

REPORT: CHIEF FINANCIAL OFFICER

1. PURPOSE

The purpose of this item is to table the draft budget for the financial year 2016/2017 and be made available for public consultation that would be conducted through the community participation meetings to be held throughout different wards or clusters within the municipality.

2. BACKGROUND

It terms of section 16 of the Municipal Finance Management Act 53 of 2003, the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. In order for a municipality to comply with this section, the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial year, provided a separate appropriation is made for each financial year.

3. DISCUSSION

In compiling the draft budget, the municipality has considered its own IDP, Circular No. 78 & 79 of the MFMA and the views of the local community and the Provincial Treasury.

The municipality has focused on the following as part of the overall national priorities:

- To explore opportunities to mainstream labour intensive approaches to delivering services;
- Participating fully in the Extended Public Works Programme supporting labour intensive projects;
- To ensure timely delivery of capital programmes (eliminate under-spending of capital budgets);
- To review all by-laws and develop approval processes with a view to remove any regulatory bottlenecks to investment and job creation;
- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate and
- Implementing intern's programs to provide young people with on-the-job training.

The estimated revenue framework is based on the proposed increases in rates, tariffs and other charges that have been kept at levels limiting the expenditure growth within 6 per cent and at the same time reflecting an appropriate balance between

the interests of poor households, other customers and surety for effective and sustainable service delivery supported by financial viability of the municipality.

The estimated expenditure framework of this draft budget also responded to the President's call and emphasis on implementation of cost containment measures and elimination of non-priority spending by all the government institutions. The expenditure containment was also driven by the rising inflation and weaker employment growth which has impact on the ability of all municipalities to generate and collect revenue on services.

When preparing this draft budget cognizance was taken of the reforms to local government framework which saw the infrastructure grant system structured to allow municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Furthermore, the municipality benefitted from water grants rationalization into two grants, namely, 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.

It is also important to note that whilst the mSCOA Regulations will only take effect on 1 July 2017, Setsoto Local Municipality as one of the pilot municipalities has converted its current year budget and has since been processing its transactions using mSCOA and therefore the draft budget for 2016/17 hereto tabled has been compiled using mSCOA.

4. STAKEHOLDERS CONSULTED

Management

5. LEGAL IMPLICATIONS

Compliance with Municipal Finance Management Act 56 of 2003

6. STAFF IMPLICATIONS

As per the Organisational Structure – Staff compliment

7. FINANCIAL IMPLICATIONS

Annual Budget for 2016/2017 financial year

8. RISKS

If the budget is not tabled, approved and amended as suggested it will lead to the votes be overspend, with the effect that unauthorized expenditure will occur, leading to a qualification during the audit process. The continuation of service delivery will be compromised with the inception of the budget period starting 01 July 2016.

9. ANNEXURES

Draft budget document for the year 2016/2017.

10. RECOMMENDATIONS

1. That the draft budget of the municipality for the financial year 2016/2017 and indicative allocations for the two projected outer years presented as per the following tables and be made available for public consultation:

I. Main Tables:

- (a) Table A1: Summary
- (b) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
- (c) Table A3: Budget Financial Performance (revenue and expenditure by vote)
- (d) Table A4: Budget Financial Performance
- (e) Table A5: Budgeted Capital Expenditure by vote, standard classification and funding
- (f) Table A6: Budgeted Financial Position
- (g) Table A7: Budgeted Financial Position
- (h) Table A10: Basic Service Delivery Measurement

II. Supporting Tables

- (a) Table SA2: Matrix Finance Performance Budget
- (b) Table SA8: Performance indicators and benchmarks
- (c) Table SA25: Budgeted monthly revenue and expenditure
- (d) Table SA26: Budgeted monthly revenue and expenditure (municipal vote)
- (e) Table SA27: Budgeted monthly revenue and expenditure (standard classification)
- (f) Table SA30: Budgeted monthly cashflow

III Supporting Policies

- (a) Budget policy
 - (b) Debt Collection and Credit Control Policy
 - (c) Tariff Policy
2. That the tariff structure as reflected for the 2016/2017 be for tabling adopted and together with the Budget be made available for public consultation.
 3. That the following budget related policies, namely, Budget Policy, Credit Control and Debt Collection Policy and Tariff Policy be approved and together with the Budget be made available for public consultation.

(FOR APPROVAL)

Council Meeting Minutes: 31 March 2016

Council Meeting Minutes: 31 March 2016

Cllr Marwick corrected the item to reflect the budget is presented for tabling and not for adoption and approval as indicated. After the correction was made to the item, Cllr Marwick proposed that the matter be resolved as follows and was seconded by Cllr Selasi.

RESOLVED:

1. That the draft budget of the municipality for the financial year 2016/2017 and the indicative allocations for the two projected outer years as presented on the following tables be made available for public consultation:

I. Main Tables:

- (a) Table A1: Summary
- (b) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
- (c) Table A3: Budget Financial Performance (revenue and expenditure by vote)
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II Supporting Tables

- (a) Table SA2: Matrix Finance Performance Budget
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2. That the tariff structure as reflected for the 2016/2017 be for tabling and together with the Budget be made available for public consultation.
 3. That the following budget related policies, namely, Budget Policy, Credit Control and Debt Collection Policy and Tariff Policy be tabled and together with the Budget be made available for public consultation.
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ANNUAL BUDGET 2016/17

SETSOTO LOCAL MUNICIPALITY



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

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act

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MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

PART 1: Annual Budget

1.1 Mayor's Report

The Honourable Speaker- Cllr Mohlomi Molefi Pius
Members of the Executive Committee
Members of the Council
The Municipal Manager
All Directors
All Managers
Members of the Public
Representatives from the Media
Ladies and Gentlemen

Setsoto Local Municipality is confronted by extraordinary challenges that require us to come together as a community to reconfirm our priorities and define the municipality we want to be. These shared goals are expressed each year in our municipal Integrated Development Plan. The Integrated Development Plan spells our needs, the budget quantifies what we can afford, and sets in motion the initiatives and corrective measures that will keep us on a true course.

As a Mayor, I am committed to sustaining the important financial reforms that have allowed the municipality to weather the uncertainty of these troubled economic times. I will continue building a stable and sound fiscal management plan that maintain and enhance the municipality's bond rating.

Whatever the circumstances we face, be assured that I will run the municipality in a fiscally responsible way and keep my pact with the public to put their interests before all others. It is my goal to maintain a high level of service, purchase the necessary equipment and maintain an adequate reserve fund.

Honourable Speaker and Members, it is my pleasure to present for your consideration the Executive Committee's proposed budget for the Fiscal Year 2016/17. This proposed budget is the result of a thorough and consistent budget process that has been used for many years, but also in line with the National Treasury guidelines on Budget Reforms.

The budget process is spearheaded by the Treasury Department, under the direction of the budget team of the Accountant Budget, Manager Financial Control and the Chief Financial Officer. This process takes months of cost/revenue analysis, meeting with departmental heads to discuss the details of the department needs and goals and review the needs in relation to the municipality's Integrated Development Plan predetermined objectives. Upon conclusion of the

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departmental meetings, the budget team reprioritise request based on the overall needs and resources of the municipality and made adjustments for funding of specific request.

It is important for me that this budget reflects the commitment to the Setsoto Local Municipality of a community where every person, family and business has a chance to grow. This budget provides the resources and direction that will help deliver on the following five Setsoto Local Municipality's Key Performance Areas as contained in the Integrated Development Plan:

1. Infrastructure and Services
2. Local Economic Development
3. Organisational Development and Transformation
4. Financial Viability and Management
5. Good Governance and Public Participation

In addition, I ask that we treat this budget process as another step of our internal transformation process to consider both short and long-term perspectives of how we function. As such the underlying principles that guided this budget were:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained water, sanitation, electricity and roads infrastructure
- The need to prioritise projects and expenditure within the existing resources envelope given cash flow realities and declining cash position of the municipality
- The increased cost of electricity due to Eskom's tariff increases
- The National Treasury guidelines not to effect any tariff increases this year
- Wage increases for municipal staff due to effecting parity within those positions on the same level and also the filling of those critical positions
- Measures that should be in place to be fully GRAP compliant

Honourable Speaker, I present this document, the municipality's Proposed Budget for Fiscal Year 2016/17, in a strong believe that it continues this process of sound financial management. It provides the surest path to overcoming the municipality's financial challenges, and that it respect both the interests of the taxpayer and our responsibility to future generations. Setsoto Local Municipality is moving in the right direction.

Mr. Speaker, our operational budget has increased. This is how this portion of the 2016/17 has been allocated per department.

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Standard Classification Description	2016/17 Medium Term Revenue & Expenditure Framework
R thousand	Budget Year 2016/17
Revenue - Standard	
<i>Governance and administration</i>	125 192
<i>Community and public safety</i>	1 290
<i>Economic and environmental services</i>	27 312
<i>Trading services</i>	295 000
Total Revenue - Standard	448 795

As noted in the attached budget, revenue of the municipality is made out of the following revenue sources:

Description	2016/17 Medium Term Revenue & Expenditure Framework	
R thousands	Budget Year 2016/17	%
Financial Performance		
Property rates	46 050	10%
Service charges	201 343	45%
Investment revenue	2 200	0%
Transfers recognised - operational	166 042	37%
Other own revenue	33 160	7%
Total Revenue (excluding capital transfers and contributions)	448 795	100%

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The total revenue from rates and service charges is an amount of R 247 393 000, which represent an average of 55% of the total operating revenue. This is how our revenue streams are made up:

- Property rates
- Service charges for electricity, water sanitation and refuse removal
- Increases in depreciation and debt impairment was due to our efforts to address the audit queries and align our accounting systems to GRAP standards
- Small long-term investment at OVK, SANLAM and ABSA
- Investment on Municipal Infrastructure Grant
- Equitable Share
- Conditional Grants

The following are operating and capital transfers and grants as gazetted in the DORA Bill:

Description	2016/17 Medium Term Revenue & Expenditure
R thousands	Budget Year 2016/17
Transfers and Grants	
Local Government Equitable Share	158 775
Financial Management	1 625
Municipal System Improvement	930
EPWP Incentive	1 908
Municipal Infrastructure Grant (MIG)	45 091
Cogta Grant	550
Integrated National Energy Grant	6 000
Total Transfers and Grants	214 879

- Other revenue- the main increase is the increase in debt book. The bigger the debt book, the bigger the interest on the outstanding debts. The other income is from fines, rental of facilities, and licence fees.

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Mr. Speaker an amount of **R 448 092 000** for the 2016/17 has been budgeted for operating expenditure of which salaries, allowances and benefits, which excludes Council remuneration, equals to **R 173 039 000** or **39 %** of the expenditure budget and slightly below the normal average of **40%**. Other Expenditure which comprise of debt impairment, repairs and maintenance, fuel and oil, chemicals, advertisement, and other general expenditure is also at an average of 39% of the operating expenditure budget. Below is the breakdown of expenditure by category:

Description	2016/17 Medium Term Revenue & Expenditure Framework	
	Budget Year 2016/17	% Allocation
R thousands		
Employee costs	173 039	39%
Remuneration of councillors	7 927	2%
Depreciation & asset impairment	18 262	4%
Finance charges	90	0%
Materials and bulk purchases	74 000	17%
Other expenditure	174 774	39%
Total Expenditure	448 092	100%

In conclusion Mr. Speaker, I stand here today again grateful for the trust bestowed in us to lead this municipality by our communities. We have a duty to ensure that the values that they stood for, and particularly of the late first President of the democratic South Africa, Mr. Nelson Mandela, may his soul rest in peace, remain at the centre of our work- and we dare not disappoint them. I re-iterate my willingness to work together with all political parties, stakeholders and communities to find workable solutions for the diverse range of developmental challenges facing the municipality.

My sincere appreciation to my Executive Committee members, Chairperson of the Finance Committee, Councillor Koalane, council members, the Municipal Manager, Senior Management and the entire staff, for the support, dedication and effort to put this draft budget together.

We have developed a proposed budget that will control costs to residents while maintaining the expected high quality of services that makes this community a great place to live, learn, work, play and stay.

I thank you.

1.2 Executive Summary

The application of sound financial management principles for the compilation of the Municipality financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies and the implementation of the newly approved staff structure.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2016/17 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

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- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives.
- Tariff and property rate increases should be affordable, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of providing water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- The new Valuation Roll for the term 2014 till 2018 will also come into effect and will have a non-favourable impact on certain categories of users. The impact are limited as far as possible.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

1.3 Recommendation

It is recommended that council at its special meeting to be held at least before the 17th May 2016, consider the approval of the final 2016/17 budget with the following resolutions:

- 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out as follows:
- 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 below:
2. The Council of Setsoto Local Municipality, 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 2016:
 - 2.1. the tariffs for property rates – as set out in 2.4,
 - 2.2. the tariffs for electricity– as set out in 2.4
 - 2.3. the tariffs for the supply of water – as set out in 2.4
 - 2.4. the tariffs for sanitation services – as set out in 2.4
 - 2.5. the tariffs for solid waste services – as set out in 2.4
3. The Council of Setsoto Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services, as set out in paragraph 2.4 respectively.

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In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

1.4 Summary of Operating Revenue and Expenditure

Total operating revenue has grown by **4.8 %** or **R20.6 million** for the 2016/17 financial year when compared to the 2015/16 Budget. For the two outer years, operational revenue will decrease by **1.5%** and then increase by **4.4 %** respectively.

Total operating expenditure for the 2016/17 financial year has grown by **6.9%** and the total amount appropriated is **R448.092 million** including depreciation of R18.3 million and which translates into a budgeted surplus of **R702 thousands**.

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	33 195	33 441	32 147	38 500	42 044	42 044	30 799	46 050	47 637	50 495
Service charges	101 730	110 346	137 434	166 782	174 137	174 137	120 759	201 343	203 654	215 873
Investment revenue	2 312	2 903	2 458	1 400	1 800	1 800	1 322	2 200	1 485	1 574
Transfers recognised - operational	186 157	190 410	189 936	173 679	178 679	178 679	139 019	166 042	155 016	164 316
Other own revenue	33 866	39 276	33 008	31 112	31 537	31 537	14 020	33 160	34 250	36 305
Total Revenue (excluding capital transfers and contributions)	357 259	376 377	394 983	411 473	428 197	428 197	305 919	448 795	442 041	468 563
Employee costs	130 696	133 588	154 017	158 623	161 123	161 123	107 690	173 039	178 223	188 917
Remuneration of councillors	8 542	9 432	9 884	10 354	10 354	10 354	6 908	7 927	11 634	12 332
Depreciation & asset impairment	213 475	264 733	285 419	25 282	30 709	30 709	126 854	18 262	29 000	30 740
Finance charges	1 265	1 041	919	3 227	1 779	1 779	435	90	3 099	3 285
Materials and bulk purchases	48 437	52 562	53 594	67 561	67 561	67 561	32 633	74 000	75 911	80 466
Transfers and grants	–	–	2 607	13 750	13 750	13 750	–	–	–	–
Other expenditure	148 728	144 901	110 216	127 203	134 077	134 077	75 673	174 774	114 324	121 184
Total Expenditure	551 142	606 257	616 656	405 999	419 352	419 352	350 193	448 092	412 192	436 923
Surplus/(Deficit)	(193 883)	(229 880)	(221 673)	5 474	8 844	8 844	(44 274)	702	29 849	31 640

1.5 Operating Revenue Framework

For Setsoto Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

1.6 Summary of Operating Revenue by source

Table 2 – Summary of Operating Revenue by source

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

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
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Investment revenue	2 312	2 903	2 458	1 400	1 800	1 800	1 322	2 200	1 485	1 574
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Other own revenue	33 866	39 276	33 008	31 112	31 537	31 537	14 020	33 160	34 250	36 305
Total Revenue (excluding capital transfers and contributions)	357 259	376 377	394 983	411 473	428 197	428 197	305 919	448 795	442 041	468 563

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise **55 %** of the total revenue mix. In the 2015/16 financial year, revenue from rates and services charges totalled **R216.181 million**. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from **43 %** in 2015/16 to **55 %** in 2016/17. This incline can mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to the percentage increased allowed by NERSA for electricity sales. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

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1.7 Summary of operating expenditure by standard classification item

Table 8 Summary of operating expenditure by standard classification item

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
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Employee costs	130 696	133 588	154 017	158 623	161 123	161 123	107 690	173 039	178 223	188 917
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Transfers and grants	–	–	2 607	13 750	13 750	13 750	–	–	–	–
Other expenditure	148 728	144 901	110 216	127 203	134 077	134 077	75 673	174 774	114 324	121 184
Total Expenditure	551 142	606 257	616 656	405 999	419 352	419 352	350 193	448 092	412 192	436 923

The budgeted allocation for employee related costs for the 2016/17 financial year totals R173.039 million, which equals 39 % of the total cash funded operating expenditure and that excludes Council remuneration.

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

Provision of debt impairment for the 2016/17 financial year amounts to R47 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy as well as the GRAP standards. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years and are not expensed through the income statement as it relates mainly to the significant increase in the revaluation value of infrastructure assets. These expenses are directly accountant against the appropriation account.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital).

Bulk purchases are directly informed by the purchase of electricity from Eskom. An increase of 9 % are anticipated to realise.

1.7.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register 8 000 or more indigent households during the 2016/17 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.8 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure that will be funded by MIG as per the approved plan:

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

Project Description	Planned MIG Expenditure for 2016/2017	Planned MIG Expenditure for 2017/2018	Planned MIG Expenditure for 2018/2019
PMU	2 254 550,00	2 414 700,00	2 548 850,00
Ficksburg/Meqheleng: Construction of 3.0 km Paved Road and Storm Water Drainage	1 652 910,13		
Matwabeng/Senekal: Construction of 3.0 km Paved Road and Storm Water Drainage	1 000 000,00		
Marquard/Moemaneng: Construction of 3.0 km Paved Road and Storm Water Drainage		3 290 232,41	19 765 074,00
Clocolan/Hlohlolwane: Construction of 3.0 km Paved Road and Storm Water Drainage	4 771 012,68	17 234 294,02	1 000 000,00
Clocolan/Hlohlolwane: Development of New Solid Waste Disposal Sites	14 629 576,68	787 878,06	
Marquard/ Moemaneng: Development of New Solid Waste Disposal Sites			13 528 264,76
Senekal/Matwabeng: Construction of new indoor sports and recreational facility (MIS:227708)	7 049 060,00	1 010 640,00	
Meqheleng: Converion of 969 VIP to waterborne toilets	8 912 878,10	2 945 173,90	
Meqheleng/ Ficksburg: New stadium lighting and seating - (Phase 1 Seats)	-	3 028 410,00	
Moemaneng: Recticulation of 1110 sites with water and sewer	4 821 012,41	17 582 671,61	2 596 315,98
Hlohlolwane: Converion of 400 VIP to waterborne toilets			5 538 495,26
Ficksburg/ Meqheleng: Development of a Cemetry	-		6 000 000,00
Total	45 091 000,00	48 294 000,00	50 977 000,00

Table 9 – Summary of Capital Expenditure funded from Integrated National Electrification Grant

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (GRANT)		
Project Name	Project Type	
Electrification of 206 sites in Clocolan Skeleton Park	households connections (206)	R 6 000 000
Electrification of 23 sites in Senekal Town behind Stadium	households connections (23)	
Electrification of 40 Households at Deemster Farm	Farm Dweller connections (40 sites)	
Refurbishmen of electricity substation in Ficksburg Phase 1	Substation	
Upgrade Eskom supply from 8 - 10 NMD	Infrastructure	
Non Grid Electrification of 44 Households in Naledi Village	Household connections (44 sites)	

In addition to the above there is an amount of R30.716 million that will be received from the Department of Water Affairs for the Regional Bulk Infrastructure Grant (RBIG) it should be noted that this grant it was previously a Schedule 6B and it now change to the Schedule 5B meaning that it will form part of the direct grants which are deposited directly into the municipal accounts. The grant will be utilised for the following two projects:

- Construction of 600mm Raw Water Pipeline from Meulspruit Dam to Ficksburg Water Treatment Works
- Senekal construction of new Raw Water Pipeline from Cyferfontein Dam to the new water treatment plant.

1.9 Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained 7 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Ernest &Young, SARS, Auditor General, and National Treasury.

3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016/17 MTREF in May 2016 directly aligned and informed by the 2016/17 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.10 Funding credibility on cash flow

The following table illustrate that based on the collection rate of service charges the budget are cash funded.

Table 10 – Summary of Operating Revenue and Expenditure cash flow

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

FS191 Setsoto - Supporting Table SA30 Budgeted monthly cash flow														Medium term Revenue and Expenditure Framework		
MONTHLY CASH FLOWS														Budget Year 2016/17		
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	2 878	2 878	2 878	2 878	2 878	2 878	2 878	2 878	2 878	2 878	2 878	2 878	34 538	35 727	28 403	
Property rates - penalties & collection charges													–	–	–	
Service charges - electricity revenue	5 594	5 594	5 594	5 594	5 594	5 594	5 594	5 594	5 594	5 594	5 594	5 594	67 126	76 481	60 803	
Service charges - water revenue	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842	46 108	35 340	28 095	
Service charges - sanitation revenue	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	16 339	17 648	14 030	
Service charges - refuse revenue	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	21 434	23 272	18 501	
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Rental of facilities and equipment	130	130	130	130	130	130	130	130	130	130	130	130	1 561	1 416	1 501	
Interest earned - external investments	183	183	183	183	183	183	183	183	183	183	183	183	2 200	1 485	1 574	
Interest earned - outstanding debtors	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	1 786	21 426	22 196	17 646	
Dividends received	3	3	3	3	3	3	3	3	3	3	3	3	40	42	45	
Fines	9	9	9	9	9	9	9	9	9	9	9	9	111	124	132	
Licences and permits	4	4	4	4	4	4	4	4	4	4	4	4	44	45	48	
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Transfer receipts - operational	13 837	13 837	13 837	13 837	13 837	13 837	13 837	13 837	13 837	13 837	13 837	13 837	166 042	155 016	164 316	
Other revenue	236	236	236	236	236	236	236	236	236	236	236	236	2 835	2 464	2 611	
Cash Receipts by Source	31 650	31 650	31 650	31 650	31 650	31 650	31 650	31 650	31 650	31 650	31 650	31 650	379 804	371 255	337 705	
Other Cash Flows by Source																
Transfer receipts - capital	500	500	500	500	500	500	500	500	500	500	500	43 336	48 836	47 852	50 723	
Contributions recognised - capital & Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	47	50	
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Borrowing long term/refinancing	(5 732)	–	–	–	–	–	–	–	–	–	–	5 732	–	–	–	
Increase (decrease) in consumer deposits	(29 212)	–	–	–	–	–	–	–	–	–	–	29 212	–	–	–	
Decrease (Increase) in non-current debtors	36 468	–	–	–	–	–	–	–	–	–	–	(36 468)	–	–	–	
Decrease (increase) other non-current receivables	438	–	–	–	–	–	–	–	–	–	–	–	(438)	–	–	
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total Cash Receipts by Source	34 113	32 150	32 150	32 150	32 150	32 150	32 150	32 150	32 150	32 150	32 150	73 024	428 640	419 154	388 477	
Cash Payments by Type																
Employee related costs	14 420	14 420	14 420	14 420	14 420	14 420	14 420	14 420	14 420	14 420	14 420	14 420	173 039	178 223	188 917	
Remuneration of councillors	661	661	661	661	661	661	661	661	661	661	661	661	7 927	11 634	12 332	
Finance charges	8	8	8	8	8	8	8	8	8	8	8	8	90	3 099	3 285	
Bulk purchases - Electricity	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	74 000	75 911	80 466	
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Other materials	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Contracted services	2 983	2 983	2 983	2 983	2 983	2 983	2 983	2 983	2 983	2 983	2 983	2 983	35 796	19 668	20 848	
Transfers and grants - other municipalities	1 208	1 208	1 208	1 208	1 208	1 208	1 208	1 208	1 208	1 208	1 208	1 208	14 500	16 011	16 972	
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Other expenditure	236	236	236	236	236	236	236	236	236	236	236	236	2 835	2 464	2 611	
Cash Payments by Type	25 682	25 682	25 682	25 682	25 682	25 682	25 682	25 682	25 682	25 682	25 682	25 682	308 188	307 011	325 431	
Other Cash Flows/Payments by Type																
Capital assets	5 405	5 405	5 405	5 405	5 405	5 405	5 405	5 405	5 405	5 405	5 405	5 405	64 864	34 591	36 667	
Repayment of borrowing	76 175	–	–	–	–	–	–	–	–	–	–	(76 175)	–	–	–	
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total Cash Payments by Type	107 262	31 088	31 088	31 088	31 088	31 088	31 088	31 088	31 088	31 088	31 088	(45 087)	373 052	341 602	362 098	
NET INCREASE/(DECREASE) IN CASH HELD	(73 149)	1 063	1 063	1 063	1 063	1 063	1 063	1 063	1 063	1 063	1 063	118 110	55 589	77 552	26 379	
Cash/cash equivalents at the month/year begin:	12 451	(60 698)	(59 635)	(58 573)	(57 510)	(56 447)	(55 384)	(54 322)	(53 259)	(52 196)	(51 134)	(50 071)	12 451	68 040	145 592	
Cash/cash equivalents at the month/year end:	(60 698)	(59 635)	(58 573)	(57 510)	(56 447)	(55 384)	(54 322)	(53 259)	(52 196)	(51 134)	(50 071)	68 040	68 040	145 592	171 971	

1.11 Municipal manager's quality certificate

I S T R Ramakarane, Municipal Manager of Setsoto Local Municipality, hereby certify that the 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name S T R RAMAKARANE _____

Municipal manager of Setsoto Municipality (FS191)

Signature  _____

Date 31/03/2016

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled the budget key timelines before Council meeting outlining the key activities to be undertaken with strict timeliness. There will however be necessary deviations from the key dates set out in the Budget Time Schedule tabled in Council as a result of guidelines in MFMA circular 78 which requires that the budget should be approved before the end of term of the current Council.

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	33 195	33 441	32 147	38 500	42 044	42 044	30 799	46 050	47 637	50 495
Service charges	101 730	110 346	137 434	166 782	174 137	174 137	120 759	201 343	203 654	215 873
Investment revenue	2 312	2 903	2 458	1 400	1 800	1 800	1 322	2 200	1 485	1 574
Transfers recognised - operational	186 157	190 410	189 936	173 679	178 679	178 679	139 019	166 042	155 016	164 316
Other own revenue	33 866	39 276	33 008	31 112	31 537	31 537	14 020	33 160	34 250	36 305
Total Revenue (excluding capital transfers and contributions)	357 259	376 377	394 983	411 473	428 197	428 197	305 919	448 795	442 041	468 563
Employee costs	130 696	133 588	154 017	158 623	161 123	161 123	107 690	173 039	178 223	188 917
Remuneration of councillors	8 542	9 432	9 884	10 354	10 354	10 354	6 908	7 927	11 634	12 332
Depreciation & asset impairment	213 475	264 733	285 419	25 282	30 709	30 709	126 854	18 262	29 000	30 740
Finance charges	1 265	1 041	919	3 227	1 779	1 779	435	90	3 099	3 285
Materials and bulk purchases	48 437	52 562	53 594	67 561	67 561	67 561	32 633	74 000	75 911	80 466
Transfers and grants	–	–	2 607	13 750	13 750	13 750	–	–	–	–
Other expenditure	148 728	144 901	110 216	127 203	134 077	134 077	75 673	174 774	114 324	121 184
Total Expenditure	551 142	606 257	616 656	405 999	419 352	419 352	350 193	448 092	412 192	436 923
Surplus/(Deficit)	(193 883)	(229 880)	(221 673)	5 474	8 844	8 844	(44 274)	702	29 849	31 640

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

FS191 Setsoto - 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		
		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	1									
Revenue - Standard										
Governance and administration		127 645	126 971	103 798	120 445	122 226	26	125 192	127 948	49 415
Executive and council		58 955	73 727	33 062	47 238	44 655	–	41 232	42 291	44 828
Budget and treasury office		67 762	52 844	69 274	69 308	73 251	4	79 306	81 330	–
Corporate services		927	400	1 463	3 900	4 320	23	4 654	4 327	4 587
Community and public safety		1 282	5 658	30 370	1 168	1 173	155	1 290	1 328	1 408
Community and social services		598	186	247	433	433	150	476	488	518
Sport and recreation		47	33	26 783	54	59	–	65	61	65
Public safety		459	1 458	1 955	181	181	3	199	215	227
Housing		178	3 980	1 385	500	500	1	550	564	598
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		24 832	25 755	36 224	28 042	28 042	–	27 312	23 414	24 818
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		24 825	25 754	36 224	28 042	28 042	–	27 312	23 414	24 818
Environmental protection		7	0	0	–	–	–	–	–	–
Trading services		290 557	290 923	285 163	306 473	321 411	49	295 000	336 638	356 836
Electricity		98 326	97 338	118 445	117 835	117 865	44	114 554	133 493	141 503
Water		138 671	133 329	73 254	109 175	119 083	1	89 876	118 379	125 481
Waste water management		26 576	26 534	53 047	33 346	38 346	3	42 788	35 726	37 870
Waste management		26 984	33 722	40 417	46 117	46 117	1	47 782	49 040	51 982
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	444 316	449 307	455 555	456 128	472 852	230	448 795	489 328	432 477
Expenditure - Standard										
Governance and administration		111 425	137 726	119 683	131 926	135 405	5	131 846	148 493	157 403
Executive and council		57 199	55 074	50 723	58 973	54 004	(5)	38 572	65 976	69 935
Budget and treasury office		20 312	39 536	31 085	37 274	39 488	–	38 847	41 892	44 406
Corporate services		33 914	43 115	37 875	35 679	41 913	9	54 426	40 625	43 062
Community and public safety		45 112	62 742	52 837	41 830	40 354	–	63 424	47 082	49 907
Community and social services		9 273	10 186	7 392	6 867	6 923	–	14 225	7 707	8 169
Sport and recreation		21 548	33 599	8 221	10 095	8 615	–	10 419	11 396	12 080
Public safety		8 156	12 045	16 549	14 871	15 356	–	23 982	16 788	17 795
Housing		6 132	6 912	20 652	9 997	9 460	–	14 798	11 191	11 863
Health		3	(0)	23	–	–	–	–	–	–
Economic and environmental services		15 018	15 576	277 408	30 666	221 300	102	41 576	34 619	36 696
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		15 015	15 568	277 408	30 666	221 300	102	41 576	34 619	36 696
Environmental protection		3	8	–	–	–	–	–	–	–
Trading services		387 766	394 090	166 647	201 078	246 039	230	211 247	197 444	209 291
Electricity		61 676	69 285	85 372	88 348	97 937	17	92 903	96 333	102 113
Water		247 621	256 101	39 061	42 289	67 114	55	46 608	41 784	44 291
Waste water management		37 738	29 443	6 087	34 537	46 346	58	33 839	29 078	30 823
Waste management		40 730	39 261	36 127	35 904	34 641	100	37 896	30 249	32 064
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	559 320	610 134	616 576	405 499	643 097	337	448 092	427 639	453 297
Surplus/(Deficit) for the year		(115 005)	(160 827)	(161 021)	50 629	(170 245)	(107)	703	61 689	(20 819)

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

FS191 Setsoto - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)							
Vote Description	Ref	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							
Revenue by Vote	1						
Municipal governance and administration		47 238	44 655	44 655	41 232	42 291	44 828
Budget and treasury office		69 308	73 251	73 251	79 306	81 330	86 210
Community and public safety		1 602	2 022	2 022	2 400	1 808	1 917
Community and social services		434	434	434	477	488	518
Sport and recreation		54	59	59	65	61	65
Public safety		180	180	180	198	215	227
Housing		500	500	500	550	564	598
Health		–	–	–	–	–	–
Planning and development		–	–	–	–	–	–
Road transport		30 340	30 340	30 340	29 566	25 932	27 488
Environmental protection		–	–	–	–	–	–
Electricity		117 835	117 865	117 865	114 554	133 493	141 503
Water		109 175	119 083	119 083	89 876	118 379	125 481
Waste water management		33 346	38 346	38 346	42 788	35 726	37 870
Waste management		46 117	46 117	46 117	47 782	49 040	51 982
Total Revenue by Vote	2	456 128	472 852	472 852	448 795	489 328	518 688
Expenditure by Vote to be appropriated	1						
Municipal governance and administration		61 872	56 083	56 083	38 572	69 248	73 403
Budget and treasury office		33 963	33 876	33 876	38 847	38 121	40 408
Community and public safety		28 452	36 841	36 841	53 514	32 454	34 402
Community and social services		6 029	6 132	6 132	11 268	6 806	7 215
Sport and recreation		10 688	8 990	8 990	11 080	12 066	12 790
Public safety		15 528	16 025	16 025	27 191	17 530	18 581
Housing		9 997	9 460	9 460	14 798	11 191	11 863
Health		–	–	–	–	–	–
Planning and development		–	–	–	–	–	–
Road transport		38 487	230 035	230 035	41 576	43 447	46 054
Environmental protection		–	–	–	–	–	–
Electricity		88 348	97 937	97 937	92 903	96 333	102 113
Water		42 289	67 114	67 114	46 608	41 784	44 291
Waste water management		34 537	46 346	46 346	33 839	29 078	30 823
Waste management		35 311	34 258	34 258	37 896	29 580	31 355
Total Expenditure by Vote	2	405 499	643 097	643 097	448 092	427 639	453 297
Surplus/(Deficit) for the year	2	50 629	(170 245)	(170 245)	703	61 689	65 391

Setsoto Local Municipality – Annual Budget & MTREF 2016/17

FS191 Setsoto - 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			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Framework Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	33 195	33 441	32 147	38 500	42 044	42 044	30 799	46 050	47 637	50 495
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	53 457	53 965	64 532	81 335	81 365	81 365	49 618	89 501	101 975	108 094
Service charges - water revenue	2	20 536	24 679	32 983	39 525	46 981	46 981	37 931	61 477	47 119	49 947
Service charges - sanitation revenue	2	12 623	14 497	18 110	19 805	19 805	19 805	15 262	21 785	23 530	24 942
Service charges - refuse revenue	2	14 922	17 051	21 679	26 117	25 985	25 985	17 949	28 579	31 029	32 891
Service charges - other		192	154	131	–	–	–	–	–	–	–
Rental of facilities and equipment		88	701	1 298	1 254	1 259	1 259	1 053	1 561	1 416	1 501
Interest earned - external investments		2 312	2 903	2 458	1 400	1 800	1 800	1 322	2 200	1 485	1 574
Interest earned - outstanding debtors		28 484	19 389	19 993	27 000	27 000	27 000	10 277	28 568	29 595	31 370
Dividends received		28	30	32	35	35	35	36	40	42	45
Fines		463	1 428	1 927	101	101	101	256	111	124	132
Licences and permits		8	21	14	40	40	40	78	44	45	48
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		186 157	190 410	189 936	173 679	178 679	178 679	139 019	166 042	155 016	164 316
Other revenue	2	4 795	17 707	9 744	2 182	2 602	2 602	2 137	2 835	2 464	2 611
Gains on disposal of PPE		–	–	–	500	500	500	182	–	564	598
Total Revenue (excluding capital transfers and contributions)		357 259	376 377	394 983	411 473	428 197	428 197	305 919	448 795	442 041	468 563
Expenditure By Type											
Employee related costs	2	130 696	133 588	154 017	158 623	161 123	161 123	107 690	173 039	178 223	188 917
Remuneration of councillors		8 542	9 432	9 884	10 354	10 354	10 354	6 908	7 927	11 634	12 332
Debt impairment	3	70 598	57 168	25 097	44 000	49 000	49 000	22 000	47 000	20 481	21 710
Depreciation & asset impairment	2	213 475	264 733	285 419	25 282	30 709	30 709	126 854	18 262	29 000	30 740
Finance charges		1 265	1 041	919	3 227	1 779	1 779	435	90	3 099	3 285
Bulk purchases	2	48 437	52 562	53 594	67 561	67 561	67 561	32 633	74 000	75 911	80 466
Other materials	8	–	–	–	–	–	–	–	–	–	–
Contracted services		5 653	7 259	7 582	17 402	26 212	26 212	15 979	35 796	19 668	20 848
Transfers and grants		–	–	2 607	13 750	13 750	13 750	–	–	–	–
Other expenditure	4, 5	72 477	80 474	77 537	65 800	58 865	58 865	37 694	91 978	74 175	78 625
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		551 142	606 257	616 656	405 999	419 352	419 352	350 193	448 092	412 192	436 923
Surplus/(Deficit)											
		(193 883)	(229 880)	(221 673)	5 474	8 844	8 844	(44 274)	702	29 849	31 640
Transfers recognised - capital		87 217	78 601	60 660	45 155	45 155	45 155	40 439	6 000	47 852	50 723
Contributions recognised - capital	6	–	–	–	–	–	–	–	98 020	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(106 667)	(151 280)	(161 013)	50 629	54 000	54 000	(3 835)	104 722	77 701	82 363
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(106 667)	(151 280)	(161 013)	50 629	54 000	54 000	(3 835)	104 722	77 701	82 363
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(106 667)	(151 280)	(161 013)	50 629	54 000	54 000	(3 835)	104 722	77 701	82 363
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(106 667)	(151 280)	(161 013)	50 629	54 000	54 000	(3 835)	104 722	77 701	82 363

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FS191 Setsoto - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding						2016/17 Medium Term Revenue & Expenditure Framework			
Vote Description	Ref	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework			
R thousand	1	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
Capital expenditure - Vote									
Single-year expenditure to be appropriated	2								
Executive and council		2 100	2 100	2 100	57	257	878	931	
Budget and treasury office		1 276	1 276	1 276	688	1 285	11 209	11 882	
Corporate services		830	830	830	83	1 348	7 377	7 819	
Community and social services		1 000	–	–	170	1 850	8 782	9 309	
Sport and recreation		6 948	6 948	6 948	2 051	885	5 401	5 725	
Public safety		–	–	–	–	414	–	–	
Housing		–	–	–	–	360	–	–	
Health		–	–	–	–	–	–	–	
Planning and development		–	–	–	–	–	–	–	
Road transport		37 340	39 023	39 023	22 342	22 790	23	24	
Environmental protection		–	–	–	–	–	–	–	
Electricity		13 800	13 283	13 283	–	13 480	878	931	
Water		–	–	–	–	6 080	–	–	
Waste water management		11 100	4 400	4 400	15 512	44 295	–	–	
Waste management		5 229	5 029	5 029	–	10 975	132	140	
Capital single-year expenditure sub-total		79 624	72 890	72 890	40 903	104 019	34 679	36 760	
Total Capital Expenditure - Vote		79 624	72 890	72 890	40 903	104 019	34 679	36 760	
Capital Expenditure - Standard									
Governance and administration		4 206	4 206	4 206	828	2 890	19 376	20 539	
Executive and council		90	90	90	56	257	790	838	
Budget and treasury office		1 376	1 376	1 376	689	1 385	12 527	13 278	
Corporate services		2 740	2 740	2 740	83	1 248	6 059	6 423	
Community and public safety		7 948	6 948	6 948	2 221	3 509	14 182	15 033	
Community and social services		1 000	–	–	170	1 850	8 782	9 309	
Sport and recreation		6 948	6 948	6 948	2 051	885	5 401	5 725	
Public safety		–	–	–	–	414	–	–	
Housing		–	–	–	–	360	–	–	
Health		–	–	–	–	–	–	–	
Economic and environmental services		37 320	39 020	39 020	22 340	22 600	–	–	
Planning and development		–	–	–	–	–	–	–	
Road transport		37 320	39 020	39 020	22 340	22 600	–	–	
Environmental protection		–	–	–	–	–	–	–	
Trading services		30 129	22 712	22 712	15 512	74 790	14 182	15 033	
Electricity		13 800	13 283	13 283	–	13 440	14 051	14 894	
Water		–	–	–	–	36 795	–	–	
Waste water management		11 100	4 400	4 400	15 512	13 580	–	–	
Waste management		5 229	5 029	5 029	–	10 975	132	140	
Other		20	3	3	3	230	23	24	
Total Capital Expenditure - Standard	3	79 624	72 890	72 890	40 904	104 019	47 764	50 630	
Funded by:									
National Government		45 155	45 155	45 155	40 904	79 552	47 764	50 630	
Provincial Government		–	–	–	–	–	–	–	
District Municipality		–	–	–	–	–	–	–	
Other transfers and grants		–	–	–	–	–	–	–	
Transfers recognised - capital	4	45 155	45 155	45 155	40 904	79 552	47 764	50 630	
Public contributions & donations	5	–	–	–	–	–	–	–	
Borrowing	6	30 000	26 800	26 800	–	24 468	–	–	
Internally generated funds		4 468	935	935	–	–	–	–	
Total Capital Funding	7	79 624	72 890	72 890	40 904	104 020	47 764	50 630	

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FS191 Setsoto - 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		(30 736)	19 633	(17 210)	30 800	34 344	34 344	(60 124)	34 538	35 727	28 403
Service charges		101 730	110 346	137 434	133 330	121 897	121 897	120 759	151 007	152 741	121 429
Other revenue		5 354	19 857	12 982	3 055	3 480	3 480	3 525	4 551	4 049	4 292
Government - operating	1	186 157	190 410	189 936	173 679	178 679	178 679	139 019	166 042	155 016	164 316
Government - capital	1	87 217	78 601	60 660	45 155	45 155	45 155	40 439	48 836	47 852	50 723
Interest		30 795	22 292	22 451	21 650	20 700	20 700	11 600	23 626	23 681	19 220
Dividends		28	30	32	35	35	35	36	40	42	45
Payments											
Suppliers and employees		(256 735)	(344 311)	(333 394)	(340 360)	(330 356)	(330 356)	(199 613)	(293 598)	(287 900)	(305 174)
Finance charges		(1 265)	(1 041)	(919)	(3 227)	(2 509)	(2 509)	(435)	(90)	(3 099)	(3 285)
Transfers and Grants	1	(8 178)	(3 877)	(2 607)	(13 180)	(12 665)	(12 665)	(10 096)	(14 500)	(16 011)	(16 972)
NET CASH FROM/(USED) OPERATING ACTIVITIES		114 366	91 939	69 366	50 937	58 760	58 760	45 110	120 453	112 096	62 996
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	182	-	47	50
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	(3 105)	-	-	-
Decrease (increase) other non-current receivables		(161)	(5 509)	5 520	-	-	-	107	-	-	-
Decrease (increase) in non-current investments		(2 207)	(392)	(506)	-	-	-	3 105	-	-	-
Payments											
Capital assets		(3 973)	-	(7 860)	(79 624)	(70 891)	(70 891)	(40 902)	(64 864)	(34 591)	(36 667)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(6 341)	(5 902)	(2 846)	(79 624)	(70 891)	(70 891)	(40 614)	(64 864)	(34 544)	(36 617)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		8 426	-	64	30 000	24 800	24 800	-	-	-	-
Increase (decrease) in consumer deposits		2 241	41	147	-	-	-	186	-	-	-
Payments											
Repayment of borrowing		-	(1 123)	(541)	(3 920)	(3 920)	(3 920)	(260)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		10 668	(1 082)	(331)	26 080	20 880	20 880	(73)	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	-	15 428	12 598	42 649	3 702	3 702	3 702	12 451	68 040	145 592
Cash/cash equivalents at the year end:	2	118 693	100 384	78 787	40 042	12 451	12 451	8 125	68 040	145 592	171 971

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FS191 Setsoto - Table A6 Budgeted Financial Position											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Pre-audit outcome	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											
ASSETS											
Current assets											
Cash		18 309	12 598	3 702	4 035	4 035	37 425	20 072	4 035	4 035	4 035
Call investment deposits	1	–	–	–	3 107	3 107	–	–	3 107	3 107	3 107
Consumer debtors	1	59 642	67 368	119 035	70 000	65 000	3 774 652	175 537	273 000	333 000	363 000
Other debtors		4 289	10 371	8 061	70 600	70 600	1 048 010	42 482	70 600	70 600	70 600
Current portion of long-term receivables		–	–	–	2	2	–	–	–	–	–
Inventory	2	3 968	3 992	4 122	4 000	4 000	48 600	4 177	4 100	3 900	4 000
Total current assets		86 207	94 329	134 920	151 744	146 744	4 908 688	242 269	354 842	414 642	444 742
Non current assets											
Long-term receivables		–	–	–	–	–	36 468	3 105	–	–	–
Investments		2 207	2 599	3 105	2 000	2 000	–	–	2 000	2 000	2 000
Investment property		80 477	76 211	70 447	83 281	83 281	914 528	76 211	83 281	83 281	83 281
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	3 574 431	3 401 215	3 198 147	3 560 416	3 324 774	40 858 895	3 397 999	3 181 771	3 192 126	3 161 689
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		935	2 693	3 477	2 693	2 693	32 321	3 215	3 394	9 660	9 660
Other non-current assets		161	5 670	150	14 507	14 507	438	43	14 507	14 507	14 507
Total non current assets		3 658 211	3 488 388	3 275 326	3 662 897	3 427 255	41 842 651	3 480 572	3 284 953	3 301 574	3 271 137
TOTAL ASSETS		3 744 418	3 582 717	3 410 246	3 814 641	3 573 999	46 751 339	3 722 841	3 639 795	3 716 216	3 715 879
LIABILITIES											
Current liabilities											
Bank overdraft	1	2 881	–	–	–	–	518 879	9 900	–	–	–
Borrowing	4	1 123	478	541	1 270	1 270	5 732	541	1 270	1 270	1 270
Consumer deposits		2 241	2 282	2 429	3 000	3 000	29 212	2 615	3 000	2 999	3 000
Trade and other payables	4	22 707	20 985	12 097	12 881	(201 287)	(422 250)	35 070	(240 213)	(241 492)	(324 193)
Provisions		719	1 168	1 207	3 807	3 807	14 016	1 168	3 807	3 807	3 807
Total current liabilities		29 671	24 913	16 274	20 958	(193 210)	145 589	49 294	(232 136)	(233 416)	(316 116)
Non current liabilities											
Borrowing		7 303	6 826	6 284	36 347	33 147	76 175	6 025	33 147	33 147	33 147
Provisions		60 209	57 679	60 975	60 645	60 645	736 637	61 386	60 645	60 645	60 645
Total non current liabilities		67 512	64 504	67 259	96 992	93 792	812 812	67 411	93 792	93 792	93 792
TOTAL LIABILITIES		97 183	89 417	83 533	117 950	(99 418)	958 401	116 705	(138 344)	(139 624)	(222 324)
NET ASSETS	5	3 647 235	3 493 301	3 326 713	3 696 691	3 673 417	45 792 938	3 606 135	3 778 139	3 855 840	3 938 203
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		3 671 300	3 512 563	3 341 956	3 696 691	3 673 417	42 960 957	3 616 230	3 778 139	3 855 840	3 938 203
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	3 671 300	3 512 563	3 341 956	3 696 691	3 673 417	42 960 957	3 616 230	3 778 139	3 855 840	3 938 203

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FS191 Setsoto - 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		3 655	3 655	3 655	3 655	3 655	3 655	3 655	3 655	3 655
Piped water inside yard (but not in dwelling)		9 138	9 138	9 138	9 138	9 138	9 138	9 138	9 138	9 138
Using public tap (at least min.service level)	2	7 724	8 224	8 224	8 224	8 224	8 224	8 224	8 224	8 224
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		20 517	21 017	21 017	21 017	21 017	21 017	21 017	21 017	21 017
Using public tap (< min.service level)	3	4 567	4 567	4 567	4 567	4 567	4 567	4 567	4 567	4 567
Other water supply (< min.service level)	4	500	–	–	–	–	–	–	–	–
No water supply		916	916	916	916	916	916	916	916	916
<i>Below Minimum Service Level sub-total</i>		5 983	5 483	5 483	5 483	5 483	5 483	5 483	5 483	5 483
Total number of households	5	26 500	26 500	26 500	26 500	26 500	26 500	26 500	26 500	26 500
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		9 210	9 710	9 710	9 710	9 710	9 710	9 710	9 710	9 710
Flush toilet (with septic tank)		–	–	–	–	–	–	–	–	–
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)		1 316	1 316	1 316	1 316	1 316	1 316	1 316	1 316	1 316
<i>Minimum Service Level and Above sub-total</i>		10 526	11 026	11 026	11 026	11 026	11 026	11 026	11 026	11 026
Bucket toilet		10 526	10 526	10 526	10 526	10 526	10 526	10 526	10 526	10 526
Other toilet provisions (< min.service level)		500	–	–	–	–	–	–	–	–
No toilet provisions		3 948	3 948	3 948	3 948	3 948	3 948	3 948	3 948	3 948
<i>Below Minimum Service Level sub-total</i>		14 974	14 474	14 474	14 474	14 474	14 474	14 474	14 474	14 474
Total number of households	5	25 500	25 500	25 500	25 500	25 500	25 500	25 500	25 500	25 500
Energy:										
Electricity (at least min.service level)		4 300	4 300	4 300	4 300	4 300	4 300	4 300	4 300	4 300
Electricity - prepaid (min.service level)		20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
<i>Minimum Service Level and Above sub-total</i>		24 300	24 300	24 300	24 300	24 300	24 300	24 300	24 300	24 300
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	24 300	24 300	24 300	24 300	24 300	24 300	24 300	24 300	24 300
Refuse:										
Removed at least once a week		27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000
<i>Minimum Service Level and Above sub-total</i>		27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000
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	27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000	27 000

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FS191 Setsoto - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)														
Description	Ref 1	Municipal government and	Budget and treasury office	Community and public safety	Community and social services	Sport and recreation	Public safety	Housing	Road transport	Electricity	Water	Waste water management	Waste management	Total
R thousand														
Revenue By Source														
Property rates		-	46 050	-	-	-	-	-	-	-	-	-	-	46 050
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	89 501	-	-	-	89 501
Service charges - water revenue		-	-	-	-	-	-	-	-	-	61 477	-	-	61 477
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	21 785	-	21 785
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-	-	28 579	28 579
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	1 561	-	-	-	-	-	-	-	1 561
Interest earned - external investments		-	2 200	-	-	-	-	-	-	-	-	-	-	2 200
Interest earned - outstanding debtors		-	28 568	-	-	-	-	-	-	-	-	-	-	28 568
Dividends received		-	40	-	-	-	-	-	-	-	-	-	-	40
Fines		-	-	-	-	-	111	-	-	-	-	-	-	111
Licences and permits		-	-	-	-	-	-	44	-	-	-	-	-	44
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue		1 537	823	476	-	65	88	506	0	-	1 434	11	150	5 089
Transfers recognised - operational		44 349	1 625	-	-	-	-	-	27 312	25 053	25 404	20 992	19 053	163 788
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		45 887	79 306	476	-	1 626	199	550	27 312	114 554	88 315	42 788	47 782	448 795
Expenditure By Type														
Employee related costs		15 919	23 194	-	32 687	8 183	20 795	5 092	16 209	6 984	13 376	13 522	17 079	173 039
Remuneration of councillors		7 927	-	-	-	-	-	-	-	-	-	-	-	7 927
Debt impairment		-	2 000	-	-	-	-	2 000	-	4 000	17 000	11 000	11 000	47 000
Depreciation & asset impairment		-	-	-	-	-	-	-	14 298	882	1 290	820	972	18 262
Finance charges		-	90	-	-	-	-	-	-	-	-	-	-	90
Bulk purchases		-	-	-	-	-	-	-	-	74 000	-	-	-	74 000
Other materials		-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		3 650	5 627	9 677	-	721	317	5 100	540	968	3 982	2 172	3 042	35 796
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		15 382	7 937	13 483	6 268	2 176	6 079	2 606	8 889	6 068	10 961	6 325	5 804	91 978
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		42 878	38 847	23 160	38 955	11 080	27 191	14 798	39 936	92 903	46 608	33 839	37 896	448 092
Surplus/(Deficit)		3 009	40 458	(22 684)	(38 955)	(9 454)	(26 992)	(14 248)	(12 624)	21 651	41 707	8 949	9 885	703
Transfers recognised - capital		-	-	-	-	7 049	-	-	7 424	6 000	30 715	13 734	14 630	79 552
Contributions recognised - capital		-	-	-	-	-	-	-	6 268	10 200	8 000	-	-	24 468
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		3 009	40 458	(22 684)	(38 955)	(2 405)	(26 992)	(14 248)	1 068	37 851	80 422	22 683	24 515	104 723

2.3 Overview of budget related-policies

The municipal budget related policies was reviewed as part of community inputs and the final reviewed policies are attached

2.4 List of Tariffs

The municipal budget was compiled using the attached Tariff list.