

AGENDA: MAYORAL COMMITTEE: 24 MAY 2016

170. FINAL BUDGET: 2016/2017 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK:(MTREF)

(Directorate: Budget and Treasury Office)

VM/pm

1. STRATEGIC THRUST

The Budget is the most important strategic planning document of the Council which will guide and determine the day to day actions necessary for the delivery of Municipal services to the Community.

Financial viability is the first priority in the IDP process and has an objective to practice sound and sustainable financial management. This is a responsibility of all managers of Council and will determine the continuous viability of the municipality.

2. PURPOSE OF THE REPORT

The requirements for the compilation and submission of the Budget are contained in Chapter 4 of the MFMA and Municipal Budget and Reporting Regulations.

--- The purpose of tabling the 2016/17 /budget to council is to consider the Income and expenditure per category, the tariffs to realize the budgeted income and to inform council about the limitations regarding the budget after extensive consultation with the public..The 2016/2017MTREF is attached as **Annexure "A" (attached).**

3. EXECUTTVE SUMMARY

a. Background

The application of sound financial management principles for the compilation of the municipality's 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. Where appropriate, funds were transferred from low- to high- priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. The 60 / 40 % split rolled out in 2015/16 when a consumer is purchasing electricity has been revised to 70/30%.The 70% will service the debt owed for accounts in arrears and 30% will go towards the purchase of electricity token.

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The main challenges experienced during the compilation can be summarized as follows:

- The slow growth of the economy does not translate into the expansion of the revenue base.
- The effect of the drought which led to the municipality providing free water to economically active consumers at high costs and this impacted on reduction in revenue for water.
- Shortfalls from the budgeted and expected revenue in 2016 requires the reduction in the municipal spending and this impacts on service delivery.
- Major salary spending that does not translate in economic efficiency.
- Limited scope for diversifying local economy that lead to a limited room for improving revenue enhancement.
- The slow growth of revenue collection will either impose more burden on the consumers by having to hike tariffs or will impact on the reprioritization of municipal spending.
- Gross monthly increase in consumer debtors due to non-payment for services.
- An unemployment rate of 21% of population in productive age group or economically active population.
- Municipal real financial distress that require a sporadic turn- around strategy.
- The municipality's economy is highly dependent on the mining sector and dependency is almost at 55%.
- The economic base is also not supportive to the growth of the population which is standing at around 2.8% in 2016.
- Dependency on the mining sector as the largest provider of the employment opportunities had an impact on the decline in the collection rate.
- The envisaged job cuts in the mining sector will impact negatively on the collection rate going forward.
- The dependency of the municipality on grant funding and external financing to fund its capital infrastructure.
- The declining payment levels have impacted greatly on the 2016/17 revenue projections and anticipated savings.
- The non-spending of conditional grants led to the withholding of equitable share by National treasury.
- Consideration was on increasing tariffs for water and electricity above the recommended 7.86% for electricity, 9.12% and 12% respectively for water as proposed by water boards and other sundry tariffs to ensure that the costs incurred to render the service to communities are recovered.

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

- The budget process started in 1st August 2015 when the IDP and Budget plan was approved by council.
- The budget was aligned with municipal priorities as expressed in the IDP received every year from directorates exceed the available funds with two to three times and is proof that the needs of the community will always exceed the available funding.
- National Treasury's MFMA Circular No. 48, 51, 54, 55, 58, 61, 66, 70, 74, 78 and 79 were used to guide the compilation of the tabled annual 2016/17 MTREF. It should be highlighted that circular 79 was released in March when the draft budget was already populated.
- The cost containment measures were taken into account especially on the non-core functions of the municipality.
- Restructuring of directorates and reduction in employment to ascertain a balance between labour budget and spending through contractors.
- Basic needs of the community have been prioritized in this budget especially water and electricity.
- Macro-economic forecast for CPI inflation (2016/17 – 6.6%, 2017/18 – 6.2% and 2018/19 – 5.9%) was taken into consideration.
- Wage agreement with the unions CPI (Feb 2015 – Jan 2016) +1 %.
- National economic downturn that impacted on the local economic conditions and affordability of services.
- Tariff and Property Rates increases should be affordable and be on par with the headline inflation rate and according to circular 58 of National Treasury, taking into account the growth of the municipality.
- No budget will be allocated for external funded projects unless the request is supported by a written confirmation from the external source on the specific grant.
- No budget will be allocated to capital projects unless it is included in the IDP.
- Directorates should undertake intensive periodic planning on their operating and capital budget components to ensure efficient and effective cash flow planning ensure total spending of conditional grant timeously
- All expenditure even if it is budgeted for, must be carefully considered to ascertain that the hard earned money of the public is not wasted and the principle of value for money must prevail.

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OUTLOOK OF 2016/2017 MTREF

The following table is a consolidated overview of the proposed 2016/17 Medium-Term Revenue and Income Expenditure Framework:

Table 1: Consolidated over view of 2016/17MTREF

Description	2015/2016	2016/17 Medium Term Revenue & Expenditure Framework		
		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018 / 19
R thousand	Adjusted Budget			
Total Revenue (excluding capital transfers and contributions)	3,682,471	4,056,902	4,371,660	4,704,246
Total Expenditure	3,522,473	3,886,035	4,155,648	4,433,648
Surplus/(Deficit)	159,998	170,867	216,012	270,598
Total Capital Expenditure» Standard	905,379	468,874	575,953	547,395

The 2016/17 MTREF presents a total spending of R4.3billion for 2016/17 and R4.6 billion and R4.9billion for the two outer years respectively. Capital budget spending is at R468million for 2016/17 financial year, R575million, and R 547million for the two outer years.

This budget reflects the Council's response to the needs of the residents, ratepayers and the business community which it serves and a detailed multi-year budget is attached as **Annexure "A"**

When comparing the budget for 2016/17 with the 2015/16 adjusted operating surplus before capital transfers and contributions for the 2016/17 financial year has increased by R10, 9million. The two outer years are increases by R45, 1 million and R54.6 million.

There is a decrease of R419million on the capital budget for the 2016/17 financial year when compared with the adjusted budget. .

OPERATING REVENUE FRAMEWORK

For RLM 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.

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

- National Treasury's guidelines on the budget circulars;
- The declining growth in Rustenburg and marginal economic development;
- Proposed tariffs increases for Eskom to municipality at 7.86%
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA) are still to be received;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Projected revenue to be realistic. The projected revenue for trading services were informed by the performance of the municipality for the past six months projected for the full year and also taking into account the payment levels for the past two years collection rate and February 2016 collection rate average. The proposed collection rate for 2016/17 is at 88% and for the outer years is 89% and 90% respectively.
- The proposed tariffs increases have been determined in relation to the costs of rendering such a service and ensuring that the consumers are not being overburden to an extent of not being able to afford paying for services.
- The proposed tariffs for water and electricity had to be reduced after considering the inputs of public, schools and businesses subsequent to additional consultative engagements with them.
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); The municipality implemented the new valuation roll in 2014/15 financial year and its impact on consumers was also taken into account when tariffs for property rates were calculated. The increase is kept at 6.2%
- Increase in ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

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The following table is a summary of the table 2016/17MTREF (classified by main revenue source):
Table 2 Summary of revenue classified by main revenue source

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	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1															
Revenue By Source	2															
Property rates		171 619	161 957	264 534	283 492	281 932	285 992	285 992	285 992	285 992	281 932	285 992	285 992	300 115	320 220	342 377
Property rates - penalties & collection charges																
Service charges - electricity revenue		1 221 129	1 550 581	1 512 740	1 769 136	1 594 036	1 894 036	1 894 036	1 894 036	1 894 036	1 594 036	1 894 036	1 894 036	2 073 510	2 239 962	2 414 583
Service charges - water revenue		385 082	251 541	403 877	413 740	408 125	408 125	408 125	408 125	408 125	408 125	408 125	408 125	484 254	522 862	574 376
Service charges - sanitation revenue		53 435	70 538	77 278	194 681	187 853	187 853	187 853	187 853	187 853	187 853	187 853	187 853	259 835	267 772	286 089
Service charges - refuse revenue		79 497	92 575	91 185	99 894	105 554	105 554	105 554	105 554	105 554	105 554	105 554	105 554	113 160	121 644	130 825
Service charges - other		-	-	-	473	273	273	273	273	273	273	273	273	289	321	349
Rental of facilities and equipment		5 725	6 154	7 312	7 860	10 050	8 343	8 343	8 343	8 343	10 050	8 343	8 343	9 347	9 837	9 837
Interest earned - external investments		59 086	38 115	39 940	27 952	31 754	31 754	31 754	31 754	31 754	31 754	31 754	31 754	35 241	37 332	39 547
Interest earned - outstanding debtors		76 573	112 594	132 535	139 620	139 620	139 620	139 620	139 620	139 620	139 620	139 620	139 620	139 620	147 330	155 865
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		12 413	37 794	8 092	16 017	10 817	8 549	8 549	8 549	8 549	10 817	8 549	8 549	9 062	9 557	10 143
Licences and permits		10 550	9 913	10 449	9 659	9 892	9 892	9 892	9 892	9 892	9 892	9 892	9 892	10 055	11 465	12 151
Agency services		14 570	16 638	20 940	18 240	18 186	18 186	18 186	18 186	18 186	18 186	18 186	18 186	19 277	20 395	21 578
Transfers recognised - operational		289 421	297 443	344 378	545 688	543 309	543 309	543 309	543 309	543 309	543 309	543 309	543 309	593 786	632 616	674 070
Other revenue		152 922	30 965	130 957	24 037	28 990	28 990	28 990	28 990	28 990	28 990	28 990	28 990	24 400	25 993	26 878
Gains on disposal of FPE		1 458	-	575	-	12 000	12 000	12 000	12 000	12 000	12 000	12 000	12 000	5 000	5 290	5 597
Total Revenue (excluding capital transfers and contributions)		2 579 901	2 586 562	3 045 194	3 575 490	3 682 471	3 670 237	3 670 237	3 670 237	3 670 237	3 682 471	3 670 237	3 670 237	4 036 902	4 371 860	4 704 246

Total operating revenue has increased by 10.2 (%) per cent or R374.4million in 2016/17 financial year when compared to the 2015/16 adjusted budget of R3.6billion. The municipality has introduced the cost reflective calculation of its revenue. The collection rate for the past three years average is standing at 82%(2014/15,90% (2013/14, 78% (2012/13) and 2015/16 average is at 83%in April calculated as per MFMA circular 71and.It is projected at 88% in 2016/2017for the two outer years is 89% and 90% respectively.

For the two outer years, operational revenue will increase by 7.8% and 7.6 (%) per cent respectively, equaling to a total revenue growth of R314, 6million and R332.6million for the two outer years.

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Revenue generated from rates and services forms a significant percentage of the revenue basket. Rates and service charge revenue is at 79.40% or R3.2billion of the total 2016/17 budget. In the outer years projected revenue from rates and service charges total R3.4billion or 79.43 (%) percent and R3.7billion or 79.7% respectively.

Revenue generated from rates and other trading services has increased by 11.93 (%) percent in 2016/17 when compared to the adjusted budget. It increases by 7.8 percent (%) and 7.9 (%) percent in the outer years respectively. This is due to the recalculation of tariffs to ensure that the projected revenue is realistic and costs reflective. The increase for revenue generated from property rates for 2016/17 is at 6.04%, for outer years is at 6.28% and 6.47 (%) respectively. The maximum growth guideline is at 6% over the MTREF whilst CPI guideline per National Treasury circular 79 is at 6.6%, 6.2.% and 5.9% over the MTREF.

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 will distort the calculation of the operating surplus/deficit. This growth is mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates which is in line with the tariff policies of the Municipality.

For property rates there is an increase of 6.4 (%) percent in revenue when compared to the full year forecast and for the outer years 6.7 (%) percent and 6.9 (%) percent respectively. The municipality is starting to reap the benefits of the data cleansing exercise that was intensified around 2014/15. More properties are now in the municipal valuation roll. Close to 249 properties have since being activated on the system recently which were previously not billed since registration.

Electricity revenue is at 51.1 (%) per cent or R2billion of the total revenue in 2016/17. There is an increase of 9.4% in 2016/17 when compared to the full year forecast. For the outer years, electricity growth is at 8.1% and 7.8% respectively and this is above the benchmark growth guideline maximum of 6% over the MTREF.

Increases in electricity revenue is due to the recovery on time of use that was low in 2015/16 but the municipality has engaged with schools and businesses and the increase in tariff was kept at 42.86 %, 44.86% and 15.66. % for consumption on 33kv, 11kv and Xstrata respectively.

Changes in the budget after public participation, benchmarking, engagements with schools and businesses

The revision of tables: A4, A10, SA1 and SA9 to incorporate the cost of free basic services impacted on the statement of financial performance and the anticipated revenue for property rates and service charges.

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Water revenue for 2016/17 financial year increases significantly when compared to the full year forecast. This is due to the newly incorporated properties in our valuation roll that were not billed in the past. The revenue for water has been arrived at after incorporating all costs drivers, fixed and variable that impact on water services as this revenue component did not take into account cost drivers in the past. The aim is to put aside a reserve for infrastructure rehabilitation to reduce on water losses.

The revenue for water increases by 18.7(%) percent in 2016/17 when compared to the full year forecasts and it increases by 7.9 (%) percent and 9.9(%) percent in the outer years respectively.

Changes in the budget after public participation, benchmarking, engagements with schools and businesses

The revision of the SA21 to take into account free basic water distributed to informal settlements as part of poor households that do not form part of our indigent register. The statement of financial performance had to be reworked so as to account correctly for costs of providing free basic services.

Sanitation revenue is at 6.18 (%) percent of the 2016/17 total revenue and is at 6.13 and 6.08(%) percent of the total revenue. It increases by 33.5% in 2016/17 when compared to the full year audit outcome. The major growth is due to the inclusion of the Rustenburg Water Services Trust revenue of R42million.

Refuse removal revenue increases by 7.2(%) percent when compared to the full year forecasts and increases by 7.5% in the outer years.

The above increase of revenue of property rates, electricity, water refuse and sanitation include income for RWST.

Table 3 below is indicative of (%) growth in revenue by source over the MTREF

Table 3 Percentage growth in revenue by main revenue source

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Description	Ref	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework							
		2012/13	2013/14	2014/15	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Growth % Between Pre-audit and 2016/17	Budget Year +1 2017/18	Growth % Between 2016/17 and +2 2018/19	Growth % Between 2017/18 and 2018/19
1	1												
2	2												
Revenue By Source													
Property rates													
Property rates - penalties & collection charges													
Service charges - electricity revenue													
Service charges - water revenue													
Service charges - sanitation revenue													
Service charges - refuse revenue													
Service charges - other													
Rental of facilities and equipment													
Interest earned - external investments													
Interest earned - outbonding debtors													
Dividends received													
Fees													
Licenses and permits													
Agency services													
Transfer recognised - operational													
Other revenue													
Gains on disposal of PPE													
Total Revenue (excluding capital transfers and contributions)													

Operational grants is the second largest revenue source totaling 14.38(%) percent or R583.8million of the total revenue. It is at 14.47(%) percent and 14.33 (%) percent of the total revenue in the outer years respectively.

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Table 4 : Operating Transfers and Grants Receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		252 582	353 918	388 662	541 482	539 542	541 482	583 300	631 999	673 555
Local Government Equitable Share		239 749	285 427	333 278	399 145	399 145	399 145	431 580	521 872	585 878
Finance Management		1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement		950	890	934	930	930	930	-	-	-
Water Services Operating Subsidy		3 564	300	5 000	7 000	7 000	7 000	-	-	-
2010 FIFA World Cup Operating		-	-	-	-	-	-	-	-	-
Energy Efficiency and Demand Management		-	-	-	-	-	-	-	-	5 000
NDPG		-	-	-	-	-	-	400	500	1 300
FIFA		-	-	-	-	-	-	-	-	-
EPWP		7 269	-	4 611	3 384	3 384	3 384	4 219	-	-
PTIS		-	-	27 664	124 409	116 666	124 409	72 579	67 341	64 146
PMU		-	65 751	5 034	5 028	5 028	5 028	5 997	6 466	6 856
MKG		-	-	10 000	-	5 000	-	46 500	34 000	8 675
Other transfers/grants (insert description)										
Provincial Government:		39	1 830	2 162	670	841	670	468	617	515
Sport and Recreation		-	570	947	670	841	670	468	617	515
Skills Levy		-	-	1 050	-	-	-	-	-	-
LG-SETA		39	1 160	165	-	-	-	-	-	-
Other transfers/grants (insert description)										
District Municipality:		-	-	-	-	-	-	-	-	-
(insert description)										
Other grant providers:		-	-	-	4	4	-	-	-	-
(insert description)					4	4				
Total Operating Transfers and Grants	5	252 921	355 748	390 224	542 168	539 388	542 162	583 768	632 616	674 070

Interest from outstanding debtors is at 3.43% of the 2016/2017 total revenue an. It is at 3.37(%) percent and 3.31% respectively in the outer years of total revenue. This is the interest charged on accounts in arrears. The credit control and debt collection policy has a provision to write off outstanding interest if the whole account is settled. It is envisaged that the fruits of the data cleansing will impact on the reduction in the debtors' book starting from 2016/17 onwards.

Interest on investment is at 0.87% or (R35.2 million) of the budgeted revenue in 2016/17 financial year. Interest earned on investment is underperforming due to consumers extending the payment period to more than 30 days, forcing the municipality to cash its investment within a short period. The revenue collected normally cover the monthly costs hence the reduction in investment and received interest. It is projected that the interest will grow by 0.85% and 0.84% in the outer years.

Revenue from fines is at 0.22% or (R9 million) of the budgeted revenue in 2016/2017 financial year. The revenue increases by almost 5.79% in the outer years.

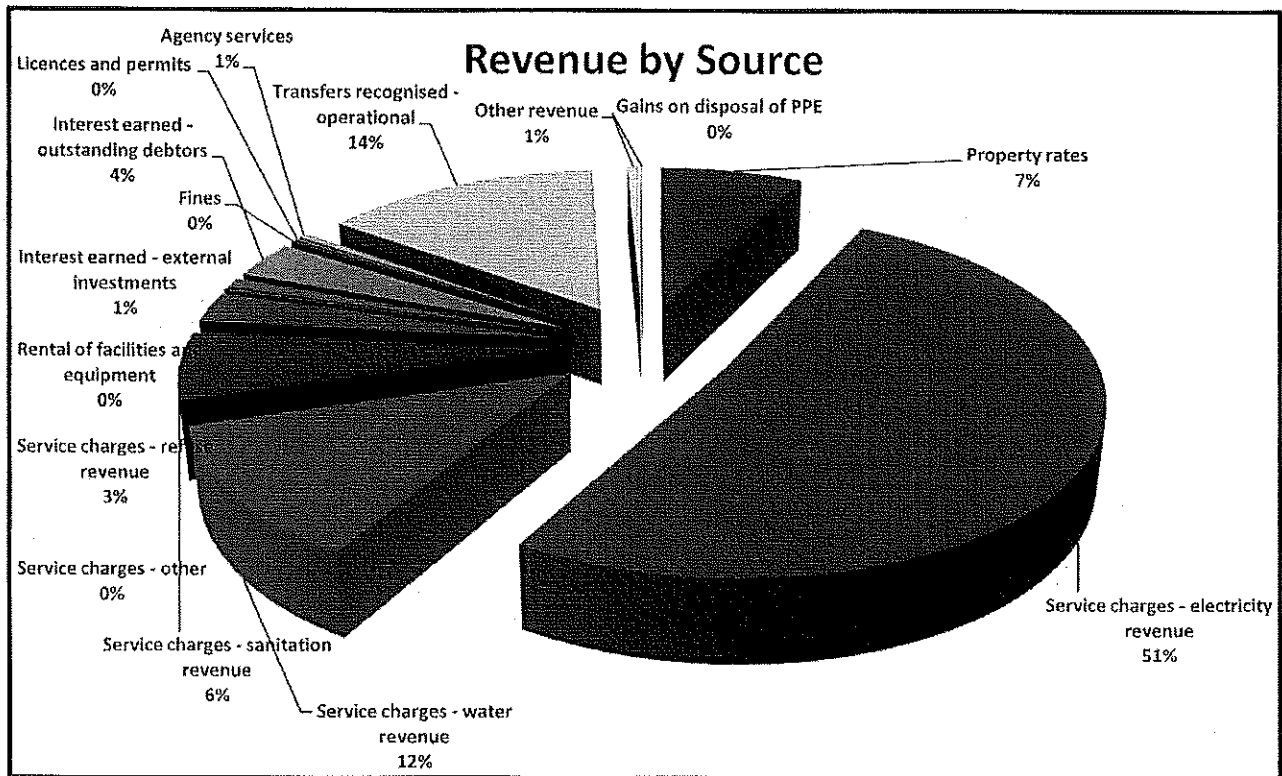
The rentals of municipal buildings and facilities have seen a trend of declining revenue. More effort is needed to ensure that all municipal buildings rented are charged at a market related rentals as the expenditure incurred to repair the buildings far exceeds the revenue generated. The challenge is still around the free use of these facilities.

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Licences and permits revenue increases by 9.75% when compared to full year forecasts. It increases by 5.79 (%) percent in the outer years

The anticipated sale of vacant stands for the 2016/17 financial year is at R5million. For the outer years it is at R5.3million and R5.6million respectively.

The following table gives a breakdown of the revenue category
Table 5: Revenue by main revenue source



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--- Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability. Proposed tariffs are attached as **Annexure "B (attached)"**

Tariffs are set by the Rustenburg local municipality for the services it renders, such as electricity, water, sanitation, refuse removal and others. These tariffs are reviewed once a year, with public comment sought on any increases. Tariffs are levied to recover costs of services provided directly and indirectly to customers and other ad hoc services.

The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the services.

An abnormal high tariffs increase might mean that the municipality will experience difficulties in collecting revenue at expected levels and bad debts might increase. The municipality has strived to minimize its domestic tariff increases to limit the effects of inflation and high interest rates on residents in the 2016/17 financial year.

In revising its tariffs for water, sanitation, electricity and refuse removal, the municipality has taken into account current food and fuel prices, which had soared by a sky-high margin. "Considering the financial distress the South African consumer is in: the affordability of most goods and services is at risk.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

Given that these tariff increases are determined by external agencies, they have impact on the municipality's electricity and water and these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases with lower consumer tariffs will erode the municipality's future financial position and viability.

The current challenge facing the Rustenburg Local Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Rustenburg Local Municipality has undertaken the tariff setting process relating to service charges as follows.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. There is a 6.2% tariffs increase across all properties.

The municipality will not levy a rate on the first part of the value up R 100 000, 00 of the market value as per the Valuation Roll:

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The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value in terms of section 17 (1)(h) of the Municipal Property Rates Act (MPRA) and on the balance of the market value up to R 85 000 in terms of section 15 of the MPRA in respect of residential properties, provided that the Council from time to time during its annual budget process contemplated in section 12 (2) of the Act determine as threshold, the amount to be deducted from the market value of the residential properties as a result of which rates will only be determined on the balance of the market value of such properties after deduction of the threshold amount.

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A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 – Proposed Property rates tariff increase

BUDGET AND TREASURY OFFICE

ASSESSMENT RATES PROPOSED TARIFFS 2016/2017 MTREF

TARIFF ID	TARIFF DESCRIPTION	CURRENT TARIFF (2015/2016)	PROPOSED TARIFF 2016/17	TARIFF INCREASE	TARIFF % INCREASE	PROPOSED TARIFF 2017/18	PROPOSED TARIFF 2018/19
		R / C					
AB	REBATE EARNINGS< 4500	-0.4000	-0.4000	-	0.0%	-0.4000	-0.4000
AC	REBATE EARNINGS BETWEEN 4500 AND 5500	-0.3000	-0.3000	-	0.0%	-0.3000	-0.3000
AD	REBATE EARNINGS BETWEEN 5500 AND 6500	-0.2000	-0.2000	-	0.0%	-0.2000	-0.2000
ED	GOVERNMENT REBATE 20%	-0.1000	-0.1000	-	0.0%	-0.1000	-0.1000
	RESIDENTIAL REBATE	-100.000	-100.000	-	0.0%	-100.000	-100.000
AA	RESIDENTIAL 1	0.0057	0.0060	0.0004	6.2%	0.0064	0.0068
AE	RES 1 VACANT LAND	0.0088	0.0093	0.0005	6.2%	0.0099	0.0105
BA	RESIDENTIAL 2-4	0.0057	0.0060	0.0004	6.2%	0.0064	0.0068
BB	RES 2-4 VACANT LAND	0.0088	0.0093	0.0005	6.2%	0.0099	0.0105
CA	BUSINESS/COMMERCIAL	0.0209	0.0222	0.0013	6.2%	0.0235	0.0249
DA	INDUSTRIAL	0.0213	0.0226	0.0013	6.2%	0.0240	0.0254
EA	GOVERNMENT	0.0199	0.0211	0.0012	6.2%	0.0224	0.0237
GA	EDUCATIONAL	0.0191	0.0203	0.0012	6.2%	0.0215	0.0228
HA	MINING	0.0224	0.0238	0.0014	6.2%	0.0252	0.0267
IA	AGRIC RESIDENTIAL	0.0014	0.0015	0.0001	6.2%	0.0016	0.0017
IB	AGRIC VACANT LAND	0.0088	0.0093	0.0005	6.2%	0.0099	0.0105
IC	AGRIC BUSINESS/INDUSTRIAL	0.0223	0.0238	0.0014	6.2%	0.0251	0.0266
	AGRICULTURAL	0.0015	0.0016	0.0001	6.2%	0.0017	0.0018
	PRIVATE ROAD	0.0059	0.0063	0.0004	6.2%	0.0067	0.0071
	GUEST HOUSES	0.0075	0.0080	0.0005	6.2%	0.0085	0.0090
	PRIVATE SCHOOLS	0.0209	0.0222	0.0013	6.2%	0.0235	0.0249
	CRECHES	0.0209	0.0222	0.0013	6.2%	0.0235	0.0249
	PRIVATE OWNED TOWN	0.0028	0.0030	0.0002	6.2%	0.0032	0.0033
	VACANT - BUSINESS	0.0227	0.0241	0.0014	6.2%	0.0255	0.0271
	PRIVATE OPEN SPACES	0.0063	0.0066	0.0004	6.2%	0.0070	0.0075

PROPOSED INCREASE: THE INCREASE IS IN LINE CPIX OF 6.2%

Sale of Water and Impact of Tariff Increases

The revision in the water tariff is necessities by the high demand of water in relation to the municipal aging water infrastructure, the cost of maintaining the water purification plants, water networks and the cost associated with the reticulation expansion:

Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and are designed to encourage efficient and sustainable consumption.

The bulk water purchases proposed increases still to be approved from Rand Water and Magalies Water is at 11.9% and 12 % respectively.

Changes in tariffs after public, schools, businesses inputs and benchmarking

The municipality increased their tariffs based on the CPIX of 6 (%) percent, in line with National Treasury guidelines mainly for domestic consumers. To arrive at a cost reflective tariff, increases in tariffs had to be above the 6.6% increase guideline as per National Treasury circular 79 for categories like industrial, Government and Business. It should be noted that in the past the municipality was not breaking even on the water

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sales. Business consideration was to cover the impact of the drought wherein the municipality was hit hard as it had to deliver this service for free (commercial loss) to consumers in low lying areas. In order for this service to be sustainable the municipality cannot render this service below the cost drivers so as to alleviate the collapse of this service.

Tariff increases will allow for setting aside a portion of revenue for water infrastructure maintenance as currently the municipality can't keep up with the demand of the replacement of the aging infrastructure as there are not enough collection on this service to rein fence for infrastructure rehabilitation.

- **Domestic** tariff increases on water consumption will still be between 6 (%) percent and 6.8 (%) percent depending on the level of consumption as reflected in the below tariffs.
- **Industrial** water tariff consumption increases has been revised to be between 9.7% and 20 % depending on the level of consumption per set brackets.
- **Commercial** consumption tariffs increases are now between 9.70 (%) and 19.50% depending on the level of consumption per set brackets
- **Institutions:** Churches, public and private schools revised to be between 7.79% and 15% depending on the level of consumption per set bracket.
- **Other institutions** including government have been revised to be between 9.70% and 20% increases depending on the level of consumption.
- **Basic charges** for all consumers will increase by 6.6% in 2016/17 and between 6% and 20% in both outer years

Table 7 Proposed Water Tariffs

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Water Tariffs WATER CONSUMPTION

CONSUMER	2015/2016	2016/2017		2017/2018	2018/2019
DOMESTIC (Prepaid and Conventional meters) TOTAL	Current Tariff	Proposed Tariff	Proposed % increase	Proposed Tariff	Proposed Tariff
Consumption 0KL to 12KL	9.8855	10.4786	6.00%	11.0864	11.7294
Consumption 13KL to 25KL	11.8388	12.5728	6.20%	13.3020	14.0735
Consumption 26KL to 40KL	13.5713	14.4399	6.40%	15.2774	16.1635
Consumption 41KL to 60KL	15.3615	16.3754	6.60%	17.3251	18.3300
Consumption above 60KL	16.632	17.7630	6.80%	18.7932	19.8832
Domestic consumers with no meter					
Minimum charge per household per month	-	63.0970	-	66.8828	70.8958
AGRICULTURAL DOMESTIC TOTAL					
Consumption 0KL to 12KL	13.4090	14.2135	6.00%	15.0379	15.9101
Consumption 13KL to 25KL	14.2135	15.0947	6.20%	15.9702	16.8965
Consumption 26KL to 40KL	15.6349	16.6355	6.40%	17.6004	18.6212
Consumption 41KL to 60KL	17.1984	18.3335	6.60%	19.3968	20.5219
Consumption above 60KL	18.9182	20.2046	6.80%	21.3765	22.6163
INDUSTRIAL TOTAL					
Consumption 0KL to 60KL	13.662	14.9872	9.70%	16.2611	17.5620
Consumption 61KL to 100KL	13.662	15.5747	14.00%	17.4436	19.3624
Consumption 101KL to 150KL	13.662	15.8479	16.00%	18.0666	20.4153
Consumption 151KL+	13.915	16.6980	20.00%	19.8706	23.4473
INDUSTRIAL: BOSPOORT TOTAL					
Consumption 0KL to 60KL	13.662	14.9872	9.70%	16.2611	17.5620
Consumption 61KL to 100KL	13.662	15.5747	14.00%	17.4436	19.3624
Consumption 101KL to 150KL	13.662	15.8479	16.00%	18.0666	20.4153
Consumption 151KL+	13.915	16.6980	20.00%	19.8706	23.4473
COMMERCIAL TOTAL					
Consumption 0KL to 60KL	13.662	14.9872	9.70%	16.2611	17.5620
Consumption 61KL to 100KL	13.662	15.5747	14.00%	17.4436	19.3624
Consumption 101KL to 150KL	13.662	15.8479	16.00%	18.0666	20.4153
Consumption 151KL+	13.915	16.6284	19.50%	19.6215	22.9572
INSTITUTIONAL: Church TOTAL					
Consumption 0KL to 60KL	13.662	14.7263	7.79%	15.9044	17.0177
Consumption 61KL to 100KL	13.662	15.3014	12.00%	16.8316	18.3464
Consumption 101KL to 150KL	13.662	15.3698	12.50%	16.9836	18.5970
Consumption 151KL+	13.915	16.0023	15.00%	17.9545	19.9295
INSTITUTIONAL TOTAL					
Consumption 0KL to 60KL	13.1589	14.4353	9.70%	15.5656	16.8109
Consumption 61KL to 100KL	13.1589	15.0012	14.00%	16.6078	18.4347
Consumption 101KL to 150KL	13.1589	15.2644	16.00%	17.1388	19.3669
Consumption 151KL+	13.4026	16.0831	20.00%	18.5358	21.6869

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CONSUMER	2015/2016	2016/2017		2017/2018	2018/2019
DOMESTIC (Prepaid and Conventional meters) TOTAL	Current Tariff	Proposed Tariff	Proposed % Increase	Proposed Tariff	Proposed Tariff
INSTITUTIONAL:GOVERNMENT TOTAL					
Consumption 0KL to 60KL	13.1589	14.4353	9.70%	15.5656	16.8109
Consumption 61KL to 100KL	13.1589	15.0012	14.00%	16.6078	18.4347
Consumption 101KL to 150KL	13.1589	15.2644	16.00%	17.1388	19.3669
Consumption 151KL+	13.4026	16.0831	20.00%	18.5358	21.6869
PUBLIC AND PRIVATE SCHOOLS					
Consumption 0KL to 60KL	13.1589	14.1840	7.79%	15.3187	16.3910
Consumption 61KL to 100KL	13.1589	14.7380	12.00%	16.2118	17.6708
Consumption 101KL to 150KL	13.1589	14.8038	12.50%	16.3582	17.9122
Consumption 151KL+	13.4026	15.4130	15.00%	17.2934	19.1956
SPECIAL					
Consumption 0KL to 60KL	13.1589	14.4353	9.70%	15.5656	16.8109
Consumption 61KL to 100KL	13.1589	15.0012	14.00%	16.6078	18.4347
Consumption 101KL to 150KL	13.1589	15.2644	16.00%	17.1388	19.3669
Consumption 151KL+	13.4026	16.0831	20.00%	18.5358	21.6869

WATER BASIC

CONSUMER	CURRENT ACTUAL 2015/2016 PER MONTH TARIFF	CURRENT ACTUAL 2015/2016 ANNUAL	Proposed Tariffs 2016/2017 PER MONTH	Proposed % Increase 2016/2017	Proposed Tariffs 2016/2017 ANNUAL	Proposed Tariffs 2017/2018 PER MONTH	Proposed Tariffs 2017/2018 ANNUAL	Proposed Tariffs 2017/2018 PER MONTH	Proposed Tariffs 2017/2018 ANNUAL	Proposed Tariffs 2018/2019 PER MONTH	Proposed Tariffs 2018/2019 ANNUAL
Residential	59.1904	710.28	63.0970	6.60%	757.1636	66.8828	6.00%	802.59	70.90	6.00%	850.75
Residential Vacant	61.424	737.09	65.4780	6.60%	785.7358	69.5376	6.20%	834.45	73.85	6.20%	886.19
INDUSTRIAL	63.767	765.20	67.9756	6.60%	815.7075	72.1901	6.20%	866.28	76.67	6.20%	919.99
INDUSTRIAL - Vacant	63.767	765.20	67.9756	6.60%	815.7075	72.1901	6.20%	866.28	76.67	6.20%	919.99
Agricultural	63.767	765.20	67.9756	6.60%	815.7075	72.1901	6.20%	866.28	76.67	6.20%	919.99
BUSINESS	63.767	765.20	67.9756	6.60%	815.7075	72.1901	6.20%	866.28	76.67	6.20%	919.99
BUSINESS - Vacant	63.767	765.20	67.9756	6.60%	815.7075	72.1901	6.20%	866.28	76.67	6.20%	919.99
CHURCH	61.424	737.09	65.4780	6.60%	785.7358	69.5376	6.20%	834.45	73.85	6.20%	886.19
Educational	61.424	737.09	65.4780	6.60%	785.7358	69.5376	6.20%	834.45	73.85	6.20%	886.19
STATE OWNED	61.424	737.09	65.4780	6.60%	785.7358	69.5376	6.20%	834.45	73.85	6.20%	886.19
MUNICIPALITY	61.424	737.09	65.4780	6.60%	785.7358	69.5376	6.20%	834.45	73.85	6.20%	886.19

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from NERSA has not yet been received. Proposed tariffs submitted to NERSA are the ones indicated below. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ESKOM approved tariffs by NERSA is at 9.4% and for municipality it is at 7.86%. The municipality intend bringing in the increase in sales of electricity through tariff charges in line with various categories of its consumers in relation to their demand or use of electricity taking into account the time of use and the range in peak or off peak. The increase in the sale of electricity will not be line with the 7.86% as per MFMA circular 78.Only when the

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customer does not exceed the permissible 8% increase for consumption 0-600kwh.

The fixed charge per month will vary according to the electricity consumer type. The energy rate will be on the sliding scale and will still differ according to consumer type.

Electricity tariffs

NERSA benchmark consultation paper was used to inform Rustenburg Local municipality proposed electricity tariffs. (*NERSA publish final guideline*). The proposed increase for electricity is between 6.30% to 7.50% for residential and will be charged within the identified demand block. For the past three years businesses has been charged at a lower tariff than it is costing the municipality when purchasing the electricity from Eskom.

Currently the municipality is running this service at a loss .It should be noted that electricity has to cross subsidies other units of the municipality where there is a shortage in revenue. All the electricity tariffs are based on the inclining block principle, that is the more units used, the higher the rate becomes.

The proposed tariffs are attached as Annexure "B":

Time of use/utilized demand proposal 2016/17

Time of use 33KV	Time of use 11KV	Xstrata
$(7.86\% + 35\%) =$ 42.86%	$(7.86\% + 37\%) =$ 44.86%	$(7.86\% + 7.5\%) =$ 15.66%

- Customers to be charged on usage contributions to the demand to recover
- on time of use charge that was lowered in 2015/16
- Customers on conventional meters are encouraged to move to prepaid so as to safe on electricity basic charge

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Table 8 Proposed electricity consumption for households

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ELECTRICITY TARIFF

	Approved 2015/2016	Application 2016/2017	Increase (avg cost and rate)	Budget Year #1 2017/18	Budget Year #2 2018/19
Residential Lifeline					
Fixed Charge per month	0.00	-			
Energy Rate (c/kWh) (<= 50kWh)	83.05	84.00	1.14%	91.73	100.72
Energy Rate (c/kWh) (51 - 250kWh)	103.19	105.00	1.75%	114.66	125.90
Energy Rate (c/kWh) (251 - 600kWh)	119.83	128.00	6.82%	139.78	153.47
Energy Rate (c/kWh) (> 600kWh)	142.86	154.00	7.79%	168.17	184.65
Domestic PP Lifeline BSST	0.00	-			
MD in kVA / Demo account in Rands per month	411.01	444.00	8.03%		
Energy in kWh / average cost in c/kWh	102.75	111.00	8.03%		

Residential Town Conventional					
Fixed Charge per month	237.99	256.50	7.78%	280.10	307.55
Energy Rate (c/kWh) (<= 50kWh)	83.05	84.00	1.14%	91.73	100.72
Energy Rate (c/kWh) (51 - 250kWh)	103.19	105.00	1.75%	114.66	125.90
Energy Rate (c/kWh) (251 - 600kWh)	119.83	128.00	6.82%	139.78	153.47
Energy Rate (c/kWh) (> 600kWh)	142.86	154.00	7.79%	168.17	184.65
MD in kVA / Demo account in Rands per month	1 174.39	1 264.50	7.67%		
Energy in kWh / average cost in c/kWh	146.80	158.06	7.67%		

Residential Town Prepaid					
Fixed Charge per month	170.00	183.00	7.65%	199.84	219.42
Energy Rate (c/kWh) (<= 50kWh)	79.00	84.00	6.33%	91.73	100.72
Energy Rate (c/kWh) (51 - 250kWh)	100.00	105.00	5.00%	114.66	125.90
Energy Rate (c/kWh) (251 - 600kWh)	121.21	128.00	5.60%	139.78	153.47
Energy Rate (c/kWh) (> 600kWh)	146.90	154.00	4.83%	168.17	184.65
MD in kVA / Demo account in Rands per month	1 108.33	1 191.00	7.65%		
Energy in kWh / average cost in c/kWh	138.29	148.88	7.66%		

Residential Rural Conventional					
Fixed Charge per month	267.75	288.50	7.75%	315.04	345.92
Energy Rate (c/kWh) (<= 50kWh)	83.05	84.00	1.14%	91.73	100.72
Energy Rate (c/kWh) (51 - 250kWh)	103.19	105.00	1.75%	114.66	125.90
Energy Rate (c/kWh) (251 - 600kWh)	119.83	128.00	6.82%	139.78	153.47
Energy Rate (c/kWh) (> 600kWh)	142.86	154.00	7.80%	168.17	184.65
MD in kVA / Demo account in Rands per month	1 204.14	1 296.50	7.67%		
Energy in kWh / average cost in c/kWh	150.52	162.06	7.67%		

Residential Rural Prepaid					
Fixed Charge per month	267.75	288.50	7.75%	315.04	345.92
Energy Rate (c/kWh) (<= 50kWh)	83.05	84.00	1.14%	91.73	100.72
Energy Rate (c/kWh) (51 - 250kWh)	103.19	105.00	1.75%	114.66	125.90
Energy Rate (c/kWh) (251 - 600kWh)	119.83	128.00	6.82%	139.78	153.47
Energy Rate (c/kWh) (> 600kWh)	142.86	154.00	7.80%	168.17	184.65
MD in kVA / Demo account in Rands per month	1 204.14	1 296.50	7.67%		
Energy in kWh / average cost in c/kWh	150.52	162.06	7.67%		

Business rate Town Conventional (commercial with 100kVA or less)					
Fixed Charge per month	2016.50	800.00	-60.33%	873.60	959.21
Energy Rate (c/kWh) Summer	126.21	160.00	26.77%	174.72	191.84
Energy Rate (c/kWh) Winter	217.21	242.00	11.41%	264.26	290.16
MD in kVA / Demo account in Rands per month	10 209.30	10 727.50	5.08%		
Energy in kWh / average cost in c/kWh	185.62	195.05	5.08%		

Business rate Town Prepaid (commercial with 100kVA or less)					
Fixed Charge per month	2016.50	800.00	-60.33%	873.60	959.21
Energy Rate (c/kWh) Summer	126.21	160.00	26.77%	174.72	191.84
Energy Rate (c/kWh) Winter	217.21	242.00	11.41%	264.26	290.16
MD in kVA / Demo account in Rands per month	4 995.70	4 410.00	-11.72%		
Energy in kWh / average cost in c/kWh	249.79	220.50	-11.73%		

Business rate Rural Prepaid (commercial with 100kVA or less)					
Fixed Charge per month	2016.50	800.00	-60.33%	873.60	959.21
Energy Rate (c/kWh) Summer	126.21	160.00	26.77%	174.72	191.84
Energy Rate (c/kWh) Winter	217.21	242.00	11.41%	264.26	290.16
MD in kVA / Demo account in Rands per month	4 995.70	4 410.00	-11.72%		
Energy in kWh / average cost in c/kWh	249.79	220.50	-11.73%		

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Business rate Rural Prepaid (commercial with 100kVA or less)					
Fixed Charge per month	2016.50	800.00	-60.33%	873.60	959.21
Energy Rate (c/kWh) Summer	126.21	160.00	26.77%	174.72	191.84
Energy Rate (c/kWh) Winter	217.21	242.00	11.41%	264.26	290.16
MD in kVA / Demo account in Rands per month	4 995.70	4 410.00	-11.72%		
Energy in kWh / average cost in c/kWh	249.79	220.50	-11.73%		

	Approved 2015/2016	Application 2016/2017	Increase (avg cost and rate)	Budget Year +1 2017/18	Budget Year +2 2018/19
Bulk Supply Town 400 V					
Fixed Charge per month	2474.10	2 663.20	7.64%	2 908.21	3 193.22
Energy Rate (c/kWh) Summer	66.70	111.20	66.72%	121.43	133.33
Energy Rate (c/kWh) Winter	192.00	167.91	-12.55%	183.36	201.33
Utilised Demand Charge (R/kVA) 12 month maximum	162.48	172.00	5.86%	187.82	206.23
Maximum Demand Charge (R/kVA)	40.62	43.00	5.86%	46.96	51.56
MD in kVA / Demo account in Rands per month	46 672.01	50 239.48	7.64%		
Energy in kWh / average cost in c/kWh	106.56	114.70	7.64%		

Bulk Supply Rural 400 V					
Fixed Charge per month	2474.10	2 663.20	7.64%	2 908.21	3 193.22
Energy Rate (c/kWh) Summer	66.70	111.20	66.72%	121.43	133.33
Energy Rate (c/kWh) Winter	192.00	167.91	-12.55%	183.36	201.33
Utilised Demand Charge (R/kVA) 12 month maximum	162.48	172.00	5.86%	187.82	206.23
Maximum Demand Charge (R/kVA)	40.62	43.00	5.86%	46.96	51.56
MD in kVA / Demo account in Rands per month	46 672.01	50 239.48	7.64%		
Energy in kWh / average cost in c/kWh	106.56	114.70	7.64%		

11kV Bulk Supply Town and Rural					
Fixed Charge per month	2136.60	2 300.00	7.65%	2 511.60	2 757.74
Energy Rate (c/kWh) Summer	62.51	102.00	63.17%	111.38	122.30
Energy Rate (c/kWh) Winter	181.00	154.00	-14.92%	168.17	184.65
Utilised Demand Charge (R/kVA) 12 month maximum	156.75	166.00	5.90%	181.27	199.04
Maximum Demand Charge (R/kVA)	39.18	42.00	7.20%	45.86	50.36
MD in kVA / Demo account in Rands per month	44 685.44	48 097.50	7.64%		
Energy in kWh / average cost in c/kWh	102.02	109.81	7.64%		

33 kV Bulk supply Time-of-use					
Fixed Charge per month	30 000.00	7 168.00	-76.11%	7 825.27	8 592.15
SUMMER: Demand Charge (R/kVA)	28.60	36.36	27.13%	39.71	43.60
Access Charge (R/kVA)	22.10	28.76	30.14%	31.41	34.48
Peak Energy (c/kWh)	89.04	130.64	46.72%	142.66	156.64
Standard Energy (c/kWh)	51.94	92.97	78.99%	101.52	111.47
Off-peak Energy (c/kWh)	38.84	62.58	61.07%	68.32	75.01
Reactive Energy (c/kVAh)	0.00	-		-	-
WINTER: Demand Charge (R/kVA)	28.60	36.36	27.13%	39.71	43.60
Access Charge (R/kVA)	22.10	28.76	30.14%	31.41	34.48
Peak Energy (c/kWh)	306.00	380.29	24.28%	415.28	455.97
Standard Energy (c/kWh)	73.62	122.03	65.76%	133.26	146.32
Off-peak Energy (c/kWh)	45.27	70.73	56.24%	77.24	84.81
Reactive Energy (c/kVAh)	18.37	16.81	-8.49%	18.36	20.16

11 kV Bulk supply Time-of-use					
Fixed Charge per month	30 000.00	7 272.00	-75.76%	7 941.02	8 719.24
SUMMER: Demand Charge (R/kVA)	28.60	36.90	29.02%	40.29	44.24
Access Charge (R/kVA)	22.10	29.19	32.08%	31.88	35.00
Peak Energy (c/kWh)	90.32	132.58	46.79%	144.78	158.97
Standard Energy (c/kWh)	56.87	94.34	65.89%	103.02	113.12
Off-peak Energy (c/kWh)	40.13	63.49	58.21%	69.33	76.13
Reactive Energy (c/kVAh)	0.00	-		-	-
WINTER: Demand Charge (R/kVA)	28.60	36.90	29.02%	40.29	44.24
Access Charge (R/kVA)	22.10	29.19	32.08%	31.88	35.00
Peak Energy (c/kWh)	318.00	385.92	21.36%	421.42	462.72
Standard Energy (c/kWh)	85.17	123.84	45.40%	135.23	148.49
Off-peak Energy (c/kWh)	48.56	71.78	54.17%	78.38	86.07
Reactive Energy (c/kVAh)	18.37	17.06	-7.13%	18.63	20.46

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	Approved 2015/2016	Application 2016/2017	Increase (avg cost and rate)	Budget Year +1 2017/18	Budget Year +2 2018/19
33 kV Bulk supply NMD >150MVA					
Fixed Charge per month	104 015.40	111 817.00	7.50%	122 104.16	134 070.37
SUMMER: Demand Charge (R/kVA)	26.93	28.95	7.50%	31.61	34.71
Access Charge (R/kVA)	21.30	22.90	7.51%	25.01	27.46
Peak Energy (c/kWh)	96.77	104.03	7.50%	113.60	124.73
Standard Energy (c/kWh)	68.86	74.03	7.51%	80.84	88.76
Off-peak Energy (c/kWh)	46.34	49.82	7.51%	54.40	59.73
Reactive Energy (c/kVAh)	0.00	-		-	-
WINTER: Demand Charge (R/kVA)	26.93	28.95	7.50%	31.61	34.71
Access Charge (R/kVA)	21.30	22.90	7.51%	25.01	27.46
Peak Energy (c/kWh)	281.69	302.82	7.50%	330.68	363.09
Standard Energy (c/kWh)	90.39	97.17	7.50%	106.11	116.51
Off-peak Energy (c/kWh)	52.39	56.32	7.50%	61.50	67.53
Reactive Energy (c/kVAh)	12.45	13.39	7.55%	14.62	16.05

Sanitation and Impact of Tariff Increases

There is a proposed increase of between 5.8 % and 6%for residential and between 6-17% per category of business, government, industrial, institutions based on m2 per area.

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Table 9 Proposed Sanitation tariff.

The following are the new proposed tariffs

SANITATION	2015/2016	2016/2017	2016/2018	2017/2018	2018/2019
	Current TARIFF	ProposedTARIFF	Proposed % TARIFF	Proposed TARIFF	Proposed TARIFF
Residential 1 TOTAL					
Up to and including 300m2	109.0128	115.3355	5.8%	122.2557	129.5910
301m2 to 1000m2	115.5536	122.2557	5.8%	129.5911	137.3665
1001m2 to 2000m2	124.7979	132.0362	5.8%	139.9583	148.3558
2001m2 and Above	137.2776	145.2397	5.8%	153.9541	163.1913
ABATTOIR (Business) TOTAL					
Up to and including 300m2	109.0128	119.9141	10%	127.1089	134.7355
301m2 to 1000m2	115.5536	127.1090	10%	134.7355	142.8196
1001m2 to 2000m2	124.7979	137.2777	10%	145.5144	154.2452
2001m2 and Above	137.2776	151.0054	10%	160.0657	169.6696
Residential 2-4 TOTAL					
Up to and including 300m2	109.0128	115.3355	6%	122.2557	129.5910
301m2 to 1000m2	115.5536	122.2557	6%	129.5911	137.3665
1001m2 to 2000m2	124.7979	132.0362	6%	139.9583	148.3558
2001m2 and Above	137.2776	145.2397	6%	153.9541	163.1913
Business/Commercial TOTAL					
Up to and including 300m2	111.1092	119.9979	8%	127.1978	134.8297
301m2 to 1000m2	122.2201	133.2199	9%	141.2131	149.6859
1001m2 to 2000m2	136.8865	150.5752	10%	159.6097	169.1862
2001m2 and Above	156.0506	173.2162	11%	183.6091	194.6257
Boarding house TOTAL					
Up to and including 300m2	116.6636	123.6634	6%	131.0832	138.9482
301m2 to 1000m2	128.33	138.5964	8%	146.9122	155.7269
1001m2 to 2000m2	146.7296	161.4026	10%	171.0867	181.3519
2001m2 and Above	163.8517	181.8754	11%	192.7879	204.3552
Hotel TOTAL					
Up to and including 300m2	116.6636	125.9967	8%	133.5565	141.5699
301m2 to 1000m2	128.33	139.8797	9%	148.2725	157.1688
1001m2 to 2000m2	146.7296	161.4026	10%	171.0867	181.3519
2001m2 and Above	163.8517	181.8754	11%	192.7879	204.3552
Old Age Homes					
Up to and including 300m2	121.105	128.1291	6%	135.8168	143.9658
301m2 to 1000m2	133.2155	140.9420	6%	149.3985	158.3624
1001m2 to 2000m2	149.2014	157.8551	6%	167.3264	177.3660
2001m2 and Above	170.0896	179.9548	6%	190.7521	202.1972
Hospital TOTAL					
Up to and including 300m2	121.105	130.7934	8%	138.6410	146.9595
301m2 to 1000m2	133.2155	145.2049	9%	153.9172	163.1522
1001m2 to 2000m2	149.2014	164.1215	10%	173.9688	184.4070
2001m2 and Above	170.0896	188.7995	11%	200.1274	212.1351
Amateur Sports Club TOTAL					
Up to and including 300m2	121.105	130.7934	8%	138.6410	146.9595
301m2 to 1000m2	133.2155	145.2049	9%	153.9172	163.1522
1001m2 to 2000m2	149.2014	164.1215	10%	173.9688	184.4070
2001m2 and Above	170.0896	188.7995	11%	200.1274	212.1351
Industrial TOTAL					
Up to and including 300m2	116.6636	136.0193	17%	144.1805	152.8313
301m2 to 1000m2	128.33	144.3132	12%	152.9720	162.1503
1001m2 to 2000m2	146.7296	161.4026	10%	171.0867	181.3519
2001m2 and Above	163.8517	176.9598	8%	187.5774	198.8321
Sewer factory Waste TOTAL					
Up to and including 300m2	121.105	130.7934	8%	138.6410	146.9595
301m2 to 1000m2	133.2155	145.2049	9%	153.9172	163.1522
1001m2 to 2000m2	149.2014	164.1215	10%	173.9688	184.4070
2001m2 and Above	170.0896	188.7995	11%	200.1274	212.1351

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SANITATION	2015/2016	2016/2017	2016/2018	2017/2018	2018/2019
	Current TARIFF	Proposed TARIFF	Proposed % TARIFF	Proposed TARIFF	Proposed TARIFF
Government TOTAL					
Up to and including 300m2	121.105	130.7934	8%	138.6410	146.9595
301m2 to 1000m2	133.2155	145.2049	9%	153.9172	163.1522
1001m2 to 2000m2	149.2014	164.1215	10%	173.9688	184.4070
2001m2 and Above	170.0896	188.7995	11%	200.1274	212.1351
Church TOTAL					
Up to and including 300m2	109.0128	115.3355	6%	122.2557	129.5910
301m2 to 1000m2	115.5536	122.2557	6%	129.5911	137.3665
1001m2 to 2000m2	124.7979	132.0362	6%	139.9583	148.3558
2001m2 and Above	137.2776	145.2397	6%	153.9541	163.1913
Church and Halls TOTAL					
Up to and including 300m2	109.0128	115.3355	6%	122.2557	129.5910
301m2 to 1000m2	115.5536	122.2557	6%	129.5911	137.3665
1001m2 to 2000m2	124.7979	132.0362	6%	139.9583	148.3558
2001m2 and Above	137.2776	145.2397	6%	153.9541	163.1913
Educational TOTAL					
Up to and including 300m2	111.1092	119.9979	8%	127.1978	134.8297
301m2 to 1000m2	122.2201	133.2199	9%	141.2131	149.6859
1001m2 to 2000m2	136.8865	150.5752	10%	159.6097	169.1862
2001m2 and Above	156.0506	173.2162	11%	183.6091	194.6257
Hostel/boarding school TOTAL					
Up to and including 300m2	116.6636	123.6634	6%	131.0832	138.9482
301m2 to 1000m2	128.33	138.5964	8%	146.9122	155.7269
1001m2 to 2000m2	146.7296	161.4026	10%	171.0867	181.3519
2001m2 and Above	163.8517	181.8754	11%	192.7879	204.3552
Agri Residential TOTAL					
Up to and including 300m2	116.6636	123.4301	6%	130.8359	138.6860
301m2 to 1000m2	128.33	135.7731	6%	143.9195	152.5547
1001m2 to 2000m2	146.7296	155.2399	6%	164.5543	174.4276
2001m2 and Above	163.8517	173.3551	6%	183.7564	194.7818
Municipal TOTAL					
Up to and including 300m2	121.105	130.7934	8%	138.6410	146.9595
301m2 to 1000m2	133.2155	145.2049	9%	153.9172	163.1522
1001m2 to 2000m2	149.2014	164.1215	10%	173.9688	184.4070
2001m2 and Above	170.0896	188.7995	11%	200.1274	212.1351
Special TOTAL					
Up to and including 300m2	116.6636	125.9967	8%	133.5565	141.5699
301m2 to 1000m2	128.33	141.1630	10%	149.6328	158.6107
1001m2 to 2000m2	146.7296	164.3372	12%	174.1974	184.6492
2001m2 and Above	163.8517	186.7909	14%	197.9984	209.8783
Vacant property TOTAL					
Up to and including 300m2	121.105	133.2155	10%	141.2084	149.6809
301m2 to 1000m2	133.2155	149.2014	12%	158.1534	167.6426
1001m2 to 2000m2	149.2014	170.0896	14%	180.2950	191.1127
2001m2 and Above	170.0896	197.3039	16%	209.1422	221.6907

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Industrial effluent monitoring

The following formula will apply for industrial effluent charges covering the conveyance, and treatment of industrial effluent.

$$Ti = C \times \frac{Qi}{Qt} \times [0,3 + 0,35 Kc + 0,25 Kn + 0,1 Kp]$$

Where:

- Ti = charge due in R/month
- C = total cost of the sewerage undertaking of Rustenburg Local Municipality covering both treatment and
- Qi = sewage flow from the industry in m3/month
- Qt = sum of design capacities of all the waste water treatment works of the Rustenburg Local

$$Kc = \frac{CODi}{CODt}$$

Where: CODi = industry sewage COD

CODt = target COD as published in Schedule A in the Bylaws in mg/l

The ratio(Kc) is the larger of 1 or the actual ratio

$$Kn = \frac{TKNi}{TKNt}$$

Where: TKNi = the industry TKN

TKNt = target TKN as published in Schedule A in the Bylaws in mg/l

The ratio(Kn) is the larger of 1 or the actual ratio

$$Kp = \frac{Pi}{Pt}$$

Where: Pi = Phosphate of industry in mg/l

Pt = target Phosphate as published in Schedule A in these Bylaws in mg/l

The ratio(Kp) is the larger of 1 or the actual ratio.

- (a) sewage) and also deals with the conveyance costs.
- (b) The above formula is only applicable for the treatment of compliant effluent. If any constituent (heavy metals,
 - i. Refuse to accept the effluent
 - ii. Impose a fine on the industry
 - iii. Insist on pre-treatment by the industry to render the effluent compliant prior to discharge to the municipal
- (c) Fines for contravening the allowable limits of constituents in industrial effluents.
- (d) The municipality sells treated sewage effluent to the mines as process water. There is stringent quality criteria
- (e) The municipality will thus, in particular, enforce the fat and oil standards rigorously.
- (f) The fines will be implemented as follows:
 - i. First written warning. No fine
 - ii. Second contravention R10 000.00 fine regardless of quantity or quality
 - iii. Subsequent contraventions:
 - written approval
 - Refuse to accept the effluent

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Waste Removal and Impact of Tariff Increases

Waste management division has introduced the waste management tariff policy that outlines the cost to be mapped against the tariff required to reflect costs of rendering the service. The refuse removal charges for households, disposal at landfill sites, rental and other services increases by 6. (%)percent. Industrial, commercial and institutions waste tariffs increases by 8%.

--- Detailed tariffs are attached as **Annexure B (Pages 130 -- 776)**

AGENDA: MAYORAL COMMITTEE: 24 MAY 2016

The following table compares current and proposed amounts:

Table 10 Proposed Waste Removal tariffs

WASTE MANAGEMENT SERVICES
PROPOSED TARIFFS 2016/2017

	2015/16 Approved Tariff	2016/17 Proposed Tariff	Proposed % Increase	2017/2018 Proposed Tariff	2018/2019 Proposed Tariff
CONSUMERS					
1. DOMESTIC					
STD CONTAINER 1 X WEEK RES 1	107.48	113.9289	6	120.5368	127.5279
STD CONTAINER 1 X WEEK RES 2-4	107.48	113.9289	6	120.5368	127.5279
BAG COLLECTION (4 BAGS each 85L)	107.48	113.9289	6	120.5368	127.5279
MONTHLY RENTAL PER 240LITER BIN	16.41	17.3946	6	18.4035	19.4709
2. INDUSTRIAL					
INDUSTRIAL	119.93	129.5250	8	137.0374	144.9856
3. COMMERCIAL					
240L BULK CONTAINER 1 X WEEK	370	399.6018	8	422.7787	447.2999
240L BULK CONTAINER (ADDITIONAL)	315	340.2015	8	359.9332	380.8094
770L BULK CONTAINER 1 X WEEK	1100	1 188.0054	8	1 256.6097	1 329.8105
770L BULK CONTAINER (ADDITIONAL)	930	1 004.4046	8	1 062.6600	1 124.2943
1100L BULK CONTAINER 1 X WEEK	1580	1 706.4077	8	1 805.3794	1 910.0914
1100L BULK CONTAINER (ADDITIONAL)	1340	1 447.2066	8	1 531.1446	1 619.9509
1.5 m³ BULK CONTAINER 1 X WEEK	1800	1 944.0088	8	2 056.7613	2 176.0535
1.5 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	1540	1 663.2076	8	1 759.6736	1 861.7347
4.0 m³ BULK CONTAINER 1 X WEEK	4100	4 428.0201	8	4 684.8453	4 956.5663
4.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	3460	3 736.8170	8	3 953.5524	4 182.8584
6.0 m³ BULK CONTAINER 1 X WEEK	6075.24	6 561.2890	8	6 941.8438	7 344.4707
6.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	5150	5 562.0253	8	5 884.6227	6 225.9308
STD CONTAINER 2 X WEEK BUS/COM	0	-	-	-	-
4. INSTITUTIONAL					
MUNICIPAL	101.49	109.6097	8	115.9671	122.6931
GOVERNMENT	101.49	109.6097	8	115.9671	122.6931
CHURCH	101.49	109.6097	8	115.9671	122.6931
EDUCATIONAL	101.49	109.6097	8	115.9671	122.6931
	2015/16 Approved Tariff	2016/17 Proposed Tariff	Proposed % Increase	2017/2018 Proposed Tariff	2018/2019 Proposed Tariff
CONSUMERS					
5. RENTAL SERVICES					
240L BIN RENTAL (including disposal costs)	192	203.5202	6	215.3244	227.8132
770L CONTAINER RENTAL (including disposal costs)	385	408.1005	6	431.7703	456.8130
1100L CONTAINER RENTAL (including disposal costs)	440	466.4005	6	493.4517	522.0719
1.5 m³ CONTAINER RENTAL	525	556.5006	6	588.7777	622.9268
4 m³ SKIP CONTAINER RENTAL (First Removal)	1060	1 123.6012	6	1 188.7701	1 257.7188
4 m³ SKIP CONTAINER RENTAL (Additional Removal)	900	954.0011	6	1 009.3331	1 067.8744
6 m³ SKIP CONTAINER RENTAL (First Removal)	1530	1 621.8018	6	1 715.8663	1 815.3865
6 m³ SKIP CONTAINER RENTAL (Additional Removal)	1300	1 378.0015	6	1 457.9256	1 542.4853
9 m³ SKIP CONTAINER RENTAL (First Removal)	2250	2 385.0026	6	2 523.3328	2 669.6861
9 m³ SKIP CONTAINER RENTAL (Additional Removal)	1912.5	2 027.2522	6	2 144.8329	2 269.2332
36 m³ RORO CONTAINER RENTAL (First Removal)	5400	5 724.0063	6	6 055.9987	6 407.2466
36 m³ RORO CONTAINER RENTAL (Additional Removal)	4590	4 865.4054	6	5 147.5989	5 446.1596
6. OTHER SERVICES					
RENTAL OF WASTE MANAGEMENT HALL	841.91	892.4256	6	944.1863	998.9491
RENTAL OF PA (SOUND) SYSTEM	688.35	729.6518	6	771.9716	816.7460
WASTE REMOVAL INFORMAL SETTLEMENT PER SHACK	15.89	16.8434	6	17.8203	18.8539
WASTE TRANSPORTER PERMIT VEHICLES UNDER FOUR TON PER ANNUM	105.9	112.2541	6	118.7649	125.6532
WASTE TRANSPORTER PERMIT VEHICLES ABOVE FOUR TON PER ANNUM	211.8	224.5082	6	237.5297	251.3065
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1000 SQUARE METERS	8556.72	9 070.1333	6	9 596.2010	10 152.7806
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1001 SQUARE METERS AND ABOVE	10590.01	11 225.4231	6	11 876.4976	12 565.3344
SPECIAL WASTE REMOVAL	885.16	938.2706	6	992.6903	1 050.2664
CARCASS REMOVAL	244.6	259.2763	6	274.3143	290.2245
CONDEMNED FOODSTUFF	835.05	885.1540	6	936.4929	990.8095
STREET SWEEPER OR COLLECTION WORKER	115	121.9001	6	128.9703	136.4506
DRIVER	170	180.2002	6	190.6518	201.7096
240 LITER BIN ONCE OFF PURCHASE	540.09	572.4960	6	605.7008	640.8315
770 LITER BIN ONCE OFF PURCHASE	5083.2	5 388.1980	6	5 700.7135	6 031.3548
1100 LITER BIN ONCE OFF PURCHASE	5295	5 612.7062	6	5 938.2432	6 282.6613

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	2015/16	2016/17		2017/2018	2018/2019
	Approved Tariff	Proposed Tariff	Proposed % Increase	Proposed Tariff	Proposed Tariff
CONSUMERS					
7. DISPOSAL CHARGES AT THE DROP-OFF CENTRES AND TRANSFER STATIONS					
GARDEN WASTE	10	10.6000	6	11.2148	11.8653
8. DISPOSAL CHARGES AT THE WATERVAL LANDFILL					
Non Municipal Resident	315	333.9004	6	353.2666	373.7561
General waste (household waste and similar commercial, industrial and institutional wastes)	75	250.0000	233	233.0000	300.0000
Private deliveries of any kind of uncontaminated (non-hazardous) waste (passenger car, pick-up, bakkie / trailer up to 1,000 kg payload) - once a week	0	-	-	-	-
Garden waste (free from impurities)	0	-	-	-	-
Construction and demolition waste (uncontaminated soil and rubble up to a length of 80 cm from edge to edge)	5	5.3000	6	5.6074	5.9326
Rubble (stone, concrete or asphalt) with a length of larger than 80 cm from edge to edge	10	10.6000	6	11.2148	11.8653
Mixed construction and demolition waste (including glass, packagings, gypsum, wood, plastics, metals, etc.)	100	106.0001	6	112.1481	118.6527
Special waste (Includes solid, liquid, sludge waste or waste requiring special handling, e.g. condemned foodstuff, animal carcasses, de-listed sanitary waste, rags and grit from sewerage works, incinerator ash, sludge etc. all special wastes will require prior approval and laboratory testing)	200	212.0002	6	224.2962	237.3054
Mixed industrial and commercial waste	150	159.0002	6	168.2222	177.9791
Mixed recyclable wastes (impurities less than 5%)	0	-	-	-	-
Waste tyres up to a diameter of 0.8 m (normal passenger vehicle tyre) - without wheel rim	5	5.3000	6	5.6074	5.9326
Waste tyres up to a diameter of 0.8 m (normal passenger vehicle tyre) - with wheel rim	7.5	7.9500	6	8.4111	8.8990
Waste tyres with a diameter of larger than 0.8 m - without wheel rim	15	15.9000	6	16.8222	17.7979
Waste tyres with a diameter of larger than 0.8 m - with wheel rim	22.5	23.8500	6	25.2333	26.6969
Tyres cut or shredded	100	106.0001	6	112.1481	118.6527
E-waste (if more than 50kg) (Electrical and electronical waste)	50	53.0001	6	56.0741	59.3264
	2015/16	2016/17		2017/2018	2018/2019
	Approved Tariff	Proposed Tariff	Proposed % increase	Proposed Tariff	Proposed Tariff
CONSUMERS					
Bulky waste (Furniture, sofas, beds, mattresses, shelves, carpets, bicycles, and other bulky household items)	50	53.0001	6	56.0741	59.3264
Hazardous Household Waste (If more than 10kg)	10	10.6000	6	11.2148	11.8653

SUNDRY TARIFFS

1. Community development

The cemetery tariffs % increase is within the recommended 6%. The revised tariffs were calculated at projected revenue and expenditure for the 2016/17 financial year as a base to calculate the 2016/17 tariffs for all cemeteries in Rustenburg Local Municipalities jurisdiction per activity type.

Civic Centre % increase is also outside the recommended 6% increase. The revised tariffs were calculated using the 2016/17 projected revenue and expenditure as a baseline for all the activities of the civic centre and community halls for the year.

The increases in the tariffs for civic centre activities range between 5.47% and 40.36%.

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Community Halls

For all the halls including civic centre we have moved from an hourly rate to a flat rate per time frame. All the community halls will be charged the following flat amount:

6H00 to 18H00: Monday to Thursday R1 000.
18H00 to 24H00: Monday to Thursday R1 500
6H00 to 18H00: Friday to Sunday R1 500.
18H00 to 24H00: Friday to Sunday R2 000

The rates are applicable per day. For the Ben Marais, Old town hall and Paardekraal hall only 6% increase will be effected as the charge for these halls is within the expected charges. The increases are to cover the costs of overtime to be paid to employers and additional running costs.

It should be noted that all of the above services type were in the past operating at a loss and will still be operating at a loss especially due to the expenditure not directly linked to the rendering of this service.

Swimming pools: The proposed increase is kept at 6% for all municipal swimming pools.

New Proposed tariff

Kitchen tariff: An additional tariff of R250 has been added to the use of all kitchens either in the civic centre, halls or the sports facilities.

Musical festival Concerts:

0-500 people per day	R40 000
501-3000 people per day	R100 000
Above 3001 people per day	R150 000
Booking fee/deposit	R 10 000

Annexure "B" is all the tariffs of the municipality

Overall Impact of Tariff Increases on Households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills has been kept between at 6(%) and 7.8%.

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Table 11 MBRR Table SA14 – Household bills

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 % incr.	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Randcent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		279.07	260.00	275.09	275.00	275.00	275.00	6.2%	356.00	370.30	385.00
Electricity, Basic levy		222.42	235.32	123.17	237.99	267.99	267.99	7.8%	256.50	305.76	323.50
Electricity, Consumption		884.00	1 025.46	1 088.74	1 219.85	1 219.85	1 219.85	6.3%	1 291.76	1 367.02	1 449.40
Water, Basic levy		47.64	50.02	55.84	59.19	59.19	59.19	6.0%	59.25	62.68	66.32
Water, Consumption		291.06	313.54	330.78	340.39	340.39	340.39	6.0%	361.37	382.36	404.53
Sanitation		94.17	98.88	104.82	124.80	124.80	124.80	5.8%	132.04	139.96	148.38
Refuse removal		81.19	95.75	101.43	107.48	107.48	107.48	6.0%	113.33	120.54	127.53
Other		-	-	-	-	-	-	-	-	-	-
sub-total		1 909.55	2 078.97	2 080.34	2 394.70	2 394.70	2 394.70	8.5%	2 584.84	2 748.62	2 904.63
VAT on Services		228.27	264.86	252.75	292.56	292.56	292.56	14.0%	310.08	332.56	352.75
Total large household bill:		2 137.82	2 333.63	2 333.09	2 687.26	2 687.26	2 687.26	8.2%	2 874.92	3 081.58	3 257.37
% increase/decrease			9.2%	(0.0%)	13.9%	1.1%	-	7.0%	7.2%	5.7%	
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		192.40	173.33	183.33	183.33	183.33	183.33	6.2%	258.00	262.50	275.00
Electricity, Basic levy		222.42	235.32	123.17	237.99	267.99	267.99	7.8%	256.50	305.76	323.50
Electricity, Consumption		420.00	458.00	473.12	528.63	528.63	528.63	6.3%	560.50	593.35	629.30
Water, Basic levy		47.64	50.02	55.84	59.19	59.19	59.19	6.0%	59.25	62.68	66.32
Water, Consumption		239.81	251.80	268.03	272.53	272.53	272.53	6.0%	289.17	305.97	323.71
Sanitation		94.17	98.88	104.82	115.55	115.55	115.55	5.8%	122.26	129.99	137.37
Refuse removal		91.19	95.75	101.49	107.48	107.48	107.48	6.0%	113.03	120.54	127.53
Other		-	-	-	-	-	-	-	-	-	-
sub-total		1 307.63	1 361.10	1 307.61	1 504.70	1 534.70	1 534.70	9.8%	1 651.60	1 780.39	1 882.72
VAT on Services		156.13	166.29	157.43	184.99	184.99	184.99	14.0%	196.22	212.50	225.08
Total small household bill:		1 463.76	1 527.39	1 465.23	1 689.69	1 719.69	1 719.69	9.4%	1 847.83	1 992.89	2 107.80
% increase/decrease			4.3%	(4.1%)	15.3%	1.8%	-	7.5%	7.9%	5.6%	
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		105.73	86.57	91.67	91.67	91.67	91.67	6.2%	150.00	157.60	165.00
Electricity, Basic levy		222.42	235.32	123.17	237.99	267.99	267.99	7.8%	256.50	305.76	323.50
Electricity, Consumption		238.00	261.00	275.91	308.54	308.54	308.54	6.3%	304.00	322.50	342.20
Water, Basic levy		47.64	50.02	55.84	59.19	59.19	59.19	6.0%	59.25	62.68	66.32
Water, Consumption		188.56	86.00	90.40	154.02	154.02	154.02	6.0%	159.90	159.64	168.80
Sanitation		94.17	98.88	104.82	109.01	109.01	109.01	5.8%	115.34	122.26	129.59
Refuse removal		91.19	95.75	101.43	107.48	107.48	107.48	6.0%	113.93	120.54	127.53
Other		-	-	-	-	-	-	-	-	-	-
sub-total		987.71	913.72	843.30	1 087.90	1 097.90	1 097.90	7.7%	1 150.41	1 250.87	1 323.04
VAT on Services		123.48	115.79	105.23	136.67	136.67	136.67	14.0%	140.06	153.07	162.13
Total small household bill:		1 111.19	1 029.51	948.53	1 224.58	1 234.58	1 234.58	7.1%	1 290.47	1 403.95	1 485.16
% increase/decrease			(7.4%)	(7.9%)	27.0%	2.5%	-	4.5%	8.8%	5.8%	

Operating Expenditure Framework

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

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Cost containment measures that will guide non- spending on activities that are non-core functions of the municipality.
- The impact of envisaged layoffs at the mines that impacted on the municipal collection of the projected revenue.
- The current cash flow position of the municipality with no adequate cash-backed reserves to fund capital projects internally.
- The effect of implementing MSCOA will overburden the municipality as an upgrade of the system has to happen.

AGENDA: MAYORAL COMMITTEE: 24 MAY 2016

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure Financial Performance (expenditure)

Table 12 Summary of Operating Expenditure Financial Performance (Expenditure)												
R thousand	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
Expenditure By Type												
	Employee related costs	2	442 031	499 888	561 709	529 540	551 013	551 013	551 013	577 889	609 423	642 569
	Remuneration of councillors		23 721	27 238	27 593	28 076	29 186	29 186	29 186	30 722	32 357	34 003
	Debt impairment	3	517	492 374	426 798	391 291	301 719	301 719	301 719	386 643	382 150	374 957
	Depreciation & asset impairment	2	415 868	372 442	363 486	288 510	288 610	288 610	288 610	415 958	433 285	451 607
	Finance charges		42 848	42 522	69 245	50 044	59 044	51 086	51 086	52 721	55 779	59 014
	Bulk purchases	2	1 036 487	1 364 089	1 425 766	1 694 821	1 694 821	1 694 821	1 694 821	1 769 272	2 012 603	2 275 744
	Other materials	8	171 936	171 322	118 075	114 895	133 348	129 073	129 073	131 712	139 351	145 433
	Contracted services		160 937	275 247	233 394	249 487	240 210	240 210	240 210	208 411	211 826	219 957
	Transfers and grants		1 102	499	492	24 314	24 314	24 314	24 314	24 779	26 015	27 321
	Other expenditure	4, 5	687 382	309 908	270 082	196 731	200 208	200 208	200 208	287 919	252 260	203 044
	Loss on disposal of PPE		243	16 973	-							
Total Expenditure			2 983 073	3 572 512	3 496 650	3 587 711	3 522 473	3 510 240	3 510 240	3 886 035	4 155 648	4 433 648

Total operating expenditure for the 2016/17 financial year has been appropriated at R3.8 billion and for the two outer years R4.1billion and R4.4billion respectively. Operational expenditure increases by R363.6million or 10.32% when compared to the 2015/16 adjusted budgeted of R3.5billion. There is a growth of 6.9% and 6.7%for the outer year. The decrease in outer years expenditure is due to the fact that most of the expenditures appropriated for 2016/17 are once off expenditure that will not be applicable in the outer years.

The budgeted allocation for **employee related costs** for the 2016/17 financial year is at R577.9million exclusive of filling of vacancies and temporary workers, which equals 14.9 (%) per cent of the total operating expenditure in 2016/17, as well as 14.7% and 13.7%respectively in the outer years. It should be noted that the salary component is based on the actual head count received from the salary office taking into account temporary workers. The salaries have been reduced drastically in 2016/17 as part of the cost containment measures.

Some of the directorates will be merged and some positions will not be filled once the contract expires especially at senior management were major spending happens. The Human settlement directorate as proposed is taxing the municipality as there is no funding allocated on DORA to fund the costs of running it as a directorate. It is proposed that it be merged back to planning until funding is received.

Proposed salaries increases is at 4.8% when compared to the adjusted budget and increases by 5.5% and 5.4% in the outer years.

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The cost associated with the **remuneration of councilors** 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). Total increases are at 5.26% in 2016/17 at 5.32% and 5.09% in the outer years. The most recent proclamation in this regard has been taken into account in compiling the Rustenburg Local Municipality's budget. Remuneration of councilors equates to 0.79% of the total operating budget in 2016/17 and is at 0.74% and 0.72% in the outer years.

The provision of debt impairment was determined based on the projected average collection rate of 88% and is at 8.4% of total billable revenue in 2016/17. The outer years is standing at 89% and 90% respectively. The municipality is being mindful of its local economic conditions, downturn in the global economy and the high rate of unemployment. The write offs will happen with the Debt Write-off Policy and credit control policy of Rustenburg local municipality. Debt impairment is at 9.95% of the total expenditure for the 2016/2017 budget year and is at 9.2% and 8.5% for the two outer years respectively. The provision is declining as there is an envisaged write off of around R70million in debts especially for the indigents who has passed on whilst their accounts are still billed.

Changes in budget after public participation and benchmarking

- Debt impairment is increased by R19million and is at 12% of total billable revenue
- Bad debts provision revised to R75million in 2016/17. The funds were redirected to the capital budget for installation of prepaid water meters for R5million
- Automation of bulk meters for R3million
- Upgrade of call centre network for R2million
- Self-statement service for R1,5million

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. The depreciation of 2016/2017 financial year has been increased from R316 million to R415, 97million by R100million subsequent to public participation. It increased by 10.7% for 2016/2017 financial year and the outer years increased by 10.43% and 10.19 respectively.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.4% (per cent) (R52,7 million) of the operating expenditure and increases by 1.36% in 2016/17 financial year when compared to the pre-audit outcome. It is at 1.34% and 1.33 in the outer years.

Bulk purchases are directly informed by the purchase of electricity from Eskom, water from Rand Water, Magalies Water and bulk purchase of purified water from the Rustenburg Water Services Trust. ESKOM has been granted an increase of 9.4% and bulk tariff increases to municipality is at 7.86%. The proposed annual price increases for Rand Water and Magalies water is at 9.12% and 12% respectively. These increases are still yet to be approved.

Budget appropriations in this regard amount to R1.862billion for the 2016/17 financial year and equates to 45.53% of the total operating expenditure. It is at 48.43% and 51.33% for the outer years respectively. Electricity purchases proposed budget is at 84% of the total bulk purchases in 2016/17 and 84.7 and 85.2% for the outer years respectively.

AGENDA: MAYORAL COMMITTEE: 24 MAY 2016

Water purchases is at 16% of the proposed 2016/17 bulk purchases and is at 15.3% and 14.8% in the outer years respectively. R13.7million water purchases from Rustenburg Water Services Trust is for Bospoort and Kloof Water works

Repairs and maintenance comprise of amongst others the materials for maintenance. This item of expenditure has been reduced drastically in 2016/17 financial year as proposed as a measure to curb costs. The municipality had in the past placed more reliance on contractors for even jobs that could have been performed by internal staff. It is imperative that operational efficiency be attended to in order to ensure value for money.

Other material is appropriated at R131,7million and is 3.4% of the 2016/17 total operating budget. There is an increase of R2.64million or 2. % in 2016/17 when compared to the pre-audit outcome. The outer year's increases are at 5.8% and 4.4% respectively. The provision of repairs and maintenance as a percentage of the total operating budget is at 3.39% in 2016/17, at 3.27% and at 3.24 for the outer years respectively. Repairs and maintenance excludes the component of the employee related costs.

A contracted services spending have been appropriated at R208.4million in 2016/17 financial year and is at 4.03% of the total operating budget. For the outer years it increases by 3.92% and 3.93% respectively.

A decrease of 13.24% is as a result of scaling down on the use of contractors for services that can be rendered by municipal salaried employees. Spending was mainly on the labor components as more material was drawn from the stores whilst more employees were recruited. More allocation will be on PTIS operational grant as from 2016/17 onward, mainly because of the operation of the projects.

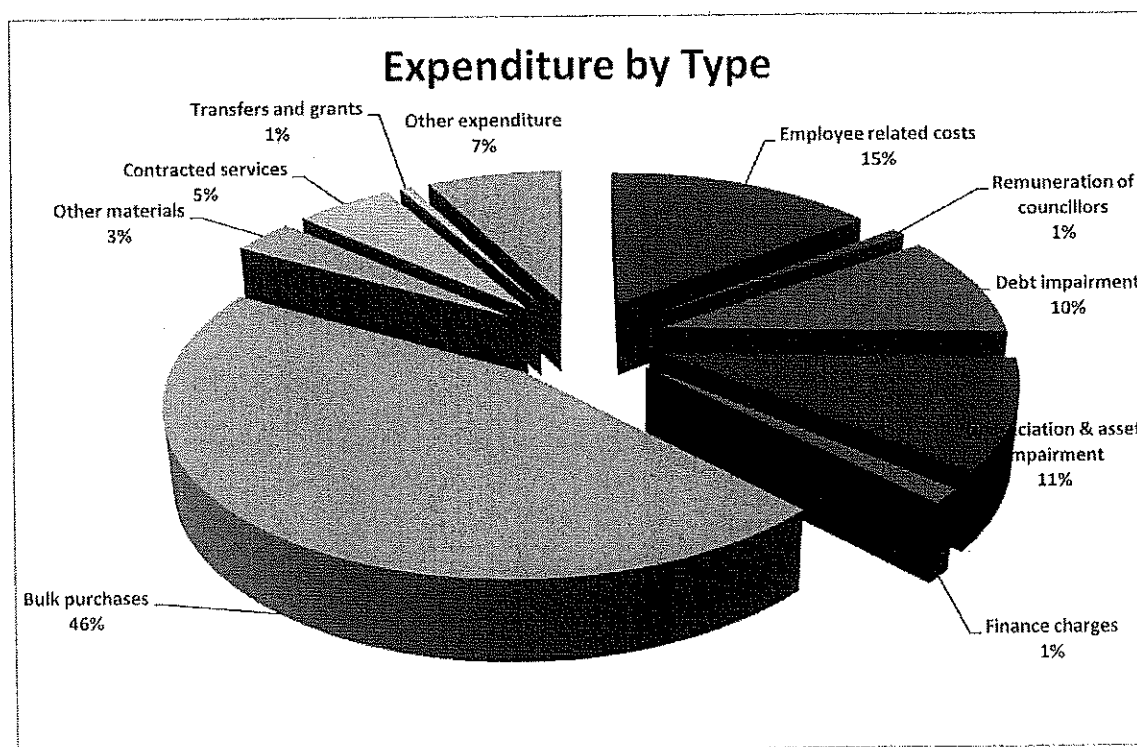
Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which savings and efficiencies can be achieved. There is a proposed revised increase of 43.81 (%) percent or R87.7million in 2016/2017 budget year when compared to the pre-audited outcome of 2015/16 on this line item after public participation. It is at 7.41% of total expenditure in 2016/17 and is at 6.1% and 4.6% respectively for the two outer years. SA1 sheet on the A1 Schedule contain a breakdown of other expenditure. The expenditure has been reduced by R23.5million subsequent to public participation

Table 13 Percentage growth in expenditure by main expenditure type

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2015/17 Medium Term Revenue & Expenditure Framework					
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Growth % Budget Year 2016/17 Between Pre-audit and 2016/17	Growth % Budget Year +1 2017/18 Between 2016/17 and 2017/18	Growth % Budget Year +2 2018/19 Between 2017/18 and 2018/19			
R thousand	1													
Employee related costs	2	442 031	450 888	551 709	529 540	551 013	551 013	551 013	577 880	4.88%	609 423	5.46%	642 569	5.44%
Remuneration of councillors		23 721	27 238	27 593	28 076	29 186	29 186	29 186	30 722	5.26%	32 357	5.32%	34 003	5.09%
Debt impairment	3	517	492 374	426 798	391 291	301 719	301 719	301 719	386 643	26.15%	382 150	-1.16%	374 957	-1.86%
Depreciation & asset impairment	2	415 888	372 442	353 486	288 510	288 610	288 610	288 610	415 958	44.13%	433 285	4.16%	451 637	4.23%
Finance charges		42 848	42 522	69 245	50 044	59 044	51 006	51 006	52 721	3.20%	55 779	5.36%	59 014	5.89%
Bulk purchases	2	1 036 487	1 364 099	1 425 766	1 694 821	1 694 821	1 694 821	1 694 821	1 769 272	4.39%	2 012 603	13.75%	2 225 744	10.67%
Other materials	8	171 336	171 322	118 075	114 855	133 348	129 073	129 073	131 712	2.04%	139 351	5.80%	145 439	4.36%
Contracted services		160 937	275 247	233 394	249 487	240 210	240 210	240 210	268 411	-13.24%	211 826	1.64%	219 557	3.64%
Transfers and grants		1 102	499	492	24 314	24 314	24 314	24 314	24 779	1.91%	26 015	4.95%	27 521	5.62%
Other expenditure	4, 5	687 382	309 908	270 092	196 731	200 208	200 208	200 208	287 919	43.81%	252 850	-12.18%	263 644	-19.70%
Loss on disposal of FPE		243	16 973	-										
Total Expenditure		2 983 973	3 572 512	3 496 650	3 597 711	3 522 413	3 510 240	3 510 240	3 886 035		4 155 548		4 433 648	

The following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.

Table 14 Expenditure categories



Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 15 Operational repairs and maintenance

Description R thousand	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
Repairs and Maintenance by Asset Class	3	171 936	171 322	118 075	114 895	133 348	133 348	131 712	139 351	147 433
Infrastructure - Road transport		22 353	24 972	8 843	17 206	12 065	12 065	10 900	11 532	12 201
Infrastructure - Electricity		11 607	19 101	16 269	18 818	12 951	12 951	14 207	18 222	19 244
Infrastructure - Water		14 798	55 791	33 120	27 348	14 817	14 817	14 745	15 603	16 503
Infrastructure - Sanitation		1 151	34 462	36 035	20 528	56 012	56 012	4 004	4 236	4 482
Infrastructure - Other		9 449	6 990	6 226	4 478	7 068	7 068	4 000	4 232	4 477
Infrastructure		59 358	141 316	100 493	88 378	102 913	102 913	47 856	53 825	56 907
Community		4 298	9 648	6 973	12 864	6 110	6 110	2 618	2 890	2 915
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	729	729	729
Other assets	6, 7	108 279	20 359	10 609	13 653	24 325	24 325	80 509	81 907	86 882

Other material proposed in 2016/17 budget is at 3.4% or R131.7million of the total expenditure. For the outer years it is at 3.4% and 3.3% respectively. It is appropriated to decrease by 2% or R2.64million in 2016/17. The decrease is due to utilizing internal employees to reduce contracting out labour. This item will be for drawing material at stores hence the decrease.

Capital expenditure

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

Table 16: 2016/17 Medium-term capital budget per vote

Vote Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote										
Multi-year expenditure - to be appropriated										
Vote 1 - EXECUTIVE MAYOR	181	548	29	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER	210	230	40	5 000	-	-	-	212 926	269 500	203 789
Vote 3 - CORPORATE SUPPORT SERVICES	48 570	2 109	-	400	400	400	400	11 000	-	-
Vote 4 - BUDGET AND TREASURY	1 815	367	106	-	-	-	-	-	-	-
Vote 5 - PUBLIC SAFETY	63 796	3 584	2 898	-	-	-	-	-	-	-
Vote 6 - PLANNING AND HUMAN SETTLEMENT	22 956	16 225	32 065	-	-	-	-	-	-	-
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	4 375	6 654	3 515	20 000	-	-	-	-	-	-
Vote 8 - COMMUNITY DEVELOPMENT	89 577	35 597	39 877	10 340	11 158	11 158	11 158	9 391	1 453	1 605
Vote 9 - TECHNICAL AND INFRASTRUCTURE	677 377	762 531	683 231	937 568	663 361	663 361	663 361	164 556	271 000	326 000
Vote 10 - RUSTENBURG WATER SERVICES TRUST	-	162 961	69 650	169 440	90 440	90 440	90 440	69 000	43 000	16 000
Total Capital Expenditure - Vote	914 859	923 807	812 418	1 063 748	905 379	905 379	905 379	486 874	575 953	547 395
Capital Expenditure - Standard										
Governance and administration	50 778	8 803	134	5 400	400	400	400	18 465	27 722	24 813
Executive and council	391	779	28	5 000	-	-	-	7 465	27 722	24 813
Budget and treasury office	1 815	367	106	-	-	-	-	-	-	-
Corporate services	48 570	7 657	-	400	400	400	400	11 000	-	-
Community and public safety	19 052	11 735	11 834	5 340	6 158	6 158	6 158	9 391	1 453	1 605
Community and social services	5 729	2 238	273	340	1 158	1 158	1 158	1 632	1 453	1 605
Sport and recreation	5 471	5 913	8 652	5 000	5 000	5 000	5 000	7 859	-	-
Public safety	7 704	3 584	2 898	-	-	-	-	-	-	-
Housing	156	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	577 906	608 547	520 488	645 161	539 361	539 361	539 361	305 902	297 778	276 976
Planning and development	27 181	21 879	35 620	20 000	-	-	-	-	-	-
Road transport	550 724	586 767	464 868	525 161	539 361	539 361	539 361	305 902	297 778	276 976
Environmental protection	-	-	-	-	-	-	-	-	-	-
Trading services	263 448	191 662	229 305	317 497	269 020	269 020	269 020	144 016	249 000	244 000
Electricity	60 536	32 751	104 915	178 274	162 550	162 550	162 550	21 650	30 000	20 000
Water	78 728	84 036	62 067	109 977	72 963	72 963	72 963	53 216	176 000	208 000
Waste water management	45 807	44 651	32 281	25 156	28 507	28 507	28 507	68 000	43 000	16 000
Waste management	78 378	30 223	30 942	5 000	5 000	5 000	5 000	-	-	-
Other	-	102 961	50 857	189 440	90 440	90 440	90 440	10 000	-	-
Total Capital Expenditure - Standard	911 183	923 807	812 418	1 063 748	905 379	905 379	905 379	486 874	575 953	547 395
Funded by:										
National Government	705 126	818 324	653 799	653 277	643 827	643 827	643 827	397 342	609 500	604 789
Provincial Government	764	449	717	340	1 158	1 158	1 158	1 632	1 453	1 605
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	85	2 858	-	-	-	-	-	-	-
Transfers recognised - capital	705 890	818 857	657 411	653 617	644 985	644 985	644 985	398 974	610 953	606 395
Public contributions & donations	-	-	-	90 440	90 440	90 440	90 440	69 000	43 000	16 000
Borrowing	-	3 893	155 007	319 692	169 954	169 954	169 954	-	-	-
Internally generated funds	205 283	101 257	-	-	-	-	-	19 000	22 000	25 000
Total Capital Funding	911 183	923 807	812 418	1 063 748	905 379	905 379	905 379	486 874	575 953	547 395

The capital budget for 2016/2017 financial year has decreased by R419million or 46.3% when compared to the 2015/16 adjusted budget, increases by R89mil or 18.27% in 2017/18 and decreases by 5.03% in 2018/19.

The major proposed spending of the capital in 2016/17 will be on the following:

- | | |
|---------------------------------------|--------------|
| 1. Rustenburg Rapid Transport (roads) | R305million |
| 2. Electricity | R21.8million |
| 3. Water supply | R53.2million |
| 4. Sanitation(RWST/Entity) | R69million |

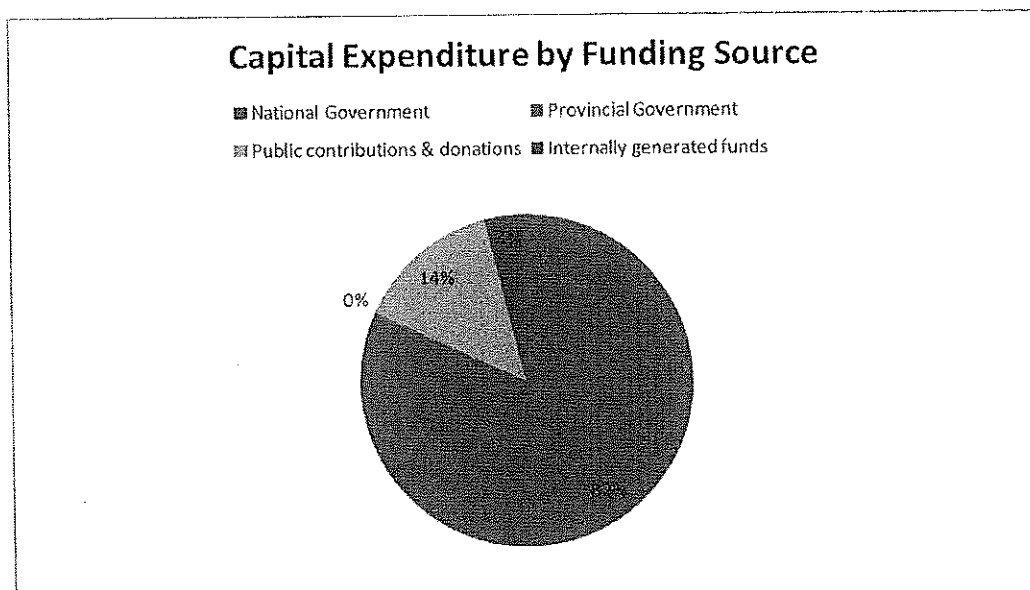
Major changes in the budget after public participation, benchmarking and schools and businesses engagements:

An additional R98million was added in the capital budget to enhance water demand management, sanitation for Rustenburg Water Service Trust and information system networks to augment network failures and ensure proper channels of communication. The following is the breakdown of internally funded capital items:

- | | |
|---|------------|
| 1. Service delivery vehicles | R10million |
| 2. Network upgrade | R10million |
| 3. Installation of prepaid meters in | R5million |
| 4. Bulk meter automation | R3million |
| 5. Laptops | R1million |
| 6. Road transport was reduced by R24.1million and redirected to operating budget as the RRT project spending will be more operations. | |
| 7. Electricity was reduced R157 thousand reallocated to water projects funded by MIG. | |

Road transport is at 73% of the total capital budget in 2016/17. It is at 58.3% and 54.7% respectively in the outer years. Water spending is at 12.7% of the total capital budget and is at 30.1% and 36.1 respectively in the outer years.

Table 17:2016/17Capital expenditure by funding %.



Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
R thousand	1	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
Funded by:											
National Government		705 126	818 324	653 796	653 277	643 827	643 827	643 827	397 342	509 500	504 789
Provincial Government		764	448	717	340	1 158	1 158	1 158	1 532	1 453	1 605
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	85	2 898	-	-	-	-	-	-	-
Transfers recognised - capital	4	705 890	818 857	657 411	653 617	644 985	644 985	644 985	398 874	510 953	506 395
Public contributions & donations	5	-	-	-	90 440	90 440	90 440	90 440	69 000	43 000	16 000
Borrowing	6	-	3 693	155 007	319 692	169 954	169 954	169 954	-	-	-
Internally generated funds		205 293	101 257	-	-	-	-	-	19 000	22 000	25 000
Total Capital Funding	7	911 183	923 807	812 418	1 063 748	905 379	905 379	905 379	486 874	575 953	547 395

The above table indicates the funding of capital expenditure. The only major funding source of the capital expenditure is from National and Provincial government at 82% whilst internally generated funding is at 4%.

Annual Budget Tables – Consolidated information.

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. Each table is accompanied by explanatory notes on the facing page.

Explanatory notes to Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget.
- The Budget Summary provides the key information in this regard:
 - a) The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
 - b) Capital expenditure is balanced by capital funding sources, of which;
 - i. Transfers recognized are reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Budget Policy. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Standard Classification

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

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification.

- Note that as a general principle, the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water and Waste management functions.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Budgeted Financial Performance (revenue and expenditure by municipal vote)

Explanatory notes to TableA3:- Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilized as an internal funding source for the capital program for asset renewal, refurbishment and the development of new asset infrastructure.

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

- Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of RLM.
- Bulk purchases have increased over the 2009/10 to 2015/16 period. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water and Magalies water.

Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital Program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
- The capital programs are funded from national, provincial grants and transfers, public contributions and donations, loans and internally generated funds.

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. Table SA3 provides a detailed analysis of the major components of a number of items, including: '2
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves

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

Explanatory notes to Table A7 - Budgeted Cash Flow Statement: The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. Cash and cash equivalents as proposed is at R1.1billion 2016/17 financial year as budgeted, and is at R1,6billion and R2,3billion for the outer years respectively. It should be noted that the huge increase is due to the conditional grants allocated to Rustenburg Local Municipality in DORA to fund operational expenditure by R568, 9million and capital grants by R412, 8million respectively. The governments grants are at 24.24%, 25.70 and 25.93 in 2016/17 and the two outer years respectively.

The municipality continues to implement debt collections strategies that will improve the collection rate to the targeted levels. The economic down turn has impacted negatively on the municipality's financial performance.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the budget must be “funded”. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

The municipality proposes to make contributions to internal reserves of around R85,5million at the end of 2015/16 and increases it by R3, 4million in 2016/17, R3, 6million and R3, 7million in the outer years respectively. Application of cash and investment is at R551.7million in 2016/17 with a surplus of R552.3million in 2016/17 in consideration for reserves and cash backing. It is at R1.147billion and R1, 837 billion in the outer years respectively. .

Overview of the annual budget process

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

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (1st August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time lines

IDP and Service Delivery and Budget Implementation Plan

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

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into consideration and financial planning process leading up to the 2016/17 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic program of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

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

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The RLM has seven strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget.

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

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table SA4 is reconciliation between the IDP strategic objectives and budgeted revenue
Table SA5 is Reconciliation between the IDP strategic objectives and budgeted operating expenditure. **Table SA7** - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.

Measurable performance objectives and indicators

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

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

Planning, budgeting and reporting cycle

The performance of the RLM relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting

stakeholder expectations. RLM therefore has adopted one integrated performance management system which encompasses:

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

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

Table SA8 is a Performance indicators and benchmarks

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, RLM borrowing strategy is primarily informed by the affordability of debt repayments.

The following financial performance indicators have formed part of the compilation of the 2016/17 MTREF:

Municipal **credit rating** as at 10th May 2016 is A1 according to the latest Moody's report.

Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure. It is standing at 2.7% in the 2016/17 financial year, 2.6% and 2.5% in the outer years respectively

Capital charges to own revenue is at 3% over the MTREF

The Liquidity ratio

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the RLM has set a limit of 1. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2016/17 financial year current ratio is standing at 1.7, is at 2.3 and 3.1 respectively in the outer years

Revenue Management

As part of the financial sustainability, an aggressive revenue management has been implemented to increase cash inflow, not only from current billings but also from debtors that

are in arrears. The intention is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

Annual debtors' collection rate is at 94.4%, 91.5% and 92.5% whilst current debtors collection rate over the 2016/17MTREF is at 91.5%, 92.5% and 93.5%. Outstanding debtors to revenue is at 10.1%, 9.8% and 10.1% over the 2016MTREF

The ongoing data cleansing exercise ensures that inaccuracies and errors in the billing are addressed as and when identified. This will ensure that all connections are uploaded on the financial system and billed accurately every month.

The following progress has been registered as part of revenue enhancement strategy

- Data cleansing led to the teambuilding through interdependency to ensure that required data is shared timeously to inform correct billing.
- Improvement on billing is registered after the introduction of the IMQS that assist in identifying unbilled stands and problem areas.
- Linking of the data on the valuation roll and the financial system to ensure that consumers are charged the correct tariff especially after conversion from residential stand to business.
- Tariffs: Stands with multiple units will be charged as a sectional title. Corrections to be done on accounts will be limited to three years from the date that corrections were identified. The three years is aligned with prescription as the municipality cannot recover debt owed once three years lapses.

Due to the cash-flow challenges of the municipality, the following will be undertaken as part of the financial recovery plan:

Rustenburg Local Municipality is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

Monthly water losses outside the benchmark percentage are a concern to the municipality and the following initiatives are earmarked to reduce non-revenue and water losses:

1. Water Demand Management:

It is a tool used by management to report monthly on water balances to track water losses and assist in prioritizing initiatives that will address sustained water loss reduction and revenue enhancement. Some of its activities include:

- Hydraulic investigation
- Active leak detection
- Top 100 Consumer Monitoring
- Water Conservation (pressure management, retrofitting of fixtures on main and high consumers such as schools; government owned facilities including municipal owned)
- Awareness and Education Campaign
- Upgrading of Telemetry System

2. Revenue Enhancement Initiatives

- The initiative to install prepaid meters for domestic customers who were on conventional as the current system is slowly yielding results and the intention is

to extend it to other areas where consumption and nonpayment is high.

- Installation of automated meter reading for large consumers or industries, replacing approximately 168 water meters that are not AMR compatible and this will surely increase revenue collection.
- The collection of arrear debts through prepaid water and electricity on 60/40 split is yielding the intended results. For the 2016/17 the split will be at 30/70
- To improve on customer relations by ensuring a direct communication link with the top consumers and businesses
- Provided R5million in the capital budget to upgrade nonfunctional installed prepaid meters as the domestic consumers are currently receiving water for free
- Automation of bulk meters to ensure that they are read and monitored monthly.

Free Basic Services: basic social services package for indigent households

The SA9 table indicates the rand value definition of poor for our municipality as calculated. The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Rustenburg Local Municipality.

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.

The following are free basic services for registered indigent consumers (households) in terms of the Municipality's Indigent Policy:

- 50kwh of electricity
- 6kl water
- Refuse
- Sanitation

An indigent household who qualifies for free basic services will not be liable to pay for the municipal services except where they exceed the free basic services provided by Council in terms of the policy. The municipality continues to provide the services to informal settlements that are growing in Rustenburg. The total cost of providing free basic service including informal settlement is R245.2million in 2016/17, R264.3million and R285million in the outer years respectively. The revenue cost of providing free services is R79.9million in 2016/17, R82.9% and R87.3% in the outer years.

Providing clean water and managing waste water

The Rustenburg Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider

- The following is briefly the main challenges facing the municipality in this regard:
- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes;

Funding compliance (SA10)

Cash and cash equivalent at year end is a surplus and increases over the MTREF.

Cash coverage ratio is 4.2 in 2016/17 and increases over the MTREF. It is at 5.9 and 7.5 respectively over the outer years.

Collection rate of the total billable revenue is at 88% for 2016/17, it is at 89% and 90 % respectively for the outer years. It is below the benchmark of 95%.

Repairs and maintenance as a (%) percentage of property plant and equipment is at 1.4% in 2016/17 and 2017/18, at 1.5% in 2018/19.

Overview of budget related-policies

Rustenburg Local Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies are attaches as Annexure "C"

- ☐ Approved Budget Related Policies are 15
- ☐ There are three (3) amended policies (Credit Control and Debt Collection Policy, Tariffs Policy and Property Rates Policy)
- ☐ There are twelve (12) without amendments (Budget Policy, Cash Management and Investment, Indigent Policy, Funds and Reserve Policy, Borrowing Policy, Liquidity Policy, Inventory Policy, Fixed Assets Management, Supply Chain Management, Travelling and Subsistence, Contract Management and Gift Policy)

Proposed review of Property Rates Policy

Property used for multipurpose:

- ☐ Where the property is actually used predominantly (i.e. 51% or more of the area of the building) for residential purposes, the entire property will be rated according to the residential rate.
- ☐ To qualify for the residential rate the owner must submit the declaration duly certified by a registered town planner or architect that the property is being used predominantly for residential purposes.
- ☐ Where a property's zoning allows for more than one permitted use and where the use of the property is used dominantly (fifty plus one percent) for business and commercial purposes the entire property will be rated in accordance with the business rate
- ☐ Any property not falling within the ambit of category (a) to (q) that is zoned and used for different purposed other than what is covered in category (a) to (q) shall be deemed to be business and commercial for the purpose of levying a rate. This will also include; any zoning that is not covered in category (a) to (q).
- ☐ The municipality will not levy a rate on the first part of the value up R 100 000, 00 of the market value as per the Valuation Roll:
- ☐ On the first R 15000 on the basis set out in section 17 (1)(h) of the MPRA; and on the balance of the market value up to R 85 000 in terms of section 15 of the MPRA in respect of residential properties, provided that the Council from time to time during its annual budget process contemplated in section 12 (2) of the Act determine as threshold, the amount to be deducted from the market value of the residential properties as a result of which rates will only be determined on the balance of the market value of such properties after deduction of the threshold amount.
- ☐ Social Housing – Any property qualifying as social housing may qualify to be rated at the same rate as public benefit organizations in terms of the MPRA, i.e. at a ratio of

1:0.25.

Credit control and debt collection procedures/policies

To ensure that all monies due and payable to the municipality for rates and the services rendered are collected;

Outline credit control and debt collection procedures and mechanism.

The Collection Policy as approved by Council and it is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

Amendments:

- ☐ The arrangement period for repayment of debts owned by businesses has been reduced to 12 months.
- ☐ On purchase of electricity 70% will service the debt (go to account in arrears) and 30% goes towards electricity token.
- ☐ Consumers owning more than one property, the municipality may allocate payment to any of the accounts of that consumer.

In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed. The 2016/17 MTREF has been prepared on the basis of achieving an average debtors collection rate of 88(%), 89% and 90% respectively.

Asset Management

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Within the framework, the need for asset renewal was considered a priority and hence the capital program was determined based on renewal of current assets versus new asset construction.

Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the RLM system of delegations.

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

The adopted policy in 2014/15 financial year will still be implemented in 2016/2017 with no changes.

Supply Chain Management Policy

Cash Management and Investment Policy

RLM Cash Management and Investment Policy have not been amended by Council. The aim of the policy is to ensure that RLM surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

Funds and Reserves Policy

This policy has been implemented from 1st July 2015 and no changes are effected for 2016/17 and will be implemented as approved in 2014/15.

The purpose of this policy is to ensure that municipality maintains cost effective and efficient cash funding, that provisions and reserves are maintained at the sufficient required level to avoid future unfunded liabilities.

The policy is in line with the requirements of Section 8 of the Local Government: Municipal Budget and Reporting Regulation of 2009 (Government Gazette 32141 in order to monitor and sustain the municipality's financial management.

Tariff Policies

RLM tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Amendments to the Tariffs Policy:

- ☐ Incorrect charges will only be backdated to three (3) years from the date that they are identified. This includes both the consumer and municipality. The three years is aligned with prescription as the municipality cannot recover debt owed once three years lapses.
- ☐ Availability(Fixed) Charge will be levied to all properties including vacant stands as long as access to the infrastructure is made available
- ☐ This includes both the consumer and municipality
- ☐ Sewer for businesses will be charged per point
- ☐ Properties with multiple units which are not registered as Sectional Titles will be regarded as Sectional Titles.

Borrowing Policy

All the above mentioned policies are available on the RLM website.
as well as the following budget related policies:

- Basic Social Services Package (Indigent Policy)
- Borrowing policy.

Public participation Process as required by the MFMA (Planned/Implemented) Framework

- The IDP and 2016/17MTREF were advertised in local newspapers, posted on the municipal website, distributed to regional community centers and community libraries.
- Hard copies and soft copies were forwarded to Provincial and National Treasury.
- Draft IDP and Budget was published for comments on the local newspapers (Platinum Weekly and Rustenburg Herald) on the 8th April 2016.
- The public participation commenced on the 28th April 2016 until 10th May 2016.
- Public comments closed on the 13th May 2016 and the final budget to be presented to Council on the 31 May 2016.
- At the ward level the response was very low except for (8) eight wards (13, 14, 15, 16, 17, 27, 30 and 36) where the meetings were fully attended.
- Benchmarking exercise with National Treasury took place on the 5th May 2016.
- Additional engagements took place with the schools and school governing bodies on the 10th May 2016.
- Extensive engagements with businesses took place on the 12th May 2016.
- Additional engagement with Councilors took place on the 13th May 2016.

Below are public inputs received and responses for considerations

PUBLIC PARTICIPATION INPUTS

Stakeholder Engagements

INPUTS	CONSIDERATION
National Treasury 1. Operating surplus in 2016/17 credibility questionable as it does not include costs for IT contracts, fleet management and BRT operational costs.	R10million additional budget for procurement of fleet for service delivery to ensure that leakages are attended to speedily
2.Municipality to consider the spreading the additional levy for bulk electricity consumers over the MTREF.	Network upgrade is allocated R10million to ensure that internal and external communication with stakeholders is enhanced.
3Interest on outstanding debtors is based on the debtors' amount in 2016/17.	R1million additional proposed for the procurement of laptops as the current ones have reached their useful life.
4.Debt impairment be provided at 11.4%	R1million has been added to the already budgeted R9million for the call centre ERP after engagement with stakeholders to ensure proper tracking of service delivery calls so that they are attended to speedily
5.Asset renewal at 51.7% whilst NT guideline is at 40%	R5million added to the budget to install prepaid meters in for those who are not metered and receiving water for free to enhance revenue

6.Municipality to revisit social packages to include informal settlements	R1million is added to the budget for bulk meter automation
7.SCOA implementation rated as very high risk due to likelihood that the municipality might fail to implement MSCOA on the 1 st July 2016.	R3.8million is also added for the Microsoft license. There is provision of R 9million for the acquisition of an ERP, the municipality will take part in the procurement process that is being undertaken by the National Treasury. The committees have been established and members received appointment letters on 13 May 2016
8. Budget assumptions are credible, budget not a multiyear budget, Budget aligns to IDP,SDBIP and SDF. Cash flow sustainable over the MTREF. 9.No allocation for revenue enhancement. .	The budget was amended to ensure that the budget assumptions are taken into consideration for the two outer years.
Munsolve 1.Water tariffs high for businesses	Subsequent to additional engagement with Munsolve, schools, businesses and oppositions councilors both water and electricity the tariffs were lowered.
2.Empty stands rate tariffs higher than the one for developed stands with no strategy sited	Vacant stand will be charged a sundry tariff for cleaning of stands
3.Water losses impacting on tariffs but no strategy indicated on how to address water losses	The strategy is to migrate domestic consumers to prepaid system by 2020/2021 To ensure that all bulk meters are on Automated Meter Reading system Ensure that all the leaks are attended to timorously Allocated R8 million for the prepaid systems and AMR
4.Recommended phasing-in of electricity tariffs	High increases in the electricity business tariff is to recover on time of use that was charge low in 2015/16.Additional levy will be charged to industrial consumers. The phase in approach is not feasible , however the tariffs were reduced to accommodate the concerns that were submitted by the business fraternity

<p>5. Policy change on pre-paid electricity purchases amounts to unfair discrimination 70/30 collection strategy on outstanding debtors when purchasing prepaid electricity, be applied also to consumers supplied electricity by ESKOM</p> <p>.Objection to the fixed water tariff – not disclosed whether it is monthly or annually</p> <p>Objection towards property rates payable by an owner of vacant agricultural land when measured against vacant land in town</p> <p>Objection to property rates payable on business situated on agricultural land versus rates payable by business in town</p>	<p>The municipality welcomes the suggestion to engage Eskom for the areas where they supply electricity to increase collection.</p>
6. Request for detail line budget	This is an internal tool, the municipality is obliged to provide the A tables together with supporting schedules.
7. Objection to the fixed water tariff- not disclosed whether it is monthly or annually	This is an annual charge and the monthly charge will be incorporated when the tariffs are approved.
8 . Objection towards property rates payable by an owner of vacant agricultural land when measured against town	we note the objection , the land zoned agricultural must be used for its intended purpose as the owners are entitled to a rebate.
9..Objection to property rates payable in business situated on agricultural land versus rates payable by business in town	we note the objection , the land zoned agricultural must be used for its intended purpose as the owners are entitled to a rebate.
10. Amendment in rates proposed	the suggestion is noted and will be considered in future
11. amendment proposed ; land zoned for business agricultural	The suggestion is noted and will be considered in future

12. Water tariffs payable by the schools should be reduced substantially	The revised tariffs were discussed with the schools and school governing bodies on the 10 th may 2016
13. Request that tariffs payable by the schools on sanitation and refuse should be reduced to 75% of the tariff proposed	The revised tariffs were discussed with the schools and school governing bodies on the 10 th may 2016
14. sanitation charge	The municipality is considering the suggestion , to link the charge to water consumption and this will be implemented in 2017/2018 financial year
15. refuse collection charges on vacant stands / rounding of tariffs	The charge will be implemented as a sundry charge.
16. Reduction on budget allocated for repairs and maintenance .	the allocation is 3,4 % excluding the employee related costs the expenditure will be closely monitored to realize value for money,
17. capital expenditure : less capital budgeted allocated to water than earmarked for water via DORA	The expenditure has been corrected to R 30 million.
18. Water losses	An allocation of R5 million was set aside for the installation of prepaid water meters and IMQS was implemented for data analysis .
18. Conditional grants	The contribution made by Munsolve is appreciated
19.Capacity constraints	The municipality continuously work on improving the skills through training and will ensure that there is skill retention strategy going forward.
20. Supporting tables	The supporting tables were availed to councilors. This was an error that happened during the printing of the agenda.
21. contracted services <ul style="list-style-type: none"> - Meter reading - Security - Water - Legal expenses - AVM's 	<ul style="list-style-type: none"> • The expenditure for the meter reading is captured under other and has been captured separately. • The expenditure is for the delivery of water to informal settlements' • The legal expenses- under collection costs and the other one is for the legal expenses which is currently reported under contracted services. • The current year is allocation for the carriage of cash is R 2 million and has been disclosed separately • The allocation for the AVM's vending has been captured separately on table SA 1.

	<ul style="list-style-type: none"> The specialist support is for the RRT projects.
22.Conditional grants	The unspent conditional grants will be transferred to a separate account and reconciled monthly.
23.Rustenburg Water Services Trust not disclosed as entity	It has been disclosed.
24.R1billion projected to be on hand over 12 months	Munsolve will have to submit their calculation, if they dispute the figure verified by National treasury.
Mr. Johan Hugo :Resident The fixed rate of R710.96 was brought before Council.	The fixed tariff for basic charges has been revised, and the increase will be at 6.6% to augment the reduction on the water consumption tariffs charges for business, industrial and institutions.
Ward 14: How to justify and convince affected consumers on intention to implement block/step tariff increases of between 18% and 56% for water consumption for businesses and schools when water leaks reported by Councilors remain unfixed for more than three months.	<p>The tariffs were revised after the public participation.</p> <ul style="list-style-type: none"> ➤ Extensive engagements with businesses took place on the 12th May 2016 ➤ Additional engagement with Councilors took place on the 13th May 2016
Ward 16 The concern was on water tariff increases but main outcry was on poor service delivery and non-timeous attendance of water leakages	<p>The water tariff increases has been reduced subsequent to engagement with community, schools, businesses and councilors.</p> <ul style="list-style-type: none"> ➤ Extensive engagements with businesses took place on the 12th May 2016 ➤ Additional engagement with Councilors took place on the 13th May 2016
RCL Foods 1.Increase in water tariff for commercial consumption at 56% excessively high and abnormal 2.Dispute the abnormal high electricity tariff for 11kv bulk supply Time of Use	Meeting was held with the RCL FOODS and revised tariffs were presented to the delegation on 12 May 2016
Schools and School Governing Bodies 1. Major concern was the hike in water tariffs that they cannot afford. 2. Parents signed a	<p>The revised tariffs were presented to the schools.</p> <ul style="list-style-type: none"> ➤ The revised tariffs were discussed with the schools and school governing bodies on the 10th may 2016 ➤ Extensive engagements with businesses took place on the 12th May 2016 ➤ Additional engagement with Councilors took place on the 13th May 2016

formal petition to indicate that they were against the tariff increases	
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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 and Council has progressively improved and includes monthly published financial performance on Rustenburg Local Municipality website.
2. Internship program
The municipality is participating in the Municipal Financial Management Internship program and has employed seven interns in 2014 with the resignation of one and is undergoing training in various sections of the Budget and Treasury Office and Internal Audit. The municipality has already absorbed almost ten interns over a three year period.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.

Municipal manager's quality certificate

I, municipal manager of RLM, 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

Name. S. Makona
Acting Municipal Manager of RLM (NW373)

Signature _____

Date _____

This item served before the Portfolio Committee: Special Budget and Treasury on the 23 May 2016 and the following recommendations were made:

RECOMMENDED:

ACTION

- | | | |
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| 1. | That the multi-year annual capital and operating budget for the 2016/17 is R4.3billion and the two outer years (2017/18+2018/19) R4.7billion, R4.9billion and related policies be approved as per the following tables as set out in Annexure A:-

Table A1 – Budget Summary
Table A2 – Budgeted Financial Performance
(Revenue and expenditure by standard classification)
Table A3 – Budgeted Financial Performance
(Revenue and expenditure by municipal vote)
Table A4 – Budgeted Financial Performance
(Revenue and Expenditure)
Table A5 – Budgeted Capital Expenditure by Vote,
(Standard classification and funding)
Table A6 – Budgeted Financial Position
Table A7 – Budgeted Cash Flows
Table A8- Cash backed reserves / accumulated Surplus reconciliation
Table 9 – Asset Management
Table 10 – Basic Delivery measurement | ALL |
| 2 | That the final budget for the Rustenburg Water Services Trust as per Table SA 31 be considered for implementation as from 01 July 2016 as per Annexure A; | ALL |
| 3 | That Council take note that for the 2016/17MTREF the revenue and expenditure budget proposed has a surplus of R170, 9million, 216million and 270,6million respectively ; | BTO |
| 4 | That all consumptive tariffs, Rates, Basic charges as proposed | BTO |

be approved for implementation in July 2016, and are attached as Annexure B;

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|-----|--|---------|
| 5 | That be noted that the electricity tariffs are still yet to be approved by NERSA; | COUNCIL |
| 6 | That Electricity tariffs are approved by Council in terms of clause 24(2) (c) (ii) of the Municipal Finance Management Act 56 of 2003, And by the National Energy Regulator of South Africa (NERSA) in terms of clause 4 (a) (i) of the Electricity Regulator Act 4 of 2006.If the tariffs approved by Council differ from the tariffs approved by NERSA, the Rustenburg Local Municipality Council approved tariffs shall be applied, until the matter is resolved; | COUNCIL |
| 7 | That all the sundry tariffs and other tariffs as proposed in Annexure C be approved for implementation on 01 July 2016; | COUNCIL |
| 8 | That unspent conditional grants (National) at the end of 2015/2016 Not be committed to expenditure until approval has been obtained from National Treasury in accordance with directive budget circular 48, 51,55, 59, 78 and 79; | COUNCIL |
| 9 | That the 2016/17MTREF, proposed tariffs with the budget related Polices have been subjected to public participation from the 28 April to 13 May 2016; | BTO |
| 10 | That the provision has been made of an annual increase of 4.8% in the Salaries of employees including section 57 officials outside the proposed increases per MFMA circular 79 to freeze other positions; | BTO |
| 11 | That the provision has been made for 4.57% estimated in increase in salaries of Councilors which have to be still announced in terms of the Public Office Bearers Act; | BTO |
| 12. | That the proposed budget related policies attached as Annexure C be approved for implementation on 01 July 2016; | ALL |

12.1 Budget related policies with Amendments

- Credit Control and Debt Collection Policy
- Tariffs policy
- Property Rates Policy

12.2 Budget related policies without changes

- Budget policy
- Cash Management and Investment Policy
- Indigent Policy
- Borrowings Policy
- Funds and Reserve Policy

- Liquidity Policy
- Inventory Policy
- Fixed Assets Management Policy
- Supply Chain Management Policy
- Travelling and Subsistence
- Rewards, Gifts and Favour Policy
- Contract Management Policy

- | | | |
|-----|---|---------|
| 13. | That the budget as proposed include the budget for the Rustenburg Water Services Trust; | BTO |
| 14. | That circular 79 from National Treasury be noted as Annexure D; | ALL |
| 15. | That in terms of section 74 of the Local Government Municipal Systems Act, all consumptive tariffs, Rates, Basic charges as proposed have been subjected to public participation and comments are attached as Annexure E; | COUNCIL |
| 16. | That the approved Medium Term Revenue and Expenditure (MTREF) Forecasts for financial years 2016/17 to 2018/19 both printed and electronic formats be submitted to National and Provincial Treasury; | BTO |
| 17. | That the approved (MTREF) Budget together with the tariffs be placed on the municipal website and be published in terms of Section 21A and B of the Municipal Systems Act as well as the MFMA and applicable regulations. | BTO |
