

Beaufort West Municipality
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**MEDIUM TERM REVENUE AND
EXPENDITURE FRAMEWORK FOR THE
FINANCIAL PERIOD
2016/17 – 2018/19**

BEAUFORT WEST MUNICIPALITY

Copies of this document can be viewed at the offices of the Municipality, all the public libraries in the municipality and the municipal website.

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PART 1:

1.1 Mayor's Report

Honourable Speaker and Council, as required by section 3 of Schedule A of the Municipal Budget Regulations, I hereby wish to report in summary as follows on the annual budget of the municipality.

An overview of the 2016/17 – 2018/19 MTREF as follows:

Description	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands	R'000	R'000	R'000
Total Operating Revenue	263,692	295,005	311,017
Total Operating Expenditure	277,760	309,029	324,047
Surplus/(Deficit)	(14,068)	(14,024)	(13,030)
Transfers recognised - capital	30,545	14,204	14,774
Surplus/(Deficit) for the year	16,477	180	1,744

The medium-term service delivery objectives and the associated medium-term financial implications, as well as the linkages between the tabled annual budget and the Integrated Development Plan, is contained in budget schedules SA4, 5 and 6.

We remain dependent on grant funds for capital projects which is a limitation on our ability to structurally grow and develop our local economy. The proposed capital programme is thus mainly funded by the Municipal Infrastructure Grant to the amount of R 25,535 million and the Integrated National Electrification Programme to the amount of R 4,5 million.

Honourable Speaker and Council, our financial position remains vulnerable and risky and therefore we need to persist with cost saving measures in order to turn around our current dire financial position.

1.2 Resolutions

1.2.1 Consideration of the Annual Tabled Budget by Council

In terms of Section 24 of the MFMA, Council must, at least 30 days before the start of the financial year, consider the annual budget for approval. The annual budget had been prepared and it is accordingly tabled in Council for consideration.

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

- a) That the annual budget of Beaufort West Municipality for the Financial year 2016/2017; and indicative for the two projected years 2017/18 and 2018/19, as set out in the schedule contained in Part 1, 1.4 Annual Budget Tables, be approved:
 1. **Table A2:** Budgeted Financial Performance (expenditure by standard classification);
 2. **Table A3:** Budgeted Financial Performance (expenditure by municipal vote);
 3. **Table A4:** Budgeted Financial Performance (revenue and expenditure);
 4. **Table A5:** Budget Capital Expenditure by vote, standard classification and funding.
- b) Council approves and adopts with effect of 1 July 2016 the increase in tariffs as reflected in Annexure A – Increase in Tariffs for Rates, Service Charges and Other Sundry Tariffs.

1.2.3 Submission to Provincial and National Treasury

- a) **It is also recommended** that Council approve the submission of the annual budget to the Provincial Treasury and the National Treasury, within ten working days after tabling in Council.

1.3 Executive Summary

The Beaufort West Municipality has no municipal entities and do not utilise any external mechanisms for service delivery. The rising costs of operating expenses has a negative impact on the annual budget and consequently leads to higher tariffs to be charged for municipal services.

The past financial year had been better than the previous year but our financial position is still not stable as we continued to utilise an overdraft to finance our operations. The monthly financial reports indicate an improvement in the financial position of the municipality but the overall financial position of the municipality remains vulnerable. It remains our medium term revenue and expenditure strategy to improve our liquidity position, eliminate the use of an overdraft and become financially stable again.

The annual budget of the municipality is linked with the Integrated Development Plan and this alignment is illustrated in budget schedules SA 4, 5 and 6. It should further be noted that whilst it is legislatively required to annually review the Integrated Development Plan, no significant amendments were made to the current document.

The Beaufort West Municipality are in alignment with the achievement of national, provincial and district priorities by providing more than the minimum Free Basic Services to the poor and being the implementing agent of various Housing and Electrification projects in the Central Karoo District. We also support the inter-governmental relations platforms and we work well with government departments and agencies to implement the priorities of government.

The constant increase in the number of indigent applications which consequently leads to more pressure on the distribution and sharing of the Equitable Share Grant.

There were no amendments that were made to the budget-related policies.

An overview of the annual budget is provided below;

Total Operating Revenue

Revenue is projected to **decrease by 5.8%** from R 312,386 million in 2015/16 to R 294,237 million in 2016/17. The major revenue items are as follows:

Major revenue items	Current Year 2015/16	Current Year 2016/17	% of total revenue	% incr / (decr)
Property rates	26,807	28,305	9.6%	5.6%
Service charges	105,872	110,853	37.7%	4.7%
Investment revenue	1,240	1,260	0.4%	1.6%
Transfers recognised - operational	93,826	63,897	21.7%	-31.9%
Other own revenue	57,990	59,378	20.2%	2.4%
Transfers recognised - capital	26,651	30,545	10.4%	14.6%
Total Revenue	312,386	294,237	100%	-5.8%

Revenue from service charges represents the bulk of the revenue at 37.7% followed by operational grants of 20.2%, property rates 9.6%, transfers recognised capital 10.4%, other own revenue 20.2% and investment revenue at 0.4%.

Total Operating Expenditure

The operational expenditure **has decreased by 6.8%** from R 298,155 million in 2015/16 to R 277,760 million in 2016/17. The major expenditure items are as follows:

Major expenditure items	Current Year 2014/15	Budget Year 2015/16	% of total expenditure	% incr / (decr)
Employee costs	81,281	86,951	31.3%	7.0%
Remuneration of councillors	4,776	4,967	1.8%	4.0%
Depreciation & asset impairment	16,064	16,152	5.8%	0.6%
Finance charges	1,539	1,633	0.6%	6.1%
Materials and bulk purchases	83,865	87,136	31.4%	3.9%
Transfers and grants	60	150	0.1%	150.0%
Other expenditure	110,571	80,771	29.1%	-27.0%
Surplus/(Deficit)	298,155	277,760	100%	-6.8%

Employee costs and materials & bulk purchases represents the bulk of the expenditure at 31.3% and 31.4% respectively. Other expenditure comprises among others general expenses such as telephone, audit costs, security services, debt impairment, as well as expenditure on low cost housing (top structures).

Total Capital Expenditure

A capital budget amounting to R 34,168 million is proposed for 2016/17 (R 14,204 million and R 14,774 million for the outer years). The capital budget will be funded as follows:

Funded by:	Current Year 2015/16	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
National Government	24,808	30,035	14,204	14,774
Provincial Government	1,692	510	-	-
District Municipality	-	-	-	-
Other transfers and grants	-	-	-	-
Transfers recognised - capital	26,500	30,545	14,204	14,774
Public contributions & donations	151	-	-	-
Borrowing	2,460	-	-	-
Internally generated funds	5,318	3,623	-	-
Total Capital Funding	34,429	34,168	14,204	14,774

1.4 Annual Budget Tables

In accordance with the Budget and Reporting Regulations the following compulsory schedules are attached reflecting the detail of the above mentioned amounts.

- Budget Summary Table A1
- Budgeted Financial Performance Table A2
- Budgeted Financial Performance Table A3
- Budgeted Financial Performance Table A4
- Budgeted Capital Expenditure by vote, standard classification Table A5
- Budgeted Financial Position Table A6
- Budgeted Cash flows Table A7
- Cash backed reserves/accumulated surplus reconciliation A8
- Asset Management Table A9
- Basic Service Delivery Measurement Table A10

The required main budget schedules (Table A1 – A10) as listed above are being provided below;

1.4.1 Budget Summary Table A1

WC053 Beaufort West - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	22,253	23,192	25,057	26,807	26,807	26,807	26,807	28,305	30,280	32,393
Service charges	78,302	85,099	88,399	103,838	105,872	105,872	105,872	110,853	120,065	128,470
Investment revenue	979	1,012	1,893	1,240	1,240	1,240	1,240	1,260	1,336	1,416
Transfers recognised - operational	65,941	77,919	76,782	98,681	93,826	93,826	93,826	63,897	87,127	92,019
Other own revenue	23,051	50,193	60,142	26,611	57,990	57,990	57,990	59,378	56,197	56,719
Total Revenue (excluding capital transfers and contributions)	190,526	237,415	252,273	257,177	285,734	285,734	285,734	263,692	295,005	311,017
Employee costs	62,335	67,914	73,426	81,529	81,281	81,281	81,281	86,951	92,998	99,467
Remuneration of councillors	3,936	3,894	4,356	4,776	4,776	4,776	4,776	4,967	5,265	5,581
Depreciation & asset impairment	13,328	25,024	18,215	16,064	16,064	16,064	16,064	16,152	15,095	13,444
Finance charges	4,132	4,087	4,453	1,539	1,539	1,539	1,539	1,633	1,466	1,244
Materials and bulk purchases	54,433	63,798	61,501	85,609	83,865	83,865	83,865	87,136	95,041	100,442
Transfers and grants	40	60	64	60	60	60	60	150	159	169
Other expenditure	59,563	89,457	96,845	79,138	110,571	110,571	110,571	80,771	99,004	103,701
Total Expenditure	197,767	254,234	258,861	268,715	298,155	298,155	298,155	277,760	309,029	324,047
Surplus/(Deficit)	(7,240)	(16,819)	(6,588)	(11,538)	(12,421)	(12,421)	(12,421)	(14,068)	(14,024)	(13,030)
Transfers recognised - capital	51,170	21,348	37,652	16,643	26,500	26,500	26,500	30,545	14,204	14,774
Contributions recognised - capital & contributed assets	61	363	52,296	-	151	151	151	-	-	-
Surplus/(Deficit) after capital transfers & contributions	43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744
Capital expenditure & funds sources										
Capital expenditure	54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774
Transfers recognised - capital	51,170	21,348	37,652	16,643	26,500	26,500	26,500	30,545	14,204	14,774
Public contributions & donations	61	363	52,296	-	151	151	151	-	-	-
Borrowing	2,358	4,092	790	-	2,460	2,460	2,460	-	-	-
Internally generated funds	615	4,848	2,058	3,381	5,318	5,318	5,318	3,623	-	-
Total sources of capital funds	54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774
Financial position										
Total current assets	48,628	49,429	65,258	44,660	60,078	61,117	61,117	59,973	67,483	76,333
Total non current assets	381,292	388,898	469,734	420,403	488,203	488,203	488,203	506,329	505,555	507,009
Total current liabilities	46,344	46,034	55,435	37,342	52,520	55,456	55,456	53,388	60,331	70,495
Total non current liabilities	42,335	46,161	44,438	46,543	46,411	44,514	44,514	47,088	46,700	45,096
Community wealth/Equity	341,240	346,132	435,119	381,179	449,350	449,350	449,350	465,826	466,007	467,751
Cash flows										
Net cash from (used) operating	63,295	25,616	42,284	22,347	28,037	25,550	25,550	31,620	18,192	22,673
Net cash from (used) investing	(54,317)	(32,343)	(38,337)	(20,024)	(34,533)	(34,533)	(34,533)	(34,278)	(14,321)	(14,898)
Net cash from (used) financing	(1,423)	567	(2,768)	(1,978)	(837)	1,873	1,873	974	(1,521)	(2,804)
Cash/cash equivalents at the year end	18,098	11,937	13,116	3,954	5,783	6,006	6,006	4,321	6,671	11,643
Cash backing/surplus reconciliation										
Cash and investments available	18,098	11,937	13,116	3,954	5,783	6,006	6,006	4,321	6,671	11,643
Application of cash and investments	12,717	10,382	11,954	(14,881)	(681)	(372)	(372)	(2,484)	297	5,432
Balance - surplus (shortfall)	5,381	1,555	1,163	18,836	6,465	6,378	6,378	6,805	6,375	6,211
Asset management										
Asset register summary (WDV)	377,926	383,557	467,998	414,978	486,363	486,363	504,379	504,379	503,488	504,818
Depreciation & asset impairment	13,328	25,024	18,215	16,064	16,064	16,064	16,152	16,152	15,095	13,444
Renewal of Existing Assets	-	-	-	-	-	-	-	30,304	7,592	10,730
Repairs and Maintenance	11,271	17,408	18,143	28,355	26,610	26,610	21,892	21,892	27,472	28,819
Free services										
Cost of Free Basic Services provided	12,190	12,651	15,109	14,754	14,754	14,754	14,754	15,389	16,313	17,292
Revenue cost of free services provided	2,184	2,437	2,632	3,259	3,259	3,259	3,259	3,259	3,487	3,696
Households below minimum service level										
Water:	0	0	0	0	0	0	0	0	0	0
Sanitation/sewerage:	-	-	-	1	1	1	1	1	1	1
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

1.4.2 Budgeted Financial Performance Table A2

WC053 Beaufort West - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome						
Revenue - Standard										
Governance and administration		66,051	56,140	116,353	64,754	69,367	69,367	69,363	84,862	91,573
Executive and council		38,949	24,112	25,594	30,068	29,645	29,645	30,940	52,776	56,502
Budget and treasury office		26,605	31,717	37,887	34,352	38,525	38,525	36,812	31,650	34,609
Corporate services		497	311	52,872	335	1,198	1,198	1,611	436	462
Community and public safety		32,508	75,086	57,860	48,485	78,603	78,603	78,847	85,972	85,097
Community and social services		4,053	4,161	6,403	6,553	7,637	7,637	6,901	6,284	6,773
Sport and recreation		514	1,266	2,083	3,547	2,635	2,635	13,812	5,194	3,679
Public safety		12,646	40,800	45,995	16,183	46,035	46,035	49,401	49,865	50,007
Housing		15,294	28,859	3,380	22,203	22,297	22,297	8,733	24,630	24,638
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		28,731	8,703	13,249	5,072	4,536	4,536	4,071	6,375	5,822
Planning and development		297	386	494	402	1,179	1,179	402	108	115
Road transport		28,434	8,318	12,755	4,670	3,357	3,357	3,669	6,267	5,707
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		114,467	119,197	154,760	155,509	159,878	159,878	141,957	132,000	143,299
Electricity		74,713	73,328	95,699	99,736	100,283	100,283	84,319	87,804	94,261
Water		15,724	21,271	25,391	24,109	26,457	26,457	25,709	20,624	21,754
Waste water management		17,649	17,727	25,990	23,413	24,967	24,967	23,605	15,573	18,940
Waste management		6,381	6,871	7,680	8,252	8,171	8,171	8,324	7,999	8,346
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	241,757	259,127	342,222	273,820	312,386	312,386	294,237	309,209	325,791
Expenditure - Standard										
Governance and administration		40,534	54,181	47,150	47,328	51,325	51,325	50,025	51,142	54,650
Executive and council		13,935	16,448	14,372	15,494	15,890	15,890	15,307	16,253	17,278
Budget and treasury office		15,249	14,069	17,672	17,477	19,849	19,849	18,773	20,046	21,797
Corporate services		11,351	23,665	15,107	14,356	15,586	15,586	15,945	14,843	15,575
Community and public safety		41,079	83,680	63,250	54,547	86,871	86,871	74,062	93,765	97,417
Community and social services		6,253	7,291	7,663	9,792	10,946	10,946	10,921	11,502	11,785
Sport and recreation		5,473	7,099	6,244	7,566	7,636	7,636	7,729	8,243	8,745
Public safety		13,320	39,548	44,839	13,867	44,826	44,826	45,423	48,102	50,899
Housing		16,033	29,741	4,504	23,321	23,464	23,464	9,989	25,919	25,987
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		19,509	20,499	23,159	28,345	25,404	25,404	28,358	29,771	31,061
Planning and development		4,255	4,273	4,115	4,846	4,962	4,962	5,103	5,476	5,736
Road transport		15,254	16,227	19,043	23,499	20,442	20,442	23,255	24,294	25,325
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		96,421	95,581	124,975	138,098	134,117	134,117	124,860	133,867	140,405
Electricity		64,481	62,366	80,041	93,387	86,081	86,081	76,279	85,365	89,878
Water		19,822	17,759	20,486	22,160	24,143	24,143	24,113	23,371	24,226
Waste water management		4,118	5,045	8,216	9,017	9,771	9,771	10,718	10,721	11,288
Waste management		8,000	10,411	16,231	13,535	14,123	14,123	13,749	14,409	15,013
Other	4	224	292	328	397	436	436	455	484	514
Total Expenditure - Standard	3	197,767	254,234	258,861	268,715	298,155	298,155	277,760	309,029	324,047
Surplus/(Deficit) for the year		43,991	4,893	83,361	5,105	14,230	14,230	16,477	180	1,744

1.4.3 Budgeted Financial Performance Table A3

WC053 Beaufort West - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - Municipal Manager		517	491	1,067	-	688	688	-	-	-
Vote 2 - Director: Corporate Service		42,434	27,557	82,241	35,321	36,280	36,280	36,317	58,473	62,653
Vote 3 - Director: Financial Services		26,024	31,334	37,923	34,386	38,559	38,559	36,867	31,709	34,671
Vote 4 - Director: Engineering Services		62,000	48,008	66,276	55,725	58,017	58,017	68,121	47,473	49,885
Vote 5 - Director: Community Services		36,069	78,409	59,016	48,653	78,560	78,560	68,613	83,750	84,322
Vote 6 - Director: Electrical Services		74,713	73,328	95,699	99,736	100,283	100,283	84,319	87,804	94,261
		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	241,757	259,127	342,222	273,820	312,386	312,386	294,237	309,209	325,791
Expenditure by Vote to be appropriated	1									
Vote 1 - Municipal Manager		3,502	3,560	3,866	3,808	4,947	4,947	4,332	4,635	4,982
Vote 2 - Director: Corporate Service		22,287	36,247	25,862	28,170	28,773	28,773	28,365	30,071	31,408
Vote 3 - Director: Financial Services		15,410	14,267	17,752	17,656	20,028	20,028	18,956	20,230	21,993
Vote 4 - Director: Engineering Services		51,572	54,183	61,984	71,342	71,672	71,672	76,524	75,882	79,233
Vote 5 - Director: Community Services		40,515	83,611	69,357	54,351	86,654	86,654	73,305	92,845	96,554
Vote 6 - Director: Electrical Services		64,481	62,366	80,041	93,387	86,081	86,081	76,279	85,365	89,878
		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	197,767	254,234	258,861	268,715	298,155	298,155	277,760	309,029	324,047
Surplus/(Deficit) for the year	2	43,991	4,893	83,361	5,105	14,230	14,230	16,477	180	1,744

1.4.4 Budgeted Financial Performance Table A4

WC053 Beaufort West - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	21,646	22,792	24,583	26,187	26,187	26,187	26,187	27,705	29,644	31,719
Property rates - penalties & collection charges		607	400	474	620	620	620	620	600	636	674
Service charges - electricity revenue	2	51,718	56,621	57,777	71,893	71,893	71,893	71,893	72,655	79,194	84,738
Service charges - water revenue	2	11,493	12,150	13,386	13,147	15,130	15,130	15,130	17,993	19,253	20,601
Service charges - sanitation revenue	2	9,886	10,731	11,288	12,416	12,416	12,416	12,416	13,361	14,297	15,297
Service charges - refuse revenue	2	5,205	5,598	5,947	6,383	6,434	6,434	6,434	6,843	7,322	7,834
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		750	815	1,678	1,146	1,225	1,225	1,225	1,275	1,351	1,433
Interest earned - external investments		979	1,012	1,893	1,240	1,240	1,240	1,240	1,260	1,336	1,416
Interest earned - outstanding debtors		1,392	1,858	1,969	2,135	2,135	2,135	2,135	2,087	2,212	2,345
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		12,403	40,874	45,969	16,135	46,058	46,058	46,058	49,409	49,874	50,016
Licences and permits		657	546	539	588	588	588	588	610	647	686
Agency services		472	541	609	670	670	670	670	670	710	753
Transfers recognised - operating		65,941	77,919	76,782	98,681	93,826	93,826	93,826	63,897	87,127	92,019
Other revenue	2	7,377	5,560	9,379	5,937	7,314	7,314	7,314	5,327	1,403	1,487
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		190,526	237,415	252,273	257,177	285,734	285,734	285,734	263,692	295,005	311,017
Expenditure By Type											
Employee related costs	2	62,335	67,914	73,426	81,529	81,281	81,281	81,281	86,951	92,998	99,467
Remuneration of councillors		3,936	3,894	4,356	4,776	4,776	4,776	4,776	4,967	5,265	5,581
Debt impairment	3	8,000	27,217	40,121	7,191	37,233	37,233	37,233	37,233	39,467	41,835
Depreciation & asset impairment	2	13,328	25,024	18,215	16,064	16,064	16,064	16,064	16,152	15,095	13,444
Finance charges		4,132	4,087	4,453	1,539	1,539	1,539	1,539	1,633	1,466	1,244
Bulk purchases	2	43,162	46,390	43,358	57,255	57,255	57,255	57,255	65,244	67,569	71,623
Other materials	8	11,271	17,408	18,143	28,355	26,610	26,610	26,610	21,892	27,472	28,819
Contracted services		10,086	11,540	7,999	4,751	8,697	8,697	8,697	7,982	8,445	8,967
Transfers and grants		40	60	64	60	60	60	60	150	159	169
Other expenditure	4, 5	41,392	50,532	47,883	67,196	64,641	64,641	64,641	35,556	51,092	52,899
Loss on disposal of PPE		86	168	841	-	-	-	-	-	-	-
Total Expenditure		197,767	254,234	258,861	268,715	298,155	298,155	298,155	277,760	309,029	324,047
Surplus/(Deficit)		(7,240)	(16,819)	(6,588)	(11,538)	(12,421)	(12,421)	(12,421)	(14,068)	(14,024)	(13,030)
Transfers recognised - capital		51,170	21,348	37,652	16,643	26,500	26,500	26,500	30,545	14,204	14,774
Contributions recognised - capital	6	-	-	-	-	151	151	151	-	-	-
Contributed assets		61	363	52,296	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		43,991	4,893	83,361	5,105	14,230	14,230	14,230	16,477	180	1,744

1.4.5 Budgeted Capital Expenditure by Vote Table A5

WC053 Beaufort West - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Director: Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 3 - Director: Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Director: Engineering Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Director: Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Director: Electrical Services		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		-	9	2	40	40	40	40	-	-	-
Vote 2 - Director: Corporate Service		392	355	53,737	726	1,638	1,638	1,638	-	-	-
Vote 3 - Director: Financial Services		136	125	243	63	48	48	48	-	-	-
Vote 4 - Director: Engineering Services		40,318	18,220	25,786	17,373	22,806	22,806	22,806	27,614	11,955	11,900
Vote 5 - Director: Community Services		379	2,427	301	779	623	623	623	-	195	-
Vote 6 - Director: Electrical Services		12,980	9,514	12,726	1,043	9,274	9,274	9,274	6,554	2,054	2,874
		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774
Total Capital Expenditure - Vote		54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774
Capital Expenditure - Standard											
Governance and administration		361	474	53,472	923	1,022	1,022	1,022	1,200	-	-
Executive and council		-	16	11	181	20	20	20	-	-	-
Budget and treasury office		136	125	195	53	48	48	48	-	-	-
Corporate services		225	332	53,266	690	953	953	953	1,200	-	-
Community and public safety		688	2,018	1,029	2,762	3,519	3,519	3,519	13,592	4,961	3,433
Community and social services		329	383	522	105	808	808	808	-	-	-
Sport and recreation		359	883	337	2,470	2,524	2,524	2,524	13,592	4,961	3,433
Public safety		-	635	166	175	175	175	175	-	-	-
Housing		-	117	5	13	13	13	13	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		35,589	7,968	8,059	2,427	6,561	6,561	6,561	6,064	5,304	4,687
Planning and development		237	2	15	20	531	531	531	-	-	-
Road transport		35,352	7,966	8,044	2,407	6,031	6,031	6,031	6,064	5,304	4,687
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		17,566	20,190	30,237	13,913	23,327	23,327	23,327	13,312	3,939	6,654
Electricity		12,980	9,514	12,726	1,043	9,274	9,274	9,274	6,554	2,054	2,874
Water		3,654	4,673	1,539	4,016	4,351	4,351	4,351	100	1,275	1,052
Waste water management		558	4,541	15,841	8,358	9,337	9,337	9,337	6,658	415	2,728
Waste management		374	1,462	130	495	364	364	364	-	195	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774
Funded by:											
National Government		39,906	21,186	24,233	16,613	24,808	24,808	24,808	30,035	14,204	14,774
Provincial Government		11,264	163	13,419	30	1,692	1,692	1,692	510	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	51,170	21,348	37,652	16,643	26,500	26,500	26,500	30,545	14,204	14,774
Public contributions & donations	5	61	363	52,296	-	151	151	151	-	-	-
Borrowing	6	2,358	4,092	790	-	2,460	2,460	2,460	-	-	-
Internally generated funds		615	4,848	2,058	3,381	5,318	5,318	5,318	3,623	-	-
Total Capital Funding	7	54,204	30,651	92,797	20,024	34,429	34,429	34,429	34,168	14,204	14,774

1.4.6 Budgeted Financial Position Table A6

WC053 Beaufort West - Table A6 Budgeted Financial Position											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		1,286	2,605	12	950	783	1,006	1,006	321	1,171	1,143
Call investment deposits	1	16,812	9,332	15,036	3,004	5,000	5,000	5,000	4,000	5,500	10,500
Consumer debtors	1	20,640	28,866	26,674	32,252	30,579	31,396	31,396	31,778	36,772	40,475
Other debtors		4,389	4,612	20,544	4,815	20,544	20,544	20,544	20,544	20,544	20,544
Current portion of long-term receivables		2,334	1,222	-	-	-	-	-	-	-	-
Inventory	2	3,166	2,791	2,992	3,638	3,171	3,171	3,171	3,330	3,496	3,671
Total current assets		48,628	49,429	65,258	44,660	60,078	61,117	61,117	59,973	67,483	76,333
Non current assets											
Long-term receivables		1,622	3,677	1,735	3,934	1,840	1,840	1,840	1,950	2,067	2,191
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		9,381	8,648	8,381	8,336	8,381	8,381	8,381	8,115	7,849	7,582
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	368,210	374,641	452,173	406,542	470,027	470,027	470,027	488,518	488,102	489,879
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		335	269	316	100	827	827	827	618	409	228
Other non-current assets		1,745	1,664	7,128	1,491	7,128	7,128	7,128	7,128	7,128	7,128
Total non current assets		381,292	388,898	469,734	420,403	488,203	488,203	488,203	506,329	505,555	507,009
TOTAL ASSETS		429,919	438,327	534,992	465,063	548,280	549,320	549,320	566,302	573,038	583,342
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	1,932	-	-	-	-	-	-	-
Borrowing	4	2,809	3,476	3,764	3,953	2,780	4,927	4,927	4,398	4,398	4,398
Consumer deposits		1,160	1,139	1,227	1,374	1,374	1,374	1,374	1,429	1,486	1,546
Trade and other payables	4	35,219	33,909	36,133	23,996	35,367	36,156	36,156	33,912	40,116	49,504
Provisions		7,156	7,509	12,380	8,019	12,998	12,998	12,998	13,648	14,331	15,047
Total current liabilities		46,344	46,034	55,435	37,342	52,520	55,456	55,456	53,388	60,331	70,495
Non current liabilities											
Borrowing		14,703	14,603	11,547	15,085	11,547	9,650	9,650	11,098	9,520	6,656
Provisions		27,632	31,558	32,891	31,458	34,864	34,864	34,864	35,990	37,181	38,440
Total non current liabilities		42,335	46,161	44,438	46,543	46,411	44,514	44,514	47,088	46,700	45,096
TOTAL LIABILITIES		88,680	92,194	99,873	83,884	98,931	99,970	99,970	100,476	107,031	115,591
NET ASSETS	5	341,240	346,132	435,119	381,179	449,350	449,350	449,350	465,826	466,007	467,751
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		331,488	335,966	419,369	369,864	445,555	445,555	445,555	462,101	462,282	464,026
Reserves	4	9,752	10,166	15,750	11,315	3,795	3,795	3,795	3,725	3,725	3,725
		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	341,240	346,132	435,119	381,179	449,350	449,350	449,350	465,826	466,007	467,751

1.4.7 Budgeted Cash Flows Table A7

WC053 Beaufort West - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		18,047	20,409	24,850	25,198	26,807	25,186	25,186	26,594	27,238	29,139
Service charges		86,882	75,807	88,014	101,597	97,776	99,472	99,472	104,151	108,005	115,565
Other revenue		19,052	23,166	2,987	22,312	26,653	25,739	25,739	28,214	24,849	25,231
Government - operating	1	65,024	75,009	80,471	98,681	91,729	91,729	91,729	63,897	87,127	92,019
Government - capital	1	56,987	28,322	37,652	16,643	24,908	24,908	24,908	30,545	14,204	14,774
Interest		2,371	2,870	3,861	3,375	3,375	3,246	3,246	3,220	3,325	3,525
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(180,896)	(195,820)	(191,033)	(243,861)	(241,612)	(243,131)	(243,131)	(223,219)	(244,931)	(256,167)
Finance charges		(4,132)	(4,087)	(4,453)	(1,539)	(1,539)	(1,539)	(1,539)	(1,633)	(1,466)	(1,244)
Transfers and Grants	1	(40)	(60)	(64)	(60)	(60)	(60)	(60)	(150)	(159)	(169)
NET CASH FROM/(USED) OPERATING ACTIVITIES		63,295	25,616	42,284	22,347	28,037	25,550	25,550	31,620	18,192	22,673
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		114	-	222	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		(288)	(2,055)	1,941	-	(104)	(104)	(104)	(110)	(117)	(124)
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(54,143)	(30,288)	(40,500)	(20,024)	(34,429)	(34,429)	(34,429)	(34,168)	(14,204)	(14,774)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(54,317)	(32,343)	(38,337)	(20,024)	(34,533)	(34,533)	(34,533)	(34,278)	(14,321)	(14,898)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		2,358	4,092	790	-	-	2,460	2,460	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	147	147	147	55	57	59
Payments											
Repayment of borrowing		(3,781)	(3,526)	(3,558)	(1,978)	(984)	(734)	(734)	919	(1,578)	(2,864)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,423)	567	(2,768)	(1,978)	(837)	1,873	1,873	974	(1,521)	(2,804)
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	10,543	18,098	11,937	3,610	13,116	13,116	13,116	6,006	4,321	6,671
Cash/cash equivalents at the year end:	2	18,098	11,937	13,116	3,954	5,783	6,006	6,006	4,321	6,671	11,643

1.4.8 Cash Backed Reserves Reconciliation Table A8

WC053 Beaufort West - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	18,098	11,937	13,116	3,954	5,783	6,006	6,006	4,321	6,671	11,643
Other current investments > 90 days		-	-	0	-	-	0	0	(0)	(0)	(0)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		18,098	11,937	13,116	3,954	5,783	6,006	6,006	4,321	6,671	11,643
Application of cash and investments											
Unspent conditional transfers		7,774	7,275	3,241	922	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	(3,465)	(3,932)	(6,444)	-	2,780	(2,338)	(2,338)	(1,323)	(2,406)	(3,563)
Other working capital requirements	3	713	(1,353)	223	(15,804)	(13,873)	(6,264)	(6,264)	(9,542)	(5,912)	136
Other provisions		3,909	4,016	4,224	-	6,617	4,435	4,435	4,657	4,889	5,134
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	3,786	4,377	10,711	-	3,795	3,795	3,795	3,725	3,725	3,725
Total Application of cash and investments:		12,717	10,382	11,954	(14,881)	(681)	(372)	(372)	(2,484)	297	5,432
Surplus(shortfall)		5,381	1,555	1,163	18,836	6,465	6,378	6,378	6,805	6,375	6,211

1.4.9 Asset Management Table A9

WC053 Beaufort West - Table A9 Asset Management										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE										
Total New Assets	1	54,204	30,651	92,797	20,024	34,429	34,429	3,864	6,612	4,044
Infrastructure - Road transport		35,196	5,855	7,999	2,220	5,844	5,844	-	3,170	82
Infrastructure - Electricity		12,822	9,351	11,827	975	9,170	9,170	2,054	2,054	2,874
Infrastructure - Water		2,929	4,165	1,878	3,266	4,648	4,648	100	1,193	1,052
Infrastructure - Sanitation		556	5,234	15,606	8,288	8,906	8,906	-	-	36
Infrastructure - Other		374	460	130	469	338	338	-	195	-
Infrastructure		51,877	25,065	37,439	15,218	28,906	28,906	2,154	6,612	4,044
Community		210	645	336	2,400	3,047	3,047	510	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	2,110	4,917	54,877	2,406	1,914	1,914	1,200	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles	7	-	25	144	-	561	561	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	30,304	7,592	10,730
Infrastructure - Road transport		-	-	-	-	-	-	6,064	2,135	4,606
Infrastructure - Electricity		-	-	-	-	-	-	4,500	-	-
Infrastructure - Water		-	-	-	-	-	-	-	82	-
Infrastructure - Sanitation		-	-	-	-	-	-	6,658	415	2,692
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	17,222	2,631	7,298
Community		-	-	-	-	-	-	13,082	4,961	3,433
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		35,196	5,855	7,999	2,220	5,844	5,844	6,064	5,304	4,687
Infrastructure - Electricity		12,822	9,351	11,827	975	9,170	9,170	6,554	2,054	2,874
Infrastructure - Water		2,929	4,165	1,878	3,266	4,648	4,648	100	1,275	1,052
Infrastructure - Sanitation		556	5,234	15,606	8,288	8,906	8,906	6,658	415	2,728
Infrastructure - Other		374	460	130	469	338	338	-	195	-
Infrastructure		51,877	25,065	37,439	15,218	28,906	28,906	19,376	9,243	11,341
Community		210	645	336	2,400	3,047	3,047	13,592	4,961	3,433
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	2,110	4,917	54,877	2,406	1,914	1,914	1,200	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles	7	-	25	144	-	561	561	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	54,204	30,651	92,797	20,024	34,429	34,429	34,168	14,204	14,774
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	129,905	130,919	133,958	131,763	134,196	134,196	135,263	135,156	134,990
Infrastructure - Electricity		60,831	68,460	78,335	75,397	85,410	85,410	89,543	89,353	89,983
Infrastructure - Water		46,216	48,275	47,961	48,613	49,735	49,735	47,646	46,732	45,595
Infrastructure - Sanitation		46,883	50,502	64,475	68,997	71,419	71,419	76,143	74,693	75,557
Infrastructure - Other		1,002	1,412	3,395	3,334	3,554	3,554	3,221	3,359	3,302
Infrastructure		284,837	299,567	328,124	328,104	344,314	344,314	351,815	349,293	349,427
Community		14,941	14,599	13,792	15,807	16,253	16,253	29,315	33,762	36,680
Heritage assets		2,971	2,971	5,225	5,225	5,225	5,225	5,225	5,225	5,225
Investment properties		9,381	8,648	8,381	8,336	8,381	8,381	8,115	7,849	7,582
Other assets		65,462	57,504	112,160	59,660	111,364	111,364	109,291	106,951	105,675
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		335	269	316	100	827	827	618	409	228
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	377,926	383,557	467,998	414,978	486,363	486,363	504,379	503,488	504,818
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		13,328	25,024	18,215	16,064	16,064	16,064	16,152	15,095	13,444
Repairs and Maintenance by Asset Class	3	11,271	17,408	18,143	28,355	26,610	26,610	21,892	27,472	28,819
Infrastructure - Road transport		1,514	2,338	1,534	3,808	3,808	3,808	3,400	3,604	3,820
Infrastructure - Electricity		1,272	1,964	4,314	3,199	3,199	3,199	2,726	7,890	8,063
Infrastructure - Water		794	1,227	2,932	1,998	1,998	1,998	2,070	2,187	2,309
Infrastructure - Sanitation		285	440	280	716	716	716	397	420	446
Infrastructure - Other		508	785	378	1,279	216	216	980	1,039	1,101
Infrastructure		4,372	6,753	9,438	10,999	9,936	9,936	9,573	15,140	15,739
Community		1,091	1,685	976	2,745	2,745	2,745	995	1,075	1,186
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	5,808	8,970	7,729	14,611	13,929	13,929	11,324	11,258	11,895
TOTAL EXPENDITURE OTHER ITEMS		24,599	42,433	36,358	44,419	42,674	42,674	38,044	42,567	42,263
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	88.7%	53.4%	72.6%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	187.6%	50.3%	79.8%
R&M as a % of PPE		3.1%	4.6%	4.0%	7.0%	5.7%	5.7%	4.5%	5.6%	5.9%
Renewal and R&M as a % of PPE		3.0%	5.0%	4.0%	7.0%	5.0%	5.0%	10.0%	7.0%	8.0%

1.4.10 Basic Service Delivery Measurement Table A10

WC053 Beaufort West - Table A10 Basic service delivery measurement										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Water:										
Piped water inside dwelling		10,791	10,791	11,040	11,159	11,159	11,159	11,245	11,316	11,378
Piped water inside yard (but not in dwelling)		900	900	900	40	40	40	40	40	40
Using public tap (at least min.service level)	2	40	40	40	49	49	49	49	49	49
Other water supply (at least min.service level)	4	20	20	20	31	31	31	31	31	31
<i>Minimum Service Level and Above sub-total</i>		11,751	11,751	12,000	11,279	11,279	11,279	11,365	11,436	11,498
Using public tap (< min.service level)	3	187	187	187	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	187	187	187	187	187	187
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		187	187	187	187	187	187	187	187	187
Total number of households	5	11,938	11,938	12,187	11,466	11,466	11,466	11,552	11,623	11,685
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		11,130	11,130	11,380	11,514	11,514	11,514	11,603	11,674	11,736
Flush toilet (with septic tank)		808	808	808	1,568	1,568	1,568	1,568	1,568	1,568
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		11,938	11,938	12,188	13,082	13,082	13,082	13,171	13,242	13,304
Bucket toilet		-	-	-	309	309	309	309	309	309
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	305	305	305	305	305	305
<i>Below Minimum Service Level sub-total</i>		-	-	-	614	614	614	614	614	614
Total number of households	5	11,938	11,938	12,188	13,696	13,696	13,696	13,785	13,856	13,918
Energy:										
Electricity (at least min.service level)		2,284	2,284	2,284	2,284	2,284	2,284	2,284	2,284	2,284
Electricity - prepaid (min.service level)		8,609	8,609	8,859	8,993	8,993	8,993	9,082	9,153	9,215
<i>Minimum Service Level and Above sub-total</i>		10,893	10,893	11,143	11,277	11,277	11,277	11,366	11,437	11,499
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	10,893	10,893	11,143	11,277	11,277	11,277	11,366	11,437	11,499
Refuse:										
Removed at least once a week		11,938	11,938	12,188	12,322	12,322	12,322	12,411	12,482	12,544
<i>Minimum Service Level and Above sub-total</i>		11,938	11,938	12,188	12,322	12,322	12,322	12,411	12,482	12,544
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	5	11,938	11,938	12,188	12,322	12,322	12,322	12,411	12,482	12,544
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		4,267	4,847	5,100	6,476	6,476	6,476	6,750	6,950	7,150
Sanitation (free minimum level service)		3,200	2,661	2,910	3,032	3,032	3,032	3,306	3,506	3,706
Electricity/other energy (50kwh per household per month)		4,267	4,699	4,950	6,297	6,297	6,297	6,571	6,771	6,971
Refuse (removed at least once a week)		1,154	957	1,200	1,334	1,334	1,334	1,608	1,608	2,008
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		7,184	6,899	8,035	7,640	7,640	7,640	7,526	7,977	8,456
Sanitation (free sanitation service to indigent households)		1,832	2,158	2,743	2,860	2,860	2,860	3,196	3,387	3,591
Electricity/other energy (50kwh per indigent household per month)		2,665	2,885	3,427	3,310	3,310	3,310	3,642	3,861	4,092
Refuse (removed once a week for indigent households)		509	709	903	945	945	945	1,026	1,087	1,153
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		12,190	12,651	15,109	14,754	14,754	14,754	15,389	16,313	17,292
Highest level of free service provided per household										
Property rates (R value threshold)		19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	81	88	94	100	100	100	108	114	114	
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50	
Refuse (average litres per week)	90	90	90	90	90	90	90	90	90	
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		2,184	2,437	2,632	3,259	3,259	3,259	3,259	3,487	3,696
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		2,184	2,437	2,632	3,259	3,259	3,259	3,259	3,487	3,696

PART 2:

2.1 Overview of the Budget Assumptions

In terms of Budget Regulation 6, the Municipal Manager must take all reasonable steps to ensure that the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation; and any differences or changes between financial years should be explicitly noted.

In this light it should be noted that the municipality is in the process of making changes to its method of calculating debt impairment which will impact on the figures provided in the annual financial statements. Other than this change, all the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation.

The following assumptions were made when the budget was prepared:

- Employee costs will increase by 7.6%;
- Electricity bulk purchases increase by 9.4% in line with Eskom's electricity tariff increase to municipalities;
- CPIX for 2016/17 are projected at 6% and 5.8% for the outer years;
- It should be noted that most expenditure items is envisaged to increase by more than the projected inflation targets mainly due to expected increases in input costs; and
- Provision for doubtful debts is based on **5.3%** of total rates and service charges.

2.2 Reconciliation of IDP strategic objectives and budget

WC053 Beaufort West - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Basic service delivery and infrastructure development	Water, sanitation, refuse removal, roads, stormwater, public transport, electricity, land and housing	A		176,177	203,221	237,145	209,367	243,416	243,416	226,430	224,724	234,618	
Institutional development and municipal transformation	Organisational transformation to match IDP requirements, internal policies dealing with national priorities, general management practices and training	B		517	431	42,372	-	921	921	-	-	-	
Financial viability and management	Financial policies, budget management, assets and liability control, and supporting strategies to fund priorities	C		26,024	31,334	37,930	34,386	38,559	38,559	36,867	31,709	34,671	
Local economic development	LED, food security, social infrastructure, health, environment, education and skills development	D		-	60	124	-	266	266	-	-	-	
Good governance and community participation	Public relations, marketing and communication, empowering wards, public participation structures and mechanisms, and service ethics (Batho Pele)	E		39,039	24,081	24,651	30,068	29,224	29,224	30,940	52,776	56,502	
Allocations to other priorities													
Total Revenue (excluding capital transfers and contributions)				1	241,757	259,127	342,222	273,820	312,386	312,386	294,237	309,209	325,791

WC053 Beaufort West - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Basic service delivery and infrastructure development	Water, sanitation, refuse removal, roads, stormwater, public transport, electricity, land and housing	A		167,883	223,081	227,913	228,118	253,785	253,785	235,629	264,044	275,818	
Institutional development and municipal transformation	Organisational transformation to match IDP requirements, internal policies dealing with national priorities, general management practices and training	B		2,963	3,122	1,398	9,751	11,283	11,283	10,589	11,421	12,112	
Financial viability and management	Financial policies, budget management, assets and liability control, and supporting strategies to fund priorities	C		15,410	14,267	17,997	17,656	20,028	20,028	18,956	20,230	21,993	
Local economic development	LED, food security, social infrastructure, health, environment, education and skills development	D		539	437	526	752	1,058	1,058	806	858	914	
Good governance and community participation	Public relations, marketing and communication, empowering wards, public participation structures and mechanisms, and service ethics (Batho Pele)	E		10,972	13,325	11,026	12,438	12,001	12,001	11,781	12,476	13,210	
Allocations to other priorities													
Total Expenditure				1	197,767	254,234	258,861	268,715	298,155	298,155	277,760	309,029	324,047

2.2 Reconciliation of IDP strategic objectives and budget

WC053 Beaufort West - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Basic service delivery and infrastructure development	Water, sanitation, refuse removal, roads, stormwater, public transport, electricity, land and housing	A		54,055	30,493	26,120	18,374	32,703	32,703	34,168	14,204	14,774	
Institutional development and municipal transformation	Organisational transformation to match IDP requirements, internal policies dealing with national priorities, general management practices and training	B		13	26	1,283	1,543	1,678	1,678	-	-	-	
Financial viability and management	Financial policies, budget management, assets and liability control, and supporting strategies to fund priorities	C		136	125	62	108	48	48	-	-	-	
Local economic development	LED, food security, social infrastructure, health, environment, education and skills development	D		-	-	52,296	-	-	-	-	-	-	
Good governance and community participation	Public relations, marketing and communication, empowering wards, public participation structures and mechanisms, and service ethics (Batho Pele)	E		-	7	13,035	-	-	-	-	-	-	
Allocations to other priorities													
				3									
Total Capital Expenditure				1	54,204	30,651	92,797	20,024	34,429	34,429	34,168	14,204	14,774

2.2 Transfers and grant receipts

WC053 Beaufort West - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		40,165	46,672	76,163	71,733	63,538	63,538	50,111	57,093	61,448
Local Government Equitable Share		32,765	35,567	38,990	44,160	44,160	44,160	46,569	50,393	53,988
Finance Management		1,250	1,450	1,600	1,600	1,600	1,600	1,625	1,700	1,700
Municipal Systems Improvement		800	890	934	930	930	930	-	-	760
EPWP Incentive		1,000	1,000	1,834	1,743	1,743	1,743	1,617	-	-
Energy Efficiency and Demand Management		-	3,000	4,000	8,000	8,000	8,000	-	5,000	5,000
Integrated National Electrification Programme		4,000	4,450	27,500	15,000	6,805	6,805	-	-	-
Municipal Infrastructure Grant (MIG) PMU		350	315	305	300	300	300	300	-	-
Accelerated Community Water Supply (ACIP) - DWAF		-	-	1,000	-	-	-	-	-	-
Provincial Government:		23,758	28,016	24,935	26,948	27,714	27,714	13,786	30,034	30,571
Human Settlements Development Grant		19,030	23,607	15,889	22,080	22,080	22,080	8,610	24,500	24,500
Library Service		2,993	3,244	4,451	4,570	4,570	4,570	4,800	5,088	5,393
Community Development Workers (CDW)		324	208	192	198	234	234	206	206	206
Thusong Service Centres Grant		436	-	222	100	100	100	-	-	112
Department Local Government		400	800	900	-	-	-	-	-	-
Management Support Grant		-	-	2,487	-	250	250	120	240	360
IDP Review		-	-	-	-	200	200	-	-	-
Mun. Capacity Grant		-	-	-	-	250	250	-	-	-
Maintenance and Construction of Transport Infrastructure		-	-	-	-	30	30	-	-	-
Transport and Public Works		-	-	794	-	-	-	50	-	-
Refuse Recycling Project		347	-	-	-	-	-	-	-	-
Internship: Water		9	-	-	-	-	-	-	-	-
Internship: Roads		18	-	-	-	-	-	-	-	-
World Aids Day		-	-	-	-	-	-	-	-	-
Upgrade Sport Facilities Murraysburg		200	-	-	-	-	-	-	-	-
Mandela Memorial Services		-	100	-	-	-	-	-	-	-
Compliance Module		-	57	-	-	-	-	-	-	-
District Municipality:		522	319	360	-	-	-	-	-	-
Contribution EPWP		380	319	360	-	-	-	-	-	-
Shared Services		142	-	-	-	-	-	-	-	-
Other grant providers:		579	3	226	-	477	477	-	-	-
Disaster Fund		4	-	-	-	-	-	-	-	-
Existing Houses Nelspoort		83	3	-	-	-	-	-	-	-
Customer Care Services		491	-	-	-	-	-	-	-	-
Eskom		-	-	226	-	317	317	-	-	-
Private-Farms Contribution		-	-	-	-	160	160	-	-	-
Total Operating Transfers and Grants	5	65,024	75,009	101,684	98,681	91,729	91,729	63,897	87,127	92,019
Capital Transfers and Grants										
National Government:		48,414	28,038	16,440	16,613	24,808	24,808	30,035	14,204	14,774
Municipal Infrastructure Grant (MIG)		21,087	20,038	16,440	13,347	13,347	13,347	25,535	14,204	14,774
Accelerated Community Water Supply (ACIP) - DWAF		-	-	-	3,266	3,266	3,266	-	-	-
Integrated National Electrification Programme Capital		21,000	8,000	-	-	8,195	8,195	4,500	-	-
Regional Bulk Infrastructure		1,028	-	-	-	-	-	-	-	-
Neighbourhood Development Partnership		5,300	-	-	-	-	-	-	-	-
Provincial Government:		8,573	149	-	30	100	100	510	-	-
Maintenance and Construction of Transport Infrastructure		-	-	-	30	-	-	-	-	-
Library Service		36	149	-	-	-	-	-	-	-
Human Settlements Development Grant		8,537	-	-	-	-	-	-	-	-
Development of Sport and Recreation Facilities		-	-	-	-	-	-	510	-	-
Municipal Infrastructure Support Grant		-	-	-	-	100	100	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Contribution EPWP		-	-	-	-	-	-	-	-	-
Other grant providers:		-	135	-	-	-	-	-	-	-
Public contributions & Donations		-	135	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	56,987	28,322	16,440	16,643	24,908	24,908	30,545	14,204	14,774
TOTAL RECEIPTS OF TRANSFERS & GRANTS		122,011	103,331	118,124	115,324	116,637	116,637	94,442	101,331	106,793

2.3 Councillor Remuneration and Employee Benefits

WC053 Beaufort West - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		2,696	2,633	3,078	3,349	3,349	3,349	3,459	3,667	3,887
Pension and UIF Contributions		208	193	289	251	251	251	339	359	381
Medical Aid Contributions		24	38	41	46	46	46	47	49	52
Motor Vehicle Allowance		770	711	676	790	790	790	830	880	933
Cellphone Allowance		238	318	271	340	340	340	292	309	328
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-
Sub Total - Councillors		3,936	3,894	4,356	4,776	4,776	4,776	4,967	5,265	5,581
% increase	4		(1.1%)	11.9%	9.6%	-	-	4.0%	6.0%	6.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		3,089	3,029	3,910	4,724	4,724	4,724	5,064	5,453	5,870
Pension and UIF Contributions		475	493	546	562	562	562	637	685	736
Medical Aid Contributions		46	31	26	27	27	27	30	31	33
Overtime		3	3	-	-	-	-	-	-	-
Performance Bonus		412	359	392	513	513	513	661	707	756
Motor Vehicle Allowance	3	414	348	423	444	444	444	540	540	540
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		147	23	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		4,586	4,286	5,297	6,270	6,270	6,270	6,931	7,416	7,935
% increase	4		(6.5%)	23.6%	18.4%	-	-	10.6%	7.0%	7.0%
Other Municipal Staff										
Basic Salaries and Wages		41,338	47,954	53,367	63,286	63,248	63,248	61,472	65,738	70,302
Pension and UIF Contributions		8,536	6,549	7,461	10,056	9,844	9,844	10,082	10,778	11,522
Medical Aid Contributions		1,074	1,147	1,159	1,281	1,281	1,281	1,347	1,441	1,543
Overtime		2,316	3,266	3,196	1,935	1,935	1,935	1,594	1,705	1,824
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	944	1,237	1,285	2,005	2,005	2,005	1,583	1,717	1,860
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	252	246	271	270	272	272	885	947	1,013
Other benefits and allowances	3	1,153	1,656	116	1,254	1,254	1,254	1,457	1,558	1,668
Payments in lieu of leave		954	517	622	200	200	200	300	318	337
Long service awards		366	276	647	310	310	310	452	479	507
Post-retirement benefit obligations	6	815	780	4	931	931	931	850	901	955
Sub Total - Other Municipal Staff		57,749	63,628	68,128	81,529	81,281	81,281	80,020	85,582	91,531
% increase	4		10.2%	7.1%	19.7%	(0.3%)	-	(1.6%)	7.0%	7.0%
Total Parent Municipality		66,271	71,808	77,782	92,575	92,327	92,327	91,918	98,263	105,047
			8.4%	8.3%	19.0%	(0.3%)	-	(0.4%)	6.9%	6.9%
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		66,271	71,808	77,782	92,575	92,327	92,327	91,918	98,263	105,047
% increase	4		8.4%	8.3%	19.0%	(0.3%)	-	(0.4%)	6.9%	6.9%
TOTAL MANAGERS AND STAFF	5,7	62,335	67,914	73,426	87,799	87,551	87,551	86,951	92,998	99,467

2.4 Operating revenue and expenditure projections

WC053 Beaufort West - Supporting Table SA25 Budgeted monthly revenue and expenditure														Medium Term Revenue and Expenditure Framework		
Description	Ref	Budget Year 2016/17												Budget Year	Budget Year	Budget Year
		July	August	Sept.	October	November	December	January	February	March	April	May	June	2016/17	+1 2017/18	+2 2018/19
Revenue By Source																
Property rates		2,309	2,309	2,309	2,309	2,309	2,309	2,309	2,309	2,309	2,309	2,309	2,309	27,705	29,644	31,719
Property rates - penalties & collection charges		50	50	50	50	50	50	50	50	50	50	50	50	600	636	674
Service charges - electricity revenue		6,055	6,055	6,055	6,055	6,055	6,055	6,055	6,055	6,055	6,055	6,055	6,055	72,655	79,194	84,738
Service charges - water revenue		1,499	1,499	1,499	1,499	1,499	1,499	1,499	1,499	1,499	1,499	1,499	17,993	19,253	20,601	
Service charges - sanitation revenue		1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	13,361	14,297	15,297	
Service charges - refuse revenue		570	570	570	570	570	570	570	570	570	570	570	6,843	7,322	7,834	
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		106	106	106	106	106	106	106	106	106	106	106	1,275	1,351	1,433	
Interest earned - external investments		105	105	105	105	105	105	105	105	105	105	105	1,260	1,336	1,416	
Interest earned - outstanding debtors		174	174	174	174	174	174	174	174	174	174	174	2,087	2,212	2,345	
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	49,409	49,874	50,016	
Licences and permits		51	51	51	51	51	51	51	51	51	51	51	610	647	686	
Agency services		56	56	56	56	56	56	56	56	56	56	56	670	710	753	
Transfers recognised - operating		16,963	1,440	1,440	1,440	16,963	1,440	1,440	16,963	1,440	1,440	1,440	63,897	87,127	92,019	
Other revenue		348	348	348	348	348	348	348	348	348	348	348	1,498	1,403	1,487	
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		33,517	17,994	17,994	17,994	33,517	17,994	17,994	33,517	17,994	17,994	17,994	19,194	263,692	295,005	311,017
Expenditure By Type																
Employee related costs		7,246	7,246	7,246	7,246	7,246	7,246	7,246	7,246	7,246	7,246	7,246	7,246	86,951	92,998	99,467
Remuneration of councillors		414	414	414	414	414	414	414	414	414	414	414	414	4,967	5,265	5,581
Debt impairment		3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,103	37,233	39,467	41,835
Depreciation & asset impairment		1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	16,152	15,095	13,444
Finance charges		136	136	136	136	136	136	136	136	136	136	136	1,633	1,466	1,244	
Bulk purchases		5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	65,244	67,569	71,623	
Other materials		1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	21,892	27,472	28,819	
Contracted services		665	665	665	665	665	665	665	665	665	665	665	7,982	8,445	8,967	
Transfers and grants		13	13	13	13	13	13	13	13	13	13	13	150	159	169	
Other expenditure		2,863	2,863	2,863	2,863	2,863	2,863	2,863	2,863	2,863	2,863	2,863	4,063	35,556	51,092	52,899
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		23,047	23,047	23,047	23,047	23,047	23,047	23,047	23,047	23,047	23,047	23,047	24,247	277,760	309,029	324,047
Surplus/(Deficit)																
		10,470	(5,053)	(5,053)	(5,053)	10,470	(5,053)	(5,053)	(5,053)	10,470	(5,053)	(5,053)	(5,053)	(14,068)	(14,024)	(13,030)
Transfers recognised - capital		2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	2,462	3,462	30,545	14,204	14,774
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		12,932	(2,591)	(2,591)	(2,591)	12,932	(2,591)	(2,591)	(2,591)	12,932	(2,591)	(2,591)	(1,591)	16,477	180	1,744
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	12,932	(2,591)	(2,591)	(2,591)	12,932	(2,591)	(2,591)	(2,591)	12,932	(2,591)	(2,591)	(1,591)	16,477	180	1,744

2.5 Total Cash flow projections

WC053 Beaufort West - Supporting Table SA30 Budgeted monthly cash flow																
MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Receipts By Source														1		
Property rates	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	2,169	26,030	26,666	28,533
Property rates - penalties & collection charges	47	47	47	47	47	47	47	47	47	47	47	47	47	564	572	606
Service charges - electricity revenue	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	5,689	68,263	71,239	76,226
Service charges - water revenue	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	16,906	17,319	18,531
Service charges - sanitation revenue	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	12,554	12,861	13,761
Service charges - refuse revenue	536	536	536	536	536	536	536	536	536	536	536	536	536	6,429	6,586	7,047
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	100	100	100	100	100	100	100	100	100	100	100	100	100	1,197	1,216	1,289
Interest earned - external investments	105	105	105	105	105	105	105	105	105	105	105	105	105	1,260	1,336	1,416
Interest earned - outstanding debtors	163	163	163	163	163	163	163	163	163	163	163	163	163	1,960	1,990	2,109
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	20,409	20,874	21,016
Licences and permits	51	51	51	51	51	51	51	51	51	51	51	51	51	610	647	686
Agency services	56	56	56	56	56	56	56	56	56	56	56	56	56	670	710	753
Transfer receipts - operational	16,963	1,440	1,440	1,440	1,440	16,963	1,440	1,440	1,440	16,963	1,440	1,440	1,490	63,897	87,127	92,019
Other revenue	444	444	444	444	444	444	444	444	444	444	444	444	444	5,327	1,403	1,487
Cash Receipts by Source	30,478	14,955	14,955	14,955	14,955	30,478	14,955	14,955	14,955	30,478	14,955	14,955	15,005	226,076	250,544	265,479
Other Cash Flows by Source																
Transfer receipts - capital	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	2,545	30,545	14,204	14,774
Contributions recognised - capital & Contributed a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	5	5	5	5	5	5	5	5	5	5	5	5	5	55	57	59
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(110)	(117)	(124)
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	33,019	17,496	17,496	17,496	17,496	33,019	17,496	17,496	17,496	33,019	17,496	17,496	17,546	256,566	264,689	280,188
Cash Payments by Type																
Employee related costs	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	7,121	85,451	91,415	97,795
Remuneration of councillors	414	414	414	414	414	414	414	414	414	414	414	414	414	4,967	5,265	5,581
Finance charges	136	136	136	136	136	136	136	136	136	136	136	136	136	1,633	1,466	1,244
Bulk purchases - Electricity	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	4,878	58,538	58,555	60,923
Bulk purchases - Water & Sewer	652	652	652	652	652	652	652	652	652	652	652	652	652	7,826	6,302	6,557
Other materials	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	1,856	22,268	26,370	27,152
Contracted services	677	677	677	677	677	677	677	677	677	677	677	677	677	8,119	8,106	8,449
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	13	13	13	13	13	13	13	13	13	13	13	13	13	150	159	169
Other expenditure	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	3,004	36,049	48,919	49,710
Cash Payments by Type	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	225,002	246,556	257,579
Other Cash Flows/Payments by Type																
Capital assets	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	2,847	34,168	14,204	14,774
Repayment of borrowing	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(77)	(919)	1,578	2,864
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	21,521	258,251	262,338	275,217
NET INCREASE/(DECREASE) IN CASH HELD	11,498	(4,025)	(4,025)	(4,025)	11,498	(4,025)	(4,025)	(4,025)	(4,025)	11,498	(4,025)	(4,025)	(3,975)	(1,685)	2,350	4,971
Cash/cash equivalents at the month/year begin:	6,006	17,504	13,479	9,453	5,428	16,926	12,900	8,875	4,850	16,347	12,322	8,297	6,006	4,321	6,671	6,671
Cash/cash equivalents at the month/year end:	17,504	13,479	9,453	5,428	16,926	12,900	8,875	4,850	16,347	12,322	8,297	4,321	4,321	6,671	11,643	11,643

2.6 The Quality Certificate

- a) In my capacity as the municipal manager of the Beaufort West Local Municipality, I hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.



Jaftha Booyesen

Beaufort West Local Municipality (WC053)

20/05/2016
Date

End of document

Beaufort West Municipality
15 Church Street, Beaufort West
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ANNEXURE A 2016/17 - 2018/19

BEAUFORT WEST MUNICIPALITY

Increases in Tariffs for Rates, Service Charges and Other Sundry Tariffs

Annexure A – Increases in Tariffs for Rates, Service Charges and Other Sundry Tariffs

1. Tariffs for Rates with effect from 1 July 2016:

1.1 the tariffs for property rates – **7% increase**;

Beaufort West, Merweville, Nelspoort and Murraysburg

Residential	R0.017576
Agricultural	R0.004107
Commercial	R0.025569

Rebates in respect of residential properties will be granted in accordance with the municipality's rates policy.

Having taken into account the limited rate funded services supplied to agricultural properties in general, the contribution of agriculture to the local economy, the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality and the contribution of agriculture to the social and economic welfare of farm workers, the municipality grant rebates to the effect that the netto rate payable on agricultural properties will amount to R0.002054.

A rates rebate shall be granted to owners of properties who meet the following criteria:

- The property must be occupied by the owner;
- The rebate will be available to one property only in cases where more than one property is owned by the applicants;
- The owner must be older than 60 years;
- The rebate shall be granted on properties where the municipal valuation is less than R450,000.

The rebate referred to in the previous paragraph shall be dependent on the monthly household income as follows:

Less than R 1,200 per month	- 30%
R 1,201 to R 1,505	- 20%
R 1,505 to R 3,010	- 10%

The first R19,000 of all residential properties shall not be subject to rates.

2. Tariffs and other sundry tariffs increases from 1 July 2016:

2.1 the tariffs for electricity – **7.64%**; The National Electricity Regulator (NERSA) has approved an increase in the bulk tariff from Eskom of **9.4%**.

2.2 the tariffs for water – **7%**;

2.3 the tariffs for sanitation – **7%**;

2.4 the tariffs for refuse removal – **7%**;

2.5 Other sundry tariffs – **5%**

Beaufort West Municipality
15 Church Street, Beaufort West
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ANNEXURE B

2016/17 - 2018/19

<h2>BEAUFORT WEST MUNICIPALITY</h2>
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Municipal Budget Circular No. 78 for the 2016/17 MTREF



Municipal Budget Circular for the 2016/17 MTREF

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Introduction

The budget circular is compiled annually to guide municipalities on how to prepare their budget inputs. This circular focuses on the preparation of the 2016/17 Medium Term Revenue and Expenditure Framework (MTREF), reference should also be made to the previous circulars. This guidance includes national policy imperatives that should be accommodated and other relevant information. The circular provides a summary of South Africa's economic outlook, inflationary targets, financial management issues and specific reference on how to give effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR). The key focus of this circular is the 2016 Local Government Elections, the demarcation process and the changes to the local government grant allocations.

1. 2016 Local Government Elections and the budget process

Local government elections are likely to be scheduled between May and August 2016; the proposed date is yet to be determined. Elections are important events – when we reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.

The following four risks need to be explicitly managed:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003)(MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1 July). This means that the municipal council must approve the relevant tariffs before the commencement of 1 July; and, should this not happen, the municipality will not be able to increase its taxes and tariffs. Failure to obtain Council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution;
2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive **must** intervene. This provincial intervention may include dissolving the municipal council and appointing an administrator to run the municipality;
3. The outgoing council may be tempted to prepare an 'election friendly budget' – with unrealistically low tariff increases and an over-ambitious capital expenditure programme. The outcome of this approach will undoubtedly be unfunded municipal budgets that threaten their respective municipalities' financial sustainability and service delivery; and
4. Given that the timing of election campaigning coincides with the municipal public budget consultations; and there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties.

In the build-up to the 2016 local government elections, municipalities are encouraged to act towards ensuring financial sustainability. Now, more than ever before, it is paramount for sound municipal decision-making so that long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

Municipal finances are presently volatile and there is severe pressure to maintain healthy cash flows and maintain effective cost containment measures. It is therefore imperative that municipalities refrain from suspending credit control and debt collection efforts in a bid to win votes.

Furthermore, as the current composition and leadership of municipal councils will, for the most part, be responsible for the compilation of the 2016/17 medium-term revenue and expenditure (MTREF) budgets, councils are advised to prioritise expenditure appropriations aligned to the policy intent as described in the integrated development plans (IDPs). Infrastructure provisioning for water, sanitation, roads and electricity remain key priorities.

In addition the outgoing council is advised to critically consider the financial implications before entering into new long-term contracts that are not of priority to the municipality and avoid if possible, committing the incoming council. In addition, refrain from purchasing cars and from incurring expenditure at this stage that will financially burden the incoming council.

During this time of transition, all stakeholders should work together to ensure that municipalities continue to perform their functions efficiently and effectively. The Mayor and municipal manager should now be engaging in the process of the annual review of the fifth and last year of the IDP in terms of section 34 of the Municipal Systems Act (MSA) and the 2016/17 budget preparation process in terms of section 21 of the MFMA. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue seamlessly as these processes cannot be delayed in anticipation of the announcement of an election date.

The uncertainty of the date of Election Day means that the newly elected councils may not be duly constituted by 31 May 2016 and therefore they will be unable to consider the annual budget before the start of the new municipal financial year. If the election date falls within the latter part of May 2016 and if there is any delay in declaring the election results or if the results are legally contested then it is unlikely that the new councils will be able to consider and pass the annual budget before the start of the new municipal financial year. In fact, in the case of district municipalities, there is a high probability that they will not be constituted in time to consider the annual budgets since they depend on the finalisation of the local municipality election results relevant to their respective districts. The same will apply if the election is held in June, July or August. It is for this reason that it is recommended that the outgoing council should adopt the 2016/17 MTREF budget before the start of the new financial year.

In deciding on the schedule for the 2016/17 budget process, the Mayor and municipal manager must also note that the MFMA read together with the Municipal Budget and Reporting Regulations only allows for a 'main adjustments budget' to be tabled after the mid-year budget and performance assessment has been tabled in council, i.e. after 1 January 2017. In addition, the permitted scope of an adjustments budget is quite limited in that taxes and tariffs may not be increased or decreased (refer to section 28(6) of the MFMA), and any additional revenues may only be appropriated to programmes and projects already budgeted for (refer to section 28 of the MFMA). Therefore the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

Though an IDP is a five year strategic document of council, municipalities should note that when a new council takes office after each local government election, the norm has been that the first year of such a new council is primarily confined to implementing the last adopted IDP. Subsequent to this, it is normally in the second year of the new council where the newly

elected council will adopt its new and thoroughly interrogated and consulted IDP. This process mostly leads to an overlap of the last year of outgoing council into the new council.

It is each municipal council's prerogative to decide when to approve its annual budget. However, to assist municipalities, National Treasury proposes that councils consider adopting the following approach for their 2016/17 budget process:

Outgoing council approves 2016/17 budget
<ol style="list-style-type: none"> 1. Current Mayor prepares a budget schedule that brings the review of the IDP and the tabling of the budget forward to late February or the beginning of March 2016; 2. Community consultations on the annual budget conducted in the remainder of March and early April 2016; 3. Officials complete technical work on annual budget by mid-April 2016; 4. Current council approves annual budget and reviewed IDP before the end of April 2016; and 5. Council implements annual budget from 1 July 2016.
Benefits
<ul style="list-style-type: none"> • Minimises the risk of being without an approved budget at the start of the financial year; • Ensures continuity of operations; and • Safeguards the financial sustainability of the municipality by ensuring tariff increases are locked in before the start of the financial year.
Risks
<ul style="list-style-type: none"> • New council may not concur with the priorities set out in the annual budget approved by the outgoing council, and therefore they may be reluctant to be held accountable for the implementation thereof.
Mitigating factors
<ul style="list-style-type: none"> • New council should note the overlapping year of the last year of the IDP into the first year of new council; and • Note that MFMA section 28(6) does not allow for tariff increases during the financial year of implementation of the adopted budget.

2. Financial Implications of the demarcation process

According to section 21 of the Municipal Demarcation Act, 1998 (Act No 27 of 1998), the Municipal Demarcation Board (MDB) must determine municipal boundaries and may re-determine any municipal boundaries. In June 2011, the MDB began an intensive three year consultative process of reviewing municipal boundaries. This process was concluded in 2013, and resulted in 17 local municipalities being affected by major boundary redeterminations. As a result of these changes the total number of municipalities is reduced by 8 municipalities.

Following the 2013 cycle of municipal boundary redeterminations, the Minister of Cooperative Governance and Traditional Affairs (CoGTA) submitted additional proposals requesting the MDB to consider the re-configuration of boundaries of certain municipalities. These proposals were submitted to the MBD in January, February and April 2015 in terms of section 22(2) of the Act, which gives the Minister of CoGTA the right to request the MDB to consider specific boundary changes. The process of considering these applications was finalised in 2015, resulting in 32 local municipalities being affected. As a result of these changes the total number of municipalities is reduced by a further 13 municipalities.

In total there will be a net reduction of 21 municipalities resulting in a total number of 257 municipalities in the country. A list of affected municipalities is attached as Annexure B.

Implications for municipalities that are merging (if the election is held before 1 July 2015):

- The demarcation changes are only effective from the date of the local government elections, therefore each existing municipality must compile an individual budget for the 2016/17 MTREF;
- The individual budgets will be consolidated for the newly demarcated municipality after the local government elections, regardless of the new allocations that will be published in the 2016 Division of Revenue Bill;
- In order to ensure seamless consolidation of budgets after the elections, the merging municipalities are urged to start working as a team on the planning and technical processes; and
- During the period between the date of the election and the start of the new municipal financial year on 1 July 2016 the current arrangements for the payment of staff and creditors are required to be maintained.

In addition, municipalities should be aware of the role of the Change Management Committee (CMC) of overseeing joint planning between the municipalities in preparation for the consolidated budget after the local government elections.

National Treasury will provide further information on the implications of the mergers if the elections are after the start of the 2016/17 municipal financial year. This will be done in the second budget circular to be issued in March 2016. In this scenario the currently existing municipalities would continue to exist for the beginning of the 2016/17 financial year before the mergers come into effect on the date of the election. Existing councils will have to adopt budgets and municipalities will be eligible to receive a pro-rata portion of their equitable share and some grant allocations for the period prior to the new municipal boundaries coming into effect.

2.1 Support provided to municipalities

To support the newly amalgamated municipalities to undertake a smooth transition, the Municipal Demarcation Transition Grant (MDTG) was established with a time span of three years (2015/16 to 2017/18). The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect after the 2016 local government elections. The grant only subsidises additional administrative costs related to the mergers (such as merging and changing administrative systems and costs related to transferring staff). It does not provide for any infrastructure funding.

All affected municipalities are also being supported by provincial departments of cooperative governance. A Change Management Committee has been established for each re-demarcation, with representation from all of the affected municipalities and their respective district municipalities and the provinces. The Department of Cooperative Governance has also established a national Municipal Demarcation Transitional Committee with the aim of coordinating the various transitional measures that need to be put in place for the affected municipalities.

The 2016 DORA will set out the funding that will be provided to the affected municipalities, and these municipalities, CMCs and affected provinces must ensure that they adhere to the conditions attached to the MDTG. In particular, business plans must be timeously submitted to the Department of Cooperative Governance so as to ensure that transfers are done in accordance with the payment schedules.

2.2 Impact of demarcation changes on financial transfers to municipalities

Implications for Local Government Equitable Share (LGES) allocations

The LGES is allocated through a formula that takes account of several factors including the number of poor households and households in a municipality, their incomes and the ability of the municipality to raise its own revenue. In calculating municipalities' equitable share allocations for 2016/17 all of these indicators will be updated in line with the new municipal boundaries. The resultant changes in the affected municipalities' equitable share allocations will be implemented by National Treasury and details of the new allocations will be published in the 2016 Division of Revenue Bill.

Implications for Municipal Infrastructure Grant (MIG) allocations

The MIG is allocated through a formula in a similar manner to the LGES (the MIG formula is based on infrastructure backlogs). The MIG formula will also be updated with data reflecting the changed municipal boundaries. The resultant changes in the affected municipalities' MIG allocations will be implemented by National Treasury and details of the new allocations will be published in the 2016 Division of Revenue Bill.

Implications for other conditional grant allocations

Allocations of other conditional grants are made to municipalities by the responsible national departments, often on a project basis. Allocations for conditional grants are only made for one year and the amounts published for the outer years in the schedules of the Division of Revenue Act are published for indicative purposes only and are not guaranteed. Departments will make their allocations for the 2016/17 financial year based on the new boundaries of municipalities. For municipalities that have been merged this means that previous indicative allocations are likely to be made to the new municipality that incorporates the municipal area where a project was planned and indicative amounts were published, however there is no guarantee of this.

Preparations for each major boundary re-determination are being overseen by a Change Management Committee (CMC). These CMCs are expected to play a coordinating role and exercise oversight over the preparation of a joint budget as well as any business plans required for conditional grants. The business plans can then be approved by the new council as soon as it has been constituted.

Transfers to municipalities will be gazetted in terms of the new municipal boundaries for the 2016/17 financial year.

2.3 Implications for assets and liabilities of municipalities

The changes to municipal boundaries are published by the MECs for local government in provincial gazettes in terms of section 12 of the Municipal Structures Act, 1998 (Act No 117 of 1998)(LGMSA). Section 14 of this Act regulates the effects that changes to municipal boundaries will have on existing municipalities. It also stipulates that the section 12 notice issued by the MEC for local government must provide for:

- The disestablishment of a municipality (or part of a municipality);
- The vacation of office by councilors of the existing municipality;
- The transfer of staff from the existing municipality to the superseding municipality (this must be done in accordance with labour legislation);
- The transfer of assets, liabilities and administrative and other records from the existing municipality to the superseding municipality (creditors of the existing municipality must be paid by the new municipality); and
- The extent to which existing by-laws will still apply.

The 2016/17 municipal budget preparation must make provision for any changes contained in these section 12 notices. The outgoing Council will as a result still be responsible for the preparation and conclusion of the Annual Financial Statements and the audit process.

3. The South African economy and inflation targets

The 2015 Medium Term Budget Policy Statement notes that the global economic outlook has been weaker than anticipated. Growth in developing economies has moderated in response to lower commodity prices, subdued domestic demand and reduced capital inflows. Growth in some developed economies has offset this slowdown. The South African economy is expected to grow by 1.5 per cent in 2015, 1.7 per cent in 2016 and 2.6 per cent in 2017. Domestic inflation is lower, largely as a result of declining oil prices. However, the depreciation of the Rand and the current drought gripping many parts of the country, however, pose some risk to the inflation outlook. Furthermore the electricity supply shortages pose the largest domestic risk to growth.

Persistent high unemployment remains one of South Africa's most pressing challenges. Difficult trading conditions and low business confidence levels have limited hiring during 2015. The formal sector lost 76 000 jobs, with sharp declines in manufacturing and construction, as well as community, social and personal services.

These economic challenges will continue to pressurise municipal revenue generation and collection hence a conservative approach is advised for projecting revenue. These circumstances make it essential for municipalities to reprioritise expenditure and implement stringent cost-containment measures.

Municipalities must take the following macro-economic forecasts into consideration when preparing their 2016/17 budgets and MTREF.

Table 1: Macroeconomic performance and projections, 2014 - 2018

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate		Forecast	
CPI Inflation	5.6%	5.5%	6.0%	5.8%	5.8%

Source: Medium Term Budget Policy Statement 2015

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

4. Key focus areas for the 2016/17 budget process

4.1 Local government conditional grants and additional allocations

The purpose of the conditional grants is to deliver on national government priorities relating to service delivery. Additional funding is allocated in the form of unconditional allocations such as the equitable share and the sharing of the general fuel levy. The main purpose of the equitable share is to fund the provision of free basic services to the poor.

The 2015 Medium Term Budget Policy Statement indicates that over the 2016 MTEF period, transfers to local government total R350.6 billion, with 59.5 per cent transferred as unconditional allocations and the rest as conditional grants. The division of available funds to local government have increased to R106.9 billion or 9.2 per cent of the national revenue for 2016/17. These funds are expected to increase to R128.4 billion by 2018/19.

Municipalities are advised to use the indicative numbers as set out in the 2015 Division of Revenue Act to compile their 2016/17 MTREF. In terms of the outer year (2018/19 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2015 Division of Revenue Act for 2017/18. The DoRA is available at <http://www.treasury.gov.za/legislation/acts/2015/Default.aspx>

It is imperative that municipalities reflect the conditional grant allocations as per the 2016 Division of Revenue Bill once available, and plan effectively to utilise these allocations appropriately so as to avoid requesting roll-overs.

Changes to local government allocations

- The *local government equitable share* is being increased by R6 billion over the MTEF to provide some relief for the impact of increasing costs of bulk water and electricity and rapid growth in households.
- The *municipal demarcation transition grant* allocation is being increased to subsidise the additional administrative costs in respect of the re-demarcations. This includes increased allocations for demarcations approved in 2013 and allocations for demarcations approved in 2015.
- The *municipal systems improvement grant* will become an indirect grant so that it can support more strategic capacity building interventions at municipalities. The initiatives funded from this grant will be aligned to the Back-to-Basics strategy and the Department of Cooperative Governance and the National Treasury will jointly decide on the details of how this programme will work.
- The *municipal human settlements capacity grant* was introduced in 2014/15 to facilitate the development of capacity to manage human settlements programmes in anticipation of the assignment of the housing function to cities. However, there is no longer a need for this standalone grant as the assignment process was subsequently suspended indefinitely. The grant will be terminated in 2016/17. Cities will be allowed to use 3 per cent of the *urban settlements development grant* to improve their capacity with regard to the built-environment functions.
- The indirect *bucket eradication programme grant* was due to end in 2015/16 but will be extended to 2016/17 to complete the eradication of bucket sanitation systems in formal residential areas. Sanitation upgrading and bucket system eradication in informal areas will continue to be funded through the *urban settlements development grant*, *human settlements development grant* and *municipal infrastructure grant*.

Reforms to local government fiscal framework

The second phase of the collaborative review of the local government infrastructure grant system led by the National Treasury has been concluded. Several changes will be introduced over the 2016 MTEF period to streamline these grants and improve the value and sustainability of associated investments. Proposed reforms to be introduced from 2016 include:

- Enabling the use of funds for the renewal, refurbishment and rehabilitation of existing infrastructure, alongside asset management systems to plan and prioritise maintenance;

- Reforming the public transport network grant to support financially sustainable transit networks in large cities by using a formula to allocate the grant, thereby giving cities a clear financial envelope within which to plan;
- Consolidating urban grants over the MTEF to tackle challenges in the built environment;
- Rationalising grants to reduce complexity and administrative burdens. Several water and sanitation grants are being merged;
 - The *municipal water infrastructure grant*, the *water services operating subsidy grant* and the *rural households infrastructure grant* will be merged into a single grant that will be targeted at reticulation and on-site-solutions in low capacity municipalities.
- Introducing greater differentiation between urban and rural areas. Secondary cities in particular will see changes to their planning requirements.

National Treasury has initiated a process of reviewing development charges. A national draft policy framework on development charges has been developed and processes are underway to consult on the policy. The consultations will convene early next year. More detailed information on these consultation processes will be provided in due course. For more information in this regard, you can contact Ms Judy Mboweni at Judy.Mboweni@treasury.gov.za or Ms Mmachuene Mpyana at Mmachuene.Mpyana@treasury.gov.za.

4.2 Reporting indicators

The National Treasury has engaged in a process of rationalising the reporting regime for the eight metropolitan municipalities with an aim to reduce the reporting burden whilst also creating a pool of indicators that will enable government to monitor progress on the outcomes and impact of municipal spending. This process has progressed significantly with regards to the outcomes and impact indicators whilst the rationalisation of the inputs, activities and output indicators is still undergoing rigorous consultations. The metropolitan outcomes and impact indicators are linked to the Built Environment Performance Plans (BEPPs) and therefore the Integrated City Development Grant (ICDG); whereas the inputs, outputs and activities indicators are linked directly to the Service Delivery Budget Implementation Plan (SDBIP) only as it relates to the built environment. When finalised, these indicators will assist the process of standardising the SDBIP.

The functional outcomes indicators are due to be finalised for the next budget cycle whilst the work on the input and output indicators is ongoing. Over time these reforms will also be extended to non-metropolitan municipalities.

4.3 Municipal Standard Chart of Accounts (*mSCOA*)¹

The *mSCOA* Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only eleven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to *mSCOA*.

The implementation of *mSCOA* must be considered a business reform and it requires a significant change in municipal business processes; and it involves systems conversion and/

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

or re-implementation. Further, *m*SCOA requires organisational change as it is not only a financial reform that is being introduced.

The 2016/17 tabled budget or consolidated budget must include an annexure containing the municipality's *m*SCOA project plan and progress to date.

National Treasury has a dedicated website to support municipalities with their *m*SCOA readiness efforts. The following information is available:

- The current *m*SCOA classification framework;
- The *m*SCOA Project Summary Document;
- All Municipal SCOA Circulars, providing hands-on support on how to undertake preparation and implementation;
- Integrated Consultative Forum (ICF) – documentation and presentations of the *m*SCOA piloting process; and
- The Frequently Asked Questions Database (FAQ Database) – where previously asked questions and responses can be accessed and new questions may be logged.

For more information on *m*SCOA and other benefits of the reform, visit: <http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

5. The revenue budget

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities ***must justify in their budget documentation all increases in excess of the 6.0 per cent*** projected inflation target in the budget narratives.

Municipalities are not maximising the revenue generation potential of their revenue base and this, together with the increasing unemployment and the decline in economic growth means that there is just not sufficient municipal own revenue to supplement the national funding sources to local government.

It is therefore necessary for municipalities to ensure that their tariffs are adequate to, at the minimum, cover the costs of bulk services and also to ensure that all properties are correctly billed for property rates and all services rendered.

5.1 Eskom bulk tariff increases

In terms of the Multi Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 8 per cent has been approved for the 2016/17 financial year. However, Eskom has applied to NERSA to use tariff increases in 2016/17 to compensate for an under-recovery of R22.8 billion in 2013/14. Such an application is allowed in terms of the NERSA's methodology for calculating the MYPD. A similar Eskom application was approved by NERSA for 2015/16.

NERSA is now in the process of reviewing this application. Until a decision on Eskom's application is announced by NERSA, municipalities are advised to base their planning on the 8 per cent increase already approved by NERSA. However, municipalities should be aware that it is possible that a higher tariff increase could be approved and take this possibility into account in their planning for the 2016/17 MTREF. NERSA expects to make a decision on Eskom's application by February 2016.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving financial sustainability.

5.2 Water and sanitation tariff increases

Municipalities should consider the full cost of rendering the water and sanitation services when determining tariffs related to these two services. If the tariffs are low and result in the municipality not recovering their full costs, the municipality should develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time. Should this not be the case, municipalities will be required to clearly articulate the reasons and remedial actions to rectify this position in their budget document. It is expected that the tariffs will differ per municipality depending on the bulk water tariff increases charged by their respective water boards.

Municipalities are urged to design an Inclining Block Tariff (IBT) structure that is appropriate to its specific circumstances, and ensures an appropriate balance between 'low income customers' and other domestic, commercial and business customers, and the financial interests of the municipality. While considering this structure, municipalities are advised to evaluate if the IBT system will be beneficial to them depending on consumption patterns in their areas.

In light of the current drought being experienced across large parts of the country, and to mitigate the need for water tariff increases, municipalities must put in place appropriate strategies to limit water losses to acceptable levels. In this regard municipalities must ensure that water used by its own operations is charged to the relevant service, and not simply attributed to water losses.

6. Funding choices and management issues

Municipalities should carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Once again, approving tariffs that are far below levels representing cost of providing the services would negatively impact on the financial sustainability of municipalities.

Furthermore municipalities must consider the following when compiling their 2016/17 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures; and
- pay special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities.

6.1 Employee related costs

The South African Local Government Bargaining Council recently entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

Municipalities are advised to use this Salary and Wage Agreement preparing their 2016/17 MTREF budgets.

6.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually by the Department of Cooperative Governance.

6.3 Service level standards

In spite of a broad guideline on the minimum service standards having been issued with MFMA Circular No. 75, many municipalities did not incorporate the service level standards in their respective budget documentation nor submit these to National Treasury. All municipalities are again advised to formulate service level standards which must form part of their 2016/17 MTREF tabled budget documentation. The said service level standards must, together with the budgets, tabled before their respective municipal councils by no later than 31 March 2016.

It is noted that the same service level standards do not apply across all municipalities. Therefore, the hereon provided outline is intended to guide municipalities with the development of their respective service level standards. The outline can be amended to suit the requirements of individual municipalities. Municipalities are advised to also consider other guideline documents issued by other institutions available on the link indicated below.

A framework was developed as an outline to assist municipalities in finalising their service level standards. The outline can be accessed on the link below:

<http://mfma.treasury.gov.za/Circulars/Documents/Forms/AllItems.aspx?RootFolder=/Circulars/Documents/Circular 75 - 2015 MTREF&FolderCTID=&View={06AB24E7-1C64-4A80-A0FA-273E6A829094}>

6.4 Outcomes of the Financial Management Capability Maturity Model (FMCMM)

In prioritising the upcoming MTREF decisions, municipalities should review the detailed analysis of the results of the FMCMM assessments with the results of the 32 financial ratios that provide a holistic picture of the financial capability and sustainability of the municipality. These reports have been communicated to all municipalities and should be read in conjunction with the most recent budget reviews and feedback provided by National Treasury and Provincial Treasuries. Key aspects requiring attention should be discussed with the municipal council and management so that they can be prioritised for resource allocation and implementation.

Comments on these assessments and any other related legislative advice on the MFMA can be submitted to the MFMA helpdesk facility at: MFMA@treasury.gov.za

6.5 Hand-over reports for the newly elected council

Each municipal manager, working together with the Chief Financial Officer (CFO) and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. The aim of this hand-over report is to provide the new councils important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed.

It is proposed that the hand-over report should include:

- An overview of the demographic and socio-economic characteristics of the municipality;

- An overview of the organisational structure of the municipality, with the names and numbers of senior managers;
- An overview of key municipal policies that councillors need to be aware of, and where they can obtain the full text of such policies;
- An overview of issues that still need to be addressed in relation to the municipality's turnaround strategy;
- An overview of the municipality's financial health, with specific reference to:
 - Its cash and investments, and its funding of commitments (Table A8);
 - Cash coverage of normal operations (see Supporting Table SA10);
 - Creditors outstanding for more than 30 days, along with reasons for delayed settlement;
 - Current collection levels and debtors outstanding for more than 30 days; and
 - Extent of existing loans, and associated finance and redemption payments.
- The municipality's 2014/15 audit outcome, and its strategy to address audit issues;
- An overview of the provision of basic services, including plans to address backlogs;
- An overview of the state of the municipality's assets, with particular reference to the asset management plan, and repairs and maintenance requirements;
- A list of the main infrastructure projects planned for the 2016/17 budget and MTREF;
- A list of key processes requiring council input over the next six months, e.g. revision of the IDP, approval of specific policies etc. and
- Any other information deemed to be important.

In addition to the hand-over report, each new councillor should be given the municipalities' revised IDP, the adopted 2016/17 budget (if already passed), the mid-year budget and performance assessment report for 2015/16, and the latest monthly financial statement, and the annual report for 2014/15.

Municipal managers should submit their municipality's hand-over report to the relevant provincial department responsible for local government, provincial treasuries, the Department of Co-operative Governance (DCoG) and to National Treasury.

7. Conditional Grant Transfers to Municipalities

7.1 Pledging of conditional grants

Read together with paragraph 4.5 of MFMA Circular No. 51, all conditions for the considerations of the conditional grant pledge should be aligned with the provisions of section 46 of the MFMA regarding long-term borrowing.

While pledging of conditional grants assists in accelerating capital projects, municipalities are cautioned that pledging will only be approved for projects that have gone through a proper planning process as well as meeting the criteria for pledging as per MFMA Circular No. 51.

8. The Municipal Budget and Reporting Regulations

National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). This version incorporates minor changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2016/17 Budget and MTREF.

Download Version 2.8 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

8.1 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official as follows:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lqdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a 'quality certificate' in accordance with the format as set out in item 31 of Schedule A in the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***those municipalities will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year reports for both the parent municipality and its entity or entities in that they to produce:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and not the budget of the parent municipality only.

9. Budget process and submissions for the 2016/17 MTREF

9.1 Submitting budget documentation and schedules for 2016/17 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2016, the final date of submission of the electronic budget documents and corresponding electronic returns is **Friday, 01 April 2016**. The deadline for submission of hard copies including council resolution is **Friday, 8 April 2016**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2016, the final date for such a submission is **Thursday, 14 July 2016**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 2.8) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA37) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and
- schedules D, E and F specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to lqdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lqbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 31 March 2016 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with

Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

9.2 Budget reform returns to the Local Government Database for publication

For publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. All returns are to be sent to lqdatabase@treasury.gov.za. Municipalities are requested to submit returns for both the draft budget and the final adopted budget. This will assist the National and provincial treasuries with the annual benchmark process.

The aligned electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

9.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
07 December 2015

Annexure A – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet	Amendment	Reason
1	A10	Cost of free basic services	Improve reporting of cost of free basic services provided including in informal settlements.
2	SA1	Revenue foregone	Improve reporting on revenue foregone and cost of free basic services.
3	SA9	Provision of free basic services	To provide detailed breakdown of free basic services which links to A10.

Annexure B – Municipalities affected by redeterminations

Redeterminations Finalised by the MDB in 2013 and 2015

Province	Affected Local Municipalities	Impact
Redeterminations finalised in 2013		
Gauteng	Randfontein and Westonaria	Reduction of 1 Municipality
KwaZulu - Natal	Vulamehlo and Umdoni	Reduction of 1 Municipality
	Hlabisa and The Big 5 False Bay	Reduction of 1 Municipality
	Umtshezi and Imbabazane	Reduction of 1 Municipality
	Ezingoleni and Hibiscus Coast	Reduction of 1 Municipality
	Emnambithi/Ladysmith and Indaka	Reduction of 1 Municipality
	Kwa Sani and Ingwe	Reduction of 1 Municipality
	Ntambanana, Mthonjaneni and uMhlathuze	Reduction of 1 Municipality . (Ntambanana disestablished with 8 wards. Ward s1-4 incorporated into Mthonjaneni; wards 5-8 incorporated into uMhlathuze)
Redeterminations finalised in 2015		
KwaZulu - Natal	Mooi Mpfana and Umvoti	No reduction in number of Municipalities. Portion of Mooi Mpfana (Cadham voting district) incorporated into Umvoti.
Mpumalanga	Mbombela and Umjindi	Reduction of 1 Municipality
Free State	Mangaung and Naledi	Reduction of 1 Municipality
North West	Ventersdorp and Tlokwe	Reduction of 1 Municipality
Northern Cape	Mier and //Khara Hais	Reduction of 1 Municipality
Limpopo	Mutale, Thulamela, Makhado and Musina	Reduction of 1 Municipality (Mutale disestablished. Parts of Mutale are incorporated into Thulamela and Musina. Parts of Makhado and Thulamela are incorporated to form a new municipality .)
	New Municipality	Parts of Makhado and Thulamela are incorporated to form a new municipality .
	Aganang, Blouberg, Molemole and Polokwane	Reduction of 1 Municipality . (Aganang disestablished; parts of Aganang incorporated into Blouberg, Molemole and Polokwane).
	Fetakgomo and Greater Tubatse	Reduction of 1 Municipality
	Modimolle and Mookgopong	Reduction of 1 Municipality
Eastern Cape	Gariep and Maletswai	Reduction of 1 Municipality
	Nxuba and Nonkobe	Reduction of 1 Municipality
	Inkwanca, Tsolwana and Lukanji	Reduction of 2 Municipalities (all 3 amalgamated into 1)
	Camdeboo, Bavians and Ikwazi	Reduction of 2 Municipalities (all 3 amalgamated into 1)

Annexure C – Previous MFMA Circulars

Budget management issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55, 66, 67 and 70 with regards to the following issues:

1. Mayor's discretionary funds and similar discretionary budget allocation – National Treasury regards allocations that are not designated for a specific purpose to be bad practice and discourage them (refer to MFMA Circular 51).
2. Unallocated ward allocations – National Treasury does not regard this to be a good practice, because it means that the tabled budget does not reflect which ward projects are planned for purposes of public consultation and council approval (refer to MFMA Circular 51).
3. New office buildings – Municipalities are required to send detailed information to National Treasury if they are contemplating building new main office buildings (refer to MFMA Circular 51).
4. Virement policies of municipalities – Municipalities are reminded of the principles that must be incorporated into municipal virements policies (refer to MFMA Circular 51).
5. Providing clean water and managing waste water – Municipalities were reminded to include a section on 'Drinking water quality and waste water management' in their budget document (refer to MFMA Circular 54).
6. Renewal and repairs and maintenance of existing assets – Allocations to repairs and maintenance, and the renewal of existing infrastructure must be prioritised. Municipalities must provide detailed motivations in their budget documentation if allocations do not meet the required benchmarks set out in MFMA Circular 55 and 66.
7. Credit cards and debit cards linked to municipal bank accounts are not permitted – On 02 August 2011 National Treasury issued a directive to all banks informing them that as from 01 September 2011 they are not allowed to issue credit cards or debit cards linked to municipal bank accounts (refer to MFMA Circular 55).
8. Water and sanitation tariffs must be cost reflective - refer to MFMA Circular 66.
9. Solid waste tariffs – refer to MFMA Circular 70.
10. Variances between 4th Quarter section 71 results and annual financial statements – refer to Circular 67.
11. Additional In-Year reporting requirements – refer to MFMA Circular 67.
12. Appropriation statement (reconciliation: budget and in-year performance)- reference is made to circular 67. It came to the attention of National Treasury that a number of municipalities did not include the appropriation statement as part of their 2012/13 or 2013/14 annual financial statement. In terms of the Standards of GRAP 24 on the Presentation of Budget Information in Financial Statements, municipalities are required to present their original and adjusted budgets against actual outcome in the annual financial statements. This is considered an appropriation statement and the comparison between the budget and actual performance should be a mirror image of each other as it relates to the classification and grouping of revenue and expenditure as has been the case in a national and provincial context. This statement is subject to auditing and accordingly supporting documentation would be required to substantiate the compilation of this statement.
13. Eliminating non-priority spending – The 2013 MTBPS emphasised the need for government to step-up its efforts to combat waste, inefficiency and corruption (refer to MFMA circular 70).
14. Council oversight over the budget process – refer to MFMA Circular 70.

Conditional grant issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 and 67 with regards to the following issues:

1. Accounting treatment of conditional grants: Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by incurring expenditure in accordance with the conditions of the grant.
2. VAT on conditional grants: SARS has issued a specific guide to assist municipalities meeting their VAT obligations – **VAT 419 Guide for Municipalities**. To assist municipalities accessing this guide it has been placed on the National Treasury website at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>
3. Interest received and reclaimed VAT in respect of conditional grants: Municipalities are reminded that in MFMA Circular 48, National Treasury determined that:
 - Interest received on conditional grant funds must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions; and
 - 'Reclaimed VAT' in respect of conditional grant expenditures must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions.
4. Appropriation of conditional grants that are rolled over – As soon as a municipality receives written approval from National Treasury that its unspent conditional grants have been rolled-over it may proceed to spend such funds (refer to MFMA Circular 51 for other arrangements in this regard).
5. Pledging of conditional grant transfers – the 2015 Division of Revenue Bill contained a provision that allows municipalities to pledge their conditional grants. The end date for the pledges is extended to 2017/18. The process of application as set out in MFMA Circular 51 remains unchanged.
6. Separate reporting for conditional grant roll-overs – National Treasury has put in place a separate template for municipalities to report on the spending of conditional grant roll-overs. Municipalities are reminded that conditional grant funds can only be rolled-over once, so if they remain unspent in the year in which they were rolled-over they MUST revert to the National Revenue Fund.
7. Payment schedule – National Treasury has instituted an automated payment system of transfers to municipalities in order to ensure appropriate safety checks are put in place. Only the primary banking details verified by National Treasury will be used for effecting transfers.
8. Conditional grant transfers/payments, the responsibilities of transferring and receiving authorities and the criteria for the rollover of conditional grants – It is important that the transfers made to municipalities' are transparent, and properly captured in the municipalities' budgets. MFMA Circular no: 67 in this regard refers. The criterion for the rollover of conditional grants is stipulated in MFMA Circular no: 51.

MBRR issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 with regards to the following issues:

1. Budgeting for revenue and 'revenue foregone' – The 'realistically anticipated revenues to be collected' that must be reflected on the Budgeted Statement of Financial Performance (Tables A2, A3 and A4) must exclude 'revenue foregone'. The definition

of 'revenue foregone' and how it is distinguished from 'transfers and grants' is explained in MFMA Circular 51.

2. Preparing and amending budget related policies – Information on all budget related policies and any amendments to such policies must be included in the municipality's annual budget document (refer to MFMA Circular 54).
3. 2013/14 MTREF Funding Compliance Assessment – All municipalities were required to perform the funding compliance assessment outlined in *MFMA Funding Compliance Guideline* and to include the relevant information outlined in MFMA Circular 55 in their 2015/16 budgets (refer to MFMA Circular 55).
4. Tabling a funded budget - It is critical that municipalities adopt and implement funded budgets as per Section 18 of the MFMA. Tables A7 and A8 which if completed correctly by the municipality, it will provide most of the information required to evaluate whether a municipality's operating and capital budgets are **funded** or not.

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ANNEXURE C

2016/17 - 2018/19

<h2>BEAUFORT WEST MUNICIPALITY</h2>
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Municipal Budget Circular No. 79 for the 2016/17 MTREF



Municipal Budget Circular for the 2016/17 MTREF

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Introduction

The budget circular is compiled annually to guide municipalities on how to prepare their budget inputs. This circular is a follow-up to the MFMA Budget Circular No.78 that focused on the preparation of the 2016/17 Medium Term Revenue and Expenditure Framework (MTREF). This guidance includes national policy imperatives that should be accommodated and other relevant information. The circular provides a summary of South Africa's economic outlook, inflationary targets, financial management issues and specific reference on how to give effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR). The key focus of this circular is the impact of the date of the 2016 Local Government Elections on municipalities affected by re-demarcations and the changes to the local government grant allocations.

1. 2016 Local Government Elections and the budget process

1.1 Impact of Local Government Elections on demarcation changes

The date of the 2016 local government elections has not yet been declared, which means that it is also not yet known when the new demarcations will come into effect. The re-demarcation could take place before or after the start of the 2016/17 municipal financial year, which begins on 01 July 2016.

Allocations published in the 2016 Division of Revenue Bill are based on the new municipal boundaries because these new demarcations will be in effect for the majority of the 2016/17 municipal financial year. The following guidance was provided in the MFMA Budget Circular No. 78:

If the elections are held before 01 July 2016, merging municipalities will be expected to:

- Compile individual budgets for the 2016/17 MTREF and work as a team with other affected municipalities on the planning and technical processes in compiling the consolidated budget for the newly demarcated municipality; and
- Complete the remaining weeks of the financial year on their existing budget structures (and existing demarcations). The allocations published in the 2016 Division of Revenue Bill will then be transferred to the re-demarcated municipalities from 01 July 2016.

However, additional clauses have been added to section 38 of the 2016 Division of Revenue Bill to enable the National Treasury to gazette revised allocations if the elections take place after 01 July 2016.

If elections are held after 01 July 2016, the following is expected:

- Revised allocations to be transferred to the current 278 municipalities for the period between 01 July 2016 and the date of the elections (when the re-demarcated municipal boundaries will come into effect);
- The remaining allocations will be transferred to the re-demarcated municipalities after the elections;
- Merging municipalities to compile individual budgets for the 2016/17 MTREF and work as a team with other affected municipalities on the planning and technical processes in compiling the consolidated budget for the newly demarcated municipality; and
- Municipalities to implement the individual budgets until the new re-demarcations come into effect.

In areas affected by major re-demarcations the focus of the budget process for the 2016/17 MTREF should be on preparing the budget of the new municipalities that will come into effect

on the date of the 2016 local government elections. Public consultations and decisions regarding tariffs and spending priorities should be focused on how these new institutions will be funded and deliver services. As elections must be held by mid-August (in terms of the requirements of section 24 of the Municipal Structures Act) these new municipalities will be responsible for delivering services for the majority of the 2016/17 financial year and over the rest of the medium term period. Preparation of these budget documents should be led by the Change Management Committee established to manage the implications of re-demarcations in each area.

The councils of the pre-election municipalities affected by the boundary change must jointly consider the budget for the new municipality to be established to ensure that all the issues are addressed e.g. budget related policies. The draft budget prepared by the Change Management Committee and agreed to by the pre-election councils should then be adopted by the newly elected council as soon as possible after it is constituted. If there are changes to be made, they must be considered during the 2016/17 adjustments budget or the 2017/18 MTREF.

Municipalities that will be merged or disestablished on the date of the local government elections must also prepare 2016/17 MTREF budgets for their existing municipality. If the election is held after 01 July then expenditure and the collection of revenue will be done in terms of this budget until the budget of the new council is adopted. The budgets that these municipalities prepare must be aligned to the budget for the new municipality described above.

If two municipalities are merging then the total of the transfers they budget to receive should be equal to the total allocated to the new municipality in the 2016 Division of Revenue Bill. Municipalities can use the proportion of funds allocated to each municipality in terms of the 2015 Division of Revenue Act as a guide to how to apportion 2016/17 MTEF allocations between the existing municipalities. For example, if municipality 1 and municipality 2 are merging to form municipality 3 and municipality 1 received an equitable share twice as large as municipality 2 in 2015/16, then municipality 1 should prepare a 2016/17 MTREF budget based on receiving 66.6 per cent of the equitable share allocation published for municipality 3 in the 2016 Division of Revenue Bill.

If the local government election date is after 01 July 2016, National Treasury will gazette how much will be transferred to each pre-election municipality for the period between 01 July 2016 and Election Day. In terms of the requirements and process set out in section 38 of the 2016 Division of Revenue Bill, this gazette will be issued within 2 weeks after the election date is announced or the Bill is enacted (whichever date is later).

The changes to municipal boundaries result in some significant changes to municipal allocations in 2016/17. To cushion the impact of these changes, all municipalities will receive at least 95 per cent of the equitable share formula allocation indicatively allocated to them in 2016/17 in the 2015 Division of Revenue Act. For merged municipalities, this guarantee will be based on the sum of the equitable share allocations to the previously separate municipalities. In cases where a municipality has been split, the guarantee is applied to an area's share of the former municipality's equitable share, based on its portion of the population in the former municipality.

The role of the Change Management Committee is critical in ensuring that budget policies for the newly demarcated municipalities are developed. The MECs for local government have issued provincial gazettes in terms of section 14 of the Municipal Structures Act, 1998 (Act No 117 of 1998)(LGMSA) detailing the transitional process for municipalities affected by re-demarcations.

2. The South African economy and inflation targets

The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Job creation remains one of the most pressing concerns for the economy. Headline employment grew by 3.7 per cent in the first three quarters of 2015. According to Statistics South Africa, 19 000 jobs were created in the formal sector and 273 000 in the informal sector in the first three quarters of 2015. The unemployment rate stood at 25.5 per cent in the third quarter of 2015, with the number of South Africans categorised as long-term unemployed 5.7 per cent higher than in 2014.

Higher inflation and weaker employment growth will impact on the ability of all municipalities to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. Therefore it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

Municipalities must take the following macro-economic forecasts into consideration when preparing their 2016/17 budgets and MTREF.

Table 1: Macroeconomic performance and projections, 2014/15 – 2018/19

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Forecast		
CPI Inflation	5.6%	5.4%	6.6%	6.2%	5.9%
Real GDP growth	1.6%	0.9%	1.2%	1.9%	2.5%

Source: 2016 Budget Review

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

3. Key focus areas for the 2016/17 budget process

3.1 Local government conditional grants and additional allocations

The purpose of the conditional grants is to deliver on national government priorities relating to service delivery. Additional funding is allocated in the form of unconditional allocations such as the equitable share and the sharing of the general fuel levy. The main purpose of the equitable share is to fund the provision of free basic services to the poor.

Over the 2016 MTEF period, R339.6 billion will be transferred directly to local government and a further R22.9 billion has been allocated to indirect grants. Direct transfers to local government over the 2016 MTEF period account for 9.1 per cent of national government's non-interest expenditure. The total spending on local government increases to 9.8 per cent of national non-interest expenditure when indirect transfers are added.

Direct transfers to local government grow at an annual average rate of 6.8 per cent over the 2016 MTEF period. Transfers to local government tabled in the 2016 MTEF have been reduced to make funding available for other government priorities. Over the MTEF period, local government allocations decrease by R967 million. Despite these reductions, total allocations to local government still grow at an annual average rate of 6.7 per cent over the MTEF period.

Municipalities are reminded that all allocations included in the budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be located on the National Treasury website by clicking on the link below:
<http://www.treasury.gov.za/documents/national%20budget/2016/>

Changes to local government allocations

- The *local government equitable share* - the 2016 budget reduces the baseline allocation by R300 million, or 0.6 per cent, in 2016/17. In 2017/18 and 2018/19, R1.5 billion and R3 billion are added respectively to offset the rising costs of basic services. These amounts revise downwards the 2015 MTBPS medium-term projection of an additional R6 billion. This change is as a result of government's reprioritisation of expenditure.
- The *municipal demarcation transition grant* allocation – a total of R409.3 million has been allocated in 2016/17 and 2017/18 to fund the changes in municipal boundaries in affected municipalities.
- The *municipal systems improvement grant* has been reconfigured as an indirect grant from 2016/17 to help poorly performing municipalities with revenue collection, performance management and record keeping. Regional management support will also be provided to groups of municipalities facing common institutional weaknesses.
- A total of R350 million is added to the *bucket eradication programme grant* in 2016/17 to complete the eradication of bucket sanitation systems in formal residential areas. The *urban settlements development grant*, the *human settlements development grant* and the *municipal infrastructure grant* will continue to fund the upgrade of sanitation in informal settlements through various projects focused on improving these areas. An amount of R155 million is also reprioritised into the *regional bulk infrastructure grant*.
- There is also a small shift of funds from the *municipal infrastructure grant* to the *urban settlements development grant* to account for the absorption of Naledi Local Municipality (which receives the *municipal infrastructure grant*) into Mangaung Metropolitan Municipality (which receives the *urban settlements development grant*).

Reforms to local government infrastructure grants

The National Treasury, in collaboration with the Department of Cooperative Governance, the Department of Planning, Monitoring and Evaluation, SALGA and the FFC, has reviewed the system of local government infrastructure grants. Following an intergovernmental review of the local government infrastructure grant system, significant changes are being made to the way these grants are structured. The changes include:

- Allowing municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Spending of grant funds on refurbishment should be focused on infrastructure serving the poor and does not remove the responsibility of municipalities to fund routine maintenance from the equitable share and own revenues. This will improve services and secure future revenue streams.
- Reducing the number of water and sanitation grants from four to two by merging of the previous *municipal water infrastructure grant*, the *water services operating subsidy grant* and the *rural household infrastructure grant* to create a new *water services infrastructure grant*. The regional bulk infrastructure grant is to fund large bulk-water and sanitation projects, and the water services infrastructure grant is to fund construction and refurbishment of reticulation schemes and on-site services in rural municipalities.
- A new formula to allocate the R6 billion per year set aside to upgrade public transport in 13 cities. The previous system incentivised cities to plan overly expensive systems in the hope of receiving more funding. The new formula provides greater certainty about the long-term support government will provide, and allows cities to plan affordable and sustainable infrastructure upgrades.

4. Revenue management

National Treasury continues to encourage municipalities to keep increases in property rates, tariffs for trading services and charges for other municipal own revenue sources within the parameters of the country's inflation rate. Furthermore, municipalities must adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality. Demand management is becoming increasingly necessary as the country faces water shortages and an unstable electricity supply. The approach to tariff setting should consider all these factors and strive to achieve an equitable balance.

It is anticipated that the cost of providing municipal services will grow at a faster rate than the transfers from national government. Resource scarcity will most likely increase the cost of bulk purchases in respect of water and electricity beyond the country's inflationary targets.

Furthermore, providing for free basic services in the case of poorer households must be carefully considered and, where some municipalities have opted to provide this benefit to ALL households, this may not be financially sustainable in the long-term. Where appropriate, a municipality should re-evaluate the costs and benefits of universal or targeted provision of free basic services subsidies, in order to protect their delivery to poor households in particular. At no point should the provision of these subsidies remove resources from programmes that will expand access to infrastructure services for presently un-served households.

Where municipalities do not have an adequate revenue base and where municipalities face a combination of challenges such as resource scarcity, high unemployment and slower than average economic growth, an aggressive approach to curbing non-core spending and improving operational efficiencies is strongly advised.

4.1 Tariff setting

There are several tools available and methodologies employed to determine the appropriate tariffs for water and electricity services. Municipalities may favour different approaches but the principles of tariff setting should be consistently applied.

Municipalities should consider the following practicalities when setting tariffs:

- Costs of bulk purchases and the fluctuation in the seasonal cost thereof;
- Consumption patterns to enable better demand planning and management; and
- In the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved.

The tariff setting process is reliant on sound baseline information such as the number of properties within the municipal area of jurisdiction, the values of these properties, the number of households identified as indigent or poor, the consumption patterns in respect of basic services and the growth patterns within the various geographic areas.

4.2 Eskom bulk tariff increases

In terms of the Multi Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 9.4 per cent has been approved for the 2016/17 financial year. However NERSA has not yet approved and published guidelines on municipal electricity price increase for the 2016/17 financial year.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving financial sustainability.

5. Funding choices and management issues

Municipalities should carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Once again, approving tariffs that are far below levels representing the cost of providing the services would negatively impact on the financial sustainability of municipalities.

5.1 Employee related costs

The South African Local Government Bargaining Council recently entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

Municipalities are advised to use this Salary and Wage Agreement preparing their 2016/17 MTREF budgets.

5.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published on 21 December 2015 by the Department of Cooperative Governance.

5.3 Cost containment measures

In the 2016 State of the Nation Address by the President, the cost containment measures announced by the Minister of Finance in 2013 were re-emphasised. It was highlighted that excessive and wasteful expenditure has been reduced, but there is still more to be done to cut

wastage. In addition the President announced some new measures which include, amongst others:

- Curtailment of overseas trips and the submission of strong motivations by those requesting permission to travel i.e. the benefit to the country needs to be proved; and
- Institution of further restrictions on conferences, catering, entertainment and social functions.

The Minister of Finance announced further measures in his budget speech on 24 February 2016. The Mayors of municipalities were urged to join in eliminating wasteful expenditure in government.

The advice provided in MFMA Budget Circular (No. 58, 66, 70, 72, 74 and 75) on cost containment measures and elimination of non-priority spending is still applicable to municipalities. A separate MFMA Circular will be issued on cost containment measures. In addition National Treasury is firstly in a process of reviewing the National Treasury instruction on cost containment measures which was issued to accounting officers of departments and secondly, determining its applicability to local government. Once the process has been concluded, a Regulation on cost containment measures applicable to local government will be issued.

Municipalities were advised in MFMA Circular No. 70 to align their budgeting policies to the cost containment measures to the extent possible as approved by Cabinet in 2013. Municipalities are requested to table the cost containment measures in council and to submit evidence thereof to the National and Provincial Treasuries together with the budget documentation in terms of the MFMA.

5.4 2016/17 MTREF budget assessment

The National Treasury has continuously advised municipalities in previous budget circulars on financial management issues to be considered when compiling budgets. The 2016/17 MTREF budget assessment will critically consider the following:

- Cost reflective tariffs;
- Appropriateness of budget assumptions;
- Provision for asset renewal and maintenance;
- Credibility and level of funding of the budget (funded or not funded); and
- Alignment of the budgets to municipality's plans.

Therefore municipalities must ensure that their 2016/17 MTREF addresses the items listed above and further submit the methodology applied in setting tariffs when submitting budget documentation to the National Treasury in terms of the MFMA.

6. Conditional Grant Transfers to Municipalities

6.1 Overspending of conditional grants

Expenses incurred against conditional grants should be made in line with the allocations stated in the Division of Revenue Act (DoRA) as required by the Municipal Budget and Reporting Regulations (MBRR) in supporting tables SA 18 and 19. Municipalities must therefore adopt their annual budget in line with the allocations made in the DoRA.

In instances where municipalities overspent against their budgeted programmes, own revenue source should be used against such expenditure items. This implies that a debtor cannot be raised against the transferring national officer's future allocations.

6.2 Criteria for the rollover of conditional grant funds

The criteria published in MFMA Budget Circular No. 75 are still applicable when considering rollover requests. Municipalities must submit the required information or application to National Treasury by 31 August 2016, if not, the application will not be considered.

When considering rollover requests from municipalities, all unspent cash backed grants should be classified only as "Cash and cash equivalents". This number must also reconcile with the cash flow statements. All conditional grants must be spent in line with the conditions for which they are set for. They must not be invested.

6.3 Payment procedure on conditional grants

Conditional grants are paid in line with the approved payment schedule and are captured and authorised three days in advance. These payments include revised payment schedules, amended payment schedules, and withheld payments and rollovers credit payments.

7. The Municipal Budget and Reporting Regulations

National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). This version incorporates minor changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2016/17 Budget and MTREF.

Download Version 2.8 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

7.1 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official as follows:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za

	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	Iqdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a 'quality certificate' in accordance with the format as set out in item 31 of Schedule A in the Municipal Budget and Reporting Regulations.

The National Treasury needs to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***those municipalities will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year reports for both the parent municipality and its entity or entities in that they are to produce:

- An annual budget, adjustment budget and monthly financial statements for the parent municipality in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial statements for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and not the budget of the parent municipality only.

8. Budget process and submissions for the 2016/17 MTREF

8.1 Submitting budget documentation and schedules for 2016/17 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2016, the final date of submission of the electronic budget documents and corresponding electronic returns is **Friday, 01 April 2016**. The deadline for submission of hard copies including council resolution is **Friday, 8 April 2016**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury ***within ten working days*** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2016, the final date for such a submission is **Thursday, 14 July 2016**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 2.8) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA37) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- **schedules D, E and F specific for the entities;**
- signed budget locking certificate as found on the website;
- service level standards; and
- mSCOA implementation plan and progress to date.

Municipalities are required to send electronic versions of documents and the A1 schedule to lqdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lqbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

All new municipalities must submit the 2016/17 MTREF as soon as it is adopted by the newly elected council.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 31 May 2016 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

8.2 Budget reform returns to the Local Government Database for publication

For publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. All returns are to be sent to lqdatabase@treasury.gov.za.

Municipalities are requested to submit returns for both the draft budget and the final adopted budget.

This will assist the National and provincial treasuries with the annual benchmark process. The aligned electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

8.3 Municipal Standard Chart of Accounts (*m*SCOA)¹

The *m*SCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only seven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to *m*SCOA. It is critical for municipalities to start budgeting on *m*SCOA by September 2016 to go live on 01 July 2017.

Municipalities are reminded that the current reporting requirements will remain in place until the National Treasury considers the implementation of the *m*SCOA and the new reporting reforms are no longer a risk. Those who do not adhere to the prescribed reporting according to the MBRR and the submission of the Budget reform returns to the National Treasury Local Government database will be regarded as non-compliant for publication purposes (refer to paragraph 8.2).

Municipalities that are implementing the *m*SCOA must use the latest version of the *m*SCOA classification framework at the link below when compiling the 2016/17 MTREF.

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

The MBRR Schedules will remain as is until further notice.

8.4 General

Municipalities use external service providers' e-mails as a result of weak or poor Information and Communication Technology (ICT). The affected municipalities are urged to use official e-mail addresses linked to the institution; therefore they must address the ICT challenges experienced.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
07 March 2016

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

Annexure A – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet/ Table	Amendment	Reason
1	A10	Cost of free basic services	Improve reporting of services provided including informal settlements.
2	SA1	Revenue foregone	Improve reporting on revenue foregone and cost of free basic services.
3	SA9	Provision of free basic services	To provide detailed breakdown of free basic services which links to A10.

Annexure B – Previous MFMA Circulars

Budget management issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55, 66, 67 and 70 with regards to the following issues:

1. Mayor's discretionary funds and similar discretionary budget allocation – National Treasury regards allocations that are not designated for a specific purpose to be bad practice and discourage them (refer to MFMA Circular 51).
2. Unallocated ward allocations – National Treasury does not regard this to be a good practice, because it means that the tabled budget does not reflect which ward projects are planned for purposes of public consultation and council approval (refer to MFMA Circular 51).
3. New office buildings – Municipalities are required to send detailed information to National Treasury if they are contemplating building new main office buildings (refer to MFMA Circular 51).
4. Virement policies of municipalities – Municipalities are reminded of the principles that must be incorporated into municipal virements policies (refer to MFMA Circular 51).
5. Providing clean water and managing waste water – Municipalities were reminded to include a section on 'Drinking water quality and waste water management' in their budget document (refer to MFMA Circular 54).
6. Renewal and repairs and maintenance of existing assets – Allocations to repairs and maintenance, and the renewal of existing infrastructure must be prioritised. Municipalities must provide detailed motivations in their budget documentation if allocations do not meet the required benchmarks set out in MFMA Circular 55 and 66.
7. Credit cards and debit cards linked to municipal bank accounts are not permitted – On 02 August 2011 National Treasury issued a directive to all banks informing them that as from 01 September 2011 they are not allowed to issue credit cards or debit cards linked to municipal bank accounts (refer to MFMA Circular 55).
8. Water and sanitation tariffs must be cost reflective - refer to MFMA Circular 66.
9. Solid waste tariffs – refer to MFMA Circular 70.
10. Variances between 4th Quarter section 71 results and annual financial statements – refer to Circular 67.
11. Additional In-Year reporting requirements – refer to MFMA Circular 67.
12. Appropriation statement (reconciliation: budget and in-year performance)- reference is made to circular 67. It came to the attention of National Treasury that a number of municipalities did not include the appropriation statement as part of their 2012/13 or 2013/14 annual financial statement. In terms of the Standards of GRAP 24 on the Presentation of Budget Information in Financial Statements, municipalities are required to present their original and adjusted budgets against actual outcome in the annual financial statements. This is considered an appropriation statement and the comparison between the budget and actual performance should be a mirror image of each other as it relates to the classification and grouping of revenue and expenditure as has been the case in a national and provincial context. This statement is subject to auditing and accordingly supporting documentation would be required to substantiate the compilation of this statement.
13. Eliminating non-priority spending – The 2013 MTBPS emphasised the need for government to step-up its efforts to combat waste, inefficiency and corruption (refer to MFMA circular 70).
14. Council oversight over the budget process – refer to MFMA Circular 70.

Conditional grant issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 and 67 with regards to the following issues:

1. Accounting treatment of conditional grants: Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by incurring expenditure in accordance with the conditions of the grant.
2. VAT on conditional grants: SARS has issued a specific guide to assist municipalities meeting their VAT obligations – **VAT 419 Guide for Municipalities**. To assist municipalities accessing this guide it has been placed on the National Treasury website at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>
3. Interest received and reclaimed VAT in respect of conditional grants: Municipalities are reminded that in MFMA Circular 48, National Treasury determined that:
 - Interest received on conditional grant funds must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions; and
 - 'Reclaimed VAT' in respect of conditional grant expenditures must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions.
4. Appropriation of conditional grants that are rolled over – As soon as a municipality receives written approval from National Treasury that its unspent conditional grants have been rolled-over it may proceed to spend such funds (refer to MFMA Circular 51 for other arrangements in this regard).
5. Pledging of conditional grant transfers – the 2015 Division of Revenue Bill contained a provision that allows municipalities to pledge their conditional grants. The end date for the pledges is extended to 2017/18. The process of application as set out in MFMA Circular 51 remains unchanged.
6. Separate reporting for conditional grant roll-overs – National Treasury has put in place a separate template for municipalities to report on the spending of conditional grant roll-overs. Municipalities are reminded that conditional grant funds can only be rolled-over once, so if they remain unspent in the year in which they were rolled-over they MUST revert to the National Revenue Fund.
7. Payment schedule – National Treasury has instituted an automated payment system of transfers to municipalities in order to ensure appropriate safety checks are put in place. Only the primary banking details verified by National Treasury will be used for effecting transfers.
8. Conditional grant transfers/payments, the responsibilities of transferring and receiving authorities and the criteria for the rollover of conditional grants – It is important that the transfers made to municipalities' are transparent, and properly captured in the municipalities' budgets. MFMA Circular no: 67 in this regard refers. The criterion for the rollover of conditional grants is stipulated in MFMA Circular no: 51.

MBRR issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 with regards to the following issues:

1. Budgeting for revenue and 'revenue foregone' – The 'realistically anticipated revenues to be collected' that must be reflected on the Budgeted Statement of Financial Performance (Tables A2, A3 and A4) must exclude 'revenue foregone'. The definition

of 'revenue foregone' and how it is distinguished from 'transfers and grants' is explained in MFMA Circular 51.

2. Preparing and amending budget related policies – Information on all budget related policies and any amendments to such policies must be included in the municipality's annual budget document (refer to MFMA Circular 54).
3. 2013/14 MTREF Funding Compliance Assessment – All municipalities were required to perform the funding compliance assessment outlined in *MFMA Funding Compliance Guideline* and to include the relevant information outlined in MFMA Circular 55 in their 2015/16 budgets (refer to MFMA Circular 55).
4. Tabling a funded budget - It is critical that municipalities adopt and implement funded budgets as per Section 18 of the MFMA. Tables A7 and A8 which if completed correctly by the municipality, it will provide most of the information required to evaluate whether a municipality's operating and capital budgets are **funded** or not.

Beaufort West Municipality
15 Church Street, Beaufort West
Tel 023-414-8133
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ANNEXURE D

2016/17 - 2018/19

BEAUFORT WEST MUNICIPALITY

MFMA Circular No.82: Cost Containment Measures



Cost Containment Measures

Purpose

Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

In terms of the legal framework, the elected councils and accounting officers are required to institute appropriate measures to ensure that the limited resources and public funds are appropriately utilized to ensure value for money is achieved.

The purpose of this Circular is to guide municipalities and municipal entities on cost containment measures that must be implemented in an effort to address the impact of the country's economic challenges and to promote growth, address unemployment and equality, amongst others.

Background

The national government has been aware of the need to contain costs and Cabinet resolved that all spheres of government, including municipalities and municipal entities must implement measures to contain operational costs and eliminate all non-essential expenditure.

In the 2016 State of the Nation Address, cost containment measures were re-emphasised. It was highlighted that excessive and wasteful expenditure has to be reduced, and that increased action be taken to manage unnecessary expenditure. The following measures were among those announced:

- Curtailment of overseas trips;
- The submission of strong motivation to MM's, Mayors and, where necessary, oversight mechanisms at local, provincial and national spheres of Government by those requesting permission to travel either locally or abroad: i.e. their detailed report including research which argues the necessity of the trip and the benefit the country will achieve in undertaking the journey;
- The institutionalization of further restrictions on conferences, catering, entertainment and social functions.

In reinforcing the above, the Minister of Finance also announced further cost containment measures in his budget speech on 24 February 2016, and urged Mayors of municipalities to exercise and oversee the elimination of wasteful expenditure in

government. SALGA supported the call for cost containment measures to be implemented in municipalities as per the Budget Forum engagements and commitments.

Municipalities must make clear and quantified commitments in this regard when tabling their upcoming budgets, and to reference these commitments when submitting budget documentation to the National and Provincial Treasuries, as required by the MFMA.

Annexure A of this circular presents cost containment measures that accounting officers and chief finance officers must consider in order to contain operational costs and eliminate non-essential expenditure. In addition, municipalities are advised to refer to MFMA Budget Circular No. 70 and other relevant Circulars on the elimination of non-priority spending. (<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>).

Enforcement of cost containment measures

SALGA recently expressed concern over the lack of enforcement of such measures and municipal councils are herewith reminded of Section 171(1) of the MFMA whereby the accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently contravenes a provision of the Act, or fails to comply with a duty imposed by the Act on the accounting officer of the municipality.

Failure to fulfill the duty outlined in section 62(1) (a) of the MFMA may result in the accounting officer committing an act of financial misconduct and that disciplinary or criminal proceedings are instituted against any official who has allegedly committed an act of financial misconduct or an offence in terms of chapter 15. The accounting officer also has a duty to ensure that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented.

In addition, section 167 of the MFMA provides that a municipality may only remunerate its office bearers within the parameters set out in that section. In particular, sub-section 167(2) provides that any benefit paid that is outside the parameters set out in subsection (1) is irregular expenditure and must be recovered from the political office-bearer concerned.

Details of precisely what a municipality may pay or remunerate its political office bearers are set out in the Notices issued in terms of the Political Office Bearers Act by the Minister of Cooperative Governance and Traditional Affairs.

Municipalities are reminded that the National Treasury will soon be conducting municipal budget benchmark engagements with non-delegated municipalities during which all municipal budgets will be assessed against the cost containment measures outlined in this Circular. Provincial Treasuries will be conducting similar engagements and budget assessments with delegated municipalities.

Consideration has been given to the lack of enforcement measures and therefore it is envisaged that regulations will be issued to align these measures with financial misconduct regulations. Disclosure of cost containment measures applied by the municipality and entity must be included in the Municipal Budget and Annual Report. Measures implemented and regular reports must be submitted to the Municipal Public

Accounts Committee for review and recommendations to Council on additional measures to be taken.

The contents of this Circular has been shared with the office of the Auditor-General for their application, scrutiny and assessment.

Conclusion

It is important that the accounting officer ensures that the content of this Circular is brought to the attention of the Municipal Council and all other relevant officials within municipalities and municipal entities. It is recommended that:

- Municipalities adopt this Circular together with their annual budgets;
- Municipalities are advised to review other finance related policies to ensure consistency with this Circular;
- Municipalities implement the circular by creating the appropriate oversight mechanisms to monitor cost containment measures;
- Implementation of such measures will assist in ensuring that the provisions of sections 62 and 167 of the MFMA are complied with to ensure that reasonable steps are taken for public resources to be used effectively, efficiently, economically and in the best interests of the local community.

Any queries relating to municipalities preparation of municipal budgets in line with the cost containment measures should be directed to the respective National or Provincial Treasury official responsible for monitoring the municipality's budget. The names of these officials can be obtained from MFMA Circular 79 and / or other related MFMA Circulars. This Circular must be tabled before the municipal council for adoption together with the 2016/17 MTREF budget.

Issued on behalf of:

Malijeng Ngqaleni
Intergovernmental Relations

Kenneth Brown
Chief Procurement Officer

Jayce Nair
Acting Accountant-General

Contact



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TV PILLAY
CHIEF DIRECTOR: MFMA IMPLEMENTATION
30 MARCH 2016

Annexure A – Cost Containment Measures

Cabinet resolved, on 23 October 2013 that cost containment measures must be implemented to eliminate wasteful expenditure, reprioritize spending and ensure savings on the following focus areas among others; engagement of consultants, travel and subsistence costs, issuing of credit cards, accommodation costs, office furnishing costs, advertising or sponsorship costs, catering and events related costs.

It is prudent that Municipalities consider consultation with its employees and through public participation to obtain input and consideration from affected stakeholders such as communities, ratepayers, businesses, and so on which may prove to be beneficial when facilitating the implementation of cost containment policies and actions.

Municipalities are advised to ensure appropriate monitoring and reporting on such cost saving measures is instituted for ease of reporting to management and council on progress on a regular basis. The internal audit unit of municipalities must be copied with such reports.

1. Engagement of Consultants

- Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.
- Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.
- Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:
 - determined in the “Guidelines on fees for audits done on behalf of the Auditor-General South Africa”, issued by the South African Institute of Chartered Accountants (SAICA);
 - set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); or
 - Prescribed by the body regulating the profession of the consultant.
- Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.
- Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.
- It is mandatory that accounting officers of municipalities and municipal entities conclude on the best “value for money”, i.e. matching fees against quality and against benchmarked practices.
- Accounting officers of municipalities and municipal entities must appoint consultants on a time and cost basis with specific start and end dates.
- Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government and the contract price specifies all travel & subsistence costs.

- If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:
 - a) Hotel accommodation may not exceed the amount mentioned in this Circular;
 - b) Only economy class air tickets may be purchased for flights;
 - c) Only group B vehicles or lower may be hired for engagements, as mentioned in this Circular;
 - d) Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.
- Municipalities are urged to develop consultancy reduction plans.
- Undertake all engagements of consultants in accordance with the SCM Regulations and the municipality's SCM policy.

2. Travel and subsistence

The National Treasury, on behalf of all three spheres of government, has negotiated improved upfront discounts for flights as well as discounted accommodation rates. Therefore municipalities and municipal entities are requested to utilize these agreements to assist in their respective cost containment measures, unless they can negotiate lower air travel rates or utilize other service providers that offer lower rates.

Net and Non-Commissionable Rates

All rates offered to Government as of 1 April 2016 will be net and non-commissionable. This will include the informal accommodation market e.g. Guest Houses and Bed & Breakfast establishments.

Rebates, Overrides, Volume based income

In the spirit of transparency, the OCPO is taking a firm position on rebates, overrides or any volume driven target incentives being paid by suppliers to Travel Management Company (TMC). As of 1 April 2016 these payments and the practice of overrides is to discontinue for Government business.

2.1 National Travel Policy

The Treasury will implement a Government Travel Policy as of 1 April 2016. This will be available on the OCPO's website:

<http://ocpo.treasury.gov.za/Buyers Area/Legislation/Pages/default.aspx>

2.2 Air Travel

- Treasury has negotiated with the two "Full Service Carriers", i.e. SAA and BA for discounted rates for government officials for domestic air travel. (These rates are not applicable for International Air Travel.).
- For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.

- For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.
- Treasury will be entering into a short-term Corporate Agreement from 1 April 2016 to 30 September 2016 in the interim, where after the agreements will be reviewed with a view of longer term applicability.
- The premise of Best Fare on the Day will be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Other Low Cost Carriers may also be requested for quotations. Please note that all discounted rates are subject to class availability.
- Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agents name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.
- Accounting officers of municipalities and municipal entities are advised to include a clause in their respective documents that travel agencies are only permitted to make booking arrangements on behalf of municipalities and municipal entities in line with this Circular. Current arrangements need to be updated and amended to reflect these changes.
- Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

2.3 Domestic Hotel Accommodation

National Treasury has negotiated maximum allowable rates with four hotel groups. A non-exclusive MOU is being entered into with the hotels over a period of six months from 1 April to 30 September 2016 while National Treasury prepares for an open bid process. The hotels are as follows, Premier Group, Protea Hotels, City Lodge and Tsogo Sun. The instruction to travel agents must be to obtain quotes from each of the four hotels; however it is not necessarily limited to them as accommodation depends on availability, locality and rates, which could be lower. Competition and cost effectiveness must remain a key principle.

Table 1: Rates set for Domestic Hotel Accommodation

Accommodation Grid			
Voucher Includes	BAND 1	BAND 2	BAND 3
	Room Only Tourism Levy VAT	Bed & Breakfast Tourism Levy VAT	Dinner, Bed and Breakfast Tourism Levy VAT 2 x soft Drink at Dinner
Graded Hotel			
	BAND 1	BAND 2	BAND 3
1 Star property	R580.00	R710.00	R855.00
2 Star property	R900.00	R1 030.00	R1 230.00
3 Star property	R1,100.00	R1,200.00	R1,400.00
4 Star property	R1,250.00	R1,350.00	R1,550.00
5 Star property	R2,100.00	R2,200.00	R2,500.00
Bed & Breakfast or Guest house			
	BAND 1	BAND 2	BAND 3
1 Star property	-	R180.00	R270.00
2 Star property	-	R250.00	R350.00
3 Star property	-	R400.00	R520.00
4 Star property	-	R600.00	R750.00
5 Star property	-	R800.00	R975.00
S&T Allowance			
	BAND 1	BAND 2	BAND 3
Breakfast	R120.00	-	-
Lunch	R120.00	R120.00	-
Dinner	R150.00	R150.00	-
Total as per TP	R390.00	R270.00	-
S&T Claims accepted based on Travel Policy, detail include Parking, Laundry and Wi Fi Important Note: All other costs incurred are for the individuals account. Note: Consideration should be given to include such a table in policies.			

- Accounting officers must ensure that overnight accommodation is limited to instances where the distance travelled by road by the employee exceeds 500 kilometres to and from the destination (return journey).

2.4 Vehicle Hire

- Municipalities are encouraged to continue considering their own fleet first, where viable, prior to hiring of vehicles;
- Notwithstanding the provisions above, all employees must make use of shuttle services if the cost of such a service is below the cost of hiring a vehicle.
- Accounting officers must also consider making use of shuttle services if the cost of kilometres claimable by the employee and the cost of parking are higher than the shuttle services.
- Ensure the hiring of vehicles from a category below Group B or an equivalent class. Accounting officers may permit employees to accept up-graded group of

hired vehicles if such an up-grade is offered for free or at a lower charge than Group B.

- Vehicle travel claims by employees of municipalities and municipal entities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme.

3 Credit Cards

The use of credit and debit cards was addressed in an earlier MFMA Circular.

A bank, or any other institution, may not issue credit cards or debit cards linked to a bank account of a municipality or a municipal entity to any councillors, entity board members, municipal or entity officials or any other person. The issuing and use of such cards be it for official purposes:

- contravenes section 11 and 85 of the MFMA as there is no way of ensuring that all purchases made on the card are in accordance with the items listed in the sections or as prescribed;
- contravenes section 167 of the MFMA which provides that any bursary, loan, advance or other benefit paid to a municipal councillor otherwise than in accordance with the provisions of the Remuneration of Public Office Bearers Act constitutes irregular expenditure;
- contravening section 15 of the MFMA by incurring expenditure not authorised in an approved budget;
- non-compliance with section 164 of the MFMA which provides that no municipality or municipal entity may make loans to councillors or officials of the municipality, directors or officials of the entity or members of the public;
- non-compliance with the supply chain management regulations; and
- undermines efforts to safeguard municipal funds, combat fraud and corruption, as well as other irregular practices.

While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

Where officials or councillors incur expenses in relation to official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant municipal policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.

4 Catering costs

- Do not incur catering expenses for any meetings where only municipal officials are in attendance. Notwithstanding the above, the accounting officer may incur catering expenses for the following, provided that such lasts for five (5) continuous hours or more:
 - a) The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;

- b) Meetings related to commissions or committees of inquiry; or
- c) Meetings hosted by the board of directors of municipal entities, including governance committee meetings.
- Ensure that entertainment allowances of qualifying officials do not exceed two thousand rand (R2 000) per person per financial year. The National Treasury may periodically review this amount.
- Do not incur expenses on alcoholic beverages.
- Ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.
- Notwithstanding the above, accounting officers may incur no more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either:
 - (a) proceeding on retirement due to ill health; or
 - (b) proceeding on retirement after reaching the qualifying age limit of a minimum of ten (10) or more years working for the public service.
- Accounting officers and accounting authorities may **not** host farewell functions for employees who have:
 - (a) been dismissed;
 - (b) elected to resign or leave by accepting severance packages; or
 - (c) Approached the end of their contractual term.

5 Events, advertising and sponsorships

- Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.
- Memorabilia, gifts and other novelties should be of token value only and should only be offered by municipalities and municipal entities in order to acknowledge support or a visit or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases there must be an identifiable benefit to the community.
- Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.

6 Conferences, meetings, study tours, etc.

- Employees of municipalities and municipal entities may attend conferences hosted by professional bodies or non-governmental institutions (external conferences) held within the borders of South Africa provided that expenses related to their attendance do not exceed two thousand five hundred rand (R2 500) per person per day. The number of municipal officials attending such conferences and workshops must be limited, see below. The National Treasury may periodically review this amount.

- Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.
- Conferences abroad must be limited to its ultimate minimum or none at all.
- Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. where an appropriate venue exists within the municipal jurisdiction.
- Limit or stop overseas trips and the delegations going on such trips unless a tangible and clear benefit to the local community and performance of essential service provision can be established beforehand.
- The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.
- Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

7 Office furnishing

- Municipalities should exercise due precaution in refurbishing offices, purchasing equipment, etc. especially when new persons are elected or appointed. Use of existing facilities and equipment is encouraged.
- Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

8 Staff study, perks and suspension costs

- Training attended by employees and councillors of municipalities and municipal entities may only be attended at pre-approved service providers to ensure sufficient quality of training and obtain value for money.
- Expenditure associated with overseas study tours by councillors or officials must be reduced and preferably stopped.
- Encourage staff to take time off to make up for overtime worked.
- Planned overtime must be submitted to management for consideration on a monthly basis.
- Unplanned overtime worked must be motivated and approved by management.
- Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.
- Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

9 Cost containment on other related expenditure items

- Accounting officers of municipalities and municipal entities are advised to ensure that all commodities and products that the National Treasury designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

- Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speakers Office. Approval for security measures must be informed by such reports, if paid for from municipal funds. The use of metropolitan traffic officers for such purposes should be avoided.
- Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.
- Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.
- Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.
- Every effort must be made to recover debt from consumers before write-off. Municipalities to avoid the excessive usage of debt collectors and improve its internal capacity for debt collection.
- Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.
- Where possible the warranties on vehicle and computer equipment should be extended instead of procuring new ones.
- Labour saving devices should be shared to optimize the capacity utilization of each device.
- Purchasing of newspapers and other publications for municipal employees to limited and stopped.
- Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.
- All other cost containment measures introduced by council are also encouraged and supported.

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ANNEXURE E

2016/17 - 2018/19

<h2>BEAUFORT WEST MUNICIPALITY</h2>
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Detailed Capital budget over the 2016/17 Medium Term Revenue Expenditure Framework (MTREF)

Annexure E : Detailed Capital budget over the 2016/17 Medium Term Revenue Expenditure Framework (MTREF)

GFS Classification	GFS Sub-Classification	Directorate	Vote	Municipal Vote	Project/Program Description	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19	Funding Source	New or renewal
Corporate services	Property Services	Vote 4 - Director: Engineering Services	1560	4.7 - Municipal Buildings	New Kwa Mandlenkosi Office	1,200,000.00	-	-	CRR	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Upgrade Existing Regional Sport Stadium Ph2: Rustdene	582,428.00	2,000,000.00	1,127,524.00	MIG	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Development of Sport & Recreation Facilities	510,000.00	-	-	PAWC	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Upgrade Sport Field Ph2: Menweville Sports Field	12,500,000.00	-	-	MIG	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Upgrade Rugby Field - Beaufort West Stadium	-	1,060,922.00	1,250,000.00	MIG	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Upgrade Sports Stadium - Kwa-Mandlenkosi	-	1,900,000.00	-	MIG	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Upgrade Tennis Courts: Voortrekke Street Sports Fields: Beaufort West	-	-	635,543.00	MIG	
Sport and recreation	Sport and recreation	Vote 4 - Director: Engineering Services	1580	4.8 - Recreation Sites	Sport Stadium: Rustdene	-	-	419,525.00	MIG	
Waste water management	Sewerage	Vote 4 - Director: Engineering Services	1620	4.10 - Sewerage System	External Sewerage Pipeline - Rustdene Buitekant Street (Ph4 Housing)	-	-	36,338.00	MIG	
Waste water management	Sewerage	Vote 4 - Director: Engineering Services	1640	4.12 - Sewerage Farm	Rehabilitate Sanitation: Oxidation Ponds: Nelspoort	-	-	2,134,646.00	MIG	
Waste water management	Sewerage	Vote 4 - Director: Engineering Services	1640	4.12 - Sewerage Farm	Rehabilitate Sanitation: Oxidation Ponds: Nelspoort Ph2	-	-	557,511.00	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	Upgrade Industrial Road	2,000,000.00	-	-	CRR	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	Rehabilitate Gravel Roads: Pinyana Street Kwa-Mandlenkosi & Bowers Avenue Beaufort West	1,140,407.00	-	-	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	Upgrade Gravel Roads: Pieter Street: Rustdene	-	1,073,542.00	-	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	Upgrade of Protea Street / Oak Street, Beaufort West	1,723,385.00	-	-	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	New Storm Water Retention Pond Ph2: Hillside	-	1,443,071.00	-	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	Upgrading of Michael de Villiers Avenue / James Smith Avenue, Beaufort West	1,200,000.00	-	-		
Road transport	Roads	Vote 4 - Director: Engineering Services	1660	4.13 - Street Works & Storm Water	External Stormwater Next to Buitekant Street (Ph IV Housing)- Rustdene	-	187,679.00	-	MIG	
Waste management	Solid Waste	Vote 5 - Director: Community Services	1980	5.6 - Refuse Removal	New Refuse Transfer Station- Beaufort West	-	195,032.00	-	MIG	
Electricity	Electricity Distribution	Vote 6 - Director: Electrical Services	3060	6.4 - Reticulation High Voltage	Upgrade Main Substation - Lochweg Road	3,500,000.00	-	-	INEP	
Electricity	Electricity Distribution	Vote 6 - Director: Electrical Services	3090	6.6 - Street Lightening	New High Mast Lighting: Greater Beaufort West Ph2	1,232,299.00	1,232,299.00	2,539,891.00	MIG	
Electricity	Electricity Distribution	Vote 6 - Director: Electrical Services	3090	6.6 - Street Lightening	New High Mast Lighting: Nelspoort	821,532.00	-	-	MIG	
Water	Water Distribution	Vote 4 - Director: Engineering Services	4050	4.18 - Admin: Water	Investigation for New Aquifers: Beaufort West	-	1,193,394.00	351,656.00	MIG	
Water	Water Distribution	Vote 4 - Director: Engineering Services	4070	4.21 - Water Reticulation	New Total Pressure Reduction of Water Network: Beaufort West	99,858.00	-	-	MIG	
Water	Water Distribution	Vote 4 - Director: Engineering Services	4070	4.21 - Water Reticulation	New Bulk Water Supply: Nelspoort	-	-	700,000.00	MIG	
Waste water management	Sewerage	Vote 4 - Director: Engineering Services	6655	4.11 - Sewerage System: Murraysburg	Rehabilitate Sanitation: Oxidation Ponds: Murraysburg	6,235,091.00	414,929.00	-	MIG	
Waste water management	Sewerage	Vote 4 - Director: Engineering Services	6655	4.11 - Sewerage System: Murraysburg	Rehabilitate Sanitation: Oxidation Ponds: Murraysburg	423,094.00	-	-	CRR	
Road transport	Roads	Vote 4 - Director: Engineering Services	6660	4.14 - Street Works & Storm Water: Murraysburg	New Storm Water Drainage: Murraysburg	-	1,539,000.00	-	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	6660	4.14 - Street Works & Storm Water: Murraysburg	New Fencing of Stormwater Channel Ph1: Murraysburg	-	-	81,750.00	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	6660	4.14 - Street Works & Storm Water: Murraysburg	Upgrade Streets: Setlaars, Paarden & Perl RDS: Murraysburg	-	-	2,500,000.00	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	6660	4.14 - Street Works & Storm Water: Murraysburg	Upgrade Stormwater Channel: Murraysburg South	-	-	555,500.00	MIG	
Road transport	Roads	Vote 4 - Director: Engineering Services	6660	4.14 - Street Works & Storm Water: Murraysburg	Rehabilitate Roads and Stormwater : Murraysburg	-	1,060,961.00	1,550,000.00	MIG	
Electricity	Electricity Distribution	Vote 6 - Director: Electrical Services	6800	6.6 - Street Lightening	New High Mast Lighting: Murraysburg	-	821,532.00	334,116.00	MIG	
Electricity	Electricity Distribution	Vote 6 - Director: Electrical Services	6800	6.8 - Electricity Murraysburg	Upgrade Electricity Network - Murraysburg	1,000,000.00	-	-	INEP	
Water	Water Distribution	Vote 4 - Director: Engineering Services	6900	4.22 - Water Murraysburg	Upgrade & Extend Water Supply: Murraysburg	-	81,639.00	-	MIG	
						34,168,094.00	14,204,000.00	14,774,000.00		