

Table 24 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available									
Cash/cash equivalents at the year end	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875
Other current investments > 90 days	0	-	0	-	-	-	0	(0)	0
Non current assets - Investments	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Cash and Investments available:	132 391	95 744	80 123	110 257	111 628	111 628	126 001	161 455	212 284
Application of cash and investments									
Unspent conditional transfers	4 555	7 783	3 425	-	-	-	-	-	-
Unspent borrowing	18 255	6 133	1 847	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	(28 049)	(21 016)	(40 826)	(40 803)	(57 301)	(57 301)	(22 868)	(23 728)	(13 035)
Other provisions									
Long term investments committed	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Reserves to be backed by cash/investments	1 920	1 891	2 565	1 934	2 573	2 573	2 637	2 703	2 757
Total Application of cash and investments:	2 373	6 388	(16 024)	(16 663)	(32 522)	(32 522)	8 224	13 360	30 132
Surplus(shortfall)	130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152

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

Table 25 MBRR Table A9 - Asset Management

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CAPITAL EXPENDITURE									
Total New Assets	163 275	139 617	83 899	69 581	89 946	89 946	83 156	73 606	97 061
Infrastructure - Road transport	12 754	15 578	9 203	800	1 332	1 332	14 979	5 000	5 000
Infrastructure - Electricity	30 061	22 203	24 160	13 900	13 900	13 900	21 726	8 500	14 500
Infrastructure - Water	57 384	48 634	7 300	-	580	580	4 737	4 726	11 787
Infrastructure - Sanitation	32 650	16 478	8 449	9 600	8 892	8 892	3 420	6 100	10 600
Infrastructure - Other	196	5 359	1 400	10 200	9 300	9 300	10	-	-
Infrastructure	133 045	108 252	50 511	34 500	34 003	34 003	44 873	24 326	41 887
Community	6 183	20 997	13 896	18 266	38 167	38 167	35 611	45 550	55 174
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	795	-	-	-	-	-	-
Other assets	23 118	9 038	18 697	16 815	17 776	17 776	2 673	3 730	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	928	1 330	-	-	-	-	-	-	-
Total Renewal of Existing Assets	-	4 147	47 032	28 139	32 838	32 838	20 758	21 000	6 500
Infrastructure - Road transport	-	131	6 892	5 400	6 300	6 300	-	-	-
Infrastructure - Electricity	-	-	12 955	3 100	3 100	3 100	-	5 500	1 500
Infrastructure - Water	-	-	16 331	12 800	15 805	15 805	11 653	10 000	4 000
Infrastructure - Sanitation	-	-	1 711	3 900	3 179	3 179	4 947	5 500	1 000
Infrastructure - Other	-	-	1 641	-	-	-	-	-	-
Infrastructure	-	131	39 529	25 200	28 384	28 384	16 600	21 000	6 500
Community	-	756	5 686	2 939	4 454	4 454	4 158	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	3 260	1 817	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
Total Capital Expenditure									
Infrastructure - Road transport	12 754	15 709	16 094	6 200	7 632	7 632	14 979	5 000	5 000
Infrastructure - Electricity	30 061	22 203	37 115	17 000	17 000	17 000	21 726	14 000	16 000
Infrastructure - Water	57 384	48 634	23 631	12 800	16 384	16 384	16 390	14 726	15 787
Infrastructure - Sanitation	32 650	16 478	10 159	13 500	12 071	12 071	8 367	11 600	11 600
Infrastructure - Other	196	5 359	3 041	10 200	9 300	9 300	10	-	-
Infrastructure	133 045	108 383	90 040	59 700	62 387	62 387	61 473	45 326	48 387
Community	6 183	21 753	19 582	21 205	42 622	42 622	39 768	45 550	55 174
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	795	-	-	-	-	-	-
Other assets	23 118	12 298	20 513	16 815	17 776	17 776	2 673	3 730	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	928	1 330	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	946 061	947 141	942 269	906 551	907 352	907 352	925 642	915 933	909 563
Infrastructure - Electricity	600 736	609 815	619 999	620 545	621 764	621 764	620 094	612 727	606 077
Infrastructure - Water	419 500	458 648	459 954	453 857	459 276	459 276	453 842	450 864	448 638
Infrastructure - Sanitation	379 653	381 194	377 248	376 342	373 384	373 384	382 220	387 578	395 126
Infrastructure - Other	37 051	39 059	39 501	70 579	76 287	76 287	59 232	54 202	48 869
Infrastructure	2 383 001	2 435 858	2 438 970	2 427 874	2 438 064	2 438 064	2 441 031	2 421 303	2 408 273
Community	81 364	58 783	62 814	88 257	106 034	106 034	63 654	66 637	69 391
Heritage assets	108 552	99 573	99 572	99 322	99 322	99 322	99 572	99 572	99 572
Investment properties	104 673	175 866	164 501	175 866	164 501	164 501	164 501	164 501	164 501
Other assets	500 097	502 906	509 700	456 970	497 371	497 371	517 890	512 165	501 844
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	3 547	4 449	5 220	6 426	5 220	5 220	5 368	4 401	3 433
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	3 181 234	3 277 435	3 280 777	3 254 715	3 310 512	3 310 512	3 292 016	3 268 579	3 247 014
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	104 041	104 408	99 361	109 265	105 461	105 461	111 362	118 043	125 126
Repairs and Maintenance by Asset Class	64 845	114 414	150 358	162 268	163 071	163 071	121 077	126 814	150 754
Infrastructure - Road transport	25 843	42 236	63 749	68 540	68 540	68 540	57 090	60 842	64 540
Infrastructure - Electricity	4 801	14 105	20 488	25 491	25 491	25 491	16 835	17 340	23 891
Infrastructure - Water	6 892	21 502	27 931	26 775	26 775	26 775	22 874	24 001	24 393
Infrastructure - Sanitation	4 568	7 708	15 486	14 146	14 146	14 146	12 159	12 963	16 387
Infrastructure - Other	1 215	1 499	1 491	1 800	1 800	1 800	2 492	2 719	4 130
Infrastructure	43 120	87 048	129 145	136 752	136 752	136 752	111 449	117 865	133 341
Community	6 012	5 408	7 349	9 298	9 298	9 298	4 546	4 391	8 211
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	270	-	-	-	-	-	-	-	-
Other assets	15 443	21 958	13 864	16 218	17 021	17 021	5 081	4 559	9 203
TOTAL EXPENDITURE OTHER ITEMS	168 866	218 821	249 719	271 533	268 532	268 532	232 439	244 857	275 880
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	2.9%	35.9%	28.8%	26.7%	26.7%	20.0%	22.2%	6.3%
<i>Renewal of Existing Assets as % of deprecn</i>	0.0%	4.0%	47.3%	25.8%	31.1%	31.1%	18.6%	17.8%	5.2%
<i>R&M as a % of PPE</i>	2.1%	3.7%	4.8%	5.3%	5.2%	5.2%	3.9%	4.1%	4.9%
<i>Renewal and R&M as a % of PPE</i>	2.0%	4.0%	6.0%	6.0%	6.0%	6.0%	4.0%	5.0%	5.0%

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.

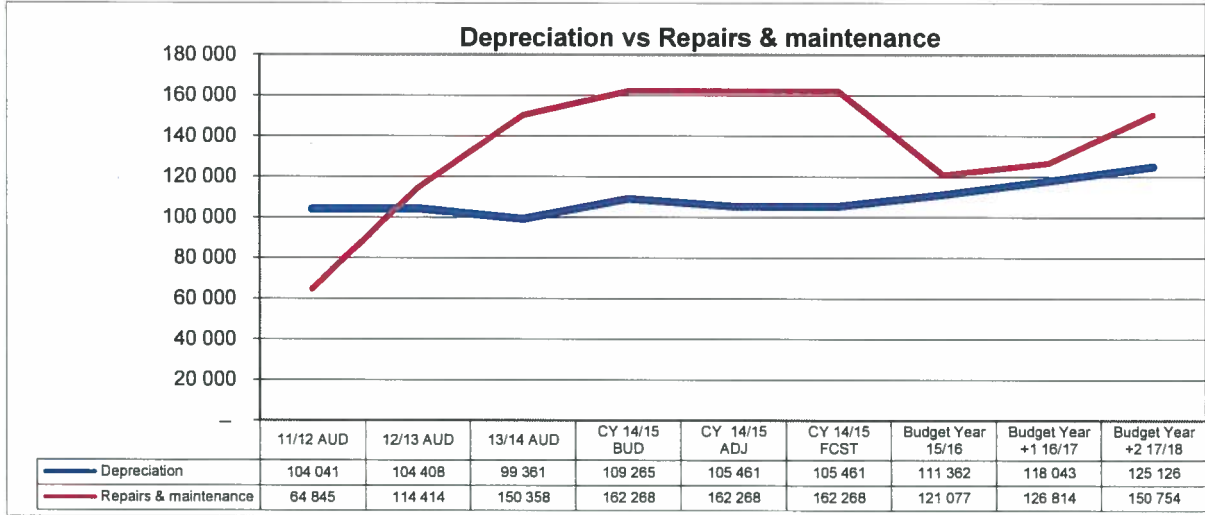


Figure 3 Depreciation in relation to repairs and maintenance over the MTREF

Table 26 MBRR Table A10 - Basic Service Delivery Measurement

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets									
Water:									
Piped water inside dwelling	27 203	27 295	32 032	28 100	28 100	28 100	29 295	30 400	31 370
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	3 449	3 436	3 334	3 350	3 350	3 350	3 188	3 138	3 068
Other water supply (at least min.service level)	199	199	155	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	30 851	30 930	35 521	31 450	31 450	31 450	32 483	33 538	34 438
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	-	-	-	-	-	-	-	-	-
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	30 851	30 930	35 521	31 450	31 450	31 450	32 483	33 538	34 438
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	21 205	21 284	21 632	20 030	20 030	20 030	20 818	21 413	21 973
Flush toilet (with septic tank)	9 646	9 646	9 799	11 420	11 420	11 420	11 665	12 410	12 730
Chemical toilet	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	30 851	30 930	31 431	31 450	31 450	31 450	32 483	33 823	34 703
Bucket toilet	-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)	-	-	-	-	-	-	-	-	-
No toilet provisions	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	30 851	30 930	31 431	31 450	31 450	31 450	32 483	33 823	34 703
Energy:									
Electricity (at least min.service level)	8 420	7 918	7 136	8 700	6 625	6 625	6 114	5 603	5 092
Electricity - prepaid (min.service level)	13 478	14 080	16 458	17 700	18 379	18 379	19 240	20 132	21 024
<i>Minimum Service Level and Above sub-total</i>	21 898	21 998	23 594	26 400	25 004	25 004	25 354	25 735	26 116
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	1 000	1 000	1 000	-	-	-
Other energy sources	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	1 000	1 000	1 000	-	-	-
Total number of households	21 898	21 998	23 594	27 400	26 004	26 004	25 354	25 735	26 116
Refuse:									
Removed at least once a week	31 373	31 739	31 829	32 691	32 691	32 691	33 094	34 085	35 105
<i>Minimum Service Level and Above sub-total</i>	31 373	31 739	31 829	32 691	32 691	32 691	33 094	34 085	35 105
Removed less frequently than once a week	-	-	-	-	-	-	-	-	-
Using communal refuse dump	-	-	-	-	-	-	-	-	-
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	31 373	31 739	31 829	32 691	32 691	32 691	33 094	34 085	35 105
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	25 310	25 406	6 543	6 700	6 700	6 700	6 650	6 650	6 650
Sanitation (free minimum level service)	5 852	6 423	6 543	6 700	6 700	6 700	6 650	6 650	6 650
Electricity/other energy (50kwh per household per month)	5 852	6 423	6 543	4 785	4 785	4 785	6 650	6 650	6 650
Refuse (removed at least once a week)	5 852	6 423	6 543	6 700	6 700	6 700	6 650	6 650	6 650
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	5 470	6 020	6 502	7 723	7 723	7 723	9 231	9 926	10 672
Sanitation (free sanitation service)	5 046	5 349	5 670	6 010	6 010	6 010	6 370	6 753	7 158
Electricity/other energy (50kwh per household per month)	11 665	13 482	14 562	18 809	18 809	18 809	21 104	23 214	25 536
Refuse (removed once a week)	5 903	7 198	7 775	9 174	9 174	9 174	11 591	12 465	13 401
Total cost of FBS provided (minimum social p	28 084	32 049	34 509	41 716	41 716	41 716	48 296	52 358	56 767
Highest level of free service provided									
Property rates (R value threshold)	50 000	100 000	100 000	100 000	100 000	100 000	220 000	220 000	220 000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	4	4	4	4	4	4	4	4	4
Sanitation (Rand per household per month)	51	54	58	61	61	61	65	69	73
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	210	210	210	210	210	210	210	210	210
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	1 712	1 824	1 537	1 965	1 965	1 965	1 872	1 984	2 103
Property rates (other exemptions, reductions and rebates)	27 813	30 454	29 590	26 522	26 522	26 522	35 960	38 118	40 405
Water	13 295	15 549	9 010	9 791	9 791	9 791	10 776	11 588	12 458
Sanitation	4 094	4 779	5 182	6 420	6 420	6 420	6 805	7 214	7 646
Electricity/other energy	13 880	15 256	18 368	20 010	20 010	20 010	22 071	24 630	27 480
Refuse	6 671	9 934	10 992	10 545	10 545	10 545	11 426	12 287	13 210
Municipal Housing - rental rebates	15 176	-	-	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)	82 641	77 796	74 679	75 253	75 253	75 253	88 909	95 819	103 302

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Good progress is being made with the eradication of current services backlogs. Housing remains a challenge.
 - a. Electricity services – the current backlog should be eliminated in two years.
3. The budget provides for 6 650 households to be registered as indigent in 2015/16, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R48,2 million in 2015/16. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, other rates rebates also apply to households.

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 Executive Mayor, Mayoral Committee members, Municipal Manager and senior officials of the municipality, meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee 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.

2.1.1 Budget Process Overview

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

The Mayor tabled in Council the required IDP and budget time schedule on 27 August 2014. Key dates applicable to the process are:

- **26 September 2014** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- **29 October 2014** – Mayoral directional IDP/Budget speech;
- **September/October 2014** – IDP consultation sessions were held with the ward committees and broader stakeholders (service organisations) to gather information on the "community needs" per ward. This initiative was executed as part of the municipality's 2015/16 IDP review process consultation meetings with ward committees to identify community needs;
- **September/October 2014** – Review of the draft capital budget with reference to the 2015/2016 MTREF and ward committees submit draft ward specific projects;
- **October 2014** – Top management meeting to discuss budget proposals and affordability;
- **November 2014** – Submission of tariff proposals and tariff workshops
- **November 2014** – Workshop on tariffs and tariff related policies;
- **December 2014** – Mid-year review by the BSC of the 2014/2015 progress and review of 2015-2018 draft operational expenditure including financial forecasting and scenario considerations;
- **January 2015** – Tariff finalisation, review budget related policies, discussions on draft 2015/2016 Capex & Opex;
- **23 January 2015** - Council considered the 2014/2015 Mid-year Review;
- **29 January 2015** – Final tariffs and adjustments budget review;

- **2-13 February 2015** – Finalisation of adjustments budget;
- **18 February 2015** – OMAF;
- **12 February 2015** – BSC finalises draft Capex/Opex;
- **March 2015** – Budget office finalises budget report;
- **25 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- **1-30 April 2015** – Draft Budget open to public scrutiny
- **7 – 23 April 2015** – Public consultation – Public meetings for all the wards in the municipal area to present the draft budget to the community.
- **28 April 2015** – LG MTEC3 engagement;
- **30 April 2015** - Closing date for written comments;
- **2 to 11 May 2015** – finalisation of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National and Provincial Treasury, and updated information from the most recent Division of Revenue Bill and financial framework;
- **4-15 May 2015** – Budget Office compiles final report and schedules
- **14 May 2015** – Re-advertise for budget comments, if applicable
- **18-19 May 2015** – Final review of budget report and schedules
- **21-22 May 2015** – Final budget distribution; and
- **27 May 2015** - Tabling of the 2015/16 MTREF in Council for consideration and approval.

Revised programme to accommodate the further application by Eskom for additional electricity tariff increases:

- **18-22 May 2015** – Budget Office compiles final report and schedules
- **23-24 May 2015** – Final review of budget report and schedules
- **25 May 2015** – Final budget distribution; and
- **28 May 2015** - Tabling of the 2015/16 MTREF in Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This was the further review of the five year (2012/2017) IDP as adopted by Council in May 2012. The review process started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August 2014.

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

- Registration of community needs;
- Compilation of departmental business plans with 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 was taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/2015 MTREF, mid-year review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

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

Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 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 2015/16 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2014/2015 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 & 75 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation on the Draft Budget

The draft 2015/16 MTREF was tabled in Council on 25 March 2015 and made available to the community as follows:

Copies of the document could be viewed:

- At the offices of all Area Managers
- All public libraries within the municipality
- At the website: www.overstrand.gov.za

The tabling of the draft budget was advertised in local newspapers and a copy of the advertisement was placed on the notice boards at municipal offices and libraries. All documents in the appropriate format (electronic and printed) were provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for comment.

A delegation of the municipality, consisting of the Executive Mayor, MMC for Finance, Municipal Manager, all Directors and officials from the Budget Office and Strategic Planning Office, held public meetings for all the wards in the municipal area to present the draft budget to the community. Eleven public meetings were held over the period 7 to 23 April 2015.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and capital projects were considered by the Budget Steering Committee at a meeting held on 5 May 2015 for the finalisation of the 2015/2016 Budget.

Comments from the community and the municipality's responses thereto are included as Annexure I to the final report.

Details of proposed amendments to the draft budget are included in Annexure A of the final report.

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 realised 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 2015 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 27 IDP Strategic Objectives

2015/16 MTREF
The provision of democratic, accountable and ethical governance

The provision and maintenance of municipal services
The encouragement of structured community participation in the matters of the municipality
The creation and maintenance of a safe and healthy environment
The promotion of tourism, economic and social development

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

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

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

- o Provide electricity;
- o Provide water;
- o Provide sanitation;
- o Provide waste removal;
- o Provide housing;
- o Provide roads and storm water;
- o Provide municipality planning services; and
- o Maintaining the infrastructure of the Municipality.

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

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

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

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

Integrated Social Services for empowered and sustainable communities

- o 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

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

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

Promote sound governance through:

- o Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- o Reviewing the use of contracted services
- o Continuing to implement the infrastructure maintenance strategy and the repairs and maintenance plan

Optimal institutional transformation to ensure capacity to achieve set objectives

- o Review of the organisational 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 for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial 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 revised IDP of the 2012/2017 cycle, 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 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 28 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
The provision of democratic, accountable and ethical governance	Good Governance	1	167 928	232 385	199 504	183 397	232 413	232 413	255 994	272 264	292 533
The provision and maintenance of municipal services	Basic Service Delivery	2	456 833	461 155	485 124	559 189	540 568	540 568	601 451	636 786	690 447
The encouragement of structured community participation in the matters of	Good Governance	3	19 203	41 457	62 333	53 339	44 557	44 557			
The creation and maintenance of a safe and healthy environment	Safe and Healthy Environment	4	10 346	20 206	28 620	13 260	36 170	36 170	37 777	39 275	40 923
The promotion of tourism, economic and social development	Economic Development and Social upliftment	5	6 609	7 765	11 427	11 658	14 191	14 191	64 167	85 773	78 067
Total Revenue (excluding capital transfers and contributions)			660 918	762 969	787 007	820 842	867 900	867 900	959 389	1 034 098	1 101 971

Table 29 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
The provision of democratic, accountable and ethical governance	Good Governance	1	190 332	205 348	119 512	93 256	124 670	124 670	235 543	248 313	267 049
The provision and maintenance of municipal services	Basic Service Delivery	2	310 956	346 423	448 042	627 915	533 668	533 668	578 367	623 726	677 325
The encouragement of structured community participation in the matters of the municipality	Good Governance	3	189 607	137 754	181 602	63 289	63 253	63 253	1 735		
The creation and maintenance of a safe and healthy environment	Safe and Healthy Environment	4	36 252	48 275	64 229	56 208	79 097	79 097	76 405	79 497	82 921
The promotion of tourism, economic and social development	Economic Development and Social upliftment	5	15 378	14 271	18 637	28 920	132 634	132 634	72 480	85 957	70 997
Total Expenditure			742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292

Table 30 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
The provision of democratic, accountable and ethical governance	Good Governance	1	24 047	7 154	21 308	16 815	17 776	17 776	2 648	3 730	-
The provision and maintenance of municipal services	Basic Service Delivery	2	127 569	103 790	73 989	54 300	56 087	56 087	58 033	45 326	48 387
The encouragement of structured community participation in the matters of the municipality	Good Governance	3	9 484	30 219	29 937	23 515	37 425	37 425	3 465		
The creation and maintenance of a safe and healthy environment	Safe and Healthy Environment	4	645	-	-	-			295	-	-
The promotion of tourism, economic and social development	Economic Development and Social upliftment	5	1 531	2 601	5 696	3 090	6 300	6 300	39 473	45 550	55 174
Total Capital Expenditure			163 275	143 764	130 930	97 721	117 588	117 588	103 914	94 606	103 561

2.3 Measurable performance objectives and indicators

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

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

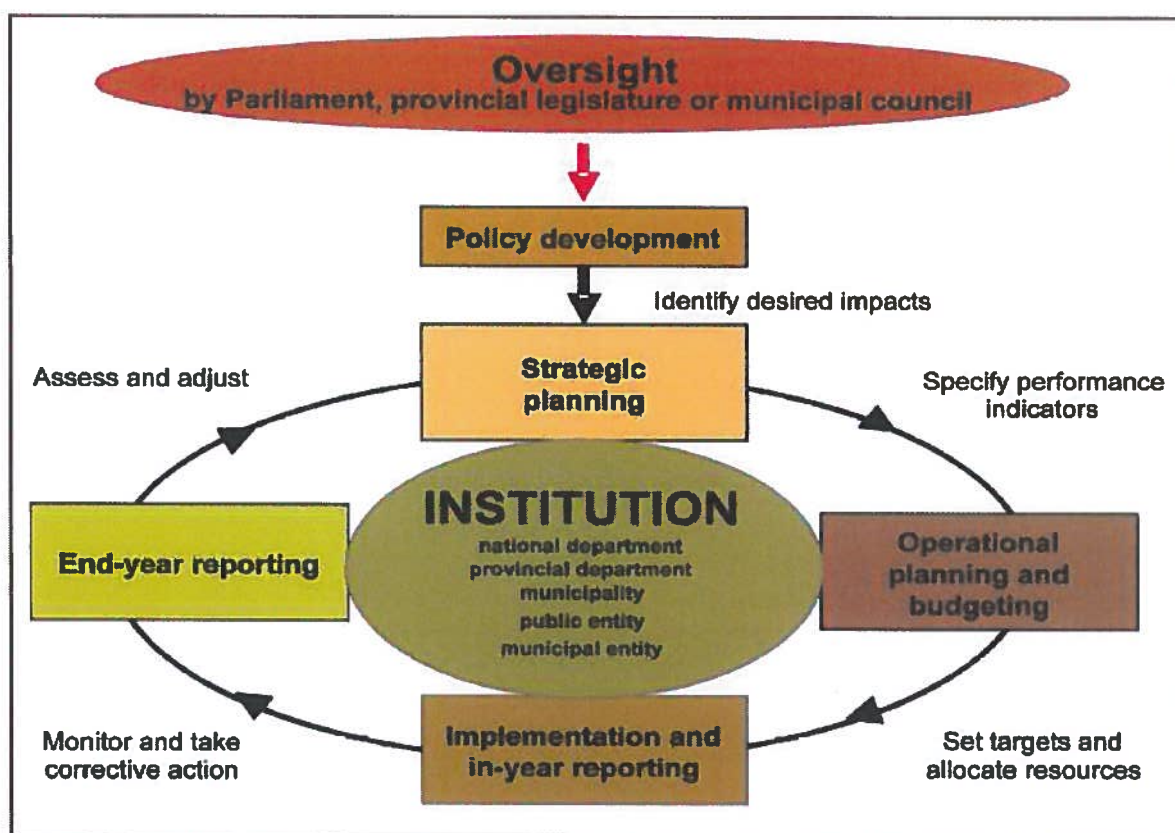


Figure 4 Planning, budgeting and reporting cycle

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

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

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

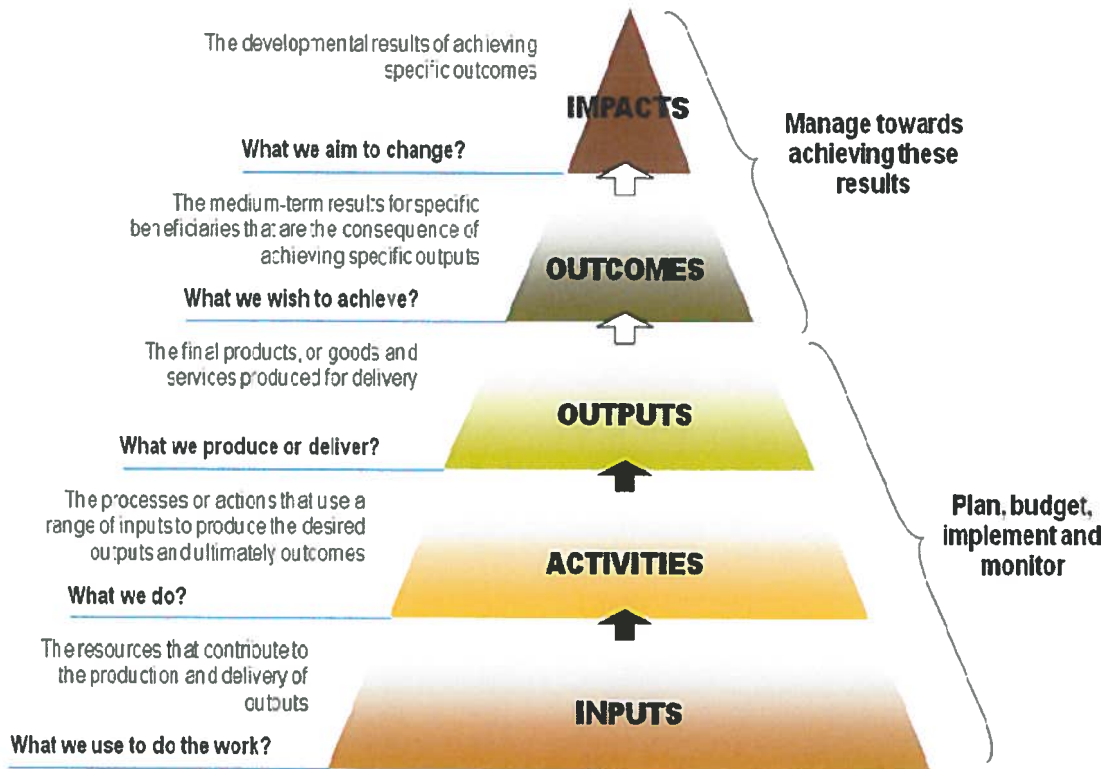


Figure 5 Definition of performance information concepts

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

Table 31 MBRR Table SA7 - Measurable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Council										
Council and Municipal Manager										
Municipal Manager										
Risk based audit plan approved by the Audit Committee by the end of June 2016	Plan approved	1	1	1	1	1	1	1	1	1
Quarterly report to the Management, Executive Mayor, Auditor-General and Audit Committee on progress with implementation of key controls as identified in key control deficiencies	Quarterly reports submitted on achievement of committed dates	1	1	1	4	4	4	4	4	4
Submit quarterly progress reports on the revision of the top 10 risks as a corrective action to the Executive Management Team	Number of progress reports submitted	1	1	1	4	4	4	4	4	4
Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP ((Actual amount spent on projects as identified for the year in the IDP/Total amount spent on capital projects)X100)	% of capital budget spent	91.80%	98.00%	93.77%	98%	98%	98%	98%	98%	98%
Management Services										
Director: Management Services										
Human Resources										
90% of the approved and funded organogram filled ((actual number of posts filled divided by the funded posts budgeted) x 100)	% filled	91.25%	92.86%	92.41%	90%	90%	90%	90%	90%	90%
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	The number of people from EE target groups employed	4	2	no kpi set	54	54	54	54	54	54
The percentage of a municipality's budget (training budget) actually spent on implementing its workplace skills plan	% of the training budget spent on implementation of the WSP	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review the Municipal Organisational Staff Structure by the end of June	Structure reviewed	no kpi set	no kpi set	1%	100%	100%	100%	100%	100%	100%
Revise the Section 14 Access to Information Manual by the end of June to ensure compliant and up to date policies	Policy revised	100%	100%	100%	100%	100%	100%	100%	100%	100%
Provide legal assistance and input on policies, contracts, agreements, legislation	Number of responses to legal	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	120	120	120
Monthly Report on additional court matters	Number of reports on court matter	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	24	24	24
Establishment of LDAC (Local Drug Action Committee) in terms of the Prevention and Treatment of Substance abuse Act by August 2015	Established LDAC	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	1	0	0
Finance										
Director: Finance										
Director: Finance										
operating expenditure ((Available cash+ investments)/ Monthly fixed operating expenditure)	Ratio achieved	5.17%	3.49%	2.30%	1.2	1.2	1.2	1	1	1
service debt obligations ((Total operating revenue-operating grants received)/debt service payments due within the year) (%)	Ratio achieved	18.60%	17.46%	16.90%	17	17	17	17	17	17
Financial viability measured in terms of the outstanding service debtors (Total outstanding service debtors/ revenue received for services)	% achieved	11.60%	11.90%	10.40%	12	12	12	12.2	12.2	12.2
Appointment of a service provider to submit a reviewed long term financial plan by the end of June 2016	Reviewed plan approved	no kpi set	no kpi set	no kpi set	1	1	1	1	0	0
Financial statements submitted to the Auditor General by 31 August 2015	Financial statements submitted	1	1	1	1	1	1	1	1	1
Provision of free basic electricity, refuse removal, sanitation and water in terms of the equitable share requirements	Number of households	5477	6523	6536	6580	6580	6580	6650	6650	6650
Revenue										
Achieve a debt recovery rate not less than 95%	% Recovered	no kpi set	100.44%	100.33%	95%	95%	95%	96.0%	96.0%	96.0%
Protection Services										
Director: Protection Services										
Annually review Community Safety Plan by the end of June in conjunction with the Department of Community Safety	Plan reviewed	1	1	1	1	1	1	1	1	1
Arrange public awareness sessions on Protection Services	Number of sessions held	57	60	55	32	32	32	32	32	32
Disaster and Fire Management										
Annually review and submit Disaster Management Plan to the District by the end of June	Reviewed plan submitted	1	1	1	1	1	1	1	1	1
Annually review the Fire Management Plan by the end of June	Plan reviewed	1	1	1	1	1	1	1	1	1
Traffic										
Optimal collection of public safety income for the financial year	R-value of public safety	4 893 128	5 730 902	5 154 575	10 000 000	10 000 000	10 000 000	8 000 000	8 000 000	8 000 000

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Community Services										
Director: Community Services										
Director: Community Services										
Ward committee meetings held to facilitate consistent and regular communication with residents	No of ward committee meetings per ward per annum	8	8	9	8	8	8	8	8	8
98% of the operational conditional grant (Libraries, CDW) spent (Actual expenditure divided by the total grant received)	% of total conditional operational grants spent (Libraries, CDW)	100.0%	100.0%	100.45%	98%	98%	98%	98%	98%	98%
m ² of roads patched (works orders) and resealed according to approved Paveman Management System within available budget	m ² of roads patched (works orders) and resealed	171344	216162	101560	120000	120000	120000	100000	100000	100000
Quality of effluent comply 90% with SANS 241	% compliance	88.60%	86.02%	82.78%	90%	90%	90%	90%	90%	90%
Quality of potable water comply 95% with SANS 241	% compliance	no kpi set	no kpi set	95.38%	95%	95%	95%	95%	95%	95%
Limit unaccounted water to less than 25% ((Number of kiloliter water purified - Number of kiloliter water sold)/(Number of kiloliter sold x 100))	% of water unaccounted for	27.25%	25.57%	21.5%	25%	25%	25%	25%	25%	25%
Provision of water to informal households with access within a 200 m radius	No of informal households that have access to water within a 200 m radius	3565	no kpi set	no kpi set	3406	3406	3406	3152	3152	3152
Provision of cleaned piped water to all formal households within 200 m from households	No of formal households that meet agreed service standards for piped water	25066	25426	27373	26077	26077	26077	32483	33538	34438
Provision of refuse removal, refuse dumps and solid waste disposal to all formal households at least once a week	Number of formal households for which refuse is removed at least once a week	32265	no kpi set	34299	32697	32697	32697	33094	34085	35105
Provision of refuse removal, refuse dumps and solid waste disposal to all informal households at least once a week	Number of informal households for which refuse is removed at least once a week	3565	no kpi set	no kpi set	3406	3406	3406	3152	3152	3152
The provision of sanitation services to informal households based on the standard of 1 toilet to 5 households	No of informal households that have access to sanitation based on the standard of 1 toilet to 5 households	3565	no kpi set	no kpi set	3406	3406	3406	3152	3152	3152
Provision of sanitation services to formal residential households	No of formal residential households which are billed for sewerage in accordance to the SAMRAS financial system	30016	31221	31231	31202	31202	31202	32483	33538	34438
Local Economic Development										
Director: LED										
LED										
Report bi-annually to the Portfolio committee on LED and Tourism initiatives	Quarterly report on marketing tools	no kpi set	no kpi set	no kpi set	4	4	4	2	2	2
Report on Grants to festival organisers through Service Level Agreements (SLA) by end August 2015	Number of reports submitted	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	1	1	1
Develop and implement an SMME Development Programme	Number of SMME's supported	55	23	45	no kpi set	no kpi set	no kpi set	30	30	30
Financial and non-financial resources mobilised	Number of MOU's entered into and amount generated	no kpi set	no kpi set	no kpi set	2	2	2	3	3	3
Report quarterly to Director LED on linkages established with other spheres of government, agencies, donors, SALGA and other relevant bodies for benefit of local area	Quarterly report on linkages established	no kpi set	no kpi set	no kpi set	4	4	4	4	4	4
The number of job opportunities created through the EPWP programme and as per set targets (grant agreement - FTE's translates to 396 work opportunities)	Number of temporary jobs created	204	609	517	287	287	287	396	396	396
Monthly operate the LED Walk Centre for outreach & referral purposes	Number of registers on LED outreach statistics (walk in centre)	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	12	12	12
Compile an action plan to improve on the LED maturity	Plan completed	no kpi set	no kpi set	no kpi set	2	2	2	2	2	2
Infrastructure & Planning										
Director: Infrastructure and Planning										
Electricity										
Limit electricity losses to 8% or less ((Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100)	% of electricity unaccounted for	7.10%	6.88%	5.95%	8.5%	8.5%	8.5%	8%	8%	8%
Provision of Electricity - Number of metered electrical connections in formal area (Eskom Areas excluded)	Number of formal households that meet agreed service standards	20604	no kpi set	25751	21998	21998	21998	25354	25735	26116
Waste Water Management										
Achieve two Green Drop awards	Number of awards	no kpi set	0	4	2	2	2	2	2	2
Achieve 5 Blue drop awards	Number of awards	no kpi set	no kpi set	no kpi set	6	6	6	5	5	5
Water										
Report on the implementation of the Water Service Development plan annually by the end of October 2015	Report submitted	1	1	1	1	1	1	1	1	1
Planning and Development										
Municipal Infrastructure Grant (MIG)- % expenditure	% expenditure of allocated grant	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	no kpi set	100%	100%	100%

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

Table 32 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial Indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Borrowing Management										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	6.2%	6.8%	7.3%	7.6%	7.0%	7.0%	7.3%	7.1%	7.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	8.2%	7.7%	9.1%	9.1%	8.7%	8.7%	8.8%	8.5%	8.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	117.8%	45.1%	59.6%	74.2%	78.7%	78.7%	73.8%	85.2%	95.5%
Safety of Capital										
Gearing	Long Term Borrowing/ Funds & Reserves	17772.6%	19277.5%	15300.9%	21294.4%	16045.6%	16045.6%	15774.5%	15362.7%	14888.6%
Liquidity										
Current Ratio	Current assets/current liabilities	1.7	1.3	1.2	1.3	1.4	1.4	1.2	1.3	1.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.7	1.3	1.0	1.1	1.2	1.2	1.1	1.2	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	0.9	0.5	0.4	0.6	0.6	0.6	0.6	0.7	0.9
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		105.3%	91.5%	103.1%	99.6%	99.8%	0.0%	101.2%	99.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		104.9%	91.5%	103.1%	99.6%	99.8%	99.8%	101.2%	99.9%	99.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	14.6%	14.4%	13.5%	12.4%	13.3%	13.3%	10.7%	9.7%	9.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	86.7%	90.3%	97.2%	100.3%	100.3%	100.3%	99.5%	99.5%	99.5%
Creditors Management										
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	99.8%	100.0%	97.8%	95.0%	95.0%	95.0%	98.0%	98.0%	98.0%
Creditors to Cash and Investments		49.9%	85.2%	97.4%	63.4%	56.5%	56.5%	76.1%	55.6%	49.3%
Other Indicators										
	Total Volume Losses (kW)	16012859	15831477	13668967	15896000	15896000	15896000	13 667 000	13 665 499	13 664 000
	Total Cost of Losses (Rand '000)	6 513	7 101	7 028	9 127	9 127	9 127	7 927	7 926	7 925
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	7.12%	6.91%	5.95%	6.67%	6.67%	6.67%	5.95%	5.94%	5.93%
	Total Volume Losses (k€)	1 429	1 445	1 455	1 476	1 476	1 476	1 453	1 451	1 449
	Total Cost of Losses (Rand '000)	2891622	3829726	5726220	3085	3085	3085	4272	4264	4260
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	20.36%	20.01%	21.47%	20.23%	20.23%	20.23%	20.19%	20.05%	20.00%
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.8%	32.9%	35.4%	35.7%	34.1%	34.1%	32.6%	31.4%	31.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	35.9%	33.9%	36.5%	36.8%	35.1%	35.1%	33.5%	32.3%	32.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	10.9%	16.3%	20.4%	20.7%	20.1%	20.1%	13.5%	13.0%	14.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	22.7%	20.1%	18.9%	19.7%	18.5%	18.5%	17.7%	16.9%	16.8%
IDP regulation financial viability Indicators										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	24.0	22.8	22.7	24.6	24.6	24.6	22.4	22.1	23.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	16.6%	17.9%	15.9%	14.2%	15.7%	15.7%	12.9%	11.8%	11.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.1	1.8	1.2	1.6	1.5	1.5	1.5	1.9	2.4

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Overstrand'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 2015/16 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing will steadily reduce over the MTREF to 7 per cent. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality had reached its prudential borrowing limits in 2012.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over the MTREF is 85 per cent which indicates the limited amount available from own sources to finance capital. This is as a result of utilising any surpluses as they become available in the past.

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 2011/2012 MTREF the potential of smoothing out the debt profile over the longer term was investigated and borrowing was capped in the borrowing policy. The gearing on borrowing will be reduced by 10 per cent over a period of ten years as started in 2012.

2.3.1.2 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. This ratio is not conducive to the GRAP accounting framework due to the low amount of reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a bottom limit of 1.2, therefore at no point in time should this ratio be less than 1.2. Over the 2015/16 MTREF the current ratio is 1.3. National Treasury has set a current ratio minimum of 1.5 in circular 71. Going forward it will be necessary to increase this ratio, notwithstanding that it will tie up cash needed for capital investment.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Overstrand Municipality's liquidity ratio is at an average of 0.73 over the MTREF, up from 0,6 in the previous MTREF. This includes consumer deposits and provisions which are not likely to be realised in the short term. Consideration should be given to exclude a vast portion of consumer deposits. With the former mentioned items excluded, this ratio would be 1.1 over the MTREF. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1, notwithstanding that it will tie up cash needed for capital investment.

Revenue Management

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

2.3.1.4 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure compliance to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.5 Other Indicators

- The electricity distribution losses have been managed downwards from 8.3 per cent in the 2010/2011 financial year to 5.9 per cent over the MTREF. This includes measureable technical losses. The initiatives to ensure these targets are achieved include managing illegal connections, regular meter audits and managing theft of electricity by rolling out smart metering systems, including prepaid meters. It should be noted that technical losses range between 3 – 5 per cent over the Overstrand area. When taking this into consideration it is evident that distribution losses are well managed.
- The water distribution losses have been significantly reduced from 27.4 per cent in 2009/10 to 20 per cent in 2014/2015. This has been achieved with investing in the upgrading of water reticulation infrastructure, which is set to continue over the MTREF. Active attention is also given to reported leaks by the public and a further measure is to install flow limiters.
- Employee costs as a percentage of operating revenue remains stable, with an indication of a decrease over the MTREF. This is primarily owing to the virtually zero expansion of the personnel structure, high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base

2.3.2 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. Only registered indigents qualify for the free basic services.

For the 2015/16 financial year 6900 registered indigents have been provided for in the budget. In terms of the municipality's indigent policy, registered households are entitled to 6kℓ free water and 50 kWh of electricity, are fully subsidised for basic charges for services and 4,2kℓ sanitation. Household with a property valuation of R220 000 qualify upon registration as indigents.

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 26 MBRR A10 (Basic Service Delivery Measurement) on page 41.

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) are not taken into account in the table noted above due to the measuring criteria.

2.3.3 Providing clean water and managing waste water

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

The municipality has achieved Blue Drop and Green Drop awards during the latest review, indicating that the municipality's drinking water is of exceptional quality.

The following is briefly the challenges facing the municipality:

- Some infrastructure 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;

2.4 Overview of budget related-policies

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

2.4.1 Customer Care, Credit Control and Debt Collection Policy

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate in excess of 99 per cent on current billings. The current collection rate is in excess of 99 per cent. In addition the collection of debt in excess of 90 days has been prioritised.

2.4.2 Asset Management Policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

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 revenue base.

2.4.3 Budget Policy

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

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2008. The policy is continually revised to incorporate amending legislation.

2.4.5 Virement Policy

The 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.

2.4.6 Investment & Cash Management Policy

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.

2.4.7 Tariff Policy

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.

2.4.8 Long term Financial Planning & Implementation Policy

Funding for the compiling of a The Long term Financial Planning Policy has been acquired from the Provincial Government. A long term financial plan report has been compiled in 2014/15, after a service provider had been appointed.

2.4.9 Contract Management Policy

This policy has been introduced to further enhance the supply chain management function.

2.4.10 Pay Day Policy

This policy has been introduced to give effect to the council resolution in this regard.

The following policies have also been subject to review:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Indigent Policy;
- Travelling & Subsistence;
- Petty Cash

2.5 Overview of budget assumptions

2.5.1 External factors

The effects of recession are still evident. After a protracted standstill in interest rates, this increased by 25 basis points recently. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 30 per cent of total operating expenditure in the 2015/16 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality chiefly engages in amortisation-style loans requiring both regular principal and interest payments. Surplus cash is invested and re-invested at short intervals.

2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term, except electricity. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (99 per cent) of annual billings. Cash flow is assumed to be 99,5 per cent of billings from an increased collection of arrear debt.

2.5.5 Growth or decline in tax base of the municipality

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

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

2.5.6 Salary increases

The collective agreement regarding salaries/wages ends at 30 June 2015. Wage negotiations for 2015/16 are still underway in the Bargaining Council.

2.5.7 Impact of national, provincial and local policies

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

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 95 per cent on the capital programme for the 2015/16 MTREF.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

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

Table 33 Breakdown of the operating revenue over the medium-term

Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand			
Revenue By Source			
Property rates	162 730	173 308	184 573
Service charges	566 784	612 476	662 296
Rental of facilities and equipment	11 859	12 953	14 176
Interest earned	8 784	9 028	9 296
Transfers recognised - operational	90 278	107 886	97 173
Other revenue	54 599	57 571	60 896
Total Revenue (excluding capital transfers and contributions)	895 035	973 222	1 028 409

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

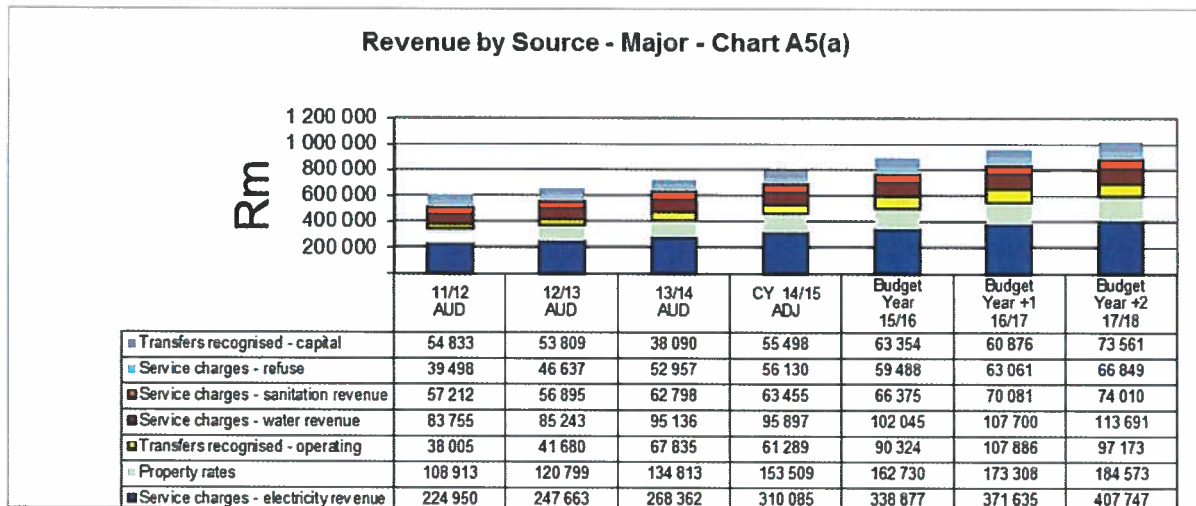


Figure 6 Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation, 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 99 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; and
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004), as amended (MPRA).

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

Table 34 Proposed tariff increases for 2015/2016

WC032 Overstrand - Supporting Table SA14 Household bills

Description	Current Year 2014/15	Budget Year 2015/16 % incr.	Budget Year 2015/16
Rand/cent			
Monthly Account for Household - 'Middle Income Range'			
Rates and services charges:			
Property rates	179.40	7.0%	191.69
Electricity: Basic levy	204.56	6.0%	216.83
Electricity: Consumption	1 219.00	11.0%	1 357.95
Water: Basic levy	102.28	6.0%	108.42
Water: Consumption	290.10	6.0%	308.64
Sanitation	305.94	6.0%	325.09
Refuse removal	130.18	6.0%	137.99
Other			
sub-total	2 431.46	8.8%	2 646.61
VAT on Services	312.99		344.41
Total large household bill:	2 744.44	9.0%	2 991.02
% increase/-decrease	-	-	9.0%

Refer to Annexure C for Tariffs increases

The levying of property rates is considered a strategic revenue source.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket.

Operational grants and subsidies have shown increases over the MTREF. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF. This can be seen in the increase in equitable over the MTREF.

Investment revenue contributes marginally to the revenue base. It needs to be noted that these allocations have been conservatively estimated. 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 35 MBRR SA15 – Detail Investment Information

Investment type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
<u>Parent municipality</u>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	75 000	55 042	50 039						
Deposits - Public Investment Commissioners									
Guaranteed Endowment Policies (sinking)	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Municipal Bonds									
Consolidated total:	80 691	66 638	67 004	22 207	22 207	22 207	28 455	34 384	40 409

Table 36 MBRR SA16 – Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate %	Commissi on Paid (Rands)	Commissi on Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal	Investment Top Up	Closing Balance
	Yrs/Months												
<u>Parent municipality</u>													
LIBERTY 15934476	15 YEARS	POLICY	YES	VARIABLE	Fair Value Adjustment			01/09/2025	6 425	256		1 500	8 181
LIBERTY 21196964	14 YEARS	POLICY	YES	VARIABLE	Fair Value Adjustment			01/09/2025	9 389	29		3 120	12 538
MOMENTUM 3853776	15 YEARS	POLICY	YES	VARIABLE	Fair Value Adjustment			01/07/2026	1 151	(23)		360	1 488
TOTAL INVESTMENTS AND INTEREST									16 965		-	4 980	22 207

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

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

Table 37 Sources of capital revenue over the MTREF

Vote Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand			
Funded by:			
National Government	30 347	26 126	29 187
Provincial Government	33 007	34 750	44 374
District Municipality			
Other transfers and grants	1 000		
Transfers recognised - capital	64 354	60 876	73 561
Public contributions & donations	462		
Borrowing	32 346	30 000	30 000
Internally generated funds	6 753	3 730	
Total Capital Funding	103 914	94 606	103 561

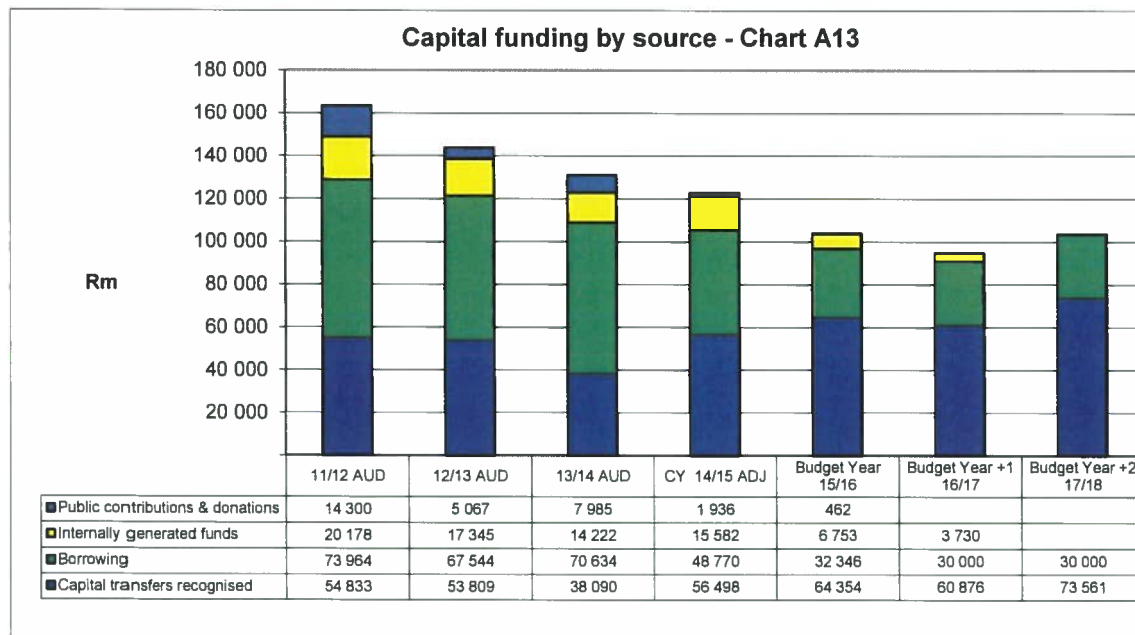


Figure 7 Sources of capital revenue for the 2015/16 financial year

Capital grants and receipts equates to 61,9 per cent of the total funding source which represents R64,3 million for the 2015/16

Borrowing still remains a significant funding source for the own capital programme over the medium-term with an estimated R90 million. As explained earlier, the borrowing capacity of the Municipality had essentially reached its limits in 2012 and going forward borrowing limits will remain constant.

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

Table 38 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Long-Term Loans (annuity/reducing balance)	250 581	274 394	292 444	307 225	307 225	307 225	311 667	312 288	309 060
Long-Term Loans (non-annuity)	90 000	90 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Instalment Credit				4 541	5 520	5 520	4 333	2 981	1 443
Financial Leases	623	238			84	84	-	-	-
Total Borrowing	341 204	364 632	392 444	411 766	412 829	412 829	415 999	415 269	410 503
Unspent Borrowing - Categorised by type									
Long-Term Loans (annuity/reducing balance)	18 255	6 133	1 847						
Total Unspent Borrowing	18 255	6 133	1 847	-	-	-	-	-	-

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 R6,7 million in 2015/2016 and R3,7 million in 2016/17.

The following graph illustrates the growth in outstanding borrowing for the 2011/12 to 2017/18 period.

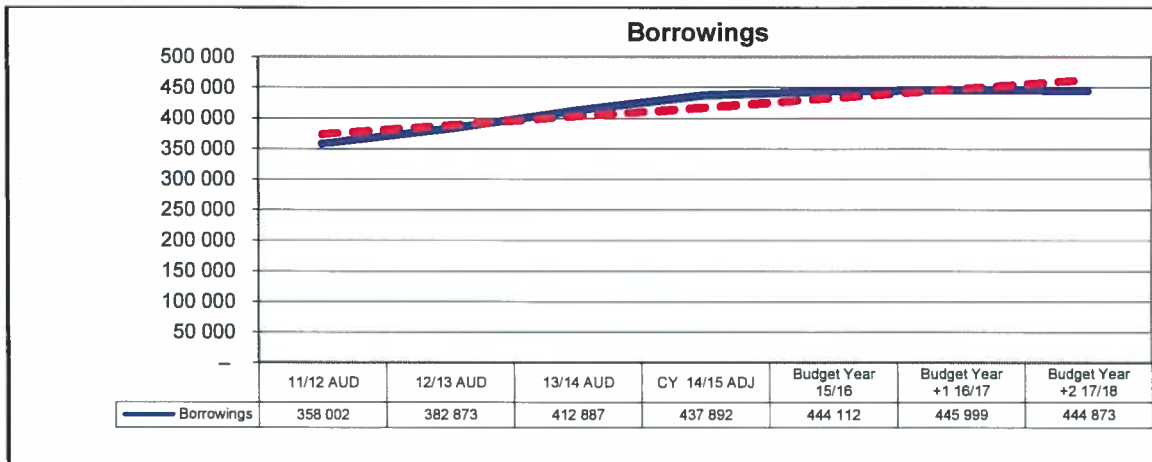


Figure 8 Growth in outstanding borrowing (long-term liabilities)

It is noticeable that the borrowing level remains constant over the MTREF, notwithstanding that proposed borrowing of R30 million per annum is envisaged. This is mainly due to a reduction in borrowing from previous levels of previous years and the cycle of borrowing and repayments of borrowing reaching equalisation.

Table 39 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:									
Capital Transfers and Grants									
National Government:	54 183	36 911	26 068	24 174	23 608	23 608	30 347	26 126	29 187
Municipal Infrastructure Grant (MIG)	13 971	16 947	18 755	20 674	20 674	20 674	21 417	22 126	23 187
Public Transport and Systems									
Regional Bulk Infrastructure	36 212	15 174	-						
Neighbourhood Development Partnership	2 000	2 418	3 963						
Finance Management	-	552	-	566	-	-			
Municipal Systems Improvement	-	20	350	934	934	934	930		
INEP	2 000	1 800	3 000	2 000	2 000	2 000	8 000	4 000	6 000
Provincial Government:	-	20 217	8 819	10 060	30 516	30 516	33 007	34 750	44 374
Housing	-	18 693	7 727	7 810	28 366	28 366	29 973	34 750	44 374
Sport & Recreation Grant	-	-	100	100	-	-			
Provincial Library Grant	-	13	10	2 150	2 150	2 150	3 034		
Provincial Transport Infrastructure Grant		1 500	982						
Community Development Worker Grant	-	11	-						
Other grant providers:	500	-	-	2 134	2 051	2 051	1 000	-	-
DWA ACIP				1 000	1 000	1 000			
Spaces 4 Sport				51	51	51			
Eskom Rebate/National Lotto	500			1 083	1 000	1 000	1 000		
Total Capital Transfers and Grants	54 683	57 128	34 887	36 368	56 175	56 175	64 354	60 876	73 561

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 understanding 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 provided 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 40 MBRR Table A7 - Budgeted cash flow statement

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates, penalties & collection charges	110 347	120 273	135 875	148 254	154 165	154 165	163 800	173 297	184 620
Service charges	397 229	437 061	483 167	522 072	524 216	524 216	567 409	608 975	658 596
Other revenue	69 894	41 689	63 976	46 516	63 257	63 257	76 884	75 476	74 750
Government - operating	37 750	44 140	63 477	58 407	61 289	61 289	90 324	107 886	97 173
Government - capital	54 833	54 577	38 090	36 368	57 549	57 549	64 354	60 876	73 561
Interest	9 211	9 754	8 470	8 454	8 454	8 454	8 784	9 028	9 296
Dividends							-	-	-
Payments									
Suppliers and employees	(520 159)	(558 519)	(637 833)	(653 525)	(656 105)	(656 105)	(765 303)	(808 560)	(835 753)
Finance charges	(31 669)	(37 199)	(38 858)	(45 162)	(44 480)	(44 480)	(46 895)	(46 780)	(47 279)
Transfers and Grants	(28 454)	(35 856)	(38 749)	(41 370)	(41 668)	(41 668)	(48 497)	(54 667)	(62 244)
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 981	75 920	76 616	80 014	126 676	126 676	110 861	125 532	152 720
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	13 722	1 725	5 073	-	-	-	-	-	-
Decrease (increase) in non-current debtors	2 189	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	20	45	18	15	15	15	18	13	11
Decrease (increase) in non-current investments	(4 430)	(4 960)	(4 529)	(5 827)	(5 827)	(5 827)	(6 248)	(5 930)	(6 025)
Payments									
Capital assets	(163 275)	(143 764)	(130 930)	(97 721)	(122 785)	(122 785)	(103 914)	(94 606)	(103 561)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(151 774)	(146 955)	(130 368)	(103 533)	(128 597)	(128 597)	(110 144)	(100 523)	(109 575)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	940	(389)	(730)	5 520	6 541	6 541	(1 135)	(1 271)	(1 352)
Borrowing long term/refinancing	110 000	38 700	51 300	40 000	40 000	40 000	30 000	30 000	30 000
Increase (decrease) in consumer deposits	12 844	3 726	2 819	2 703	2 703	2 703	2 479	2 628	2 786
Payments									
Repayment of borrowing	(14 295)	(13 554)	(20 626)	(21 061)	(21 061)	(21 061)	(23 936)	(26 841)	(29 775)
NET CASH FROM/(USED) FINANCING ACTIVITIES	109 489	28 482	32 764	27 163	28 183	28 183	7 409	4 515	1 659
NET INCREASE/ (DECREASE) IN CASH HELD	56 696	(42 552)	(20 989)	3 644	26 262	26 262	8 126	29 524	44 804
Cash/cash equivalents at the year begin:	70 004	126 699	84 147	84 406	63 158	63 158	89 421	97 547	127 071
Cash/cash equivalents at the year end:	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875

The above table shows that cash and cash equivalents of the Municipality increases steadily for the 2015/16 to 2017/2018 financial years. For the 2015/16 MTREF the budget has been prepared to ensure sustained levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R97,5 million by 2015/16 and steadily increasing to R171,8 million by 2017/18.

2.6.3 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 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' It is also important to analyse trends to understand the consequences. Small cash surpluses have been realised over the past three years, which is inevitably utilised to finance capital. No meaningful growth in cash has occurred. The working capital has to be optimally managed.

Table 41 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and Investments available									
Cash/cash equivalents at the year end	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875
Other current investments > 90 days	0	-	0	-	-	-	0	(0)	0
Non current assets - Investments	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Cash and Investments available:	132 391	95 744	80 123	110 257	111 628	111 628	126 001	161 455	212 284
Application of cash and Investments									
Unspent conditional transfers	4 555	7 783	3 425	-	-	-	-	-	-
Unspent borrowing	18 255	6 133	1 847	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	(28 049)	(21 016)	(40 826)	(40 803)	(57 301)	(57 301)	(22 868)	(23 728)	(13 035)
Other provisions									
Long term investments committed	5 691	11 597	16 965	22 207	22 207	22 207	28 455	34 384	40 409
Reserves to be backed by cash/investments	1 920	1 891	2 565	1 934	2 573	2 573	2 637	2 703	2 757
Total Application of cash and Investments:	2 373	6 388	(16 024)	(16 663)	(32 522)	(32 522)	8 224	13 360	30 132
Surplus(shortfall)	130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152

From the above table it can be seen that the cash and investments total R111,6 million in the 2014/2015 financial year and increase to R126 million by 2015/16, 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. Stringent measures have been implemented by NT regarding unspent grants.
- No unspent borrowing from the previous financial year is anticipated. Borrowings are only drawn down once substantial expenditure has incurred against the particular projects.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- 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. For the purpose of the cash backed reserves and accumulated surplus reconciliation, at least one month's operational expenditure is covered at all times. 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.
- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- 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 level of cash-backing is directly informed by the municipality's cash backing policy.

It can be concluded that the Municipality will have a surplus of R117,7 million against the cash backed and accumulated surpluses reconciliation. When considering the funding requirements of section 18 and 19 of the MFMA, it needs to be noted that for all practical purposes the 2015/2016 MTREF is funded, from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

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

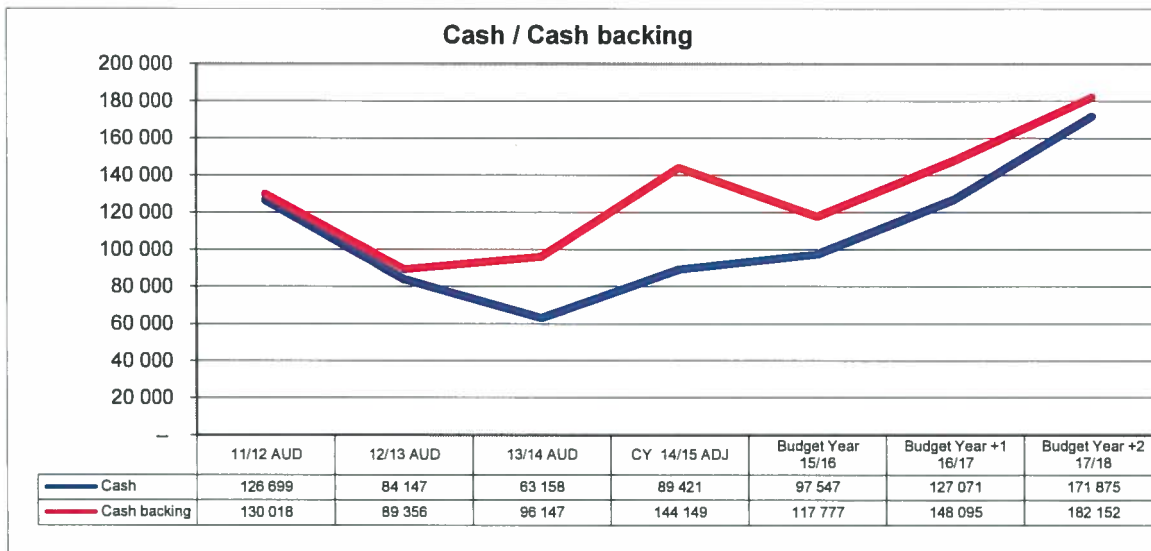


Figure 9 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.4 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 42 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875
Cash + investments at the yr end less applications - R'000	18(1)b	130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152
Cash year end/monthly employee/supplier payments	18(1)b	3.1	1.8	1.2	1.6	1.5	1.5	1.5	1.9	2.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(81 607)	10 899	(45 015)	(48 747)	(65 423)	(65 423)	(5 140)	(3 395)	3 679
Service charge rev % change - macro CPIx target exclusive	18(1)a (2)	N.A.	2.3%	4.2%	3.8%	(5.3%)	(6.0%)	1.4%	1.7%	1.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a (2)	104.9%	91.5%	103.1%	99.6%	99.8%	99.8%	101.2%	99.9%	99.3%
Debt impairment expense as a % of total billable revenue	18(1)a (2)	0.0%	1.2%	2.0%	0.0%	3.4%	3.4%	3.1%	2.9%	2.7%
Capital payments % of capital expenditure	18(1)c: 19	100.0%	100.0%	100.0%	100.0%	104.4%	104.4%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	101.4%	43.0%	55.3%	65.2%	65.5%	65.5%	75.8%	88.9%	100.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a							100.0%	100.0%	100.0%
Current consumer debtors % change - incr/(decr)	18(1)a	N.A.	16.5%	(2.1%)	(2.2%)	11.3%	0.0%	(11.2%)	(1.4%)	4.3%
Long term receivables % change - incr/(decr)	18(1)a	N.A.	(33.7%)	(18.4%)	(16.1%)	0.0%	0.0%	(28.3%)	(26.0%)	(33.9%)
R&M % of Property Plant & Equipment	20(1)(vi)	2.1%	3.7%	4.8%	5.3%	5.2%	5.2%	3.9%	4.1%	4.9%
Asset renewal % of capital budget	20(1)(vi)	0.0%	2.9%	35.9%	28.8%	27.9%	27.9%	20.0%	22.2%	6.3%
Total Operating Revenue		597 482	703 871	736 376	784 474	810 351	810 351	895 035	973 222	1 028 409
Total Operating Expenditure		742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Operating Performance Surplus/(Deficit)		(145 043)	(48 199)	(95 646)	(85 115)	(122 971)	(122 971)	(69 494)	(64 271)	(69 883)
Cash and Cash Equivalents (30 June 2012)		126 699	84 147	63 158	88 050	89 421	89 421	97 547	127 071	171 875
Revenue										
% Increase in Total Operating Revenue			17.8%	4.6%	6.5%	3.3%	0.0%	10.5%	8.7%	5.7%
% Increase in Property Rates Revenue			10.9%	11.6%	10.3%	3.3%	0.0%	6.0%	6.5%	6.5%
% Increase in Electricity Revenue			10.1%	8.4%	15.5%	0.0%	0.0%	9.3%	9.7%	9.7%
% Increase in Property Rates & Services Charges			8.3%	10.2%	9.8%	0.7%	0.0%	7.4%	7.7%	7.8%
Expenditure										
% Increase in Total Operating Expenditure			1.3%	10.6%	4.5%	7.3%	0.0%	3.3%	7.6%	5.9%
% Increase in Employee Costs			11.4%	12.5%	7.5%	(1.4%)	0.0%	5.6%	4.7%	6.0%
% Increase in Electricity Bulk Purchases			14.5%	8.3%	7.9%	0.0%	0.0%	14.2%	14.2%	14.2%
R&M % of PPE		2.1%	3.7%	4.8%	5.3%	5.2%	5.2%	3.9%	4.1%	4.9%
Asset Renewal and R&M as a % of PPE		2.0%	4.0%	6.0%	6.0%	6.0%	6.0%	4.0%	5.0%	5.0%
Debt Impairment % of Total Billable Revenue		0.0%	1.2%	2.0%	0.0%	3.4%	3.4%	3.1%	2.9%	2.7%
Capital Revenue										
Internally Funded & Other (R'000)		34 478	22 412	22 207	14 430	17 517	17 517	7 215	3 730	-
Borrowing (R'000)		73 964	67 544	70 634	46 923	48 770	48 770	32 346	30 000	30 000
Grant Funding and Other (R'000)		54 833	53 809	38 090	36 368	56 498	56 498	64 354	60 876	73 561
Internally Generated funds % of Non Grant Funding		31.8%	24.9%	23.9%	23.5%	26.4%	26.4%	18.2%	11.1%	0.0%
Borrowing % of Non Grant Funding		68.2%	75.1%	76.1%	76.5%	73.6%	73.6%	81.8%	88.9%	100.0%
Grant Funding % of Total Funding		33.6%	37.4%	29.1%	37.2%	46.0%	46.0%	61.9%	64.3%	71.0%
Capital Expenditure										
Total Capital Programme (R'000)		163 275	143 764	130 930	97 721	122 785	122 785	103 914	94 606	103 561
Asset Renewal		-	4 147	47 032	28 139	32 838	32 838	20 758	21 000	6 500
Asset Renewal % of Total Capital Expenditure		0.0%	2.9%	35.9%	28.8%	26.7%	26.7%	20.0%	22.2%	6.3%
Cash										
Cash Receipts % of Rate Payer & Other		104.9%	91.5%	103.1%	99.6%	99.8%	99.8%	101.2%	99.9%	99.3%
Cash Coverage Ratio		3.1	1.8	1.2	1.6	1.5	1.5	1.5	1.9	2.4
Borrowing										
Capital Charges to Operating		6.2%	6.8%	7.3%	7.6%	7.0%	7.0%	7.3%	7.1%	7.0%
Borrowing Receipts % of Capital Expenditure		101.4%	43.0%	55.3%	65.2%	65.5%	65.5%	75.8%	88.9%	100.0%
Reserves										
Surplus/(Deficit)		130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152
Free Services										
Free Basic Services as a % of Equitable Share		90.1%	88.7%	82.3%	80.2%	80.2%	80.2%	74.8%	72.4%	71.3%
Free Services as a % of Operating Revenue (excl operational transfers)		14.8%	11.7%	11.2%	10.4%	10.0%	10.0%	11.0%	11.1%	11.1%
High Level Outcome of Funding Compliance										
Total Operating Revenue		597 482	703 871	736 376	784 474	810 351	810 351	895 035	973 222	1 028 409
Total Operating Expenditure		742 525	752 070	832 022	869 588	933 322	933 322	964 529	1 037 493	1 098 292
Surplus/(Deficit) Budgeted Operating Statement		(145 043)	(48 199)	(95 646)	(85 115)	(122 971)	(122 971)	(69 494)	(64 271)	(69 883)
Surplus/(Deficit) Considering Reserves and Cash Backing		130 018	89 356	96 147	126 920	144 149	144 149	117 777	148 095	182 152
MTREF Funded (1) / Unfunded (0)		1	1	1	1	1	1	1	1	1
MTREF Funded 0 / Unfunded 0		✓	✓	✓	✓	✓	✓	✓	✓	✓

2.6.4.1 *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 2015/16 MTREF shows R97,5 million, R127 million and R171,8 million for each respective financial year.

2.6.4.2 *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 41, on page 67. 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.

2.6.4.3 *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 services boycotts. The ratio is at 1.5 for the 2015/2016 MTREF.

2.6.4.4 *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. The issue relating to depreciation has been discussed at length elsewhere in this report. This indicator cannot be measured as depreciation offset do not form part of the GRAP reporting framework. 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.

2.6.4.5 *Property Rates/service 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 6 per cent). Refer to Annexure C for Tariff List and Increases.

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 101.2, 99.9, and 99.3 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 99 per cent performance target, the cash flow statement has been accurately determined. 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.

2.6.4.6 Debt impairment expense as a percentage of billable revenue

Overstrand Municipality did not provide for Debt impairment under the Financial performance as the methodology for determining the provision for debt impairment will result in a decrease in the provision. The provision is set to decrease.

2.6.4.7 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. The municipality aims to ensure strict compliance with the legislative requirement that creditors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 85, 89 and 100 per cent of own funded capital.

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

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

2.6.4.9 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

2.6.4.10 Repairs and maintenance expenditure level

This measure must be considered 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 56 MBRR SA34c on page 86.

2.6.4.11 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 55 MBRR SA34b on page 85.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 43 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	33 973	38 956	45 033	54 673	3 218	3 218	67 709	74 702	82 187
Local Government Equitable Share	31 156	36 146	41 949	52 021	-	-	64 598	72 270	79 604
Finance Management	1 250	698	1 300	884	1 450	1 450	1 450	1 475	1 550
Municipal Systems Improvement	790	780	540	-	-	-	-	957	1 033
EPWP Incentive	777	1 332	1 244	1 768	1 768	1 768	1 661	-	-
Municipal Disaster Recovery Grant	-	-	-	-	-	-	-	-	-
Provincial Government:	4 032	2 724	22 802	3 734	4 778	4 778	22 615	33 184	14 986
Housing	3 186	1 659	18 669	183	412	412	17 141	27 480	8 876
Community Development Worker Grant	78	70	49	52	70	70	72	76	80
Main Road Subsidy	65	65	2 651	97	97	97	114	-	-
Sport & Recreation Grant	-	-	-	-	-	-	-	-	-
Provincial Library Grant	640	691	795	3 182	3 182	3 182	5 288	5 557	5 890
Emergency Housing Programme (EHP)	-	-	-	220	220	220	-	-	-
Financial Management Support Grant	-	-	155	-	759	759	-	-	-
Nelson Mandela commemoration Grant	-	-	100	-	-	-	-	-	-
Greenest Municipality	-	-	12	-	38	38	-	-	-
HCE	63	19	47	-	-	-	-	-	-
Mobility Strategy	-	2	106	-	-	-	-	-	-
Tusong Service Centre Grant	-	218	218	-	-	-	-	71	140
Other grant providers:	156	222	894	-	-	-	-	-	-
Spaces 4 Sport/Friedrich Naumann Foundation	156	200	627	-	-	-	-	-	-
ICT Projects for Libraries/Samras Usergroup	-	22	267	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants	38 161	41 902	68 730	58 407	7 996	7 996	90 324	107 886	97 173
Capital expenditure of Transfers and Grants									
National Government:	54 183	36 911	25 094	24 174	24 174	24 174	30 347	26 126	29 187
Municipal Infrastructure Grant (MIG)	13 971	16 947	18 755	20 674	20 674	20 674	21 417	22 126	23 187
Public Transport and Systems	-	-	-	-	-	-	-	-	-
Regional Bulk Infrastructure	36 212	15 174	-	-	-	-	-	-	-
Municipal Systems Improvement	-	20	350	934	934	934	930	-	-
INEP	2 000	1 800	2 026	2 000	2 000	2 000	8 000	4 000	6 000
Finance Management	-	552	-	566	566	566	-	-	-
Neighbourhood Development Partnership	2 000	2 418	3 963	-	-	-	-	-	-
Provincial Government:	650	16 898	12 996	10 060	31 990	31 990	33 007	34 750	44 374
Housing	-	16 651	10 404	7 810	29 740	29 740	29 973	34 750	44 374
Sport & Recreation Grant	-	-	100	100	100	100	-	-	-
Public transport non-motobised infrastructure grant	-	-	2 482	-	-	-	-	-	-
Provincial Library Grant	-	13	10	2 150	2 150	2 150	3 034	-	-
Mobility strategy (pound)/ CDW	650	234	-	-	-	-	-	-	-
Other grant providers:	-	500	-	2 134	2 051	2 051	1 000	-	-
'DWA ACIP	-	-	-	1 000	1 000	1 000	-	-	-
'Spaces 4 Sport	-	-	-	51	51	51	-	-	-
National Lotto	-	500	-	1 083	1 000	1 000	1 000	-	-
Total capital expenditure of Transfers and Grants	54 833	54 309	38 090	36 368	58 215	58 215	64 354	60 876	73 561
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	92 993	96 211	106 820	94 775	66 211	66 211	154 678	168 762	170 734

Table 44 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

WC032 Overstrand - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	33 973	38 956	45 033	54 673	56 511	56 511	67 709	74 702	82 187
Conditions met - transferred to revenue	33 973	38 956	45 033	54 673	56 511	56 511	67 709	74 702	82 187
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year	129	174	153	-	683	683			
Current year receipts	10 697	2 703	23 332	3 734	4 174	4 174	22 615	33 184	14 986
Transfer to creditor/debtor	(3 310)	-	-	-	(79)	(79)			
Conditions met - transferred to revenue	4 032	2 724	22 802	3 734	4 778	4 778	22 615	33 184	14 986
Conditions still to be met - transferred to liabilities	3 485	153	683						
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	125	240	669	-	361	361			
Current year receipts	270	652	586	-	185	185			
Conditions met - transferred to revenue	156	222	894	-	546	546	-	-	-
Conditions still to be met - transferred to liabilities	240	669	361						
Total operating transfers and grants revenue	38 161	41 902	68 730	58 407	61 835	61 835	90 324	107 886	97 173
Total operating transfers and grants - CTBM	3 725	822	1 044	-	-	-	-	-	-
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	-	-	-	-	-	-			
Current year receipts	54 183	36 911	26 068	24 174	23 608	23 608	30 347	26 126	29 187
Transfer to creditor/debtor	-	-	(974)						
Conditions met - transferred to revenue	54 183	36 911	25 094	24 174	23 608	23 608	30 347	26 126	29 187
Conditions still to be met - transferred to liabilities	-	-	-						
Provincial Government:									
Balance unspent at beginning of the year	981	3 642	6 961		2 382	2 382			
Current year receipts	-	20 217	8 819	10 060	30 516	30 516	33 007	34 750	44 374
Transfer to creditor/debtor	-	-	(402)		(8)	(8)			
Conditions met - transferred to revenue	650	16 898	12 996	10 060	32 890	32 890	33 007	34 750	44 374
Conditions still to be met - transferred to liabilities	331	6 961	2 382						
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	-	500	-						
Current year receipts	500	-	-	2 134	2 051	2 051	1 000		
Conditions met - transferred to revenue	-	500	-	2 134	2 051	2 051	1 000	-	-
Conditions still to be met - transferred to liabilities	500	-	-						
Total capital transfers and grants revenue	54 833	54 309	38 090	36 368	58 549	58 549	64 354	60 876	73 561
Total capital transfers and grants - CTBM	831	6 961	2 382	-	-	-	-	-	-

2.8 Councillor and employee benefits

Table 45 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	6 717	7 084	7 415	7 968	7 911	7 911	8 037	8 527	9 047
Pension and UIF Contributions					-	-			
Medical Aid Contributions					-	-			
Motor Vehicle Allowance					-	-			
Cellphone Allowance			518	548	605	605	638	665	694
Housing Allowances					-	-			
Other benefits and allowances					-	-			
Sub Total - Councillors	6 717	7 084	7 933	8 516	8 516	8 516	8 674	9 192	9 741
% Increase		5.5%	12.0%	7.3%	-	-	1.9%	6.0%	6.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	7 082	8 100	8 566	9 190	9 190	9 190	9 735	10 311	10 938
Pension and UIF Contributions					-	-			
Medical Aid Contributions					-	-			
Overtime					-	-			
Performance Bonus					-	-			
Motor Vehicle Allowance					-	-			
Cellphone Allowance	128	139	139	163	163	163	154	163	172
Housing Allowances					-	-			
Other benefits and allowances		3			-	-			
Payments in lieu of leave		82			-	-			
Long service awards					-	-			
Post-retirement benefit obligations					-	-			
Sub Total - Senior Managers of Municipality	7 210	8 324	8 706	9 354	9 354	9 354	9 889	10 473	11 110
% Increase		15.5%	4.6%	7.4%	-	-	5.7%	5.9%	6.1%
Other Municipal Staff									
Basic Salaries and Wages	126 414	143 857	158 389	175 220	170 729	170 729	189 457	198 284	210 347
Pension and UIF Contributions	21 014	24 051	25 104	29 321	29 321	29 321	31 735	33 672	35 725
Medical Aid Contributions	7 354	8 176	8 828	11 463	11 463	11 463	11 618	12 327	13 079
Overtime	12 030	12 428	14 370	13 913	13 913	13 913	15 046	15 963	16 937
Performance Bonus	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	8 240	9 178	9 750	11 760	11 760	11 760	11 314	11 025	11 174
Cellphone Allowance	725	1 785	1 402	1 474	1 474	1 474	1 348	1 434	1 434
Housing Allowances	1 023	1 046	967	1 018	1 018	1 018	1 002	1 008	1 008
Other benefits and allowances	10 461	9 254	10 083	11 118	11 118	11 118	10 621	10 965	11 233
Provision for Accrued Leave		2 056	1 659	2 350	2 350	2 350	729	773	819
Provision for Long service awards		690	3 587	1 200	1 291	1 291	1 802	2 028	2 815
Provision for Bonus		-	-		500	500	455	482	511
Post-retirement benefit obligations	13 467	10 795	17 799	11 875	11 925	11 925	6 578	6 973	7 391
Sub Total - Other Municipal Staff	200 729	223 317	251 939	270 713	266 863	266 863	281 705	294 934	312 473
% Increase		11.3%	12.8%	7.5%	(1.4%)	-	5.6%	4.7%	5.9%
Total Parent Municipality	214 656	238 726	268 577	288 582	284 732	284 732	300 268	314 600	333 324
		11.2%	12.5%	7.4%	(1.3%)	-	5.5%	4.8%	6.0%
TOTAL SALARY, ALLOWANCES & BENEFITS	214 656	238 726	268 577	288 582	284 732	284 732	300 268	314 600	333 324
% Increase		11.2%	12.5%	7.4%	(1.3%)	-	5.5%	4.8%	6.0%

Table 46 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum							
Councillors							
Speaker		609 285		25 512			634 797
Chief Whip							-
Executive Mayor		761 605		25 512			787 117
Deputy Executive Mayor		609 285		25 512			634 797
Executive Committee		1 713 615		76 536			1 790 151
Total for all other councillors		4 342 886		484 728			4 827 614
Total Councillors	-	8 036 676	-	637 800			8 674 476
Senior Managers of the Municipality							
Municipal Manager (MM)		1 768 175		22 872			1 791 047
Chief Finance Officer		1 613 208		19 872			1 633 080
Management Services		1 212 924		22 872			1 235 796
Community Services		1 345 353		22 872			1 368 225
Infrastructure & Planning		1 624 404		22 872			1 647 276
LED		1 100 164		19 872			1 120 036
Protection Services		1 070 390		22 872			1 093 262
Total Senior Managers of the Municipality	-	9 734 618	-	154 104	-		9 888 722
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	-	17 771 294	-	791 904	-		18 563 198