



2016/17 – 2018/19 BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

The Nelson Mandela Bay Municipality has completed its IDP Review Process for the 2016/17 Integrated Development Plan (IDP) strategically during a time when we, as a country, will be out for another period of local government elections, which is an important step in the democratic process. Although we have done so in line with the legislative requirements of the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA), the IDP is a five-year living document which correctly focuses mainly on the needs of our communities.

The central role played by our communities, Ward Committees, Ward Councillors, business formations and the NGOs is what is so vital in giving life to the IDP, as this gives concrete expression to the saying that together we can do more.

I am now expecting the administration to move with speed to conclude any areas that require attention during the period leading up to the final approval of the IDP and Budget on or before end May 2016. The attached documents relating to the IDP and draft Budget are the documents that are to be used as a basis for consideration leading up to final approval.

Working Together, We Can Do More!

**COUNCILLOR DA JORDAAN
EXECUTIVE MAYOR**



1.2 **COUNCIL RESOLUTIONS**

- (a) The Executive Mayor recommends that the Council resolves that:
1. The consolidated “draft” annual budget of the Nelson Mandela Bay Municipality for the financial year 2016/17 and the indicative allocations for the projected outer years 2017/18 and 2018/19; and the multi-year and single year capital appropriations be “adopted” for the purpose of complying with Chapter 4 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 read in conjunction with Municipal Budget and Reporting Regulations 32141 (dated 17 April 2009), as set-out in the following tables:
 - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 28]
 - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 30]
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 31]
 - 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 34]
 2. The budgeted financial position, 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 36]
 - 2.2 Budgeted Cash Flows; [Page 38]
 - 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 39]
 - 2.4 Asset management; [Page 40]
 - 2.5 Basic service delivery measurement. [Page 43]
 3. The consolidated budget that includes the financial impact of the municipal entity (Mandela Bay Development Agency) be adopted.
 4. The revised Integrated Development Plan (IDP) be approved, as reflected elsewhere in the agenda.
 5. Tariffs be increased as follows with effect from 1 July 2016:

Property rates	-	9.5%
Water	-	9.0% (pending final approval from DWA)
Sanitation	-	9.0%
Refuse	-	9.0%
Electricity	-	9.0% (pending final approval from NERSA)
 6. That Council notes that as tariff increases for services such Electricity and Water are depending on external factors, the tariffs to be proposed to Council on or before end May 2016, for approval may have to be amended.
 7. Indicative tariffs for 2017/18 and 2018/19 be increased as follows:

	<u>2017/18</u>	<u>2018/19</u>
Property rates	9.5%	9.5%
Water	9.0%	9.0%
Sanitation	9.0%	9.0%
Refuse	9.0%	9.0%
Electricity	9.0%	9.0%

8. That Council mandates the Acting City Manager together with the Chief Financial Officer to re-assess the draft tabled budget, together with inputs received from various sources relating to the budget including the MMC: Finance, during the period leading up to final approval of the budget (on or before end May 2016) in order to ascertain or assess as to how other institutional demands can be accommodated into the budget, without tampering with the recommended tariffs.

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 and securing external capacity to deal with revenue enhancement and the improvement of debt recovery.

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, 72,74,78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The Municipality faced the following significant challenges during the compilation of the 2016/17 MTREF:

- Budgeting for a surplus on the Operating Budget;
- Fully implementing cost containment measures and removing non-core expenditure items;
- Maintaining revenue collection rates at the targeted levels (i.e. 95%, 96% and 97% in years 1, 2 and 3);
- 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;
- Maintaining electricity and water losses at acceptable levels;
- A collective agreement to determine salary increases for the year 2015/16 was concluded after the completion and approval of the 2015/16 – 2017/18 budget and had some implications in the future years' projections;
- 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 and the associated maintenance phase;
- 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 declining cash position into account;
- Possibility for raising of loan for the Income Generating projects;
- The harmonisation of conditions of employment as it relates to the payment of Long Service Bonus.

The following budget principles and guidelines directly informed the compilation of the 2016/17 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 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 draft 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1 (Consolidated Overview of the 2016/17 MTREF)

R thousands	Adjustments Budget 2015/16	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Revenue	9,388,921	9,291,909	10,050,219	10,861,656
Total Operating Expenditure	9,321,591	9,203,309	9,804,953	10,295,213
Surplus/(Deficit)	67,330	88,600	245,266	566,444
Total Capital Expenditure	1,573,441	1,396,763	1,731,065	1,800,191

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Total operating revenue has decreased by 1.03% or R97.01 million for the 2016/17 financial year, compared to the 2015/16 Adjustments Budget. For the two outer years, operational revenue increases by 8.16% and 8.07% respectively, resulting in a total revenue growth of R1.47 billion over the MTREF, when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year amounts to R9.20 billion, resulting in a budgeted surplus of ~~R88.6~~ R87.85 million. Compared to the 2015/16 Adjustments Budget, operational expenditure decreased by ~~4.27~~ 1.26% in the 2015/16 Budget; and increased by 6.54% and 5.00% for each of the respective outer years of the MTREF. The 2017/18 and 2018/19 budgets reflect operating surpluses of ~~R245.27~~ R244.46 million and ~~R566.44~~ R565.59 million respectively.

The major operating expenditure items for 2016/17 are employee related costs (26.00%), bulk electricity and water purchases (33.42%), general expenses (12.00%), repairs and maintenance (4.46%) and depreciation and asset impairment (11.29%).

Funding for the 2016/17 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (52.99%), property rates (17.63%), grants and subsidies received from National and Provincial Governments (13.14%).

In order to support the 2016/17 Operating Budget, the following increase in rates and service charges are being proposed, with effect from 1 July 2016:

Property rates	-	9.50%
Water	-	9.00%
Sanitation	-	9.00%
Refuse	-	9.00%
Electricity	-	9.00%

The suggested tariffs for Water and Electricity may have to amended as they are affected by the external factors during the period leading up to the approval of the final budget (i.e. on or before 31 May 2016).

The capital budget of R1.39 billion for 2016/17 is 11.2% less than the 2015/16 Adjustments Budget. This is mainly attributable to reduction of the IPTS Grant which was reduced to zero in the 2016/17 financial year and re-instated for the two outer years. The Capital Budget increases to R1.73 billion in the 2017/18 financial year and then increases to R1.8 billion in the 2018/19 financial year. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies. A separate item that deals with the intention to raise loan for certain revenue generating projects will be tabled to Council in line with section 160 of the Constitution of the RSA Act read in conjunction with Chapter 6 of the MFMA.

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, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

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

- National Treasury's guidelines in this regard in terms of the relevant Circulars;
- 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 the following annual collection rates for property rates and service charges: -
 - 2016/17 – 95%
 - 2017/18 – 96%
 - 2018/19 – 97%
- Growth in the revenue base.

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

Table 2 (Summary of main revenue sources)

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	1,058,523	1,205,526	1,332,135	1,504,945	1,570,445	1,570,445	1,570,445	1,638,304	1,793,987	1,964,462
Service charges - electricity revenue	2,819,710	2,873,802	3,077,764	3,519,222	3,519,222	3,519,222	3,519,222	3,784,445	4,085,182	4,409,722
Service charges - water revenue	430,698	505,420	519,528	639,699	639,699	639,699	639,699	594,470	647,973	706,290
Service charges - sanitation revenue	273,384	308,365	323,716	436,338	451,838	451,838	451,838	383,953	418,509	456,175
Service charges - refuse revenue	109,483	124,745	130,907	222,076	225,664	225,664	225,664	161,097	175,601	191,410
Rental of facilities and equipment	16,555	19,459	17,897	23,342	23,400	23,400	23,400	23,531	25,019	26,973
Interest earned - external investments	68,058	83,222	83,294	70,145	82,070	82,070	82,070	92,295	96,479	100,493
Interest earned - outstanding debtors	166,835	217,637	151,050	159,327	159,307	159,307	159,307	168,865	178,997	189,737
Fines	28,892	61,409	39,644	11,861	226,837	226,837	226,837	242,441	259,078	276,748
Licences and permits	10,263	9,328	9,695	11,963	11,611	11,611	11,611	13,791	14,617	15,493
Agency services	1,909	2,095	2,246	2,428	2,428	2,428	2,428	2,574	2,728	2,892
Transfers recognised - operational	1,270,308	1,299,430	1,481,999	1,327,271	1,515,365	1,515,365	1,515,365	1,221,367	1,288,165	1,390,079
Other revenue	805,639	824,645	1,008,578	956,838	961,007	961,007	961,007	964,745	1,063,853	1,131,150
Gains on disposal of PPE	-	-	830		28	28	28	30	31	32
Total Revenue (excluding capital transfers and contributions)	7,060,255	7,535,084	8,179,284	8,885,456	9,388,921	9,388,921	9,388,921	9,291,909	10,050,219	10,861,656

Table 3 (Mix of main revenue sources)

Description	Current Year		2016/17 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source								
Property rates	1,570,445	16.73	1,638,304	17.63	1,793,987	17.85	1,964,462	18.09
Service charges - electricity revenue	3,519,222	37.48	3,784,445	40.73	4,085,182	40.65	4,409,722	40.60
Service charges - water revenue	639,699	6.81	594,470	6.40	647,973	6.45	706,290	6.50
Service charges - sanitation revenue	451,838	4.81	383,953	4.13	418,509	4.16	456,175	4.20
Service charges - refuse revenue	225,664	2.40	161,097	1.73	175,601	1.75	191,410	1.76
Rental of facilities and equipment	23,400	0.25	23,531	0.25	25,019	0.25	26,973	0.25
Interest earned - external investments	82,070	0.87	92,295	1.04	96,479	0.96	100,493	0.93
Interest earned - outstanding debtors	159,307	1.70	168,865	1.82	178,997	1.78	189,737	1.75
Fines	226,837	2.42	242,441	2.61	259,078	2.58	276,748	2.55
Licences and permits	11,611	0.12	13,791	0.15	14,617	0.15	15,493	0.14

Agency services	2,428	0.03	2,574	0.03	2,728	0.03	2,892	0.03
Transfers recognised - operational	1,515,365	16.14	1,221,367	13.14	1,288,165	12.82	1,390,079	12.80
Other revenue	961,007	10.24	964,745	10.38	1,063,853	10.59	1,131,150	10.41
Gains on disposal of PPE	28	0.00	30	0.00	31	0.00	32	0.00
Total Revenue (excluding capital transfers and contributions)	9,388,921	100.00	9,291,909	100.00	10,050,219	100.00	10,861,656	100.00
Total Revenue from Rates and Service Charges	6,406,868	68.24	6,562,269	70.62	7,121,252	70.86	7,728,059	71.15

In the 2015/16 financial year, rates and service charges amounted to R6.4 billion or 68.3%. This increases to R6.9 billion, R7.6 billion and R8.2 billion in the 2016/17, 2017/18 and 2018/19 financial years, respectively. A significant trend is the increase in the total percentage of revenue generated from rates and service charges, which increases from 68.3% in the 2015/16 Adjustments Budget to 72.4% in 2018/19. This growth is mainly attributable to increased electricity revenue, as a result of increases in the Eskom bulk electricity tariffs.

Property rates represent the second largest revenue source, amounting to 17.6% or R1,64 billion in 2016/17 and increasing to 18,1% or R1,96 billion in 2018/19.

Operating grants and transfers (third largest revenue source) amounted to R1.22 billion in the 2016/17 financial year and increases to R1.39 billion in 2018/19.

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	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:								
Operating Transfers and Grants								
National Government:	981,402	993,267	930,088	1,024,702	1,024,702	832,865	880,816	970,559
Local Government Equitable Share	729,226	742,909	761,606	774,616	774,616	798,043	843,509	921,857
Energy Efficiency and Demand Management		12,000	10,000	10,000	10,000		5,236	15,024
EPWP Incentive	14,696	20,885	13,439	8,664	8,664	8,496		
Public Transport Network Operations		100,000	62,500	150,000	150,000			
Finance Management	1,250	1,250	1,250	1,050	1,050	1,050	1,050	1,000
Infrastructure Skills Development	2,300	8,200	8,000	9,000	9,000	14,500	14,500	15,200
Integrated City Development		3,193	4,133	5,708	5,708	9,276	16,521	17,478
Municipal Disaster Recovery'		71,961			-			
Urban Settlements Development		6,170	25,700	51,317	51,317			
Municipal Human Settlements Capacity			37,707	9,847	9,847			
LGSETA	7,576	4,699	5,753	4,500	4,500	1,500		
Off- Grid Electrification		22,000						
Municipal Disaster	6,730							
Water Demand Management	4,999							
Integrated Public Transport System	198,702							
Afcon Cup and other	15,923							
Provincial Government:	405,349	521,611	245,100	323,144	423,182	357,000	373,922	391,927
Sport and Recreation	3,752	3,752	7,390	9,752	9,752	10,382	9,960	9,752
Health subsidy	63,338	6,627		1,957	4,500			
Human Settlements Development	333,162	484,581	225,002	310,905	401,152	346,056	363,359	381,527
Housing Accreditation	4,887	19,997	8,660					
DRPW(Maintenance of Roads)		5,699	3,398					
Vuna Awards		60						
Swartkops Monitoring		265						
Marine and Coastal Management	210	630	650	530	530	562	603	648
Other					7,248			
Other grant providers:	37,600	17,216	9,056	7,872	7,030	1,000	1,500	-
Lotteries		1,000						
EU Funding	32,010							
GroenSebenza (SANBI)		71	440	842				
Other Grant Providers	5,590	16,145	105					
IDC (MBDA)			-	2,500	2,500	1,000	1,500	
ECDC (MBDA)			3,110					
KFW (MBDA)			5,400	4,530	4,530			
Total Operating Transfers and Grants	1,424,351	1,532,094	1,184,244	1,355,719	1,454,915	1,190,865	1,256,238	1,362,486

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~~storm water services, etc.

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 2016.

The proposed property rates increase is mainly influenced by the following:

- Employee related costs increased by an average of 8% year-to-year based on the signed Collective Agreement;
- Costs of servicing existing external borrowing to fund roads and stormwater infrastructure;
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 78 and 79. Municipalities are encouraged to review the level and structure of their water tariffs to ensure that:

- 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.

In terms of paragraph 5.2 of National Treasury Circular 78 municipalities are urged to ensure that water tariffs are fully cost reflective. In this regard in instances where tariffs are not cost recovery based, a phased-in approach must 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 immediately implement it in the 2016/17 MTREF. Furthermore, National Treasury has availed technical assistance relating to the determination of fully cost reflective tariffs.

A tariff increase of 9% is proposed as from 1 July 2016. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by an average of 8%;
- The cost of bulk water purchases increased by 12.0%;
- 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 9.4% as from 1 July 2016. Considering the Eskom tariff increase, the Municipality's consumer tariffs has been set at 9.0% on average to offset the additional electricity bulk purchase costs as from 1 July 2016, in line with the NERSA tariff guidelines. This increase is subject to change as other processes must still follow.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by an average 8%;
- The cost of bulk electricity purchases increased by 9.4%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment of current loans.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 78 and 79 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 urged municipalities to ensure that sanitation tariffs are fully cost reflective. In this regard a phased-in approach must be undertaken to ensure that tariffs are fully cost reflective over the medium term, in case of any discrepancies. 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 2016/17 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 9% is proposed as from 1 July 2016. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by an average of 8%;
- 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

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. 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 2016/17 MTREF and a phasing-in approach is recommended. Furthermore, National Treasury has availed technical assistance relating to the determination of fully cost reflective tariffs.

The refuse collection and disposal service is currently operating on a break even basis. A tariff increase of 9% is proposed for the refuse collection and disposal service, as from 1 July 2016.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by an average of 8%;
- Costs of servicing existing external borrowing to fund refuse infrastructure;
- Providing for debt impairment.

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 at 9.14% with indigent households increasing by 9%. The increase in household bills is largely influenced by the electricity tariff increase.

Table 5 (Table SA14 – Household bills)

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
							% incr.			
Monthly Account for Household - 'MiddleIncomeRange'										
Rates and services charges:										
Property rates (Erf: 1000m2 ; 150m2 improvements)	682.11	744.45	815.17	892.61	892.61	892.61	9.50%	977.41	1,070.26	1,171.94
Electricity: Basic levy										
Electricity: Consumption(1000 Kwh)	1,108.07	1,154.03	1,244.15	1,395.94	1,395.94	1,395.94	9.00%	1,521.57	1,658.52	1,807.78
0 - 350	319.57	341.94	367.21	412.01	412.01	412.01	9.00%	449.08	489.52	533.56
351 – 600	272.50	291.57	313.12	351.32	351.32	351.32	9.00%	382.94	417.40	454.97
601 - 900	451.50	451.50	415.59	466.29	466.29	466.29	9.00%	508.26	554.00	603.86
901 - 1000	64.50	69.02	148.23	166.32	166.32	166.32	9.00%	181.29	197.60	215.39
Water: Basic levy	23.66	26.74	29.95	33.84	33.84	33.84	9.00%	36.89	40.21	43.82
							% incr.			
Water: Consumption (30 Kl)	223.74	252.83	283.17	319.98	319.98	319.98	9.00%	348.78	380.17	414.38
Sanitation	159.70	180.46	202.12	226.37	226.37	226.37	9.00%	246.74	268.95	293.16
Refuse removal	61.04	68.98	77.26	85.76	85.76	85.76	9.00%	93.48	101.89	111.06
Other										
Sub-total	2,258.33	2,427.49	2,651.82	2,954.50	2,954.50	2,954.50	9.15%	3,224.87	3,520.00	3,842.14
VAT on Services	220.67	235.63	257.13	288.67	288.67	288.67		314.64	342.96	373.83
Total large household bill:	2,479.00	2,663.12	2,908.95	3,243.17	3,243.17	3,243.17	9.14%	3,539.51	3,862.96	4,215.97
% increase/-decrease	17.1%	7.4%	9.23%	11.5%	11.5%	11.5%		9.14%	9.13%	9.14%
Monthly Account for Household - 'Affordable Range'										

Rates and services charges:										
Property rates rates (Erf: 300m2 ; 48m2 improvements)	176.73	192.88	211.20	231.26	231.26	231.26	9.50%	253.23	277.29	303.63
Electricity: Basic levy										
Electricity: Consumption (498 KwH)	480.89	514.55	552.58	619.99	619.99	619.99	9.00%	675.79	736.61	802.91
0 - 350	319.57	341.94	367.21	412.00	412.00	412.00	9.00%	449.08	489.51	533.56
351 - 498	161.32	172.61	185.37	207.99	207.99	207.99	9.00%	226.71	247.10	269.35
Water: Basic levy	23.66	26.74	29.95	33.84	33.84	33.84	9.00%	36.89	40.21	43.82
Water: Consumption (25KL)	186.46	210.70	235.98	266.66	266.66	266.66	9.00%	290.66	316.82	345.33
Sanitation	133.09	150.39	168.44	188.65	188.65	188.65	9.00%	205.63	224.14	244.31
Refuse removal	61.04	68.98	77.26	85.76	85.76	85.76	9.00%	93.48	101.89	111.06
Other										
Sub-total	1,061.88	1,164.24	1,275.41	1,426.16	1,426.16	1,426.16	9.08%	1,555.68	1,696.96	1,851.06
VAT on Services	123.92	135.99	148.99	167.29	167.29	167.29		182.34	198.75	216.64
Total small household bill:	1,185.80	1,300.23	1,424.40	1,593.45	1,593.45	1,593.45	9.07%	1,738.02	1,895.71	2,067.70
% increase/-decrease	9.5%	9.7%	9.6%	11.9%	11.9%	11.9%		9.07%	9.07%	9.07%
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates rates (Erf: 300m2 ; 48m2 improvements)	15.53	16.95	18.56	20.32	20.32	20.32	9.50%	22.25	24.36	26.68
Electricity: Basic levy										
Electricity: Consumption (60Kwh)	0	0	0	0	0	0	9.00%	0	0	0
Water: Basic levy	23.66	26.74	29.95	33.84	33.84	33.84	9.00%	36.89	40.21	43.82
Water: Consumption (6KL)	59.72	67.48	75.58	85.41	85.41	85.41	9.00%	93.10	101.48	110.61
Sanitation	58.61	66.23	74.18	83.08	83.08	83.08	9.00%	90.56	98.71	107.59
							% incr.			
Refuse removal	61.04	68.98	77.26	85.76	85.76	85.76	9.00%	93.48	101.89	111.06
Other										
Sub-total	218.56	246.38	275.53	308.41	308.41	308.41	9.04%	336.28	366.65	399.76
VAT on Services	28.42	32.12	35.98	40.33	40.33	40.33		43.96	47.92	52.23
Total small household bill:	246.98	278.50	311.51	348.74	348.74	348.74	9.03%	380.24	414.57	451.99
% increase/-decrease	-15.6%	12.8%	11.9%	12.0%	12.0%	12.0%		9.03%	9.03%	9.03%

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

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

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2016/17 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 2016/17 budget and MTREF (classified per main type of operating expenditure):

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

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
Expenditure By Type									
Employee related costs	1,724,614	1,761,674	2,176,075	2,289,517	2,260,427	2,260,427	2,392,963	2,585,920	2,790,541
Remuneration of councillors	53,010	55,918	58,161	64,429	63,286	63,286	67,716	72,456	77,528
Debt impairment	409,754	200,767	407,410	379,384	384,462	384,462	349,442	303,530	247,194
Depreciation & asset impairment	774,430	1,437,933	901,858	873,746	1,051,246	1,051,246	1,038,971	1,050,543	971,697
Finance charges	201,167	192,488	206,793	168,361	171,096	171,096	158,019	146,944	137,710
Bulk purchases	2,179,993	2,251,558	2,454,439	2,742,169	2,805,815	2,805,815	3,076,354	3,368,583	3,688,657
Other materials	472,823	490,120	555,643	524,729	515,143	515,143	410,834	444,532	478,892
Contracted services	373,895	288,984	323,685	333,353	463,364	463,364	552,944	580,045	612,307
Transfers and grants	18,783	20,048	25,691	430,509	420,244	420,244	52,469	55,048	57,782
Other expenditure	780,410	735,532	1,081,760	1,013,642	1,186,509	1,186,509	1,104,347	1,198,156	1,233,763
Loss on disposal of PPE	94,839	1,272	513						
Total Expenditure	7,083,719	7,436,295	8,192,029	8,819,839	9,321,591	9,321,591	9,204,059	9,805,756	10,296,072

The total operating expenditure decreased by R117.5 million (-1.26%) from R9.32 billion in 2015/16 to R9.20 billion in 2016/17. Below is a discussion of the main expenditure components.

Employee related costs

The 2016/17 draft budget provides for annual increments, where applicable, and a general increase of 8%.

The total budget provision of R2.393 billion represents an increase of 5.86% over the 2015/16 Adjustments budget. It requires to be noted though that Employee Related costs category exclude costs such as Long Service Bonus, Critical Vacancies amongst others, which will have to be incorporated in the final budget to be approved by Council on or before end May 2016.

Council’s target for 2016/17 is to restrict personnel costs to below 30% of total expenditure. Personnel costs in the 2016/17 Budget represent 26.0% 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 7.0% 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 95% for 2016/17, 96% for 2017/18 and 97% for 2018/19, excluding ATTP subsidies. For the 2016/17 financial year this amounted to R349.44 million and decreases to R247.19 million in 2018/19. 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 for depreciation amounts to R857.21 million for the 2016/17 financial and equates to 9.31% of the total operating expenditure. Asset impairment in the amount of R181.76 million has been provided for traffic fines issued considered to be doubtful to be collected in terms of GRAP 23 accounting requirements

Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 1.72% (R158.02 million) of total operating expenditure for 2016/17 and reduce to 1.34% (R137.71 million) in 2018/19. It is to be noted that no new borrowing is raised over the 2016/17 MTREF in this tabled budget and a separate tabled that deals with this matter is found elsewhere in the agenda.

Bulk Electricity Purchases

Purchase of Electricity has increased from R2.703 billion in 2015/16 to R2.956 billion in 2016/17, an increase of 9.40%.

NERSA has approved a 9.4% increase in the Eskom bulk tariff for the 2016/17 financial year. The 2016/17 budget accordingly allows for a 9.4% increase for bulk power purchases from Eskom. 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 R16,573,900 (16.04%) from R103,301,300 in 2015/16 to R119,301,300 in 2016/17, as follows:

	2015/16	2016/17	%
DW SA	100,347,430	115,652,600	15.25
Gamtoos Irrigation Board	1,609,870	2,703,880	67.96
SundaysRiver Irrigation Board	1 344,000	1,518,720	13.00
Total	103,301,300	119,875,200	16.04

The total budget provision of R119.9 million is based on 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 2016/17 amounts to R410.83 million and increases by 8.20% and 7.73% for the two outer years.

Contracted Services

In the 2016/17 financial year, the budget provision amounts to R552.94 million. For the two outer years the increases amount to 4.90% and 5.56% respectively. Council must also note that the implementation of mSCOA makes it also not easy to do proper comparisons to prior financial years due to some re-categorisation of certain line items affecting various categories. Contracted Services' category is also one of the affected categories.

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 6.92% for 2016/17 and then increases by 8.49% for 2017/18. In the 2018/19 financial year the expenditure increases by 2.97%.

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

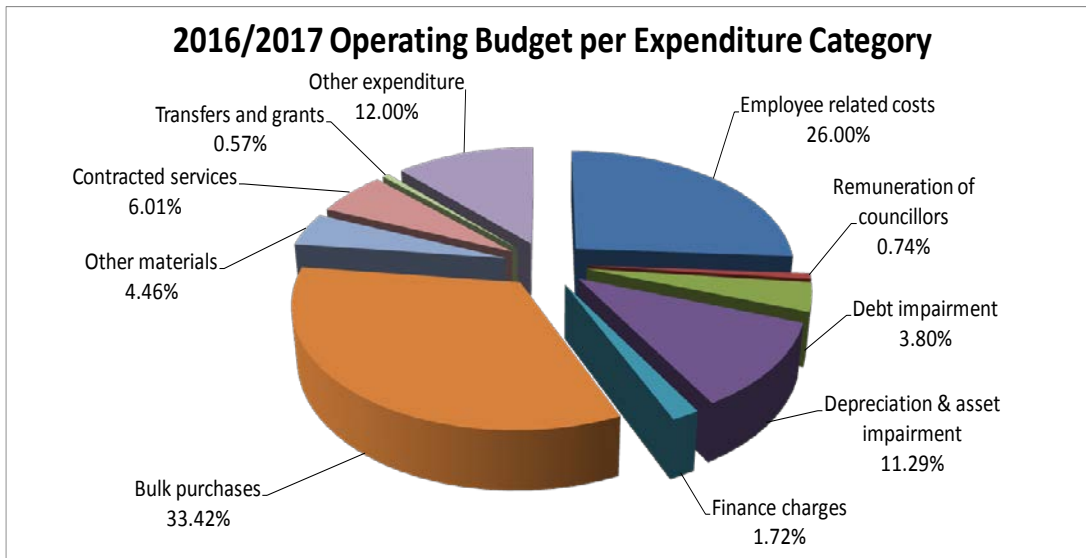


Figure 1 Main operational expenditure categories for the 2016/17 financial year.

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 2016/17 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 2016/17 MTREF operational repairs and maintenance was identified as a strategic priority in view of the aging infrastructure and certain deferred maintenance. Upon exclusion of this amount, the repairs and maintenance expenditure in the 2016/17 financial year, **decreased by 20.2%, compared to the 2015/16 Adjustments Budget.**

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The growth for the two outer years, amount to 8.20% and 7.73%, respectively. In relation to the total operating expenditure, repairs and maintenance constitutes 4.46% for the 2016/17 financial year, 4.53% for the 2017/18 financial year and 4.65% for the 2018/19 financial years, respectively.

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	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
Repairs and Maintenance by Asset Class									
Infrastructure - Road transport	65,924	120,057	120,640	83,270	84,275	84,275	56,572	61,095	65,979
Infrastructure - Electricity	40,431	42,813	54,200	54,923	54,070	54,070	56,505	61,516	66,327
Infrastructure - Water	126,349	106,758	150,517	126,176	128,761	128,761	90,556	99,175	107,076
Infrastructure - Sanitation	139,770	120,412	126,406	127,739	126,943	126,943	97,816	105,295	113,450
Infrastructure - Other	4,600	5,948	8,122	12,169	13,848	13,848	11,119	12,010	12,951
Infrastructure	377,073	395,988	450,884	404,276	407,897	407,897	312,567	339,091	365,784
Community	38,145	33,774	46,261	60,309	51,445	51,445	55,007	58,755	62,724
Other assets	57,554	60,283	58,399	60,143	55,802	55,802	43,260	46,686	50,384
TOTAL REPAIRS & MAINTENANCE EXPENDITURE	472,773	490,044	555,544	524,729	515,143	515,143	410,834	444,532	478,892

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For the 2016/17 financial year an amount of R312.6 million (76.1%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.1 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, whilst the monthly household income may not exceed two state pensions. 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 (2016/17 Medium-term capital budget per vote)

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%
Capital expenditure - Municipal Vote								
Budget and Treasury	78,722	5.00%	29,466	2.11%	21,800	1.26%	1,800	0.10%
Public Health	88,533	5.63%	50,350	3.60%	53,500	3.09%	68,150	3.79%
Human Settlements	176,308	11.21%	214,100	15.33%	244,997	14.15%	228,500	12.69%
Economic Development Tourism and Agriculture	91,035	5.79%	75,945	5.44%	66,104	3.82%	70,112	3.89%
Sports, Recreation, Arts and Culture	116,900	7.43%	32,000	2.29%	37,000	2.14%	32,500	1.81%
Corporate Services	27,050	1.72%	30,400	2.18%	21,600	1.25%	22,850	1.27%
Rate and General: Infrastructure and Engineering	263,808	16.77%	188,450	13.49%	471,857	27.26%	521,031	28.94%
Water Service	184,403	11.72%	177,551	12.71%	192,750	11.13%	226,250	12.57%
Sanitation	253,050	16.08%	342,750	24.54%	350,267	20.23%	359,611	19.98%
Electricity and Energy	244,352	15.53%	227,744	16.31%	233,248	13.47%	232,298	12.90%
Executive and Council	6,850	0.44%	4,000	0.29%	5,000	0.29%	2,500	0.14%
Safety and Security	12,518	0.80%	15,600	1.12%	15,594	0.90%	34,090	1.89%
NelsonMandelaBay Stadium	0	0.00%	13,168	0.94%	0	0.00%	0	0.00%
Strategic Programmes Directorate	16,745	1.06%	8,407	0.60%	17,348	0.10%	500	0.03%
Total Capital Expenditure	1,573,441	100	1,396,763	100	1,731,065	100%	1,800,191	100%

Of the total amount of R1.397 billion for 2016/17, an amount of R0.936 billion has been appropriated for the development of infrastructure, which represents 67.05% of the total capital budget. In the outer years this amount totals R1.248 billion (72.10%) and R1.339 billion (74.39%) respectively for each of the financial years. Sanitation receives the highest allocation of R342.75 million in 2016/17, which equates to 24.54% followed by Electricity and Energy at R227.74 million (16.31%), Human Settlements at R214,10 million (15.33%), Rate and General: Infrastructure and Engineering at R188.45 million (13.49%) and Water Services at R177.55 million (12.71%).

Total new assets represent 39.85% or R556.56 million of the total capital budget while asset renewal/rehabilitation equates to 60.15% or R840.20 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 – R687,6 million;
- Replacement of fleet – R90,3 million;
- Tarring of gravel roads – R170 million;
- ~~Stormwater~~ Storm water Improvements – R136,5 million;

- Construction of Major Roads – R50,5 million;
- Informal Housing Electrification – R106,9 million;
- Provision of sidewalks – R24 million;
- Electricity infrastructure – R357 million;
- Integrated Public Transportation System – R614,2 million;
- Water treatment works – R196.5 million;
- Water Reticulation Network – R319,7 million;
- Bulk Sewers – R322.1 million;
- Waste Water Treatment Works – R417,0 million;
- Greening and beautification – R13 million;
- Refuse sites and recycling stations – R20 million;
- Sports and Recreational facilities – R65 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.

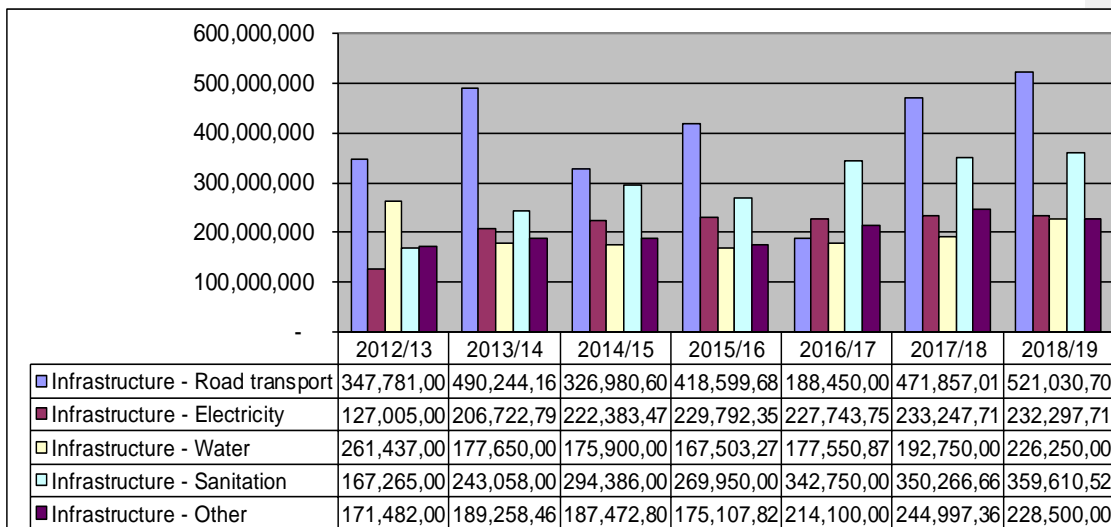


Figure 2 Capital Infrastructure Programme

1.7 ANNUAL 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 2016/17 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 9 (Table A1 – Consolidated Budget Summary)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousands								
Financial Performance								
Property rates	1,058,523	1,205,526	1,332,135	1,504,945	1,570,445	1,638,304	1,793,987	1,964,462
Service charges	3,633,274	3,812,333	4,051,915	4,817,334	4,836,422	4,923,965	5,327,265	5,763,597
Investment revenue	68,058	83,222	83,294	70,145	82,070	92,295	96,479	100,493
Transfers recognised - operational	1,270,308	1,299,430	1,481,999	1,327,271	1,515,365	1,221,367 1,221,367	1,288,165	1,390,079
Other own revenue	1,030,092	1,134,574	1,229,940	1,165,760	1,384,618	1,415,978	1,544,324	1,643,025
Total Revenue (excluding capital transfers and contributions)	7,060,255	7,535,084	8,179,284	8,885,456	9,388,921	9,291,909 9,291,909	10,050,219	10,861,656
Employee costs	1,724,614	1,761,674	2,176,075	2,289,517	2,260,427	2,392,963	2,585,920	2,790,541
Remuneration of councillors	53,010	55,918	58,161	64,429	63,286	67,716	72,456	77,528
Depreciation & asset impairment	774,430	1,437,933	901,858	873,746	1,051,246	1,038,971	1,050,543	971,697
Finance charges	201,167	192,488	206,793	168,361	171,096	158,019	146,944	137,710
Materials and bulk purchases	2,652,816	2,741,678	3,010,082	3,266,898	3,320,958	3,487,188	3,813,115	4,167,549
Transfers and grants	18,783	20,048	25,691	430,509	420,244	52,469	55,048	57,782
Other expenditure	1,658,898	1,226,555	1,813,368	1,726,380	2,034,335	2,006,732	2,081,730	2,093,264
Total Expenditure	7,083,719	7,436,295	8,192,029	8,819,839	9,321,591	9,204,059	9,805,756	10,296,072
Surplus/(Deficit)	(23,463)	98,789	(12,746)	65,617	67,330	87,850 87,850	244,464	565,585
Transfers recognised - capital	895,330	1,027,686	784,204	962,059	781,245	838,345 840,630	1,176,061	1,237,843
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	871,867	1,126,475	771,458	1,027,676	848,575	926,195 928,480	1,420,524	1,803,427
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	871,867	1,126,475	771,458	1,027,676	848,575	926,195 928,480	1,420,524	1,803,427
Capital expenditure & funds sources								
Capital expenditure	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
Transfers recognised - capital	895,330	1,026,454	784,204	962,059	799,691	839,530	1,174,895	1,237,281
Public contributions & donations	4,410	31,987	56,854	53,000	53,000	53,000	53,000	53,000
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	296,077	522,447	595,049	597,451	720,751	504,233	503,170	509,911
Total sources of capital funds	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
Financial position								
Total current assets	2,645,116	3,189,100	3,236,700	2,880,061	3,013,252	3,251,320 3,279,789	3,968,929 3,997,398	4,789,581 4,818,050
Total non current assets	13,184,762	13,460,852	14,031,981	14,630,829	14,800,158	15,200,962	15,994,804	16,864,288
Total current liabilities	2,323,957	2,295,477	2,166,135	2,472,268	2,441,867	2,428,660	2,652,782	2,817,645
Total non current liabilities	3,435,031	3,194,977	3,171,589	3,130,164	3,130,164	3,152,482	3,187,973	3,220,991
Community wealth/Equity	10,070,890	11,159,498	11,930,957	11,908,458	12,241,379	12,871,140 12,901,894	14,122,977 14,151,446	15,615,233 15,643,702
Cash flows								
Net cash from (used) operating	1,713,660	1,823,162	1,385,002	1,981,340	1,725,884	1,700,608	2,245,383	2,549,001
Net cash from (used) investing	(1,259,158)	(1,681,359)	(1,435,786)	(1,596,933)	(1,725,096)	(1,440,757)	(1,548,206)	(1,761,974)
Net cash from (used) financing	(88,600)	(114,587)	(111,777)	(104,093)	(87,568)	(91,920)	(84,409)	(77,760)
Cash/cash equivalents at the year	1,580,882	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,498,218	2,110,986 2,110,986	2,820,253 2,820,253

end						1,526,687	2,139,455	2,848,722
Cash backing/surplus reconciliation								
Cash and investments available	1,582,276	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,526,687	-2,110,986 2,139,455	-2,820,2531 2,848,722
Application of cash and investments	1,245,315	664,951	233,381	980,031	1,182,514	1,082,004	1,214,742	1,268,361
Balance - surplus (shortfall)	336,961	943,146	1,212,155	214,844	176,242	-416,214 444,683	-896,244 924,713	-1,551,892 1,580,361
Asset management								
Asset register summary (WDV)	13,153,340	13,448,790	14,013,682	14,618,738	14,781,859	15,180,664	15,972,505	16,839,989
Depreciation & asset impairment	774,430	1,437,933	901,858	873,746	1,051,246	1,038,971	1,050,543	971,697
Renewal of Existing Assets	608,788	649,050	757,371	752,558	769,934	840,200	867,118	935,122
Repairs and Maintenance	472,823	490,120	555,643	524,729	515,143	410,834	444,532	478,892
Free services								
Cost of Free Basic Services provided	198,216	190,950	255,261	282,303	282,718	303,676	332,082	363,176
Revenue cost of free services provided	135,435	168,547	177,144	221,884	232,451	233,049	255,371	279,855
Households below minimum service level								
Water:	-	-	-	-	-	-	-	-
Sanitation/sewerage:	29	47	30	45	22	-	-	-
Energy:	-	-	-	-	-	-	-	-
Refuse:	157	156	156	216	118	23	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 – Consolidated Budget Financial Performance)

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			
Revenue - Standard								
<i>Governance and administration</i>	2,136,804	2,371,174	2,550,500	2,480,327	2,552,977	2,637,914	2,835,939	3,086,610
Executive and council	809	272	650	37	66	67	71	75
Budget and treasury office	2,121,501	2,362,511	2,523,626	2,452,237	2,511,398	2,623,291	2,821,963	3,071,725
Corporate services	14,494	8,391	26,224	28,052	41,513	14,557	13,905	14,810
<i>Community and public safety</i>	566,009	644,511	793,646	429,443	789,539	-645,828 648,113	682,098	720,428
Community and social services	16,252	25,227	26,983	23,252	28,663	25,101 27,386	25,805	26,526
Sport and recreation	40,212	24,586	22,912	26,527	26,496	27,890	29,396	30,665
Public safety	28,264	61,850	40,503	10,240	224,765	242,449	259,363	277,458
Housing	474,983	525,909	701,604	366,447	503,993	349,572	367,128	385,569
Health	6,297	6,939	1,643	2,976	5,621	816	406	210
<i>Economic and environmental services</i>	690,556	774,663	537,253	910,091	748,162	625,385	995,599	1,029,009
Planning and development	398,454	221,017	214,747	428,566	434,858	513,072	556,127	529,663

Road transport	287,924	544,632	305,815	473,756	305,599	106,150	432,822	492,170
Environmental protection	4,178	9,014	16,692	7,770	7,705	6,162	6,649	7,176
Trading services	4,545,313	4,755,508	5,065,991	6,009,402	6,060,025	6,201,584	6,693,081	7,243,890
Electricity	2,935,789	3,051,851	3,280,766	3,729,081	3,750,891	3,981,061	4,300,273	4,644,646
Water	785,182	818,135	805,052	959,791	982,361	938,161	1,022,110	1,128,844
Waste water management	619,093	650,175	724,253	965,986	963,875	977,285	1,039,904	1,111,678
Waste management	205,249	235,347	255,920	354,543	362,899	305,077	330,795	358,722
Other	16,902	16,915	16,098	18,253	19,464	19,543	19,563	19,563
Total Revenue - Standard	7,955,586	8,562,770	8,963,488	9,847,516	10,170,167	10,130,254 10,132,539	11,226,280	12,099,499
Expenditure - Standard								
Governance and administration	952,813	706,754	1,102,575	1,267,034	1,248,879	1,292,872	1,353,468	1,412,349
Executive and council	143,223	160,594	181,798	208,398	218,769	212,821	227,936	234,570
Budget and treasury office	591,437	309,679	612,455	653,584	669,944	629,391	648,381	670,864
Corporate services	218,154	236,481	308,322	405,051	360,167	450,660	477,151	506,915
Community and public safety	1,295,936	1,363,066	1,540,037	1,411,549	1,606,679	1,442,544	1,534,615	1,633,909
Community and social services	140,412	151,330	180,473	174,913	221,630	195,010	205,005	219,079
Sport and recreation	134,565	145,224	187,736	185,646	191,099	193,192	204,954	214,594
Public safety	392,079	466,477	455,474	441,352	448,914	463,592	499,439	538,180
Housing	361,554	420,687	517,836	420,516	555,226	403,772	424,820	447,088
Health	267,326	179,348	198,519	189,122	189,810	186,978	200,397	214,968
Economic and environmental services	1,074,209	1,650,412	1,223,608	1,114,013	1,325,029	1,320,827	1,402,158	1,387,825
Planning and development	640,753	1,103,474	504,506	482,150	718,362	570,199	628,058	621,383
Road transport	168,431	431,622	586,199	475,652	446,659	585,045	594,218	574,248
Environmental protection	265,024	115,316	132,904	156,212	160,008	165,582	179,882	192,195
Trading services	3,748,229	3,703,822	4,307,050	5,012,969	5,125,480	5,131,425	5,497,950	5,843,164
Electricity	2,654,306	2,683,977	3,038,264	3,444,088	3,544,116	3,736,852	4,028,341	4,327,042
Water	516,328	449,036	626,083	693,203	706,089	699,646	744,117	768,600
Waste water management	392,906	376,032	442,230	563,621	564,515	487,466	504,695	515,842
Waste management	184,689	194,777	200,472	312,057	310,760	207,461	220,797	231,679
Other	12,532	12,241	18,759	14,274	15,524	16,391	17,565	18,824
Total Expenditure - Standard	7,083,719	7,436,295	8,192,029	8,819,839	9,321,591	9,204,059	9,805,756	10,296,072
Surplus/(Deficit) for the year	871,867	1,126,475	771,458	1,027,676	848,575	926,195 928,480	1,420,524	1,803,427

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, includes revenue attributable to capital grants.

Table 11 (Table A3 – Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote))

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote								
Vote 1 - Budget and Treasury	2,121,642	2,362,165	2,523,856	2,452,249	2,511,411	2,623,298	2,821,971	3,071,733
Vote 2 - Public Health	219,044	258,714	283,326	369,305	381,687	317,531	343,484	371,900

Vote 3 - Human Settlements	494,238	547,394	729,209	595,215	729,204	617,743	672,039	673,287
Vote 4 - Economic Development, Tourism and Agriculture	211,517	121,283	130,165	148,508	152,684	189,305	193,342	179,440
Vote 5 - Corporate Services	10,213	11,477	19,828	19,503	32,087	5,425	4,161	4,412
Vote 6 - Rate and General Engineers	423,490	532,035	297,661	454,311	287,198	86,605	412,187	470,389
Vote 7 - Water Services	785,183	818,135	805,052	959,791	982,361	938,161	1,022,110	1,128,844
Vote 8 - Sanitation Services	619,093	649,915	716,759	965,986	963,875	977,285	1,039,904	1,111,678
Vote 9 - Electricity and Energy	2,935,789	3,051,991	3,280,766	3,729,081	3,750,891	3,981,061	4,300,273	4,644,646
Vote 10 - Executive and Council	1,610	887	2,639	1,317	6,631	20,271	18,383	19,493
Vote 11 - Safety and Security	48,948	79,604	60,570	33,812	247,832	266,903	285,285	304,935
Vote 12 - Nelson Mandela Bay Stadium	59,887	46,902	42,112	48,500	48,500	51,410	54,495	57,764
Vote 13 - Strategic Programmes Directorate	24,932	49,714	37,689	31,362	33,308	14,999 17,284	16,885	17,974
Vote 14 - Sports, Recreation, Arts and Culture	-	32,554	33,856	38,573	42,499	40,257	41,761	43,003
Total Revenue by Vote	7,955,586	8,562,770	8,963,488	9,847,516	10,170,167	-10,130,254 10,132,539	11,226,280	12,099,499
Expenditure by Vote to be appropriated								
Vote 1 - Budget and Treasury	547,070	309,679	594,493	632,490	643,369	604,036	621,485	642,476
Vote 2 - Public Health	693,360	483,577	531,249	680,753	681,274	582,008	624,369	663,894
Vote 3 - Human Settlements	499,669	1,183,542	679,544	566,695	698,264	553,393	585,450	619,599
Vote 4 - Economic Development, Tourism and Agriculture	330,669	134,820	120,117	121,822	142,504	132,430	168,330	136,345
Vote 5 - Corporate Services	278,874	311,024	360,402	385,446	392,855	358,689	379,888	403,151
Vote 6 - Rate and General Engineers	441,426	514,012	707,740	614,648	573,470	615,915	648,072	649,856
Vote 7 - Water Services	523,915	441,105	626,079	693,203	706,089	699,646	744,117	768,600
Vote 8 - Sanitation Services	335,738	324,697	386,144	505,654	504,451	486,701	504,246	516,567
Vote 9 - Electricity and Energy	2,653,923	2,684,046	3,038,195	3,444,088	3,544,116	3,736,852	4,028,341	4,327,042
Vote 10 - Executive and Council	173,044	169,153	221,218	244,414	266,522	270,194	285,869	296,040
Vote 11 - Safety and Security	407,279	481,652	467,355	452,496	652,421	658,953	686,657	717,845
Vote 12 - Nelson Mandela Bay Stadium	173,586	159,427	157,070	167,939	187,150	182,791	188,893	195,362
Vote 13 - Strategic Programmes Directorate	25,165	31,718	33,483	20,986	27,928	13,588	14,595	15,547
Vote 14 - Sports, Recreation, Arts and Culture	-	207,843	268,940	289,205	301,177	308,862	325,443	343,748
Total Expenditure by Vote	7,083,719	7,436,295	8,192,029	8,819,839	9,321,591	9,204,059	9,805,756	10,296,072
Surplus/(Deficit) for the year	871,867	1,126,475	771,458	1,027,676	848,575	926,195 928,480	1,420,524	1,803,427

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	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand								
Revenue By Source								
Property rates	1,058,523	1,205,526	1,332,135	1,504,945	1,570,445	1,638,304	1,793,987	1,964,462

Property rates - penalties & collection charges									
Service charges - electricity revenue	2,819,710	2,873,802	3,077,764	3,519,222	3,519,222	3,784,445	4,085,182	4,409,722	
Service charges - water revenue	430,698	505,420	519,528	639,699	639,699	594,470	647,973	706,290	
Service charges - sanitation revenue	273,384	308,365	323,716	436,338	451,838	383,953	418,509	456,175	
Service charges - refuse revenue	109,483	124,745	130,907	222,076	225,664	161,097	175,601	191,410	
Service charges - other									
Rental of facilities and equipment	16,555	19,459	17,897	23,342	23,400	23,531	25,019	26,973	
Interest earned - external investments	68,058	83,222	83,294	70,145	82,070	92,295	96,479	100,493	
Interest earned - outstanding debtors	166,835	217,637	151,050	159,327	159,307	168,865	178,997	189,737	
Dividends received					-				
Fines	28,892	61,409	39,644	11,861	226,837	242,441	259,078	276,748	
Licences and permits	10,263	9,328	9,695	11,963	11,611	13,791	14,617	15,493	
Agency services	1,909	2,095	2,246	2,428	2,428	2,574	2,728	2,892	
Transfers recognised - operational	1,270,308	1,299,430	1,481,999	1,327,271	1,515,365	1,221,367	1,288,165	1,390,079	
Other revenue	805,639	824,645	1,008,578	956,838	961,007	964,745	1,063,853	1,131,150	
Gains on disposal of PPE	-	-	830		28	30	31	32	
Total Revenue (excluding capital transfers and contributions)	7,060,255	7,535,084	8,179,284	8,885,456	9,388,921	9,291,909	10,050,219	10,861,656	
Expenditure By Type									
Employee related costs	1,724,614	1,761,674	2,176,075	2,289,517	2,260,427	2,392,963	2,585,920	2,790,541	
Remuneration of councillors	53,010	55,918	58,161	64,429	63,286	67,716	72,456	77,528	
Debt impairment	409,754	200,767	407,410	379,384	384,462	349,442	303,530	247,194	
Depreciation & asset impairment	774,430	1,437,933	901,858	873,746	1,051,246	1,038,971	1,050,543	971,697	
Finance charges	201,167	192,488	206,793	168,361	171,096	158,019	146,944	137,710	
Bulk purchases	2,179,993	2,251,558	2,454,439	2,742,169	2,805,815	3,076,354	3,368,583	3,688,657	
Other materials	472,823	490,120	555,643	524,729	515,143	410,834	444,532	478,892	
Contracted services	373,895	288,984	323,685	333,353	463,364	552,944	580,045	612,307	
Transfers and grants	18,783	20,048	25,691	430,509	420,244	52,469	55,048	57,782	
Other expenditure	780,410	735,532	1,081,760	1,013,642	1,186,509	1,104,347	1,198,156	1,233,763	
Loss on disposal of PPE	94,839	1,272	513						
Total Expenditure	7,083,719	7,436,295	8,192,029	8,819,839	9,321,591	9,204,059	9,805,756	10,296,072	
Surplus/(Deficit)	(23,463)	98,789	(12,746)	65,617	67,330	87,850	244,464	565,585	
Transfers recognised - capital	895,330	1,027,686	784,204	962,059	781,245	840,630	1,176,061	1,237,843	
Contributions recognised - capital	-	-	-	-	-	-	-	-	
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	871,867	1,126,475	771,458	1,027,676	848,575	926,195	1,420,524	1,803,427	
Taxation									
Surplus/(Deficit) after taxation	871,867	1,126,475	771,458	1,027,676	848,575	926,195	1,420,524	1,803,427	
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	871,867	1,126,475	771,458	1,027,676	848,575	926,195	1,420,524	1,803,427	
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	871,867	1,126,475	771,458	1,027,676	848,575	926,195	1,420,524	1,803,427	

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

Revenue

1. 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 R9.29 billion in 2016/17 and increases to R10.86 billion in 2018/19. This represents a year-on-year decrease of 1.03% for the 2016/17 financial year, and increases of 8.16% for the 2017/18 financial year and 8.07% for the 2018/19 financial year, respectively.
3. Revenue from property rates amounts to R1.64 billion in the 2016/17 financial year and increases to R1,96 billion in 2018/19. For the 2016/17 financial year property rates amount to 17.63% of the total revenue base and increases to 18.09% for 2018/19. It remains relatively constant over the medium-term, whilst tariff increases of 9.5% have been provided for 2016/17 and have been kept constant at 9.5% for the two outer years.
4. Services charges relating to electricity, water, sanitation and refuse collection and removal constitute the biggest component of the total revenue base, amounting to R4,84 billion for the 2016/17 financial year and increasing to R5.77 billion in 2018/19. For the 2016/17 financial year services charges amount to 48.99% of the total revenue base and increases to 53.06% for 2018/19.
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 19.40% for 2016/17 and increased by 7.91% for 2018/19.

Expenditure

6. Bulk purchases have increased significantly over the 2011/12 to 2016/17 period, increasing from R1.9 billion to R3.08 billion. These increases are mainly attributable to the substantial increases in the cost of bulk electricity from Eskom.

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

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote								
<i>Multi-year expenditure to be appropriated</i>								
Vote 1 - Budget and Treasury	12,862	23,542	31,028	74,000	75,872	27,616	20,000	-
Vote 2 - Public Health	15,925	48,307	66,980	38,433	60,713	33,700	37,500	42,300
Vote 3 - Human Settlements	148,096	175,634	201,395	175,108	175,108	214,100	244,997	228,500
Vote 4 - Economic Development, Tourism and Agriculture	30,405	12,335	97,310	60,947	91,035	75,945	66,104	70,112
Vote 5 - Corporate Services	19,001	43,480	38,139	27,050	27,050	30,400	21,600	22,350
Vote 6 - Rate and General Engineers	356,082	614,033	279,693	412,220	253,128	177,950	459,107	507,281
Vote 7 - Water Services	264,805	184,996	169,668	165,003	180,349	174,551	190,250	223,750
Vote 8 - Sanitation Services	168,584	228,233	263,307	267,450	247,535	339,750	348,267	355,611
Vote 9 - Electricity and Energy	126,204	201,908	202,583	218,992	233,752	216,744	224,748	222,298
Vote 10 - Executive and Council	10,069	2,236	2,376	6,850	6,850	4,000	5,000	2,500
Vote 11 - Safety and Security	2,873	5,709	10,209	7,300	6,600	8,550	7,394	8,700

Vote 12 - Nelson Mandela Bay Stadium	-	29,442	6,832	-	13,168	-	-	-
Vote 13 - Strategic Programmes Directorate	40,912	11,034	3,333	8,060	16,745	6,907	15,848	-
Vote 14 – Sports, Recreation, Arts and Culture	-	-	17,860	104,500	116,900	32,000	37,000	32,500
Capital multi-year expenditure sub-total	1,195,817	1,580,888	1,390,713	1,565,912	1,504,804	1,342,213	1,677,815	1,715,901
Single-year expenditure to be appropriated								
Vote 1 - Budget and Treasury	-	-	3,527	3,000	2,850	1,850	1,800	1,800
Vote 2 - Public Health	-	-	6,960	16,200	27,820	16,650	16,000	25,850
Vote 3 - Human Settlements	-	-	-	-	1,200	-	-	-
Vote 4 - Economic Development, Tourism and Agriculture	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services	-	-	818	-	-	-	-	500
Vote 6 - Rate and General Engineers	-	-	4,426	6,380	10,680	10,500	12,750	13,750
Vote 7 - Water Services	-	-	1,181	2,500	4,054	3,000	2,500	2,500
Vote 8 - Sanitation Services	-	-	25,765	2,500	5,515	3,000	2,000	4,000
Vote 9 - Electricity and Energy	-	-	-	10,800	10,600	11,000	8,500	10,000
Vote 10 - Executive and Council	-	-	-	-	-	-	-	-
Vote 11 - Safety and Security	-	-	2,717	5,218	5,918	7,050	8,200	25,390
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-	-	-	-	-
Vote 13 - Strategic Programmes Directorate	-	-	-	-	-	-	-	-
Vote 14 – Sports, Recreation, Arts and Culture	-	-	-	-	-	1,500	1,500	500
Capital single-year expenditure sub-total	-	-	45,394	46,598	68,637	54,550	53,250	84,290
Total Capital Expenditure - Vote	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
Capital Expenditure - Standard								
Governance and administration	41,932	98,700	82,720	110,900	125,790	63,866	48,400	27,150
Executive and council	10,069	31,678	9,208	6,850	20,018	4,000	5,000	2,500
Budget and treasury office	12,862	23,542	34,555	77,000	78,722	29,466	21,800	1,800
Corporate services	19,001	43,480	38,957	27,050	27,050	30,400	21,600	22,850
Community and public safety	159,453	194,199	233,233	294,626	308,226	265,200	299,591	296,090
Community and social services	-	999	3,585	27,000	38,400	14,000	14,000	8,500
Sport and recreation	7,895	11,002	14,275	77,500	78,500	19,500	24,500	24,500
Public safety	2,872	5,709	12,926	12,518	12,518	15,600	15,594	34,090
Housing	148,096	175,634	201,395	175,108	176,308	214,100	244,997	228,500
Health	590	856	1,052	2,500	2,500	2,000	500	500
Economic and environmental services	431,398	657,627	448,009	522,539	411,520	302,152	587,809	637,293
Planning and development	63,343	11,368	100,643	69,007	107,780	82,852	81,952	70,112
Road transport	356,162	614,033	284,119	418,600	263,808	188,450	471,857	521,031
Environmental protection	11,893	32,225	63,247	34,933	39,933	30,850	34,000	46,150
Trading services	563,035	630,362	672,145	684,446	727,906	765,545	795,264	839,658
Electricity	126,204	201,908	228,348	229,792	244,352	227,744	233,248	232,298
Water	264,805	184,996	170,850	167,503	184,403	177,551	192,750	226,250
Waste water management	168,584	228,233	263,307	269,950	253,050	342,750	350,267	359,611
Waste management	3,442	15,225	9,640	17,200	46,100	17,500	19,000	21,500
Other								
Total Capital Expenditure - Standard	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
Funded by:								
National Government	895,330	1,012,405	781,938	941,157	760,343	811,191	1,162,454	1,237,281
Provincial Government	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	14,048	2,266	20,903	39,348	28,338	12,440	-
Transfers recognised - capital	895,330	1,026,454	784,204	962,059	799,691	839,530	1,174,895	1,237,281
Public contributions & donations	4,410	31,987	56,854	53,000	53,000	53,000	53,000	53,000
Borrowing								
Internally generated funds	296,077	522,447	595,049	597,451	720,751	504,233	503,170	509,911

Total Capital Funding	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
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Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, and internally generated funds. For 2016/17, capital transfers totals R839.53 million (60.1%) and amounts to R1.24 billion for 2018/19 (68.73%). Internally generated funding amounts to R504.23 million, R503.17 million and R509.91million for each of the respective financial years of the MTREF. The source of the internally generated funding mainly comprises the fuel levy and the equitable share allocation. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 14 (Table A6 – Consolidated Budgeted Financial Position)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year +2 2018/19
R thousand								
ASSETS								
Current assets								
Cash	335,503	186,617	193,277	200,150	200,150	200,200	200,250	200,300
Call investment deposits	1,247,260	1,421,480	1,252,259	994,725	1,158,606	1,298,018	1,910,736	2,619,953
Consumer debtors	611,367	1,036,315	1,142,034	1,174,058	1,029,774	1,326,487	1,939,205	2,648,422
Other debtors	345,029	440,414	524,913	395,588	498,721	1,091,560	1,157,054	1,226,477
Current portion of long-term receivables	0	0	0	0	0	533,541	570,889	610,851
Inventory	105,956	104,274	124,216	115,540	126,000	0	0	0
Total current assets	2,645,116	3,189,100	3,236,700	2,880,061	3,013,252	128,000	130,000	132,000
						3,251,320	3,968,929	4,789,581
						3,279,789	3,997,398	4,818,050
Non current assets								
Long-term receivables	31,911	12,091	18,299	12,091	18,299	20,299	22,299	24,299
Investments	(488)		-		-			
Investment property	199,262	199,439	198,169	199,262	198,169	198,169	198,169	198,169
Investment in Associate								
Property, plant and equipment	12,747,056	13,082,109	13,671,014	14,178,812	14,411,368	14,808,264	15,612,783	16,505,357
Agricultural								
Biological								
Intangible	207,022	167,213	144,499	240,663	172,321	174,231	161,553	136,463
Other non-current assets								
Total non current assets	13,184,762	13,460,852	14,031,981	14,630,829	14,800,158	15,200,962	15,994,804	16,864,288
TOTAL ASSETS	15,829,878	16,649,953	17,268,681	17,510,890	17,813,409	18,452,282	19,963,732	21,653,869
						18,480,751	19,992,202	21,682,338
LIABILITIES								
Current liabilities								
Bank overdraft								

Borrowing	105,569	113,978	106,793	93,920	93,920	86,409	79,760	89,149
Consumer deposits	93,159	100,348	111,852	100,348	116,872	118,872	120,872	122,872
Trade and other payables	1,871,006	1,920,418	1,788,963	2,097,522	2,062,430	2,044,521	2,261,846	2,403,139
Provisions	254,223	160,734	158,526	180,478	168,645	178,857	190,303	202,485
Total current liabilities	2,323,957	2,295,477	2,166,135	2,472,268	2,441,867	2,428,660	2,652,782	2,817,645
Non current liabilities								
Borrowing	1,718,351	1,579,062	1,472,471	1,318,032	1,318,032	1,231,623	1,151,863	1,062,714
Provisions	1,716,680	1,615,915	1,699,118	1,812,131	1,812,131	1,920,859	2,036,111	2,158,277
Total non current liabilities	3,435,031	3,194,977	3,171,589	3,130,164	3,130,164	3,152,482	3,187,973	3,220,991
TOTAL LIABILITIES	5,758,988	5,490,454	5,337,724	5,602,432	5,572,030	5,581,142	5,840,755	6,038,636
NET ASSETS	10,070,890	11,159,498	11,930,957	11,908,458	12,241,379	12,871,140 12,899,609	14,122,977 14,151,446	15,645,233 15,643,702
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	9,843,027	10,712,047	11,608,633	11,854,806	12,010,424	12,638,186 12,666,655	-13,888,023 13,916,492	15,378,279 15,406,748
Reserves	227,863	447,451	322,324	53,652	230,955	232,954	234,954	236,954
TOTAL COMMUNITY WEALTH/EQUITY	10,070,890	11,159,498	11,930,957	11,908,458	12,241,379	-12,871,140 12,899,609	14,122,977 14,151,446	-15,645,233 15,643,702

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 – Consolidated Budget cash flow statement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	987,192	1,079,793	1,209,351	1,335,680	1,406,313	1,556,389	1,722,227	1,905,528
Service charges	3,484,912	3,629,747	3,767,086	4,228,898	4,247,426	4,677,767	5,114,174	5,590,689
Other revenue	469,621	478,576	1,127,901	983,348	1,009,817	1,049,753	1,151,308	1,209,782
Government - operating	1,299,677	1,504,855	1,173,071	1,355,719	1,454,915	1,190,865	1,256,238	1,362,486
Government - capital	895,330	920,097	999,637	1,093,822	887,694	961,384	1,343,767	1,410,500
Interest	67,639	284,512	222,532	70,045	82,070	91,495	95,279	98,793
Dividends			220		-	-	-	-
Payments								

Suppliers and employees	(5,270,485)	(5,859,331)	(6,882,544)	(6,889,818)	(7,158,440)	(7,592,915)	(8,209,960)	(8,806,998)
Finance charges	(205,109)	(192,715)	(208,860)	(168,361)	(170,896)	(181,662)	(172,602)	(163,997)
Transfers and Grants	(15,118)	(22,372)	(23,392)	(27,993)	(33,015)	(52,469)	(55,048)	(57,782)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,713,660	1,823,162	1,385,002	1,981,340	1,725,884	1,700,608	2,245,383	2,549,001
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE						-	-	-
Decrease (Increase) in non-current debtors					(6,208)	-	-	-
Decrease (increase) other non-current receivables	9,779					(2,000)	(2,000)	(2,000)
Decrease (increase) in non-current investments						-	-	-
Payments								
Capital assets	(1,268,937)	(1,681,359)	(1,435,786)	(1,596,933)	(1,718,889)	(1,438,757)	(1,546,206)	(1,759,974)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1,259,158)	(1,681,359)	(1,435,786)	(1,596,933)	(1,725,096)	(1,440,757)	(1,548,206)	(1,761,974)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans						-	-	-
Borrowing long term/refinancing						2,000	2,000	2,000
Increase (decrease) in consumer deposits	7,995				16,524	-	-	-
Payments								
Repayment of borrowing	(96,595)	(114,587)	(111,777)	(104,093)	(104,093)	(93,920)	(86,409)	(79,760)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(88,600)	(114,587)	(111,777)	(104,093)	(87,568)	(91,920)	(84,409)	(77,760)
NET INCREASE/(DECREASE) IN CASH HELD	365,902	27,216	(162,561)	280,314	(86,780)	167,931	612,768	709,267
Cash/cash equivalents at the year begin:	1,214,979	1,580,882	1,608,097	914,561	1,445,536	▲ 1,330,287	1,498,218	— 2,110,986
Cash/cash equivalents at the year end:	1,580,882	1,608,097	1,445,536	1,194,875	▲ 1,358,756	1,358,756	1,526,687	2,139,455
						— 1,498,218	2,110,986	— 2,820,253
						1,526,687	2,139,455	2,848,722

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Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
- It reflects the expected cash in-flows versus cash outflows that is likely to result from the implementation of the budget.
- The cash position of the Municipality increased significantly over the 2011/12 to 2014/15 period, from R1.16 billion to R1.61 billion. The budgeted projection for the 2015/16 Financial Year indicates pressure and risk to the cash flow of the municipality. It is however anticipated at risk that the cash flow position of the municipality will improve over the 2016/17 MTREF depending on at least achieving debtors collection rates of revenue of 95%, 96% and 97% for the 2016/17, 2017/18 and 2018/19 financial years respectively.
- The 2016/17 MTREF has been informed by the planning principle of striving to ensure adequate cash reserves over the medium-term.
- Cash and cash equivalents amounts to R1.36 billion as at the end of the 2015/16 financial year and increases to R2.82 2.85 billion in 2018/19.

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

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available								
Cash/cash equivalents at the year end	1,580,882	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,526,687	2,110,986 2,139,455	2,820,253 2,848,722
Other current investments > 90 days	1,882	-	-	(0)	-	-	-	(0)
Non current assets - Investments	(488)	-	-	-	-	-	-	-
Cash and investments available:	1,582,276	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,526,687	2,110,986 2,139,455	2,820,253 2,848,722
Application of cash and investments								
Unspent conditional transfers	364,675	260,756	171,309	270,075	347,716	226,868	324,194	345,062
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-
Other working capital requirements	652,777	404,194	62,073	444,295	391,835	315,445	324,319	328,567
Other provisions	-	-	-	212,008	212,008	306,737	331,276	357,778
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	227,863	-	-	53,652	230,955	232,954	234,954	236,954
Total Application of cash and investments:	1,245,315	664,951	233,381	980,031	1,182,514	1,082,004	1,214,742	1,268,361
Surplus(shortfall)	336,961	943,146	1,212,155	214,844	176,242	416,214 440,683	896,244 924,713	1,551,892 1,580,361

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 2015/16 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 moves from a funding surplus of ~~R416.21~~**R444.68** million in 2016/17 to a surplus of ~~R1.55~~**R1.58** billion in 2018/19.

Table 17 (Table A9 - Asset Management)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE								
Total New Assets	587,029	931,838	678,736	859,952	803,508	556,563	863,946	865,069
<i>Infrastructure - Road transport</i>	122,457	560,697	146,622	282,670	136,186	85,250	356,907	397,031
<i>Infrastructure - Electricity</i>	40,468	38,215	57,916	63,140	83,700	45,702	55,588	56,088
<i>Infrastructure - Water</i>	203,869	63,339	61,476	83,103	95,103	56,551	45,250	35,250
<i>Infrastructure - Sanitation</i>	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>	147,782	179,556	205,303	172,678	175,978	217,100	265,997	231,500

Infrastructure	514,577	841,807	471,317	601,591	490,967	404,603	723,742	719,868
Community	44,903	19,932	128,163	100,963	120,177	52,461	46,788	37,349
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	9,147	47,876	49,693	80,298	115,138	70,300	68,204	105,127
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	18,401	22,223	29,563	77,100	77,226	29,200	25,212	2,725
Total Renewal of Existing Assets	608,788	649,050	757,371	752,558	769,934	840,200	867,118	935,122
<i>Infrastructure - Road transport</i>	225,405	44,148	117,317	125,800	121,962	94,275	95,700	100,750
<i>Infrastructure - Electricity</i>	82,270	132,928	148,094	145,852	141,052	157,042	153,160	150,710
<i>Infrastructure - Water</i>	57,568	117,255	106,350	76,900	83,553	113,000	140,000	179,500
<i>Infrastructure - Sanitation</i>	166,478	218,543	263,189	264,450	247,450	336,750	344,267	352,611
<i>Infrastructure - Other</i>	22,972	18,148	14,197	23,126	34,793	25,916	29,348	47,002
Infrastructure	554,692	531,022	649,147	636,128	628,810	726,984	762,474	830,572
Community	17,074	49,524	42,463	34,583	38,965	34,500	43,150	46,000
Heritage assets	-	-	-	7,000	23,881	-	-	-
Investment properties	-	-	-	-	3,080	-	-	-
Other assets	31,710	58,148	62,553	63,348	63,898	62,216	55,494	52,050
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	5,312	10,356	3,209	11,500	11,300	16,500	6,000	6,500
Total Capital Expenditure								
<i>Infrastructure - Road transport</i>	347,862	604,845	263,939	408,470	258,147	179,525	452,607	497,781
<i>Infrastructure - Electricity</i>	122,738	171,144	206,010	208,992	224,752	202,744	208,748	206,798
<i>Infrastructure - Water</i>	261,437	180,594	167,826	160,003	178,656	169,551	185,250	214,750
<i>Infrastructure - Sanitation</i>	166,478	218,543	263,189	264,450	247,450	336,750	344,267	352,611
<i>Infrastructure - Other</i>	170,754	197,703	219,500	195,803	210,771	243,016	295,345	278,502
Infrastructure	1,069,269	1,372,829	1,120,464	1,237,719	1,119,776	1,131,586	1,486,217	1,550,441
Community	61,977	69,456	170,626	135,545	159,142	86,961	89,938	83,349
Heritage assets	-	-	-	7,000	23,881	-	-	-
Investment properties	-	-	-	-	3,080	-	-	-
Other assets	40,858	106,023	112,246	143,646	179,036	132,516	123,698	157,177
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	23,713	32,580	32,772	88,600	88,526	45,700	31,212	9,225
TOTAL CAPITAL EXPENDITURE - Asset class	1,195,817	1,580,888	1,436,107	1,612,510	1,573,441	1,396,763	1,731,065	1,800,191
ASSET REGISTER SUMMARY - PPE (WDV)								
<i>Infrastructure - Road transport</i>	3,151,916	3,543,793	3,591,393	3,179,916	3,574,844	3,513,628	3,696,201	3,920,697
<i>Infrastructure - Electricity</i>	1,506,836	1,594,701	1,658,746	1,804,662	1,786,880	1,868,997	1,953,900	2,051,136
<i>Infrastructure - Water</i>	1,531,624	1,797,787	2,051,133	1,677,766	2,100,204	2,143,305	2,199,369	2,274,623
<i>Infrastructure - Sanitation</i>	973,237	1,120,310	1,300,786	1,489,501	1,449,524	1,662,843	1,886,408	2,115,686
<i>Infrastructure - Other</i>	2,225,658	1,672,151	1,751,005	2,621,022	2,009,372	2,239,824	2,520,605	2,765,386
Infrastructure	9,389,271	9,728,742	10,353,064	10,772,867	10,920,823	11,428,597	12,256,484	13,127,527
Community	2,642,681	2,638,179	2,599,146	2,554,049	2,612,089	2,598,199	2,549,878	2,504,020
Heritage assets	197,423	203,660	205,362	196,703	204,931	204,751	204,571	204,392
Investment properties	199,262	199,439	198,169	199,262	198,169	198,169	198,169	198,169
Other assets	517,682	511,557	513,443	655,193	673,525	576,716	601,851	669,418
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	207,022	167,213	144,499	240,663	172,321	174,231	161,553	136,463
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	13,153,340	13,448,790	14,013,682	14,618,738	14,781,859	15,180,664	15,972,505	16,839,989

EXPENDITURE OTHER ITEMS								
Depreciation & asset impairment	774,430	1,437,933	901,858	873,746	1,051,246	1,038,971	1,050,543	971,697
Repairs and Maintenance by Asset Class	472,823	490,120	555,643	524,729	515,143	410,834	444,532	478,892
Infrastructure - Road transport	65,924	120,057	120,640	83,270	84,275	56,572	61,095	65,979
Infrastructure - Electricity	40,431	42,813	45,200	54,923	54,070	56,505	61,516	66,327
Infrastructure - Water	126,349	106,758	150,517	126,176	128,761	90,556	99,175	107,076
Infrastructure - Sanitation	139,770	120,412	126,406	127,739	126,943	97,816	105,295	113,450
Infrastructure - Other	4,600	5,948	8,122	12,169	13,848	11,119	12,010	12,951
Infrastructure	377,073	395,988	450,884	404,276	407,897	312,567	339,091	365,784
Community	38,196	33,850	46,186	60,309	51,445	55,007	58,755	62,724
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	174	-	-	-	-	-
Other assets	57,554	60,283	58,399	60,143	55,802	43,260	46,686	50,384
TOTAL EXPENDITURE OTHER ITEMS	1,247,253	1,928,054	1,457,501	1,398,476	1,566,390	1,449,805	1,495,075	1,450,589
<i>Renewal of Existing Assets as % of total capex</i>	50.9%	41.1%	52.7%	46.7%	48.9%	60.2%	50.1%	51.9%
<i>Renewal of Existing Assets as % of deprecn"</i>	78.6%	45.1%	84.0%	86.1%	73.2%	80.9%	82.5%	96.2%
<i>R&M as a % of PPE</i>	3.7%	3.7%	4.1%	3.7%	3.6%	2.8%	2.8%	2.9%
<i>Renewal and R&M as a % of PPE</i>	8.0%	8.0%	9.0%	9.0%	9.0%	8.0%	8.0%	8.0%

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 60.15% of the capital budget, whilst repairs and maintenance constitute 2.8% of PPE.

Table 18 (Table A10 – Consolidated Basic Service Delivery Measurement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets								
<i>Water:</i>								
Piped water inside dwelling	268,545	276,850	294,090	646,998	323,499	323,499	342,909	363,484
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	29,296	30,202	30,202	66,444	33,222	33,222	35,215	37,328
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	<i>297,841</i>	<i>307,052</i>	<i>324,292</i>	<i>713,442</i>	<i>356,721</i>	<i>356,721</i>	<i>378,124</i>	<i>400,812</i>
Using public tap (<min.service level)	-	-	-	-	-	-	-	-
Other water supply (<min.service level)	-	-	-	-	-	-	-	-
No water supply	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Total number of households	297,841	307,052	324,292	713,442	356,721	356,721	378,124	400,812
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	266,527	274,690	290,710	639,562	319,781	319,781	338,968	359,306
Flush toilet (with septic tank)	3,060	2,160	3,060	6,732	3,366	3,366	3,568	3,782
Chemical toilet	-	-	-	407	204	204	216	229
Pit toilet (ventilated)	-	-	-	297	149	149	158	167
Other toilet provisions (>min.service level)	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	269,587	276,850	293,770	646,998	323,499	323,499	342,910	363,484
Bucket toilet	29,296	30,202	30,202	44,826	22,413	22,413	23,758	25,183
Other toilet provisions (<min.service level)	-	17,240	-	-	-	-	-	-
No toilet provisions	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	29,296	47,442	30,202	44,826	22,413	22,413	23,758	25,183
Total number of households	298,883	324,292	323,972	691,824	345,912	345,912	366,668	388,667
Energy:								
Electricity (at least min.service level)	28,813	27,926	26,748	53,782	26,400	27,984	29,663	31,443
Electricity - prepaid (min.service level)	283,637	235,303	248,905	580,543	254,226	269,480	285,648	302,787
<i>Minimum Service Level and Above sub-total</i>	312,450	263,229	275,653	634,326	280,626	297,464	315,311	334,230
Electricity (<min.service level)	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-
Total number of households	312,450	263,229	275,653	634,326	280,626	297,464	315,311	334,230
Refuse:								
Removed at least once a week	131,980	168,429	168,430	432,764	208,011	302,410	302,410	302,410
<i>Minimum Service Level and Above sub-total</i>	131,980	168,429	168,430	432,764	208,011	302,410	302,410	302,410
Removed less frequently than once a week	139,082	133,308	133,308	170,712	94,399	38,932	41,268	43,744
Using communal refuse dump	17,546	15,662	15,559	31,116	15,765	15,765	15,765	15,765
Using own refuse dump	-	-	-	-	-	-	-	-
Other rubbish disposal	-	6,852	6,852	13,704	6,852	6,852	6,852	6,852
No rubbish disposal	392	40	143	286	853	853	853	853
<i>Below Minimum Service Level sub-total</i>	157,020	155,862	155,862	215,818	117,869	23,470	23,470	23,470
Total number of households	289,000	324,291	324,292	648,582	325,880	325,880	325,880	325,880
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	71,500	73,058	76,272	75,071	75,071	78,200	79,182	80,177
Sanitation (free minimum level service)	71,740	73,433	76,272	75,309	75,309	78,200	79,182	80,177
Electricity/other energy (50kwh per household per month)	62,831	64,854	67,214	64,747	64,747	65,031	65,941	66,864
Refuse (removed at least once a week)	65,648	65,878	67,214	66,898	66,898	69,110	70,078	71,059
Cost of Free Basic Services provided - Formal Settlements (R'000)								
Water (6 kilolitres per indigent household per month)	42,500	51,172	64,530	58,762	58,762	77,084	84,022	91,584
Sanitation (free sanitation service to indigent households)	78,606	59,884	93,064	115,302	115,302	107,155	116,799	127,311
Electricity/other energy (50kwh per indigent household per month)	29,067	24,744	26,926	29,786	30,201	33,604	37,704	42,304
Refuse (removed once a week for indigent households)	48,044	55,150	70,741	78,453	78,453	85,832	93,557	101,977
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)								
Total cost of FBS provided	198,216	190,950	255,261	282,303	282,718	303,676	332,082	363,176
Highest level of free service provided per household								
Property rates (R value threshold)	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

Sanitation (kilolitres per household per month)	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)	59	66	74	83	83	93	99	108
Electricity (kwh per household per month)	75	75	75	75	75	75	75	75
Refuse (average litres per week)	240	240	240	240	240	240	240	240
Revenue cost of subsidised services provided (R'000)								
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	-	-	-	0	0			
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	106,735	139,117	142,171	186,304	196,663	189,452	207,412	227,075
Water (in excess of 6 kilolitres per indigent household per month)	14,167	17,057	21,510	19,587	19,587	25,695	28,007	30,528
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	14,534	12,372	13,463	15,993	16,201	17,902	19,952	22,252
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates								
Housing - top structure subsidies								
Other								
Total revenue cost of subsidised services provided	135,435	168,547	177,144	221,884	232,451	233,049	255,371	279,855

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 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 and the Entity's 2015/16 budget and MTREF to be noted by Council.

Table 19 (Table A1 - Budget Summary)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands								
Financial Performance								
Property rates	1,058,523	1,205,526	1,332,135	1,504,945	1,570,445	1,638,304	1,793,987	1,964,462
Service charges	3,633,445	3,812,473	4,052,102	4,817,334	4,836,422	4,923,965	5,327,265	5,763,597
Investment revenue	65,458	80,682	79,961	66,845	78,070	88,295	91,979	95,493
Transfers recognised - operational	1,269,882	1,299,283	1,481,999	1,320,241	1,508,335	1,208,609 1,210,894	1,281,702	1,390,641
Other own revenue	1,027,831	1,128,987	1,218,634	1,165,560	1,384,418	1,415,528	1,543,824	1,642,475
Total Revenue (excluding capital transfers and contributions)	7,055,139	7,526,951	8,164,832	8,874,926	9,377,691	9,274,701 9,276,986	10,038,757	10,856,668
Employee costs	1,716,617	1,751,332	2,164,384	2,274,784	2,244,119	2,378,064	2,570,206	2,773,570
Remuneration of councillors	53,010	55,918	58,161	64,429	63,286	67,716	72,456	77,528
Depreciation & asset impairment	774,245	1,437,774	901,662	873,646	1,050,946	1,038,335	1,049,869	970,982
Finance charges	201,008	192,321	206,596	168,258	170,793	157,804	146,716	137,469
Materials and bulk purchases	2,652,765	2,741,602	3,009,984	3,266,898	3,320,958	3,487,188	3,813,115	4,167,549

Transfers and grants	37,470	43,287	56,964	507,605	497,341	134,192	141,674	149,606
Other expenditure	1,643,349	1,205,326	1,780,419	1,679,170	1,970,635	1,964,546	2,008,896	2,058,422
Total Expenditure	7,078,464	7,427,559	8,178,170	8,834,791	9,318,077	9,227,844	9,802,932	10,335,125
Surplus/(Deficit)	(23,326)	99,392	(13,339)	40,135	59,614	46,857	235,825	521,543
Transfers recognised - capital	895,330	1,027,126	784,204	941,157	760,343	813,476	1,162,454	1,237,281
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	872,004	1,126,518	770,865	981,292	819,957	- 860,333	1,398,280	1,758,823
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	872,004	1,126,518	770,865	981,292	819,957	- 860,333	1,398,280	1,758,823
Capital expenditure & funds sources								
Capital expenditure	1,193,483	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781
Transfers recognised - capital	895,330	1,026,454	784,204	941,157	778,788	813,476	1,162,454	1,237,281
Public contributions & donations	4,410	31,987	56,854	53,000	53,000	53,000	53,000	53,000
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	293,743	522,329	594,226	563,733	656,766	468,558	465,354	470,500
Total sources of capital funds	1,193,483	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781
Financial position								
Total current assets	2,633,781	3,180,487	3,224,046	2,839,155	2,984,697	3,241,204	3,991,530	4,784,366
Total non current assets	13,184,323	13,459,948	14,030,484	14,561,858	14,659,088	15,139,234	15,944,547	16,824,877
Total current liabilities	2,314,792	2,287,869	2,153,986	2,471,661	2,441,260	2,428,539	2,641,714	2,801,745
Total non current liabilities	3,432,861	3,193,972	3,171,084	3,130,164	3,130,164	3,152,482	3,187,973	3,220,991
Community wealth/Equity	10,070,451	11,158,595	11,929,460	11,799,188	12,072,362	12,799,416	14,106,390	15,586,507
Cash flows								
Net cash from (used) operating	1,709,703	1,788,784	1,399,152	1,922,199	1,685,420	1,628,763	2,227,844	2,495,997
Net cash from (used) investing	(1,258,852)	(1,661,008)	(1,441,180)	(1,529,889)	(1,659,444)	(1,379,028)	(1,497,950)	(1,736,786)
Net cash from (used) financing	(89,509)	(97,970)	(112,968)	(104,093)	(87,568)	(91,920)	(84,409)	(77,760)
Cash/cash equivalents at the year end	1,520,229	1,550,035	1,395,039	1,154,054	1,330,287	1,488,102	2,133,587	2,815,037
Cash backing/surplus reconciliation								
Cash and investments available	1,522,131	1,552,562	1,394,594	1,154,054	1,330,287	1,488,102	2,133,587	2,815,037
Application of cash and investments	1,196,171	1,108,158	508,866	768,252	1,182,127	1,087,296	1,208,186	1,254,259
Balance - surplus (shortfall)	325,960	444,404	885,728	385,802	148,160	400,806	925,401	1,560,778
Asset management								
Asset register summary (WDV)	13,152,392	13,447,857	14,012,185	14,549,767	14,640,789	15,118,935	15,922,248	16,800,578
Depreciation & asset impairment	774,245	1,437,774	901,662	873,646	1,050,946	1,038,335	1,049,869	970,982
Renewal of Existing Assets	608,789	649,050	757,371	723,940	727,040	813,624	853,468	920,122
Repairs and Maintenance	472,773	490,044	555,544	524,729	515,143	410,834	444,532	478,892
Free services								
Cost of Free Basic Services provided	198,216	190,950	255,261	282,303	282,718	303,676	332,082	363,176
Revenue cost of free services provided	135,435	168,547	177,144	221,884	232,451	233,049	255,371	279,855
Households below minimum service level								
Water:	-	-	-	-	-	-	-	-
Sanitation/sewerage:	29	47	30	22	22	-	-	-
Energy:	-	-	-	-	-	-	-	-
Refuse:	157	156	156	108	118	23	23	23

Table 20 Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Revenue - Standard								
<i>Governance and administration</i>	2,136,804	2,371,174	2,550,500	2,480,327	2,552,977	2,637,914	2,835,939	3,086,610
Executive and council	809	272	650	37	66	67	71	75
Budget and treasury office	2,121,501	2,362,511	2,523,626	2,452,237	2,511,398	2,623,291	2,821,963	3,071,725
Corporate services	14,494	8,391	26,224	28,052	41,513	14,557	13,905	14,810
<i>Community and public safety</i>	566,009	644,511	793,646	429,443	789,539	645,828 648,113	682,098	720,428
Community and social services	16,252	25,227	26,983	23,252	28,663	25,101 27,386	25,805	26,526
Sport and recreation	40,212	24,586	22,912	26,527	26,496	27,890	29,396	30,665
Public safety	28,264	61,850	40,503	10,240	224,765	242,449	259,363	277,458
Housing	474,983	525,909	701,604	366,447	503,993	349,572	367,128	385,569
Health	6,297	6,939	1,643	2,976	5,621	816	406	210
<i>Economic and environmental services</i>	685,269	765,829	522,801	878,658	716,029	583,308	970,530	1,023,459
Planning and development	393,167	212,183	200,295	397,133	402,725	470,996	531,059	524,113
Road transport	287,924	544,632	305,815	473,756	305,599	106,150	432,822	492,170
Environmental protection	4,178	9,014	16,692	7,770	7,705	6,162	6,649	7,176
<i>Trading services</i>	4,545,484	4,755,648	5,065,991	6,009,402	6,060,025	6,201,584	6,693,081	7,243,890
Electricity	2,935,959	3,051,991	3,280,766	3,729,081	3,750,891	3,981,061	4,300,273	4,644,646
Water	785,182	818,135	805,052	959,791	982,361	938,161	1,022,110	1,128,844
Waste water management	619,093	650,175	724,253	965,986	963,875	977,285	1,039,904	1,111,678
Waste management	205,249	235,347	255,920	354,543	362,899	305,077	330,795	358,722
<i>Other</i>	16,902	16,915	16,098	18,253	19,464	19,543	19,563	19,563
Total Revenue - Standard	7,950,469	8,554,077	8,949,036	9,816,083	10,138,034	10,089,178 10,090,463	11,201,212	12,093,949
Expenditure - Standard								
<i>Governance and administration</i>	952,813	706,754	1,102,575	1,267,034	1,248,879	1,292,872	1,353,468	1,412,349
Executive and council	143,223	160,594	181,798	208,398	218,769	212,821	227,936	234,570
Budget and treasury office	591,437	309,679	612,455	653,584	669,944	629,391	648,381	670,864
Corporate services	218,154	236,481	308,322	405,051	360,167	450,660	477,151	506,915
<i>Community and public safety</i>	1,295,936	1,363,066	1,540,037	1,411,549	1,606,679	1,442,544	1,534,615	1,633,909
Community and social services	140,412	151,330	180,473	174,913	221,630	195,010	205,005	219,079
Sport and recreation	134,565	145,224	187,736	185,646	191,099	193,192	204,954	214,594
Public safety	392,079	466,477	455,474	441,352	448,914	463,592	499,439	538,180
Housing	361,554	420,687	517,836	420,516	555,226	403,772	424,820	447,088
Health	267,326	179,348	198,519	189,122	189,810	186,978	200,397	214,968
<i>Economic and environmental services</i>	1,068,954	1,641,676	1,209,749	1,128,965	1,321,514	1,344,612	1,399,334	1,426,879
Planning and development	635,499	1,094,738	490,647	497,101	714,847	593,985	625,234	660,437
Road transport	168,431	431,622	586,199	475,652	446,659	585,045	594,218	574,248
Environmental protection	265,024	115,316	132,904	156,212	160,008	165,582	179,882	192,195
<i>Trading services</i>	3,748,229	3,703,822	4,307,050	5,012,969	5,125,480	5,131,425	5,497,950	5,843,164
Electricity	2,654,306	2,683,977	3,038,264	3,444,088	3,544,116	3,736,852	4,028,341	4,327,042
Water	516,328	449,036	626,083	693,203	706,089	699,646	744,117	768,600
Waste water management	392,906	376,032	442,230	563,621	564,515	487,466	504,695	515,842
Waste management	184,689	194,777	200,472	312,057	310,760	207,461	220,797	231,679
<i>Other</i>	12,532	12,241	18,759	14,274	15,524	16,391	17,565	18,824
Total Expenditure - Standard	7,078,464	7,427,559	8,178,170	8,834,791	9,318,077	9,227,844	9,802,932	10,335,125
Surplus/(Deficit) for the year	872,004	1,126,518	770,865	981,292	819,957	860,333 862,618	1,398,280	1,758,823

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

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18
Revenue by Vote								
Vote 1 - Budget and Treasury	2,121,642	2,362,165	2,523,856	2,452,249	2,511,411	2,623,298	2,821,971	3,071,733
Vote 2 - Public Health	219,044	258,714	283,326	369,305	381,687	317,531	343,484	371,900
Vote 3 - Human Settlements	494,238	547,394	729,209	595,215	729,204	617,743	672,039	673,287
Vote 4 - Economic Development, Tourism and Agriculture	206,230	112,590	115,713	117,075	120,551	147,228	168,273	173,890
Vote 5 - Corporate Services	10,213	11,477	19,828	19,503	32,087	5,425	4,161	4,412
Vote 6 - Rate and General Engineers	423,490	532,035	297,661	454,311	287,198	86,605	412,187	470,389
Vote 7 - Water Services	785,183	818,135	805,052	959,791	982,361	938,161	1,022,110	1,128,844
Vote 8 - Sanitation Services	619,093	649,915	716,759	965,986	963,875	977,285	1,039,904	1,111,678
Vote 9 - Electricity and Energy	2,935,959	3,051,991	3,280,766	3,729,081	3,750,891	3,981,061	4,300,273	4,644,646
Vote 10 - Executive and Council	1,610	887	2,639	1,317	6,631	20,271	18,383	19,493
Vote 11 - Safety and Security	48,948	79,604	60,570	33,812	247,832	266,903	285,285	304,935
Vote 12 - Nelson Mandela Bay Stadium	59,887	46,902	42,112	48,500	48,500	51,410	54,495	57,764
Vote 13 - Strategic Programmes Directorate	24,932	49,714	37,689	31,362	33,308	14,999 17,284	16,885	17,974
Vote 14 - Sport, Recreation, Arts & Culture	-	32,554	33,856	38,573	42,499	40,257	41,761	43,003
Total Revenue by Vote	7,950,469	8,554,077	8,949,036	9,816,083	10,138,034	10,088,178 10,090,463	11,201,212	12,093,949
Expenditure by Vote to be appropriated								
Vote 1 - Budget and Treasury	547,070	309,679	594,493	632,490	643,369	604,036	621,485	642,476
Vote 2 - Public Health	693,360	483,577	531,249	680,753	681,274	582,008	624,369	663,894
Vote 3 - Human Settlements	499,669	1,183,542	679,544	566,695	698,264	553,393	585,450	619,599
Vote 4 - Economic Development, Tourism and Agriculture	325,415	126,084	106,258	136,773	138,989	156,216	165,506	175,399
Vote 5 - Corporate Services	278,874	311,024	360,402	385,446	392,855	358,689	379,888	403,151
Vote 6 - Rate and General Engineers	441,426	514,012	707,740	614,648	573,470	615,915	648,072	649,856
Vote 7 - Water Services	523,915	441,105	626,079	693,203	706,089	699,646	744,117	768,600
Vote 8 - Sanitation Services	335,738	324,697	386,144	505,654	504,451	486,701	504,246	516,567
Vote 9 - Electricity and Energy	2,653,923	2,684,046	3,038,195	3,444,088	3,544,116	3,736,852	4,028,341	4,327,042
Vote 10 - Executive and Council	173,044	169,153	221,218	244,414	266,522	270,194	285,869	296,040
Vote 11 - Safety and Security	407,279	481,652	467,355	452,496	652,421	658,953	686,657	717,845
Vote 12 - Nelson Mandela Bay Stadium	173,586	159,427	157,070	167,939	187,150	182,791	188,893	195,362
Vote 13 - Strategic Programmes Directorate	25,165	31,718	33,483	20,986	27,928	13,588	14,595	15,547
Vote 14 - Sport, Recreation, Arts & Culture	-	207,843	268,940	289,205	301,177	308,862	325,443	343,748
Total Expenditure by Vote	7,078,464	7,427,559	8,178,170	8,834,791	9,318,077	9,227,844 860,333 862,618	9,802,932	10,335,125
Surplus/(Deficit) for the year	872,004	1,126,518	770,866	981,292	819,957	860,333 862,618	1,398,280	1,758,823

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

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18
Revenue By Source								
Property rates	1,058,523	1,205,526	1,332,135	1,504,945	1,570,445	1,638,304	1,793,987	1,964,462
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2,819,880	2,873,943	3,077,951	3,519,222	3,519,222	3,784,445	4,085,182	4,409,722
Service charges - water revenue	430,698	505,420	519,528	639,699	639,699	594,470	647,973	706,290
Service charges - sanitation revenue	273,384	308,365	323,716	436,338	451,838	383,953	418,509	456,175

Service charges - refuse revenue	109,483	124,745	130,907	222,076	225,664	161,097	175,601	191,410
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	16,555	19,459	17,897	23,342	23,400	23,531	25,019	26,973
Interest earned - external investments	65,458	80,682	79,961	66,845	78,070	88,295	91,979	95,493
Interest earned - outstanding debtors	166,835	217,637	151,050	159,327	159,307	168,865	178,997	189,737
Dividends received	-	-	-	-	-	-	-	-
Fines	28,892	61,409	39,644	11,861	226,837	242,441	259,078	276,748
Licences and permits	10,263	9,328	9,695	11,963	11,611	13,791	14,617	15,493
Agency services	1,909	2,095	2,246	2,428	2,428	2,574	2,728	2,892
Transfers recognised - operational	1,269,882	1,299,283	1,481,999	1,320,241	1,508,335	1,208,609 1,210,894	1,281,702	1,390,641
Other revenue	803,378	819,059	997,271	956,638	960,807	964,295	1,063,353	1,130,600
Gains on disposal of PPE	-	-	830	-	28	30	31	32
Total Revenue (excluding capital transfers and contributions)	7,055,139	7,526,951	8,164,832	8,874,926	9,377,691	9,274,701 9,276,986	10,038,757	10,856,668
Expenditure By Type								
Employee related costs	1,716,617	1,751,332	2,164,384	2,274,784	2,244,119	2,378,064	2,570,206	2,773,570
Remuneration of councillors	53,010	55,918	58,161	64,429	63,286	67,716	72,456	77,528
Debt impairment	409,730	200,711	407,361	379,334	384,412	349,392	303,472	247,129
Depreciation & asset impairment	774,245	1,437,774	901,662	873,646	1,050,946	1,038,335	1,049,869	970,982
Finance charges	201,008	192,321	206,596	168,258	170,793	157,804	146,716	137,469
Bulk purchases	2,179,993	2,251,558	2,454,439	2,742,169	2,805,815	3,076,354	3,368,583	3,688,657
Other materials	472,773	490,044	555,544	524,729	515,143	410,834	444,532	478,892
Contracted services	373,895	288,984	323,685	333,353	463,364	552,944	580,045	612,307
Transfers and grants	37,470	43,287	56,964	507,605	497,341	134,192	141,674	149,606
Other expenditure	764,885	714,359	1,048,860	966,483	1,122,859	1,062,210	1,125,380	1,198,986
Loss on disposal of PPE	94,839	1,272	513	-	-	-	-	-
Total Expenditure	7,078,464	7,427,559	8,178,170	8,834,791	9,318,077	9,227,844	9,802,932	10,335,125
Surplus/(Deficit)	(23,326)	99,392	(13,339)	40,135	59,614	46,857 49,142	235,825	521,543
Transfers recognised - capital	895,330	1,027,126	784,204	941,157	760,343	813,476	1,162,454	1,237,281
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	872,004	1,126,518	770,865	981,292	819,957	860,333 862,618	1,398,280	1,758,823
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	872,004	1,126,518	770,865	981,292	819,957	860,333 862,618	1,398,280	1,758,823
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	872,004	1,126,518	770,865	981,292	819,957	860,333 862,618	1,398,280	1,758,823
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	872,004	1,126,518	770,865	981,292	819,957	860,333 862,618	1,398,280	1,758,823

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

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand								
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								

Vote 1 - Budget and Treasury	12,862	23,542	31,028	74,000	75,872	27,616	20,000	-
Vote 2 - Public Health	15,925	48,307	66,980	38,433	60,713	33,700	37,500	42,300
Vote 3 - Human Settlements	148,096	175,634	201,395	175,108	175,108	214,100	244,997	228,500
Vote 4 - Economic Development, Tourism and Agriculture	28,072	12,217	96,486	6,326	6,148	14,216	15,848	30,702
Vote 5 - Corporate Services	19,001	43,480	38,139	27,050	27,050	30,400	21,600	22,350
Vote 6 - Rate and General Engineers	356,082	614,033	279,693	412,220	253,128	177,950	459,107	507,281
Vote 7 - Water Services	264,805	184,996	169,668	165,003	180,349	174,551	190,250	223,750
Vote 8 - Sanitation Services	168,584	228,233	263,307	267,450	247,535	339,750	348,267	355,611
Vote 9 - Electricity and Energy	126,204	201,908	202,583	218,992	233,752	216,744	224,748	222,298
Vote 10 - Executive and Council	10,069	2,236	2,376	6,850	6,850	4,000	5,000	2,500
Vote 11 - Safety and Security	2,873	5,709	10,209	7,300	6,600	8,550	7,394	8,700
Vote 12 - Nelson Mandela Bay Stadium	-	29,442	6,832	-	13,168	-	-	-
Vote 13 - Strategic Programmes Directorate	40,912	11,034	3,333	8,060	16,745	6,907	15,848	-
Vote 14 - Sports, Recreation, Arts & Culture	-	-	17,860	104,500	116,900	32,000	37,000	32,500
Capital multi-year expenditure sub-total	1,193,484	1,580,770	1,389,890	1,511,291	1,419,917	1,280,484	1,627,558	1,676,491
Single-year expenditure to be appropriated								
Vote 1 - Budget and Treasury	-	-	3,527	3,000	2,850	1,850	1,800	1,800
Vote 2 - Public Health	-	-	6,960	16,200	27,820	16,650	16,000	25,850
Vote 3 - Human Settlements	-	-	-	-	1,200	-	-	-
Vote 4 - Economic Development, Tourism and Agriculture	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services	-	-	818	-	-	-	-	500
Vote 6 - Rate and General Engineers	-	-	4,426	6,380	10,680	10,500	12,750	13,750
Vote 7 - Water Services	-	-	1,181	2,500	4,054	3,000	2,500	2,500
Vote 8 - Sanitation Services	-	-	-	2,500	5,515	3,000	2,000	4,000
Vote 9 - Electricity and Energy	-	-	25,765	10,800	10,600	11,000	8,500	10,000
Vote 10 - Executive and Council	-	-	-	-	-	-	-	-
Vote 11 - Safety and Security	-	-	2,717	5,218	5,918	7,050	8,200	25,390
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-	-	-	-	-
Vote 13 - Strategic Programmes Directorate	-	-	-	-	-	-	-	-
Vote 14 - Sports, Recreation, Arts & Culture	-	-	-	-	-	1,500	1,500	500
Capital single-year expenditure sub-total	-	-	45,394	46,598	68,637	54,550	53,250	84,290
Total Capital Expenditure - Vote	1,193,484	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781
Capital Expenditure - Standard								
Governance and administration	41,932	98,700	82,720	110,900	125,790	63,866	48,400	27,150
Executive and council	10,069	31,678	9,208	6,850	20,018	4,000	5,000	2,500
Budget and treasury office	12,862	23,542	34,555	77,000	78,722	29,466	21,800	1,800
Corporate services	19,001	43,480	38,957	27,050	27,050	30,400	21,600	22,850
Community and public safety	159,453	194,199	233,233	294,626	308,226	265,200	299,591	296,090
Community and social services	-	999	3,585	27,000	38,400	14,000	14,000	8,500
Sport and recreation	7,895	11,002	14,275	77,500	78,500	19,500	24,500	24,500
Public safety	2,872	5,709	12,926	12,518	12,518	15,600	15,594	34,090
Housing	148,096	175,634	201,395	175,108	176,308	214,100	244,997	228,500
Health	590	856	1,052	2,500	2,500	2,000	500	500
Economic and environmental services	429,064	657,508	447,186	467,918	326,633	240,424	537,553	597,882
Planning and development	61,009	11,250	99,819	14,386	22,893	21,124	31,696	30,702
Road transport	356,162	614,033	284,119	418,600	263,808	188,450	471,857	521,031
Environmental protection	11,893	32,225	63,247	34,933	39,933	30,850	34,000	46,150
Trading services	563,035	630,362	672,145	684,446	727,906	765,545	795,264	839,658
Electricity	126,204	201,908	228,348	229,792	244,352	227,744	233,248	232,298
Water	264,805	184,996	170,850	167,503	184,403	177,551	192,750	226,250
Waste water management	168,584	228,233	263,307	269,950	253,050	342,750	350,267	359,611
Waste management	3,442	15,225	9,640	17,200	46,100	17,500	19,000	21,500
Other					-			

Total Capital Expenditure - Standard	1,193,483	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781
Funded by:								
National Government	895,330	1,012,405	781,938	941,157	760,343	811,191	1,162,454	1,237,281
Provincial Government								
District Municipality								
Other transfers and grants		14,048	2,266	-	18,445	2,285	-	-
Transfers recognised - capital	895,330	1,026,454	784,204	941,157	778,788	813,476	1,162,454	1,237,281
Public contributions & donations	4,410	31,987	56,854	53,000	53,000	53,000	53,000	53,000
Borrowing								
Internally generated funds	293,743	522,329	594,226	563,733	656,766	468,558	465,354	470,500
Total Capital Funding	1,193,483	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781

Table 24 (Table A6 – Budget Financial Position)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand								
ASSETS								
Current assets								
Cash	274,851	128,555	139,620	200,000	200,000	200,000	200,000	200,000
Call investment deposits	1,247,260	1,424,007	1,254,974	954,054	1,130,287	1,288,102	1,933,587	2,615,037
Consumer debtors	611,367	1,036,315	1,142,034	1,174,058	1,029,774	1,091,560	1,157,054	1,226,477
Other debtors	394,347	487,336	563,201	395,503	498,636	533,541	570,889	610,851
Current portion of long-term receivables	0	0	0	0	0	0	0	0
Inventory	105,956	104,274	124,216	115,540	126,000	128,000	130,000	132,000
Total current assets	2,633,781	3,180,487	3,224,046	2,839,155	2,984,697	3,241,204	3,991,530	4,784,366
Non current assets								
Long-term receivables	31,911	12,091	18,299	12,091	18,299	20,299	22,299	24,299
Investments	20	-			-			
Investment property	199,262	199,439	198,169	199,262	198,169	198,169	198,169	198,169
Investment in Associate					-			
Property, plant and equipment	12,746,126	13,081,229	13,669,661	14,124,291	14,270,675	14,746,735	15,562,739	16,466,171
Agricultural								
Biological								
Intangible	207,004	167,189	144,355	226,213	171,946	174,031	161,341	136,238
Other non-current assets								
Total non current assets	13,184,323	13,459,948	14,030,484	14,561,858	14,659,088	15,139,234	15,944,547	16,824,877
TOTAL ASSETS	15,818,104	16,640,436	17,254,530	17,401,013	17,643,785	18,380,437	19,936,077	21,609,243
LIABILITIES								
Current liabilities								
Bank overdraft								
Borrowing	105,159	112,968	104,093	93,920	93,920	86,409	79,760	89,149
Consumer deposits	93,159	100,348	111,852	100,348	116,872	118,872	120,872	122,872
Trade and other payables	1,862,735	1,914,468	1,780,145	2,097,522	2,062,430	2,044,465	2,250,846	2,387,314
Provisions	253,740	160,085	157,896	179,872	168,038	178,792	190,235	202,410
Total current liabilities	2,314,792	2,287,869	2,153,986	2,471,661	2,441,260	2,428,539	2,641,714	2,801,745
Non current liabilities								
Borrowing	1,716,181	1,578,058	1,471,966	1,318,032	1,318,032	1,231,623	1,151,863	1,062,714
Provisions	1,716,680	1,615,915	1,699,118	1,812,131	1,812,131	1,920,859	2,036,111	2,158,277
Total non current liabilities	3,432,861	3,193,972	3,171,084	3,130,164	3,130,164	3,152,482	3,187,973	3,220,991
TOTAL LIABILITIES	5,747,654	5,481,841	5,325,069	5,601,825	5,571,424	5,581,021	5,829,687	6,022,736

NET ASSETS	10,070,451	11,158,595	11,929,460	11,799,188	12,072,362	12,799,416	14,106,390	15,586,507
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	9,842,588	10,711,143	11,607,136	11,745,536	11,841,408	12,566,462	13,871,436	15,349,553
Reserves	227,863	447,451	322,324	53,652	230,954	232,954	234,954	236,954
TOTAL COMMUNITY WEALTH/EQUITY	10,070,451	11,158,595	11,929,460	11,799,188	12,072,362	12,799,416	14,106,390	15,586,507

Table 25 (Table A7 – Budgeted Cash Flows)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	987,192	1,079,793	1,209,351	1,335,680	1,406,313	1,556,389	1,722,227	1,905,528
Service charges	3,484,912	3,629,747	3,767,086	4,228,898	4,247,426	4,677,767	5,114,174	5,590,689
Other revenue	458,330	308,782	1,127,901	982,438	1,008,907	1,023,410	1,128,845	1,200,601
Government - operating	1,299,252	1,504,855	1,173,071	1,348,689	1,447,884	1,189,865	1,254,738	1,362,486
Government - capital	895,330	920,097	999,637	1,072,919	866,791	924,758	1,325,198	1,410,500
Interest	65,458	80,682	222,532	66,845	78,070	88,295	91,979	95,493
Dividends			220	-	-	-	-	-
Payments								
Suppliers and employees	(5,192,099)	(5,446,835)	(6,776,643)	(6,839,921)	(7,089,067)	(7,516,083)	(8,095,270)	(8,755,940)
Finance charges	(205,109)	(192,715)	(208,860)	(168,258)	(170,793)	(181,446)	(172,374)	(163,755)
Transfers and Grants	(83,564)	(95,622)	(115,142)	(105,090)	(110,112)	(134,192)	(141,674)	(149,606)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,709,703	1,788,784	1,399,152	1,922,199	1,685,420	1,628,763	2,227,844	2,495,997
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE						-	-	-
Decrease (increase) in non-current debtors						-	-	-
Decrease (increase) other non-current receivables	9,779	19,819	(6,208)		(6,208)	(2,000)	(2,000)	(2,000)
Decrease (increase) in non-current investments						-	-	-
Payments								
Capital assets	(1,268,632)	(1,680,827)	(1,434,973)	(1,529,889)	(1,653,237)	(1,377,028)	(1,495,950)	(1,734,786)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1,258,852)	(1,661,008)	(1,441,180)	(1,529,889)	(1,659,444)	(1,379,028)	(1,497,950)	(1,736,786)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans						-	-	-
Borrowing long term/refinancing						2,000	2,000	2,000
Increase (decrease) in consumer deposits	7,935	7,189			16,524	-	-	-
Payments								
Repayment of borrowing	(97,444)	(105,159)	(112,968)	(104,093)	(104,093)	(93,920)	(86,409)	(79,760)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(89,509)	(97,970)	(112,968)	(104,093)	(87,568)	(91,920)	(84,409)	(77,760)
NET INCREASE/ (DECREASE) IN CASH HELD	361,342	29,806	(154,996)	288,217	(61,593)	157,815	645,485	681,450

Cash/cash equivalents at the year begin:	1,158,887	1,520,229	1,550,035	865,837	1,391,879	1,330,287	1,488,102	2,133,587
Cash/cash equivalents at the year end:	1,520,229	1,550,035	1,395,039	1,154,054	1,330,287	1,488,102	2,133,587	2,815,037

Table 26 (Table A8 – Cash backed Reserves)

Description thousand	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available								
Cash/cash equivalents at the year end	1,520,229	1,550,035	1,395,039	1,154,054	1,330,287	1,488,102	2,133,587	2,815,037
Other current investments > 90 days	1,882	2,527	(445)	(0)	-	-	-	0
Non current assets - Investments	20	-	-	-	-	-	-	-
Cash and investments available:	1,522,131	1,552,562	1,394,594	1,154,054	1,330,287	1,488,102	2,133,587	2,815,037
Application of cash and investments								
Unspent conditional transfers	364,675	260,756	171,309	270,075	347,716	226,868	324,194	345,062
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements								
Other working capital requirements	603,633	399,951	15,233	444,525	392,055	320,737	317,763	314,465
Other provisions					211,402	306,737	331,276	357,778
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	227,863	447,451	322,324	53,652	230,954	232,954	234,954	236,954
Total Application of cash and investments:	1,196,171	1,108,158	508,866	768,252	1,182,127	1,087,296	1,208,186	1,254,259
Surplus(shortfall)	325,960	444,404	885,728	385,802	148,160	400,806	925,401	1,560,778

Table 27 (Table A9 – Asset Management)

Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE								
Total New Assets	584,695	931,719	677,913	833,949	761,514	521,410	827,340	840,658
Infrastructure - Road transport	122,457	560,697	146,622	280,670	134,186	85,250	356,907	397,031
Infrastructure - Electricity	40,468	38,215	57,916	63,140	83,700	45,702	55,588	56,088
Infrastructure - Water	203,869	63,339	61,476	83,103	95,103	56,551	45,250	35,250
Infrastructure - Sanitation	-	-	-	-	-	-	-	-
Infrastructure - Other	147,782	179,556	205,303	172,678	174,478	217,100	247,997	231,500
Infrastructure	514,577	841,807	471,317	599,591	487,467	404,603	705,742	719,868
Community	42,570	19,932	127,340	78,060	85,745	18,407	29,348	13,500
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	9,147	47,757	49,693	79,448	111,452	69,400	67,250	104,790
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	18,401	22,223	29,563	76,850	76,850	29,000	25,000	2,500
Total Renewal of Existing Assets	608,789	649,050	757,371	723,940	727,040	813,624	853,468	920,122
Infrastructure - Road transport	225,405	44,148	117,317	113,800	104,997	74,700	95,700	100,750
Infrastructure - Electricity	82,270	132,928	148,094	145,852	141,052	157,042	153,160	150,710
Infrastructure - Water	57,568	117,255	106,350	76,900	83,553	113,000	140,000	179,500

<i>Infrastructure - Sanitation</i>	166,478	218,543	263,189	264,450	247,450	336,750	344,267	352,611
<i>Infrastructure - Other</i>	22,972	18,148	14,197	18,126	29,793	25,916	29,348	47,002
Infrastructure	554,692	531,022	649,147	619,128	606,845	707,408	762,474	830,572
Community	17,075	49,524	42,463	31,583	46,615	27,500	29,500	31,000
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	31,710	58,148	62,553	61,730	62,280	62,216	55,494	52,050
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	5,312	10,356	3,209	11,500	11,300	16,500	6,000	6,500
Total Capital Expenditure								
<i>Infrastructure - Road transport</i>	347,862	604,845	263,939	394,470	239,182	159,950	452,607	497,781
<i>Infrastructure - Electricity</i>	122,738	171,144	206,010	208,992	224,752	202,744	208,748	206,798
<i>Infrastructure - Water</i>	261,437	180,594	167,826	160,003	178,656	169,551	185,250	214,750
<i>Infrastructure - Sanitation</i>	166,478	218,543	263,189	264,450	247,450	336,750	344,267	352,611
<i>Infrastructure - Other</i>	170,754	197,703	219,500	190,803	204,271	243,016	277,345	278,502
Infrastructure	1,069,269	1,372,829	1,120,464	1,218,719	1,094,312	1,112,011	1,468,217	1,550,441
Community	59,645	69,456	169,803	109,642	132,360	45,907	58,848	44,500
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	40,858	105,905	112,246	141,178	173,732	131,616	122,744	156,840
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	23,713	32,580	32,772	88,350	88,150	45,500	31,000	9,000
TOTAL CAPITAL EXPENDITURE - Asset class	1,193,484	1,580,770	1,435,284	1,557,889	1,488,554	1,335,034	1,680,808	1,760,781
ASSET REGISTER SUMMARY - PPE (WDV)								
<i>Infrastructure - Road transport</i>	3,151,916	3,539,207	3,591,393	3,179,916	3,574,844	3,494,053	3,696,201	3,920,697
<i>Infrastructure - Electricity</i>	1,506,836	1,594,517	1,658,746	1,804,662	1,786,880	1,868,997	1,953,900	2,051,136
<i>Infrastructure - Water</i>	1,531,624	1,797,787	2,051,133	1,677,766	2,100,204	2,143,305	2,199,369	2,274,623
<i>Infrastructure - Sanitation</i>	973,237	1,120,310	1,300,786	1,489,501	1,449,524	1,662,843	1,886,408	2,115,686
<i>Infrastructure - Other</i>	2,225,658	1,673,620	1,751,005	2,621,022	2,009,372	2,239,824	2,502,605	2,765,386
Infrastructure	9,389,271	9,725,441	10,353,064	10,772,867	10,920,823	11,409,022	12,238,484	13,127,527
Community	2,642,681	2,637,805	2,599,146	2,554,049	2,612,089	2,557,146	2,518,787	2,465,171
Heritage assets	197,423	203,410	205,111	196,703	204,931	204,751	204,571	204,392
Investment properties	199,262	199,439	198,169	199,262	198,169	198,169	198,169	198,169
Other assets	516,752	514,574	512,341	600,672	532,831	575,816	600,897	669,081
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	207,004	167,189	144,355	226,213	171,946	174,031	161,341	136,238
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	13,152,392	13,447,857	14,012,185	14,549,767	14,640,789	15,118,935	15,922,248	16,800,578
EXPENDITURE OTHER ITEMS								
Depreciation & asset impairment	774,245	1,437,774	901,662	873,646	1,050,946	1,038,335	1,049,869	970,982
Repairs and Maintenance by Asset Class	472,773	490,044	555,544	524,729	515,143	410,834	444,532	478,892
<i>Infrastructure - Road transport</i>	65,924	120,057	120,640	83,270	84,275	56,572	61,095	65,979
<i>Infrastructure - Electricity</i>	40,431	42,813	45,200	54,923	54,070	56,505	61,516	66,327
<i>Infrastructure - Water</i>	126,349	106,758	150,517	126,176	128,761	90,556	99,175	107,076
<i>Infrastructure - Sanitation</i>	139,770	120,412	126,406	127,739	126,943	97,816	105,295	113,450
<i>Infrastructure - Other</i>	4,600	5,948	8,122	12,169	13,848	11,119	12,010	12,951
Infrastructure	377,073	395,988	450,884	404,276	407,897	312,567	339,091	365,784
Community	38,145	33,774	46,261	60,309	51,445	55,007	58,755	62,724
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	57,554	60,283	58,399	60,143	55,802	43,260	46,686	50,384

TOTAL EXPENDITURE OTHER ITEMS	1,247,018	1,927,818	1,457,207	1,398,376	1,566,090	1,449,169	1,494,400	1,449,875
<i>Renewal of Existing Assets as % of total capex</i>	51.0%	41.1%	52.8%	46.5%	48.8%	60.9%	50.8%	52.3%
<i>Renewal of Existing Assets as % of deprecn"</i>	78.6%	45.1%	84.0%	82.9%	69.2%	78.4%	81.3%	94.8%
<i>R&M as a % of PPE</i>	3.7%	3.7%	4.1%	3.7%	3.6%	2.8%	2.9%	2.9%
<i>Renewal and R&M as a % of PPE</i>	8.0%	8.0%	9.0%	9.0%	8.0%	8.0%	8.0%	8.0%

Table 28 (Table A10 – Basic Service Delivery Measurement)

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets								
Water:								
Piped water inside dwelling	268,545	276,850	294,090	646,998	323,499	323,499	342,909	363,484
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	29,296	30,202	30,202	66,444	33,222	33,222	35,215	37,328
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	297,841	307,052	324,292	713,442	356,721	356,721	378,124	400,812
Using public tap (<min.service level)	-	-	-	-	-	-	-	-
Other water supply (<min.service level)	-	-	-	-	-	-	-	-
No water supply	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-
Total number of households	297,841	307,052	324,292	713,442	356,721	356,721	378,124	400,812
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	266,527	274,690	290,710	639,562	319,781	319,781	338,968	359,306
Flush toilet (with septic tank)	3,060	2,160	3,060	6,732	3,366	3,366	3,568	3,782
Chemical toilet	-	-	-	407	204	204	216	229
Pit toilet (ventilated)	-	-	-	297	149	149	158	167
Other toilet provisions (>min.service level)	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	269,587	276,850	293,770	646,998	323,499	323,499	342,910	363,484
Bucket toilet	29,296	30,202	30,202	44,826	22,413	22,413	23,758	25,183
Other toilet provisions (<min.service level)	-	17,240	-	-	-	-	-	-
No toilet provisions	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	29,296	47,442	30,202	44,826	22,413	22,413	23,758	25,183
Total number of households	298,883	324,292	323,972	691,824	345,912	345,912	366,668	388,667
Energy:								
Electricity (at least min.service level)	28,813	27,926	26,748	53,782	26,400	27,984	29,663	31,443
Electricity - prepaid (min.service level)	283,637	235,303	248,905	580,543	254,226	269,480	285,648	302,787
<i>Minimum Service Level and Above sub-total</i>	312,450	263,229	275,653	634,326	280,626	297,464	315,311	334,230
Electricity (<min.service level)	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-
Total number of households	312,450	263,229	275,653	634,326	280,626	297,464	315,311	334,230
Refuse:								
Removed at least once a week	131,980	168,429	168,430	432,764	208,011	302,410	302,410	302,410
<i>Minimum Service Level and Above sub-total</i>	131,980	168,429	168,430	432,764	208,011	302,410	302,410	302,410
Removed less frequently than once a week	139,082	133,308	133,308	170,712	94,399	38,932	41,268	43,744
Using communal refuse dump	17,546	15,662	15,559	31,116	15,765	15,765	15,765	15,765
Using own refuse dump	-	-	-	-	-	-	-	-

Other rubbish disposal	-	6,852	6,852	13,704	6,852	6,852	6,852	6,852
No rubbish disposal	392	40	143	286	853	853	853	853
<i>Below Minimum Service Level sub-total</i>	157,020	155,862	155,862	215,818	117,869	23,470	23,470	23,470
Total number of households	289,000	324,291	324,292	648,582	325,880	325,880	325,880	325,880
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	71,500	73,058	76,272	75,071	75,071	78,200	79,182	80,177
Sanitation (free minimum level service)	71,740	73,433	76,272	75,309	75,309	78,200	79,182	80,177
Electricity/other energy (50kwh per household per month)	62,831	64,854	67,214	64,747	64,747	65,031	65,941	66,864
Refuse (removed at least once a week)	65,648	65,878	67,214	66,898	66,898	69,110	70,078	71,059
Cost of Free Basic Services provided - Formal Settlements (R'000)								
Water (6 kilolitres per indigent household per month)	42,500	51,172	64,530	58,762	58,762	77,084	84,022	91,584
Sanitation (free sanitation service to indigent households)	78,606	59,884	93,064	115,302	115,302	107,155	116,799	127,311
Electricity/other energy (50kwh per indigent household per month)	29,067	24,744	26,926	29,786	30,201	33,604	37,704	42,304
Refuse (removed once a week for indigent households)	48,044	55,150	70,741	78,453	78,453	85,832	93,557	101,977
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)								
Total cost of FBS provided	198,216	190,950	255,261	282,303	282,718	303,676	332,082	363,176
Highest level of free service provided per household								
Property rates (R value threshold)	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
Sanitation (kilolitres per household per month)	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)	59	66	74	83	83	93	99	108
Electricity (kwh per household per month)	75	75	75	75	75	75	75	75
Refuse (average litres per week)	240	240	240	240	240	240	240	240
Revenue cost of subsidised services provided (R'000)								
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	-	-	-	0	0			
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA	106,735	139,117	142,171	186,304	196,663	189,452	207,412	227,075
Water (in excess of 6 kilolitres per indigent household per month)	14,167	17,057	21,510	19,587	19,587	25,695	28,007	30,528
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	14,534	12,372	13,463	15,993	16,201	17,902	19,952	22,252
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates								
Housing - top structure subsidies								
Other								
Total revenue cost of subsidised services provided	135,435	168,547	177,144	221,884	232,451	233,049	255,371	279,855

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 2015 after the approval of a timetable and strategy to guide the preparation of the 2016/17 to 2018/19 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 the period April to May 2016. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget are tabled on or before end March 2016 for noting (adoption) and on or before end May 2016 for approval. The draft Budget will be tabled by the Executive Mayor at a Council meeting to be held on the 29 March 2016.

After the meeting, the draft budget will be submitted to National Treasury in compliance with Chapter 4 of the Municipal Finance Management Act 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 to be held on or before end May 2016.

2.1.1 IDP & Budget Timetable 2016/17 to 2018/19

The preparation of the 2016/17 to 2018/19 IDP and Budget was guided by the following schedule of key deadlines as approved by Council on 6 August 2015.

Activity	Date
IDP/Budget Schedule approved by Council	6 August 2015
Budget Strategy and Assumptions approved by Council	17 September 2015
Tabling of draft IDP and Budget in Council	31 March 2016
Public Participation	7 to 28 April 2016
Final adoption of IDP and Budget by Council	26 May 2016
Approval of SDBIP by Executive Mayor	23 June 2016

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 2016/17 to 2018/19 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.

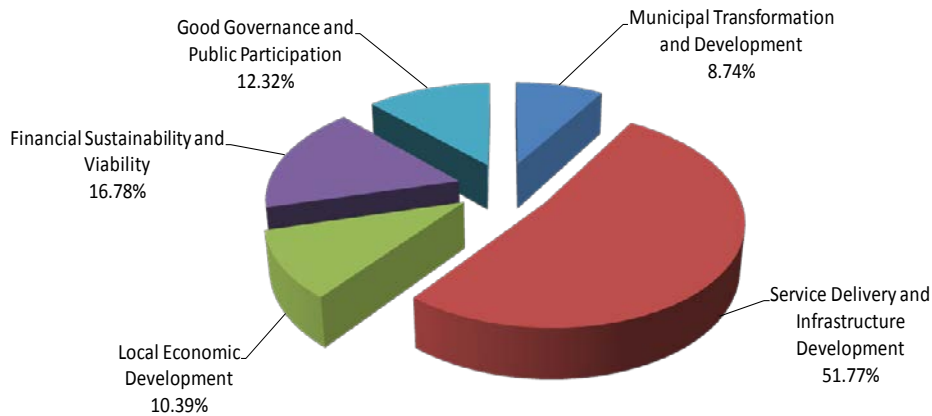
Below is a table, which illustrates the link between the Budget and the IDP.

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
2016/17 Budget						
Capital Expenditure	4,000	1,243,318	109,729	25,500	14,216	1,396,763
Operating Expenditure	922,784	4,244,808	991,278	1,753,290	1,291,898	9,204,058
Total	926,784	5,488,126	1,101,007	1,778,790	1,306,114	10,600,821
2017/18 Budget						
Capital Expenditure	5,000	1,295,404	394,313	20,500	15,848	1,731,065
Operating Expenditure	980,293	4,509,349	1,081,146	1,862,557	1,372,410	9,805,755
Total	985,293	5,804,753	1,475,459	1,883,057	1,388,258	11,536,820
2018/19 Budget						
Capital Expenditure	2,500	1,357,948	408,541	500	3,070	1,772,559
Operating Expenditure	1,033,513	4,754,158	1,097,810	1,963,674	1,446,918	10,296,073
Total	1,036,013	6,112,106	1,506,351	1,964,174	1,449,988	12,068,632

Figure 3 – 2016/17 Expenditure by IDP Priorities

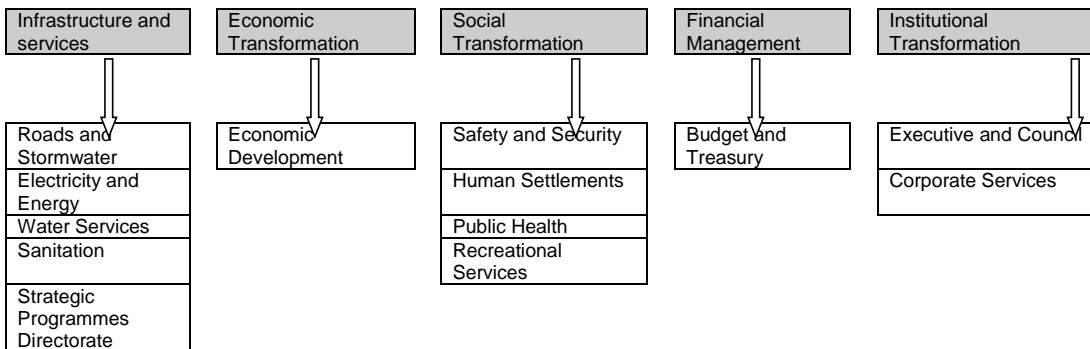
2016/2017 Expenditure by IDP Priorities



2.2.1 Alignment with National and Provincial Priorities

The Municipality's priorities are aligned with 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	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework

		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Borrowing Management									
Credit Rating		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%	4.1%	3.9%	3.1%	3.0%	2.7%	2.4%	2.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	5.1%	4.9%	4.8%	3.6%	3.5%	3.1%	2.7%	2.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%
Safety of Capital									
Gearing	Long Term Borrowing/ Funds & Reserves	754.1%	352.9%	456.8%	2456.6%	570.7%	528.7%	490.3%	448.5%
Liquidity									
Current Ratio	Current assets/current liabilities	1.1	1.4	1.5	1.2	1.2	1.3 1.4	1.5	1.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.1	1.4	1.5	1.2	1.2	1.3 1.4	1.5	1.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.7	0.7	0.7	0.5	0.6	0.6	0.8	1.0
Revenue Management									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		95.5%	93.9%	92.4% 94.0%	88.0 94.0%	88.1% 95.0%	95.0 96.0%	96.0 97.0
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		95.3%	93.9%	92.4%	88.0 94.0%	88.2 94.0%	95.0%	96.0%	97.6
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	14.0%	19.8%	20.6%	17.8%	16.5%	17.7%	17.4%	17.1%
Creditors Management									
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	75.0%	75.0%	59.0	75.0	75.0	80.0	85.0	90.0
Creditors to Cash and Investments		95.3%	103.2%	111.9%	152.9%	126.2%	121.3 119.1%	91.8 90.6%	73.0 72.2%
Other Indicators									
Electricity Distribution Losses (2)	Total Volume Losses (kW)	385,117	392,115	434,939	353,816	353,816	357,354	357,354	357,354
	Total Cost of Losses (Rand '000)	224,600	234,700	244,375	187,523	187,523	207,201	207,201	207,201
	% Volume (units purchased and generated less units sold)/units purchased and generated	10.7%	11.0%	12.3%	10.0%	10.0%	10.0%	9.9%	9.7
Water Distribution Losses (2)	Total Volume Losses (kl)	27,933	39,756	46,643	23,201	23,201	27,000	25,000	22,000
	Total Cost of Losses (Rand '000)	208,400	135,000	148,000	219,022	219,022	121,000	122,000	117,000
	% Volume (units purchased and generated less units sold)/units purchased and generated	28.2%	36.9%	42.7%	38.4%	38.4%	28.0%	26.0%	24.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	24.4%	23.4%	26.6%	25.8%	24.1%	25.8%	25.7%	25.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	25.2%	24.1%	27.3%	26.5%	24.7%	26.5%	26.5%	26.4%

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Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.7%	6.5%	6.8%	5.9%	5.5%	4.4%	4.4%	4.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	13.8%	21.6%	13.6%	11.7%	13.0%	12.9%	11.9%	10.2%
IDP regulation financial viability indicators	-								
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	14.5	18.7	38.5	40.6	40.6	44.4	49.1	53.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	20.3%	29.3%	30.9%	24.7%	23.8%	24.7%	24.2%	23.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.1	3.3	2.4	1.9	2.1	<u>2.2</u> <u>2.3</u>	<u>2.9</u> <u>3.0</u>	3.7

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 2015/16 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 3.1% in 2016/17 to 2.3% in 2017/18. The decrease is attributable to no further borrowing being planned over the MTREF period.

2.3.1.2 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 [20152016/46-17](#) MTREF, the current ratio increases from [1.4-4](#) in [20152016/46-17](#) to [1.5-7](#) in 2017/18.
- The *liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meet its current liabilities. A liquidity ratio of 1 should be maintained. For the [20152016/46-17](#) MTREF, the liquidity ratio increases from [0.5-6](#) in [20152016/46-17](#) to [0.81.0](#) in [20172018/4819](#). This represents a significant 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.

2.3.1.3 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 120 days.

2.3.2 Drinking Water Quality and Waste Water Management

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

As consistently reported to the Infrastructure, Electricity and Engineering Portfolio Committee (IEEC) the water supplied to the communities of NMBM is 100% compliant with SANS241.

Similarly, as reported to the IEEC the treated wastewater treated at the various Wastewater Treatment Works on average complies with the required standards.

The detailed reports relating to the above are available for any required scrutiny.

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 Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	35,769	334,007
	Full credit for property rates for indigent consumers	81,337	66,370
Water	The first 8kl of water per month provided free to indigent consumers	102,779	77,230
Electricity	The first 75kwh of electricity provided free to indigent consumers	51,506	64 747
Refuse removal	Full credit for the monthly charge.	85,832	66 898
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 11kl per month)	107,155	75 309
Internal leaks: indigent	Cost to repair leaks	9,767	
Indigent control admin costs	Costs to administer and monitor indigent customers	19,179	
Water maintenance	Maintenance provided in Wards where the majority are indigent consumers	12 691	
Litter picking	Co-ops to clean indigent and informal residential areas	18,932	
Total Operating Costs		524,947	

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 (FMP)

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. There are no anticipated amendments that are required to the FMP, a section that deals with virements has recently been amended.

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 2016/17 MTREF has been prepared on the basis of achieving an average revenue collection rate of 95% on current billings, excluding ATTP subsidies. In addition, the collection of debt in excess of 120 days has been prioritised as a specific strategy, in order to improve the Municipality's cash position. The NMBM has recently appointed a service provider in order to enhance the municipality's revenue collection strategies.

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.

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;
- Basic Social Services Package (Assistance to the Poor 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 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.

The Municipality faced the following significant challenges in preparing the 2016/17 – 2018/19 Budget:

- Budgeting for a surplus on the Operating Budget;
- Fully implementing cost containment measures and removing non-core expenditure items;
- 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;
- Maintaining electricity and water losses at acceptable levels;
- 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;
- 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 declining cash position into account.

- All other demands not included in the draft / tabled budget such as (i) Harmonisation of the Long Service Bonus, (ii) Establishment of Metro Police Force, (iii) Critical Vacancies, (iv) Costs relating to the raising of a loan facility, amongst others.

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

	2016/17	2017/18	2018/19
Income	%	%	%
Tariff Increases for water	9	9	9
Tariff Increases for sanitation	9	9	9
Tariff Increases for refuse	9	9	9
Property rates increase	9.5	9.5	9.5
Electricity tariff increase	12.20	12.20	12.20
Revenue collection rates (excluding ATTP subsidies)	95	96	97
Total expenditure increase allowed (excluding repairs and maintenance)	6	6	6
Salary increase	8	8	8
Increase in repairs and maintenance	8	8	8
Increase in bulk purchase of power costs	12.20	12.20	12.20
Increase in bulk purchase of water costs	12	12	12

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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	2016/17 Medium Term Revenue & Expenditure Framework					
	Budget Year 2016/17	%	Budget Year 2017/18	%	Budget Year 2017/18	%
R thousands						
Revenue by Source						
Property rates	1,638,304	17.63	1,793,987	18.30	1,964,462	18.09
Service charges	4,923,965	52.99	5,327,265	53.01	5,763,597	53.06
Investment revenue	92,295	0.99	96,479	0.96	100,493	0.93
Transfers recognised - operational	1,221,367	13.14	1,288,165	12.82	1,390,079	12.80
Other own revenue	1,415,978	15.24	1,544,324	15.37	1,643,025	15.13
Total Revenue (excluding capital transfers and contributions)	9,291,909	100.00	10,050,219	100.00	10,861,656	100.00
Total Expenditure	9,204,059		9,805,756		10,296,072	
Surplus/	87,850		244,464		565,584	

The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year.

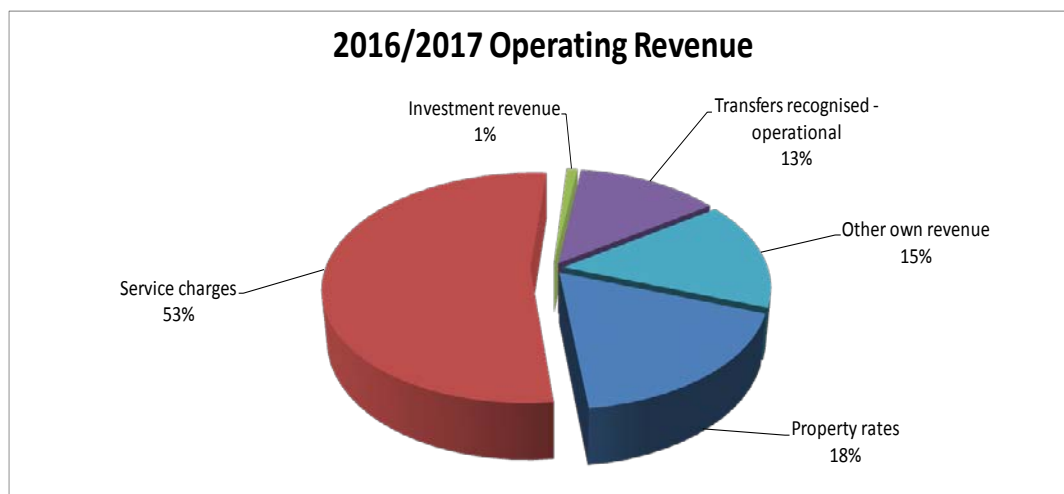


Figure 4 Breakdown of operating revenue over the 2016/17 MTREF

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 95% annual collection rate for property rates and service charges, after discounting the Assistance to the Poor (ATTP) subsidies. In this regard the municipality has appointed a service in order to enhance revenue collection and achieve the collection rate that is greater than anticipated;
- Growth in the revenue base.

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

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

Table 30 (SA15 – Detail Investment Information)

Investment type	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
R thousand									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	1,246,772	1,421,480	1,252,259	994,725	1,158,606	1,158,606	1,298,018	1,910,736	2,619,953
Deposits - Public Investment Commissioners							1,326,487	1,939,205	2,648,422
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
Municipality sub-total	1,246,772	1,421,480	1,252,259	994,725	1,158,606	1,158,606	1,298,018	1,910,736	2,619,953
Entities							1,326,487	1,939,205	2,648,422
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank									
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									

Entities sub-total	-	-	-	-	-	-	-	-	-
Consolidated total:	1,246,772	1,421,480	1,252,259	994,725	1,158,606	1,158,606	<u>1,298,018</u> <u>1,326,487</u>	<u>1,910,736</u> <u>1,939,205</u>	<u>2,619,953</u> <u>2,648,422</u>

Investments are anticipated to increase from R1.16 billion in 2016/17 to R2.62-65 billion in 2018/19.

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	Yrs/Months												
Parent municipality													
Investec	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	193,101	15,383		7,853 12,598	216,336 221,081
Stanlib	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	193,101	15,383		7,853 12,598	216,336 221,081
Nedbank	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	193,101	15,383		7,853 12,598	216,336 221,081
Standard Bank	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	193,101	15,383		7,853 12,598	216,336 221,081
First National Bank	1-3 months	Term / deposit	no	variable		0	N/A	1-3 months	193,101	15,383		7,853 12,598	216,336 221,081
												47,117	
TOTAL									1,158,606			75,586	1,298,018 1,326,487

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2016/17 medium-term capital programme:

Table 32 (Sources of capital revenue over the MTREF)

Description	Current Year 2016/17		2016/17 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Capital Transfers and Grants								
National Government:	760,343	48.32	811,191	58.08	1,162,454	67.15	1,237,281	68.73
Provincial Government:	–	0.00	0	0.00	0	0.00	0	0.00
Other grant providers:	39,348	2.50	28,338	2.03	12,440	0.72	0	0.00
Transfers recognised - capital	799,691	50.82	839,530	60.11	1,174,895	67.87	1,237,281	68.73
Public contributions and donations	53,000	3.37	53,000	3.79	53,000	3.06	53,000	2.94
Internally generated funds	720,751	45.07	504,233	36.10	503,170	29.07	509,911	28.33
Total Capital Transfers and Grants	1,573,441	100.0	1,396,763	100.0	1,731,065	100	1,800,191	100

The above table is graphically represented as follows for the 2016/17 financial year.

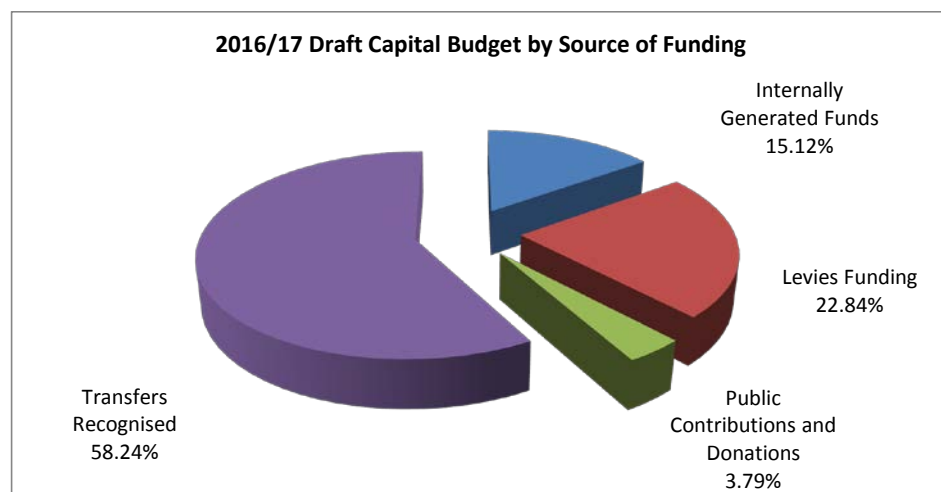


Figure 5 Sources of Capital Revenue for the 2016/17 financial year

Capital Grants constitute 60.11% of the total funding sources, amounting to R839.53 million for the 2016/17 financial year and amounting to R1.24 billion or 68.73% in the 2018/19 financial year. It is to be noted that no borrowing has been incorporated for the 2016/17 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 – Categorised by type	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17
R thousand										
<u>Parent municipality</u>										
Long-Term Loans (annuity/reducing balance)	1,718,351	1,579,062	1,472,471	1,318,032	1,318,032	1,318,032	1,231,623	1,151,863	1,062,714	
Total Borrowing	1,718,351	1,579,062	1,472,471	1,318,032	1,318,032	1,318,032	1,231,623	1,151,863	1,062,714	

The following graph illustrates the outstanding borrowing for the 2008/09 to 2018/19 period:

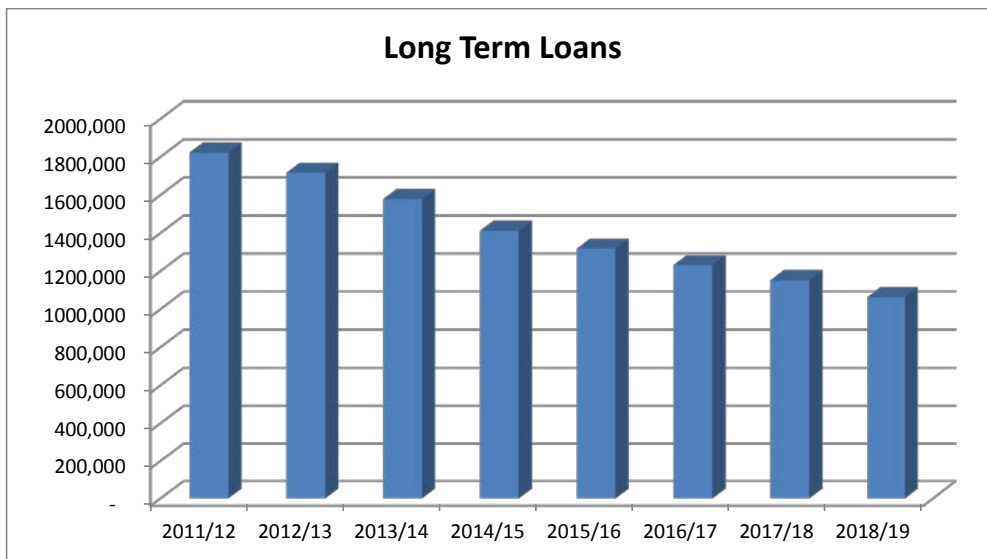


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

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

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
Capital Transfers and Grants									
National Government:	772,062	897,997	999,637	1,072,919	866,791	866,791	924,758	1,325,198	1,410,500
Public Transport and Systems	100,000	85,000	803,163	222,256	36,128	36,128		330,095	370,079
Neighbourhood Development Partnership	64,062	32,121	167,500	20,000	-	-	21,476	36,133	35,000
Urban Settlements Development	593,000	721,816	9,000	795,163	795,163	795,163	868,282	918,970	965,421
Integrated National Electrification	15,000	53,585	18,000	35,500	35,500	35,500	35,000	40,000	40,000
Drought Relief					-	-			
United Nations Development partnership grant		5,475	1,974		-	-			
Smart Grid			-		-	-			
Other grant providers:	-	-	-	20,903	20,903	20,903	35,626	18,569	-
<i>KFW (MBDA)</i>				20,903	20,903	20,903	35,626	18,569	
Total Capital Transfers and Grants	772,062	897,997	999,637	1,093,821	887,693	887,693	960,384	1,343,767	1,410,500
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,196,413	2,430,090	2,183,881	2,449,540	2,342,608	2,342,608	2,151,249	2,600,005	2,772,986

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	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome					
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	987,192	1,079,793	1,209,351	1,335,680	1,406,313	1,556,389	1,722,227	1,905,528
Service charges	3,484,912	3,629,747	3,767,086	4,228,898	4,247,426	4,677,767	5,114,174	5,590,689
Other revenue	469,621	478,576	1,127,901	983,348	1,009,817	1,049,753	1,151,308	1,209,782
Government - operating	1,299,677	1,504,855	1,173,071	1,355,719	1,454,915	1,190,865	1,256,238	1,362,486
Government - capital	895,330	920,097	999,637	1,093,822	887,694	961,384	1,343,767	1,410,500
Interest	67,639	284,512	222,532	70,045	82,070	91,495	95,279	98,793
Dividends			220		-	-	-	-

Payments								
Suppliers and employees	(5,270,485)	(5,859,331)	(6,882,544)	(6,889,818)	(7,158,440)	(7,592,915)	(8,209,960)	(8,806,998)
Finance charges	(205,109)	(192,715)	(208,860)	(168,361)	(170,896)	(181,662)	(172,602)	(163,997)
Transfers and Grants	(15,118)	(22,372)	(23,392)	(27,993)	(33,015)	(52,469)	(55,048)	(57,782)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,713,660	1,823,162	1,385,002	1,981,340	1,725,884	1,700,608	2,245,383	2,549,001
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE						-	-	-
Decrease (Increase) in non-current debtors					(6,208)	-	-	-
Decrease (Increase) other non-current receivables	9,779					(2,000)	(2,000)	(2,000)
Decrease (Increase) in non-current investments						-	-	-
Payments								
Capital assets	(1,268,937)	(1,681,359)	(1,435,786)	(1,596,933)	(1,718,889)	(1,438,757)	(1,546,206)	(1,759,974)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1,259,158)	(1,681,359)	(1,435,786)	(1,596,933)	(1,725,096)	(1,440,757)	(1,548,206)	(1,761,974)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans						-	-	-
Borrowing long term/refinancing						2,000	2,000	2,000
Increase (decrease) in consumer deposits	7,995				16,524	-	-	-
Payments								
Repayment of borrowing	(96,595)	(114,587)	(111,777)	(104,093)	(104,093)	(93,920)	(86,409)	(79,760)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(88,600)	(114,587)	(111,777)	(104,093)	(87,568)	(91,920)	(84,409)	(77,760)
NET INCREASE/ (DECREASE) IN CASH HELD	365,902	27,216	(162,561)	280,314	(86,780)	167,931	612,768	709,267
Cash/cash equivalents at the year begin:	1,214,979	1,580,882	1,608,097	914,561	1,445,536	<u>1,330,287</u> <u>1,358,756</u>	<u>1,498,218</u> <u>1,526,687</u>	<u>2,110,986</u> <u>2,139,455</u>
Cash/cash equivalents at the year end:	1,580,882	1,608,097	1,445,536	1,194,875	1,358,756	<u>1,498,218</u> <u>1,526,687</u>	<u>2,110,986</u> <u>2,139,455</u>	<u>2,820,253</u> <u>2,848,722</u>

For the 2016/17 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R1.36 billion to R2.82 billion in 2018/19.

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

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available								
Cash/cash equivalents at the year end	1,580,882	1,608,097	1,445,536	1,194,875	1,358,756	<u>1,498,218</u> <u>1,526,687</u>	<u>2,110,986</u> <u>2,139,455</u>	<u>2,820,253</u> <u>2,848,722</u>
Other current investments > 90 days	1,882	-	-	(0)	-	-	-	(0)
Non current assets - Investments	(488)	-	-	-	-	-	-	-
Cash and investments available:	1,582,276	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,526,687	2,110,986 2,139,455	2,820,253 2,848,722
Application of cash and investments								
Unspent conditional transfers	364,675	260,756	171,309	270,075	347,716	226,868	324,194	345,062
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements								

Other working capital requirements	652,777	404,194	62,073	444,295	391,835	315,445	324,319	328,567
Other provisions				212,008	212,008	306,737	331,276	357,778
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	227,863			53,652	230,955	232,954	234,954	236,954
Total Application of cash and investments:	1,245,315	664,951	233,381	980,031	1,182,514	1,082,004	1,214,742	1,268,361
Surplus(shortfall)	336,961	943,146	1,212,155	214,844	176,242	444,683	924,713	1,580,361

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 R1.50-53 billion in the 2016/17 financial year and increases to R2.82-85 billion in 2018/19. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – unspent grant funding is anticipated over the 2016/17 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 approximately two month's operational expenditure has been provided for. The desired cash levels over the medium term are, however, three months' operational expenditure in order to ensure the continued liquidity of the Municipality. Any underperformance in relation to debtors' collections could place upward pressure on the Municipality's ability to meet its commitments, whilst expenditure must be contained within the levels of the approved budget.

- Reserves must be cash backed in order to support the budget. The reserves requiring cash backing, includes the Self Insurance Fund and COID.
- Current provisions relating to the rehabilitation of landfill sites and post retirement benefits have been provided for.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects surpluses of R416.2-444.68 million, R896.2-924.71 million and R1.55-1.58 billion for the 2016/17, 2017/18 and 2018/19 financial years, respectively.

It is to be noted that the 2016/17 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 2.2-2.3 months, 2.9-3.0 months and 3.7 months for the 2016/17, 2017/18 and 2018/19 financial years, respectively.

2.6.5 Funding Compliance Measurement

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

Description	MFMA	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures									
Cash/cash equivalents at the year end - R'000	18(1)b	1,580,882	1,608,097	1,445,536	1,194,875	1,358,756	1,498,218 1,526,687	-2,110,986 2,139,455	-2,820,253 2,848,722
Cash + investments at the year end less applications - R'000	18(1)b	336,961	943,146	1,212,155	214,844	176,242	416,214 444,683	896,244 924,713	1,551,992 1,580,361
Cash year end/monthly employee/supplier payments	18(1)b	3.1	3.3	2.4	1.9	2.1	2.2 2.3	2.9 2.9	3.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	871,867	1,126,475	771,458	655,511	684,575	766,195	1,264,524	1,653,427
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	0.9%	1.3%	11.4%	(4.7%)	(3.6%)	2.5%	2.5%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	86.4%	84.3%	92.3%	87.4%	85.5%	91.3%	92.2%	92.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	8.7%	4.0%	7.6%	6.0%	6.0%	5.3%	4.3%	3.2%
Capital payments % of capital expenditure	18(1)c:19	106.1%	106.4%	100.0%	99.0%	109.2%	103.0%	89.3%	97.8%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%
Grants % of Govt. legislated/gazetted allocations	18(1)a						0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	54.4%	12.9%	(5.8%)	(2.6%)	6.3%	6.3%	6.3%
Long term receivables % change - incr(decr)	18(1)a	N.A.	(62.1%)	51.3%	(33.9%)	51.3%	10.9%	9.9%	9.0%
R&M % of Property Plant & Equipment	20(1)(vi)	3.7%	3.7%	4.1%	3.7%	3.6%	2.8%	2.8%	2.9%
Asset renewal % of capital budget	20(1)(vi)	50.9%	41.1%	52.7%	46.7%	48.9%	60.2%	50.1%	51.9%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2016/17 MTREF amounts to ~~R1.50~~ R1.53 billion, ~~R2.14~~ R2.14 billion and ~~R2.82~~ R2.85 billion for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2016/17, 2017/18 and 2018/19 budgets, the available cash and investments exceed the application of funds by an amount of ~~R416.2~~ R444.68 million, ~~R896.2~~ R924.71 million and ~~R1.55~~ R1.58 billion respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

As part of the 2016/17 MTREF, the projected cash position causes the ratio to increase from ~~2.22~~ 3 months to 3,7 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2016/17 MTREF the indicative outcome is a surplus of R766.20 million, R1.26 billion and R1.65 billion. The surplus is made up as follows:

	2016/17	2017/18	2018/19
	R	R	R
Operating Budget Surplus	87,850	244,464	565,585
Capital Grants (Transfers)	838,345	1,176,061	1,237,843
Depreciation Offsets	(160,000)	(156,000)	(150,000)
Total	766,195	1,264,525	1,653,428

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 -3.6%, 2.5% and 2.5% for the respective financial years of the 2016/17 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

2.6.5.7 For the 2016/17, 2017/18 and 2018/19 budgets, the cash receipts as a percentage of ratepayer and other revenue are 91.3%, 92.2% and 92.9% respectively.

2.6.5.8 Debt impairment expense as a percentage of billable revenue

The provision has been set at 5%, 4% and 3% over the MTREF, in line with the revenue collection trends of 95%, 96% and 97% for the 2016/17, 2017/18 and 2018/19 financial years respectively.

2.6.5.9 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.

2.6.5.10 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

No borrowing has been incorporated for the 2016/17 MTREF.

2.6.5.11 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.

2.6.5.12 Repairs and maintenance expenditure level

The expenditure constitutes 2.8%, 2.8% and 2.9% of Property, Plant and Equipment respectively, over the 2016/17 MTREF, whilst National Treasury has suggested an 8% level.

2.6.5.13 Asset renewal/rehabilitation expenditure level

The expenditure constitutes 60.2%, 50.1% and 51.9% of the capital budget respectively, over the 2016/17 MTREF, whilst National Treasury has suggested a 40% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
RECEIPTS:									
Operating Transfers and Grants									
National Government:	981,402	993,267	930,088	1,024,702	1,024,702	1,024,702	832,865	880,816	970,559
Local Government Equitable Share	729,226	742,909	761,606	774,616	774,616	774,616	798,043	843,509	921,857
Energy Efficiency and Demand Management		12,000	10,000	10,000	10,000	10,000		5,236	15,024
EPWP Incentive	14,696	20,885	13,439	8,664	8,664	8,664	8,496		
Public Transport Network Operations		100,000	62,500	150,000	150,000	150,000			
Finance Management	1,250	1,250	1,250	1,050	1,050	1,050	1,050	1,050	1,000
Infrastructure Skills Development	2,300	8,200	8,000	9,000	9,000	9,000	14,500	14,500	15,200
Integrated City Development		3,193	4,133	5,708	5,708	5,708	9,276	16,521	17,478
Municipal Disaster Recovery		71,961			-	-			
Urban Settlements Development		6,170	25,700	51,317	51,317	51,317			
Municipal Human Settlements Capacity			37,707	9,847	9,847	9,847			
LGSETA	7,576	4,699	5,753	4,500	4,500	4,500	1,500		
Off- Grid Electrification		22,000							
Municipal Disaster	6,730								
Water Demand Management	4,999								
Integrated Public Transport System	198,702								
Afcon Cup and other	15,923								
Provincial Government:	405,349	521,611	245,100	323,144	423,182	423,182	357,000	373,922	391,927
Sport and Recreation	3,752	3,752	7,390	9,752	9,752	9,752	10,382	9,960	9,752
Health subsidy	63,338	6,627		1,957	4,500	4,500			
Human Settlements Development	333,162	484,581	225,002	310,905	401,152	401,152	346,056	363,359	381,527
Housing Accreditation	4,887	19,997	8,660						
DRPW(Maintenance of Roads)		5,699	3,398						
Vuna Awards		60							
Swartkops Monitoring		265							
Marine and Coastal Management	210	630	650	530	530	530	562	603	648
Other					7,248	7,248			

Other grant providers:	37,600	17,216	9,056	7,872	7,030	7,030	1,000	1,500	-
<i>Lotteries</i>		1,000							
<i>EU Funding</i>	32,010								
<i>GroenSebenza (SANBI)</i>		71	440	842					
<i>Other Grant Providers</i>	5,590	16,145	105						
<i>IDC (MBDA)</i>			-	2,500	2,500	2,500	1,000	1,500	
<i>ECDC (MBDA)</i>			3,110						
<i>KFW (MBDA)</i>			5,400	4,530	4,530	4,530			
Total Operating Transfers and Grants	1,424,351	1,532,094	1,184,244	1,355,719	1,454,915	1,454,915	1,190,865	1,256,238	1,362,486
Capital Transfers and Grants									
National Government:	772,062	897,997	999,637	1,072,919	866,791	866,791	924,758	1,325,198	1,410,500
Public Transport and Systems	100,000	85,000	803,163	222,256	36,128	36,128		330,095	370,079
Neighbourhood Development Partnership	64,062	32,121	167,500	20,000	-	-	21,476	36,133	35,000
Urban Settlements Development	593,000	721,816	9,000	795,163	795,163	795,163	868,282	918,970	965,421
Integrated National Electrification	15,000	53,585	18,000	35,500	35,500	35,500	35,000	40,000	40,000
Drought Relief					-	-			
United Nations Development partnership grant		5,475	1,974		-	-			
Smart Grid			-		-	-			
Other grant providers:	-	-	-	20,903	20,903	20,903	35,626	18,569	-
<i>KFW (MBDA)</i>				20,903	20,903	20,903	35,626	18,569	
Total Capital Transfers and Grants	772,062	897,997	999,637	1,093,821	887,693	887,693	960,384	1,343,767	1,410,500
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,196,413	2,430,090	2,183,881	2,449,540	2,342,608	2,342,608	2,151,249	2,600,005	2,772,986

GRANTS EXPENDITURE

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17
R thousand										
EXPENDITURE:										
-										
Operating expenditure of Transfers and Grants										
National Government:	968,831	962,372	950,965	1,024,702	1,074,575	1,074,575	851,735	906,189	996,633	
Local Government Equitable Share	729,226	742,909	761,606	774,616	774,616	774,616	798,043	843,509	921,857	
Energy Efficiency and Demand Management		12,000	10,000	10,000	10,000	10,000		5,236	15,024	
EPWP Incentive	8,000	22,052	18,968	8,664	8,664	8,664	8,496			

Public Transport Network Operations		96,932	71,968	150,000	150,000	150,000	18,870	25,373	26,074
Finance Management	1,250	1,250	1,250	1,050	1,050	1,050	1,050	1,050	1,000
Infrastructure Skills Development	3,800	11,140	8,312	9,000	9,249	9,249	14,500	14,500	15,200
Integrated City Development		-	4,133	5,708	5,708	5,708	9,276	16,521	17,478
Municipal Disaster Recovery'		43,158	28,803		-	-			
Urban Settlements Development		6,170	25,700	51,317	51,317	51,317			
Municipal Human Settlements Capacity			14,472	9,847	33,082	33,082			
LGSETA		4,763	5,753	4,500	8,888	8,888	1,500		
Off- Grid Electrification		22,000		-	22,000	22,000			
Municipal Disaster	6,730								
Afcon Cup and other	15,923								
Water Demand Management	4,999								
Integrated Public Transport System	198,902								
Provincial Government:	394,774	410,132	593,352	328,144	446,908	446,908	360,148	377,322	395,599
Sport and Recreation	3,752	3,752	7,390	9,752	9,752	9,752	10,382	9,960	9,752
Health subsidy	63,374	6,627		1,957	4,499	4,499			
Human Settlements Development	317,257	379,122	579,166	310,905	410,905	410,905	346,056	363,359	381,527
Housing Accreditation	9,766	12,127	2,557		13,974	13,974	3,148	3,400	3,672
DRPW(Maintenance of Roads)		5,699	3,503	5,000	-	-			
Vuna Awards		45			-	-			
Swartkops Monitoring		265			-	-			
Elections Infrastructure		218			-	-			
SMME- Textile Hub DEAT	416	1,648	21		-	-			
Marine and Coastal Management	210	630	715	530	530	530	562	603	648
Other					7,248	7,248			
Other grant providers:	16,173	7,570	4,406	3,342	13,242	12,866	-	-	-
National Lotteries		901	1,010						
SALA/IDA									
European Funding	413	5,387	2,815		10,366	10,366			
Other		376			376				
HIV/Aids Columbia University Project	15,760	836							
GroenSebenza (SANBI)\$		71	581	842					
IDC (MBDA)				2,500	2,500	2,500			
Total operating expenditure of Transfers and Grants:	1,379,779	1,380,075	1,548,724	1,356,189	1,534,725	1,534,349	1,211,883	1,283,511	1,392,232

Capital expenditure of Transfers and Grants									
National Government:	772,062	1,084,997	984,516	1,072,919	1,054,729	1,054,729	924,758	1,325,198	1,410,500
Public Transport and Systems	100,000	272,000	106,018	222,256	222,256	222,256		330,095	370,079
Neighbourhood Development Partnership	64,062	32,121	7,882	20,000			21,476	36,133	35,000
Urban Settlements Development	593,000	721,816	803,163	795,163	795,163	795,163	868,282	918,970	965,421
Integrated National Electrification	15,000	53,585	18,000	35,500	35,500	35,500	35,000	40,000	40,000
Drought Relief					-	-			
United Nations Development partnership grant		5,475			-	-			
CDC Walmer Intervention Grant			49,453		-	-			
Smart Grid					1,810	1,810			
Other grant providers:	-	-	-	20,903	20,903	20,903	26,053	12,440	-
KFW (MBDA)				20,903	20,903	20,903	26,053	12,440	
Total capital expenditure of Transfers and Grants	772,062	1,084,997	984,516	1,093,821	1,075,631	1,075,631	950,811	1,337,638	1,410,500
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	2,151,841	2,465,072	2,533,240	2,450,010	2,610,356	2,609,980	2,162,695	2,621,150	2,802,732

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand								
Cash Transfers to other municipalities								
<i>Insert description</i>								
Total Cash Transfers To Municipalities:	-	-	-	-	-	-	-	-
Cash Transfers to Entities/Other External Mechanisms								
<i>MBDA</i>						-	-	-
Total Cash Transfers To Entities/Ems'	-	-	-	-	-	-	-	-
Cash Transfers to other Organs of State								
<i>Grants in Aid</i>	6,006	5,768	7,257	8,540	8,540	31,849	33,190	34,613
<i>Grants to Other Organisations</i>	12,777	14,280	18,434	19,453	19,453	20,620	21,858	23,169
Total Cash Transfers To Other Organs Of State:	18,783	20,048	25,691	27,993	27,993	52,469	55,048	57,782
Cash Transfers to Organisations								
<i>Insert description</i>								
Total Cash Transfers To Organisations	-	-	-	-	-	-	-	-
Cash Transfers to Groups of Individuals								
<i>Insert description</i>								
Total Cash Transfers To Groups Of Individuals:	-	-	-	-	-	-	-	-
TOTAL CASH TRANSFERS AND GRANTS	18,783	20,048	25,691	27,993	27,993	52,469	55,048	57,782
Non-Cash Transfers to other municipalities								
<i>Insert description</i>								
Total Non-Cash Transfers To Municipalities:	-	-	-	-	-	-	-	-
Non-Cash Transfers to Entities/Other External Mechanisms								
<i>Insert description</i>								

Total Non-Cash Transfers To Entities/Ems'	-	-	-	-	-	-	-	-
Non-Cash Transfers to other Organs of State								
<i>Insert description</i>								
Total Non-Cash Transfers To Other Organs Of State:	-	-	-	-	-	-	-	-
Non-Cash Grants to Organisations								
<i>Insert description</i>								
Total Non-Cash Grants To Organisations	-	-	-	-	-	-	-	-
Groups of Individuals								
<i>Indigent</i>				402,515	392,251			
Total Non-Cash Grants To Groups Of Individuals:	-	-	-	402,515	392,251	-	-	-
TOTAL NON-CASH TRANSFERS AND GRANTS	-	-	-	402,515	392,251	-	-	-
TOTAL TRANSFERS AND GRANTS	18,783	20,048	25,691	430,509	420,244	52,469	55,048	57,782

2.9 COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

Summary of Employee and Councillor remuneration	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	50,973	52,955	55,219	61,205	60,287	60,287	64,507	69,022	73,854
Cellphone Allowance	1,604	2,534	2,517	2,760	2,567	2,567	2,747	2,939	3,145
Other benefits and allowances	432	429	425	464	432	432	462	495	529
Sub Total - Councillors	53,010	55,918	58,161	64,429	63,286	63,286	67,716	72,456	77,528
% increase		5.5%	4.0%	10.8%	(1.8%)	-	7.0%	7.0%	7.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	8,286	9,035	19,727	19,780	16,570	16,570	21,353	23,049	24,893
Performance Bonus	36	(2,428)	(358)	2,769	2,479	2,479	2,991	3,230	3,488
Sub Total - Senior Managers of Municipality	8,322	6,607	19,369	22,549	19,049	19,049	24,343	26,279	28,382
% increase		(20.6%)	193.2%	16.4%	(15.5%)	-	27.8%	8.0%	8.0%
Other Municipal Staff									
Basic Salaries and Wages	1,076,584	1,212,078	1,333,392	1,484,206	1,421,286	1,421,286	1,501,786	1,620,281	1,749,847
Pension and UIF Contributions	187,171	202,122	227,453	249,662	247,381	247,381	268,065	289,376	312,532
Medical Aid Contributions	106,482	114,914	124,667	130,517	138,934	138,934	155,346	167,744	181,165
Overtime	83,919	106,681	122,406	105,334	102,394	102,394	104,463	111,755	119,195
Performance Bonus	19,489	23,995	27,492	31,820	31,071	31,071	33,830	36,496	39,374
Motor Vehicle Allowance	58,299	60,972	63,280	67,622	57,513	57,513	65,074	70,267	75,879
Cellphone Allowance	33	26	29	56	53	53	56	60	64
Housing Allowances	7,325	6,542	7,188	8,351	10,420	10,420	12,359	13,347	14,416
Other benefits and allowances	78,702	91,341	89,334	69,300	112,800	112,800	114,018	123,184	133,164
Payments in lieu of leave		-	-	12,841	12,841	12,841	21,868	22,978	24,176
Long service awards	32,089	39,531	35,580	40,423	38,324	38,324	36,886	38,666	41,743
Post-retirement benefit obligations	58,201	(113,478)	114,194	52,102	52,054	52,054	39,967	49,772	53,634
Sub Total - Other Municipal Staff	1,708,294	1,744,724	2,145,015	2,252,234	2,225,070	2,225,070	2,353,720	2,543,927	2,745,188
% increase		2.1%	22.9%	5.0%	(1.2%)	-	5.8%	8.1%	7.9%
Total Parent Municipality	1,769,626	1,807,250	2,222,545	2,339,212	2,307,404	2,307,404	2,445,780	2,642,662	2,851,098
		2.1%	23.0%	5.2%	(1.4%)	-	6.0%	8.0%	7.9%

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Board Members of Entities									
Basic Salaries and Wages									
Sub Total - Board Members of Entities	-	-	-	-	-	-	-	-	-
% increase		-	-	-	-	-	-	-	-
Senior Managers of Entities									
Basic Salaries and Wages	3,223	4,151	4,846	6,445	7,145	7,145	5,745	6,147	6,578
Pension and UIF Contributions	497	559	569	640	760	760	862	922	987
Medical Aid Contributions	370	137	139	157	257	257	450	482	515
Performance Bonus	450	530	540	607	607	607	750	803	859
Motor Vehicle Allowance	108	108	110	124	124	124	108	116	124
Sub Total - Senior Managers of Entities	4,647	5,485	6,204	7,972	8,892	8,892	7,915	8,469	9,062
% increase		18.0%	13.1%	28.5%	11.5%	-	(11.0%)	7.0%	7.0%
Other Staff of Entities									
Basic Salaries and Wages	2,591	3,651	4,336	5,467	5,767	5,767	5,339	5,484	6,025
Pension and UIF Contributions	371	498	508	571	661	661	776	830	888
Medical Aid Contributions	188	329	335	376	436	436	420	449	481
Other benefits and allowances	200	380	309	347	552	552	450	482	515
Sub Total - Other Staff of Entities	3,351	4,858	5,487	6,761	7,416	7,416	6,985	7,245	7,909
% increase		45.0%	12.9%	23.2%	9.7%	-	(5.8%)	3.7%	9.2%
Total Municipal Entities	7,998	10,343	11,692	14,733	16,308	16,308	14,900	15,714	16,971
TOTAL SALARY, ALLOWANCES & BENEFITS	1,777,624	1,817,593	2,234,237	2,353,945	2,323,712	2,323,712	2,460,679	2,658,376	2,868,069
% increase		2.2%	22.9%	5.4%	(1.3%)	-	5.9%	8.0%	7.9%
TOTAL MANAGERS AND STAFF	1,724,614	1,761,674	2,176,075	2,289,517	2,260,427	2,260,427	2,392,963	2,585,920	2,790,541

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DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
		1.				
Rand per annum						2.
Councillors						
Speaker	1,073,640		48,599			1,122,239
Chief Whip	1,006,528		26,181			1,032,708
Executive Mayor	1,329,380		48,599			1,377,979
Deputy Executive Mayor	1,073,640		48,599			1,122,239
Executive Committee	9,998,174		261,808			10,259,982
Total for all other councillors	50,025,498		2,775,164			52,800,662

Total Councillors	64,506,860	-	3,208,950			67,715,810
Senior Managers of the Municipality						
Municipal Manager (MM)	2,322,000			325,080		2,647,080
Chief Finance Officer	2,089,800			292,580		2,382,380
Chief Operating Officer	2,080,080			292,580		2,372,660
Executive Director : Corporate Svices	1,857,600			260,070		2,117,670
Executive Director : Sports, Recreation and Cultural Services	1,857,600			260,070		2,117,670
Executive Director : Public Health	1,857,600			260,070		2,117,670
<i>List of each official with packages >= senior manager</i>						
Executive Director : Economic Development Services	1,857,600			260,070		2,117,670
Executive Director : Electricity and Energy	1,857,600			260,070		2,117,670
Executive Director : Safety and Security	1,857,600			260,070		2,117,670
Executive Director : Human Settlements	1,857,600			260,070		2,117,670
Executive Director : Infrastructure and Engineering	1,857,600			260,070		2,117,670
Total Senior Managers of the Municipality	21,352,680	-	-	2,990,800		24,343,480
A Heading for Each Entity						
List each member of board by designation						
						-
Total for municipal entities	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	85,859,540	-	3,208,950	2,990,800		92,059,290

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework			
	R thousand	Jul	Aug	Sept.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash Receipts By Source														1		
Property rates	134,826	132,253	125,810	131,151	132,212	123,425	129,362	129,947	128,716	129,760	129,402	129,525	1,556,389	1,722,227	1,905,528	
Service charges - electricity revenue	246,821	306,019	391,237	337,519	261,849	231,680	280,870	285,225	284,072	286,499	292,879	390,554	3,595,223	3,921,775	4,277,430	
Service charges - water revenue	37,744	45,796	52,831	52,732	43,111	38,001	49,129	49,542	49,964	48,660	48,581	48,656	564,747	622,054	685,101	
Service charges - sanitation revenue	31,248	29,022	31,248	29,485	24,750	27,265	32,080	31,814	32,560	32,560	31,470	31,252	364,755	401,769	442,489	
Service charges - refuse revenue	13,454	13,371	12,154	14,480	11,605	11,403	12,502	12,502	13,153	12,179	13,287	12,953	153,042	168,577	185,668	
Service charges - other					-							-				
Rental of facilities and equipment	1,905	1,890	1,902	1,859	1,911	1,898	1,899	1,907	1,919	1,919	1,920	1,895	22,826	24,419	26,488	
Interest earned - external investments	10,225	7,571	8,638	8,993	7,710	7,128	8,494	8,077	6,777	5,720	6,230	5,933	91,495	95,279	98,793	
Interest earned - outstanding debtors					-							-				
Dividends received					-							-				
Fines	2,835	2,749	2,755	2,797	2,720	2,593	2,409	2,750	2,750	2,700	2,700	2,642	32,400	34,344	36,405	
Licences and permits	1,191	1,156	1,151	1,058	1,052	1,055	1,117	1,196	1,225	1,189	1,212	1,189	13,791	14,617	15,493	
Agency services	200	200	200	200	208	208	202	202	202	202	202	348	2,574	2,728	2,892	
Transfer receipts - operational	307,947	31,443	46,883	44,771	186,395	82,863	25,216	34,976	279,671	55,719	55,719	39,262	1,190,865	1,256,238	1,362,486	
Other revenue	78,334	198,283	81,685	57,136	44,387	263,421	37,314	8,721	129,216	17,802	16,802	45,060	978,162	1,075,199	1,128,505	
Cash Receipts by Source	866,730	769,753	756,494	682,180	717,911	790,940	580,595	566,859	930,226	594,910	600,404	709,269	8,566,269	9,339,226	10,167,279	
Other Cash Flows by Source																
Transfer receipts - capital	273,143	-	-	95,314	4,467	282,392			269,442			36,626	961,384	1,343,767	1,410,500	
Contributions recognised - capital & Contributed assets												-				
Proceeds on disposal of PPE												-				
Short term loans												-				
Borrowing long term/refinancing												2,000	2,000	2,000	2,000	
Increase (decrease) in consumer deposits												-				
Decrease (Increase) in non-current debtors												-				
Decrease (increase) other non-												(2,000)	(2,000)	(2,000)	(2,000)	

current receivables																	
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Decrease (increase) in non-current investments															
Total Cash Receipts by Source	1,139,873	769,753	756,494	777,494	722,378	1,073,332	580,595	566,859	1,199,668	594,910	600,404	745,895	9,527,653	10,682,993	11,577,779
Cash Payments by Type															
Employee related costs	173,421	160,193	197,877	182,546	239,117	185,499	182,534	191,113	189,397	190,337	190,280	307,742	2,390,055	2,582,578	2,786,898
Remuneration of councillors	5,178	4,560	4,482	4,524	4,917	4,887	6,715	5,465	5,465	5,465	5,465	10,592	67,716	72,456	77,528
Finance charges	34,929	18	23,142	18	22,455	4,498	18	35,064	22,027	18	21,939	17,536	181,662	172,602	163,997
Bulk purchases - Electricity	299,159	368,095	338,709	210,914	216,453	208,879	210,142	217,554	205,010	206,927	208,307	236,358	2,926,508	3,201,529	3,502,402
Bulk purchases - Water & Sewer	10,148	7,455	9,520	10,749	11,014	10,177	9,667	9,587	9,769	9,580	10,679	8,269	116,613	130,612	146,291
Other materials	16,148	35,349	31,058	40,844	38,916	48,280	36,149	33,981	33,787	33,790	33,940	33,186	415,428	443,047	477,379
Contracted services	50,951	50,000	40,555	42,406	40,364	40,416	41,786	41,316	40,525	49,559	50,593	45,744	534,215	574,379	605,562
Transfers and grants - other	11	4,953	21	8,474	3,743	11,821	5,094	5,634	-	5,536	-	7,182	52,469	55,048	57,782
Other expenditure	196,404	94,849	103,154	112,191	52,121	128,359	48,028	63,661	67,566	69,953	71,735	134,359	1,142,380	1,205,358	210,937
Cash Payments by Type	786,348	725,474	748,518	612,665	629,102	642,817	540,132	603,374	573,545	571,165	592,937	800,968	7,827,046	8,437,610	9,028,778
Other Cash Flows/Payments by Type															
Capital assets	134,833	174,597	98,184	102,617	112,325	117,294	111,045	109,127	136,731	131,816	118,013	92,176	1,438,757	1,546,206	1,759,974
Repayment of borrowing	17,472		22,440		5,342	15,000	17,338		5,642		5,858	4,827	93,920	86,409	79,760
Other Cash Flows/Payments												-			
Total Cash Payments by Type	938,654	900,071	869,142	715,282	746,768	775,112	668,515	712,501	715,918	702,981	716,809	897,970	9,359,722	10,070,225	10,868,512
NET INCREASE/(DECREASE) IN CASH HELD	201,219	(130,318)	(112,648)	62,212	(24,390)	298,220	(87,920)	(145,642)	483,750	(108,071)	(116,405)	(152,075)	167,931	612,768	709,267
Cash/cash equivalents at the month/year begin:	1,330,287	1,531,506	1,401,188	1,288,540	1,350,751	1,326,361	1,624,582	1,536,662	1,391,020	1,874,769	1,766,698	1,650,293	1,330,287 <u>1,358,756</u>	1,498,218 <u>1,526,687</u>	2,110,986 <u>2,139,455</u>
Cash/cash equivalents at the month/year end:	1,531,506	1,401,188	1,288,540	1,350,751	1,326,361	1,624,582	1,536,662	1,391,020	1,874,769	1,766,698	1,650,293	1,498,218	1,498,218 <u>1,526,687</u>	2,110,986 <u>2,139,455</u>	2,829,253 <u>2,848,722</u>

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS **-DIRECTORATES**

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

- (a) Monthly projections of
 - Revenue to be collected, by source; and
 - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the "final" approval of the budget (i.e. after the 31 May 2016). Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Executive Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the City Manager to monitor the performance of the Executive Directors, the Executive Mayor/Council to monitor the performance of the City Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2016/17 financial year will be approved by the Executive Mayor during June 2016, following the approval of the Budget on or before end May 2016.

2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Below the schedule of contracts impacting on future budgets:

Contracts impacting on the Municipality's revenue

Description	Preceding Years	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework			Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Total Contract Value
			Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19								
R thousand	Total	Original Budget											
Parent Municipality:													
<u>Revenue Obligation By Contract</u>													
<i>Contract 1</i>													
Total Operating Revenue Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Expenditure Obligation By Contract</u>													
<i>Absa Bank Costs</i>													
Total Operating Expenditure Implication	-	4,297	4,555	4,828	5,117	-	-	-	-	-	-	-	18,797
<u>Capital Expenditure Obligation By Contract</u>													
<i>Contract 1</i>													
Total Capital Expenditure Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Parent Expenditure Implication	-	4,297	4,555	4,828	5,117	-	-	-	-	-	-	-	18,797
Entities:													
<u>Revenue Obligation By Contract</u>													
<i>Contract 1</i>													
Total Operating Revenue Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Expenditure Obligation By Contract</u>													
<i>Contract 1 - Banking Service Contract</i>													
Total Operating Expenditure Implication	92	17	19	21	23	25	27	30	33	36	40	44	407
Total Capital Expenditure Implication	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Entity Expenditure Implication	92	17	19	21	23	25	27	30	33	36	40	44	407

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	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, COO and CFO to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.
- The NMBM has also established an MPAC (Municipal Public Accounts Committee) which plays an oversight role in as far as all other overarching issues that include legal compliance matters, amongst others.

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

IDP

A draft revised 2016/17 IDP has been developed, which will be considered at a Council meeting to be held on 29 March 2016. 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 2014/15 Annual Report was tabled in January 2016.

Oversight Report

The Municipal Public Accounts Committee has considered the 2014/15 Annual report.

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 SCM 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 a CFO and municipal officials reporting to the CFO.

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.

Financial Internship Programme

In the 2015/16 financial the Municipality has a total of seven Finance Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. The Finance Interns are rotated within various Sub Directorates of Budget and Treasury in order to capacitate them. So far the institution has been able to recruit many of the Interns into fulltime position due to their relevant work exposure, and such is beneficial to both parties (i.e. NMBM and the Finance Interns).

2.14 CAPITAL EXPENDITURE DETAILS

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

2.14.1 OTHER POINTS FOR CONSIDERATION IN TERMS OF THE 2016/17 DRAFT BUDGET

- i. **Filling of Vacancies:** - Council will recall that when the 2015/16 adjustment budget was approved on the 22 February 2016 an amount of R12 million was availed in order to commence with administrative processes to fill some of the vacancies that are considered to be critical. Due to the limited financial resources Directorates were given an opportunity to prioritise vacancies that are deemed as critical, out of the list, and ensuring that they are within the available R12 million. The shortlisted list has been quantified / costed after submission

and conclusion of the draft budget reports and in terms of the indicative figures amounts of **R52.9 million** (2016/17), **R57.1 million** (2017/18) and **R61.6 million** must be incorporated into the final budget to be approved by Council on or before end May 2016 to ensure that these vacancies are funded in future years. It must be emphasised though that the critical vacancies assignment does not include vacancies that continue to occur during the financial year, within Directorates.

- ii. **Harmonisation of the Long Service Bonus for all NMBM employees:** - Council must be aware that there are discussions taking place between the employer and employee representatives in attempting to harmonise conditions of employment within the NMBM as it relates to the long outstanding issue of Long Service Bonus. The end results of the discussions must lead to a Collective Agreement between parties being entered into or signed. In terms of one of the Options that could be implemented in order to find a common understanding on dealing with this long outstanding matter, an amount of **R46 million** will be required to finance this allowance in the 2016/17 financial year. This amount will escalate from the financial years 2017/18 to 2018/19 and beyond based on salary increases and also number of qualifying employees. These financial estimates could not be incorporated in the budget yet as there is no Collective Agreement in place to deal with the matter.
- iii. **Absence of Provincial Gazette with indicative budget figures applicable to the NMBM:** - Council must note that the Draft Budget (2016/17 to 2018/19) does not include any accurate or reliable estimates of the Provincial Grants that are availed to the NMBM in terms of the Provincial Gazette. Unfortunately by the time the report had to be concluded the Provincial Gazette was still not finalised nor availed by the Province. This therefore means that Grants and or Subsidies such as (a) Top Structures Grant, (ii) Libraries Subsidy, (iii) Accreditation Grant, etc. are not accurate. All these matters will have to be concluded or fully addressed on or before end May 2016 for incorporation in the final budget to Council, for approval.
- iv. **Electricity Bulk Purchases and Tariffs:** - Council must note that whilst NERSA made determination in as far as the increases on Bulk Purchases, the tariff increases were not concluded by the time the budget report was being finalised. This also mean that in preparation of the final report to Council the budget estimates for Electricity Revenue may change or be different by the time Council finally approves the budget.
- v. **Valuation of Properties i.t.o. Municipal Property Rates Act (MPRA):** - Council must be aware that the NMBM will be embarking on a process of property valuation in line with the MPRA, meaning that all properties will be valued in order to compile the new Valuation Roll. The results of this process will be implemented w.e.f. 1 July 2017 (or in the 2017/18 financial year). Sufficient budget for this regulated process has been incorporated into the draft 2016/17 to 2018/19 financial year.
- vi. **The Municipal Entity's budget:** - Council must note that the budget submissions received from the MBDA were quite excessively high for both Capital and Operating Budget to an extent that Budget and Treasury requested that for the tabling of the budget, the entity equates its demands to what is available in terms of the allocations, on the basis that for the period leading up to the 31 May 2016 their submission will be re-examined. It is very difficult at the moment to confirm that all their demands will be successfully accommodated within the limited financial resources.
- vii. **National Grants availed to the NMBM i.t.o. the Division of Revenue Bill (DOR-Bill):** - It can be confirmed that grant allocations availed to the NMBM i.t.o. the Division of Revenue Bill informed the draft budget. These grants were availed by National Treasury on the same day that the National Minister of Finance was delivering the budget speech. Notable to what is

allocated is the fact that IPTS grant is not availed to the NMBM for both Operating and Capital in the 2016/17 financial year, meaning that the NMBM may not be able to fund IPTS operations in the 2016/17 financial unless there are approved rollovers that may save excessively committing the NMBM. Also notable in terms of the Bill is the fact that the national allocation relating to the Accreditation Grant is no longer available. That also means that future commitments will have to be re-examined to see if they won't place the NMBM into high risks.

- viii. **Excessive Contract Security costs:** - As reported and resolved in the Council meeting where the 2015/16 to 2017/18 budget was approved (i.e. 18 June 2015), contract security costs are excessively high for the NMBM. The Executive Director – Safety and Security was mandated by Council to look at strategies that can be implemented in order to curtail this high costs and it is not clear if that was achieved. Budget and Treasury was left with no alternative but to adjust the budget for Contract Security upwards when dealing with the 2015/16 Adjustment Budget.
- ix. **Old Age Homes:** - Estimation has been made by the MMC: Finance that an amount of around R18 million will be required in the 2016/17 financial year for assisting Old Age Homes with their operational requirements. Council must note that such amount is not incorporated into the draft budget yet.
- x. **No budget for possible repayment of loan:** - There have been indications that the institution (NMBM) may have to take loans for certain revenue generating projects. As the raising of loan is regulated i.t.o. Section 160(2)(d) of the Constitution of the Republic of South Africa Act (108 of 1996) and Chapter 6 of the Municipal Finance Management Act (56 of 2003) a separate item requesting the Council to firstly approve an intention to raise loan for identified projects will be tabled in Council. As it would not be possible to budget for loan repayments prior Council approval, it became impossible to incorporate this potential expenditure in the draft budget.
- xi. **Implementation of stepped water tariff based on consumption and also different tariff for business consumers:** - The MMC: Finance has requested Budget and Treasury to explore the possibility of introducing stepped water tariffs in order to ensure that those who use more water, pay more, and also introducing the different water tariff for businesses. The aim would be to ensure that this suggested method of water charge / tariff is introduced w.e.f. 1 July 2016. Budget and Treasury will advise on the matter in order to ensure that whatever decision being implemented is not outside the Tariffs Policy of the NMBM and will not be legally challengeable. If there will be requirements to amend the Tariffs Policy of Council that will have to firstly be tabled to Council Committees and then to Council, and in line with Section 21A of the Municipal Systems Act, the Policy may have to be subjected to public engagements / participation.
- xii. **Introducing an availability charge for Sewerage / Sanitation Services:** - Currently the municipality charges consumers sanitation fees based on their usage of water. Whilst consumers are levied an availability charge for water, there is no availability charge levied for sanitation / sewerage. It has been observed that other sister metropolitan municipalities around the country charge consumers fixed availability charges for sanitation services. This funding source can be ring-fenced for repairs and maintenance of related infrastructure. Budget and Treasury as well as Infrastructure and Engineering will explore the possibility of introducing an availability charge for sanitation in order to incorporate same in the approval of budget for the 2016/17 to 2018/19 financial year.

- xiii. **Introduction of a flat fee for Environmental Charge: Public Health:** - The demands of having to take care of environmental matters require attention which must include a budget. Same as the other charges that are stated above, Budget and Treasury in conjunction with Public Health Directorate must explore the possibility of introducing a fixed Environmental Charge which will be levied to accountholders in order to deal specifically with environmental matters. This funding "if the levy is approved and introduced" must strictly be ring-fenced for only this purpose.
- xiv. **Operationalisation of the Metro Police:** - As the Council will understand that part of ensuring that the Metro Police are operational is to avail budget (i.e. Operating and Capital) in order to finance daily requirements and or necessary infrastructure. The budget information received from the Directorate (Safety and Security) relating to Metro Police operationalisation was e-mailed on Friday, 11 March 2016, and as the information was e-mailed after the system closure and being busy with budget documents for tabling the draft budget to Council, it was impossible to incorporate this budget in the draft budget documents.

In terms of the document submitted Safety and Security requires the following budget in order to operationalise Metro Police in 2016/17 to 2018/19 financial years: -

a. OPERATING BUDGET

DETAIL	2016/17 "R"	2017/18 "R"	2018/19 "R"
Appointment of Deputy Chiefs	670 515	1 342 000	0
New Recruits (100 @ R4000pm x 24 months)	2 400 000	4 800 000	2 400 000
Purchase of Uniform and Insignia	6 000 000	3 000 000	7 000 000
Purchase of Operational Equipment	1 000 000	500 000	5 000 000
Purchase of Uniform for Traffic Wardens and Wardens	500 000	2 500 000	2 500 000
TOTAL	10 570 515	12 142 000	16 900 000

b. CAPITAL BUDGET

DETAIL	2016/17 "R"	2017/18 "R"	2018/19 "R"
Refurbishment of buildings for regional operational offices	500 000	500 000	0
Purchase of Operational Vehicles	2 000 000	2 000 000	0
Purchase of Motorcycles	1 500 000	1 000 000	0
Purchase of office furniture and computers	3 000 000	500 000	0
Purchase of Law Enforce Equipment	5 000 000	200 000	0
Purchase of Firearms	N/A	4 000 000	0
Purchase of Specialised Vehicles	2 000 000	2 000 000	0
Purchase of non capital items (Capital funded from Opex)	500 000	250 000	0
TOTAL	14 500 000	10 450 000	0

- xv. **National Treasury Budget Circulars:** - In line with Section 229 of the Constitution of the RSA Act (108 of 1996) and Chapter 4 (Municipal Budgets) of the Municipal Finance Management Act (56 of 2003), National Treasury issues Budget Circulars that municipalities **must** consider when preparing their annual budgets. The aim of National Treasury Circulars is to ensure that municipalities' fees, taxes, charges etc. that are levied by municipalities may not unreasonably prejudice national economic policies etc. Amongst many important Circulars is Circular 55 which clearly explains the difference between Surplus Budget vs. Funded Budget (**See**

paragraph 4.3 of Circular 55). The recent Circulars issued that guide the preparation of this budget are Circulars 78 and 79. **All these Circulars are attached to this item as separate Annexures.**

- xvi. **Progress with respect to the implementation of the Municipal Standard Chart of Accounts (mSCOA):** - In response to paragraph 4.3 of National Treasury Circular 78 a separate **Annexure** dealing with the project implementation plan and the status report re mSCOA implementation is attached to this report. mSCOA implementation is reported to various forums within the institution that include the Steering Committee (SteerCo), Portfolio Committee, etc. in order to ensure that the work required in preparation of the key due date / deadline of the 1 July 2017 is undertaken. Where there are red-flags or risks identified are escalated and remedial actions be developed in order to deal with same.
- xvii. **Submission received from the MMC: Finance relating to the draft budget:** - Attached as a separate **Annexure** to this report is the submission received from the MMC: Finance. The submission covers many aspects of the draft budget which require consideration for incorporation leading up to the approval of the final budget (i.e. on or before end May 2016). As some of the issues raised in the document may require Policy changes which must be subjected to other processes such Public Participation etc. the Chief Financial Officer in conjunction with the Acting City Manager will guide Council on how to properly deal with the matter, within the legal framework. These matters will also have to be raised with National Treasury during budget engagements that are planned for mid-April 2016.
- xviii. **Continuous payment of Scarce Skills Allowance:** - It must be noted that when Council approved the 2015/16 budget on the 18 June 2015 part of the resolution was to do away with the payment of the aforementioned allowance in line with the contents of the TASK Implementation Collective Agreement. During the periods July to September 2015 Council rescinded this decision in order to allow administration to conclude administrative processes leading up to the review and approval of the Policy. The Policy has since been amended / reviewed and approved, what is awaited now is to agree on the employees that meet the criteria and those who do not meet the criteria for the list to be reduced. As it is uncertain as to when this process will be concluded including informing the affected parties, the budget for the Scarce Skills Allowance has been maintained in full for the 2016/17 to 2018/19 financial years.

2.15 CITY MANAGER'S QUALITY CERTIFICATION

Quality Certificate

I, **MPILO SAKILE MBAMBISA**, City 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 : **MPILO SAKILE MBAMBISA JOHANN METTLER**

CITY MANAGER OF NELSONMANDELABAYMUNICIPALITY (EC000)

Signature : _____

Date : _____

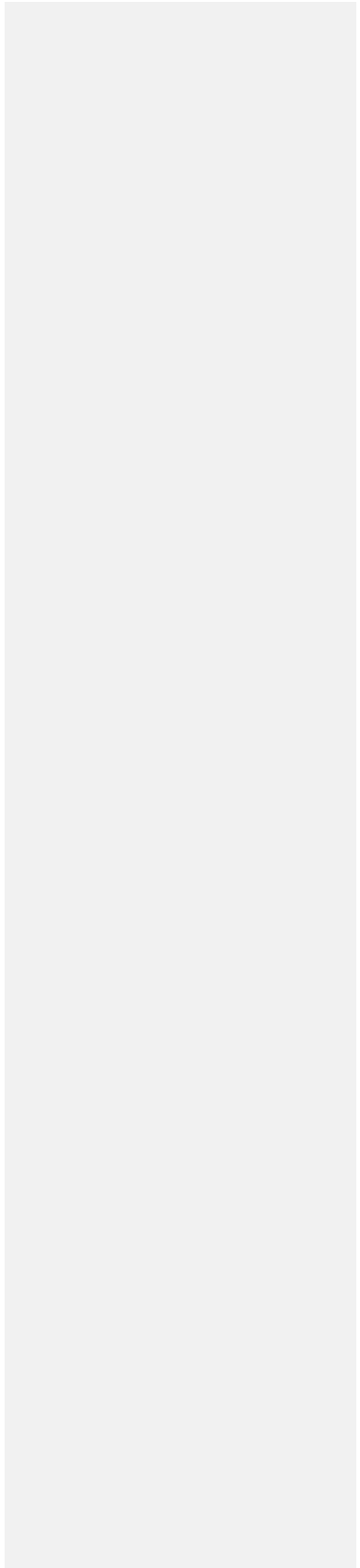
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ANNEXURES TO THE REPORT

ANNEXURE "A" – BUDGETED CAPITAL EXPENDITURE

ANNEXURE "B" - SUPPORTING TABLES



ANNEXURE "C" - NATIONAL TREASURY CIRCULARS 55,
78 AND 79

ANNEXURE "D" - mSCOA IMPLEMENTATION

ANNEXURE "E" – SUBMISSIONS MADE BY THE MMC:
FINANCE RELATING TO THE 2016/17 TO 2018/19
BUDGET