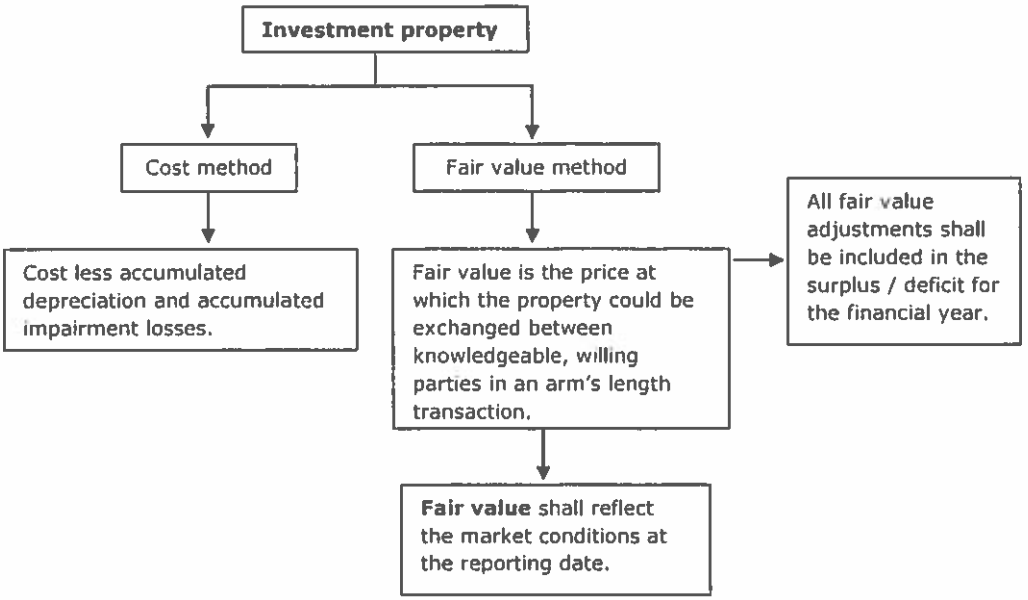


Figure 7: Measurement after recognition

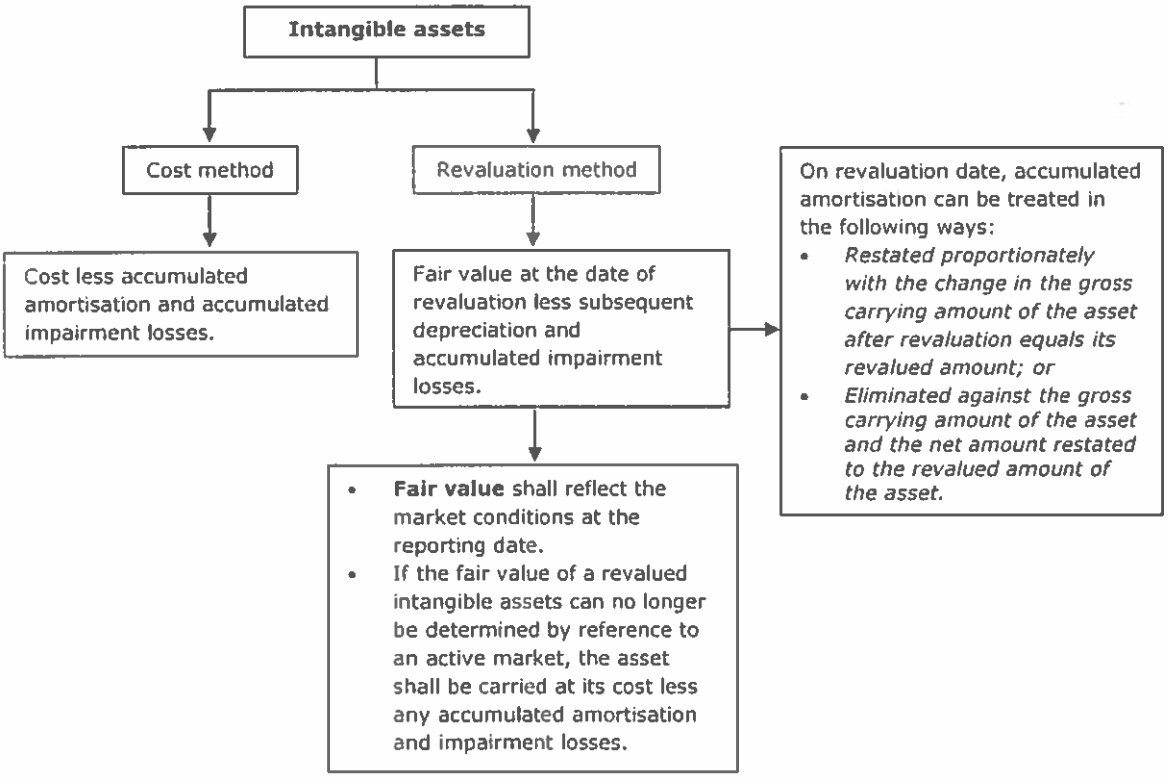
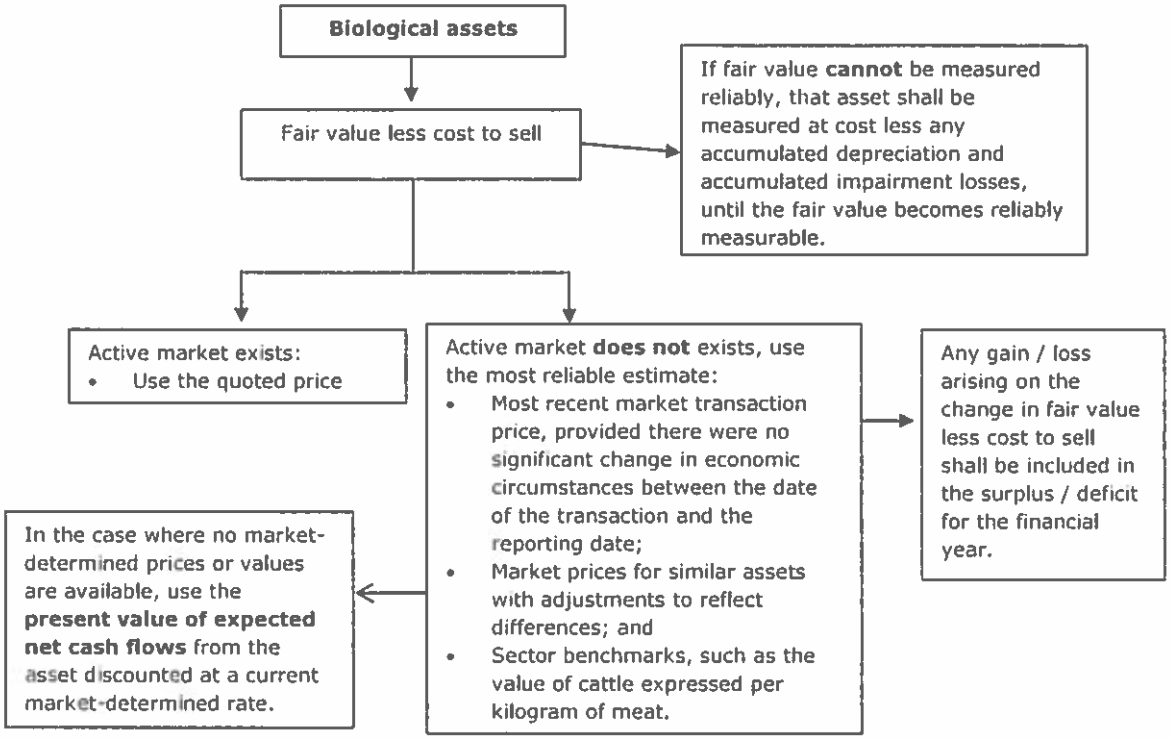


Figure 8: Measurement after recognition



(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 of 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. This will be effective as from 01 July 2016

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			

EMTHANJENI MUNICIPALITY

DRAFT TARIFF POLICY

BUDGET 2016/2017 MTERF

TARIFF POLICY

1 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.

2 PURPOSE OF THIS POLICY

The council wishes to achieve the following objectives by adopting this tariff policy:

a. To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

b. 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).

c. To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

3 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 structure[1].

(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 Plan[2].

(d) Tariffs will reflect the total cost of services[3].

(e) Tariffs will be set at a level that facilitates the sustainability of services.[4]

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[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)

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 required[5].

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.

4 CATEGORIES OF CUSTOMERS

4.1 The tariff structure of the EMTHANJENI MUNICIPALITY makes provision for the following categories of customers[6]

- domestic;
- commercial;
- industrial;
- agricultural;
- institutional;
- rural;

[4] Section 74(2)(e)
[5] Section 74(2)(l)
[6] Section 74(3)

- municipal;
- within municipal boundaries;
- not within municipal boundaries; and
- special agreements.

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.

5 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:

i) Air pollution;

ii) Building control;
iii) Cemeteries;
iv) Child care facilities;
v) Control of undertakings that sell liquor to the public;
vi) Facilities for accommodation, care and burial of animals;
vii) Fencing and fences;
viii) Fire fighting services;
ix) Fixed billboards and the display of advertisements in public places;
x) Local economic development;
xi) Licensing and control of undertakings that sell food to the public;
xii) Licensing of dogs;
xiii) Local amenities;
xiv) Local sport facilities;
xv) Local tourism;
xvi) Municipal parks and recreation;
xvii) Municipal planning;
xviii) 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;
xix) Municipal roads;
xx) Noise pollution;
xxi) Parking;
xxii) Pounds;
xxiii) Pest control;
xxiv) Public places;

xxv) Storm water management system in built-up areas;

xxvi) Street lighting;

xxvii) Street trading;

xxviii) Trading regulations;

xxix) 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.

(iii) *Total cost* is equal to the fixed cost plus variable cost.

6 DEPOSITS

The raising of deposits is permissible where certain levies are made in arrears and payable with new application for the relevant service:

a) ***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.

b) ***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.

c) ***Other services:*** As and when required.

d) See tariff schedule for 2016/2017 financial year.

7 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:

(i) ***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.

(ii) ***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.

(iii) ***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.

(iv) ***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.

(v) ***Availability charges:*** Payable in respect of erven not connected to Council's existing infrastructure. Once Council provided a connection, normal tariffs as per respective service are payable.

(vi) ***Correction of water and electricity service accounts:*** Where customers have been **over charged or under charged** for water services and or electricity (prepaid and conventional meters) services and all other services or rates and taxes levied, the municipality must rectify the over charges or under charges for the water and electricity services and all other services or rates and taxes, immediately when it becomes aware of such an over or under charges, applicable.

(vii) ***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.

(viii) ***Recoverable work:*** These tariffs shall apply to consumers who are making use, on application, of certain recoverable cervices. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

8 REBATES

8.1 Rebates are allowed in accordance with the tariff and rate schedule as well reflected in the specific policy as determined by Council annually.

9 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:

(1) Cost per unit (kilolitres consumed); or

(2) Basic cost plus cost per unit charge (kilolitres consumed); or

(3) 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:

(1) Maximum demand plus kWh consumed; or

(2) Basic costs or Fixed costs plus kWh consumed; or

(3) Cost per unit (kWh consumed); or

(4) 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

9.5.1 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.

9.5.2 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

9.6.1 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.

9.6.2 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 Population	Community
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	Community

	Population	
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 vehicles Population	Subsidised
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

10 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 2016.