



# **2014/15 – 2016/17 BUDGET**

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## **PART 1 – ANNUAL BUDGET**

### **1.1 EXECUTIVE MAYOR'S REPORT**

To be included in final budget to be tabled in Council on 29 May 2014.

## 1.2 **COUNCIL RESOLUTIONS**

(a) The Executive Mayor recommends that the Council resolves that:

1. The draft annual budget of the Nelson Mandela Bay Municipality for the financial year 2014/15 and the indicative allocations for the projected outer years 2015/16 and 2016/17; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, as set-out in the following tables:

- 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 26]
- 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 27]
- 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 28]
- 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 30]

2. The draft budgeted financial position, draft budgeted cash flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

- 2.1 Budgeted Financial Position; [Page 32]
- 2.2 Budgeted Cash Flows; [Page 34]
- 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 35]
- 2.4 Asset management; [Page 36]
- 2.5 Basic service delivery measurement. [Page 39]

3. The consolidated draft budget that includes the financial impact of the municipal entity (Mandela Bay Development Agency) be noted.

4. The revised Integrated Development Plan (IDP) be approved, as reflected elsewhere in the agenda, for the purposes of further consultation.

5. Tariffs be increased as follows with effect from 1 July 2014:

Property rates	-	9.5%
Water	-	12%
Sanitation	-	12%
Refuse	-	12%
Electricity (average increase in income)	-	7.39%

6. Draft indicative tariffs for 2015/16 and 2016/17 be increased as follows:

	<u>2015/16</u>	<u>2016/17</u>
Property rates	10%	10.5%
Water	11%	11%
Sanitation	11%	11%
Refuse	11%	11%
Electricity (average increase in income)	7.39%	7.39%

7. The City Manager, in conjunction with the relevant Acting/Executive Directors report by 30 May 2014 on their respective project plans, including the capacity to implement the draft 2014/15 to 2016/17 Capital Budget and Programme, so as to ensure the achievement of a minimum spending level of 95%.
8. The City Manager, in conjunction with the relevant Acting/Executive Directors, obtain written confirmation from the Provincial Government by 30 June 2014 regarding the transfers to be allocated for transportation and library services for the 2014/15 to 2016/17 financial years, and that the possibility of bilateral engagements with the Provincial Government in this regard be considered.
9. The Acting Executive Director: Electricity and Energy report on a strategy by 30 April 2014 to reduce electricity losses in the 2014/15 financial year, so as to achieve a minimum reduction of R50 million in bulk electricity purchases.
10. The Acting Executive Director: Infrastructure and Engineering report on a strategy by 30 April 2014 to reduce water losses, indicating the funding requirements and the potential associated benefits.
11. The Acting Executive Director: Safety and Security report on a strategy by 30 April 2014 to collect outstanding traffic fines, for immediate implementation.

### **1.3 EXECUTIVE SUMMARY**

The key service delivery priorities, as reflected in the IDP, informed the development of the Budget, including the need to maintain the Municipality's financial sustainability.

Specific revenue collection strategies to improve the collection of outstanding consumer debt are being implemented by the Municipality, such as the debt relief programme.

Cost containment measures are also being implemented to further curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70 (refer **Annexure "C"**) and 72 (refer **Annexure "D"**) were used to guide the compilation of the 2014/15 MTREF.

The Municipality faced the following significant challenges during the compilation of the 2014/15 MTREF:

- Maintaining revenue collection rates at the targeted levels;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases. Continued high tariff increases may soon render municipal services financially unaffordable;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on the level of rates and tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Allocation of the required operating budget provision for staffing requirements, including the implementation of the Task Job Evaluation System;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Maintaining an acceptable cost coverage ratio;

- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the municipality's cash position into account.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The priorities and targets, relating to the key strategic focus areas, as determined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No budget allocations have been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Acting/Executive Directors.
- An assessment of the relative human resources capacity to implement the Budget.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Acting/Executive Directors must submit comprehensive reports in relation to new projects, inter alia, dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

In view of the aforementioned, the following table represents a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

**Table 1 (Consolidated Overview of the 2014/15 MTREF)**

R thousands	Adjustments Budget 2013/14	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	7,721,329	8,103,298	8,332,891	8,966,325
Total Operating Expenditure	7,891,417	8,337,437	8,502,618	8,944,433
Surplus/(Deficit)	(170,088)	(234,139)	(169,727)	21,892
Total Capital Expenditure	1,590,649	1,342,700	1,454,850	1,527,335

Total operating revenue has increased by 4.9% or R382 million for the 2014/15 financial year, compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue increases by 2.8% and 7.6% respectively, resulting in a total revenue growth of R1.2 billion over the MTREF, when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/15 financial year amounts to R8.3 billion, resulting in a budgeted deficit of R234.1 million. Compared to the 2013/14 Adjustments Budget, operational expenditure increased by 5.7% in the 2014/15 budget; and increased by 1.9% and 5.2% for each of the respective outer years of the MTREF. The 2015/16 and 2016/17 budgets reflect an operating deficit of R169.7 million and an operating surplus of R21.9 million respectively.

The major operating expenditure items for 2014/15 are employee costs (26.2%), bulk electricity and water purchases (28.6%), general expenses (10.8%), grants and subsidies paid (5.3%), repairs and maintenance (7.3%) and depreciation (10.3%).

Funding for the 2014/15 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (53.4%), property rates (17,0%), grants and subsidies received from National and Provincial Governments (16.4%).

In order to support the 2014/15 Operating Budget, the following increase in rates and service charges are being proposed, with effect from 1 July 2014:

Property rates	-	9.50%
Water	-	12.00%
Sanitation	-	12.00%
Refuse	-	12.00%
Electricity (average increase in income)	-	7.39%

The capital budget of R1.34 billion for 2014/15 is 15.6% less than the 2013/14 Adjustment Budget. The decrease is mainly attributable to unspent grant funding in the amount of R272 million, relating to the Integrated Public Transport System (IPTS) being included in the 2013/14 Adjustments Budget. The Capital Budget increases to R1.45 billion and R1.53 billion, respectively in the 2015/16 and 2016/17 financial years. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the Municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

#### **1.4 OPERATING REVENUE FRAMEWORK**

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of critical importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, expenditure has to be limited to the realistically anticipated revenues, in accordance with the MFMA.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Tariff Policies;
- The Property Rates Policy;
- The ATTP Policy and provision of free basic services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services;
- Ensuring fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges, after discounting the Assistance to the Poor (ATTP) subsidies;
- Growth in the revenue base.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

**Table 2 (Summary of main revenue sources)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
<b>Revenue By Source</b>									
Property rates	838,855	881,915	1,058,523	1,214,337	1,254,365	1,254,365	1,373,533	1,510,889	1,669,537
Property rates - penalties & collection charges									
Service charges - electricity revenue	2,185,993	2,711,116	2,819,881	3,070,366	2,963,173	2,963,173	3,182,151	3,417,312	3,669,852
Service charges - water revenue	568,439	288,576	430,698	498,414	498,414	498,414	558,220	619,625	687,783
Service charges - sanitation revenue	246,504	210,403	273,384	343,381	343,381	343,381	384,587	426,892	473,850
Service charges - refuse revenue	120,675	92,228	109,483	177,067	177,067	177,067	200,068	222,076	246,504
Service charges - other									
Rental of facilities and equipment	17,641	19,329	17,419	21,461	21,322	21,322	22,327	23,609	24,822
Interest earned - external investments	16,447	56,734	65,624	43,240	60,360	60,360	63,192	66,171	69,286
Interest earned - outstanding debtors	113,347	121,634	166,835	171,724	171,799	171,799	182,999	200,618	220,272
Dividends received					-	-			
Fines	23,733	25,655	28,700	34,809	34,504	34,504	36,836	39,062	41,423
Licences and permits	8,153	9,019	10,263	10,394	10,630	10,630	11,365	12,046	12,769
Agency services	1,611	1,397	1,909	1,484	1,483	1,483	1,575	1,669	1,769
Transfers recognised - operational	973,690	1,204,454	1,269,882	1,119,572	1,436,779	1,436,779	1,327,259	986,355	1,000,596
Other revenue	772,259	792,444	799,022	690,880	748,053	748,053	759,185	806,566	847,862
Gains on disposal of PPE	1,698								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>5,889,044</b>	<b>6,414,906</b>	<b>7,051,622</b>	<b>7,397,129</b>	<b>7,721,329</b>	<b>7,721,329</b>	<b>8,103,298</b>	<b>8,332,891</b>	<b>8,966,325</b>

**Table 3 (Mix of main revenue sources)**

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
<b>Revenue By Source</b>									
Property rates		1,254,365	16.25%	1,373,533	16.95%	1,510,889	18.13%	1,669,537	18.62%
Service charges - electricity revenue		2,963,173	38.38%	3,182,151	39.27%	3,417,312	41.01%	3,669,852	40.93%
Service charges - water revenue		498,414	6.46%	558,220	6.89%	619,625	7.44%	687,783	7.67%
Service charges - sanitation revenue		343,381	4.45%	384,587	4.75%	426,892	5.12%	473,850	5.28%
Service charges - refuse revenue		177,067	2.29%	200,068	2.47%	222,076	2.67%	246,504	2.75%
Rental of facilities and equipment		21,322	0.28%	22,327	0.28%	23,609	0.28%	24,822	0.28%
Interest earned - external investments		60,360	0.78%	63,192	0.78%	66,171	0.79%	69,286	0.77%
Interest earned - outstanding debtors		171,799	2.22%	182,999	2.26%	200,618	2.41%	220,272	2.46%
Fines		34,504	0.45%	36,836	0.45%	39,062	0.47%	41,423	0.46%
Licences and permits		10,630	0.14%	11,365	0.14%	12,046	0.14%	12,769	0.14%

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Agency services	1,483		0.02%	1,575	0.02%	1,669	0.02%	1,769	0.02%
Transfers recognised - operational	1,436,779		18.61%	1,327,259	16.38%	986,355	11.84%	1,000,596	11.16%
Other revenue	748,053		9.69%	759,185	9.37%	806,566	9.68%	847,862	9.46%
Total Revenue (excluding capital transfers and contributions)	7,721,329		100.00%	8,103,298	100.00%	8,332,891	100.00%	8,966,325	100.00%
Total Revenue from Rates and Service Charges	5,236,400		67.82%	5,698,559	70.32%	6,196,794	74.37%	6,747,526	75.25%

In the 2013/14 financial year, rates and service charges amounted to R5.2 billion or 67,8%. This increases to R5,7 billion, R6.2 billion and R6,7 billion in the 2014/15, 2015/16 and 2016/17 financial years, respectively. A significant trend is the increase in the total percentage of revenue generated from rates and service charges, which increases from 70.3% in 2014/15 to 75,3% in 2016/17. This growth is mainly attributable to increased electricity revenue, as a result of significant increases in the Eskom bulk electricity tariffs.

Operating grants and transfers (second largest revenue source) amounted to R1,33 billion in the 2014/15 financial year and decreases to R1.00 billion in 2016/17. The year-on-year decrease for the 2015/16 financial year amounts to 25.7% and increases by 1.4% in 2016/17.

Property rates represent the third largest revenue source, amounting to 17.0% or R1,37 billion in 2014/15 and increasing to 18,6% or R1,67 billion in 2016/17. The fourth largest revenue source is 'other revenue' which consists of items such as building plan fees and disconnection and re-connection fees. Directorates are required to review these charges on an annual basis to ensure that they are cost reflective and market related, where applicable.

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

**Table 4 (Operating Transfers and Grant Receipts)**

Description	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:							
<u>Operating Transfers and Grants</u>							
National Government:	884,853	968,496	968,496	1,317,135	982,182	996,844	
Local Government Equitable Share	743,325	743,325	743,325	761,606	771,725	785,837	
Energy Efficiency and Demand Management	8,000	12,000	12,000	10,000	10,000	10,000	
EPWP Incentive	20,885	20,885	20,885	13,439			
Public Transport Network Operations	100,000	100,000	100,000	130,000	150,000	150,000	
Finance Management	1,250	1,250	1,250	1,250	1,250	1,300	
Infrastructure Skills Development	8,200	8,200	8,200	8,000	8,500	9,000	
Intergrated City Development Grant	3,193	3,193	3,193	4,133			
Municipal Disaster Recovery Grant		71,961	71,961				
Municipal Human Settlements Capacity Grant				37,707	37,707	37,707	
Human Settlements Development Grant				348,000			

Description	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Urban Settlements Development Grant		6,170	6,170			
LGSETA		1,512	1,512	3,000	3,000	3,000
Other						
Provincial Government:	221,564	402,950	402,950	8,752	3,752	3,752
Sport and Recreation	3,752	3,752	3,752	3,752	3,752	3,752
Housing	206,900	372,376	372,376	-		
Health subsidy						
Housing Accreditation	9,352	19,997	19,997			
Institutional Support Grant	1,500	1,500	1,500			
Department of education - School Water Leaks						
Municipal Disaster Relief Grant						
DWA (Swartkops Monitoring)		265	265			
DRPW (Maintenance of Road)		5,000	5,000	5,000		
Vuna Awards	60	60	60			
Other						
District Municipality:	-	-	-	-	-	-
Other grant providers:	-	1,472	1,472	1,262	421	-
Donor Management						
National Lotteries						
Columbia University						
European Funding Grant						
Marine and Coastal Management		630	630	420		
Carnegies Corporation Grant						
SBSA						
Groen Sebenza ( SANBI)		842	842	842	421	
SALA/ IDA						
Total Operating Transfers and Grants	1,106,417	1,372,918	1,372,918	1,327,149	986,355	1,000,596

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

#### 1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as recreational, library and roads and stormwater services.

The following provisions in the Draft Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy.
- Pensioners, physically and mentally disabled property owners of rateable property may on submission of an application be granted a rebate. The rebate will be granted on a sliding scale

basis with the income levels and corresponding percentage reductions being determined by Council in its annual budget. In this regard the following stipulations are relevant to the applicant:

- (a) must be a natural person;
- (b) be the owner of the property;
- (c) occupy the property as his or her normal residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
- (d) produce certified copy/ies of owner/s' bar-coded identity document;
- (e) - *pensioners*: be at least 60 years of age on 1 July of the financial year concerned; or if the owner turns 60 during the year the rebate will be granted on a pro rata basis from the date on which the applicant turned 60;  
- *disabled*: be in receipt of disability grant / pension and submit proof and nature of disability e.g. letter from doctor with application.
- (f) be in receipt of a total gross annual income (as defined in Part 2 of the policy), excluding medical aid contributions and child support/grant not exceeding a value as determined by Council in its annual budget; submit pension statements, previous 3 months (or the number of months determined necessary by the Chief Financial Officer) bank statements from all bank and investment accounts of owner and spouse, and proof of total gross annual income of any other persons living on the property (not just rental received). All documents provided must clearly state who it is for – documents which do not reflect person's name or ID No. will not be considered;
- (g) not be in receipt of an indigent subsidy;
- (h) provide a certified affidavit declaring any assistance from any other sources. Assistance received from family members not residing on property, will not however be included in the calculation of total household income;
- (i) provide a certified affidavit to explain any once-off monies received e.g. gifts, donations, etc; and
- (j) ensure that his/her accounts are not in arrears (or arrangements made to pay all outstanding amounts) before applying for the rebate and continue to pay the rates account in full until rebate is granted as no interest will be reversed;
- (k) a usufructuary will be regarded as the owner;
- (l) the criteria of a natural person may be waived at the sole discretion of the municipality to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of this policy; and provided further that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries staying on that property;
- (m) owners qualify for only one rebate per year, if financial circumstances change they can only apply for future years;

- Sporting organisations, the sole purpose of which is to use the property owned/leased by them for sporting purposes, whether for gain or not, may qualify for a rebate, with amateur bodies being granted 100% and professional bodies 40%. Any profits earned must be invested in the betterment of the organisation and not be for private gain. Audited financial statement must be provided, if however the sporting body does not have audited financial statement reasons therefore must be provided on the clubs official letterhead.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
- All accounts of the applicant must be up to date or arrangements must be made to pay any outstanding balances before any rebate will be granted. The applicant must continue to pay the rates account in full until the rebate is granted as no interest will be reversed.

A property rates increase of 9.5% is proposed as from 1 July 2014.

#### **1.4.2 Sale of Water and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66 and 70, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2014/15 MTREF. Furthermore, National Treasury has availed technical assistance relating to the determination of fully cost reflective tariffs.

A tariff increase of 12% is proposed as from 1 July 2014. The proposed tariff increase is mainly influenced by the following:

- The cost of bulk water purchases increased by 14,2%;
- Repairs and maintenance of water infrastructure increased by 15,5%;
- Costs of servicing existing external borrowing to fund water infrastructure; and
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

#### **1.4.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 8.06% as from 1 July 2014. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 7.39% on average to offset the additional electricity bulk purchase costs as from 1 July 2014, in line with the NERSA tariff guidelines.

The proposed tariff increases are mainly influenced by the following:

- The cost of bulk electricity purchases increased by 5.8%;
- Repairs and maintenance of electricity infrastructure increased by 10.7%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

The proposed electricity tariff increases must still be approved by NERSA.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66 and 70, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2014/15 MTREF. Furthermore, National Treasury has availed technical assistance relating to the determination of fully cost reflective tariffs.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 12% is proposed as from 1 July 2014. The proposed tariff increase is mainly influenced by the following:

- The cost of bulk water purchases increased by 14,2%
- Repairs and maintenance of sanitation infrastructure increased by 15,5%;
- Costs of servicing existing external borrowing to fund sanitation infrastructure;
- Providing for debt impairment.

#### **1.4.5 Refuse Collection and Disposal and Impact of Tariff Increases**

The refuse collection and disposal service is currently operating on a break even basis. A tariff increase of 12% is proposed for the refuse collection and disposal service, as from 1 July 2014.

The proposed tariff increase is mainly influenced by the following:

- Costs of servicing existing external borrowing to fund refuse infrastructure;
- Providing for debt impairment.

National Treasury has also urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of rehabilitation of landfill sites.

#### **1.4.6 Overall impact of tariff increases on households**

The following table reflects the anticipated impact of the proposed tariff increases on a middle income and affordable range household, as well as an indigent household receiving free basic services.

It is to be noted that the overall impact of the proposed tariff increases on household bills has been maintained to between 9.02% and 9.6%, with indigent households increasing by 11,9%. The increase in household bills is largely influenced by the electricity tariff increase.

Table 5 (Table SA14 – Household bills)

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15 % incr.	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Monthly Account for Household - 'Middle Income Range'</b>										
Rates and services charges:										
Property rates (Erf: 1000m2 ; 150m2 improvements)	541.38	603.64	682.11	744.45	744.45	744.45	9.50%	815.17	896.69	990.84
Electricity: Basic levy										
Electricity: Consumption(1000 Kwh)	748.40	913.05	1,108.07	1,154.03	1,154.03	1,154.03	7.39%	1,239.32	1,330.91	1,429.26
0 - 350			319.57	341.94	341.94	341.94	7.39%	367.21	394.35	423.49
351 – 600			272.50	291.57	291.57	291.57	7.39%	313.12	336.26	361.11
601 - 950			451.50	451.50	451.50	451.50	7.39%	484.87	520.70	559.18
951 1000			64.50	69.02	69.02	69.02	7.39%	74.12	79.60	85.48
Water: Basic levy	18.78	20.94	23.66	26.74	26.74	26.74	12.0%	29.95	33.24	36.90
Water: Consumption (30 Kl)	177.58	198.00	223.74	252.83	252.83	252.83	12.0%	283.17	314.32	348.89
Sanitation	126.75	141.33	159.70	180.46	180.46	180.46	12.0%	202.12	224.35	249.03
Refuse removal	48.45	54.02	61.04	68.98	68.98	68.98	12.0%	77.26	85.76	95.19
Other										
Sub-total	1,661.34	1,930.98	2,258.33	2,427.49	2,427.49	2,427.49	9.04%	2,646.99	2,885.27	3,150.11
VAT on Services	156.79	185.83	220.67	235.63	235.63	235.63		256.45	278.40	302.30
Total large household bill:	1,818.13	2,116.81	2,479.00	2,663.12	2,663.12	2,663.12	9.02%	2,903.44	3,163.67	3,452.41
% increase/-decrease		16.4%	17.1%	7.4%	7.4%	7.4%		9.02%	8.96%	9.13%
<b>Monthly Account for Household - 'Affordable Range'</b>										
Rates and services charges:										
Property rates rates (Erf: 300m2 ; 48m2 improvements)	140.27	156.40	176.73	192.88	192.88	192.88	9.5%	211.20	232.32	256.72
Electricity: Basic levy										
Electricity: Consumption (498 Kwh)	372.7	454.69	480.89	514.55	514.55	514.55	7.39%	552.58	593.41	637.26
0 - 350			319.57	341.94	341.94	341.94	7.39%	367.21	394.35	423.49
351 -498			161.32	172.61	172.61	172.61	7.39%	185.37	199.06	213.77
Water: Basic levy	18.78	20.94	23.66	26.74	26.74	26.74	12.0%	29.95	33.24	36.90
Water: Consumption (25KL)	147.99	165.01	186.46	210.70	210.70	210.70	12.0%	235.98	261.94	290.76
Sanitation	105.63	117.78	133.09	150.39	150.39	150.39	12.0%	168.44	186.96	207.53
Refuse removal	48.45	54.02	61.04	68.98	68.98	68.98	12.0%	77.26	85.76	95.19
Other										
Sub-total	833.82	968.84	1,061.88	1,164.24	1,164.24	1,164.24	9.55%	1,275.41	1,393.63	1,524.36
VAT on Services	97.10	113.74	123.92	135.99	135.99	135.99		148.99	162.58	177.47
Total small household bill:	930.92	1,082.58	1,185.80	1,300.23	1,300.23	1,300.23	9.55%	1,424.40	1,556.21	1,701.83

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
% increase/-decrease		16.3%	9.5%	9.7%	9.7%	9.7%		9.6%	9.3%	9.4%
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates rates (Erf: 300m2 ; 48m2 improvements)	12.32	13.74	15.53	16.95	16.95	16.95	9.50%	18.56	20.42	22.56
Electricity: Basic levy										
Electricity: Consumption (60Kwh)	56.13	65.11	0	0	0	0	0%	0	0	0
Water: Basic levy	0	20.94	23.66	26.74	26.74	26.74	12.0%	29.95	33.24	36.90
Water: Consumption (6KL)	47.40	52.85	59.72	67.48	67.48	67.48	12.0%	75.58	83.89	93.12
Sanitation	46.52	51.87	58.61	66.23	66.23	66.23	12.0%	74.18	82.34	91.39
Refuse removal	48.45	54.02	61.04	68.98	68.98	68.98	12.0%	77.26	85.76	95.19
Other										
Sub-total	210.82	258.53	218.56	246.38	246.38	246.38	11.8%	275.53	305.65	339.16
VAT on Services	27.79	34.27	28.42	32.12	32.12	32.12		35.98	39.93	44.32
Total small household bill:	238.61	292.80	246.98	278.50	278.50	278.50	-11.9%	311.51	345.58	383.49
% increase/-decrease		22.70%	-15.6%	12.8%	12.8%	12.8%		11.9%	10.9%	10.9%

The basis used for calculating the municipal accounts for the different categories of households is as follows:-

Description	Land (m <sup>2</sup> )	Improvements (m <sup>2</sup> )	Electricity (kwh)	Water (kl)
Household – Middle Income	1000m <sup>2</sup>	150m <sup>2</sup>	1000kwh	30kl
Household – Affordable Range	300m <sup>2</sup>	48m <sup>2</sup>	498kwh	25kl
Indigent Household receiving free services	300m <sup>2</sup>	48m <sup>2</sup>	75kwh	8kl

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- A balanced budget approach by limiting operating expenditure to the operating revenue;
- The asset renewal strategy and the repairs and maintenance plan;
- Strict adherence to the principle of "no budget allocations without a project implementation plan".

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

**Table 6 (Summary of operating expenditure by standard classification item)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>									
<b>Expenditure By Type</b>									
Employee related costs	1,906,518	2,030,722	1,715,765	1,963,367	1,977,080	1,977,080	2,184,415	2,362,641	2,563,254
Remuneration of councillors	45,222	50,104	53,010	57,199	56,722	56,722	60,976	65,854	71,452
Debt impairment	522,477	298,890	409,730	318,214	314,184	314,184	341,919	371,813	404,858
Depreciation & asset impairment	560,343	869,463	774,245	885,807	816,693	816,693	862,359	843,942	701,102
Finance charges	177,630	212,913	201,008	190,534	189,387	189,387	179,581	169,194	162,569
Bulk purchases	1,567,047	1,972,513	2,183,679	2,292,123	2,249,904	2,249,904	2,386,983	2,583,087	2,795,472
Other materials	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
Contracted services	145,947	221,601	375,203	326,625	303,767	303,767	374,837	418,790	434,635
Transfers and grants	230,553	40,896	38,400	401,269	402,149	402,149	440,053	480,894	526,136
Other expenditure	754,230	841,002	772,023	687,038	965,958	965,958	898,842	556,168	585,740
Loss on disposal of PPE	5,057	914	94,839						
<b>Total Expenditure</b>	<b>6,333,986</b>	<b>6,976,179</b>	<b>7,092,288</b>	<b>7,659,812</b>	<b>7,891,417</b>	<b>7,891,417</b>	<b>8,337,437</b>	<b>8,502,618</b>	<b>8,944,433</b>

The total operating expenditure increased by R446.0 million (5.7%) from R7,89 billion in 2013/14 to R8.34 billion in 2014/15. Below is a discussion of the main expenditure components.

### Employee related costs

The 2014/15 draft budget provides for annual increments, where applicable, and a general increase of 7.5%, in line with the Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years.

The total budget provision of R2.184 billion represents an increase of 10.5% over the 2013/14 Adjustments budget.

An amount of approximately R20 million has been provided to ensure the implementation of the new wage curve in the 2014/15 financial year, as agreed to by the South African Local Government Bargaining Council. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure should be considered.

**Council's target for 2014/15 is to restrict personnel costs to 30% of total expenditure. Personnel costs in the 2014/15 Budget represent 26.2% of total operating expenditure.**

### Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 7.5% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

## Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 94%, excluding ATTP subsidies. For the 2014/15 financial year this amounted to R341.9 million and increases to R404.9 million in 2016/17. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

## Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. The budget amounts to R862.4 million for the 2014/15 financial and equates to 10.3% of the total operating expenditure.

## Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 2.2% (R179.6 million) of total operating expenditure for 2014/15 and reduces to R162.6 million in 2016/17. It is to be noted that no new borrowing will be raised.

## Bulk Electricity Purchases

Purchase of Power has increased from R2.169 billion in 2013/14 to R2.294 billion in 2014/15, an increase of 5.8%.

NERSA has approved a 8.06% increase in the Eskom bulk tariff for the 2014/15 financial year. The 2014/15 budget accordingly allows for a 8.06% increase for bulk power purchases from Eskom, whilst a negative growth of 2.26% in energy consumption levels has been projected. Energy consumption levels are influenced by the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy; and
- The implementation of energy conservation measures.

## Bulk Water Purchases

The bulk purchase of water increased by R11 547 120 (14.2%) from R81 400 470 in 2013/14 to R92 947 590 in 2014/15, as follows:

	2013/14	2014/15	%
DWA	78 338 270	89 595 920	14.34
Gamtoos Irrigation Board	2 062 200	2 151 670	4.30
Sundays River Irrigation Board	1 000 000	1 200 000	20.0
<b>Total</b>	<b>81 400 470</b>	<b>92 947 590</b>	<b>14.20</b>

The total budget provision of R92.9 million is influenced by the increasing water consumption patterns, in addition to a bulk water tariff increase of approximately 12%.

## Other Materials

Other materials comprise, amongst others, the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan,

expenditure has been prioritised to improve sustainability of the Municipality's infrastructure. The budget for 2014/15 amounts to R607.5 million and increases by 7.0% and 7.5% for the two outer years.

### Contracted Services

In the 2014/15 financial year, the budget provision amounts to R374.8 million. For the two outer years the increases amount to 11.7% and 3.8% respectively.

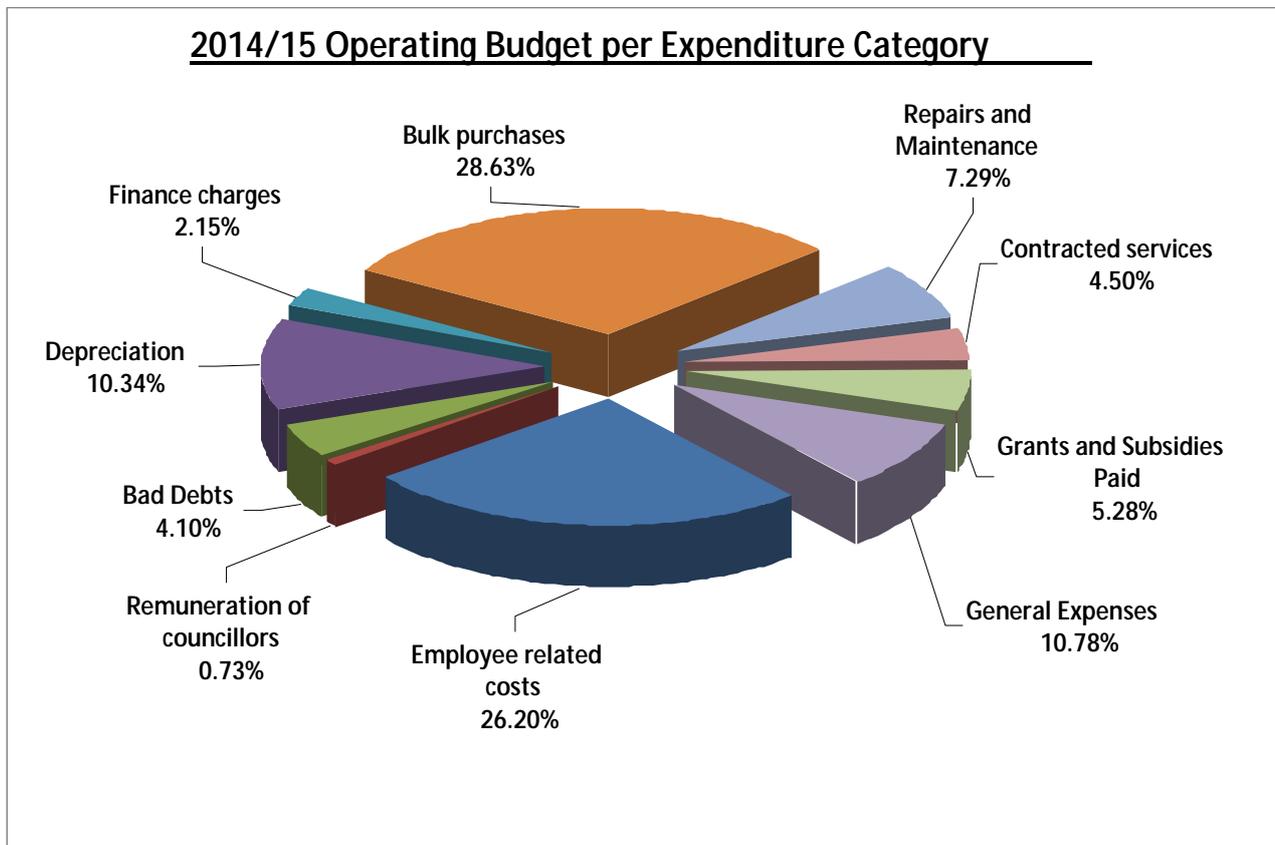
### Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This expenditure has been identified as an area in which cost savings and efficiencies can be achieved.

The expenditure decreased by 6.9% for 2014/15 and then reduces by 38.1% for 2015/16. The reduction in expenditure is mainly attributable to the fact that no expenditure associated with Housing Top Structures has been included in the 2015/16 Budget as funding has only been gazetted for the 2014/15 financial year.

In the 2016/17 financial year the expenditure increases by 5.3%.

The graph below reflects the expenditure components of the budgeted statement of financial performance.



**Figure 1 Main operational expenditure categories for the 2014/15 financial year**

### 1.5.1 Priority relating to repairs and maintenance

In line with the Municipality's stated intention to preserve and maintain its existing infrastructure, the 2014/15 budget and MTREF provide for reasonable growth in the asset maintenance budget, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic priority in view of the aging infrastructure and certain deferred maintenance. It is to be noted that the 2013/14 repairs and maintenance expenditure included an amount of R71,96 million for the repairs of sanitation, roads and water infrastructure, which was funded from the Municipal Disaster Recovery Grant. Upon exclusion of this amount, the repairs and maintenance in the 2014/15 financial year, increased by 11.7%, compared to the 2013/14 Adjustments Budget.

The growth for the two outer years, amount to 7% and 7.5%, respectively. In relation to the total operating expenditure, repairs and maintenance constitutes 7.3%, 7.6% and 7.8% for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 7 (Repairs and maintenance per asset class)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Full Year Forecast</b>	<b>Budget Year 2014/15</b>	<b>Budget Year +1 2015/16</b>	<b>Budget Year +2 2016/17</b>
<u>Repairs and Maintenance by Asset Class</u>									
<i>Infrastructure - Road transport</i>	73,310	89,652	88,424	96,277	167,331	167,331	108,125	109,319	115,886
<i>Infrastructure - Electricity</i>	28,585	38,973	40,310	48,147	48,389	48,389	53,544	57,562	62,121
<i>Infrastructure - Water</i>	119,415	107,790	127,787	136,482	134,487	134,487	155,286	167,681	181,065
<i>Infrastructure - Sanitation</i>	111,701	107,728	139,742	143,243	146,647	146,647	156,283	170,634	184,099
<i>Infrastructure - Other</i>	2,735	5,650	3,797	7,631	8,205	8,205	9,419	10,083	10,795
<b>Infrastructure</b>	<b>335,745</b>	<b>349,793</b>	<b>400,060</b>	<b>431,780</b>	<b>505,059</b>	<b>505,059</b>	<b>482,656</b>	<b>515,279</b>	<b>553,966</b>
<b>Community</b>	<b>33,515</b>	<b>34,691</b>	<b>26,982</b>	<b>43,310</b>	<b>46,758</b>	<b>46,758</b>	<b>54,263</b>	<b>58,818</b>	<b>63,086</b>
<b>Heritage assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>49,702</b>	<b>52,676</b>	<b>47,344</b>	<b>62,545</b>	<b>63,756</b>	<b>63,756</b>	<b>70,554</b>	<b>76,137</b>	<b>82,164</b>
<b>TOTAL REPAIRS &amp; MAINTENANCE EXPENDITURE</b>	<b>418,961</b>	<b>437,161</b>	<b>474,386</b>	<b>537,635</b>	<b>615,574</b>	<b>615,574</b>	<b>607,474</b>	<b>650,235</b>	<b>699,216</b>

For the 2014/15 financial year an amount of R482.7 million (79.5%) of total repairs and maintenance, will be spent on infrastructure assets.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services the households are required to register in terms of the Municipality's Assistance to the Poor Policy. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

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

## 1.6 CAPITAL EXPENDITURE

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

**Table 8 (2014/15 Medium-term capital budget per vote)**

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
<u>Capital expenditure - Municipal Vote</u>									
Budget and Treasury	27,940	1.76%	30,450	2.27%	10,260	0.71%	10,836	0.71%	
Public Health	54,102	3.40%	50,955	3.79%	58,490	4.02%	40,950	2.68%	
Human Settlements	165,766	10.42%	182,273	13.58%	215,108	14.79%	224,089	14.67%	
Economic Development and Recreational Services	21,463	1.35%	33,079	2.46%	21,000	1.44%	18,500	1.21%	
Corporate Services	44,322	2.79%	34,650	2.58%	15,700	1.08%	14,500	0.95%	
Rate and General Engineers	496,984	31.24%	256,187	19.08%	419,168	28.81%	443,975	29.07%	
Water Service	185,186	11.64%	201,900	15.04%	182,400	12.54%	216,000	14.14%	
Sanitation	247,058	15.53%	311,750	23.22%	322,300	22.15%	367,386	24.05%	
Electricity and Energy	232,049	14.59%	207,383	15.45%	191,952	13.19%	174,731	11.44%	
Executive and Council	5,000	0.31%	6,550	0.49%	6,650	0.46%	7,830	0.51%	
Safety and Security	13,000	0.82%	13,513	1.01%	11,822	0.82%	8,538	0.56%	
Nelson Mandela Bay Stadium	75,000	4.72	0						
Strategic Programmes Directorate	22,779	1.43%	14,010	1.04%	0	0.0%	0	0.0%	
<b>Total Capital Expenditure</b>	<b>1,590,649</b>	<b>100</b>	<b>1,342,700</b>	<b>100</b>	<b>1,454,850</b>	<b>100%</b>	<b>1,527,335</b>	<b>100%</b>	

Of the total amount of R1.34 billion for 2014/15, an amount of R977.2 million has been appropriated for the development of infrastructure, which represents 72.79% of the total capital budget. In the outer years this amount totals R1.12 billion (76.70%) and R1,20 billion (78.71%) respectively for each of the financial years. Sanitation Services receives the highest allocation of R311.75 million in 2014/15, which equates to 23.22% followed by Rate and General Engineers at R256.19 million (19.08%), Electricity and Energy at R207.38 million (15.45%), Water Services at R201.90 million (15.04%) and Human Settlements at R182.27 million (13.58%).

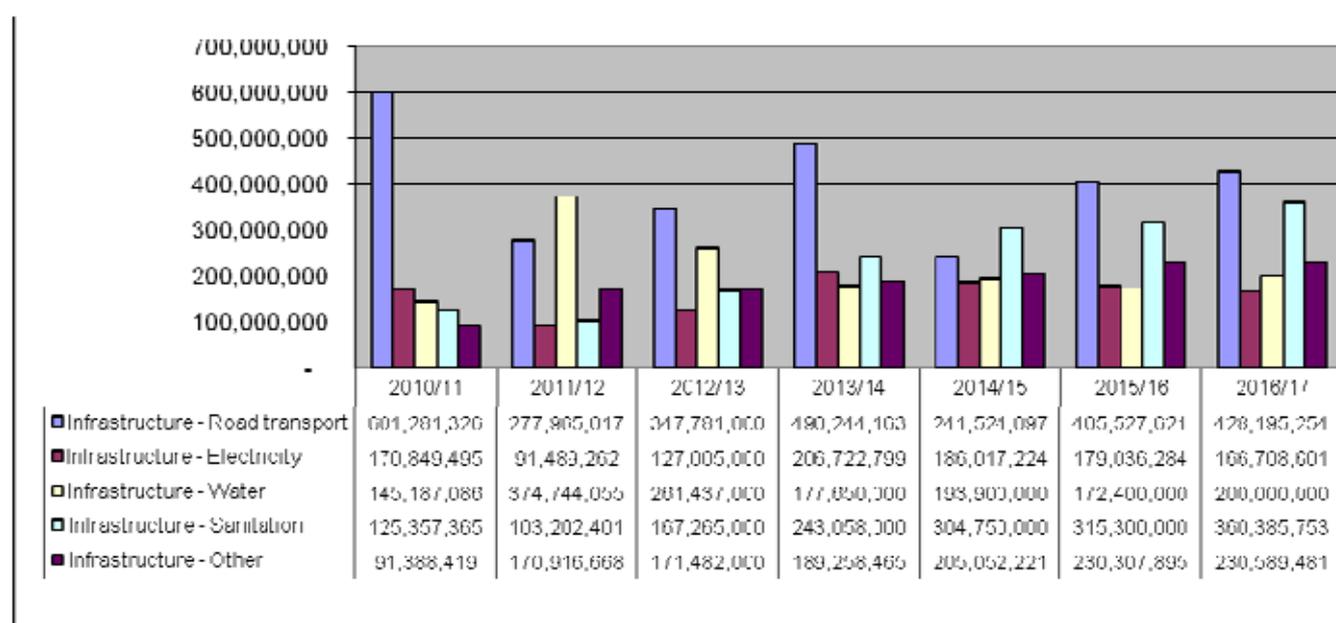
Total new assets represent 44,2% or R594,1 million of the total capital budget while asset renewal/rehabilitation equates to 55,8% or R748,6 million. National Treasury has suggested that 40% of the capital budget should be allocated for asset renewal/rehabilitation. Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). Some of the major projects to be undertaken over the medium-term includes, amongst others:

- Reticulation services for housing delivery – R621,5 million;
- Replacement of fleet – R56,5 million;
- Tarring of gravel roads – R160 million;
- Stormwater Improvement – R174,7 million;
- Construction of Major Roads – R25 million;
- Informal Housing Electrification – R15,8 million;

- Provision of sidewalks – R20 million;
- Electricity infrastructure – R531,7 million;
- Integrated Public Transportation System – R512,3 million;
- Water treatment works – R85,5 million;
- Water Reticulation Network – R428,5 million;
- Bulk Sewers – R76 million;
- Waste Water Treatment Works – R476,2 million;
- Greening and beautification – R28,2 million;
- Refuse sites and recycling stations – R20 million;
- Urban renewal – R12 million; and
- Sports and Recreational facilities – R66,2 million.

**Annexure “A”** provides a summary of the capital projects included in the Capital budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 2 Capital Infrastructure Programme**

### 1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2014/15 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.



Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Cash and investments available	428,805	1,160,370	1,522,131	957,384	1,120,897	1,120,897	1,176,951	1,268,298	1,456,570
Application of cash and investments	927,510	1,503,264	1,029,096	820,340	763,641	763,641	823,089	874,402	928,943
Balance - surplus (shortfall)	(498,705)	(342,893)	493,036	137,044	357,256	357,256	353,862	393,896	527,627
<b>Asset management</b>									
Asset register summary (WDV)	12,448,702	12,754,567	13,154,474	13,071,178	13,538,830	13,538,830	14,040,095	14,432,775	15,029,908
Depreciation & asset impairment	560,343	869,463	774,245	885,807	816,693	816,693	862,359	843,942	701,102
Renewal of Existing Assets	1,263,146	398,792	608,788	684,783	838,222	838,222	748,611	752,631	807,852
Repairs and Maintenance	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
<b>Free services</b>									
Cost of Free Basic Services provided	292,530	294,840	199,474	427,060	351,879	351,879	276,303	304,979	336,688
Revenue cost of free services provided	265,134	252,770	255,300	334,567	334,567	334,567	440,220	484,764	534,800
<b>Households below minimum service level</b>									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	35	38	-	30	30	30	22	18	15
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	16	158	157	98	102	102	65	23	23

### Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

**Table 10 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))**

Description	2010/11	2011/12	2012/13	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	1,681,648	1,908,934	2,135,260	2,134,729	2,202,174	2,329,052	2,474,723	2,642,160
Executive and council	12,970	907	809	316	269	36	37	38
Budget and treasury office	1,655,163	1,892,189	2,119,110	2,123,759	2,182,116	2,304,696	2,448,939	2,614,923
Corporate services	13,515	15,838	15,340	10,654	19,790	24,319	25,747	27,200
<i>Community and public safety</i>	356,479	519,902	426,537	322,553	323,339	288,794	(93,859)	(99,601)
Community and social services	18,498	16,795	16,188	20,559	28,795	19,922	17,082	16,777
Sport and recreation	15,203	23,402	40,230	50,511	29,192	27,488	27,023	28,650
Public safety	25,228	25,766	28,073	34,567	35,667	36,641	38,523	40,835
Housing	247,114	324,689	335,685	216,702	229,569	203,737	(177,080)	(186,043)
Health	50,436	129,250	6,361	213	117	1,006	593	180
<i>Economic and environmental services</i>	312,513	165,389	333,303	287,903	624,944	537,007	586,024	605,598
Planning and development	228,490	155,170	334,479	260,271	526,016	372,422	405,109	422,828
Road transport	42,163	3,075	(5,354)	22,996	94,029	159,376	175,839	177,389
Environmental protection	41,859	7,145	4,178	4,636	4,899	5,209	5,076	5,381
<i>Trading services</i>	3,536,425	3,807,520	4,139,620	4,638,869	4,556,359	4,931,715	5,347,984	5,798,757
Electricity	2,298,203	2,813,228	2,920,960	3,228,278	3,135,394	3,349,341	3,592,485	3,852,424
Water	716,173	450,623	563,590	612,284	613,377	690,204	766,976	850,965
Waste water management	374,103	344,567	449,820	522,097	530,391	580,432	644,279	715,150
Waste management	147,946	199,102	205,249	276,210	277,198	311,738	344,243	380,218
<i>Other</i>	1,979	13,161	16,903	13,075	14,513	16,731	18,020	19,411
<b>Total Revenue - Standard</b>	<b>5,889,044</b>	<b>6,414,906</b>	<b>7,051,622</b>	<b>7,397,129</b>	<b>7,721,329</b>	<b>8,103,298</b>	<b>8,332,891</b>	<b>8,966,325</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	1,170,693	1,291,303	950,881	1,171,776	1,136,236	1,214,828	1,288,370	1,313,093
Executive and council	133,343	150,909	142,598	187,544	188,181	199,926	212,310	227,334
Budget and treasury office	782,398	924,115	597,041	581,695	573,212	617,061	669,233	734,141
Corporate services	254,952	216,279	211,241	402,537	374,843	397,840	406,827	351,618
<i>Community and public safety</i>	1,234,383	1,339,026	1,298,205	1,123,750	1,342,563	1,387,280	1,101,869	1,173,921
Community and social services	94,454	124,390	140,701	155,515	165,013	174,598	181,454	190,725
Sport and recreation	156,907	116,032	131,213	157,848	156,490	181,519	190,260	201,761
Public safety	367,156	377,696	392,921	382,732	394,846	424,599	457,372	492,794
Housing	348,805	399,470	366,122	270,540	471,564	442,835	97,783	101,147
Health	267,061	321,437	267,247	157,115	154,649	163,729	175,001	187,494
<i>Economic and environmental services</i>	523,693	853,074	1,062,845	1,064,098	1,162,358	1,142,070	1,169,844	1,177,614
Planning and development	243,160	402,674	605,653	542,795	575,200	460,442	478,998	507,867
Road transport	189,414	211,225	192,217	218,145	271,843	353,662	381,557	384,928
Environmental protection	91,118	239,176	264,976	303,159	315,315	327,966	309,289	284,819
<i>Trading services</i>	3,394,891	3,481,962	3,773,395	4,245,854	4,216,579	4,557,309	4,916,729	5,262,912
Electricity	2,039,736	2,492,034	2,780,542	2,912,251	2,862,545	3,053,510	3,278,064	3,506,601
Water	692,330	469,596	522,511	596,018	601,387	666,971	725,188	780,501
Waste water management	373,072	352,943	285,671	500,393	511,103	553,414	607,724	649,095
Waste management	289,754	167,390	184,671	237,192	241,544	283,414	305,753	326,716
<i>Other</i>	10,327	10,814	6,961	54,334	33,681	35,950	25,807	16,892
<b>Total Expenditure - Standard</b>	<b>6,333,986</b>	<b>6,976,179</b>	<b>7,092,288</b>	<b>7,659,812</b>	<b>7,891,417</b>	<b>8,337,437</b>	<b>8,502,618</b>	<b>8,944,433</b>
<b>Surplus/(Deficit) for the year</b>	<b>(444,942)</b>	<b>(561,273)</b>	<b>(40,666)</b>	<b>(262,683)</b>	<b>(170,088)</b>	<b>(234,139)</b>	<b>(169,727)</b>	<b>21,892</b>

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, excludes revenue attributable to capital grants.

**Table 11 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue by Vote</b>									
Vote 1 - Budget and Treasury	1,655,188	1,892,082	2,118,460	2,123,774	2,182,127	2,182,127	2,304,713	2,448,957	2,614,941
Vote 2 - Public Health	262,975	336,479	219,044	283,496	290,744	290,744	325,215	353,840	388,882
Vote 3 - Human Settlements	263,368	345,565	355,786	240,805	442,861	442,861	412,605	61,838	63,144
Vote 4 - Economic Development and Recreational Services	142,470	104,283	148,351	145,839	152,598	152,598	151,125	158,060	167,659
Vote 5 - Corporate Services	10,668	9,479	10,213	4,033	14,697	14,697	17,062	18,028	19,122
Vote 6 - Rate and General Engineers	28,309	22,731	162,065	103,485	181,260	181,260	138,886	154,119	154,366
Vote 7 - Water Services	716,173	450,623	563,591	612,284	613,377	613,377	690,204	766,976	850,965
Vote 8 - Sanitation Services	374,015	330,682	417,967	522,097	530,391	530,391	580,432	644,279	715,150
Vote 9 - Electricity and Energy	2,298,283	2,813,228	2,920,960	3,228,278	3,135,394	3,135,394	3,349,341	3,592,485	3,852,424
Vote 10 - Executive and Council	5,537	1,633	1,610	620	619	619	563	553	554
Vote 11 - Safety and Security	43,231	45,138	48,757	57,504	58,604	58,604	60,954	64,295	68,153
Vote 12 - Nelson Mandela Bay Stadium	62,761	39,048	59,887	27,248	60,413	60,413	43,075	52,946	52,959
Vote 13 - Strategic Programmes Directorate	26,066	23,934	24,932	47,668	58,246	58,246	29,124	16,515	18,006
<b>Total Revenue by Vote</b>	<b>5,889,044</b>	<b>6,414,906</b>	<b>7,051,622</b>	<b>7,397,129</b>	<b>7,721,329</b>	<b>7,721,329</b>	<b>8,103,298</b>	<b>8,332,891</b>	<b>8,966,325</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Budget and Treasury	757,624	902,233	490,093	560,699	551,946	551,946	595,138	646,058	709,417
Vote 2 - Public Health	662,960	706,073	693,205	717,283	735,129	735,129	798,099	810,764	820,766
Vote 3 - Human Settlements	452,094	519,073	503,997	381,431	587,044	587,044	568,609	228,390	242,083
Vote 4 - Economic Development and Recreational Services	177,252	257,577	327,329	399,130	389,558	389,558	423,636	439,279	456,869
Vote 5 - Corporate Services	258,398	290,059	277,641	413,520	385,981	385,981	412,551	416,232	360,074
Vote 6 - Rate and General Engineers	244,276	305,373	440,653	451,659	495,972	495,972	489,363	527,315	537,026
Vote 7 - Water Services	695,886	465,466	570,697	596,018	601,387	601,387	666,971	725,188	780,501
Vote 8 - Sanitation Services	344,018	301,837	228,601	442,496	458,743	458,743	496,409	548,363	587,818
Vote 9 - Electricity and Energy	2,039,401	2,492,034	2,780,159	2,912,251	2,862,545	2,862,545	3,053,510	3,278,064	3,506,601

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
Vote 10 - Executive and Council	159,471	183,369	172,068	216,869	220,926	220,926	230,739	245,337	263,691
Vote 11 - Safety and Security	373,586	392,052	408,141	392,935	405,023	405,023	435,343	468,894	505,192
Vote 12 - Nelson Mandela Bay Stadium	131,644	140,335	173,586	129,487	142,871	142,871	136,929	151,230	155,422
Vote 13 - Strategic Programmes Directorate	37,376	20,697	26,118	46,033	54,292	54,292	30,138	17,504	18,973
Total Expenditure by Vote	6,333,986	6,976,179	7,092,288	7,659,812	7,891,417	7,891,417	8,337,437	8,502,618	8,944,433
Surplus/(Deficit) for the year	(444,942)	(561,273)	(40,666)	(262,683)	(170,088)	(170,088)	(234,139)	(169,727)	21,892

### Explanatory notes to Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Executive Directors concerned. Operating revenue and expenditure is thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

**Table 12 (Table A4 - Budgeted Financial Performance (revenue and expenditure))**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
<b>Revenue By Source</b>									
Property rates	838,855	881,915	1,058,523	1,214,337	1,254,365	1,254,365	1,373,533	1,510,889	1,669,537
Property rates - penalties & collection charges									
Service charges - electricity revenue	2,185,993	2,711,116	2,819,881	3,070,366	2,963,173	2,963,173	3,182,151	3,417,312	3,669,852
Service charges - water revenue	568,439	288,576	430,698	498,414	498,414	498,414	558,220	619,625	687,783
Service charges - sanitation revenue	246,504	210,403	273,384	343,381	343,381	343,381	384,587	426,892	473,850
Service charges - refuse revenue	120,675	92,228	109,483	177,067	177,067	177,067	200,068	222,076	246,504
Service charges - other									
Rental of facilities and equipment	17,641	19,329	17,419	21,461	21,322	21,322	22,327	23,609	24,822
Interest earned - external investments	16,447	56,734	65,624	43,240	60,360	60,360	63,192	66,171	69,286
Interest earned - outstanding debtors	113,347	121,634	166,835	171,724	171,799	171,799	182,999	200,618	220,272
Dividends received					-	-			
Fines	23,733	25,655	28,700	34,809	34,504	34,504	36,836	39,062	41,423
Licences and permits	8,153	9,019	10,263	10,394	10,630	10,630	11,365	12,046	12,769
Agency services	1,611	1,397	1,909	1,484	1,483	1,483	1,575	1,669	1,769

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Transfers recognised - operational	973,690	1,204,454	1,269,882	1,119,572	1,436,779	1,436,779	1,327,259	986,355	1,000,596
Other revenue	772,259	792,444	799,022	690,880	748,053	748,053	759,185	806,566	847,862
Gains on disposal of PPE	1,698								
Total Revenue (excluding capital transfers and contributions)	5,889,044	6,414,906	7,051,622	7,397,129	7,721,329	7,721,329	8,103,298	8,332,891	8,966,325
<b>Expenditure By Type</b>									
Employee related costs	1,906,518	2,030,722	1,715,765	1,963,367	1,977,080	1,977,080	2,184,415	2,362,641	2,563,254
Remuneration of councillors	45,222	50,104	53,010	57,199	56,722	56,722	60,976	65,854	71,452
Debt impairment	522,477	298,890	409,730	318,214	314,184	314,184	341,919	371,813	404,858
Depreciation & asset impairment	560,343	869,463	774,245	885,807	816,693	816,693	862,359	843,942	701,102
Finance charges	177,630	212,913	201,008	190,534	189,387	189,387	179,581	169,194	162,569
Bulk purchases	1,567,047	1,972,513	2,183,679	2,292,123	2,249,904	2,249,904	2,386,983	2,583,087	2,795,472
Other materials	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
Contracted services	145,947	221,601	375,203	326,625	303,767	303,767	374,837	418,790	434,635
Transfers and grants	230,553	40,896	38,400	401,269	402,149	402,149	440,053	480,894	526,136
Other expenditure	754,230	841,002	772,023	687,038	965,958	965,958	898,842	556,168	585,740
Loss on disposal of PPE	5,057	914	94,839						
Total Expenditure	6,333,986	6,976,179	7,092,288	7,659,812	7,891,417	7,891,417	8,337,437	8,502,618	8,944,433
Surplus/(Deficit)	(444,942)	(561,273)	(40,666)	(262,683)	(170,088)	(170,088)	(234,139)	(169,727)	21,892
Transfers recognised - capital	500,978	919,158	895,330	709,812	1,193,390	1,193,390	846,775	1,035,700	1,083,585
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	56,036	357,885	854,664	447,129	1,023,302	1,023,302	612,637	865,973	1,105,478
Taxation									
Surplus/(Deficit) after taxation	56,036	357,885	854,664	447,129	1,023,302	1,023,302	612,637	865,973	1,105,478
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	56,036	357,885	854,664	447,129	1,023,302	1,023,302	612,637	865,973	1,105,478
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	56,036	357,885	854,664	447,129	1,023,302	1,023,302	612,637	865,973	1,105,478

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

### Revenue

- The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements.

A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

2. Total revenue amounts to R8.1 billion in 2014/15 and increases to R8.9 billion in 2016/17. This represents a year-on-year increase of 4.9% for the 2014/15 financial year, and increases of 2.8% for the 2015/16 financial year and 7.6% for the 2016/17 financial year, respectively.
3. Revenue from property rates amounts to R1.4 billion in the 2014/15 financial year and increases to R1,7 billion in 2016/17, which amounts to 18.6% of the total operating revenue base of the Municipality. It remains relatively constant over the medium-term, whilst tariff increases of 9.5% have been provided for 2014/15 and 10.0% and 10.5% for the two outer years, respectively.
4. Services charges relating to electricity, water, sanitation and refuse collection and removal constitute the biggest component of the total revenue base, amounting to R4,3 billion for the 2014/15 financial year and increasing to R5.1 billion in 2016/17. For the 2014/15 financial year services charges amount to 53.4% of the total revenue base and increases to 56,6% for 2016/17.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants decreased by 25.7% for 2015/16 and increased by 1.4% for 2016/17.

### **Expenditure**

6. Bulk purchases have increased significantly over the 2010/11 to 2014/15 period, increasing from R1,6 billion to R2,4 billion. These increases are mainly attributable to the substantial increases in the cost of bulk electricity from Eskom.

**Table 13 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Capital expenditure - Vote</b>									
<b>Multi-year expenditure to be appropriated</b>									
Vote 1 - Budget and Treasury	55,769	24,405	12,862	10,300	27,940	27,940	30,450	10,260	10,836
Vote 2 - Public Health	108,310	39,614	15,916	40,110	54,102	54,102	50,955	58,490	40,950
Vote 3 - Human Settlements	–	75,899	148,096	165,934	165,766	165,766	182,273	215,108	224,089
Vote 4 - Economic Development and Recreational Services	193,547	33,140	28,162	23,583	21,463	21,463	33,079	21,000	18,500
Vote 5 - Corporate Services	88,482	35,704	18,719	39,000	44,322	44,322	34,650	15,700	14,500
Vote 6 - Rate and General Engineers	587,299	305,771	352,634	157,098	496,984	496,984	256,187	419,168	443,975
Vote 7 - Water Services	145,187	374,744	265,534	184,650	185,186	185,186	201,900	182,400	216,000
Vote 8 - Sanitation Services	125,357	103,202	169,371	251,000	247,058	247,058	311,750	322,300	367,386
Vote 9 - Electricity and Energy	170,849	91,489	130,470	210,557	232,049	232,049	207,383	191,952	174,731
Vote 10 - Executive and Council	7,541	11,449	10,069	5,000	5,000	5,000	6,550	6,650	7,830
Vote 11 - Safety and Security	16,998	4,792	2,819	13,000	13,000	13,000	13,513	11,822	8,538

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-	75,000	75,000	-	-	-
Vote 13 - Strategic Programmes Directorate	18,157	25,869	40,912	35,051	22,779	22,779	14,010	-	-
<b>Total Capital Expenditure - Vote</b>	<b>1,517,496</b>	<b>1,126,079</b>	<b>1,195,565</b>	<b>1,135,283</b>	<b>1,590,649</b>	<b>1,590,649</b>	<b>1,342,700</b>	<b>1,454,850</b>	<b>1,527,335</b>
<b>Capital Expenditure - Standard</b>									
<i>Governance and administration</i>	151,792	71,558	41,650	54,300	154,262	152,262	71,650	32,610	33,166
Executive and council	7,541	11,449	10,069	5,000	80,000	80,000	6,550	6,650	7,830
Budget and treasury office	55,769	24,405	12,862	10,300	31,440	27,940	30,450	10,260	10,836
Corporate services	88,482	35,704	18,719	39,000	42,822	44,322	34,650	15,700	14,500
<i>Community and public safety</i>	221,070	102,514	159,481	194,034	198,971	198,971	221,461	249,430	251,127
Community and social services	42,170	2,198		8,000	7,700	7,700	13,000	3,000	-
Sport and recreation	151,209	15,193	7,985	6,000	11,335	11,335	11,000	18,000	18,500
Public safety	16,998	4,792	2,819	13,000	13,000	13,000	13,513	11,822	8,538
Housing	-	75,899	148,096	165,934	165,766	165,766	182,273	215,108	224,089
Health	10,694	4,431	581	1,100	1,170	1,170	1,675	1,500	-
<i>Economic and environmental services</i>	610,376	359,569	425,616	227,042	550,001	552,001	308,856	458,958	484,925
Planning and development	18,157	41,618	61,009	44,634	25,207	25,207	23,089	-	-
Road transport	587,299	305,771	352,714	157,098	496,984	496,984	256,187	419,168	443,975
Environmental protection	4,920	12,180	11,893	25,310	27,810	29,810	29,580	39,790	40,950
<i>Trading services</i>	534,091	592,438	568,818	659,907	687,415	687,415	740,733	713,852	758,116
Electricity	170,849	91,489	130,470	210,557	232,049	232,049	207,383	191,952	174,731
Water	145,187	374,744	265,534	184,650	185,186	185,186	201,900	182,400	216,000
Waste water management	125,357	103,202	169,371	251,000	247,058	247,058	311,750	322,300	367,386
Waste management	92,697	23,003	3,442	13,700	23,122	23,122	19,700	17,200	-
<i>Other</i>	168				-	-			
<b>Total Capital Expenditure - Standard</b>	<b>1,517,496</b>	<b>1,126,079</b>	<b>1,195,565</b>	<b>1,135,283</b>	<b>1,590,649</b>	<b>1,590,649</b>	<b>1,342,700</b>	<b>1,454,850</b>	<b>1,527,335</b>
<b>Funded by:</b>									
National Government	481,969	919,158	895,330	709,812	1,027,798	1,027,798	846,775	1,035,700	1,083,585
Provincial Government	8,304				-	-			
District Municipality					-	-			
Other transfers and grants	22,019			7,700	21,700	21,700			
Transfers recognised - capital	512,292	919,158	895,330	717,512	1,049,498	1,049,498	846,775	1,035,700	1,083,585
Public contributions & donations	15,537	12,899	4,410	41,201	49,069	49,069	53,000	53,000	53,000
Borrowing	470,000				-	-			
Internally generated funds	519,667	194,022	295,824	376,570	492,081	492,081	442,925	366,150	390,750
<b>Total Capital Funding</b>	<b>1,517,496</b>	<b>1,126,079</b>	<b>1,195,565</b>	<b>1,135,283</b>	<b>1,590,649</b>	<b>1,590,649</b>	<b>1,342,700</b>	<b>1,454,850</b>	<b>1,527,335</b>



Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Bank overdraft									
Borrowing	92,055	97,283	105,159	112,968	112,968	112,968	104,093	93,920	86,409
Consumer deposits	111,125	85,224	93,159	90,224	93,159	93,159	93,159	93,159	93,159
Trade and other payables	1,565,620	1,874,331	1,878,948	1,643,284	1,616,137	1,616,137	1,712,871	1,815,515	1,924,317
Provisions	105,156	143,723	233,689	118,000	234,172	234,172	248,227	263,116	278,903
<b>Total current liabilities</b>	<b>1,873,956</b>	<b>2,200,560</b>	<b>2,310,954</b>	<b>1,964,476</b>	<b>2,056,436</b>	<b>2,056,436</b>	<b>2,158,349</b>	<b>2,265,709</b>	<b>2,382,788</b>
<b>Non current liabilities</b>									
Borrowing	1,841,851	1,822,724	1,713,621	1,516,045	1,516,045	1,516,045	1,411,952	1,318,032	1,231,623
Provisions	1,289,386	1,587,581	1,610,938	1,536,374	1,610,938	1,610,938	1,763,570	1,898,611	2,051,983
<b>Total non current liabilities</b>	<b>3,131,237</b>	<b>3,410,305</b>	<b>3,324,559</b>	<b>3,052,419</b>	<b>3,126,983</b>	<b>3,126,983</b>	<b>3,175,522</b>	<b>3,216,643</b>	<b>3,283,606</b>
<b>TOTAL LIABILITIES</b>	<b>5,005,193</b>	<b>5,610,865</b>	<b>5,635,513</b>	<b>5,016,895</b>	<b>5,183,419</b>	<b>5,183,419</b>	<b>5,333,871</b>	<b>5,482,352</b>	<b>5,666,393</b>
<b>NET ASSETS</b>	<b>8,919,976</b>	<b>9,324,976</b>	<b>10,179,640</b>	<b>10,121,821</b>	<b>10,607,862</b>	<b>10,607,862</b>	<b>11,074,656</b>	<b>11,474,996</b>	<b>12,144,921</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	3,706,332	3,630,435	4,059,303	4,052,988	10,558,262	10,558,262	11,025,05	11,421,39	12,089,32
Reserves	5,213,644	5,694,540	6,120,336	6,068,833	49,600	49,600	49,600	53,600	55,600
Minorities' interests									
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>8,919,976</b>	<b>9,324,976</b>	<b>10,179,640</b>	<b>10,121,821</b>	<b>10,607,862</b>	<b>10,607,862</b>	<b>11,074,656</b>	<b>11,474,996</b>	<b>12,144,921</b>

### Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. 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 directly informed by forecasting the statement of financial position.

**Table 15 (Table A7 - Budget cash flow statement)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Ratepayers and other	5,650,231	5,445,029	4,964,700	5,487,916	5,508,853	5,508,853	5,847,075	6,332,693	6,857,882
Government - operating	980,838	1,204,454	1,269,882	1,106,417	1,372,918	1,372,918	1,327,149	986,355	1,000,596
Government - capital	682,220	919,158	895,330	809,186	899,668	899,668	965,324	1,180,698	1,235,287
Interest	16,447	56,734	65,624	43,240	60,360	60,360	63,192	66,171	69,286
Dividends									
Payments									
Suppliers and employees	(6,061,550)	(5,418,224)	(5,190,401)	(5,902,034)	(6,224,188)	(6,224,188)	(6,484,127)	(6,680,169)	(7,110,934)
Finance charges	(177,110)	(201,286)	(205,274)	(190,534)	(191,198)	(191,198)	(181,344)	(170,937)	(164,351)
Transfers and Grants	(34,581)	(40,896)	(83,564)	(86,337)	(93,034)	(93,034)	(91,490)	(96,950)	(102,737)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,056,496</b>	<b>1,964,969</b>	<b>1,716,297</b>	<b>1,267,855</b>	<b>1,333,380</b>	<b>1,333,380</b>	<b>1,445,779</b>	<b>1,617,860</b>	<b>1,785,030</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on disposal of PPE	2,250								
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables		19,777	9,779						
Decrease (increase) in non-current investments									
Payments									
Capital assets	(1,641,999)	(1,176,458)	(1,267,291)	(1,175,468)	(1,630,508)	(1,630,508)	(1,276,757)	(1,422,420)	(1,502,838)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(1,639,749)</b>	<b>(1,156,681)</b>	<b>(1,257,512)</b>	<b>(1,175,468)</b>	<b>(1,630,508)</b>	<b>(1,630,508)</b>	<b>(1,276,757)</b>	<b>(1,422,420)</b>	<b>(1,502,838)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Short term loans						-			
Borrowing long term/refinancing	470,000					-			
Increase (decrease) in consumer deposits					2,935	2,935	-	-	-
Payments									
Repayment of borrowing	(88,859)	(77,058)	(97,444)	(105,159)	(105,159)	(105,159)	(112,968)	(104,093)	(93,920)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>381,141</b>	<b>(77,058)</b>	<b>(97,444)</b>	<b>(105,159)</b>	<b>(102,224)</b>	<b>(102,224)</b>	<b>(112,968)</b>	<b>(104,093)</b>	<b>(93,920)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(202,112)</b>	<b>731,230</b>	<b>361,342</b>	<b>(12,773)</b>	<b>(399,353)</b>	<b>(399,353)</b>	<b>56,054</b>	<b>91,347</b>	<b>188,272</b>
Cash/cash equivalents at the year begin:	629,770	427,657	1,158,887	970,137	1,520,229	1,520,229	1,120,877	1,176,931	1,268,278
Cash/cash equivalents at the year end:	427,657	1,158,887	1,520,229	957,364	1,120,877	1,120,877	1,176,931	1,268,278	1,456,550

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash outflows that is likely to result from the implementation of the budget.
3. The cash position of the Municipality increased significantly over the 2010/11 to 2012/13 period, from R427.7 million to R1.52 billion.
4. The 2014/15 MTREF has been informed by the planning principle of striving to ensure adequate cash reserves over the medium-term.
5. Cash and cash equivalents amounts to R1.18 billion as at the end of the 2014/15 financial year and increases to R1,46 billion in 2016/17.

**Table 16 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	427,657	1,158,887	1,520,229	957,364	1,120,877	1,120,877	1,176,931	1,268,278	1,456,550	
Other current investments > 90 days	1,128	1,463	1,882	0	0	0	0	(0)	(0)	
Non current assets - Investments	20	20	20	20	20	20	20	20	20	
Cash and investments available:	428,805	1,160,370	1,522,131	957,384	1,120,897	1,120,897	1,176,951	1,268,298	1,456,570	
<b>Application of cash and investments</b>										
Unspent conditional transfers	284,073	440,759	364,675	23,284	2,241	2,241	2,141	2,141	2,141	
Unspent borrowing	-	-	-	-	-	-	-	-	-	
Statutory requirements										
Other working capital requirements	197,385	469,129	617,420	745,756	711,800	711,800	771,348	820,662	873,202	
Other provisions										
Long term investments committed	-	-	-	-	-	-	-	-	-	
Reserves to be backed by cash/investments	446,052	593,375	47,000	51,300	49,600	49,600	49,600	51,600	53,600	
Total Application of cash and investments:	927,510	1,503,264	1,029,096	820,340	763,641	763,641	823,089	874,403	928,943	
Surplus(shortfall)	(498,705)	(342,893)	493,036	137,044	357,256	357,256	353,862	393,895	527,627	

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.
4. It is to be noted that the budget progressively moves from a funding surplus of R353.9 million in 2014/15 to a surplus of R527,6 million in 2016/17.

**Table 17 (Table A9 - Asset Management)**

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	254,350	727,287	586,777	450,500	752,427	752,427	594,089	702,219	719,484
<i>Infrastructure - Road transport</i>	–	172,516	122,457	111,168	393,338	393,338	176,174	314,828	328,162
<i>Infrastructure - Electricity</i>	10,965	29,087	40,468	54,412	28,311	28,311	31,010	30,561	26,000
<i>Infrastructure - Water</i>	43,052	324,215	203,869	30,000	54,800	54,800	77,000	51,000	61,000
<i>Infrastructure - Sanitation</i>	33,218	36,739	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>	59,084	141,831	147,782	179,934	170,535	170,535	188,973	221,808	224,589
<b>Infrastructure</b>	<i>146,319</i>	<i>704,389</i>	<i>514,576</i>	<i>375,514</i>	<i>646,983</i>	<i>646,983</i>	<i>473,156</i>	<i>618,197</i>	<i>639,752</i>
Community	68,837	11,437	44,957	50,051	36,454	36,454	23,010	15,950	11,750
Heritage assets	21,920	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	17,274	12	9,147	18,565	43,990	43,990	71,373	61,422	60,152
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	11,449	18,097	6,370	25,000	25,000	26,550	6,650	7,830
<b>Total Renewal of Existing Assets</b>	1,263,146	398,792	608,788	684,783	838,222	838,222	748,611	752,631	807,852
<i>Infrastructure - Road transport</i>	601,281	105,449	225,324	43,130	96,906	96,906	65,350	90,700	100,033
<i>Infrastructure - Electricity</i>	159,885	62,402	86,537	153,645	178,412	178,412	155,008	148,475	140,709
<i>Infrastructure - Water</i>	102,135	50,529	57,568	152,946	122,850	122,850	116,900	121,400	139,000
<i>Infrastructure - Sanitation</i>	92,140	66,464	167,265	245,000	243,058	243,058	304,750	315,300	360,386
<i>Infrastructure - Other</i>	32,304	29,085	23,700	6,350	18,724	18,724	16,079	8,500	6,000
<b>Infrastructure</b>	<i>987,745</i>	<i>313,928</i>	<i>560,394</i>	<i>601,071</i>	<i>659,950</i>	<i>659,950</i>	<i>658,087</i>	<i>684,375</i>	<i>746,128</i>
Community	142,164	28,512	12,379	26,660	91,621	91,621	21,500	27,350	26,850
Heritage assets	0	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	133,237	40,445	30,703	45,052	67,171	67,171	57,252	31,257	25,388
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	15,906	5,312	12,000	19,480	19,480	11,772	9,649	9,486

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Total Capital Expenditure</b>									
<i>Infrastructure - Road transport</i>	601,281	277,965	347,781	154,298	490,244	490,244	241,524	405,528	428,195
<i>Infrastructure - Electricity</i>	170,849	91,489	127,005	208,057	206,723	206,723	186,017	179,036	166,709
<i>Infrastructure - Water</i>	145,187	374,744	261,437	182,946	177,650	177,650	193,900	172,400	200,000
<i>Infrastructure - Sanitation</i>	125,357	103,202	167,265	245,000	243,058	243,058	304,750	315,300	360,386
<i>Infrastructure - Other</i>	91,388	170,917	171,482	186,284	189,258	189,258	205,052	230,308	230,589
<b>Infrastructure</b>	<b>1,134,064</b>	<b>1,018,317</b>	<b>1,074,970</b>	<b>976,585</b>	<b>1,306,933</b>	<b>1,306,933</b>	<b>1,131,244</b>	<b>1,302,572</b>	<b>1,385,879</b>
Community	211,001	39,949	57,336	76,711	128,075	128,075	44,510	43,300	38,600
Heritage assets	21,920	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	150,512	40,458	39,850	63,617	111,161	111,161	128,625	92,679	85,540
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	27,355	23,409	18,370	44,480	44,480	38,322	16,299	17,316
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>1,517,496</b>	<b>1,126,079</b>	<b>1,195,565</b>	<b>1,135,283</b>	<b>1,590,649</b>	<b>1,590,649</b>	<b>1,342,700</b>	<b>1,454,850</b>	<b>1,527,335</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Infrastructure - Road transport</i>	2,849,752	2,993,112	3,148,468	3,462,147	3,278,429	3,278,429	3,188,132	3,256,942	3,384,555
<i>Infrastructure - Electricity</i>	1,437,655	1,466,296	1,511,103	1,521,850	1,614,914	1,614,914	1,695,675	1,767,483	1,835,838
<i>Infrastructure - Water</i>	941,776	1,243,818	1,532,353	1,917,525	1,440,069	1,440,069	1,656,796	1,701,799	1,773,092
<i>Infrastructure - Sanitation</i>	771,160	826,153	974,025	1,404,492	1,115,273	1,115,273	1,299,436	1,481,707	1,702,308
<i>Infrastructure - Other</i>	2,323,090	2,202,223	2,225,375	1,146,619	2,317,817	2,317,817	2,437,699	2,526,452	2,707,148
<b>Infrastructure</b>	<b>8,323,433</b>	<b>8,731,602</b>	<b>9,391,323</b>	<b>9,452,633</b>	<b>9,766,502</b>	<b>9,766,502</b>	<b>10,277,738</b>	<b>10,734,383</b>	<b>11,402,942</b>
Community	2,810,627	2,794,718	2,642,709	2,790,797	2,641,617	2,641,617	2,568,086	2,492,482	2,413,256
Heritage assets	154,074	197,320	197,423	126,474	197,243	197,243	197,063	196,883	196,703
Investment properties	71,754	185,876	199,262	138,893	199,262	199,262	199,262	199,262	199,262
Other assets	591,720	571,062	516,752	251,770	535,723	535,723	563,078	561,042	572,415
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	437,202	273,990	207,004	310,612	198,483	198,483	234,868	248,722	245,330
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>12,448,702</b>	<b>12,754,567</b>	<b>13,154,474</b>	<b>13,071,178</b>	<b>13,538,830</b>	<b>13,538,830</b>	<b>14,040,095</b>	<b>14,432,775</b>	<b>15,029,908</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	560,343	869,463	774,245	885,807	816,693	816,693	862,359	843,942	701,102
<b>Repairs and Maintenance by Asset Class</b>	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
<i>Infrastructure - Road transport</i>	73,310	89,652	88,424	96,277	167,331	167,331	108,125	109,319	115,886

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<i>Infrastructure - Electricity</i>	28,585	38,973	40,310	48,147	48,389	48,389	53,544	57,562	62,121
<i>Infrastructure - Water</i>	119,415	107,790	127,787	136,482	134,487	134,487	155,286	167,681	181,065
<i>Infrastructure - Sanitation</i>	111,701	107,728	139,742	143,243	146,647	146,647	156,283	170,634	184,099
<i>Infrastructure - Other</i>	2,735	5,650	3,797	7,631	8,205	8,205	9,419	10,083	10,795
<b>Infrastructure</b>	<b>335,745</b>	<b>349,793</b>	<b>400,060</b>	<b>431,780</b>	<b>505,059</b>	<b>505,059</b>	<b>482,656</b>	<b>515,279</b>	<b>553,966</b>
Community	33,515	34,691	26,982	43,310	46,758	46,758	54,263	58,818	63,086
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	49,702	52,676	47,344	62,545	63,756	63,756	70,554	76,137	82,164
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>979,305</b>	<b>1,306,623</b>	<b>1,248,631</b>	<b>1,423,443</b>	<b>1,432,267</b>	<b>1,432,267</b>	<b>1,469,833</b>	<b>1,494,177</b>	<b>1,400,317</b>
<i>Renewal of Existing Assets as % of total capex</i>	83.2%	35.4%	50.9%	60.3%	52.7%	52.7%	55.8%	51.7%	52.9%
<i>Renewal of Existing Assets as % of deprecn"</i>	225.4%	45.9%	78.6%	77.3%	102.6%	102.6%	86.8%	89.2%	115.2%
<i>R&amp;M as a % of PPE</i>	3.5%	3.6%	3.7%	4.3%	4.7%	4.7%	4.5%	4.6%	4.8%
<i>Renewal and R&amp;M as a % of PPE</i>	14.0%	7.0%	8.0%	9.0%	11.0%	11.0%	10.0%	10.0%	10.0%

### Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 55,8% of the capital budget, whilst repairs and maintenance constitute 4,5% of PPE.

**Table 18 (Table A10 - Basic Service Delivery Measurement)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Household service targets</b>									
<b><u>Water:</u></b>									
Piped water inside dwelling	289,000	289,000	268,545	276,850	276,850	276,850	285,156	293,710	302,521
Piped water inside yard (but not in dwelling)									
Using public tap (at least min.service level)	35,257	38,000	29,296	30,202	30,202	30,202	31,108	32,041	33,003
Other water supply (at least min.service level)									
<i>Minimum Service Level and Above sub-total</i>	324,257	327,000	297,841	307,052	307,052	307,052	316,264	325,751	335,524
Using public tap (< min.service level)									
Other water supply (< min.service level)									
No water supply									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	<b>324,257</b>	<b>327,000</b>	<b>297,841</b>	<b>307,052</b>	<b>307,052</b>	<b>307,052</b>	<b>316,264</b>	<b>325,751</b>	<b>335,524</b>
<b><u>Sanitation/sewerage:</u></b>									
Flush toilet (connected to sewerage)	285,940	285,940	266,527	273,790	273,790	273,790	282,004	290,464	299,178
Flush toilet (with septic tank)	3,060	3,050	3,060	3,060	3,060	3,060	3,060	3,060	3,060
Chemical toilet									
Pit toilet (ventilated)									
Other toilet provisions (> min.service level)									
<i>Minimum Service Level and Above sub-total</i>	289,000	288,990	269,587	276,850	276,850	276,850	285,064	293,524	302,238
Bucket toilet	35,257	38,000	29,296	30,202	30,202	30,202	22,202	18,000	15,000
Other toilet provisions (< min.service level)									
No toilet provisions									
<i>Below Minimum Service Level sub-total</i>	35,257	38,000	29,296	30,202	30,202	30,202	22,202	18,000	15,000
<b>Total number of households</b>	<b>324,257</b>	<b>326,990</b>	<b>298,883</b>	<b>307,052</b>	<b>307,052</b>	<b>307,052</b>	<b>307,266</b>	<b>311,524</b>	<b>317,238</b>
<b><u>Energy:</u></b>									
Electricity (at least min.service level)	32,010	29,223	28,813	26,500	28,000	28,000	27,440	26,891	26,353
Electricity - prepaid (min.service level)	361,740	276,493	283,637	279,500	279,000	279,000	284,580	290,272	296,077
<i>Minimum Service Level and Above sub-total</i>	393,750	305,716	312,450	306,000	307,000	307,000	312,020	317,163	322,430
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	<b>393,750</b>	<b>305,716</b>	<b>312,450</b>	<b>306,000</b>	<b>307,000</b>	<b>307,000</b>	<b>312,020</b>	<b>317,163</b>	<b>322,430</b>
<b><u>Refuse:</u></b>									
Removed at least once a week	137,561	121,467	131,980	226,772	222,156	222,156	259,156	301,738	301,738
<i>Minimum Service Level and Above sub-total</i>	137,561	121,467	131,980	226,772	222,156	222,156	259,156	301,738	301,738
Removed less frequently than once a week	13,428	139,082	139,082	79,582	79,582	79,582	42,582	-	-
Using communal refuse dump		18,146	17,546	17,546	15,662	15,662	15,662	15,662	15,662

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Using own refuse dump					-	-			
Other rubbish disposal					6,852	6,852	6,852	6,852	6,852
No rubbish disposal	2,371	912	392	392	40	40	40	40	40
<i>Below Minimum Service Level sub-total</i>	15,799	158,140	157,020	97,520	102,136	102,136	65,136	22,554	22,554
Total number of households	153,360	279,607	289,000	324,292	324,292	324,292	324,292	324,292	324,292
<b>Households receiving Free Basic Service</b>									
Water (6 kilolitres per household per month)	79,035	72,400	72,031	73,124	73,124	73,124	72,031	72,531	73,031
Sanitation (free minimum level service)	79,035	72,400	72,318	73,124	73,124	73,124	72,318	72,818	73,318
Electricity/other energy (50kwh per household per month)	79,035	64,833	64,375	65,481	65,481	65,481	63,254	63,754	64,254
Refuse (removed at least once a week)	79,035	66,819	66,665	67,487	67,487	67,487	66,665	67,165	67,665
<b>Cost of Free Basic Services provided (R'000)</b>	45,313	58,877	0	75,180					
Water (6 kilolitres per household per month)	63,862	54,545	56,666	69,648	69,648	69,648	69,336	76,963	85,429
Sanitation (free sanitation service)	34,058	41,333	51,163	64,583	64,583	64,583	102,949	114,273	126,843
Electricity/other energy (50kwh per household per month)	44,765	51,645	43,601	65,946	65,946	65,946	42,948	45,954	49,171
Refuse (removed once a week)	104,533	88,439	48,044	151,702	151,702	151,702	61,071	67,789	75,246
Total cost of FBS provided (minimum social package)	292,530	294,840	199,474	427,060	351,879	351,879	276,303	304,979	336,688
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)	8	8	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)	11	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)	77	87	111	111	111	111	111	111	111
Electricity (kwh per household per month)	75	75	75	75	75	75	75	75	75
Refuse (average litres per week)	240	240	240	240	240	240	240	240	240
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R15 000 threshold rebate)	18,264	20,455	23,709	26,116	26,116	26,116	29,250	32,002	35,362
Property rates (other exemptions, reductions and rebates)	26,740	25,914	32,116	33,093	33,093	33,093	134,824	147,783	162,750
Water	60,418	58,877	56,666	75,180	75,180	75,180	69,336	76,963	85,429
Sanitation	63,862	54,545	51,163	69,648	69,648	69,648	102,949	114,273	126,843
Electricity/other energy	51,086	41,333	43,601	64,583	64,583	64,583	42,948	45,954	49,171
Refuse	44,765	51,645	48,044	65,946	65,946	65,946	61,071	67,789	75,246
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
<b>Total revenue cost of free services provided (total social package)</b>	265,134	252,770	255,300	334,567	334,567	334,567	440,220	484,764	503,800

## Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

### 1.8 Consolidated Budget Tables

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's and the Entity's 2014/15 budget and MTREF to be noted by Council.

**Table 19 (Table A1 –Consolidated Budget Summary)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	838,855	881,915	1,058,523	1,214,337	1,254,365	1,254,365	1,373,533	1,510,889	1,669,537	
Service charges	3,121,530	3,302,237	3,633,275	4,089,228	3,982,035	3,982,035	4,325,027	4,685,904	5,077,989	
Investment revenue	19,252	58,901	68,224	45,740	62,860	62,860	65,792	68,771	71,986	
Transfers recognised - operational	908,509	1,204,924	1,270,307	1,119,572	1,438,836	1,438,836	1,340,739	991,205	1,005,446	
Other own revenue	943,901	976,378	1,026,409	931,002	988,041	988,041	1,014,497	1,083,801	1,149,167	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>5,832,046</b>	<b>6,424,355</b>	<b>7,056,738</b>	<b>7,399,879</b>	<b>7,726,136</b>	<b>7,726,136</b>	<b>8,119,588</b>	<b>8,340,571</b>	<b>8,974,125</b>	
Employee costs	1,912,238	2,037,166	1,723,762	1,972,547	1,988,632	1,988,632	2,196,693	2,375,779	2,577,312	
Remuneration of councillors	45,222	50,104	53,010	57,199	56,722	56,722	60,976	65,854	71,452	
Depreciation & asset impairment	560,516	869,625	774,430	885,807	816,913	816,913	862,509	844,101	701,270	
Finance charges	177,630	213,108	201,167	190,534	189,567	189,567	179,731	169,353	162,737	
Materials and bulk purchases	1,986,063	2,409,714	2,658,115	2,829,759	2,865,478	2,865,478	2,994,456	3,233,322	3,494,687	
Transfers and grants	219,228	25,851	19,714	340,520	335,512	335,512	375,659	412,636	453,782	
Other expenditure	1,443,761	1,380,164	1,667,345	1,344,546	1,604,593	1,604,593	1,636,363	1,359,222	1,438,008	
<b>Total Expenditure</b>	<b>6,344,657</b>	<b>6,985,732</b>	<b>7,097,542</b>	<b>7,620,913</b>	<b>7,857,417</b>	<b>7,857,417</b>	<b>8,306,387</b>	<b>8,460,267</b>	<b>8,899,249</b>	
<b>Surplus/(Deficit)</b>	<b>(512,611)</b>	<b>(561,377)</b>	<b>(40,804)</b>	<b>(221,034)</b>	<b>(131,281)</b>	<b>(131,281)</b>	<b>(186,799)</b>	<b>(119,695)</b>	<b>74,876</b>	
Transfers recognised - capital	500,978	919,158	895,330	709,812	1,194,108	1,194,108	846,775	1,035,700	1,083,585	
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(11,634)</b>	<b>357,781</b>	<b>854,526</b>	<b>488,779</b>	<b>1,062,827</b>	<b>1,062,827</b>	<b>659,976</b>	<b>916,005</b>	<b>1,158,461</b>	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>(11,634)</b>	<b>357,781</b>	<b>854,526</b>	<b>488,779</b>	<b>1,062,827</b>	<b>1,062,827</b>	<b>659,976</b>	<b>916,005</b>	<b>1,158,461</b>	
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	1,517,717	1,126,313	1,195,870	1,177,277	1,676,127	1,676,127	1,392,230	1,522,051	1,597,368	
Transfers recognised - capital	512,292	919,158	895,330	717,512	1,050,217	1,050,217	851,775	1,055,700	1,103,585	
Public contributions & donations	15,537	12,899	4,410	41,201	49,069	49,069	53,000	53,000	53,000	
Borrowing	470,000	-	-	-	-	-	-	-	-	
Internally generated funds	519,887	194,256	296,130	418,564	576,841	576,841	487,455	413,351	440,783	
<b>Total sources of capital funds</b>	<b>1,517,717</b>	<b>1,126,313</b>	<b>1,195,870</b>	<b>1,177,277</b>	<b>1,676,127</b>	<b>1,676,127</b>	<b>1,392,230</b>	<b>1,522,051</b>	<b>1,597,368</b>	
<b>Financial position</b>										
Total current assets	1,429,710	2,141,308	2,640,083	2,056,765	2,262,641	2,262,641	2,328,268	2,484,387	2,741,251	
Total non current assets	12,510,857	12,796,849	13,186,843	13,164,957	13,612,756	13,612,756	14,157,729	4,597,551	15,244,687	

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousands									
Total current liabilities	1,887,635	2,202,185	2,320,118	2,005,471	2,103,251	2,103,251	2,158,911	2,266,304	2,383,419
Total non current liabilities	3,132,275	3,410,420	3,326,729	3,052,419	3,126,983	3,126,983	3,175,522	3,216,643	3,283,606
Community wealth/Equity	8,920,657	9,325,553	10,180,079	10,163,832	10,645,163	10,645,163	11,151,564	11,598,990	12,318,914
<b>Cash flows</b>									
Net cash from (used) operating	1,073,239	1,963,289	1,720,314	1,307,169	1,377,222	1,377,222	1,506,555	1,692,839	1,859,727
Net cash from (used) investing	(1,640,160)	(1,156,916)	(1,257,817)	(1,218,292)	(1,692,956)	(1,692,956)	(1,339,675)	(1,500,899)	(1,579,036)
Net cash from (used) financing	381,141	(77,425)	(96,595)	(105,159)	(102,224)	(102,224)	(112,968)	(104,093)	(93,920)
Cash/cash equivalents at the year end	486,032	1,214,979	1,580,882	998,222	1,162,924	1,162,924	1,216,836	1,304,684	1,491,455
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	487,071	1,216,194	1,582,276	998,242	1,162,943	1,162,943	1,216,856	1,304,704	1,491,475
Application of cash and investments	990,923	1,560,543	1,078,634	859,459	811,000	811,000	864,356	911,990	965,611
Balance - surplus (shortfall)	(503,852)	(344,349)	503,641	138,783	351,943	351,943	352,500	392,714	525,865
<b>Asset management</b>									
Asset register summary (WDV)	12,449,492	12,755,412	13,155,421	13,113,252	13,580,825	13,580,825	14,125,798	14,565,620	15,212,756
Depreciation & asset impairment	560,516	869,625	774,430	885,807	816,913	816,913	862,509	844,101	701,270
Renewal of Existing Assets	1,263,146	398,792	608,788	726,273	908,060	908,060	748,611	752,631	807,852
Repairs and Maintenance	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
<b>Free services</b>									
Cost of Free Basic Services provided	292,530	294,840	199,474	427,060	351,879	351,879	276,303	304,979	336,688
Revenue cost of free services provided	265,134	252,770	255,300	334,567	334,567	334,567	440,220	484,764	534,800
<b>Households below minimum service level</b>									
Water:	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	35	38	-	30	30	30	22	18	15
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	16	158	157	98	102	102	65	23	23

**Table 20 (Table A2 –Consolidated Budget Financial Performance)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<b>Revenue - Standard</b>									
<i>Governance and administration</i>	1,681,648	1,908,934	2,135,260	2,134,729	2,202,174	2,202,174	2,329,052	2,474,723	2,642,160
Executive and council	12,970	907	809	316	269	269	36	37	38
Budget and treasury office	1,655,163	1,892,189	2,119,110	2,123,759	2,182,116	2,182,116	2,304,696	2,448,939	2,614,923
Corporate services	13,515	15,838	15,340	10,654	19,790	19,790	24,319	25,747	27,200
<i>Community and public safety</i>	356,479	519,902	426,537	322,553	323,339	323,339	288,794	(93,859)	(99,601)
Community and social services	18,498	16,795	16,188	20,559	28,795	28,795	19,922	17,082	16,777
Sport and recreation	15,203	23,402	40,230	50,511	29,192	29,192	27,488	27,023	28,650

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16
Public safety	25,228	25,766	28,073	34,567	35,667	35,667	36,641	38,523	40,835
Housing	247,114	324,689	335,685	216,702	229,569	229,569	203,737	(177,080)	(186,043)
Health	50,436	129,250	6,361	213	117	117	1,006	593	180
<i>Economic and environmental services</i>	255,515	174,925	338,590	290,653	629,752	629,752	553,296	593,704	613,398
Planning and development	171,492	164,705	339,766	263,021	530,824	530,824	388,712	412,789	430,628
Road transport	42,163	3,075	(5,354)	22,996	94,029	94,029	159,376	175,839	177,389
Environmental protection	41,859	7,145	4,178	4,636	4,899	4,899	5,209	5,076	5,381
<i>Trading services</i>	3,536,425	3,807,433	4,139,449	4,638,869	4,556,359	4,556,359	4,931,715	5,347,984	5,798,757
Electricity	2,298,203	2,813,141	2,920,789	3,228,278	3,135,394	3,135,394	3,349,341	3,592,485	3,852,424
Water	716,173	450,623	563,590	612,284	613,377	613,377	690,204	766,976	850,965
Waste water management	374,103	344,567	449,820	522,097	530,391	530,391	580,432	644,279	715,150
Waste management	147,946	199,102	205,249	276,210	277,198	277,198	311,738	344,243	380,218
<i>Other</i>	1,979	13,161	16,903	13,075	14,513	14,513	16,731	18,020	19,411
<b>Total Revenue - Standard</b>	<b>5,832,046</b>	<b>6,424,355</b>	<b>7,056,738</b>	<b>7,399,879</b>	<b>7,726,137</b>	<b>7,726,137</b>	<b>8,119,588</b>	<b>8,340,571</b>	<b>8,974,125</b>
<b>Expenditure - Standard</b>									
<i>Governance and administration</i>	1,170,693	1,291,303	950,881	1,171,776	1,136,236	1,136,236	1,214,828	1,288,370	1,313,093
Executive and council	133,343	150,909	142,598	187,544	188,181	188,181	199,926	212,310	227,334
Budget and treasury office	782,398	924,115	597,041	581,695	573,212	573,212	617,061	669,233	734,141
Corporate services	254,952	216,279	211,241	402,537	374,843	374,843	397,840	406,827	351,618
<i>Community and public safety</i>	1,234,383	1,339,026	1,298,205	1,123,750	1,342,563	1,342,563	1,387,280	1,101,869	1,173,921
Community and social services	94,454	124,390	140,701	155,515	165,013	165,013	174,598	181,454	190,725
Sport and recreation	156,907	116,032	131,213	157,848	156,490	156,490	181,519	190,260	201,761
Public safety	367,156	377,696	392,921	382,732	394,846	394,846	424,599	457,372	492,794
Housing	348,805	399,470	366,122	270,540	471,564	471,564	442,835	97,783	101,147
Health	267,061	321,437	267,247	157,115	154,649	154,649	163,729	175,001	187,494
<i>Economic and environmental services</i>	534,364	862,627	1,068,100	1,025,199	1,128,359	1,128,359	1,111,020	1,127,493	1,132,430
Planning and development	253,831	412,227	610,907	503,896	541,201	541,201	429,392	436,647	462,684
Road transport	189,414	211,225	192,217	218,145	271,843	271,843	353,662	381,557	384,928
Environmental protection	91,118	239,176	264,976	303,159	315,315	315,315	327,966	309,289	284,819
<i>Trading services</i>	3,394,891	3,481,962	3,773,395	4,245,854	4,216,579	4,216,579	4,557,309	4,916,729	5,262,912
Electricity	2,039,736	2,492,034	2,780,542	2,912,251	2,862,545	2,862,545	3,053,510	3,278,064	3,506,601
Water	692,330	469,596	522,511	596,018	601,387	601,387	666,971	725,188	780,501
Waste water management	373,072	352,943	285,671	500,393	511,103	511,103	553,414	607,724	649,095

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Waste management	289,754	167,390	184,671	237,192	241,544	241,544	283,414	305,753	326,716
<i>Other</i>	10,327	10,814	6,961	54,334	33,681	33,681	35,950	25,807	16,892
<b>Total Expenditure - Standard</b>	<b>6,344,657</b>	<b>6,985,732</b>	<b>7,097,542</b>	<b>7,620,913</b>	<b>7,857,418</b>	<b>7,857,418</b>	<b>8,306,387</b>	<b>8,460,267</b>	<b>8,899,249</b>
Surplus/(Deficit) for the year	(512,611)	(561,377)	(40,804)	(221,034)	(131,281)	(131,281)	(186,799)	(119,695)	74,876

**Table 21 (Table A3 –Consolidated Budget Financial Performance by Vote)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue by Vote</b>									
Vote 1 - Budget and Treasury	1,655,188	1,892,082	2,118,460	2,123,774	2,182,127	2,182,127	2,304,713	2,448,957	2,614,941
Vote 2 - Public Health	262,975	336,479	219,044	283,496	290,744	290,744	325,215	353,840	388,882
Vote 3 - Human Settlements	263,368	345,565	355,786	240,805	442,861	442,861	412,605	61,838	63,144
Vote 4 - Economic Development and Recreational Services	85,472	113,732	153,467	148,589	157,405	157,405	167,415	165,740	175,459
Vote 5 - Corporate Services	10,668	9,479	10,213	4,033	14,697	14,697	17,062	18,028	19,122
Vote 6 - Rate and General Engineers	28,309	22,731	162,065	103,485	181,260	181,260	138,886	154,119	154,366
Vote 7 - Water Services	716,173	450,623	563,591	612,284	613,377	613,377	690,204	766,976	850,965
Vote 8 - Sanitation Services	374,015	330,682	417,967	522,097	530,391	530,391	580,432	644,279	715,150
Vote 9 - Electricity and Energy	2,298,283	2,813,228	2,920,960	3,228,278	3,135,394	3,135,394	3,349,341	3,592,485	3,852,424
Vote 10 - Executive and Council	5,537	1,633	1,610	620	619	619	563	553	554
Vote 11 - Safety and Security	43,231	45,138	48,757	57,504	58,604	58,604	60,954	64,295	68,153
Vote 12 - Nelson Mandela Bay Stadium	62,761	39,048	59,887	27,248	60,413	60,413	43,075	52,946	52,959
Vote 13 - Strategic Programmes Directorate	26,066	23,934	24,932	47,668	58,246	58,246	29,124	16,515	18,006
<b>Total Revenue by Vote</b>	<b>5,832,046</b>	<b>6,424,355</b>	<b>7,056,738</b>	<b>7,399,879</b>	<b>7,726,137</b>	<b>7,726,137</b>	<b>8,119,588</b>	<b>8,340,571</b>	<b>8,974,125</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Budget and Treasury	757,624	902,233	490,093	560,699	551,946	551,946	595,138	646,058	709,417
Vote 2 - Public Health	662,960	706,073	693,205	717,283	735,129	735,129	798,099	810,764	820,766
Vote 3 - Human Settlements	452,094	519,073	503,997	381,431	587,044	587,044	568,609	228,390	242,083
Vote 4 - Economic Development and Recreational Services	187,923	267,130	332,583	360,231	355,559	355,559	392,586	396,928	411,685
Vote 5 - Corporate Services	258,398	290,059	277,641	413,520	385,981	385,981	412,551	416,232	360,074
Vote 6 - Rate and General Engineers	244,276	305,373	440,653	451,659	495,972	495,972	489,363	527,315	537,026
Vote 7 - Water Services	695,886	465,466	570,697	596,018	601,387	601,387	666,971	725,188	780,501
Vote 8 - Sanitation Services	344,018	301,837	228,601	442,496	458,743	458,743	496,409	548,363	587,818

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 9 - Electricity and Energy	2,039,401	2,492,034	2,780,159	2,912,251	2,862,545	2,862,545	3,053,510	3,278,064	3,506,601
Vote 10 - Executive and Council	159,471	183,369	172,068	216,869	220,926	220,926	230,739	245,337	263,691
Vote 11 - Safety and Security	373,586	392,052	408,141	392,935	405,023	405,023	435,343	468,894	505,192
Vote 12 - Nelson Mandela Bay Stadium	131,644	140,335	173,586	129,487	142,871	142,871	136,929	151,230	155,422
Vote 13 - Strategic Programmes Directorate	37,376	20,697	26,118	46,033	54,292	54,292	30,138	17,504	18,973
<b>Total Expenditure by Vote</b>	<b>6,344,657</b>	<b>6,985,732</b>	<b>7,097,542</b>	<b>7,620,913</b>	<b>7,857,418</b>	<b>7,857,418</b>	<b>8,306,387</b>	<b>8,460,267</b>	<b>8,899,249</b>
Surplus/(Deficit) for the year	(512,611)	(561,377)	(40,804)	(221,034)	(131,281)	(131,281)	(186,799)	(119,695)	74,876

**Table 22 (Table A4 –Consolidated Budget Financial Performance Revenue and Expenditure)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>									
Property rates	838,855	881,915	1,058,523	1,214,337	1,254,365	1,254,365	1,373,533	1,510,889	1,669,537
Property rates - penalties & collection charges									
Service charges - electricity revenue	2,185,913	2,711,030	2,819,711	3,070,366	2,963,173	2,963,173	3,182,151	3,417,312	3,669,852
Service charges - water revenue	568,439	288,576	430,698	498,414	498,414	498,414	558,220	619,625	687,783
Service charges - sanitation revenue	246,504	210,403	273,384	343,381	343,381	343,381	384,587	426,892	473,850
Service charges - refuse revenue	120,675	92,228	109,483	177,067	177,067	177,067	200,068	222,076	246,504
Service charges - other									
Rental of facilities and equipment	17,641	19,329	17,419	21,461	21,322	21,322	22,327	23,609	24,822
Interest earned - external investments	19,252	58,901	68,224	45,740	62,860	62,860	65,792	68,771	71,986
Interest earned - outstanding debtors	113,347	121,634	166,835	171,724	171,799	171,799	182,999	200,618	220,272
Dividends received					-	-			
Fines	23,733	25,655	28,700	34,809	34,504	34,504	36,836	39,062	41,423
Licences and permits	8,153	9,019	10,263	10,394	10,630	10,630	11,365	12,046	12,769
Agency services	1,611	1,397	1,909	1,484	1,483	1,483	1,575	1,669	1,769
Transfers recognised - operational	908,509	1,204,924	1,270,307	1,119,572	1,438,836	1,438,836	1,340,739	991,205	1,005,446
Other revenue	777,718	799,344	801,283	691,130	748,303	748,303	759,395	806,796	848,112
Gains on disposal of PPE	1,698								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>5,832,046</b>	<b>6,424,355</b>	<b>7,056,738</b>	<b>7,399,879</b>	<b>7,726,136</b>	<b>7,726,136</b>	<b>8,119,588</b>	<b>8,340,571</b>	<b>8,974,125</b>
<b>Expenditure By Type</b>									
Employee related costs	1,912,238	2,037,166	1,723,762	1,972,547	1,988,632	1,988,632	2,196,693	2,375,779	2,577,312
Remuneration of councillors	45,222	50,104	53,010	57,199	56,722	56,722	60,976	65,854	71,452

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Debt impairment	522,487	298,900	409,754	318,214	314,194	314,194	341,949	371,848	404,908
Depreciation & asset impairment	560,516	869,625	774,430	885,807	816,913	816,913	862,509	844,101	701,270
Finance charges	177,630	213,108	201,167	190,534	189,567	189,567	179,731	169,353	162,737
Bulk purchases	1,567,047	1,972,513	2,183,679	2,292,123	2,249,904	2,249,904	2,386,983	2,583,087	2,795,472
Other materials	419,015	437,201	474,436	537,635	615,574	615,574	607,474	650,235	699,216
Contracted services	145,947	221,601	375,203	326,625	303,767	303,767	374,837	418,790	434,635
Transfers and grants	219,228	25,851	19,714	340,520	335,512	335,512	375,659	412,636	453,782
Other expenditure	770,112	858,590	787,308	699,707	986,632	986,632	919,578	568,584	598,466
Loss on disposal of PPE	5,215	1,073	95,079						
Total Expenditure	6,344,657	6,985,732	7,097,542	7,620,913	7,857,417	7,857,417	8,306,387	8,460,267	8,899,249
Surplus/(Deficit)	(512,611)	(561,377)	(40,804)	(221,034)	(131,281)	(131,281)	(186,799)	(119,695)	74,876
Transfers recognised - capital	500,978	919,158	895,330	709,812	1,194,108	1,194,108	846,775	1,035,700	1,083,585
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	(11,634)	357,781	854,526	488,779	1,062,827	1,062,827	659,976	916,005	1,158,461
Taxation									
Surplus/(Deficit) after taxation	(11,634)	357,781	854,526	488,779	1,062,827	1,062,827	659,976	916,005	1,158,461
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	(11,634)	357,781	854,526	488,779	1,062,827	1,062,827	659,976	916,005	1,158,461
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	(11,634)	357,781	854,526	488,779	1,062,827	1,062,827	659,976	916,005	1,158,461

**Table 23 (Table A5 –Consolidated Budget Capital Expenditure – Standard Classification)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<b>Capital expenditure - Vote</b>									
<b>Multi-year expenditure to be appropriated</b>									
Vote 1 - Budget and Treasury	55,769	24,405	12,862	10,300	27,940	27,940	30,450	10,260	10,836
Vote 2 - Public Health	108,310	39,614	15,916	40,110	54,102	54,102	50,955	58,490	40,950
Vote 3 - Human Settlements	-	75,899	148,096	165,934	165,766	165,765	182,273	215,108	224,089
Vote 4 - Economic Development and Recreational Services	193,767	33,375	28,468	65,577	106,941	106,941	82,609	88,201	88,533
Vote 5 - Corporate Services	88,482	35,704	18,719	39,000	44,322	44,324	34,650	15,700	14,500
Vote 6 - Rate and General Engineers	587,299	305,771	352,634	157,098	496,984	496,984	256,187	419,168	443,975
Vote 7 - Water Services	145,187	374,744	265,534	184,650	185,186	185,186	201,900	182,400	216,000

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Vote 8 - Sanitation Services	125,357	103,202	169,371	251,000	247,058	247,058	311,750	322,300	367,386
Vote 9 - Electricity and Energy	170,849	91,489	130,470	210,557	232,049	232,049	207,383	191,952	174,731
Vote 10 - Executive and Council	7,541	11,449	10,069	5,000	5,000	5,000	6,550	6,650	7,830
Vote 11 - Safety and Security	16,998	4,792	2,819	13,000	13,000	13,000	13,513	11,822	8,538
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-	75,000	75,000	-	-	-
Vote 13 - Strategic Programmes Directorate	18,157	25,869	40,912	35,051	22,779	22,779	14,010	-	-
<b>Total Capital Expenditure - Vote</b>	<b>1,517,717</b>	<b>1,126,313</b>	<b>1,195,870</b>	<b>1,177,277</b>	<b>1,676,127</b>	<b>1,676,128</b>	<b>1,392,230</b>	<b>1,522,051</b>	<b>1,597,368</b>
<b>Capital Expenditure - Standard</b>									
<i>Governance and administration</i>	151,792	71,558	41,650	54,300	152,262	152,262	71,650	32,610	33,166
Executive and council	7,541	11,449	10,069	5,000	80,000	80,000	6,550	6,650	7,830
Budget and treasury office	55,769	24,405	12,862	10,300	27,940	27,940	30,450	10,260	10,836
Corporate services	88,482	35,704	18,719	39,000	44,322	44,322	34,650	15,700	14,500
<i>Community and public safety</i>	221,070	102,514	159,481	194,034	198,971	198,971	221,461	249,430	251,127
Community and social services	42,170	2,198		8,000	7,700	7,700	13,000	3,000	-
Sport and recreation	151,209	15,193	7,985	6,000	11,335	11,335	11,000	18,000	18,500
Public safety	16,998	4,792	2,819	13,000	13,000	13,000	13,513	11,822	8,538
Housing	-	75,899	148,096	165,934	165,766	165,766	182,273	215,108	224,089
Health	10,694	4,431	581	1,100	1,170	1,170	1,675	1,500	-
<i>Economic and environmental services</i>	610,596	359,803	425,922	269,036	637,479	637,479	358,386	526,159	554,959
Planning and development	18,377	41,852	61,315	86,628	110,685	110,685	72,619	67,201	70,033
Road transport	587,299	305,771	352,714	157,098	496,984	496,984	256,187	419,168	443,975
Environmental protection	4,920	12,180	11,893	25,310	29,810	29,810	29,580	39,790	40,950
<i>Trading services</i>	534,091	592,438	568,818	659,907	687,415	687,415	740,733	713,852	758,116
Electricity	170,849	91,489	130,470	210,557	232,049	232,049	207,383	191,952	174,731
Water	145,187	374,744	265,534	184,650	185,186	185,186	201,900	182,400	216,000
Waste water management	125,357	103,202	169,371	251,000	247,058	247,058	311,750	322,300	367,386
Waste management	92,697	23,003	3,442	13,700	23,122	23,122	19,700	17,200	-
<i>Other</i>	168				-	-			
<b>Total Capital Expenditure - Standard</b>	<b>1,517,717</b>	<b>1,126,313</b>	<b>1,195,870</b>	<b>1,177,277</b>	<b>1,676,127</b>	<b>1,676,127</b>	<b>1,392,230</b>	<b>1,522,051</b>	<b>1,597,368</b>
<b>Funded by:</b>									
National Government	481,969	919,158	895,330	709,812	1,028,517	1,028,517	846,775	1,035,700	1,083,585
Provincial Government	8,304				-	-			

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
District Municipality						–			
Other transfers and grants	22,019			7,700	21,700	21,700	5,000	20,000	20,000
Transfers recognised - capital	512,292	919,158	895,330	717,512	1,050,217	1,050,217	851,775	1,055,700	1,103,585
Public contributions & donations	15,537	12,899	4,410	41,201	49,069	49,069	53,000	53,000	53,000
Borrowing	470,000					–			
Internally generated funds	519,887	194,256	296,130	418,564	576,841	576,842	487,455	413,351	440,783
<b>Total Capital Funding</b>	<b>1,517,717</b>	<b>1,126,313</b>	<b>1,195,870</b>	<b>1,177,277</b>	<b>1,676,127</b>	<b>1,676,128</b>	<b>1,392,230</b>	<b>1,522,051</b>	<b>1,597,368</b>

**Table 24 (Table A6 –Consolidated Budget Financial Position)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<b>ASSETS</b>									
<b>Current assets</b>									
Cash	189,039	227,760	335,503	200,120	200,120	200,120	200,120	200,120	200,120
Call investment deposits	298,120	988,682	1,247,260	798,102	962,803	962,803	1,016,716	1,104,564	1,291,335
Consumer debtors	480,073	484,365	599,367	539,098	635,329	635,329	673,449	713,856	756,687
Other debtors	354,409	332,395	351,996	402,440	352,071	352,071	324,978	350,842	376,104
Current portion of long-term receivables	13	5	0	5	5	5	5	5	5
Inventory	108,056	108,101	105,956	117,000	112,313	112,313	113,000	115,000	117,000
<b>Total current assets</b>	<b>1,429,710</b>	<b>2,141,308</b>	<b>2,640,083</b>	<b>2,056,765</b>	<b>2,262,641</b>	<b>2,262,641</b>	<b>2,328,268</b>	<b>2,484,387</b>	<b>2,741,251</b>
<b>Non current assets</b>									
Long-term receivables	61,454	41,685	31,911	51,685	31,911	31,911	31,911	31,911	31,911
Investments	(89)	(248)	(488)	20	20	20	20	20	20
Investment property	71,754	185,876	199,262	138,893	199,263	199,263	199,262	199,262	199,262
Investment in Associate									
Property, plant and equipment	11,940,467	12,295,506	12,749,137	12,663,668	13,183,079	13,183,079	13,691,588	14,117,546	14,768,074
Agricultural									
Biological									
Intangible	437,270	274,030	207,022	310,692	198,483	198,483	234,948	248,812	245,420
Other non-current assets									
<b>Total non current assets</b>	<b>12,510,857</b>	<b>12,796,849</b>	<b>13,186,843</b>	<b>13,164,957</b>	<b>13,612,756</b>	<b>13,612,756</b>	<b>14,157,729</b>	<b>14,597,551</b>	<b>15,244,687</b>
<b>TOTAL ASSETS</b>	<b>13,940,566</b>	<b>14,938,158</b>	<b>15,826,926</b>	<b>15,221,722</b>	<b>15,875,397</b>	<b>15,875,397</b>	<b>16,485,997</b>	<b>17,081,938</b>	<b>17,985,938</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft									
Borrowing	93,116	98,898	105,569	112,968	112,968	112,968	104,093	93,920	86,409
Consumer deposits	111,125	85,224	93,159	90,224	93,159	93,159	93,159	93,159	93,159
Trade and other payables	1,577,949	1,873,951	1,887,218	1,683,799	1,662,902	1,662,902	1,712,871	1,815,515	1,924,317
Provisions	105,445	144,111	234,172	118,480	234,222	234,222	248,788	263,711	279,534
<b>Total current liabilities</b>	<b>1,887,635</b>	<b>2,202,185</b>	<b>2,320,118</b>	<b>2,005,471</b>	<b>2,103,251</b>	<b>2,103,251</b>	<b>2,158,911</b>	<b>2,266,304</b>	<b>2,383,419</b>
<b>Non current liabilities</b>									
Borrowing	1,842,888	1,822,840	1,715,791	1,516,045	1,516,045	1,516,045	1,411,952	1,318,032	1,231,623
Provisions	1,289,386	1,587,581	1,610,938	1,536,374	1,610,938	1,610,938	1,763,570	1,898,611	2,051,983

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total non current liabilities	3,132,275	3,410,420	3,326,729	3,052,419	3,126,983	3,126,983	3,175,522	3,216,643	3,283,606
<b>TOTAL LIABILITIES</b>	<b>5,019,909</b>	<b>5,612,605</b>	<b>5,646,847</b>	<b>5,057,890</b>	<b>5,230,234</b>	<b>5,230,234</b>	<b>5,334,433</b>	<b>5,482,948</b>	<b>5,667,025</b>
<b>NET ASSETS</b>	<b>8,820,657</b>	<b>9,325,553</b>	<b>10,180,079</b>	<b>10,163,832</b>	<b>10,645,163</b>	<b>10,645,163</b>	<b>11,151,564</b>	<b>11,598,990</b>	<b>12,318,914</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	3,707,013	3,631,013	4,059,742	4,052,808	10,595,563	10,595,563	11,101,964	11,545,390	12,263,314
Reserves	5,213,644	5,694,540	6,120,336	6,111,024	49,600	49,600	49,600	53,600	55,600
Minorities' interests									
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>8,920,657</b>	<b>9,325,553</b>	<b>10,180,079</b>	<b>10,163,832</b>	<b>10,645,163</b>	<b>10,645,163</b>	<b>11,151,564</b>	<b>11,598,990</b>	<b>12,318,914</b>

**Table 25 (Table A7 –Consolidated Budgeted Cash Flows)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Ratepayers and other	5,650,231	5,451,114	4,975,632	5,496,481	5,515,418	5,515,418	5,851,575	6,341,258	6,863,447
Government - operating	980,838	1,204,924	1,270,307	1,106,417	1,374,048	1,374,048	1,336,616	986,355	1,000,596
Government - capital	682,220	919,158	895,330	809,186	900,386	900,386	970,324	1,200,698	1,255,287
Interest	19,252	58,901	68,224	45,240	62,610	62,610	65,592	68,771	71,936
Dividends									
Payments									
Suppliers and employees	(6,116,772)	(5,447,154)	(5,268,787)	(5,934,034)	(6,257,635)	(6,257,635)	(6,518,127)	(6,714,169)	(7,146,934)
Finance charges	(177,110)	(201,286)	(205,274)	(190,534)	(191,198)	(191,198)	(181,344)	(170,937)	(164,351)
Transfers and Grants	(34,581)	(22,368)	(15,118)	(25,587)	(26,407)	(26,407)	(18,081)	(19,136)	(20,254)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,073,239</b>	<b>1,963,289</b>	<b>1,720,314</b>	<b>1,307,169</b>	<b>1,377,222</b>	<b>1,377,222</b>	<b>1,506,555</b>	<b>1,692,839</b>	<b>1,859,727</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on disposal of PPE	2,250								
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables	(191)	19,777	9,779						
Decrease (increase) in non-current investments									
Payments									
Capital assets	(1,642,220)	(1,176,692)	(1,267,597)	(1,218,292)	(1,692,956)	(1,692,956)	(1,339,675)	(1,500,899)	(1,579,036)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(1,640,160)</b>	<b>(1,156,916)</b>	<b>(1,258,817)</b>	<b>(1,218,292)</b>	<b>(1,692,956)</b>	<b>(1,692,956)</b>	<b>(1,339,675)</b>	<b>(1,500,899)</b>	<b>(1,579,036)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Short term loans					-				

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Borrowing long term/refinancing	470,000				-				
Increase (decrease) in consumer deposits					2,935	2,935			
Payments									
Repayment of borrowing	(88,859)	(77,425)	(96,595)	(105,159)	(105,159)	(105,159)	(112,968)	(104,093)	(93,920)
NET CASH FROM/(USED) FINANCING ACTIVITIES	381,141	(77,425)	(96,595)	(105,159)	(102,224)	(102,224)	(112,968)	(104,093)	(93,920)
NET INCREASE/ (DECREASE) IN CASH HELD	(185,780)	728,948	365,902	(16,282)	(417,958)	(417,958)	53,912	87,847	186,772
Cash/cash equivalents at the year begin:	671,812	486,032	1,214,979	1,014,504	1,580,882	1,580,882	1,162,924	1,216,836	1,304,684
Cash/cash equivalents at the year end:	486,032	1,214,979	1,580,882	998,222	1,162,924	1,162,924	1,216,836	1,304,684	1,491,455

**Table 26 (Table A8 –Consolidated Cash backed Reserves)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<u>Cash and investments available</u>									
Cash/cash equivalents at the year end	486,032	1,214,979	1,580,882	998,222	1,162,924	1,162,924	1,216,836	1,304,684	1,491,455
Other current investments > 90 days	1,128	1,463	1,882	(0)	(1)	(1)	0	(0)	-
Non current assets - Investments	(89)	(248)	(488)	20	20	20	20	20	20
Cash and investments available:	428,805	1,160,370	1,522,131	998,242	1,162,943	1,162,943	1,216,856	1,304,704	1,491,475
<u>Application of cash and investments</u>									
Unspent conditional transfers	291,575	441,185	364,675	23,284	2,241	2,241	2,141	2,141	2,141
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	253,295	525,984	666,959	784,875	757,459	757,459	812,615	858,249	909,870
Other provisions									
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	446,052	593,375	47,000	51,300	51,300	51,300	49,600	51,600	53,600
Total Application of cash and investments:	990,923	1,560,543	1,078,634	859,459	811,000	811,000	864,356	911,990	965,611
Surplus(shortfall)	(503,852)	(344,349)	503,641	138,783	351,943	351,943	352,500	392,714	525,865

**Table 27 (Table A9 –Consolidated Asset Management)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	254,571	727,521	587,082	451,004	768,067	768,067	608,139	735,802	745,102
<i>Infrastructure - Road transport</i>	–	172,516	122,457	111,168	394,498	394,498	176,174	314,828	328,162
<i>Infrastructure - Electricity</i>	10,965	29,087	40,468	54,412	28,311	28,311	31,010	30,561	26,000
<i>Infrastructure - Water</i>	43,052	324,215	203,869	30,000	54,800	54,800	77,000	51,000	61,000
<i>Infrastructure - Sanitation</i>	33,218	36,739	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>	59,084	141,831	147,782	179,934	170,535	170,535	189,973	224,808	224,589
<b>Infrastructure</b>	<i>146,319</i>	<i>704,389</i>	<i>514,576</i>	<i>375,514</i>	<i>648,143</i>	<i>648,143</i>	<i>474,156</i>	<i>621,197</i>	<i>639,752</i>
<b>Community</b>	68,837	11,437	44,957	50,051	43,965	43,965	35,510	45,950	36,750
<b>Heritage assets</b>	21,920	–	–	–	750	750	–	–	–
<b>Investment properties</b>	–	–	–	–	600	600	–	–	–
<b>Other assets</b>	17,495	200	9,147	18,969	49,559	49,559	71,823	61,899	60,658
<b>Agricultural Assets</b>	–	–	–	–	–	–	–	–	–
<b>Biological assets</b>	–	–	–	–	–	–	–	–	–
<b>Intangibles</b>	–	11,495	18,401	6,470	25,050	25,050	26,650	6,756	7,942
<b>Total Renewal of Existing Assets</b>	1,263,146	398,792	608,788	726,273	908,060	908,060	784,091	783,249	852,267
<i>Infrastructure - Road transport</i>	601,281	105,449	225,324	61,130	119,710	119,710	81,350	100,700	110,033
<i>Infrastructure - Electricity</i>	159,885	62,402	86,537	153,645	178,412	178,412	155,008	148,475	140,709
<i>Infrastructure - Water</i>	102,135	50,529	57,568	152,946	122,850	122,850	116,900	121,400	139,000
<i>Infrastructure - Sanitation</i>	92,140	66,464	167,265	245,000	243,058	243,058	304,750	315,300	360,386
<i>Infrastructure - Other</i>	32,304	29,085	23,700	22,840	23,724	23,724	16,079	8,500	6,000
<b>Infrastructure</b>	<i>987,745</i>	<i>313,928</i>	<i>560,394</i>	<i>635,561</i>	<i>687,754</i>	<i>687,754</i>	<i>684,087</i>	<i>694,375</i>	<i>756,128</i>
<b>Community</b>	142,164	28,512	12,379	26,660	93,361	93,361	27,500	35,850	36,850
<b>Heritage assets</b>	0	–	–	2,000	32,796	32,796	7,500	10,000	19,415
<b>Investment properties</b>	–	–	–	–	–	–	–	–	–
<b>Other assets</b>	133,237	40,445	30,703	50,052	74,669	74,669	63,232	36,375	30,388
<b>Agricultural Assets</b>	–	–	–	–	–	–	–	–	–
<b>Biological assets</b>	–	–	–	–	–	–	–	–	–
<b>Intangibles</b>	–	15,906	5,312	12,000	19,480	19,480	11,772	9,649	9,486
<b>Total Capital Expenditure</b>									
<i>Infrastructure - Road transport</i>	601,281	277,965	347,781	172,298	514,208	514,208	257,524	415,528	438,195
<i>Infrastructure - Electricity</i>	170,849	91,489	127,005	208,057	206,723	206,723	186,017	179,036	166,709
<i>Infrastructure - Water</i>	145,187	374,744	261,437	182,946	177,650	177,650	193,900	172,400	200,000

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16
<i>Infrastructure - Sanitation</i>	125,357	103,202	167,265	245,000	243,058	243,058	304,750	315,300	360,386
<i>Infrastructure - Other</i>	91,388	170,917	171,482	202,774	194,259	194,259	206,052	233,308	230,589
<b>Infrastructure</b>	<b>1,134,064</b>	<b>1,018,317</b>	<b>1,074,970</b>	<b>1,011,075</b>	<b>1,335,897</b>	<b>1,335,897</b>	<b>1,148,244</b>	<b>1,315,572</b>	<b>1,395,879</b>
Community	211,001	39,949	57,336	76,711	137,326	137,326	63,010	81,800	73,600
Heritage assets	21,920	-	-	2,000	33,546	33,546	7,500	10,000	19,415
Investment properties	-	-	-	-	600	600	-	-	-
Other assets	150,732	40,646	40,119	69,021	124,228	124,228	135,055	98,274	91,046
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	27,401	23,446	18,470	44,530	44,530	38,322	16,405	17,428
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>1,517,717</b>	<b>1,126,312</b>	<b>1,195,870</b>	<b>1,177,277</b>	<b>1,676,127</b>	<b>1,676,127</b>	<b>1,392,230</b>	<b>1,522,051</b>	<b>1,597,368</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Infrastructure - Road transport</i>	2,849,752	2,993,112	3,148,468	3,462,147	3,278,429	3,278,429	3,188,132	3,256,942	3,384,555
<i>Infrastructure - Electricity</i>	1,437,655	1,466,296	1,511,103	1,521,850	1,614,914	1,614,914	1,695,675	1,767,483	1,835,838
<i>Infrastructure - Water</i>	941,776	1,243,818	1,532,353	1,917,525	1,440,069	1,440,069	1,656,796	1,701,799	1,773,092
<i>Infrastructure - Sanitation</i>	771,160	826,153	974,025	1,404,492	1,115,273	1,115,273	1,299,436	1,481,707	1,702,308
<i>Infrastructure - Other</i>	2,323,090	2,202,223	2,225,375	1,146,619	2,317,817	2,317,817	2,437,699	2,526,452	2,707,148
<b>Infrastructure</b>	<b>8,323,433</b>	<b>8,731,602</b>	<b>9,391,323</b>	<b>9,452,633</b>	<b>9,766,502</b>	<b>9,766,502</b>	<b>10,277,738</b>	<b>10,734,383</b>	<b>11,402,942</b>
Community	2,870,519	2,794,718	2,642,709	2,790,797	2,641,617	2,641,617	2,568,086	2,492,482	2,413,256
Heritage assets	154,074	197,320	197,423	126,474	197,243	197,243	197,063	196,883	196,703
Investment properties	71,754	185,876	199,262	138,893	199,263	199,263	199,262	199,262	199,262
Other assets	592,442	571,866	517,682	293,764	577,717	577,717	648,701	693,797	755,173
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	437,202	273,990	207,004	310,692	198,483	198,483	234,948	248,812	245,420
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>12,449,492</b>	<b>12,755,412</b>	<b>13,155,421</b>	<b>13,113,252</b>	<b>13,580,825</b>	<b>13,580,825</b>	<b>14,125,798</b>	<b>14,565,620</b>	<b>15,212,756</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	560,516	869,625	774,430	885,807	816,913	816,913	862,509	844,101	701,270
<b>Repairs and Maintenance by Asset Class</b>	418,961	437,161	474,386	537,635	615,574	615,574	607,474	650,235	699,216
<i>Infrastructure - Road transport</i>	73,310	89,652	88,424	96,277	167,331	167,331	108,125	109,319	115,886
<i>Infrastructure - Electricity</i>	28,585	38,973	40,310	48,147	48,389	48,389	53,544	57,562	62,121
<i>Infrastructure - Water</i>	119,415	107,790	127,787	136,482	134,487	134,487	155,286	167,681	181,065
<i>Infrastructure - Sanitation</i>	111,701	107,728	139,742	143,243	146,647	146,647	156,283	170,634	184,099
<i>Infrastructure - Other</i>	2,735	5,650	3,797	7,631	8,205	8,205	9,419	10,083	10,795

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Infrastructure	335,745	349,793	400,060	431,780	505,059	505,059	482,656	515,279	553,966
Community	33,515	34,691	26,982	43,310	46,758	46,758	54,263	58,818	63,086
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	49,702	52,676	47,344	62,545	63,756	63,756	70,554	76,137	82,164
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>979,477</b>	<b>1,306,785</b>	<b>1,248,815</b>	<b>1,423,443</b>	<b>1,432,487</b>	<b>1,432,487</b>	<b>1,469,983</b>	<b>1,494,336</b>	<b>1,400,486</b>
<i>Renewal of Existing Assets as % of total capex</i>	83.2%	35.4%	50.9%	61.7%	54.2%	54.2%	55.8%	51.7%	52.9%
<i>Renewal of Existing Assets as % of deprecn"</i>	225.4%	45.9%	78.6%	82.0%	111.2%	111.2%	86.8%	89.2%	115.2%
<i>R&amp;M as a % of PPE</i>	3.5%	3.6%	3.7%	4.2%	4.7%	4.7%	4.4%	4.6%	4.7%
<i>Renewal and R&amp;M as a % of PPE</i>	14.0%	7.0%	8.0%	10.0%	11.0%	11.0%	10.0%	10.0%	10.0%

**Table 28 (Table A10 –Consolidated Basic Service Delivery Measurement)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Household service targets</b>									
<i>Water:</i>									
Piped water inside dwelling	289,000	289,000	268,545	276,850	276,850	276,850	285,156	293,710	302,521
Piped water inside yard (but not in dwelling)									
Using public tap (at least min.service level)	35,257	38,000	29,296	30,202	30,202	30,202	31,108	32,041	33,003
Other water supply (at least min.service level)									
<i>Minimum Service Level and Above sub-total</i>	324,257	327,000	297,841	307,052	307,052	307,052	316,264	325,751	335,524
Using public tap (< min.service level)									
Other water supply (< min.service level)									
No water supply									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	<b>324,257</b>	<b>327,000</b>	<b>297,841</b>	<b>307,052</b>	<b>307,052</b>	<b>307,052</b>	<b>316,264</b>	<b>325,751</b>	<b>335,524</b>
<i>Sanitation/sewerage:</i>									
Flush toilet (connected to sewerage)	285,940	285,940	266,527	273,790	273,790	273,790	282,004	290,464	299,178
Flush toilet (with septic tank)	3,060	3,050	3,060	3,060	3,060	3,060	3,060	3,060	3,060
Chemical toilet									
Pit toilet (ventilated)									
Other toilet provisions (> min.service level)									
<i>Minimum Service Level and Above sub-total</i>	289,000	288,990	269,587	276,850	276,850	276,850	285,064	293,524	302,238
Bucket toilet	35,257	38,000	29,296	30,202	30,202	30,202	22,202	18,000	15,000
Other toilet provisions (< min.service level)									
No toilet provisions									
<i>Below Minimum Service Level sub-total</i>	35,257	38,000	29,296	30,202	30,202	30,202	22,202	18,000	15,000



Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Water (kilolitres per household per month)	8	8	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)	11	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)	77	87	111	111	111	111	111	111	111
Electricity (kwh per household per month)	75	75	75	75	75	75	75	75	75
Refuse (average litres per week)	240	240	240	240	240	240	240	240	240
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R15 000 threshold rebate)	18,264	20,455	23,709	26,116	26,116	26,116	29,092	32,002	35,362
Property rates (other exemptions, reductions and rebates)	26,740	25,914	32,116	33,093	33,093	33,093	134,824	147,783	162,750
Water	60,418	58,877	56,666	75,180	75,180	75,180	69,336	76,963	85,429
Sanitation	63,862	54,545	51,163	69,648	69,648	69,648	102,949	114,273	126,843
Electricity/other energy	51,086	41,333	43,601	64,583	64,583	64,583	42,948	45,954	49,171
Refuse	44,765	51,645	48,044	65,946	65,946	65,946	61,071	67,789	75,246
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	265,134	252,770	255,300	334,567	334,567	334,567	440,220	484,764	534,800

## 1.9 Consolidated Budget Supporting Tables

The relevant supporting tables are reflected in **Annexure "B"**.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF ANNUAL BUDGET PROCESS**

The Budget process started in September 2013 after the approval of a timetable and strategy to guide the preparation of the 2014/15 to 2016/17 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April 2014. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget are tabled in March 2014. The draft Budget will be tabled by the Executive Mayor at a Council meeting scheduled for 27 March 2014, following which it will be submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments.

The consultation will take the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting scheduled for 29 May 2014.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The Budget is usually considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account. The capacity to spend the Budget by the relevant Directorates, efficient and effective utilisation of budget allocations and the need to adequately maintain the Municipality's infrastructure and facilities represent key challenges, in addition to the ongoing financial sustainability of the Budget.

The deliberations of the Budget Task Team require consideration by the IDP and Budget Steering Committee under the direction of the Executive Mayor. The IDP and Budget Steering Committee consists of the Executive Mayor, the Chairperson of the Budget and Treasury Standing Committee, the City Manager and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation;
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the Budget, taking into account the need to maintain the financial sustainability of the Municipality;
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritised in the allocation of resources.

### 2.1.1 IDP & Budget Timetable 2014/15 to 2016/17

The preparation of the 2014/15 to 2016/17 IDP and Budget was guided by the following schedule of key deadlines as approved by Council on 8 August 2013.

Activity	Date
IDP/Budget Schedule approved by Council	8 August 2013
Budget Strategy and Assumptions approved by Council	19 September 2013
Tabling of draft IDP and Budget in Council	27 March 2014
Public Participation	2 to 22 April 2014
Final adoption of IDP and Budget by Council	29 May 2014
Approval of SDBIP by Executive Mayor	26 June 2014

## 2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the NMBM.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2014/15 to 2016/17 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the Budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

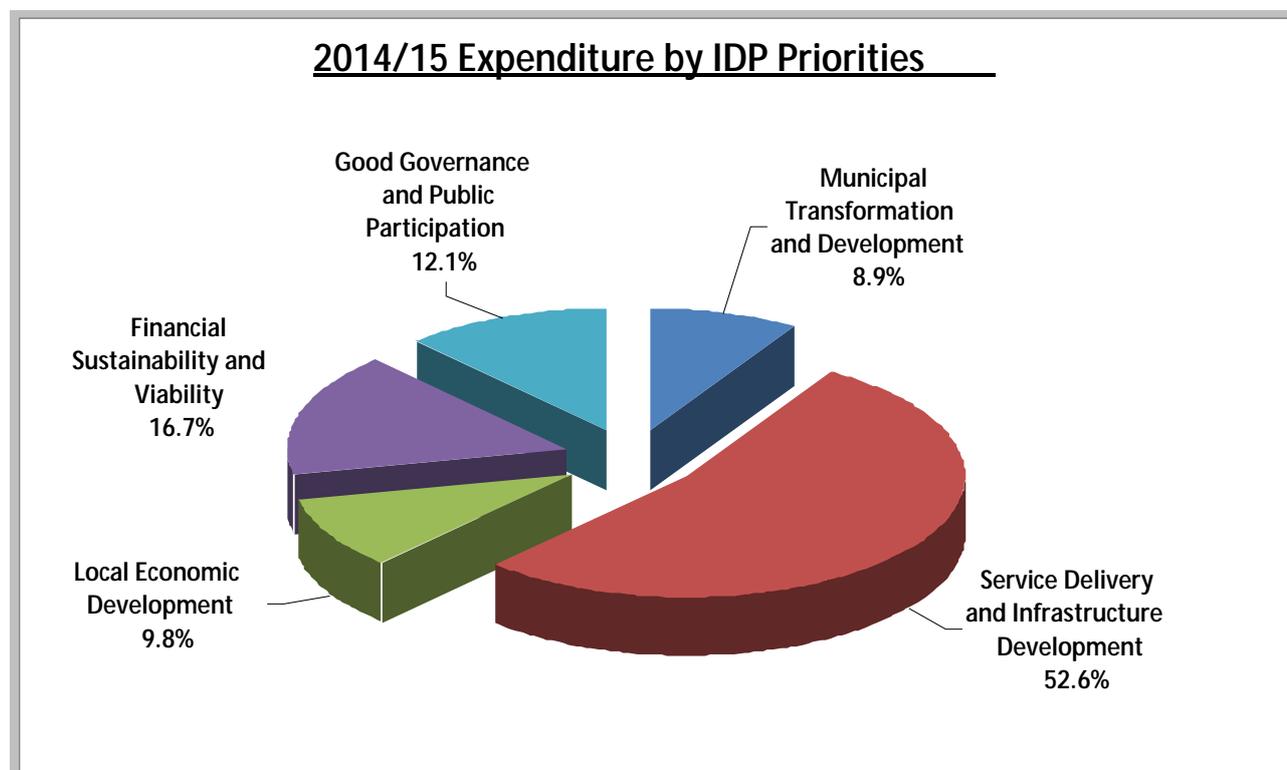
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the SDBIP.

Below is a table, which illustrates the link between the Budget and the IDP.

## BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>2014/15 Budget</b>						
Capital Expenditure	24,550	1,254,613	30,437	29,100	4,000	<b>1,342,700</b>
Operating Expenditure	833,744	3,835,221	917,118	1,584,113	1,167,241	<b>8,337,437</b>
<b>Total</b>	<b>858,294</b>	<b>5,089,834</b>	<b>947,555</b>	<b>1,613,213</b>	<b>1,171,241</b>	<b>9,680,137</b>
<b>2015/16 Budget</b>						
Capital Expenditure	11,650	1,401,506	29,934	8,760	3,000	<b>1,454,850</b>
Operating Expenditure	850,262	3,911,204	935,288	1,615,497	1,190,367	<b>8,502,618</b>
<b>Total</b>	<b>861,912</b>	<b>5,312,710</b>	<b>965,222</b>	<b>1,624,257</b>	<b>1,193,367</b>	<b>9,957,468</b>
<b>2016/17 Budget</b>						
Capital Expenditure	13,830	1,472,722	29,297	9,486	2,000	<b>1,527,335</b>
Operating Expenditure	894,443	4,114,439	983,888	1,699,442	1,252,221	<b>8,944,433</b>
<b>Total</b>	<b>908,273</b>	<b>5,587,161</b>	<b>1,013,185</b>	<b>1,708,928</b>	<b>1,254,221</b>	<b>10,471,768</b>

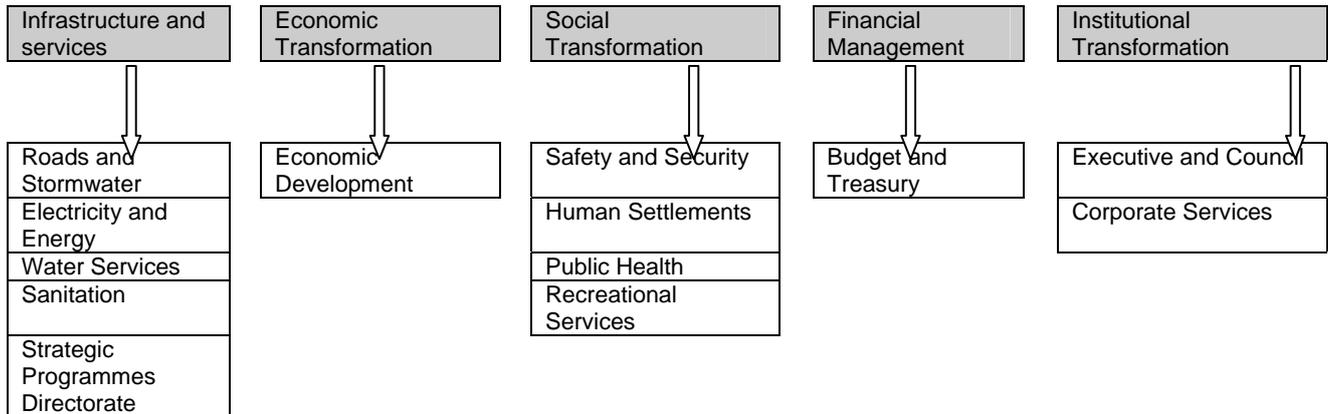
Figure 3 – 2014/15 Expenditure by IDP Priorities



### 2.2.1 Alignment with National and Provincial Priorities

The Municipality's priorities are aligned to those of the National and Provincial Governments.

The matrix below shows the alignment with National and Provincial Government priorities:



The above is an indication of NMBM's alignment to the National and Provincial Key Performance Areas and how Directorates are aligned thereto. It should, however, be noted that in terms of implementation all Directorates are focusing on the five areas. In order to monitor and evaluate service delivery and financial performance, key performance indicators are included in all Executive Directors' performance agreements.

### **2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

This section contains the key performance indicators.

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<b><u>Borrowing Management</u></b>										
Credit Rating		A1.za	A1.za	A1.za	A1.za	A1.za	A1.za	A1.za	A1.za	A1.za
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	4.2%	4.2%	4.2%	3.9%	3.7%	3.7%	3.5%	3.2%	2.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	5.4%	5.6%	5.2%	4.7%	4.7%	4.7%	4.3%	3.7%	3.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	47.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>										
Gearing	Long Term Borrowing/ Funds & Reserves	35.3%	32.0%	28.0%	25.0%	14.3%	14.3%	12.8%	11.5%	10.2%
<b><u>Liquidity</u></b>										
Current Ratio	Current assets/current liabilities	0.8	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.5	0.7	0.5	0.5	0.5	0.5	0.6	0.6
<b><u>Revenue Management</u></b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		115.4%	106.0%	87.0%	88.0%	88.5%	88.5%	87.1%	87.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		115.4%	105.7%	86.9%	88.0%	88.5%	88.5%	87.1%	87.0%	86.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	16.0%	14.2%	14.6%	13.4%	13.2%	13.2%	13.3%	13.7%	13.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old									
<b><u>Creditors Management</u></b>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	84	73	75	75	75	75	80	85	90

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Creditors to Cash and Investments		299.7%	123.7%	99.6%	169.2%	144.0%	144.0%	145.4%	143.0%	132.0%
<b>Other Indicators</b>										
Electricity Distribution Losses (2)	Total Volume Losses (kW)	342949232	346576635.4	385017000	346515300	346515300	346515300	242560710	169792497	140854747.9
	Total Cost of Losses (Rand '000)	139,327	179,380	224,600	200,979	200,979	200,979	162,509	122,925	101,415
	% Volume (units purchased and generated less units sold)/units purchased and generated	9.0	12.0	10.7	10	10	10	8	6	6
Water Distribution Losses (2)	Total Volume Losses (kℓ)	22,961	19,272	27,933	27,000	27,000	27,000	26,000	24,000	22,000
	Total Cost of Losses (Rand '000)	135,900	127,200	208,400	227,600	227,600	227,600	219,200	202,300	185,500
	% Volume (units purchased and generated less units sold)/units purchased and generated	26.2	21.0	28.2	26.4	26.4	26.4	24.7	22.1	19.7
Employee costs	Employee costs/(Total Revenue - capital revenue)	32.4%	31.7%	24.3%	26.5%	25.6%	25.6%	27.0%	28.4%	28.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	33.1%	32.4%	25.1%	27.3%	26.3%	26.3%	27.7%	29.1%	29.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	7.1%	6.8%	6.7%	7.3%	8.0%	8.0%	7.5%	7.8%	7.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12.5%	16.9%	13.8%	14.6%	13.0%	13.0%	12.9%	12.2%	9.6%
<b>IDP regulation financial viability indicators</b>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	36.7	32.0	39.0	37.9	37.9	37.9	39.8	45.0	48.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.1%	20.7%	21.2%	17.7%	18.8%	18.8%	18.3%	17.8%	17.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.9	2.3	3.0	1.8	2.0	2.0	2.0	2.1	2.3

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependant on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2014/15 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing is decreasing from 3,5% in 2014/15 to 2.9% in 2016/17. The decrease is attributable to no further borrowing being planned over the MTREF period.

#### 2.3.1.2 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2010/11 the gearing ratio peaked at 35,3%. This was mainly as a result of increased borrowing levels. Over the 2014/15 MTREF, the ratio decreases from 12.8% in 2014/15 to 10.2% in 2016/17.

#### 2.3.1.3 Liquidity

- *The current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2014/15 MTREF the current ratio increases from 1,1 in 2014/15 to 1,2 in 2016/17.
- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. Over the MTREF, the ratio increases from 0,5 in 2014/15 to 0,6 in 2016/17. This represents a pertinent risk for the Municipality, as any under collection of revenue will result in serious financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

#### 2.3.1.4 Revenue Management

- As part of the Financial Recovery Plan, an aggressive revenue management framework is being implemented to increase cash inflows from current billings, as well as from debtors that are in arrears in excess of 90 days.

### 2.3.2 Drinking Water Quality and Waste Water Management

The Municipality performs the dual roles of a Water Service Authority and a Water Service Provider, in managing the provision of drinking water and the treatment of wastewater.

The Municipality achieved a scoring of 90,11% in relation to its Blue Drop status for the supply of water, compared to the scoring of 95,08% achieved in the previous assessment. The decline is attributable to a lack of an annual process audit. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on the monitoring and recordkeeping of analyses results.

An average Green Drop Score of 80,8% was achieved for the seven Waste Water Treatment Systems managed by the Municipality, compared to the scoring of 70% achieved in the previous assessment.

The assessment revealed the following: -

- Training of process controllers not yet adequate, even though there is a significant improvement since the previous assessment.
- Special attention should be given to process optimisation (especially disinfection, to ensure compliance with authorisation limits).

Despite the areas requiring attention to improve the Green Drop rating of the Municipality, it achieved the second highest average score for the Eastern Cape Province.

It is furthermore, the Municipality's intention to address the areas requiring attention in the forthcoming financial year.

### 2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R'000	Est. No. of Housholds
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	29.092	222 992
	Full credit for property rates for indigent consumers	67 059	58 016
Water	The first 8kl of water per month provided free to indigent consumers	69 336	72 031
Electricity	The first 75kwh of electricity provided free to indigent consumers	42 948	63 254
Refuse removal	Full credit for the monthly charge.	61 071	66 665
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 11kl per month)	102 948	72 318
MURP Allocation	Developmental Nodal Areas	15 625	
Indigent control admin costs	Costs to administer and monitor indigent customers	18 699	
Water maintenance	Maintenance provided in Wards where the majority are indigent consumers	11 230	
Refuse co-ops	Co-ops to clean indigent and informal residential areas	12 603	
<b>Total Operating Costs</b>		<b>430 611</b>	

In addition to the aforementioned operating costs, the Equitable Share allocation is fully utilised towards capital projects linked to the Wards where the majority of the indigent consumers reside.

The Municipality thus fully utilises the Equitable Share allocation towards assisting the poor. It is however clear that the Equitable Share allocation is not sufficient to assist in addressing all the needs

of the communities and the pressure on this vital funding source is ever increasing due to the high increases in specifically the electricity tariffs.

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

### **2.4.1 Financial Management Policies**

The policies were adopted by the Council in May 2010. The policies govern the financial management functions of the Municipality, such as budgeting, virements, financial statements, etc.

### **2.4.2 Review of credit control and debt collection policies**

The Collection Policy was reviewed and approved by Council in March 2011. A review of certain components of the policy was considered necessary to achieve a higher collection rate.

The 2014/15 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% on current billings, excluding ATTP subsidies. In addition, the collection of debt in excess of 90 days has been prioritised as a specific strategy, in order to improve the Municipality's cash position.

### **2.4.3 Budget Adjustment Policy (part of Financial Management Policies)**

The adjustments budget process is regulated by the MFMA and is aimed at entrenching increased levels of discipline, responsibility and accountability in the financial management practices of the Municipality. In order to ensure that the Municipality continues to deliver on its core service delivery mandate, the mid-year review and adjustments budget processes are utilised to ensure that underperforming functional areas are identified and funds redirected to performing functional areas.

### **2.4.4 Supply Chain Management Policy**

A revised Supply Chain Management Policy was adopted by Council in September 2013.

### **2.4.5 Cash Management and Investments Policy**

The Cash Management and Investments Policy was amended by Council in December 2005. The aim of the policy is to ensure that surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.4.6 Tariff Policies**

The different tariff policies provide a broad framework for the determination of tariffs. The different policies were approved on various dates, whilst a consolidated tariff by-law is in the process of being finalised.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Asset Management Policy;
- Property Rates Policy;
- Funding and Reserves Policy;

- Borrowing Policy;
- Basic Social Services Package (Assistance to the Poor Policy);
- Financial Management Policies, which includes virement policy.

## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases and the Department of Water Affairs (DWA) regulates bulk water tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as determined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No budget allocations have been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Acting/Executive Directors.
- An assessment of the relative human resources capacity to implement the Budget.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2014/15 – 2016/17 Budget:

- Maintaining revenue collection rates at the targeted levels;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases. Continued high tariff increases may soon render municipal services financially unaffordable;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on the level of rates and tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Allocation of the required operating budget provision for staffing requirements, including the implementation of the Task Job Evaluation System;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Maintaining an acceptable cost coverage ratio;

- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the municipality's cash position into account.

The multi-year budget is therefore underpinned by the following assumptions:

	Assumptions	2014/15 Budget	2015/16 Budget	2016/17 Budget
<b>Income</b>	%	%	%	%
Tariff increases for water	12	12	11	11
Tariff increases for sanitation & refuse	12	12	11	11
Property (average increase in income)	9.5	9.5	10	10.5
Electricity (average increase in income)	7.0	7.39	7.39	7.39
Revenue collection rates (excluding ATTP subsidies)	94	94	94	94
<b>Total expenditure</b> increase allowed (excluding repairs and maintenance)	6	5.7	1.9	5.2
Salary increase	7.5	10.5	8.2	8.5
Increase in repairs and maintenance	8	11.7	7.0	7.5
Increase in bulk purchase of power costs	7.3	5.8	8.06	8.06
Increase in bulk purchase of water costs	12.0	14.2	12.1	12.1

No growth in revenue sources has been provided for, in view of the current consumption trends relating to municipal services. Furthermore, no growth in property rates has been provided for, in view of the depressed property market.

It is to be noted that the Budget has been prepared, based on Generally Recognised Accounting Practice (GRAP).

## 2.6 OVERVIEW OF BUDGET FUNDING

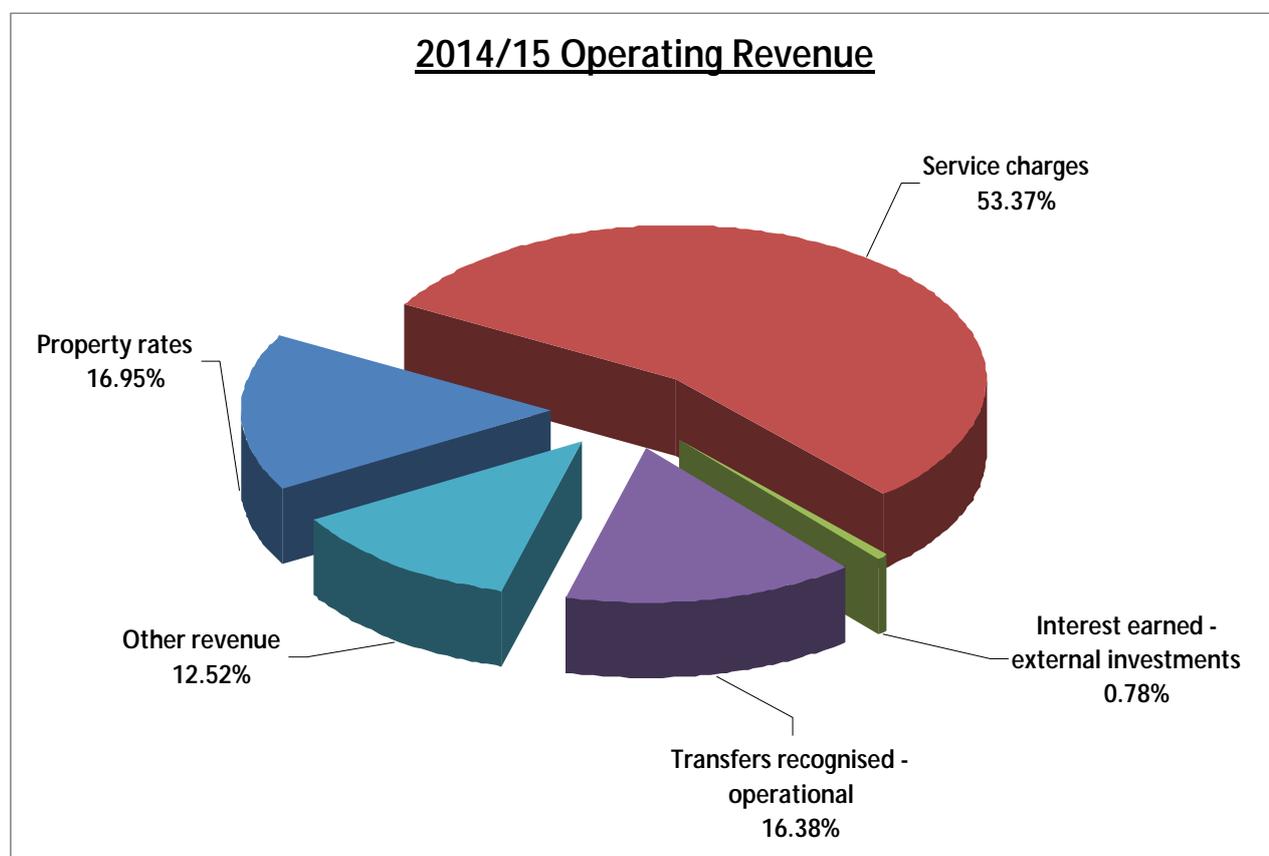
### 2.6.1 Medium-term outlook: operating revenue

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

**Table 29 (Breakdown of the operating revenue over the medium-term)**

Description	2014/15 Medium Term Revenue & Expenditure Framework					
	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
<b>Revenue By Source</b>						
Property rates	1,373,533	16.95	1,510,889	18.13	1,669,537	18.62
Service charges	4,325,027	53.37	4,685,904	56.23	5,077,989	56.63
Investment Revenue	63,192	0.78	66,171	0.79	69,286	0.77
Transfers recognised - operational	1,327,259	16.38	986,355	13.1	1,000,596	11.16
Other revenue	1,014,287	12.52	1,083,572	11.84	1,062,582	11.76
Total Revenue (excluding capital transfers and contributions)	8,103,298	100.0	8,332,891	100.0	8,966,325	100.0
Total Expenditure	8,417,517		8,585,288		9,036,361	
Surplus/(Deficit) for the year	(314,219)		(252,397)		(70,036)	

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.



**Figure 4 Breakdown of operating revenue over the 2014/15 MTREF**

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- The Property Rates Policy;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services;
- Ensuring fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges, after discounting the Assistance to the Poor (ATTP) subsidies;
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumers.

Property rates amount to R1.4, billion in the 2014/15 financial year and increases to R1,7 billion in 2016/17, representing 16,95% of the total operating revenue for the 2014/15 budget. It increases from 16.95% to 18.62% over the MTREF.

Services charges relating to electricity, water, sanitation and refuse collection and disposal constitute the largest component of the revenue base, amounting to R4,3 billion in the 2014/15 financial year and increasing to R5.1 billion in 2016/17. For the 2014/15 financial year, services charges amount to 53.4% of the total revenue base and increases to 56.6% for 2016/17.

Operational grants and subsidies amount to R1.33 billion, R0.99 billion and R1,00 billion for each of the respective financial years of the MTREF, or 16.38%, 11.84% and 11.16% of total operating revenue.

The tables below provide investment information and investment particulars by maturity.

**Table 30 (SA15 – Detail Investment Information)**

Investment type	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand									
<u>Parent municipality</u>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	298,140	988,702	1,247,280	757,384	920,897	920,897	976,951	1,068,298	1,256,570
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
<b>TOTAL</b>	<b>298,140</b>	<b>988,702</b>	<b>1,247,280</b>	<b>757,384</b>	<b>920,897</b>	<b>920,897</b>	<b>976,951</b>	<b>1,068,298</b>	<b>1,256,570</b>

As a result of the Municipality's cash flow forecasting, cash flow management and monitoring functions, investments are anticipated to increase from R976.95 million in 2014/15 to R1.26 billion in 2016/17.

**Table 31 (SA16 – Investment particulars by maturity)**

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID <u>Parent municipality</u>	Yrs/Months												
Investec	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	184,170	12,638		(1,428)	195,380
Stanlib	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	184,170	12,638		(1,428)	195,380
Nedbank	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	184,170	12,638		(1,428)	195,380
Standard Bank	1-3 months	Term / deposit	no	variable		0	N/A	1 year	184,170	12,638		(1,428)	195,380
First National Bank	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	184,217	12,640		(1,428)	195,429
													-
													-
<b>TOTAL</b>									<b>920,897</b>	<b>63,192</b>	<b>-</b>	<b>(7,138)</b>	<b>976,951</b>

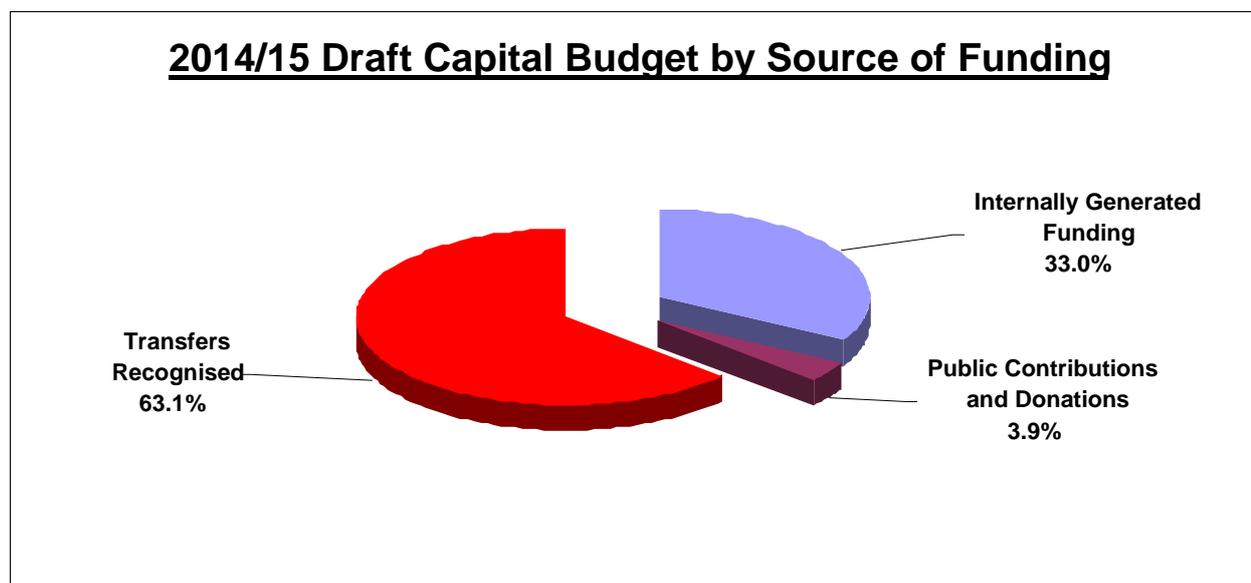
## 2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2014/15 medium-term capital programme:

**Table 32 (Sources of capital revenue over the MTREF)**

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	R thousand	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
<u>Capital Transfers and Grants</u>								
National Government:	1,027,798	64.6	846,775	63.1	1,035,700	71.2	1,083,585	70.9
Provincial Government:	0	0.0	0	0.0	0	0.0	0	0.0
Other grant providers:	21,700	1.4	0	0.0	0	0.0	0	0.0
<b>Transfers recognised - capital</b>	<b>1,049,498</b>	<b>66.0</b>	<b>846,775</b>	<b>63.1</b>	<b>1,035,700</b>	<b>71.2</b>	<b>1,083,585</b>	<b>70.9</b>
Public contributions and donations	49,069	3.1	53,000	3.9	53,000	3.6	53,000	3.5
Internally generated funds	492,081	30.9	442,925	33.0	366,150	25.2	390,750	25.6
<b>Total Capital Transfers and Grants</b>	<b>1,590,649</b>	<b>100.0</b>	<b>1,342,700</b>	<b>100.0</b>	<b>1,454,850</b>	<b>100</b>	<b>1,527,335</b>	<b>100</b>

The above table is graphically represented as follows for the 2014/15 financial year.



**Figure 5 Sources of Capital Revenue for the 2014/15 financial year**

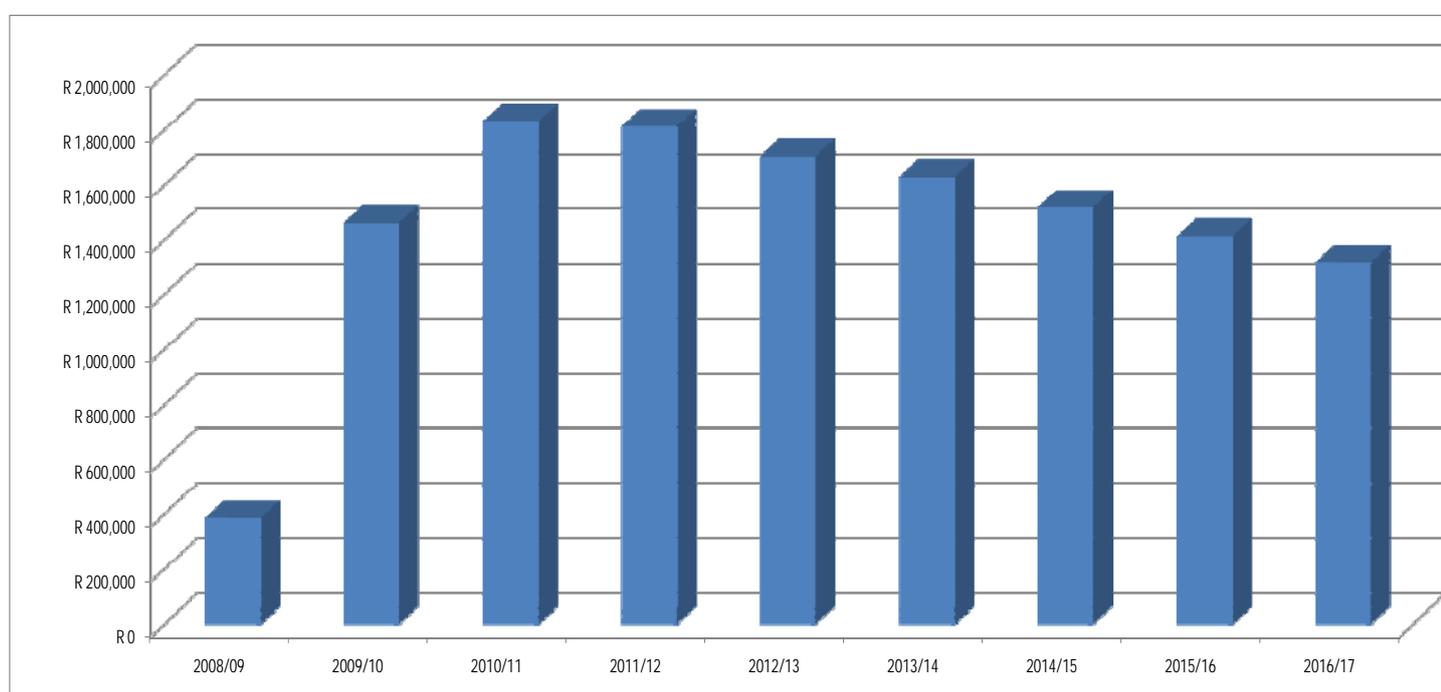
Capital Grants constitute 63,1% of the total funding sources, amounting to R846.78 million for the 2014/15 financial year and amounting to R1.8 billion or 70,95% in the 2016/17 financial year. It is to be noted that no borrowing is planned for the 2014/15 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

**Table 33 (Table SA 17 - Detail of borrowings)**

Borrowing - Categorized by type	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Parent municipality</u>									
Long-Term Loans (annuity/reducing balance)	1,841,851	1,822,724	1,713,621	1,516,045	1,516,045	1,516,045	1,411,952	1,318,032	1,231,623
<b>Total Borrowing</b>	<b>1,841,851</b>	<b>1,822,724</b>	<b>1,713,621</b>	<b>1,516,045</b>	<b>1,516,045</b>	<b>1,516,045</b>	<b>1,411,952</b>	<b>1,318,032</b>	<b>1,231,623</b>

The following graph illustrates the outstanding borrowing for the 2008/09 to 2016/17 period:

**Figure 6 Growth in outstanding borrowing (long-term liabilities)**

The following table indicates the capital transfers and grant receipts:

**Table 34 (Table SA 18 - Capital transfers and grant receipts)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
-									
<b>Operating Transfers and Grants</b>									
National Government:	800,396	741,943	973,826	884,853	968,496	968,496	1,317,135	982,182	996,844
Local Government Equitable Share	602,883	656,653	729,226	743,325	743,325	743,325	761,606	771,725	785,837
Energy Efficiency and Demand Management	25,000	10,000	-	8,000	12,000	12,000	10,000	10,000	10,000
EPWP Incentive		0	14,696	20,885	20,885	20,885	13,439		
Public Transport Network Operations	-	0	0	100,000	100,000	100,000	130,000	150,000	150,000
Finance Management	1,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,300
Infrastructure Skills Development		5,000	2,300	8,200	8,200	8,200	8,000	8,500	9,000
Intergrated City Development Grant				3,193	3,193	3,193	4,133		
Water Demand Management	12,729	2,000	4,999						
Afcon 2013			15,923						
Municipal Disaster Recovery Grant			6,730		71,961	71,961			
Municipal Human Settlements Capacity Grant							37,707	37,707	37,707
Human Settlements Development Grant							348,000		
Urban Settlements Development Grant					6,170	6,170			
LGSETA		-			0	0	0	0	0
Other	30,784				1,512	1,512	3,000	3,000	3,000
Integrated Public Transport Systems	128,000	67,040	198,702						
Provincial Government:	369,328	411,846	405,139	221,564	402,950	402,950	8,752	3,752	3,752
Libraries	4,500	5,747	3,752	3,752	3,752	3,752	3,752	3,752	3,752
Housing	310,689	307,605	333,162	206,900	372,376	372,376	-		
Health subsidy	50,139	93,495	63,338						
Housing Accreditation	4,000	5,000	4,887	9,352	19,997	19,997			

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Institutional Support Grant			–	1,500	1,500	1,500			
Department of education - School Water Leaks			–						
Municipal Disaster Relief Grant			–						
DWA (Swartkops Monitoring)					265	265			
DRPW (Maintenance of Road)					5,000	5,000	5,000		
Vuna Awards				60	60	60			
Other	0								
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	23,196	2,695	32,010	–	1,472	1,472	1,262	421	–
Donor Management	–	–							
National Lotteries	18,949								
Columbia University	3,582	2,626							
European Funding Grant	643	68	32,010						
Marine and Coastal Management	–	–	–		630	630	420		
Carnegies Corporation Grant	23								
SBSA	–								
Groen Sebenza ( SANBI)					842	842	842	421	
SALA/ IDA	–	–	–						
<b>Total Operating Transfers and Grants</b>	<b>1,192,921</b>	<b>1,156,484</b>	<b>1410,975</b>	<b>1,106,417</b>	<b>1,372,918</b>	<b>1,372,918</b>	<b>1,327,149</b>	<b>986,355</b>	<b>1,000,596</b>
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	<b>577,220</b>	<b>1,245,586</b>	<b>772,062</b>	<b>849,186</b>	<b>899,668</b>	<b>899,668</b>	<b>965,324</b>	<b>1,180,698</b>	<b>1,235,287</b>
Urban Settlements Development Grant	185,532	502,626	593,000	727,986	721,816	721,816	828,863	858,144	903,625
Public Transport Infrastructure Grant	300,333	252,960	100,000		85,000	85,000	100,000	234,000	250,000
Neighborhood Development Partnership Grant	68,697	15,000	64,062	70,000	39,267	39,267	18,461	60,554	63,662
Intergrated National Electrification Grant		–	–	51,200	53,585	53,585	18,000	28,000	18,000
Drought Relief Grant	–	450,000							

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
2010 Soccer World Cup Stadium	2658193								
Municipal Infrastructure Grant									
DME	20,000	25,000	15,000						
Other capital transfers/grants [insert desc]	-								
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
		-							
Total Capital Transfers and Grants	577,220	1,245,586	772,062	849,186	899,668	899,668	965,324	1,180,698	1,235,287
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>1,770,141</b>	<b>2,402,070</b>	<b>2,183,037</b>	<b>1,955,603</b>	<b>2,272,586</b>	<b>2,272,586</b>	<b>2,292,473</b>	<b>2,167,053</b>	<b>2,235,883</b>

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 35 (Table A7 - Budget cash flow statement)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Receipts									
Ratepayers and other	5,650,231	5,445,029	4,964,700	5,487,916	5,508,853	5,508,853	5,847,075	6,332,693	6,857,882
Government - operating	980,838	1,204,454	1,269,882	1,106,417	1,372,918	1,372,918	1,327,149	986,355	1,000,596
Government - capital	682,220	919,158	895,330	809,186	899,668	899,668	965,324	1,180,698	1,235,287
Interest	16,447	56,734	65,624	43,240	60,360	60,360	63,192	66,171	69,286
Dividends									
Payments									
Suppliers and employees	(6,061,550)	(5,418,224)	(5,190,401)	(5,902,034)	(6,224,188)	(6,224,188)	(6,484,127)	(6,680,169)	(7,110,934)
Finance charges	(177,110)	(201,286)	(205,274)	(190,534)	(191,198)	(191,198)	(181,344)	(170,937)	(164,351)
Transfers and Grants	(34,581)	(40,896)	(83,564)	(86,337)	(93,034)	(93,034)	(91,490)	(96,950)	(102,737)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>1,056,496</b>	<b>1,964,969</b>	<b>1,716,297</b>	<b>1,267,855</b>	<b>1,333,380</b>	<b>1,333,380</b>	<b>1,445,779</b>	<b>1,617,860</b>	<b>1,785,030</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipts									
Proceeds on disposal of PPE	2,250								
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables		19,777	9,779						
Decrease (increase) in non-current investments									
Payments									
Capital assets	(1,641,999)	(1,176,458)	(1,267,291)	(1,175,468)	(1,630,508)	(1,630,508)	(1,276,757)	(1,422,420)	(1,502,838)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(1,639,749)</b>	<b>(1,156,681)</b>	<b>(1,257,512)</b>	<b>(1,175,468)</b>	<b>(1,630,508)</b>	<b>(1,630,508)</b>	<b>(1,276,757)</b>	<b>(1,422,420)</b>	<b>(1,502,838)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Short term loans					-				
Borrowing long term/refinancing	470,000				-				
Increase (decrease) in consumer deposits					2,935	2,935	-	-	-
Payments									
Repayment of borrowing	(88,859)	(77,058)	(97,444)	(105,159)	(105,159)	(105,159)	(112,968)	(104,093)	(93,920)

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
NET CASH FROM/(USED) FINANCING ACTIVITIES	381,141	(77,058)	(97,444)	(105,159)	(102,224)	(102,224)	(112,968)	(104,093)	(93,920)
NET INCREASE/ (DECREASE) IN CASH HELD	(202,112)	731,230	361,342	(12,773)	(399,353)	(399,353)	56,054	91,347	188,272
Cash/cash equivalents at the year begin:	629,770	427,657	1,158,887	970,137	1,520,229	1,520,229	1,120,877	1,176,931	1,268,278
Cash/cash equivalents at the year end:	427,657	1,158,887	1,520,229	957,364	1,120,877	1,120,877	1,176,931	1,268,278	1,456,550

For the 2014/15 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R1.18 billion to R1,46 billion in 2016/17.

**Table 36 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	427,657	1,158,887	1,520,229	957,364	1,120,877	1,120,877	1,176,931	1,268,278	1,456,550
Other current investments > 90 days	1,128	1,463	1,882	0	0	0	0	(0)	(0)
Non current assets - Investments	20	20	20	20	20	20	20	20	20
<b>Cash and investments available:</b>	<b>428,805</b>	<b>1,160,370</b>	<b>1,522,131</b>	<b>957,384</b>	<b>1,120,897</b>	<b>1,120,897</b>	<b>1,176,951</b>	<b>1,268,298</b>	<b>1,456,570</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	284,073	440,759	364,675	23,284	2,241	2,241	2,141	2,141	2,141
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	197,385	469,129	617,420	745,756	711,800	711,800	771,348	820,662	873,202
Other provisions									
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	446,052	593,375	47,000	51,300	49,600	49,600	49,600	51,600	53,600
<b>Total Application of cash and investments:</b>	<b>927,510</b>	<b>1,503,264</b>	<b>1,029,096</b>	<b>820,340</b>	<b>763,641</b>	<b>763,641</b>	<b>823,089</b>	<b>874,403</b>	<b>928,943</b>
<b>Surplus(shortfall)</b>	<b>(498,705)</b>	<b>(342,893)</b>	<b>493,036</b>	<b>137,044</b>	<b>357,256</b>	<b>357,256</b>	<b>353,862</b>	<b>393,895</b>	<b>527,627</b>

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R1,18 billion in the 2014/15 financial year and increases to R1,46 billion in 2016/17. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – unspent grant funding is anticipated over the 2014/15 MTREF.

- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

For the purposes of the cash backed reserves and accumulated surplus reconciliation, a provision equivalent to one month's operational expenditure has been provided for. The desired cash levels are, however, two months' operational expenditure in order to ensure the continued liquidity of the Municipality. Any underperformance in relation to debtor collections could place upward pressure on the Municipality's ability to meet its commitments.

- Reserves must be cash backed in order to support the budget. The reserves requiring cash backing, includes the Self Insurance Fund and COID.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects surpluses of R353,9 million, R393,9 million and R527,6 million for the 2014/15, 2015/16 and 2016/17 financial years, respectively.

It is to be noted that the 2014/15 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, not at the required level.

### 2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15
<b>Funding measures</b>										
Cash/cash equivalents at the year end - R'000	427,657	1,158,887	1,520,229	957,364	1,120,877	1,120,877	1,176,931	1,268,278	1,456,550	
Cash + investments at the yr end less applications - R'000	(52,653)	250,482	540,036	137,044	357,256	357,256	353,862	393,895	527,627	
Cash year end/monthly employee/supplier payments	0.9	2.3	3.0	1.8	2.0	2.0	2.0	2.1	2.3	
Surplus/(Deficit) excluding depreciation offsets: R'000	56,036	357,885	854,664	1,225,967	1,802,140	1,802,140	1,182,397	1,236,193	1,397,012	
Service charge rev % change - macro CPIX target exclusive	N.A.	(0.3%)	6.1%	7.0%	(7.3%)	(6.0%)	2.8%	2.7%	2.9%	
Cash receipts % of Ratepayer & Other revenue	115.4%	105.7%	86.9%	88.0%	88.5%	88.5%	87.1%	87.0%	86.8%	
Debt impairment expense as a % of total billable revenue	13.1%	7.1%	8.7%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Capital payments % of capital expenditure	108.2%	104.5%	106.0%	103.5%	102.5%	102.5%	95.1%	97.8%	98.4%	
Borrowing receipts % of capital expenditure (excl. transfers)	46.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Grants % of Govt. legislated/gazetted allocations							100.0%	100.0%	100.0%	
Current consumer debtors % change - incr(decr)	N.A.	(0.8%)	14.9%	(5.9%)	4.9%	0.0%	6.0%	6.0%	6.0%	
Long term receivables % change - incr(decr)	N.A.	(32.2%)	(23.4%)	62.0%	(38.3%)	0.0%	0.0%	0.0%	0.0%	
R&M % of Property Plant & Equipment	3.5%	3.6%	3.7%	4.3%	4.7%	4.7%	4.5%	4.6%	4.8%	

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Asset renewal % of capital budget	83.2%	35.4%	50.9%	60.3%	52.7%	52.7%	55.8%	51.7%	52.9%

Below is a discussion of the different measures.

#### **2.6.5.1 Cash/cash equivalent position**

The forecasted cash and cash equivalents for the 2014/15 MTREF amounts to R1,18 billion, R1.27 billion and R1,46 billion for the respective financial years.

#### **2.6.5.2 Cash plus investments less application of funds**

For the 2014/15, 2015/16 and 2016/17 budgets, the available cash and investments exceed the application of funds by an amount of R353,9 million, R393,9 million and R527,6 million respectively.

#### **2.6.5.3 Monthly average payments covered by cash or cash equivalents**

As part of the 2014/15 MTREF, the cash position causes the ratio to move from 2,0 to 2,3.

#### **2.6.5.4 Surplus/deficit excluding depreciation offsets**

For the 2014/15 MTREF the indicative outcome is a surplus of R1.18 billion, R1.24 billion and R1,39 billion. The surplus is made up as follows:

	2014/15	2015/16	2016/17
	R	R	R
Operating Budget Surplus (Deficit)	(234 139)	(169 727)	21 892
Capital Grants (Transfers)	846 775	1 035 700	1 031 705
Depreciation Offsets	569 761	370 220	343 415
<b>Total</b>	<b>1 182 397</b>	<b>1 236 193</b>	<b>1 397 012</b>

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

#### **2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target**

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 6 %), so as to determine the real increase in revenue. The percentage growth totals 2.8%, 2.7% and 2,9% for the respective financial years of the 2014/15 MTREF. The real increases in revenue are more or less in line with the inflation target figures.

#### **2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue**

The outcome is approximately 87% for each of the respective financial years.

#### **2.6.5.7 Debt impairment expense as a percentage of billable revenue**

The provision has been set at 6% over the MTREF, in line with the revenue collection trends.

#### **2.6.5.8 Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

### 2.6.5.9 *Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

No borrowing has been planned for the 2014/15 MTREF.

### 2.6.5.10 *Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

### 2.6.5.11 *Repairs and maintenance expenditure level*

The expenditure constitutes 4,5% of Property, Plant and Equipment, whilst National Treasury has suggested an 8% level.

### 2.6.5.12 *Asset renewal/rehabilitation expenditure level*

The expenditure constitutes 55.8% of the capital budget, whilst National Treasury has suggested a 40% level.

## 2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

### GRANTS RECEIVED

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	800,396	741,943	973,826	884,853	968,496	968,496	1,317,135	982,182	996,844
Local Government Equitable Share	602,883	656,653	729,226	743,325	743,325	743,325	761,606	771,725	785,837
Energy Efficiency and Demand Management	25,000	10,000	-	8,000	12,000	12,000	10,000	10,000	10,000
EPWP Incentive		0	14,696	20,885	20,885	20,885	13,439		
Public Transport Network Operations	-	0	0	100,000	100,000	100,000	130,000	150,000	150,000
Finance Management	1,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,300
Infrastructure Skills Development		5,000	2,300	8,200	8,200	8,200	8,000	8,500	9,000
Intergrated City Development Grant				3,193	3,193	3,193	4,133		
Water Demand Management	12,729	2,000	4,999						
Afcon 2013			15,923						
Municipal Disaster Recovery Grant			6,730		71,961	71,961			
Municipal Human Settlements Capacity Grant							37,707	37,707	37,707
Human Settlements Development Grant							348,000		
Urban Settlements Development Grant					6,170	6,170			

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16
LGSETA		-			0	0	0	0	0
Other	30,784				1,512	1,512	3,000	3,000	3,000
Integrated Public Transport Systems	128,000	67,040	198,702						
Provincial Government:	369,328	411,846	405,139	221,564	402,950	402,950	8,752	3,752	3,752
Libraries	4,500	5,747	3,752	3,752	3,752	3,752	3,752	3,752	3,752
Housing	310,689	307,605	333,162	206,900	372,376	372,376	-		
Health subsidy	50,139	93,495	63,338						
Housing Accreditation	4,000	5,000	4,887	9,352	19,997	19,997			
Institutional Support Grant			-	1,500	1,500	1,500			
Department of education - School Water Leaks			-						
Municipal Disaster Relief Grant			-						
DWA (Swartkops Monitoring)					265	265			
DRPW (Maintenance of Road)					5,000	5,000	5,000		
Vuna Awards				60	60	60			
Other	0								
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	23,196	2,695	32,010	-	1,472	1,472	1,262	421	-
Donor Management	-	-							
National Lotteries	18,949								
Columbia University	3,582	2,626							
European Funding Grant	643	68	32,010						
Marine and Coastal Management	-	-	-		630	630	420		
Carnegies Corporation Grant	23								
SBSA	-								
Groen Sebenza ( SANBI)					842	842	842	421	
SALA/ IDA	-	-	-						
				1,106,417	1,372,918	1,372,918	1,327,149	986,355	1,000,596
Total Operating Transfers and Grants	1,192,921	1,156,484	1,410,975						
<u>Capital Transfers and Grants</u>									
National Government:	577,220	1,245,586	772,062	849,186	899,668	899,668	965,324	1,180,698	1,235,287
Urban Settlements Development Grant	185,532	502,626	593,000	727,986	721,816	721,816	828,863	858,144	903,625
Public Transport Infrastructure Grant	300,333	252,960	100,000		85,000	85,000	100,000	234,000	250,000
Neighborhood Development Partnership Grant	68,697	15,000	64,062	70,000	39,267	39,267	18,461	60,554	63,662
Integrated National Electrification Grant		-	-	51,200	53,585	53,585	18,000	28,000	18,000

Description				Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	2010/11	2011/12	2012/13	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	–	450,000							
Drought Relief Grant	Audited Outcome	Audited Outcome	Audited Outcome						
2010 Soccer World Cup Stadium	2,658,193								
Municipal Infrastructure Grant									
DME	20,000	25,000	15,000						
Other capital transfers/grants	–								
Provincial Government:	–	–	–	–	–	–	–	–	–
Other capital transfers/grants									
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	577,220	1,245,586	772,062	849,186	899,668	899,668	965,324	1,180,698	1,235,287
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>1,770,141</b>	<b>2,402,070</b>	<b>2,183,037</b>	<b>1,955,603</b>	<b>2,272,586</b>	<b>2,272,586</b>	<b>2,292,473</b>	<b>2,167,053</b>	<b>2,235,883</b>

## GRANTS EXPENDITURE

Description				Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	2010/11	2011/12	2012/13	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
<b>EXPENDITURE:</b>									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	764,532	752,449	968,630	885,071	984,986	984,986	1,317,135	982,182	996,844
Local Government Equitable Share	602,883	656,653	729,226	743,325	743,325	743,325	761,606	771,725	785,837
Energy Efficiency and Demand Management Grant	9,115	25,506	–	8,000	12,000	12,000	10,000	10,000	10,000
Public Transport Network Operations	–	0	0	100,000	100,000	100,000	130,000	150,000	150,000
Finance Management	1,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,300
Infrastructure Skills Development			3,800	8,200	10,500	10,500	8,000	8,500	9,000
LGSETA	–	–	–		9,006	9,006	3,000	3,000	3,000
Intergrated City Development				3,193	3,193	3,193	4,133		
Water Demand Management	12,729	2,000	4,999						
Afcon 2013			15,923						
Urban Settlements Development Grant					6,170	6,170			
Municipal Disaster Recovery Grant			6,730		71,961	71,961			
Human Settlements Development Grant							37,707	37,707	37,707
Municipal Human Settlements Capacity Grant							348,000		

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16
Other	10,805	0	0)	218					
EPWP			8,000	20,885	27,581	27,581	13,439		
Integrated Public transport System	128,000	67,040	198,702						
Provincial Government:	410,351	415,503	397,922	221,564	429,613	429,613	8,752	3,752	3,752
Libraries	4,500	5,747	3,752	3,752	3,752	3,752	3,752	3,752	3,752
Housing	347,193	309,419	317,257	206,900	397,146	397,146			
Health Subsidy	43,339	94,699	63,374						
Housing Accreditation	2,252	5,585	9,766	9,352	19,997	19,997			
Institutional Support Grant				1,500	1,500	1,500			
Municipal Disaster Relief Grant			-						
DWA (Swartkops Monitoring)					265	265			
DRPW (Maintenance of Roads)					5,000	5,000	5,000		
Vuna Awards				60	60	60			
Other	13,067	53	3,774		1,893	1,893			
District Municipality:	-	-	-	-	-	-	-	-	-
Other grant providers:	61,695	6,727	(150)	10,345	20,286	20,286	1,372	421	-
Donor Management									
National lotteries	13,344	-							
Columbia University	3,582	2,626	-	3,141	5,605	5,605			
European Funding Grant	11,595	2,546	413	5,214	12,603	12,603			
Marine and Coastal Management		-	-		766	766	420		
Carnegies Corporation Grant	865								
SBSA		-							
SALA/ IDA		-	-		470	470	110		
Groen Sebenza (SANBI)					842	842	842	421	
Other	32,310	1,554	(563)	1,990					
Total operating expenditure of Transfers and Grants:	1,236,578	1,174,679	1,366,403	1,116,980	1,434,885	1,434,885	1,327,259	986,355	1,000,596
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	443,450	1,035,270	892,719	809,186	1,171,690	1,171,690	965,324	1,180,698	1,235,287
Urban Settlements Development Grant	181,534	503,704	593,216	727,986	721,816	721,816	828,863	858,144	903,625



Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year	76,885	23,393	19,362	14,278	19,192	19,192	378	268	268	
Current year receipts	23,196	2,695	32,010		1,971	1,971	1,262	421	-	
Conditions met - transferred to revenue	61,695	6,726	(150)	10,344	20,785	20,785	1,372	421	-	
Conditions still to be met - transferred to liabilities	38,386	19,362	51,522	3,934	378	378	268	268	268	
Total operating transfers and grants revenue	1,236,578	1,174,678	1,366,403	1,116,979	1,435,385	1,435,385	1,327,259	986,355	1,000,596	
Total operating transfers and grants - CTBM	95,311	41,681	86,253	12,564	2,241	2,241	2,131	2,131	2,131	
Capital transfers and grants:										
National Government:										
Balance unspent at beginning of the year	54,992	188,762	399,078		272,022	272,022				
Current year receipts	577,220	1,245,586	772,062	849,186	899,668	899,668	965,324	1,180,698	1,235,287	
Conditions met - transferred to revenue	443,450	1,035,270	892,719	849,186	1,171,690	1,171,690	965,324	1,180,698	1,235,287	
Conditions still to be met - transferred to liabilities	188,762	399,078	278,422							
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year	11,015	-	-	18,421	21,700	21,700	-	-	-	
Current year receipts	-	-	-				-	-	-	
Conditions met - transferred to revenue	11,015	-	-	7,700	21,700	21,700	-	-	-	
Conditions still to be met - transferred to liabilities				10,721			-	-	-	
Total capital transfers and grants revenue	454,465	1,035,270	892,719	856,886	1,193,390	1,193,390	965,324	1,180,698	1,235,287	
Total capital transfers and grants - CTBM	188,762	399,078	278,422	10,721	-	-	-	-	-	
TOTAL TRANSFERS AND GRANTS REVENUE	1,691,043	2,209,948	2,259,121	1,973,865	2,628,775	2,628,775	2,292,583	2,167,053	2,235,883	
TOTAL TRANSFERS AND GRANTS - CTBM	284,073	440,759	364,675	23,285	2,241	2,241	2,131	2,131	2,131	



Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Total Non-Cash Transfers To Entities/Ems'	-	-	-	-	-	-	-	-	-	-
<u>Non-Cash Transfers to other Organs of State</u>										
Total Non-Cash Transfers To Other Organs Of State:	-	-	-	-	-	-	-	-	-	-
<u>Non-Cash Grants to Organisations</u>										
Total Non-Cash Grants To Organisations	-	-	-	-	-	-	-	-	-	-
<u>Groups of Individuals</u>										
<i>Indigent consumers</i>	265,134			314,933	310,287	310,287	310,287	348,563	383,944	423,399
Total Non-Cash Grants To Groups Of Individuals:	265,134	-	-	314,933	310,287	310,287	310,287	348,563	383,944	423,399
TOTAL NON-CASH TRANSFERS AND GRANTS	265,134	-	-	314,933	310,287	310,287	310,287	348,563	383,944	423,399
TOTAL TRANSFERS AND GRANTS	230,553	40,896	38,400	401,269	402,149	402,149	402,149	440,053	480,894	526,136

## 2.9 COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

### COUNCILLORS & BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Summary of Employee and Councillor remuneration	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>									
Basic Salaries and Wages	43,840	48,591	50,973	55,002	53,723	53,723	57,752	62,372	67,674
Pension and UIF Contributions									
Medical Aid Contributions									
Motor Vehicle Allowance									
Cellphone Allowance	1,382	1,513	1,604	1,733	2,567	2,567	2,760	2,980	3,234
Housing Allowances									
Other benefits and allowances			432	464	432	432	464	502	544
Sub Total - Councillors	45,222	50,104	53,010	57,199	56,722	56,722	60,976	65,854	71,452
% increase		10.8%	5.8%	7.9%	(0.8%)	-	7.5%	8.0%	8.5%
<u>Senior Managers of the Municipality</u>									
Basic Salaries and Wages	11,845	9,150	8,286	24,811	11,735	11,735	23,930	25,844	28,041

Summary of Employee and Councillor remuneration  R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Pension and UIF Contributions									
Medical Aid Contributions									
Overtime									
Performance Bonus	162	740	36	1,988	1,559	1,559	3,359	3,628	3,936
Motor Vehicle Allowance									
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
<b>Sub Total - Senior Managers of Municipality</b>	<b>12,006</b>	<b>9,890</b>	<b>8,322</b>	<b>26,799</b>	<b>13,294</b>	<b>13,294</b>	<b>27,288</b>	<b>29,472</b>	<b>31,977</b>
% increase		(17.6%)	(15.9%)	222.0%	(50.4%)	-	105.3%	8.0%	8.5%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	1,067,050	1,138,808	1,108,330	1,316,889	1,293,467	1,293,467	1,446,805	1,563,801	1,699,214
Pension and UIF Contributions	168,538	184,609	189,088	194,001	211,190	211,190	224,349	245,003	266,460
Medical Aid Contributions	92,186	101,949	106,482	111,013	110,189	110,189	120,108	129,717	140,742
Overtime	72,264	74,052	83,919	77,963	87,110	87,110	94,108	102,998	111,805
Performance Bonus	16,417	18,916	19,489	21,187	21,816	21,816	23,538	25,305	27,306
Motor Vehicle Allowance	46,307	52,877	57,684	53,733	60,082	60,082	64,396	69,505	75,354
Cellphone Allowance	44	41	33	40	32	32	34	37	40
Housing Allowances	8,266	8,046	7,325	7,264	6,657	6,657	6,619	7,149	7,757
Other benefits and allowances	82,688	97,955	76,786	67,658	81,843	81,843	83,675	89,445	96,918
Payments in lieu of leave	37,147	28,692	(31,983)	11,056	11,056	11,056	11,885	12,836	13,927
Long service awards	26,592	29,586	32,089	30,679	35,258	35,258	33,142	35,029	37,962
Post-retirement benefit obligations	277,012	285,301	58,201	45,086	45,086	45,086	48,467	52,345	53,794
<b>Sub Total - Other Municipal Staff</b>	<b>1,894,511</b>	<b>2,020,832</b>	<b>1,707,443</b>	<b>1,936,568</b>	<b>1,963,786</b>	<b>1,963,786</b>	<b>2,157,126</b>	<b>2,333,169</b>	<b>2,531,278</b>
% increase		6.7%	(15.5%)	13.4%	1.4%	-	9.8%	8.2%	8.5%
<b>Total Parent Municipality</b>	<b>1,951,740</b>	<b>2,080,826</b>	<b>1,768,775</b>	<b>2,020,566</b>	<b>2,033,801</b>	<b>2,033,801</b>	<b>2,245,390</b>	<b>2,428,495</b>	<b>2,634,706</b>
		6.6%	(15.0%)	14.2%	0.7%	-	10.4%	8.2%	8.5%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>1,951,740</b>	<b>2,080,826</b>	<b>1,768,775</b>	<b>2,020,566</b>	<b>2,033,801</b>	<b>2,033,801</b>	<b>2,245,390</b>	<b>2,428,495</b>	<b>2,634,706</b>
% increase		6.6%	(15.0%)	14.2%	0.7%	-	10.4%	8.2%	8.5%
<b>TOTAL MANAGERS AND STAFF</b>	<b>1,906,518</b>	<b>2,030,722</b>	<b>1,715,765</b>	<b>1,963,367</b>	<b>1,977,080</b>	<b>1,977,080</b>	<b>2,184,415</b>	<b>2,362,641</b>	<b>2,563,254</b>

**DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS**

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
<b><u>Councillors</u></b>						
Speaker	964,550		48,830			1,013,380
Chief Whip	904,260		26,300			930,560
Executive Mayor	1,205,680		48,830			1,254,510
Deputy Executive Mayor	964,550		48,830			1,013,380
Executive Committee	8,982,300		263,030			9,245,330
Total for all other councillors	44,730,620		2,788,130			47,518,750
<b>Total Councillors</b>	<b>57,751,960</b>	<b>-</b>	<b>3,223,950</b>			<b>60,975,910</b>
<b><u>Senior Managers of the Municipality</u></b>						
Municipal Manager (MM)	2,150,000			301,000		2,451,000
Chief Operating Officer	1,935,000			270,900		2,205,900
Chief Financial Officer	1,720,000			240,800		1,960,800
Executive Director : Corporate Svices	1,720,000			240,800		1,960,800
Executive Director : Sports, Recreation and Cultural Services	1,720,000			240,800		1,960,800
Executive Director : Public Health	1,720,000			240,800		1,960,800
<i>List of each official with packages &gt;= senior manager</i>						
Executive Director : Economic Development Services	1,720,000			240,800		1,960,800
Executive Director : Electricity and Energy	1,720,000			240,800		1,960,800
Executive Director : Safety and Security	1,720,000			240,800		1,960,800
Executive Director : Human Settlements	1,720,000			240,800		1,960,800
Executive Director : Infrastructure and Engineering	1,720,000			240,800		1,960,800
Executive Director : Special Programmes	1,720,000			240,800		1,960,800
Mayoral Support Contract Employee	1,201,520			176,850		1,378,370
Mayoral Support Contract Employee	1,443,150			202,050		1,645,200
<b>Total Senior Managers of the Municipality</b>	<b>23,929,670</b>	<b>-</b>	<b>-</b>	<b>3,358,800</b>		<b>27,288,470</b>
<b><u>A Heading for Each Entity</u></b>						
List each member of board by designation						-
						-
<b>Total for municipal entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>81,681,630</b>	<b>-</b>	<b>3,223,950</b>	<b>3,358,800</b>		<b>88,264,380</b>

## 2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16
<b>Cash Receipts By Source</b>													1		
Property rates	109,008	106,413	102,286	117,742	94,676	100,829	90,889	101,673	96,549	101,502	100,175	101,454	1,223,197	1,346,009	1,487,857
Property rates - penalties & collection charges													-		
Service charges - electricity revenue	246,523	269,687	367,523	289,879	235,100	217,099	216,379	215,781	214,836	216,824	222,050	239,171	2,950,851	3,169,076	3,403,440
Service charges - water revenue	37,698	40,359	56,796	47,161	38,707	35,609	35,571	36,117	35,570	31,823	31,759	32,380	459,551	510,102	566,213
Service charges - sanitation revenue	20,323	22,694	29,354	25,323	22,222	20,442	20,421	20,703	20,421	20,421	20,421	21,994	264,740	293,862	326,186
Service charges - refuse revenue	10,172	10,823	14,489	12,436	10,418	9,664	9,655	9,469	11,067	9,673	10,689	12,102	130,657	145,030	160,983
Service charges - other													-		
Rental of facilities and equipment	1,768	1,755	1,761	1,723	1,780	1,748	1,749	1,716	1,788	1,788	1,888	2,060	21,524	22,759	23,928
Interest earned - external investments	8,973	5,977	5,821	7,019	4,857	4,734	3,557	3,357	4,757	4,500	4,500	5,141	63,192	66,171	69,286
Interest earned - outstanding debtors													-		
Dividends received													-		
Fines	2,621	2,801	2,657	2,687	2,708	2,842	3,125	3,011	3,587	3,656	3,622	3,519	36,836	39,062	41,423
Licences and permits	830	921	946	938	982	895	1,054	938	906	932	993	1,029	11,365	12,046	12,769
Agency services	130	130	130	130	132	132	132	132	132	132	132	131	1,575	1,669	1,769
Transfer receipts - operational	406,926	23,213	41,429	66,506	279,450	100,088	115,698	29,976	152,659	38,719	38,719	33,766	1,327,149	986,355	1,000,596
Other revenue	17,985	183,892	49,368	53,348	30,350	196,996	6,777	6,526	147,021	19,607	19,607	15,303	746,778	793,076	833,312
<b>Cash Receipts by Source</b>	<b>862,959</b>	<b>668,666</b>	<b>672,561</b>	<b>624,892</b>	<b>721,381</b>	<b>691,078</b>	<b>505,007</b>	<b>429,399</b>	<b>689,293</b>	<b>449,577</b>	<b>454,555</b>	<b>468,049</b>	<b>7,237,416</b>	<b>7,385,219</b>	<b>7,927,764</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	138,794	-	17,053	-	363,993	-		175,829	269,655			0	965,324	1,180,698	1,235,287
Contributions recognised - capital & Contributed assets													-		
Proceeds on disposal of PPE													-		
Short term loans													-		
Borrowing long term/refinancing													-		
Increase (decrease) in consumer deposits													-		

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Decrease (Increase) in non-current debtors													-			
Decrease (increase) other non-current receivables													-			
Decrease (increase) in non-current investments													-			
<b>Total Cash Receipts by Source</b>	<b>1,001,752</b>	<b>668,666</b>	<b>689,614</b>	<b>624,892</b>	<b>1,085,374</b>	<b>691,078</b>	<b>505,007</b>	<b>605,228</b>	<b>958,948</b>	<b>449,577</b>	<b>454,555</b>	<b>468,049</b>	<b>8,202,740</b>	<b>8,565,917</b>	<b>9,163,051</b>	
<b>Cash Payments by Type</b>																
Employee related costs	167,247	172,296	171,383	172,476	229,894	202,214	170,305	179,643	178,927	178,867	178,810	180,056	2,182,118	2,360,007	2,560,232	
Remuneration of councillors	4,732	4,732	4,732	4,732	4,732	4,732	6,777	5,141	5,141	5,141	5,141	5,240	60,976	65,854	71,452	
Finance charges	37,072	-	25,204	-	22,604	6,272	37,183		24,061			22,351	181,344	170,937	164,351	
Bulk purchases - Electricity	252,461	291,993	272,706	161,463	165,357	163,936	144,510	163,036	162,627	164,164	165,271	161,859	2,269,383	2,456,538	2,654,475	
Bulk purchases - Water & Sewer	7,668	6,461	6,028	8,000	6,003	6,853	5,203	10,160	8,522	7,054	9,479	10,598	92,027	103,054	115,351	
Other materials	25,299	51,213	45,635	66,168	60,744	65,319	42,454	42,481	49,287	48,790	45,440	64,976	607,807	648,477	697,202	
Contracted services	42,548	44,027	36,198	23,217	23,313	31,845	25,265	21,316	27,525	26,559	25,593	30,323	357,729	412,476	433,104	
Transfers and grants - other municipalities	-	-	-	-	-	-							-			
Transfers and grants - other	3,207	1,146	72	16,968	7,913		2,678	20,634	20,593	1,967		16,313	91,490	96,950	102,737	
Other expenditure	139,173	85,788	81,620	92,033	76,732	112,842	54,177	48,932	54,837	54,224	56,006	57,724	914,087	633,763	579,117	
<b>Cash Payments by Type</b>	<b>679,407</b>	<b>657,654</b>	<b>643,579</b>	<b>545,057</b>	<b>597,293</b>	<b>594,013</b>	<b>488,551</b>	<b>491,343</b>	<b>531,521</b>	<b>486,767</b>	<b>508,091</b>	<b>533,684</b>	<b>6,756,961</b>	<b>6,948,056</b>	<b>7,378,021</b>	
<b>Other Cash Flows/Payments by Type</b>																
Capital assets	56,128	61,496	82,969	90,872	73,355	90,920	122,675	125,779	149,874	155,105	215,436	52,149	1,276,757	1,422,420	1,502,838	
Repayment of borrowing	15,312	-	20,360	-	5,165	15,000	15,201		21,503			5,428	112,968	104,093	93,920	
Other Cash Flows/Payments													-			
<b>Total Cash Payments by Type</b>	<b>750,847</b>	<b>719,150</b>	<b>746,908</b>	<b>635,929</b>	<b>675,813</b>	<b>699,933</b>	<b>626,437</b>	<b>617,122</b>	<b>702,897</b>	<b>641,872</b>	<b>728,955</b>	<b>600,834</b>	<b>8,146,686</b>	<b>8,474,569</b>	<b>8,974,779</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>250,906</b>	<b>(50,485)</b>	<b>(57,294)</b>	<b>(11,037)</b>	<b>409,561</b>	<b>(8,856)</b>	<b>(121,420)</b>	<b>(11,893)</b>	<b>256,051</b>	<b>(192,295)</b>	<b>(274,400)</b>	<b>(132,785)</b>	<b>56,054</b>	<b>91,347</b>	<b>188,272</b>	
Cash/cash equivalents at the month/year begin:	1,120,877	1,371,783	1,321,298	1,264,004	1,252,967	1,662,528	1,653,672	1,532,253	1,520,359	1,776,411	1,584,115	1,309,716	1,120,877	1,176,931	1,268,278	
Cash/cash equivalents at the month/year end:	1,371,783	1,321,298	1,264,004	1,252,967	1,662,528	1,653,672	1,532,253	1,520,359	1,776,411	1,584,115	1,309,716	1,176,931	1,176,931	1,268,278	1,456,550	



### Contracts Impacting on the Municipality's Expenditure

No contracts exceeding the R5 million limit in respect of MFMA section 33 expenditure.

	Description of lease	Start of contract	End of contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1	ABSA Bank Ltd – Primary Bank account	01-07-12	30-06-17		5 years						

### 2.13 LEGISLATION COMPLIANCE STATUS

Below a discussion of the Municipality's progress relating to the implementation of the MFMA:

#### Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an ongoing basis through reporting via its Committees, including the following:

- The City Manager's Management Team includes all Executive Directors, which meets fortnightly and attends to MFMA issues requiring attention.
- The Budget and Treasury Committee – a standing committee of the Council, which meets every six weeks. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the City Manager, Acting COO and Acting CFO to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

#### IDP

A draft revised 2014/15 IDP has been developed, which will be considered at a Council meeting scheduled for 27 March 2014. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

#### Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

#### Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2012/13 Annual Report was tabled in January 2014.

### Oversight Report

The Municipal Public Accounts Committee has considered the 2012/13 annual report. Its Oversight Report will be considered at a Council meeting scheduled for 27 March 2014.

### In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

### Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of an Acting CFO and municipal officials reporting to the Acting CFO. The Municipality has now appointed a CFO, who will assume duty on 1 April 2014.

### Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

### Internal Audit Function

The Municipality has an Internal Audit sub-directorate reporting to the City Manager and operating in accordance with an audit plan.

In relation to the 2013/14 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Addressing the qualified audit opinion expressed by the Auditor-General (AG) in relation to the 2012/13 Financial Statements. An action plan has been developed to address any shortcomings. Implementation of the plan is monitored by the City Manager in the first instance.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

### Internship Programme

The Municipality currently has six Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. All but two of the Municipality's previous Interns, have been appointed in permanent positions within the Municipality. The Interns undergo training in various sections of the Budget and Treasury Directorate and monthly meetings are held to assess their progress and to discuss their future assignments. All Interns have completed the National Treasury MFMA Learnership programme and four of the six Interns have completed the National Treasury

minimum competency programme. The remaining two Interns will complete the National Treasury minimum competency programme during the next phase.

#### **2.14 CAPITAL EXPENDITURE DETAILS**

A summary of the budgeted capital expenditure is reflected in **Annexure “A”**.

#### **2.15 MUNICIPAL MANAGER’S QUALITY CERTIFICATION**

##### **Quality Certificate**

**I, MPIOLO SAKILE MBAMBISA, Municipal Manager of Nelson Mandela Bay Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.**

**Print Name : MPIOLO SAKILE MBAMBISA**

**MUNICIPAL MANAGER OF NELSON MANDELA BAY MUNICIPALITY (EC000)**

**Signature : \_\_\_\_\_**

**Date : \_\_\_\_\_**