

# **ANNEXURE C**

## **SERVICE LEVEL STANDARDS**

Standard	Description	Service Level
Solid Waste Removal	Premises based removal (Residential Frequency)	
Bulk Removal (Frequency)	Removal Bags provided (Yes/No)	
Street Cleaning Frequency in CBD	Street Cleaning Frequency in areas excluding CBD	
How soon are public areas cleaned after events (24hours/48hours/longer)	Cleaning of illegal dumping (24hours/48hours/longer)	
Recycling or environmentally friendly practices (Yes/No)	Licensed landfill site (Yes/No)	
Water Service	Water Quality rating (Blue/Green/Brown/NO drop)	Previously it was available to all but in 2014/15 financial year its only available to indigent consumers
Frequency of meter reading? (per month, per year)	Are estimated consumption calculated on actual consumption over (two month/three month/longer period)	Per month
Duration (hours) before availability of water is restored in areas of service interruption (complete the sub questions)	One service connection affected (number of hours)	6 months to 6 months maximum
Up to 5 service connection affected (number of hours)	Up to 20 service connection affected (number of hours)	2 hours
Feeder pipe larger than 800mm (number of hours)	What is the average minimum water flow in your municipality?	None
Do you practice any environmental or resource protection activities as part of your operations? (Yes/No)	How long does it take to replace faulty water meters? (days)	30 mins/day per day
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	Electricity Service	Yes
What is your electricity availability percentage on average per month?	Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	Yes, for new infrastructure
How much do you estimate is the cost saving in utilizing the ripple control system?	What is the frequency of meters being read? (per month, per year)	
Are estimated consumption calculated at consumption over (two month/three month/longer period)	Duration before availability of electricity is restored in cases of outages (immediately/one day/two days/longer)	
Are accounts normally calculated on actual readings? (Yes/No)	Do you practice any environmental or resource protection activities as part of your operations? (Yes/No)	
How long does it take to replace faulty meters? (days)	Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	
How effective is the action plan in curbing line losses? (Good/Bad)	How soon does the municipality provide a quotation to a customer upon a written request? (days)	
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	Sewerage Service	Yes
To what extent do you subsidize your indigent consumers?	How long does it take to restore sewerage breakages on average	Previously they were receiving rebate on sewer, as of 2014/15 they are not but are paying a rebate tariff or a basic charge
Sewer overflow? (hours)	Sewer blocked pipes: Large pipes? (Hours)	Average 2 hours
Sewer blocked pipes: Small pipes? (Hours)	Spillage clean-up? (hours)	Average 2 hours
Replacement of manhole covers? (Hours)	Road Infrastructure Services	0.5 hour
Time taken to repair a single pothole on a major road? (Hours)	Time taken to repair a single pothole on a minor road? (Hours)	
Time taken to repair a road following an open trench service crossing? (Hours)	Time taken to repair walkways? (Hours)	

Province: Municipality DC29 - Approved Schedule of Service Delivery Standards Table 2017-2018

Standard	Description	Service Level
<b>Property valuations</b>	How long does it take on average from completion to the first account being issued? (one month/three months or longer)	
	Do you have any special rating properties? (Yes/No)	
<b>Financial Management</b>	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/increase)	Decrease
	Are the financial statement resources? (Yes/No)	No
	Are there Council adopted business process including the flow and management of documentation leading to Trial Balance? (Yes/No)	Yes
	Is there advance planning from SCM and linking all departmental plans quarterly and annually including for the next two to three years procurement plans?	Average 30 days
<b>Administration</b>	Reaction time on enquiries and requests?	less than 21 days with in a one month cycle before we bill
	Time to respond to a verbal customer enquiry or request? (working days)	21 days but depending on enquiry
	Time to respond to a written customer enquiry or request? (working days)	within two months cycle
	Time to resolve a customer enquiry or request? (working days)	one month cycle
	What percentage of calls are not answered? (5%, 10% or more)	less than 5%
	How long does it take to respond to voice mails? (hours)	our phones does not allow voicemail
	Does the municipality have control over locked enquiries? (Yes/No)	Yes
	Is there a reduction in the number of complaints or not? (Yes/No)	Yes on conventional systems, and no since the implementation of prepaid notices an unfamiliar territory to consumers
	How long does it take to open an account to a new customer? (1 day/2 days/ a week or longer)	One day at the main office, and on Saturdays it open receiving the documents
	How many times does SCM Unit, CFO's Unit and Technical Unit sit to review and resolve SCM process delays other than normal monthly management meetings?	There is a procurement timetable in place that is followed up by SCM every week
<b>Community safety and licensing services</b>	How long does it take to register a vehicle? (minutes)	
	How long does it take to renew a vehicle license? (minutes)	
	How long does it take to issue a duplicate registration certificate vehicle? (minutes)	
	How long does it take to de-register a vehicle? (minutes)	
	How long does it take to renew a drivers license? (minutes)	
	What is the average reaction time of the fire service to an incident? (minutes)	
	What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	
	What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	
<b>Economic development</b>	How many economic development projects does the municipality drive?	Enterprise Lembeda is currently implementing 7 projects which are (1) Agricultural Processing Tunnels, (2) MSHP Transportation, (3) Lembeda Vineyards and cooperative winery, (4) Lembeda Bottles Processing Facility, (5) Lembeda Processing Facility, (6) Lembeda Broomfield, and (7) Open Fields.
	How many economic development programmes are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	All the projects listed above are reflected in the PSDI, IDP as growth and catalytic projects in the following sector, Agriculture, Tourism, Manufacturing, Services, and Renewable Energy
	What percentage of the projects have created sustainable job security?	Agriculture is considered to be one of the biggest employers in the District. Naturally projects such as the Agricultural tunnels, Vineyards, Open Field and processing facility have created the most jobs. Agricultural Processing Tunnels - 65 individuals; MSHP Transportation - 40 individuals; Lembeda Vineyards and cooperative winery - 51 individuals; Lembeda Processing Facility - 8 individuals; and Open Fields - 349 individuals.
	Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	Enterprise Lembeda Municipality has established a Development Agency mandated to drive Local Economic Development and promote trade and investment opportunities within the District. This agency is called Enterprise Lembeda. The Agency offers support, project management, project facilitation from inception to project hand over, as well as insure that skills are transferred to the community members involved in the projects. Enterprise Lembeda also sources grant funding from funding institutions such as DCOGTA, EDTEA, IDC, DBSA on behalf of the communities in need of catalytic intervention. Moreover, Enterprise Lembeda sets up the comprehensive resources which are already working in the projects with skilled investors to ensure that the projects are sustainable in the long run.
	Other Service delivery and communication	Yes
	Is an information package handed to the new customer? (Yes/No)	Yes
	Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes, although there are complaints around customer care
	Are customers treated in a professional and humanly manner? (Yes/No)	

# **ANNEXURE D**

## **DRAFT BUDGET - PROVINCIAL TREASURY HIGH LEVEL ASSESSMENT AND RESPONSES**



## KZN PROVINCIAL TREASURY

### MUNICIPAL FINANCE

Our Ref : 11/6/3/1(DC29)-2018  
Enquiries : Mr. A Soopal  
Date : 18 May 2017

**THE MUNICIPAL MANAGER  
ILEMBE DISTRICT MUNICIPALITY  
P. O. BOX 1788  
KWADUKUZA  
4450**

Fax: 032 – 437 9587

Dear Mrs. N.P. Gamede

#### **ASSESSMENT OF THE 2017/18 ANNUAL BUDGET TABLED IN TERMS OF SECTION 16(2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)**

1. Reference is made to your Tabled Budget for the 2017/18 financial year that was submitted to Provincial Treasury in accordance with Section 22 of the MFMA, which *states that immediately after an annual budget is tabled in a municipal Council, the accounting officer of a municipality must submit the annual budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury.*
2. Section 23(1)(b) of the MFMA states that *the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.* Section 24(1) of the MFMA further states that *the municipal Council must at least 30 days before the start of the financial year consider approval of the annual budget.*
3. A compliance check was conducted to verify whether your Tabled Budget for 2017/18, as submitted to Provincial Treasury, conforms with the Municipal Budget and Reporting Regulations (MBRR) and provides the relevant information required in the main budget tables (A1-A10) and supporting tables (SA1-SA38). The attached Annexure A: *Check List of Compliance to Municipal Budget and Reporting Regulations* presents a summary of the completed and incomplete tables and the verification/reconciliation of the electronic submission to the budget tables included in the printed submission.
4. Based on the information submitted by your municipality in the A1 Schedules, the budget documents and the subsequent engagement on 09 May 2017, please find attached our detailed comments in Annexure B: *Assessment of the 2017/18 Budget* for your consideration in terms of Section 23(1)(b) of the MFMA. During the engagement, the municipality noted the issues raised by Provincial Treasury and committed to attend to them prior to the 2017/18 Budget being considered in Council for approval in terms of Section 24(1) of the MFMA.

5. The following are the key observations and findings on your municipality's 2017/18 Tabled (Draft) Budget:

### 5.1 Credibility of the budget

#### Evaluation of the budget process:

Provincial Treasury has undertaken an assessment of your draft budget that was tabled to Council on 29 March 2017 and submitted to Provincial Treasury in both electronic and hard copy format. The municipality's 2017/18 Draft Budget has been prepared in the required format as stipulated in Regulation 9 of the MBRR (A Schedule, version 2.8 for the Audited Outcome and current year period and version 6.1 for the MTREF period).

Based on the outcome of the compliance check, your municipality completed the majority of the budget tables. It should be noted that where the budget tables contained incomplete information, Provincial Treasury was not able to perform a comprehensive analysis of your budget. The municipality must ensure that all relevant tables in the Final Budget (A1 Schedule) are fully completed.

It should be noted that some of the explanations provided by the municipality in the Draft Budget narrative report were incomplete and in some instances unclear. However, these were clarified during the engagement and they have been highlighted in the attached Annexure B where applicable.

Provincial Treasury noted that some figures contained in the Audited Outcomes Columns in Draft Budget (A1 Schedule) did not agree to their respective sources (audited AFS).

#### The Municipal revenue & expenditure fiscal framework (Tables A1- A5 and A10):

The projected operating budget surplus of R15 million in the 2017/18 financial year may not be a true reflection of the municipality's operating performance for 2017/18. The operating surplus could be largely affected by operating expenses that could not be fully assessed as a result of inconsistencies such as Debt impairment and Depreciation, amongst others.

#### Funding of budget:

In order for the municipality to continue to provide services and extend their services to the community, the municipality's budget should be funded in accordance with the legal requirements of the MFMA.

As per Table A7: *Budgeted cash flows* and Table A8: *Cash backed reserves/accumulated surplus reconciliation*, the municipality's 2017/18 Tabled Budget appears funded but to a lower extent as per Provincial Treasury's assessment due to the following (amongst others):

- The municipality did not provide the 2016/17 full year forecast workings and supporting documents, thus further making it difficult for Provincial Treasury to determine the reasonableness of the 2017/18 opening Cash and cash equivalents balance, which impacts on the closing cash balance.
- Overstatement of Service charges,
- The overstatement of Government - operating,
- Overstatement of Interest earned - outstanding debtors,
- Understatement of Repayment of borrowing, and
- Unsubstantiated amount of Other working capital requirements.

## 5.2 Relevance

The Integrated Development Plan (IDP) strategic objectives as outlined in Tables SA4, SA5 and SA6 are aligned with local government key priorities. MFMA Circular No.66 describes key local government priorities as the provision of basic services, human settlements development, local government infrastructure as well as decent employment opportunities.

## 5.3 Sustainability

Revenue and expenditure management is fundamental to the sustainability of the municipality. The municipality has budgeted for an operating surplus over the MTREF. The municipality's operating budget continues to be mainly funded from Transfers and subsidies (68 percent) followed by Service charges - water revenue at 15 percent. The municipality's attention is drawn to Table A2 in respect of Waste water management service as there is a possibility that the municipality might have overstated capital grants or the costs of providing the service have been understated.

The budget for Repairs and maintenance (2 percent of PPE - 2015/16) is below the guideline of 8 percent as per the Circular 71 whilst Renewal of existing assets and Upgrading of existing assets could have been duplicated in Table A9 resulting in inconsistencies between total capital expenditure in Tables A5 and A9 . The municipality is required to provide a detailed explanation and assurance that the budgeted amounts are adequate to secure the ongoing health of the municipality's assets supported by reference to their asset management plan.

6. Provincial Treasury Circular PT/MF 06 of 2016/17 dated 24 February 2017 reads "**Failures to address the weaknesses identified by Provincial Treasury will result in the MEC for Finance advising the National Treasury to consider stopping of the Equitable Share Transfer to the affected municipalities in terms of Section 38 of MFMA.** Section 38 states that *National Treasury may stop the transfer of funds due to a municipality as its share of the local government's equitable share referred to in Section 214(1)(a) of the Constitution, but only if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(1) of the Constitution.*"
7. Please ensure that when considering your 2017/18 Budget in Council for approval, a copy of the Council resolution or extract reflecting the Tabling of Provincial Treasury's final assessment of the 2017/18 Tabled Budget (together with the municipality's responses to Provincial Treasury's findings) be included among the Budget documents to be submitted to both National and Provincial Treasury.

8. Furthermore, you are reminded to submit electronic and hard copies of the 2017/18 Approved Budget, related documents as well as budget returns, ensuring full compliance with all the components reflected in the attached Annexure C, to National and Provincial Treasury within 10 working days after the approval of the 2017/18 Budget.

Yours faithfully



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**Mr F. Cassimjee**  
**Chief Director: Municipal Finance**

CC Mayor  
Chief Financial Officer  
Jan Hattingh, National Treasury







# General Compliance and Other Matters - Tabled Budget

**Municipality:**  
**Budget Year:**

**Item:** DM  
**2017/18**

## Annexure B: Assessment of the Tabled (Draft) Budget

### General Compliance - Tabled (Draft) Budget

No.	Key Focus Areas <small>MR: Prior years Audited AFS 2013/14, 2014/15 &amp; 2015/16. Current year: 2016/17. Budget year: 2017/18.</small>	Yes/No/ N/A	Comments (If required)
<b>Format and Budgeting</b>			
1	Has the municipality prepared the Draft Budget as per the prescribed format and content as stipulated in the MBRR? - Schedule A of MBRR	Yes	
<b>Part 1 – Annual Budget</b>			
	- Table of contents	Yes	
	- Mayors report	Yes	
	- Resolutions	Yes	
	- Executive summary	Yes	
	- Annual Budget tables	Yes	
<b>Part 2 – Supporting Documentation</b>			
	- Overview of annual budget process	Yes	
	- Overview of alignment of annual budget with Integrated Development plan	Yes	
	- Measurable performance objectives and indicators	Yes	
	- Overview of budget related policies	Yes	
	- Overview of budget assumptions	Yes	
	- Overview of budget funding	Yes	
	- Expenditure on allocations and grant programmes	Yes	
	- Allocations and grants made by the municipality	Yes	
	- Councillor and board member allowances and employee benefits	Yes	
	- Monthly targets for revenue, expenditure and cash flow	Yes	
	- Annual budgets and service delivery and budget implementation plans- internal departments	Yes	
	- Annual budgets and service delivery and budget implementation plans- municipal entities and other external mechanisms	Yes	
	- Contracts having future budgetary implications	Yes	
	- Capital expenditure details	Yes	
	- Legislation compliance status	Yes	
	- Other supporting documents	Yes	
	- Annual budgets of municipal entities attached to the municipalities annual budget	Yes	
	- Municipal Manager's quality certification	Yes	

No.	Key Focus Areas <small>188. Prior Years Audited (A's, B's, C's, D's, E's, F's, G's, H's, I's, J's, K's, L's, M's, N's, O's, P's, Q's, R's, S's, T's, U's, V's, W's, X's, Y's, Z's, AA's, AB's, AC's, AD's, AE's, AF's, AG's, AH's, AI's, AJ's, AK's, AL's, AM's, AN's, AO's, AP's, AQ's, AR's, AS's, AT's, AU's, AV's, AW's, AX's, AY's, AZ's, BA's, BB's, BC's, BD's, BE's, BF's, BG's, BH's, BI's, BJ's, BK's, BL's, BM's, BN's, BO's, BP's, BQ's, BR's, BS's, BT's, BU's, BV's, BW's, BX's, BY's, BZ's, CA's, CB's, CC's, CD's, CE's, CF's, CG's, CH's, CI's, CJ's, CK's, CL's, CM's, CN's, CO's, CP's, CQ's, CR's, CS's, CT's, CU's, CV's, CW's, CX's, CY's, CZ's, DA's, DB's, DC's, DD's, DE's, DF's, DG's, DH's, DI's, DJ's, DK's, DL's, DM's, DN's, DO's, DP's, DQ's, DR's, DS's, DT's, DU's, DV's, DW's, DX's, DY's, DZ's, EA's, EB's, EC's, ED's, EE's, EF's, EG's, EH's, EI's, EJ's, EK's, EL's, EM's, EN's, EO's, EP's, EQ's, ER's, ES's, ET's, EU's, EV's, EW's, EX's, EY's, EZ's, FA's, FB's, FC's, FD's, FE's, FF's, FG's, FH's, FI's, FJ's, FK's, FL's, FM's, FN's, FO's, FP's, FQ's, FR's, FS's, FT's, FU's, FV's, FW's, FX's, FY's, FZ's, GA's, GB's, GC's, GD's, GE's, GF's, GG's, GH's, GI's, GJ's, GK's, GL's, GM's, GN's, GO's, GP's, GQ's, GR's, GS's, GT's, GU's, GV's, GW's, GX's, GY's, GZ's, HA's, HB's, HC's, HD's, HE's, HF's, HG's, HH's, HI's, HJ's, HK's, HL's, HM's, HN's, HO's, HP's, HQ's, HR's, HS's, HT's, HU's, HV's, HW's, HX's, HY's, HZ's, IA's, IB's, IC's, ID's, IE's, IF's, IG's, IH's, II's, IJ's, IK's, IL's, IM's, IN's, IO's, IP's, IQ's, IR's, IS's, IT's, IU's, IV's, IW's, IX's, IY's, IZ's, JA's, JB's, JC's, JD's, JE's, JF's, JG's, JH's, JI's, JJ's, JK's, JL's, JM's, JN's, JO's, JP's, JQ's, JR's, JS's, JT's, JU's, JV's, JW's, JX's, JY's, JZ's, KA's, KB's, KC's, KD's, KE's, KF's, KG's, KH's, KI's, KJ's, KK's, KL's, KM's, KN's, KO's, KP's, KQ's, KR's, KS's, KT's, KU's, KV's, KW's, KX's, KY's, KZ's, LA's, LB's, LC's, LD's, LE's, LF's, LG's, LH's, LI's, LJ's, LK's, LL's, LM's, LN's, LO's, LP's, LQ's, LR's, LS's, LT's, LU's, LV's, LW's, LX's, LY's, LZ's, MA's, MB's, MC's, MD's, ME's, MF's, MG's, MH's, MI's, MJ's, MK's, ML's, MM's, MN's, MO's, MP's, MQ's, MR's, MS's, MT's, MU's, MV's, MW's, MX's, MY's, MZ's, NA's, NB's, NC's, ND's, NE's, NF's, NG's, NH's, NI's, NJ's, NK's, NL's, NM's, NN's, NO's, NP's, NQ's, NR's, NS's, NT's, NU's, NV's, NW's, NX's, NY's, NZ's, OA's, OB's, OC's, OD's, OE's, OF's, OG's, OH's, OI's, OJ's, OK's, OL's, OM's, ON's, OO's, OP's, OQ's, OR's, OS's, OT's, OU's, OV's, OW's, OX's, OY's, OZ's, PA's, PB's, PC's, PD's, PE's, PF's, PG's, PH's, PI's, PJ's, PK's, PL's, PM's, PN's, PO's, PP's, PQ's, PR's, PS's, PT's, PU's, PV's, PW's, PX's, PY's, PZ's, QA's, QB's, QC's, QD's, QE's, QF's, QG's, QH's, QI's, QJ's, QK's, QL's, QM's, QN's, QO's, QP's, QQ's, QR's, QS's, QT's, QU's, QV's, QW's, QX's, QY's, QZ's, RA's, RB's, RC's, RD's, RE's, RF's, RG's, RH's, RI's, RJ's, RK's, RL's, RM's, RN's, RO's, RP's, RQ's, RR's, RS's, RT's, RU's, RV's, RW's, RX's, RY's, RZ's, SA's, SB's, SC's, SD's, SE's, SF's, SG's, SH's, SI's, SJ's, SK's, SL's, SM's, SN's, SO's, SP's, SQ's, SR's, SS's, ST's, SU's, SV's, SW's, SX's, SY's, SZ's, TA's, TB's, TC's, TD's, TE's, TF's, TG's, TH's, TI's, TJ's, TK's, TL's, TM's, TN's, TO's, TP's, TQ's, TR's, TS's, TT's, TU's, TV's, TW's, TX's, TY's, TZ's, UA's, UB's, UC's, UD's, UE's, UF's, UG's, UH's, UI's, UJ's, UK's, UL's, UM's, UN's, UO's, UP's, UQ's, UR's, US's, UT's, UY's, UZ's, VA's, VB's, VC's, VD's, VE's, VF's, VG's, VH's, VI's, VJ's, VK's, VL's, VM's, VN's, VO's, VP's, VQ's, VR's, VS's, VT's, VU's, VV's, VW's, VX's, VY's, VZ's, WA's, WB's, WC's, WD's, WE's, WF's, WG's, WH's, WI's, WJ's, WK's, WL's, WM's, WN's, WO's, WP's, WQ's, WR's, WS's, WT's, WU's, WV's, WW's, WX's, WY's, WZ's, XA's, XB's, XC's, XD's, XE's, XF's, XG's, XH's, XI's, XJ's, XK's, XL's, XM's, XN's, XO's, XP's, XQ's, XR's, XS's, XT's, XU's, XV's, XW's, XX's, XY's, XZ's, YA's, YB's, YC's, YD's, YE's, YF's, YG's, YH's, YI's, YJ's, YK's, YL's, YM's, YN's, YO's, YP's, YQ's, YR's, YS's, YT's, YU's, YV's, YW's, YX's, YY's, YZ's, ZA's, ZB's, ZC's, ZD's, ZE's, ZF's, ZG's, ZH's, ZI's, ZJ's, ZK's, ZL's, ZM's, ZN's, ZO's, ZP's, ZQ's, ZR's, ZS's, ZT's, ZU's, ZV's, ZW's, ZX's, ZY's, ZZ's</small>	Yes/No/ N/A	Comments (If required)
2	Has the Draft Budget been tabled and submitted using Version 2.8 for the Audited Outcome period and current year and Municipal mSCOA Version 6.1 for the 2017/18 MTREF (MFMA Circular No. 86) ?	Yes	
3	3.1 Are all the tables completed?	Yes	
	3.2 Do the audited outcome figures for the prior year audited financial years agree to audited figures in the Annual Financial Statements?	Yes	The municipality has correctly populated the Audited Outcome columns except for Debt impairment reconciliation and PPE section in Table SA3.
	3.3 Does the Original Budget on Schedule A for the budget year reconcile to the current year's Original Budget on Schedule A?	Yes	
	3.4 Do the Adjustments budget figures as per B Schedule agree to the current year's adjusted budget figures in the budget tables?	Yes	
4	If the municipality has a municipal entity, was a consolidated budget prepared and submitted?	Yes	

No.	Key Focus Areas <small>Municipalities included: 2017/18, 2018/19 &amp; 2019/20. Current year: 2019/20. Budget year: 2019/20.</small>	Yes/No/ N/A	Comments (if required)
<b>Alignment of annual budget to IDP strategic objectives</b>			
13	a) Does 'Total Revenue' budget for the IDP strategic objectives in Table SA4 reconcile to 'Total Operating Revenue' in Table A4?	Yes	
	b) Does 'Total operating expenditure' for the IDP strategic objectives in Table SA5 reconcile to 'Total operating expenditure' in Table A4?	Yes	
	c) Does 'Total capital expenditure' for the IDP strategic objectives in Table SA6 reconcile to 'Total capital expenditure' in Table A5?	Yes	
14	Are the IDP strategic objectives of the municipality aligned to the national and provincial priorities?	Yes	
<b>Other matters</b>			
15	Have all allocations as per DoRA and Provincial Estimates been included in the Draft Budget?	Yes	
16	Is the highest level of free basic services provided for (Table A10) in line with indigent policy?	No	The municipality did not populate the information relating to highest level of free basic services provided for (Table A10). During the engagement with the municipality on 09 May 2017, they indicated that they are currently working with CoGTA to develop the indigents register for the whole district.
17	Does the capital budget reflect consistent efforts to address the backlogs in basic services and the renewal of infrastructure of the existing services?	Yes	
18	Has the municipality included a section indicating that the Budget is mSCOA compliant?	Yes	
19	Has the district municipality included a section on 'Drinking water quality (Blue drop status) to ensure their determination to improve on water services (if applicable) ?	Yes	
20	Has the district municipality included a section on quality of Waste water management (Green drop status) to ensure their determination to improve on Waste water management services (if applicable) ?	Yes	
21	Has the district municipality included a section on the impact of cost of water services provision resulting from the new levy called Drought levy charged by Bulk Water suppliers such as Umgeni Water (if applicable) ?	N/A	
22	Is the Budget Steering Committee (BSC) functional ?	Yes	
23	Did the municipal departments submit budget bids and were they evaluated by the Budget and Treasury Office (BTO) ?	Yes	



Table A4 - Budgeted Financial Performance (Operating Revenue) - PT Assessment

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount Y/M as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20						
<b>Revenue By Source</b>															
<b>Property rates</b>															
<b>Service Charges - Electricity</b>															
<b>Service charges - water revenue</b>	80,778	100,288	93,432	99,599	101,562	98,973	107,068	118,243	98,973	107,068	118,243	(2,589)	65,494	64.5%	87,525
% Growth Rate (Nominal)		24.2%	6.8%	6.7%	1.9%	127,230	R 2%	19.4%	-2.5%	R 2%	19.4%	2.2%			
Increase/(Decrease) in households receiving the Minimum Service Level and Above sub-total															
% Gross Margin- Water	10.7%	25.8%	32.8%	25.5%	26.8%	13.6%	12.0%	12.1%	13.6%	12.0%	12.1%				
Surplus/(Deficit) per Table A2	(95,933)	391,019	231,254	265,275	230,265	(64,018)	(85,357)	(107,210)	(64,018)	(85,357)	(107,210)				

**Municipality's Response:**

Cost of free basic services have been correctly reflected in Table SA9 on the correct category of beneficiaries of free basic services as per budget tables and have corrected SA1 to reflect the net effect in Table A4. With majority of areas being mostly rural, sustainability on water service will normally be a challenge. Other factors include revenue waived through the concession areas. As evident from the capital budget, more there Lower Tugela RBIG project is close to completion and there other offtake projects to distribute water across most areas of the district, this therefore will gradually improve in the future.

The revenue for Service charges - water is budgeted to decrease by 2.5 percent whilst tariffs are budgeted to increase by 10 percent. As per the Draft Budget narrative report, the decrease is as a result of additional Revenue foregone relating to Free Basic Services amounting to R10 million.

It is noted that in Table SA9, Free Basic Services relating to Water was reflected under the incorrect line item and as a result did not pull through to Table SA1. Therefore, it is unclear as to whether the R98 million budgeted against Service charges - water excludes Free Basic Services since the municipality reflected the cost of Free Basic Services against Other instead of Formal settlements in Table SA9, thus resulting in the Total service charges - Water revenue in Table SA1 corresponding to Table A4. The municipality should ensure that the supporting tables are appropriately and accurately populated before the Final Budget is tabled in Council. The municipality confirmed during the engagement that although the amount of Free Basic Services did not pull through to Table SA1 from Table SA9, the municipality did reflect an amount against Revenue foregone in Table SA1, as a result, the amount reflected in Table A4 was net of the cost of Free Basic Services.

The municipality's Total revenue, including capital transfers in respect of Water trading service amounts to R257.3 million and is less than the cost of running the service of R331.7 million in the 2017/18 financial year in Table A2, resulting in a deficit of R64 million. The deficit also continues in the outer years. In this regard, the municipality should ensure that there are measures in place to ensure the services are sustainable in the future.

R thousand	Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Actual Amount YTD as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
		Audited Outcome		Audited Outcome		Audited Outcome		Original Budget	Adjusted Budget	Budget Year +1 2018/19	Budget Year +2 2019/20	Increase/ (Decrease) Adj. Budget to Budget year			
	<b>Service charges - sanitation revenue</b>	17,770		50,531	49,139	36,441	46,735	62,229	68,452	80,247	15,494	34,674	74.6%	46,499	
	% Growth Rate (terminal)			184.4%	-2.8%	26.6%	23.2%	33.2%	10.0%	17.2%	0.0%				
	Increase/(Decrease) in households receiving the Minimum Service Level and Above #MB-Kral						132,228	132,228							
	Surplus/(Deficit) per Table A2	22,505		67,562	103,780	137,413	146,460	118,165	133,233	152,619					

**PT Comments:**

The budget for Service charges - sanitation revenue has increased by R15.5 million (33.2 percent), from R46.7 million in 2016/17 to R62.2 million in 2017/18. As per the Draft Budget narrative report, the municipality indicated that the basis of calculation was changed from using water consumption to property valuation for billing of Sanitation.

Furthermore, the municipality indicated that this revenue is net of Free Basic Sewer Services, which has been reclassified from operating expenditure to revenue as per the MFMA Circular No. 86. In Table SA21, the cost of free basic sanitation amounts to R13.2 million. Similar to Service charges - water, in Table SA9, Free Basic Services relating to Sanitation was reflected under the incorrect line item and as a result did not pull through to Table SA1. Therefore, it is unclear as to whether this amount was taken into account in the budget for Service charges - sanitation revenue as the municipality has only reflected the Total service charges - sanitation revenue in Table SA1 which corresponds to Table A4. The municipality should ensure that the supporting tables are appropriately and accurately populated in the final budget narrative report.

The municipality increased sewer tariffs by 10 percent, as noted in the 2017/18 Draft Budget narrative report. The municipality is requested to provide the basis and supporting calculation for the proposed increase.

Subsequent to the engagement, the municipality provided calculations in respect of the Service charges - sanitation revenue. However, the calculation did not include information relating to Mandeni Local Municipality. Furthermore, it is not clear whether the submitted calculations were finalised due to the fact that some of the estimates (rates) against vacant land were still in the process of being finalised.

Table A2 indicates that the municipality has projected for a surplus for Waste water management which increases over the 2017/18 MTREF. With regards to the Trading surpluses reflected in Table A2 growing from R118.96 million to R152.6 million over the MTREF, the municipality is requested to confirm whether all the costs were taken into account. During the engagement, the municipality indicated that they will investigate whether all costs have been taken into account or whether the capital grants allocated to the revenue side of the Service charges - sanitation in Table A2 have not been overstated prior to finalisation of the 2017/18 Budget.

**Service charges - refuse revenue**

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The calculation of sewer charges relating to Mandeni have been calculated and will be provided to Provincial Treasury.  
The comment on the surplus arising from sanitation service is noted. The budget have been confirmed, this huge surplus is attributable to the sewer revenue and the implication of mscoa whereby further costing analysis should be conducted.

The explanation for increasing tariff above CPI has been provided on the narrative report.

The comment is noted. Disclosure has been corrected on table SA9 and SA1, however the amount on these tables were correct reentering table A4 correct except the supporting schedule on the split of cost of free basic services on SA9.



Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount Y/M as at Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)	
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20							
R thousand																
<b>Service charges - other</b> % Growth Rate (Month)	4,357	3,448	2,577	2,635	2,708				2,942	3,118	3,430	233	1,570	66.3%	2,104	
<b>PT Comments:</b>																
<p>The projected revenue for Service charges - other is budgeted to increase by 8.6 percent in 2017/18. The explanation provided by the municipality in the Draft Budget narrative report, that the "change is as a result of increased revised service charges revenue generation calculation and also factoring the 10 percent tariff increase" is not clear. Furthermore, the calculations for the revenue to be generated from the Service charges-other has not been submitted by the municipality. In the 2017/18 Final Budget, the municipality should ensure that the basis of calculations are submitted as part of the budget document.</p> <p>Considering the performance against this revenue source of 58.3 percent as at March 2017 (Month 09) which equates to a straight line projection of R2.1 million for 2016/17, the budgeted revenue for Service charges - other for 2017/18 of R2.9 million appears overstated. This should be reviewed by municipality prior to finalisation of the 2017/18 Budget. During the engagement, the municipality indicated that the budgeted revenue for Service charges - other was reasonable and subsequently provided calculations to Provincial Treasury.</p>																
<b>Rental of facilities and equipment</b> % Growth Rate (Month)									36	36	40	3	19	58.3%	25	
<b>PT Comments:</b>																
<p>An increase of 10 percent has been noted for Rental of facilities and equipment in the 2017/18 Draft Budget. The municipality did not provide the reasons for the increase in the Draft Budget narrative report. As per MFMA Circular No.86, all increases above 6.4 percent should be clearly explained in the budget document. The municipality should provide an explanation for the increase in the Final Budget narrative report since the rental tariff increase (as per the Tariff Schedule) is greater than the inflation rate. It is noted that performance as at March 2017 was low at 58.3 percent of the budgeted revenue of R33 000 as compared to a straight line projection of 75 percent for 9 months. Thus, the budgeted revenue for Rental of facilities and equipment in 2017/18 may be overstated.</p>																
<b>Interest earned - external investments</b> % Growth Rate (Month)	4,455	3,677	4,637	3,614	3,614				3,755	3,978	4,321	141	5,360	164.9%	7,647	
<b>PT Comments:</b>																
<p>The following inconsistencies were noted and as a result, the reasonableness of the budget for interest earned - external investments of R3.8 million (3.9 percent increase from the 2016/17 Adjustments Budget) could not be ascertained:</p> <ul style="list-style-type: none"> <li>&gt; In the supporting Table SA16, the budget for interest to be realised amounts to R3.1 million while Table A4 reflects R3.8 million as interest earned - external investments.</li> <li>&gt; The entity's Table SA31 (Investment revenue) and the entity's Table D2 (Interest earned - external investments) reflect R157 813 whilst Table SA16 reflects R200 000 as interest to be realised.</li> <li>&gt; The investment closing balance of R34.4 million reflected in Table SA15 does not reconcile to R26.9 million reflected in Table A6 while Table SA16 reflected a closing balance of R38.5 million.</li> <li>&gt; An investment amount of R4.2 million is reflected in Table SA16 for 2017/18 whilst no amount was reflected in Table SA15 under Entities.</li> </ul> <p>The municipality is advised to correct the inconsistencies in the information provided to ensure that different tables which impacts on the interest earned - external investments reconcile prior to adoption of the 2017/18 Final Budget.</p>																

**Municipality's Response:**

Noted, please refer to the narrative report of the Final Budget.

**Municipality's Response:**

The comment is noted. It will be corrected on the final budget.

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount Y/M as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Audited Outcome	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20						
<b>R thousand</b>															
Interest earned - outstanding debtors % Growth Rate (Nominal)	13,120	14,353 9.1%	18,196 28.4%	20,549 13.5%	18,166 -11.5%	19,323 6.4%	21,255 10.0%	23,381 10.0%	1,457	13,656	75.2%	18,200			
<b>Dividends received</b>	-	-	-	-	-	-	-	-	-	-	-	-			
<b>Fines, penalties and forfeits</b>	-	-	-	-	-	-	-	-	-	-	-	-			
<b>Licences and permits</b>	-	-	-	-	-	-	-	-	-	-	-	-			
<b>Agency services</b> % Growth Rate (Nominal)	1,436	1,464 2.0%	1,531 4.6%	1,473 -3.0%	1,473 0.0%	1,483 0.0%	1,567 5.7%	1,657 5.7%	10	(457)	31.0%	(819)			
<b>Transfers and subsidies</b> % Growth Rate (Nominal)	293,771	356,772 21.4%	386,812 8.4%	396,961 2.7%	390,531 -1.6%	439,250 12.5%	488,667 11.2%	537,378 10.0%	48,719	498,302	127.6%				

**PL Comments:**  
Municipality's Response:

The letter from Cogla confirming this grant was delayed, as a result it will be factored in the adjustments budget.

The budget of R439.3 million reflected against Transfer and subsidies in the 2017/18 Draft Budget does not reconcile with the amount reflected in the Table SA18 of R438.3 million as per Division of Revenue Bill (DoRB) No. 40610 issued on 10 February 2017 and Provincial Gazette No. 4803 issued on 23 March 2017. This should be corrected by the municipality before the 2017/18 Final Budget is tabled in Council.

The municipality indicated during the engagement that an additional amount of R1 million reflected in Table A4 relates to Provincial Township Establishment grant. This is an old grant previously received by the municipality when they were acting as agents. The municipality has requested the user department to release the funding for the municipality's own use. No formal written response has been received by the municipality. The municipality agreed that the municipality will budget for this grant as a rollover in the 2017/18 Adjustments Budget upon approval.



**Municipality:**

11/18/2017

**Table A4 - Budgeted Financial Performance (Operating Expenditure) - PT Assessment**

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount (YM as at: Mar-17)	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20						
<b>R thousand</b>															
<b>Expenditure By Type</b>	140,132	161,303	171,705	178,075	183,525				196,692	209,839	224,429	13,166	132,823	72.4%	177,608
<b>Employee related costs</b>															
% Growth Rate (Nominal)		19.5%	8.1%	3.7%	1.1%				7.2%	6.7%	7.0%				
Increase/(Decrease) in No. of Positions					563				660						
<b>PT Comments:</b>															
The budgeted expenditure for Employees related costs has increased by 7.2 percent in the 2017/18 financial year. As per the municipality's Draft Budget narrative report, there are positions which are still vacant from the current year (2016/17) and they are not anticipating new positions in the 2017/18 financial year. The municipality further indicated that they are currently working on introducing the shift system at Technical services and this will be factored on the 2017/18 Final Budget after full deliberations in different municipal structures. The municipality has not provided an indication of the financial impact that the new changes will have on the Employee related costs budget. The municipality indicated, during the engagement, that the full details in regards to the new shift system will be provided in the 2017/18 Final Budget.															
<b>Remuneration of councillors</b>	7,094	9,069	9,714	11,043	11,043				11,809	12,643	13,524	767	5,961	54.0%	7,347
% Growth Rate (Nominal)		27.8%	7.1%	13.7%	0.0%				6.9%	7.1%	7.0%				
<b>Debt impairment</b>	18,547	40,409	97,678	55,763	41,466				44,232	63,566	73,199	2,767	31,899	75.0%	41,466
% Growth Rate (Nominal)		117.9%	141.7%	-42.9%	-25.8%				6.7%	43.7%	15.2%				
<b>PT Comments:</b>															
As per the municipality's Draft Budget narrative report, the Debt impairment budgeted at R44.2 million in the 2017/18 Draft Budget was calculated based on the 75 percent collection rate.															
The following inconsistencies were noted in the population of the reconciliation of the Debt impairment provision in Table SA3:															
> The amount of R97.7 million reflected against Provision for debt impairment in 2015/16 Audited Outcomes did not reconcile to the amount of R132.3 million as per the 2015/16 audited AFS.															
> The opening balance for 2016/17 of R131.7 million reflected against Full Year Forecast and Pre-audit outcome did not reconcile to the closing balance of R132.3 million as per the 2015/16 audited AFS.															
> Furthermore, no amounts were reflected over the 2017/18 MTRF against the Debt impairment provision which does not correlate to the Debt impairment provision of R44.2 million reflected in Table A4.															
It is thus unclear whether the municipality has used the correct base in the calculation of the Debt impairment provision for 2017/18. The municipality should correctly populate the supporting tables before adoption of the 2017/18 Final Budget.															

Municipality's Response:  
As per the discussion on the budget engagement, the basis of calculation we as per the latest trend on the collection rate. The comment will be considered during the final budget on disclosure of the debt provision.

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework		Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount (YTD as at: Mar-17)	% of Adj. Budget	Full Year Projections for current year based on Actual Part. (100%)
	Audited Outcome	% Growth Rate (Nominal)	Audited Outcome	% Growth Rate (Nominal)	Audited Outcome	% Growth Rate (Nominal)	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19				
<b>R thousand</b>														
<b>Depreciation &amp; asset impairment</b>	341,416		(136,135)		73,494		65,868		72,402		92,818			
% Growth Rate (Nominal)		-13.9%		-15.0%		-10.4%		9.8%		6.3%	14.7%			57,260

**PT Comments:**  
 In Table A4, the municipality has increased the budget for Depreciation and asset impairment by 6.3 percent, from R72.4 million in the 2016/17 Adjustments Budget to R76.97 million in the 2017/18 Draft Budget. As per the Draft Budget narrative report, the municipality indicated that Depreciation and asset impairment has been informed by the Fixed Asset Policy of the district and in line with the implementation of GRAP 17.

It is noted that the Asset Register Summary in Table A9 does not reconcile to Property, Plant and Equipment (PPE) as per Table SA3. In 2017/18, the municipality reflected an asset value of R2.6 billion in Table SA3 while Table A9 reflected R2.5 billion. As a result Provincial Treasury is unable to comment on the reasonableness of Depreciation and asset impairment as a percentage of carrying value of PPE.

In the preparation of the 2017/18 Final Budget, the municipality should ensure that the provision for Depreciation and asset impairment is calculated based on the updated Fixed Asset Register. The municipality must also ensure that all supporting tables are accurately completed and disclose the basis of calculations in their Final Budget narrative report.

<b>Finance charges</b>	9,267		11,247		8,448		8,125		12,310		14,185			
% Growth Rate (Nominal)		21.4%		-24.9%		-3.9%		51.6%		4.6%	5.8%			70,202

**PT Comments:**  
 As per the municipality's Draft Budget narrative report, the Finance charges relates to interest paid on loans in line with the existing loan agreements and lease agreements accounted for as finance leases as per GRAP standards.

It is, however, noted that Borrowing reflected in Table SA17 of R77.7 million does not reconcile to the total Borrowings of R76.6 million reflected in Table A6. It is also noted that no balance was reflected in the 2013/14 and 2014/15 Audited Outcomes whilst amounts of R123.6 million and R108.1 million for 2013/14 and 2014/15, respectively, were reflected in the audited AFS. The municipality should ensure that the budgeted Finance charges corresponds with the interest payments as per the loan amortisation schedule for the loans or leases taken up by the municipality.

During the engagement, the municipality indicated that the budget for Finance charges will be amended accordingly in the 2017/18 Final Budget as they will be settling the ABSA loan during the 2017/18 financial year.

<b>Bulk purchases</b>	72,296		74,441		62,752		74,318		74,318		103,972			
% Growth Rate (Nominal)		3.0%		-15.7%		18.4%		0.0%		10.3%	10.3%			77,644

**PT Comments:**  
 Bulk purchases have increased by 15 percent in 2017/18. In the Draft Budget narrative report, the municipality indicated that the increase against this expenditure item is in line with the proposed tariff increase of 15 percent from Umngeni water. It is, however, noted that in Table A10, the municipality has reflected a decrease in the number of households with no water supply from 32 717 in 2016/17 to 29 961 in 2017/18, thus there is a possibility that increased levels of Bulk water might be required.

Considering the expenditure of 78.4 percent of the 2016/17 budgeted an amount of R74.3 million as at March 2017 (Month 09), the municipality should ensure that the expenditure budgeted against Bulk purchases for 2017/18 is sufficient.

**Municipality's Responses:**  
 The comment is noted. As per the budget engagements, the disclosure will be considered during the final budget. The finance charges is however allocated

**Municipality's Responses:**  
 Noted

Description	2013/14	2014/15	2015/16	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework		Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount FYM as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19				
R thousand											
Other materials % Growth Rate (Nominal)	33,305	52,834 58.6%	61,566 16.5%	41,228 -33.9%	51,281 24.4%	54,540 6.5%	65,927 20.9%	80,859 22.6%	26,950	52.8%	35,587

**PT Comments:**  
As per the municipality's Draft Budget narrative report, repairs and maintenance have been budgeted for against Other materials. It was noted that the breakdown for Repairs and maintenance in Table SA1 did not reflect expenditure relating to Other materials as per Table A4. Thus, it appears that the municipality might have misclassified the expenditure relating to Other materials in Table SA1. Furthermore, the municipality may have not disclosed the total cost to Repairs and maintenance in Table SA1 as no amount was reflected against Employee related costs.

Whilst the total Repairs and maintenance in Table SA1 equals to Other materials budget as per Table A4, the breakdown consists of Contracted services (R47 million) and Other expenditure (R7 million). The municipality is advised to consider the true cost of Repairs and maintenance to be undertaken and populate Table SA1 accordingly and carry through the amounts against the relevant line items in Table A4.

Contracted services % Growth Rate (Nominal)	65,568	66,846	69,857	36,634 -47.6%	40,714 11.1%	42,156 3.5%	44,237 4.9%	47,118 6.5%	25,204	61.9%	33,806
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**PT Comments:**  
As per Table A4, the budgeted Contracted services increased from R40.7 million in the 2016/17 Adjustments Budget to R42.2 million in the 2017/18 Draft Budget. As per the municipality's Draft Budget narrative report, "a decrease was as a result of austerity measures and that the fixed Contracted services will not be affected". The explanation that the municipality provided for a decrease is not consistent with the movement (increase) between the current year and the budget year. The municipality should ensure consistency between the information provided in the Draft Budget narrative report and the figured populated in tables in the A1 Schedule.

It is also noted that Contracted services relating to Repairs and maintenance amounted to R47 million as reflected in Table SA1. When compared to the breakdown for Contracted services in Table SA1, it appears that Contracted services relating to Repairs and maintenance are not included in Table A4. Thus, Contracted services might be understated. The municipality should review the budgeted expenditure against Contracted services prior to the approval of the 2017/18 Final Budget.

When compared to the performance of 61.9 percent reported for 2016/17 by the municipality as at March 2017 (Month 09), and a straight line projection of R33.6 million for 2016/17, the 2017/18 budgeted expenditure of R42.2 million for Contracted services appears overstated. This should also be taken into account by the municipality when finalising the 2017/18 Budget.

Transfers and subsidiaries % Growth Rate (Nominal)	32,068	44,562 39.0%	25,567 -42.0%	15,000 -41.3%	10,526 -29.8%	13,158 25.0%	13,158 0.0%	13,158 0.0%	2,632	-	-
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**PT Comments:**  
Municipality's Response:

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount Y/R as at:	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20						
R thousand															
<p>Budgeted expenditure for Transfers and grants increased by 25 percent in the 2017/18 Draft Budget. As per the Draft Budget narrative report, this item of expenditure is funded from Municipal Infrastructure Grant (MIG) and is in respect of VIP toilets. This amount reconciles to the MIG - Operational in Table SA 18 under Operating transfers and grants (excluding VAT).</p> <p>It is noted that no expenditure has been reflected against this expenditure item as at March 2017 (Month 09).</p> <p>In the 2016/17 Adjustments Budget, the municipality had re-allocated the funding relating to VIP toilets to fund other reprioritised projects under capital budget. The municipality indicated during the engagement that expenditure has been incurred against this item of expenditure and the information will be updated accordingly in the 2017/18 Final Budget.</p>															
<p>The comment is noted, as discussed during the engagement, progress will be report on this project.</p>															

Description	2013/14		2014/15		2015/16		Current Year: 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount FYM as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year +1 2018/19	Budget Year +2 2019/20	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20				
<b>R thousand</b>															
<b>Other expenditure</b> % Growth Rate (Nominal)	80,534	91,293	93,397	86,795	93,547	86,795	97,654	103,168	111,026	10,868	60,831	70.1%	81,708		
		13.4%	2.3%	-7.2%	0.2%	-7.2%	12.5%	5.6%	7.6%						
<b>PI Comments:</b>															
An increase of 12.5 percent is noted for Other expenditure in 2017/18. As per the MFMA Circular No. 86, municipalities must justify in their budget documents all increases above 6.4 percent. As per the municipality's Draft Budget narrative report, there has been a significant reduction in the budget for Other expenditure as a result of austerity measures. This explanation is not consistent with the increase reflected against Other expenditure for the 2017/18 financial year in Table A4. The municipality should ensure that budget information provided in the Draft Budget narrative report is consistent with the figures reflected in the tables in the A Schedules.															
Furthermore, Other expenditure reflected in the supporting Table SA31: Aggregated entity budget of R22.3 million does not reconcile to the R20.2 million reflected against LED - Enterprise in Table SA1. This inconsistency should also be addressed accordingly prior to finalisation of the 2017/18 Budget.															
General expenses of R9 million as a percent of Other expenditure is 9.3 percent and within National Treasury's guideline of 10 percent.															
<b>Loss on disposal of PPE</b>	99	-	1,128	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	800,326	416,468	675,306	579,600	579,600	584,391	635,583	701,111	774,288						



**Table A4 - Budgeted Financial Performance (Surplus/Deficit) - PT Assessment**

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year	Actual Amount IYM as at: Mar-17	% of Adj. Budget	Full Year Projections for current year based on Actual Perf. (100%)
	Audited Outcome	% Growth Rate (Nominal)	Audited Outcome	% Growth Rate (Nominal)	Audited Outcome	% Growth Rate (Nominal)	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20				
<b>Total Revenue (excluding capital transfers and contributions)</b>	451,267		548,829	21.6%	582,549	6.1%	589,782	584,507	650,632	718,951	795,359	63,125	646,952	110.7%	652,602
% Growth Rate (Nominal)							1.2%	-0.9%	11.3%	10.5%	10.6%				
<b>Total Expenditure</b>	800,326		416,468	-48.9%	675,306	62.2%	579,600	584,381	635,583	701,111	774,288	51,202	399,702	65.4%	532,836
% Growth Rate (Nominal)							-14.2%	0.8%	8.6%	10.3%	10.4%				
<b>Operating Surplus/(Deficit)</b>	(349,060)		132,361	-137.9%	(92,757)	-170.1%	10,181	126	15,049	17,840	21,071		247,250		
% Growth Rate (Nominal)							-111.0%	-98.8%	11.8%	18.5%	13.1%				

**PT Comments:**

The projected surplus of R15 million in the 2017/18 financial year may not be a true reflection of the budgeted operating performance for the municipality. The operating surplus is largely affected by operating expenses that could not be fully assessed as a result of inconsistencies such as Debt impairment and Depreciation and misstatement of Transfers and subsidies (Operating), etc. The municipality is advised to consider the findings noted above and revise the budget, where applicable, prior to the approval of the 2017/18 Final Budget by Council.

**Municipality's Response:**

The comment is noted however this was clarified during the budget engagements.



Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year 2017/18	Actual Amount IYM as at: Mar-17	% of Adj. Budget
	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20					
R thousand	298,711	352,453	500,714	347,899	376,324	353,650	346,439	343,025	327,854	27,366	327,854	100.47%		
<b>Total Capital Expenditure - Functional</b>														
% Growth Rate (final)		16.0%	42.1%	-30.5%		8.4%	-2.1%	-1.0%						

**PT Comments:**

The municipality's Capital budget has increased in the 2017/18 financial year. As per the municipality's Draft Budget narrative report, the increase is due to the expansion and refurbishment of infrastructure to ensure that the district is able to deliver services in a timely manner while creating job opportunities. In the 2016/17 financial year, the municipality adjusted their capital budget downwards to R326.3 million, however, as at March 2017 (Month 09), the expenditure reported of 100.47 percent exceeded their adjusted budgeted capital. The municipality should ensure accuracy on the performance reported.

The capital budget supporting Table SA36 reconciles to the capital expenditure budget by vote and by standard classification reflected in Table A5, however, the GPS co-ordinates of individual projects are not reflected. The municipality is advised to include GPS co-ordinates prior to the adoption of the 2017/18 Final Budget.

Funded by:	2013/14	2014/15	2015/16	Current Year 2016/17	2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
National Government	172,276	228,699	349,106	203,946	209,942	260,941	279,458
Provincial Government	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-
Other transfers and grants	18,767	14,852	-	6,009	12,207	-	-
<b>Transfers recognised - capital</b>	<b>191,042</b>	<b>243,550</b>	<b>349,106</b>	<b>209,954</b>	<b>222,149</b>	<b>260,941</b>	<b>279,458</b>
% Growth Rate (nominal)		27.5%	43.3%	-33.9%	-1.0%	18.7%	7.1%

**PT Comments:**

Of the total funding, National Government continues to be the major funding source (62 percent) for the municipality's Capital budget in the 2017/18 financial year. This has been the trend in the prior years as well (2016/17: 64 percent and 2015/16: 70 percent).

Furthermore, it is noted that the municipality's total funding from Transfers recognised - capital has slightly decreased in the 2017/18 Draft Budget when compared to the 2016/17 Adjustments Budget. The decrease is due to the fact that the municipality will no longer be receiving the Neighbourhood Grant from Ntswedwe Municipality (previously reflected under Other Transfers and grants).

Description	2013/14		2014/15		2015/16		Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year 2017/18	Actual Amount FYM as at: Mar-17	% of Adj. Budget
	Audited Outcome		Audited Outcome		Audited Outcome		Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20			
<b>R thousand</b>														
<b>Public contributions &amp; donations</b> % Growth Rate (Nominal)	74,888	77,918	125,310	112,510	86,047	4.0%	6.0%	12.2%	127,193	78,947	57,018	41,145	110,758	128.7%
<p><b>PT Comments:</b> The budgeted revenue against Public contributions and donations is funded from Regional Bulk Infrastructure grant and reconciles to Table SA18 excluding VAT. However, the municipality should note that Regional Bulk Infrastructure Grants has been reclassified as a direct grant from 2017/18 financial year, thus, this source of funding should be reflected against National Government.</p>														
<b>Borrowing</b>														
<b>Internally generated funds</b> % Growth Rate (Nominal)	32,781	30,986	26,298	25,435	18,129	-5.5%	-15.1%	-3.3%	6,650	6,550	6,550	(11,479)	9,834	-54.2%
<p><b>PT Comments:</b> A decrease against the internally generated funds is noted in the 2017/18 Draft Budget. A reason for the decrease was not provided by the municipality in the Draft Budget narrative report. Poor performance of 54.2 percent or R9.8 million against the budgeted R18.1 million for internally generated funds as at March 2017 (Month 09) is noted for the 2016/17 financial year.</p> <p>During the engagement, the municipality indicated that Council took a resolution not to implement the smart/prepaid meter project in the 2017/18 financial year which was previously budgeted to be funded from internally generated funds in 2016/17.</p>														
<b>Total Capital Funding</b>	298,711	352,453	500,714	347,999	326,324				353,690	346,439	343,025	27,366	344,101	105.4%

**Municipality's Response:**

The comment is noted and will be considered on the final budget.

**Municipality's Response:**

The comment is noted. The progress is attributable to the austerity measures and as reported on the mid-year review.

Description	2013/14	2014/15	2015/16	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework			Increase/ (Decrease) Adj. Budget to Budget year 2017/18	Actual Amount FYM as at: Mar-17	% of Adj. Budget
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20			
<b>R thousand</b>											
<b>Repairs and maintenance (Table A9)</b>	33,174	33,306	61,566	41,228	51,281	54,540	65,927	80,858	3,269		
% Growth Rate (Nominal)		0.4%	64.8%	-33.0%		6.4%	20.5%	27.0%			
Repairs and maintenance as a % of operating expenditure	4.1%	8.0%	9.1%	7.1%	8.6%	8.5%	9.4%	10.4%			
<p><b>PI Comments:</b>  Even though the budget for Repairs and maintenance has slightly increased in the 2017/18 financial year, Repairs and maintenance of R54.5 million represents only 2 percent of the Property, Plant and Equipment value of R2.4 billion reflected in the 2015/16 audited AFS which is below the National Treasury MFMA Circular 55 guideline of 8 percent. As per the Draft Budget narrative report, financial constraints have resulted in the municipality budgeting for lower Repairs and maintenance in 2017/18. The municipality has not provided an indication of their plan going forward in ensuring that they comply with the National Treasury's guideline.</p> <p>Due to inconsistencies noted in the breakdown of Repairs and maintenance (Other materials and Contracted services) in Table SA1, the municipality is advised to consider the true cost of Repairs and maintenance to be undertaken in the 2017/18 Final Budget and populate Table SA1 accordingly and carry through the amounts against the relevant line items in Table A4.</p> <p>The municipality should provide a detailed explanation and assurance that adequate provision would be made for Repairs and maintenance to secure ongoing health of the municipality's infrastructure which is also aligned to their Asset Management Plan.</p>											
<b>Renewals and Upgrading of existing assets (Table A9)</b>	1,199	4,475	639	63,275	62,189	47,176	26,400	33,948	(15,013)		
% Growth Rate (Nominal)		273.3%	-85.7%	9799.7%		-24.1%	-44.0%	23.6%			
Renewals and Upgrades as a % of capital expenditure	0.4%	1.5%	0.1%	18.2%	19.1%	23.5%	14.2%	18.0%			
<p><b>PI Comments:</b>  The municipality reflected R47.2 million for Renewals of existing assets (Table SA34b) and Upgrading of existing assets (Table SA34e). It appears that the municipality reflected the same amount of R47.2 million on both the supporting tables, thus there might be a duplication and the capital budget reflected in Table A9 is overstated. The municipality should ensure that the total budget reflected in Table A9 reconciles with Table A5. During the engagement, the municipality indicated that they will investigate the possible duplication and undertake the amendments for the 2017/18 Final Budget.</p> <p>As per the National Treasury guideline, Renewals of existing assets should be at least 40 percent of capital budget. The municipality should provide for sufficient Renewals of existing assets to ensure the ongoing health of the municipality's infrastructure.</p>											

The comment is noted.

The error is related to the mscoa ledger which is progress. This will be corrected during the final budget. The

**Table A7 - Budgeted Cash Flows - PT Assessment**  
Description

R thousand	2015/16		Current Year 2016/17			Budget Year 2017/18		Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
	Audited Outcome		Original Budget	Adjusted Budget	Full Year Forecast				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates	-	-	-	-	-	-	-	-	-
Service Charges	87,197		90,204	115,821	115,821	148,892	164,143	91%	
Service charges - water revenue (SA30)						93,172	98,973	94%	
Service charges - sanitation revenue (SA30)						53,206	62,229	86%	
Service charges - other (SA30)						2,515	2,942	88%	
Collection rate- Water (Average)								85%	
Collection rate- Sanitation (Average)								85%	
Collection rate- Other (Average)								85%	

**PT Comments:**

As per the municipality's Draft Budget narrative report, the municipality has applied a 75 percent collection rate for Service charges water and sanitation. However, this is contrary to the 94 percent collection rate against Service charges - water revenue, 86 percent against Service charges - sanitation revenue and 86 percent against Service charges - other as per Table SA30. As a result, Provincial Treasury is unable to comment on the reasonableness of the budgeted cash inflow. The municipality is required to explain the collection rates applied versus the average collection rate as per Provincial Treasury's calculation based on prior years of 85 percent. The municipality should also ensure consistency in the narrative report.

During the engagement, the municipality indicated that cash inflow figures reflected for Service charges are VAT inclusive. The municipality should note that in the consultation with National Treasury, municipalities are required to exclude VAT when budgeting for cash inflow against Service charges. Therefore, the municipality is advised to budget for net VAT after taking into account capital payments and grants receipts from Government - capital under Other revenue.

Notwithstanding the above it was noted during the engagement that the collection rate applied against Service charges - water was overstated. The municipality has committed to investigate and amend their budget accordingly.

**Municipality's Response:**

**Municipality:** Kimberley

**Table A7 - Budgeted Cash Flows - PT Assessment**  
Description

R thousand	2015/16 Audited Outcome	Current Year 2016/17			Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast		
Other revenue	3,546	29,884	22,349	22,349	24,161	112%
Rental of facilities and equipment					36	114%
Agency services					1,483	86%
Other revenue					22,642	114%

**PT Comments:**

Expected cash inflow for Other revenue (which comprises of Rental of facilities and equipment, Agency fees and Other revenue) reflected in Table A7 of R27.1 million exceeds the total of different sources of revenue constituting Other revenue amounting to R24.2 million in Table A4.

Furthermore, considering the fact that Provincial Treasury raised concerns in respect of the unconfirmed amount of R16.7 million for DoE in Table A4, the cash inflow of R25.8 million exceeds the budgeted revenue of R22.6 million. Also noted is that cash inflow of R41 000 for Rental of facilities and equipment exceeds the budgeted revenue in Table A4 of R36 000 whilst Agency services' cash inflow of 1.3 million was lower than the budgeted revenue of R1.5 million. This should be reviewed by the municipality prior to finalisation of the 2017/18 Final Budget.

As indicated in the assessment of Table A4, the municipality confirmed that the budget of R16.7 million relating to DoE is credible as the project is currently in progress and expected to continue into the 2017/18 financial year. Furthermore, the budgeted amounts reflected are VAT inclusive. The municipality should budget for the cash inflows for these revenue sources exclusive of VAT as indicated above.

**Government - operating** 399,390

**PT Comments:**

Budgeted cash inflow reflected for Government - operating of R439.3 million does not reconcile to R438.3 million reflected in Table SA18, thus overstating the budgeted cash inflow by R1 million relating to Provincial Township Establishment grant. This is an old grant previously received by the municipality when they acting as agents. The municipality agreed to amend the budget for Government - operational in the 2017/18 Final Budget.

**Municipality's Response:**

Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
395,961	389,420	389,420	439,250	439,250	100%

**Municipality's Response:**

**Municipality:** (Name DM)

**Table A7 - Budgeted Cash Flows - PT Assessment**

Description	2015/16 Audited Outcome	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast			
Government - capital	457,467	234,234	250,334	250,334	241,938	219,847	110%
<b>PT Comments:</b>							
The RBIG of R145 million is classified against Proceeds on disposal of PPE in Table A7. Despite the fact that the municipality had incorrectly classified RBIG as an indirect grant, the total amount reflected in Table A7 for R386.9 million for Government - capital (R241.9 million) and Proceeds on disposal of PPE (R145 million) do not reconcile to R395.6 million reflected in Table SA18. This should be amended accordingly in the 2017/18 Final budget.							
Interest	4,769	16,971	10,700	10,700	20,276	23,078	88%
Interest earned - external investments (SA30)					3,755	3,755	100%
Interest earned - outstanding debtors (SA30)					16,521	19,323	86%
<b>PT Comments:</b>							
The municipality has budgeted for a cash inflow of 86 percent or R16.5 million in Table SA30 against the budgeted amount of R19.3 million for Interest earned - outstanding debtors in Table A4. It is noted that no cash inflow has been recognised in the Section 71 report against Interest earned - outstanding debtors as at March 2017 (Month 09) and the municipality did not provide the basis for the budgeted cash inflow in the Draft Budget narrative report. Thus, the budgeted cash inflow for Interest earned - outstanding debtors appears overstated. The municipality is advised to be prudent when budgeting for Interest earned - outstanding debtors as the likelihood of collecting the interest amount from the debtors is usually very low.							
During the engagement, the municipality indicated that they are receiving cash inflow from Interest earned - outstanding debtors and the accuracy of the Section 71 report will be investigated accordingly.							
Dividends							



R thousand	Description	Audited Outcome	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
			Original Budget	Adjusted Budget	Full Year Forecast			
	<b>Payments</b>							
	Suppliers and employees	(263,107)	(454,227)	(613,875)	(627,379)	488,316	128%	
	Employee related costs (SA30)				(193,524)	136,692	98%	
	Remuneration of councillors (SA30)				(11,809)	11,809	100%	
	Bulk purchases (SA30)				(81,193)	85,466	95%	
	Other materials (SA30)				(46,631)	54,540	86%	
	Contracted services (SA30)				(36,043)	42,156	86%	
	Other expenditure (SA30)				(74,217)	97,654	76%	
	Other Cash Flows/Payments (SA30)				(183,962)			

**Municipality's Response:**

**PT Comments:**  
 Payments to Suppliers and employees of R627.4 million reflected in Table A7 exceed the total expenditure, excluding separately disclosed and non cash items of R488.3 million reflected in Table A4. The amount of R183.96 million as per the municipality relates to the payment of prior year creditors.

In Table A7, the municipality has reflected lower cash outflow for Bulk purchases (95 percent), Other materials (86 percent), Contracted services (86 percent) and Other expenditure (76 percent) when compared to the budgeted expenditure as per Table A4. The municipality is required to explain the low cash outflow reflected and confirm the accuracy on the amount reflected for Other Cash Flow/Payments.

The municipality indicated during the engagement that the lower payments rates as compared to the expenditure budgeted to be incurred are due to the fact that the municipality does not anticipate to pay all the creditors at the end of the 2017/18 financial year. The municipality is reminded of Section 65(2)(e) which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. During the engagement it was noted that the cash out flows against Suppliers and employees included VAT, and as indicated above, similar to receipts payments should also be VAT exclusive as confirmed with National Treasury.

**Table A7 - Budgeted Cash Flows - PT Assessment**  
Description

R thousand	2015/16 Audited Outcome	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast			
Finance charges	(8,448)	(8,125)	(12,310)	(12,310)	12,906	100%	
<b>PT Comments:</b> The budgeted cash outflow for Finance charges reconciled to expenditure reflected in Table A4.							
Transfers and Grants	(99,337)	(10,000)	(10,526)	(10,526)	13,158	105%	
<b>PT Comments:</b> Table A4 reflects R13.2 million for Transfers and grants whilst the cash out flow in Table A7 reflects R13.8 million. It is not clear what the additional cash outflow amount relates to. Thus, the municipality might have overstated their cash outflow against this line item. Furthermore, in Table SA21, the amount of R13.2 million has been incorrectly classified as non-cash transfer. As indicated above, cash out flow relating to payments should be VAT exclusive.							
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		294,901	151,913	151,913	223,441		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Receipts	911						
Proceeds on disposal of PPE		128,094	154,817	154,817	145,000		
<b>PT Comments:</b> The amount of R145 million reflected against Proceeds on disposal of PPE relates to Regional Bulk Infrastructure Grant to be received in 2017/18. This cash inflow should have been reflected against Government - capital as the grant is now a direct allocation.							
Decrease (increase) in non-current debtors	-	-	-	-	-		
Decrease (increase) other non-current receivables	-	-	-	-	-		
Decrease (increase) in non-current investments	(1,437)	24,533	-	-	(1,873)		

**Table A7 - Budgeted Cash Flows - PT Assessment**  
Description

R thousand	2015/16 Audited Outcome	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast			
	(584,186)	(347,899)	(311,899)	(311,899)	353,690	94%	
<b>Payments</b>							
	Capital assets						
	<b>PT Comments:</b>	<b>Municipality's Response:</b>					
	The budgeted payments for Capital assets reflected in Table A7 represents 94 percent of the capital expenditure reflected in Table A5. It appears that the municipality did not take into account the anticipated Creditors at year end or creditors relating to Capital expenditure could have been included under payments to Suppliers and employees. On the other hand, the lower payment rate could indicate that not all payments relating to the 2017/18 capital expenditure will be effected in 2017/18 (thus leaving a creditors balance at the end of 2017/18).	(195,273)	(157,083)	(157,083)	(188,642)		
	<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	(584,712)					
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
	Receipts						
	Short term loans						
	Borrowing long term/refinancing						
	Increase (decrease) in consumer deposits						
	<b>PT Comments:</b>	<b>Municipality's Response:</b>					
	In Table A10, households with piped water inside dwelling are expected to increase in 2017/18. Considering that the municipality has not budgeted for any amount against Increase (decrease) in consumer deposits in Table A7, it is therefore not clear whether the new installation will require consumers to pay a deposit or not. The municipality is requested to provide clarity in this respect.						

**Municipality: HEMSBURY**

Municipality	2015/16	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast			

**Table A7 - Budgeted Cash Flows - PT Assessment**

Description	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
<b>R thousand</b>							
<b>Payments</b>							
Repayment of borrowing	(22,711)	(43,760)	(13,760)	(13,760)	(10,651)		

**PT Comments:**  
 In Table A7, the municipality has budgeted for the Repayment of borrowing of R10.7 million in the 2017/18 financial year. The municipality should ensure that the budget for the Repayment of borrowing is in line with the loan amortisation schedule in accordance with the expected terms and conditions of the loans. In the 2016/17 Adjustments Budget, the municipality indicated that the ABSA loan valued at R24.5 million will be repaid in July 2017, thus it is not clear whether the amount reflected as Repayment of borrowings excludes the ABSA loan. The municipality is requested to provide more details in this regard. As indicated in the assessment of Finance charges in Table A4, the municipality will be settling the ABSA loan and the budgeted cash out flow for Repayment of borrowing will be amended accordingly prior to finalisation of the 2017/18 Budget.

**Municipality's Response:**

<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	(22,711)	(43,760)	(13,760)	(13,760)	(10,651)		
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**NET INCREASE/(DECREASE) IN CASH HELD**

	(22,711)	(43,760)	(13,760)	(13,760)	24,148		
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**PT Comments:**  
 The municipality is advised to consider all the concerns raised under the sections above on operating revenue and expenditure as well as capital budget and consider their effect on the budgeted cash flows. Furthermore, in Table A7, the following inconsistencies were noted:

- > Possible overstatement of cash inflows against Service charges - water revenue
- > Overstatement of Government - operating and interest earned - outstanding debtors,
- > Understatement of Government - capital and Repayment of borrowing.

**Municipality's Response:**

**Municipality:**

Herzberg DM

**Table A7 - Budgeted Cash Flows - PT Assessment**  
Description

R thousand	2015/16 Audited Outcome	Current Year 2016/17			Budget Year 2017/18	Budget Year 2017/18 (Tables A4 & A5 Comparison)	% of revenue generated/ expenditure incurred
		Original Budget	Adjusted Budget	Full Year Forecast			
		Municipality's Response:					
Cash/cash equivalents at the year begin:	31,863	55,940	36,143	35,143	17,213		
<p><b>PT Comments:</b> The opening cash/cash equivalents at the beginning of 2017/18 financial year reconciles to the closing balance of R17.2 million as per the 2016/17 Adjustments Budget and Full Year Forecast columns. The municipality should update the Full Year Forecast column should any of the assumptions used in the Adjustments Budget subsequently change.</p>							
Cash/cash equivalents at the year end:	35,916	111,808	17,213	17,213	41,361		
<p><b>PT Comments:</b> Based on the comments above the municipality's budgeted cashflow, for example, amongst others, possible overstatement of Service charges, Government - operating, Interest and the understatement of Repayment of borrowing, the closing balance of R41.4 million appears misstated. This cash balance has an impact on the funding position and should be reviewed by the municipality prior to finalisation of the 2017/18 budget.</p>							

# **ANNEXURE E**

## **SIZA WATER TARIFF OF CHARGES**

26 May 2017  
Ref: 917/Adm/SM

Sembcorp Siza Water (Pty) Ltd  
Co. Reg. No. 1998/19209/07  
Reypark House, Rey's Place, Ballito  
PO BOX 1635, Ballito, 4420, South Africa  
Tel (27) 0 32 946 7200  
Fax (27) 0 32 946 2188  
Fax (Customer Service) (27) 0 32 946 3211  
[www.sembcorp-sizawater.co.za](http://www.sembcorp-sizawater.co.za)

The Municipal Manager  
Ilembe District Municipality  
P O Box 1788  
Kwadukuza  
4450

BY Email: [Salora.Pillay@ilembe.gov.za](mailto:Salora.Pillay@ilembe.gov.za); [Thanda.Mayise@ilembe.gov.za](mailto:Thanda.Mayise@ilembe.gov.za);  
[Andrew.Horton@ilembe.gov.za](mailto:Andrew.Horton@ilembe.gov.za)

Dear Ms N Gamede

**SEMBCORP SIZA WATER 2017/2018 TARIFFS**

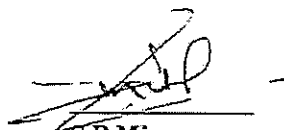
We wish to convey our gratitude to your team, especially Mr E Ngcobo, Mr E Shezi and Mr MD Gumede, for the constructive meeting held yesterday (25 May 2017) regarding the Sembcorp Siza Water 2017/2018 Tariffs.

In line with our meeting we submit annexed hereto our tariff proposal with an escalation of 10%.

We will revert shortly with a separate letter outlining the summary of the meeting as well as the terms and conditions that allow us to accept a 10% tariff increase.

We thank the District for taking the time to understand our tariff methodology and assisting in finalising same. We look forward to receiving your favourable approval of our submission.

Yours Truly



**S P Misra**  
Managing Director



SEMBCORP SIZA WATER (RF) (PTY) LTD

MONTHLY WATER & SANITATION TARIFFS - EFFECTIVE 1 JULY 2017

Description		Old Tariff 2016/2017	Increase %	Tariff 2017/2018	Rounding / Adjustment	2017/2018	
						Proposed Tariff Excl VAT with Rounding	Proposed Tariff Incl VAT
<b>WATER TARIFFS</b>							
Water Basic Charge per Meter	Rand per meter	R 110.66	10%	R 121.73	0.02	R 121.75	R 138.80
Special Residential Water Basic Charge per Meter*	Rand per meter	NEW				R 75.00	R 85.50
0 to 10KL	Per Kilolitre	R -	10%	R -		R -	R -
>10 to 30KL	Per Kilolitre	R 13.51	10%	R 14.86	-0.04	R 14.83	R 16.90
>30 to 40KL	Per Kilolitre	R 17.49	10%	R 19.24	-0.03	R 19.21	R 21.90
>40 to 50KL	Per Kilolitre	R 27.98	10%	R 30.78	0.01	R 30.79	R 35.10
> 50KL	Per Kilolitre	R 35.00	10%	R 38.50	0.01	R 38.51	R 43.90
Water Availability	Per Lot	R 127.76	10%	R 140.54	-0.02	R 140.53	R 160.20
* Special Residential Basic Charge Applies to The Following Areas Shakaskraal, Etete, Nkabango, Shakashead & Shayamoya							
<b>Water Level 2: (Registered Indigent - Prepaid Only)</b>							
Water Basic per Meter - Indigent	Rand per meter	R -		R -		R -	R -
0 to 10KL	Per Kilolitre	R -		R -		R -	R -
>10 to 30KL	Per Kilolitre	R 13.51	10%	R 14.86	-0.04	R 14.83	R 16.90
>30 to 40KL	Per Kilolitre	R 17.49	10%	R 19.24	-0.03	R 19.21	R 21.90
>40 to 50KL	Per Kilolitre	R 27.98	10%	R 30.78	0.01	R 30.79	R 35.10
> 50KL	Per Kilolitre	R 35.00	10%	R 38.50	0.01	R 38.51	R 43.90
<b>Water Restriction Tariffs</b>							
0 to 10KL	Per Kilolitre	R -		R -		R -	R -
> 10 to 30KL	Per Kilolitre	R 17.98	10%	R 19.78		R 19.78	R 22.55
> 30 to 40KL	Per Kilolitre	R 27.11	10%	R 29.82	0.01	R 29.83	R 34.00
> 40 to 50KL	Per Kilolitre	R 36.14	10%	R 39.75	-0.02	R 39.74	R 45.30
> 50KL	Per Kilolitre	R 43.99	10%	R 48.39	-0.01	R 48.38	R 55.15
<i>The Restriction Tariff will only apply during any period where water restrictions are implemented and will cease when such restrictions are lifted!</i>							
<i>The Restriction Tariff will be effective when the dam level is below 30% or when any other adverse situation arises.</i>							
<b>Water Surcharge Tariffs</b>							
Surcharge will be payable pro rata for each Kl consumed above a consumers drought target.	Per Kilolitre	R 100.00	10%	R 110.00		R 110.00	R 125.40
Surcharge is limited to R5 000 per meter/month (excl. Vat.)							
<i>A unit using 5kl or less will not be liable for any surcharge!!</i>							
<i>The Restriction Surcharge will only apply during any period where water restrictions are implemented and will cease when such restrictions are lifted!</i>							
<i>The Restriction Surcharge will be effective when the dam level is below 30% or when any other adverse situation arises.</i>							
<b>Water Connection Fees</b>							
Standard Water connection Fee 15mm (Registered Indigent Consumers)	Rand per Connection	R 648.33	10%	R 713.16		R 713.16	R 813.00
Standard Water connection Fee 22mm	Rand per Connection	R 5 028.55	10%	R 5 531.41	-0.01	R 5 531.40	R 6 305.80
Standard Water connection Fee 25mm	Rand per Connection	R 6 068.86	10%	R 6 675.75	-0.01	R 6 675.75	R 7 610.35
Water connection Fee above 25mm & Non - Standard Connections	Rand per Connection	Cost +10%		Cost + 10%		Cost +10%	Cost +10%
<b>SEWER TARIFFS</b>							
Sewer Basic per meter	Rand per meter	R 268.16	10%	R 294.98	0.02	R 295.00	R 336.30
Sewer Basic - (*Special Residential & Registered Indigent Consumers)	Rand per meter	R 134.08	10%	R 147.49	0.01	R 147.50	R 168.15
Sewer Basic Commercial - per meter	Rand per meter	R 268.16	10%	R 294.98	0.02	R 295.00	R 336.30
Sewer Basic Caravan Park	Rand per meter	R 2 993.90	10%	R 3 293.29		R 3 293.29	R 3 754.35
Residential Sewer Kl Charge	Per Kl of water consumed	R 9.56	10%	R 10.52	0.01	R 10.53	R 12.00
Residential Sewer Kl Charge - (*Special Residential & Registered Indigent Only)	Per Kl of water consumed	R 4.83	10%	R 5.31		R 5.31	R 6.05
Commercial Sewer Kl Charge	per Kl of water consumed	R 9.57	10%	R 10.52	0.01	R 10.53	R 12.00
Sewer Availability 4+(East)	Per Lot	R 499.52	10%	R 549.47		R 549.47	R 626.40
Sewer Availability 4 (West)	Per Lot	R 499.52	10%	R 549.47		R 549.47	R 626.40
Sewer Level 3: Conservancy Tank draw	Rand	Cost +10%		Cost + 10%		Cost +10%	Cost +10%
* Special Residential Basic Charge Applies to The Following Areas Shakaskraal, Etete, Nkabango, Shakashead & Shayamoya							
<b>Sewer Connection Fees</b>							
Standard Sewerage connection Fee 110mm	Rand per Connection	R 3 005.57	10%	R 3 306.13	0.01	R 3 306.14	R 3 769.00
Standard Sewerage connection Fee 160mm	Rand per Connection	R 4 508.47	10%	R 4 959.32	-0.02	R 4 959.30	R 5 653.60
Standard Sewerage connection Fee 225mm	Rand per Connection	R 10 018.68	10%	R 11 020.55	0.02	R 11 020.57	R 12 563.45
Non - Standard Sewerage Connection Fee	Rand per Connection	Cost +10%		Cost + 10%		Cost +10%	Cost +10%





**SEMBCORP SIZA WATER (RF) (PTY) LTD**

**MONTHLY WATER & SANITATION TARIFFS - EFFECTIVE 1 JULY 2017**

Description		2016/2017				2017/2018	
		Old Tariff	Increase %	Tariff	Rounding / Adjustment	Proposed Tariff Excl VAT with Rounding	Proposed Tariff Incl VAT
<b>MISCELLANEOUS TARIFFS</b>							
<i>Delivery Cost of Recycled Water (Delivered by Sembcorp Siza Water)</i>							
Delivery Cost Recycled Water (Within Sembcorp Siza Water service area)	Per litre	R 0.13	10%	R 0.14		R 0.14	R 0.16
Delivery Cost Recycled Water (Outside Sembcorp Siza Water service area)	Additional Per Load	R 315.79	10%	R 347.37		R 347.37	R 396.00
<i>TERMS AND CONDITIONS : This price for recycled water is applicable to consumers of Sembcorp Siza Water and for delivery within our service area and provided all the water is taken in one delivery (No split deliveries). Minimum delivery of 1 500 litres is applicable</i>							
<i>Collection Cost Recycled Water (Own Transport provided)</i>							
Collection Cost Recycled Water (Own Transport provided)	Per litre	R 0.026	10%	R 0.030		R 0.030	R 0.034
<b>Other Administrative Charges</b>							
Disconnection Charge	Rand	R 598.25	10%	R 658.07		R 658.07	R 750.20
Prepaid Token	Rand	R 157.28	10%	R 173.01	0.02	R 173.03	R 197.25
Isolating valve equal to 30mm	Rand	R 524.56	10%	R 577.02		R 577.02	R 657.80
Isolating valve equal to 40mm	Rand	R 676.27	10%	R 743.90		R 743.90	R 848.05
Valve box on customer's connection	Rand	R 494.17	10%	R 543.59	0.01	R 543.60	R 619.70
Opening up reinstatement of a customer's paving /m2	Rand	R 358.95	10%	R 394.85	0.02	R 394.87	R 450.15
Pressure and flow test	Rand	R 498.46	10%	R 548.31	-0.02	R 548.29	R 625.05
Special Meter Reading	Rand	R 199.43	10%	R 219.37	0.02	R 219.39	R 250.10
VIP Pit assistance	Rand	R 29.61	10%	R 32.57	0.02	R 32.59	R 37.15
Copy of account	Rand	R 49.83	10%	R 54.81	0.02	R 54.83	R 62.50
Illegal Water and/or Sewer Connection	Rand	R 10 000.00	10%	R 11 000.00		R 11 000.00	R 12 540.00
Violation of Water Restrictions	Rand	R 5 000.00	10%	R 5 500.00		R 5 500.00	R 6 270.00
Any Other Tariff	Rand				cost +10%		
<b>Plan Approval Fees</b>							
New Dwelling Building Plan	Per Plan	R 300.00	10%	R 330.00		R 330.00	R 376.20
Additions and Alterations (Incl. Granny Flat, Outbuildings, Carports, Swimming Pools etc.)	Per Plan	R 200.00	10%	R 220.00		R 220.00	R 250.80
New Development Plans (Multi-Units, Shops, Shopping Centres, Offices, Businesses, Factories, Warehouses)	Per Plan	R 2 000.00	10%	R 2 200.00		R 2 200.00	R 2 508.00
Special Consent, Encroachment, Sub-Division, Rezoning and Relaxation Application	Per Plan	R 250.00	10%	R 275.00		R 275.00	R 313.50
SPLUMA Applications & Advertisements	Per Plan	R 250.00	10%	R 275.00		R 275.00	R 313.50
Issuing of A & B Certificates, Memo's	Per Plan	R 300.00	10%	R 330.00		R 330.00	R 376.20
Service Level Agreements - R5 000 or Attorneys cost + 10% (whichever is the greater).	Per Plan	R 5 000.00	10%	R 5 500.00		R 5 500.00	R 6 270.00
<b>Interest</b>							
		2016/2017		2017/2018			
Any accounts in arrears in excess of 60 days will be charged interest on the outstanding amount in excess of 60 days at the annual interest rate of:		Prime interest rate + 5%		Prime interest rate + 5%			
<b>DEVELOPERS CONTRIBUTIONS TARIFF</b>							
Developers Contribution Water - Bulk	Rand Per Unit	R 9 267.68	10%	R 10 194.44	-0.05	R 10 194.39	R 11 621.60
Developers Contribution Water - Link	Rand Per Unit	R 17 544.78	10%	R 19 299.26	-0.050	R 19 299.21	R 22 001.10
Developers Contribution Sewer - Bulk	Rand Per Unit	R 12 978.68	10%	R 14 276.55	0.03	R 14 276.58	R 16 275.30
Developers Contribution Sewer - Link	Rand Per Unit	R 22 390.22	10%	R 24 629.24	0.01	R 24 629.25	R 28 077.35
<i>The Following Factors Will be Utilised for the Purpose of Calculating Developers Contributions:</i>							
Type of Development	Factor to be applied						
Dwelling Houses (Freestanding Unit)	1						
Low Rise Buildings (eg Duplexes)	1						
High Rise Multiple Dwelling (Flats/Hotels)	0.5						
Offices and Shops	0.5						
Bed & Breakfasts / Granny Cottages	0.4						
Industrial Development, Fire Connections & Any Other Type of Development	By agreement based on Demand						