



**MOHOKARE**  
LOCAL MUNICIPALITY



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# **Mohokare Local Municipality**

## **Budget 2015/16 to 2017/18**

### **Medium Term Revenue and Expenditure Framework**

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## Glossary

**Adjustment Budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**AFS** – Annual Financial Statements

**Budget** – The financial plan of the Municipality

**Budget related Policy** – Policy of a municipality affecting or affected by the budget, examples include the tariff policy, rates policy and credit control and debt collection policy.

**Capital Expenditure** – Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**CFO** – Chief Financial Officer

**DoRA** – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting and the basis on which the AFS are prepared.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**KPI's** – Key Performance Indicators. Measures of service output and/or outcome.

**MFMA** – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal finance management.

**MFREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

**NT** – National Treasury

**Net assets** – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the “net wealth” of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of revenue or expenses, such as an increase in the values of Property, Plant and Equipment where there is no inflow or outflow of resources, are accounted for in net assets.

**Operating expenditure** – Spending on the day to day expense of the municipality such as salaries and wages.

**Rates** – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed ratable value of the property is multiplied by the predetermined rate.

**R&M** – Repairs and maintenance on property, plant and equipment.

**SCM** – Supply Chain Management

**SDBIP** – Service Deliver and Budget Implementation Plan. A detailed plan comprising of quarterly performance targets and monthly budget estimates.

**Strategic objectives** – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** – Generally, spending without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement Policy** – The policy that sets out the rules of budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an adjustment budget.

**Vote** – One of the main segments into which a budget is divided. In Mohokare Municipality this means at directorate level.

## **PART 1 – ANNUAL BUDGET**

### **Section 1 – Executive Summary**

#### **Introduction**

In assisting in the compilation of this MTREF, National Treasury Circulars No. 74 and 75 were used where necessary.

#### **Background**

In the background to the Medium Term Budget Policy Statement of 2014, it was highlighted that South Africa's economic performance has deteriorated over the past several years.

Gross domestic product (GDP) growth of 1.4 per cent is estimated in 2014, down from 3.6 per cent in 2011. GDP growth is projected to improve over the medium term as infrastructure constraints ease, private investment recovers and exports grow. Economic growth is expected to rise gradually over the medium term, reaching 3 per cent by 2017.

Support will be provided to municipalities to improve revenue collection and the management of infrastructure financed from both own revenue and grants. National government will work with municipalities to expand their own contributions to local infrastructure investment, while reforms to the grant system will allow for more flexibility in the design of locally appropriate solutions; thereby facilitating more efficient use of available resources for social infrastructure. Greater integration between the capital investment plans of state-owned companies and city development strategies will also be encouraged.

Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Accordingly, municipalities must renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore they must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework.

Sustainable job creation remains a national priority and municipalities must ensure that in drafting their 2015/16 budgets and MTREFs they continue to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the Expanded Public Works Programme.

The economic growth plays a critical role in job creation; therefore greater private sector investment in the economy is encouraged. Municipalities must continue to undertake joint planning with their communities and respective business sectors that drive the local economy.

The Medium Term Budget Policy Statement 2014 highlighted that the country's weaker-than-expected economic performance and outlook pose new fiscal challenges. Lowering the expenditure ceiling is one of the measures implemented. Therefore decreases in indicative baselines will be allocated proportionately across national, provincial and local government according to their share of national revenue.

### **Budget Summary**

The budget for the 2015/16 financial year provides for a surplus of R15,1 million. This surplus will be utilised to absorb the deficit as at the end of 2014/15 as well as to assist in repaying long outstanding creditors.

A provision of R7,365 million was provided for the rendering of free basic services. Details on the calculation of this amount are available in the detailed discussion of the budget further on in this document.

### **Financial position and MTREF strategy**

The financial position of Mohokare Local Municipality is such that the funding of the service delivery program depends on a steady flow of cash. The salary component should be curtailed and steps to be taken to ensure that there is not a waste of manpower anywhere.

The budget is based on an average payment level of 54%. This is based on the premise of an improvement in the management of debt. We are confident that we can reach this level as several debt management strategies (i.e. the handing over of debtors, installing of water meters with restrictors, etc.) has already commenced during the 2014/15 financial year. We believe that our credit control measures are not harsh, but measured and targeted and backed up by good data management.

### **Capital Budget**

The capital budget for the 2015/16 financial year totals to R87,5 million of which R85,365 million is funded from National and Provincial grants and R2,143 million from internally generated funds. The various projects are set out in "Annexure 2: Table A5 and A5A". Find below an extract of the projects to be funded from the 2015/16 capital budget:

<b>Description of project</b>	<b>Capital budget</b>
Upgrading of internal streets – Matlakeng (2.9km)	R 906,250-84
Upgrading of Mofulatshepe Sports ground	R321,976.41
Smithfield/ Somidopark: Construction of 5.6 km access collectors, internal streets and related storm water	R11,155,566.74

Upgrading of Matlakeng Sports ground	R75,780.39
Upgrading of Itumeleng Sports ground	R3,040,000.00
Smithfield: Installation of 14 High Mast Lights in greenfield and Somidopark	R1,391,425.62
Construction of the 27km pipeline from the Orange River to Paisley Dam	R53,000,000.00
Water conservation and water demand management (Zastron, Smithfield and Rouxville)	R15,000,000.00

### Operating Expenditure

Building on cost containment guidelines approved by Cabinet in October 2013, government at all levels will need to identify opportunities to increase efficiency and reduce waste. At a national level, the 2015 budget will pay particular attention to reducing line items that are not critical to service delivery to reinforce cost containment. Municipalities are still urged to implement the cost containment measures on six focus areas namely:

- consultancy fees;
- no credit cards;
- travel and related costs;
- advertising;
- catering;
- events costs; and
- accommodation

Municipalities must prioritise the provision of basic services such as electricity, water, sanitation and refuse removal in their MTREF budgets. Municipality may only budget for non-core functions if:

- The function is listed in Schedule 4B and 5B of the Constitution;
- The function is assigned to municipality in terms of national and provincial legislation;
- The municipality has prioritised the provision of basic services; and
- It does not jeopardise the financial viability of the municipality.

The budget for the 2015/16 financial year eliminates all non-priority spending and will be monitored closely to ensure that overspending is limited to the minimum.

Table 1.1 below, is an extract from Table A4 of the budget. The schedule indicates the relation between the various expenditure items as budgeted for.

## Extract from Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 1.1

FS163 Mohokare - Table A4 Budgeted Financial Performance (revenue and expenditure)						
Description	2015/16 Medium Term Revenue & Expenditure Framework			2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>						
<b>Expenditure By Type</b>						
Employee related costs	57,045	59,784	63,311	33.91%	34.22%	34.23%
Remuneration of councillors	3,609	3,782	4,005	2.15%	2.17%	2.17%
Debt impairment	14,348	15,036	15,924	8.53%	8.61%	8.61%
Depreciation & asset impairment	28,427	29,792	31,549	16.90%	17.06%	17.06%
Finance charges	2,703	2,833	3,000	1.61%	1.62%	1.62%
Bulk purchases	20,563	21,550	22,822	12.22%	12.34%	12.34%
Other materials	-	-	-	0.00%	0.00%	0.00%
Contracted services	40	42	44	0.02%	0.02%	0.02%
Transfers and grants	7,365	7,719	8,174	4.38%	4.42%	4.42%
Other expenditure	34,315	34,141	36,138	20.40%	19.55%	19.54%
Loss on disposal of PPE	-	-	-	0.00%	0.00%	0.00%
<b>Total Expenditure</b>	<b>168,239</b>	<b>174,679</b>	<b>184,967</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The expenditure on salaries is set at 33.91% of the operating expenditure.

In relation to budgeted operating income from own generated funds (refer to table 1.2) which amounts to R58,961 million (excluding electricity), the relation of salary expense to operating income amounts to 96.75%. This indicates that income from own generated funds should be monitored closely to ensure that Mohokare Local Municipality is not reliant on equitable share to fund the salary bill.

### Operating Revenue

Local government is in essence funded from three sources. Assessment rates, revenues from trading services and transfers from national government.

The following schedule sets out the various revenue components of Mohokare Local Municipality's operating budget.



## Extract from Table A4 Budgeted Financial Performance (revenue and expenditure)

Table 1.2

FS163 Mohokare - Table A4 Budgeted Financial Performance (revenue and expenditure)						
Description	2015/16 Medium Term Revenue & Expenditure Framework			2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>						
<b>Revenue By Source</b>						
Property rates	11,627	12,790	14,069	7.58%	8.27%	8.69%
Property rates - penalties & collection charges	-	-	-	0.00%	0.00%	0.00%
Service charges - electricity revenue	32,420	33,976	35,981	21.14%	21.96%	22.22%
Service charges - water revenue	10,890	11,979	13,177	7.10%	7.74%	8.14%
Service charges - sanitation revenue	10,832	11,915	13,106	7.06%	7.70%	8.09%
Service charges - refuse revenue	6,750	7,425	8,168	4.40%	4.80%	5.04%
Service charges - other	238	261	287	0.15%	0.17%	0.18%
Rental of facilities and equipment	663	725	794	0.43%	0.47%	0.49%
Interest earned - external investments	7	8	8	0.00%	0.00%	0.00%
Interest earned - outstanding debtors	5,758	6,034	6,390	3.75%	3.90%	3.95%
Dividends received	11	11	12	0.01%	0.01%	0.01%
Fines	1,400	1,467	1,554	0.91%	0.95%	0.96%
Licences and permits	-	-	-	0.00%	0.00%	0.00%
Agency services	-	-	-	0.00%	0.00%	0.00%
Transfers recognised - operational	61,968	60,097	59,607	40.41%	38.84%	36.81%
Other revenue	10,786	8,021	8,796	7.03%	5.18%	5.43%
Gains on disposal of PPE				0.00%	0.00%	0.00%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>153,349</b>	<b>154,709</b>	<b>161,949</b>	<b>100%</b>	<b>100.00%</b>	<b>100.00%</b>

## Allocation of surplus and recognizing of capital transfers

Table 1.3

<b>FS163 Mohokare - Table A4 Budgeted Financial Performance (revenue and expenditure)</b>			
Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand			
Total Revenue (table 1.2)	153,349	154,709	161,949
Total Expenditure (table 1.1)	168,239	174,679	184,967
Surplus/(Deficit)	(15,067)	(19,970)	(23,018)
Less: Non-cash items	30,177	31,626	33,492
Depreciation	28,427	29,792	31,549
Provisions	1,750	1,834	1,942
Surplus/(Deficit) for the year	15,110	11,656	10,474

It is noted that the budget and the movements within the three years reflects a balanced budget.

The surplus budgeted for in the 2015/16 financial year is to assist with the deficit which are brought over from the 2014/15 financial year.

### **National, Provincial and District priorities**

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in Mohokare and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macro-economic stability, but our own local economy is still plagued with high levels of unemployment and poverty.

The following table sets out the allocations to Mohokare Local Municipality as per the National Division of Revenue Act for the MTREF period:

### **Extract from table SA18 Transfers and grant receipts:**

*Table 1.4*

<b>FS163 Mohokare - Supporting Table SA18 Transfers and grant receipts</b>			
Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>			
<b>RECEIPTS:</b>			
<b><u>Operating Transfers and Grants</u></b>			
National Government:	<b>58,600</b>	<b>56,567</b>	<b>55,869</b>
Local Government Equitable Share	54,870	53,785	52,936
Finance Management	1,800	1,825	1,900
Municipal Systems Improvement	930	957	1,033
EPWP Incentive	1,000		
<b>Total Operating Transfers and Grants</b>	<b>61,968</b>	<b>58,787</b>	<b>58,089</b>
<b><u>Capital Transfers and Grants</u></b>			
National Government:	<b>86,254</b>	<b>68,897</b>	<b>32,658</b>
Municipal Infrastructure Grant (MIG)	17,780	18,332	19,158
Regional Bulk Infrastructure	53,000	45,000	
Municipal Water Infrastructure Grant	15,000	5,265	8,500
Intergrated National Electrification Programme	474	300	5,000
<b>Total Capital Transfers and Grants</b>	<b>86,254</b>	<b>68,897</b>	<b>32,658</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>148,222</b>	<b>127,684</b>	<b>90,747</b>

## Conclusion

The 2015/16 budget for Mohokare Local Municipality is the last budget to be prepared by the current Council. Tremendous progress in terms of Mohokare Local Municipality has been seen through the term of this Council.

All efforts has been made, including a successful consultative period, to ensure that this budget mitigates as far as possible the rate and tariff burden on our domestic and business customers and also allows for the necessary funds to be available to attain a funded budget for the 2015/16 period.

## **Section 2 – Budget Presentation**

### **Past performance**

During the past two years, Mohokare Local Municipality improved their audit opinion from a disclaimer (2011/12) to a qualified audit opinion (2012/13 and 2013/14).

Mohokare Local Municipality has experienced severe cash flow problems during the past two financial years due to the withholding of R12million (2013/14: R7million; 2014/15: R5 million) from equitable share by National Treasury as a result of legacy issues (the roll-over of a conditional grant from 2006/07 which were no longer allowed). This impacted the cash flow of Mohokare Local Municipality negatively to such an extent that Mohokare Local Municipality had to make use of an overdraft facility from the bank to be able to meet the basic service delivery needs.

Due to the abovementioned matter, Mohokare Local Municipality's cash flow projections for the 2014/15 financial year shows the municipality utilising the overdraft at 30 June 2015 to be able to meet the most urgent demands.

This in turn requires Mohokare Local Municipality to cut all non-priority spending to the absolute minimum during the 2015/16 financial period as well as the two MTREF out-years to be able to pay off the overdraft facility and repay long outstanding creditors.

### **Budget summary**

Due to the impact of the above mentioned factors Mohokare Local Municipality's budget for the 2015/16 financial year has to be monitored closely to ensure that over expenditure does not occur.

Council is requested to assist the municipality by setting the example of limiting unnecessary spending.

Economically Mohokare Local Municipality remains weak. Fundamentally we are an agriculture and tourist region near the Lesotho border. Funds has been availed for the LED Unit to maximize the potential of the municipality.

### **Cash flow**

For the past years, Mohokare was handicapped with a poor cash-flow. This has resulted in poor maintenance of especially the infrastructure. The pot-holes in various towns are a matter of concern.

The cash flow of Mohokare Local Municipality should be monitored closely in the 2015/16 financial year. Due to the cash deficit in the 2014/15 financial year which resulted from the withheld equitable share, expenditure need to be monitored closely to ensure that the municipality are able to meet its obligations and are able to pay

outstanding creditors (from the previous financial year as well as for the current financial year) as they fall due.

## **Capital Budget**

The capital budget for the 2015/16 financial year totals to R87,5 million of which R85,365 million is funded from National and Provincial grants and R2,143 million from internally generated funds.

## **Operating Expenditure**

### *Employee related costs*

The budgeted salary increase of 4,8% is in line with the National Treasury prescriptions. Any higher increase as a result of any bargaining council agreement will be attended to in the adjustment budget.

In relation to budgeted operating income from own generated funds (refer to table 1.2) which amounts to R58,961 million (excluding electricity), the relation of salary expense to operating income amounts to 96,75%. This indicates that income from own generated funds should be monitored closely to ensure that Mohokare Local Municipality is not reliant on equitable share to fund the salary bill.

The following items are under more included in the line item “other expenditure”:

- Insurance
- Uniforms and protective clothing
- Subsistence and travelling
- Legal costs
- License and internet fees
- Printing and stationery
- Telephone costs
- Advertising costs
- Water chemicals
- Training expenses
- Electricity expenses
- Fuel and Oil expenses

### *Free Basic Services*

The budget for the 2015/16 financial year contains a provision of R7,4 million for free basic services. These services are off-set from the equitable share. Provision was made for 2,500 indigent households.

The calculation of the amount provided for free basic services was determined by taking the following into account:

- The proposed tariffs regarding sewerage, refuse and water;
- The current year tariff for electricity (as confirmed with Eskom's Free Basic Electricity Department) increased by the NERSA proposed tariff increase;
- The amount of 6kl of free water per indigent household per month;
- The amount of 50kWh of free electricity per indigent household per month;
- The budgeted amount of 2,500 indigent households for the 2015/16 financial period. (2016/17: 2600; 2017/18: 2700)

### Operating Revenue

Local government is in essence funded from three sources: assessment rates, revenues from trading services (the majority is water in the case of Mohokare Local Municipality) and transfers from National Government.

The percentage of revenue from the various sources are as follows:

Source of income	Amount	Percentage
Self-generated income (incl. electricity)	R91,381 million	38.28%
Operating Grants	R61,968 million	25.96%
Capital Grants	R85,365 million	35.76%
<b>Total</b>	<b>R238,714 million</b>	<b>100.00%</b>

The municipality is still greatly reliant on grants as set out above.

### Tariff implications of the annual budget

Council has taken into consideration the concerns expressed during the stakeholders' consultations and the finance department was instructed to review the draft budget.

The following calculations was performed to support the proposed tariff increases as per the attached draft tariff list.

#### *Property Rates*

The calculation for property rates was done with the following taken into account:

- A new valuation roll was compiled during 2013/14 and are to be implemented on 01 July 2015.
- We performed a zero based calculation in terms of the budgeted revenue to be received in respect of property rates

- We used the new valuation roll together with the proposed tariffs for each of the stakeholder groups and determined the amount of revenue to be budgeted for the 2015/16 as well as the MTREF outer-years.
- Property rate rebates (per the historic trend as identified by inspecting previous financial years) was adjusted to be in line with the property rates as budgeted.

#### *Water, sanitation and refuse removal rates*

The increase in the tariffs of water, sanitation and refuse removal are explained below:

The following approach was used in all calculations.

- The figures per the audited 2013/14 AFS has been used as a base for the cost per unit calculations
- We determined the total cost allocated to each of the three units (water, refuse and sanitation)
- We obtained the number of households in Mohokare Local Municipality
- We obtained the amount of kl's of water billed for each of the months July 2013 – June 2014 from the respective Bill R Reports as well as the amount of water losses as per the audited 2013/14 AFS
- The following calculations were performed (it is only shown here at a high level)

#### *Refuse:*

Total cost attributed to the waste management division / number of households in Mohokare

= R8 771 416 / 9 974 households / 12 months

= R73.29 per household per month

- Taking the above calculation into account, our current proposed tariff for 2015/16 (R56.40) is still below the calculated cost of rendering the service.
- Therefore a 10% increase per annum is proposed in order to align the cost of rendering the service to the amount charged to the account of the user each month.

#### *Sanitation:*

Total cost attributed to the waste water (sanitation) division / number of households in Mohokare

= R17 630 286 / 9 974 households / 12 months

= R147.30 per household per month

- Taking the above calculation into account, our current proposed tariff for 2015/16 (R83.10 – lowest charge) is still below the calculated cost of rendering the service.
- Therefore a 10% increase per annum is proposed in order to align the cost of rendering the service to the amount charged to the account of the user each month.

*Water:*

Total cost attributed to water distribution unit / number of units (including water losses)  
 = R19 743 072 / 2 447 682kl  
 = R8.07 per unit (kl)

Calculation of cost of water losses:  
 = Kiloliters of water lost x cost per unit  
 = 773 507kl x R8.07  
 = R6 239 133

*ACTUAL cost of water per kl*

Total cost attributed to water distribution unit / number of units (excluding water losses)  
 = R19 743 072 / 1 674 175kl  
 = R11.79 per unit (kl)

- Taking the above calculation into account, our current proposed tariff for 2015/16 (R9.40 – lowest charge) is still below the calculated cost of rendering the service.
- Therefore a 10% increase per annum is proposed in order to align the cost of rendering the service to the amount charged to the account of the user each month.

*Other operating revenue considerations*

- Electricity charges has been increased in accordance with the NERSA guidelines as set out in Circular 75
- Interest on arrears has been included in the 2015/16 budget as well as for the MTREF outer years.
  - o Interest on arrear accounts of R84 million has been included in the calculation as well as interest on the current accounts to be levied (55% of rates and taxes budgeted for the 2015/16 financial year at a weighted average)
  - o Thus, taking the above adjustment into account, the debt collection policy is implemented.

- Traffic Fines decreased from R3 million to R1,4 million after discussions were held with the traffic department and their HOD. The initial R3 million included in the prior year's budget was based on the possibility of appointing a service provider to assist with enhancement of traffic fine revenue. The budgeted figure of R1,4 million ensures that the unit does not run at a loss and that the target is still within reach of the traffic officers.
- All figures relating to the outer years was reviewed to ensure that it is in line with the 2015/16 budgeted projections.

### **Budget related policies**

The budget related policies, as attached, formed the basis of the proposed budget. The salient points of the proposed budget that are that the budget must be cash-funded, tariff adjustments must be fair, employee related costs must be all inclusive and the conditions of all provisions must be met with cash where required.

### **Conclusion**

The budget for Mohokare Local Municipality for the 2015/16 financial year is the last budget for the current Council. We still face challenges regarding efficient service delivery and a constant cash-flow, but the vast improvements made over the past four years should not be overlooked.

Notwithstanding the above, this budget mitigates as far as possible the rate and tariff burden on our domestic and business customers and allows for the necessary funds to be available to attain a funded budget for the 2015/16 period.

I thank all the individuals and groupings that have taken the time to input to this budget. My recognitions to the Municipal Manager and his staff for their hard work and dedication and my thanks to the Chief Financial Officer and his staff who compiled the budget for the 2015/16 financial year.

I herewith present the budget for the 2015/16 financial year for approval.

### **Proposal**

It is proposed that Council approve and adopt the following resolutions:

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

1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in **Table A2**.

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in **Table A3**.

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in **Table A4**; and

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in **Table A5**.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in **Table A6**;

1.2.2. Budgeted Cash Flows as contained in **Table A7**;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in **Table A8**.

1.2.4. Asset management as contained in **Table A9**; and

1.2.5. Basic service delivery measurement as contained in **Table A10**.

2. The Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:

2.1. the tariffs for property rates, as set out in the Tariff List.

2.2. the tariffs for electricity as set by NERSA and applied by Centlec.

2.3. the tariffs for the supply of water-, sanitation- and solid waste services, as set out in the tariff list.

2.3 the tariffs for other services, as set out in the tariff list.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **Section 3 – Annual Budget Tables**

The budget tables are all set out in the annexures.

See file “[A1 schedule – Ver 2.7 December 2014.xlsx](#)”

### **Section 4 – Overview of annual budget process**

#### **Annual planning process**

The operating budget has been driven totally on the premise of cash flow and consumer affordability.

Mohokare Local Municipality’s operating budget for 2015/16 remains fixated on enhancing the cash flow and striving to increase our debtor’s repayment ratio.

#### **Budget process 2015/16**

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling to Council by the Mayor prior to the end of August 2014.

The draft budget was tabled to Council on 26 March 2015 after the first round of consultations with Management and the Budget Steering Committee. Hereafter, a period of stakeholder’s consultations followed.

At the culmination of the process, the Mayor must consider any representations received from stakeholders and decide if any amendments should be made to the budget.

The final budget has to be approved by the end of June 2015.

The budget of Mohokare Local Municipality is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the Municipality. The MFMA requires municipalities to prepare three year budgets to ensure more thorough financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

The municipality sets out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in the form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor

within 28 days of approval of the final budget and forms the basis for the Municipality's in-year monitoring.

## Section 5 – Budget related Policies

The detailed policies themselves are included in this section of the budget documentation.

The following policies are included in the folder “Budget Policies”

Budget-related policies:

1. Indigent Policy
2. Rates Policy
3. Credit Control Policy
4. Tariff Policy
5. Debt Management Plan
6. Debt write-off Policy
7. Revenue Enhancement Strategy

Hyperlink to Policy

[Indigent](#)  
[Rates](#)  
[Credit Control](#)  
[Tariff](#)  
[Debt Management](#)  
[Debt write-off](#)  
[Revenue Enhancement](#)

Other Finance Policies:

8. Banking and Investment Policy
9. Budget Policy
10. Virement Policy

[Banking and Investment](#)  
[Budget](#)  
[Virement](#)

GRAP Related Policies:

11. Accounting Policy
12. Asset Management Policy
13. Fleet Policy
14. Supply Chain Management Policy

[Accounting](#)  
[Asset Management](#)  
[Fleet](#)  
[Supply Chain](#)

## Section 6 – Rates and Tariffs Schedule

The tariff list is included in the “Tariff List” folder.

Click on this hyperlink to go directly to the list: [Tariff List](#)

## Section 7 – Other supporting documents

MFMA Budget Circulars:

- [MFMA Budget Circular No 74](#)
- [MFMA Budget Circular No 75](#)

Division of Revenue Act Bill 2015:

- [DoRA Bill](#)