

SCHEDULE A

BUDGET AND SUPPORTING DOCUMENTATION

ANNUAL BUDGET OF

OR TAMBO DISTRICT MUNICIPALITY

2018/2019 TO 2020/2021
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	District Municipality Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		
mSCOA	Municipal Standard Chart of Accounts		

Part 1 – Annual Budget

1.1 Foreword by the Executive Mayor

1.2 Council Resolutions

On 31 May 2018 the Council of OR Tambo District Municipality met to consider the budget which the Executive Mayor tabled for the draft budget year 2018/2019 for noting and for public participation. The Mayor tabled the budget with following resolutions:

The Executive Mayor recommends to Council that Council:

1.2.1 Notes the tabling of Consolidated Budget for 2018/2019 and the two outer financial years 2019/2020 and 2020/2021 for the subsequent stakeholder public participation on the budget and stakeholder input thereafter. Summary as follows

DESCRIPTION	Budget 2018/2019	Budget 2019/2020	Budget 2020/2021
	(R'000)	(R'000)	(R'000)
TOTAL OPERATING REVENUE	1,474,657	1,565,683	1,667,724
TOTAL OPERATING EXPENDITURE	1,470,307	1,559,898	1,660,503
SURPLUS/(DEFICIT)	4,350	5,785	7,221
TOTAL CAPITAL EXPENDITURE	1,184,390	1,191,331	1,262,191
OVERALL TOTAL BUDGET	2,659,047	2,757,015	2,929,915

The Executive Mayor recommends the council to approve the 2018/2019 budget related policies as follows :

- Budget Policy
- Adjustment budget management policy
- Cash Management and Investment Policy
- Credit Control and Debt Collection Policy
- Funding and Reserves Policy
- Indigent Policy
- Tariff Policy

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- Unallocated Deposits Policy
- Virement Policy
- Asset Management Policy
- Supply Chain Management Policy
- Costing Policy

Furthermore the Executive Mayor recommends the council to note tabling of 2018/2019 consolidated budget and two outer years in terms of National Treasury tables A1 to A10 in accordance with section 24(1) to (2) of MFMA as follows:

- Table A1 Consolidated Budget Summary
- Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)
- Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Table A4 Consolidated Budgeted Financial Performance (revenue by source and expenditure by type)
- Table A5 Consolidated Budgeted Capital Expenditure by municipal vote and standard classification and associated funding by source
- 1.1.1. Table A6 Consolidated Budgeted Financial Position
- 1.1.2. Table A7 Consolidated Budgeted Cash Flows
- 1.1.3. Table A8 Consolidated Cash backed reserves and accumulated surplus reconciliation
- 1.1.4. Table A9 Consolidated Asset management
- 1.1.5. Table A10 Consolidated Basic service delivery measurement

1.3 Executive Summary

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

The District Municipality as required by section 23, 24 and 25 of Municipal Systems act (act 32 of 2000) undertook a strategic planning session with a sole mandate of developmental oriented planning so as to have a Integrated Developmental plan with implementable strategies and

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prioritisation of projects in compliance with section 29 of Municipal Systems act (34 of 2000). Alignment of strategic objectives, priorities and budget was undertaken. The draft IDP has been tabled to the council and further consultations with community, IGR structures and other stakeholders have been undertaken.

The District Municipality will be embarking on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Firstly there is development and implementation of by-laws, data cleansing project to ensure the accuracy of billing, full implementation of credit control and debt collection policy. National Treasury's MFMA Circular No. 51 and 54 and 58 and 59, 66, 67 and 70, 72, 74 and 75, 78, 86 were used to guide the compilation of the 2018/2019 MTREF.

The main challenges experienced during the compilation of the 2018/2019 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy resulting in low revenue collection
- Aging and poorly maintained water infrastructure;
- Location of the municipality resulting in subsidising 90percent of rural households with water without return.
- Water and Sanitation infrastructure backlogs;
- Drought resulting in water source significantly reducing and some dams running dry.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Increase in demand of water in the bulk infrastructure projects undertaken within the district area by National/Provincial government and local municipalities which requires bulk amounts of water whilst there are no means by municipality to monitor and charge the consumption of that water by that (tarring of N2 and provincial roads and access roads).
- The increased cost of bulk water, which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Increase in ESKOM tariffs
- Anticipated increase in fuel prices;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Funding the renewal of assets through funding depreciation in the operating budget resulting in cutting down on other operating expenditure.
- High cost of delivery of Water to rural communities with no return.
- Compliance with mSCOA equirements

The following budget principles and guidelines directly informed the compilation of the 2018/2019 MTREF:

- The 2017/2018 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were draft as the upper limits for the new baselines for the 2018/2019 annual budget;
- The government theme of “**infrastructure development**”
- Implementation of cost containing measures as per MFMA circular 82
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increase of 6percent for residential consumers is affordable and cannot be more. The tariff is not cost reflective due to the nature of the municipality (mostly rural and few are paying customers)
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- “Separation of Power” for the legislative arm where this has been introduced in 2014/2015 budget but not fully capacitated which will require more resources.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/2019 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/2019 MTREF

Description	Current Year 2017/18		2017/18 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Revenue (excluding capital transfers and contributions)	1,361,572	1,384,131	1,474,657	1,565,683	1,667,724
Total Expenditure	1,357,869	1,380,625	1,470,307	1,559,898	1,660,503
Surplus/(Deficit)	3,703	3,506	4,350	5,785	7,221
Transfers recognised - capital	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Contributions recognised - capital & contributed assets	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1,103,352	1,103,155	1,026,680	1,029,020	1,095,773

Operating revenue has increased by 7 percent or R90 million for the 2018/2019 financial year when compared to the 2017/2018 Adjustments Budget this is mainly due to increase in grants received and projected services revenue.

Total operating expenditure for the 2018/2019 financial year has been appropriated at R1,5 billion and translates into a R4.4 million surplus. When compared to the 2017/2018 Adjustments Budget, operational expenditure has increased by 6 percent for each of the respective outer years of the MTREF. The depreciation has been funded and will enable the municipality to set aside funds that will assist in the renewal of infrastructure assets when the need arises in the years to come. The reserves identified to fund the operations amounted to R185 million for 2018/2019.

The capital budget of R1,2 billion for 2018/2019 is 4 percent less when compared to the 2017/2018 Adjustment Budget. This decrease is due to the conditional grant allocation decrease, in 2018/2019 MTREF. The municipality is still grant dependant as the conditional grants amounts to 86 percent of the total capital budget with only 14 percent as the own internal funding for the assets. The total allocation for MIG for 2018/2019 is R619 million from R645 million in 2017/2018 and is divided into water projects and sanitation projects. Since the sanitation projects are mainly made up of construction of VIP toilets, this does not meet the requirements of an asset as per GRAP. Previously the municipality resolved on recognising the sanitation portion as operating and only the water projects were recognised as capital. Upon introduction of circular 58, this practice has ceased and the whole MIG allocation is recognised as capital.

Items classified as asset renewal are as follows: replacement of pipes, replacement of water meters, refurbishment of boreholes, and refurbishment of water pumps. These form part of capital expenditure as they replace components of infrastructure assets. There were strides to increase the asset renewal by reducing the other operating expenditure items as recommended by National Treasury to increase the Asset Renewal.

Operating Revenue Framework

For O.R. Tambo District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty and the municipality is in one of poorest regions in South Africa. This is compounded by the increase in VAT to 15% our customer will feel the impact of the increase in the billing.

The expenditure required to address these challenges will inevitably always exceed available funding due to the area the municipality is situated in as the cost of providing water and sanitation services will not be covered by revenue because only 7percent of consumers of services are able to pay and the 93percent in rural areas receive the service without paying, this leads to burden of paying for services in the 7percent who are in urban areas hence difficult to recover cost of providing the services. The municipality amassed a huge debt book which constantly grows per year due to the debt book being incorrect. The municipality is embarking on a data cleansing project where it is discovered that there are areas where they were not billed before, abnormal

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monthly billing of some customers due to leakages as a result bills to some of the customers reflects very huge amounts which will not be recovered. There are strategies in place to deal with these challenges. Further there revenue amnesty for consumers where there were incentive by discounting a percentage of old debts if they come forward and pay with strict timelines, this has subsequently lapsed and the municipality will on the drive to recover the outstanding debt after the completion of the data cleansing project.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 85 percent annual collections
- All government debts do not go beyond 30 days and businesses debts do not go beyond 60 days aging
- Undertaking of data cleansing project to ensure completeness and accuracy of debt book.
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the District Municipality.
- Embark on drive to increase revenue by piloting a project for billing the rural areas (peri urban) which receive the high standard of services as urban areas.

The following table is a summary of the 2018/2019 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

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Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	188,615	195,346	206,822	268,583	268,583	268,583	268,583	284,698	307,474	335,147
Investment revenue	17,413	32,993	36,425	25,000	34,000	34,000	34,000	29,350	30,500	33,850
Transfers recognised - operational	1,194,079	1,303,781	1,523,251	735,126	735,126	735,126	735,126	798,523	855,753	927,444
Other own revenue	118,441	139,987	180,532	332,863	346,422	346,422	346,422	362,086	371,956	371,284
Total Revenue (excluding capital transfers and contributions)	1,518,547	1,672,107	1,947,031	1,361,572	1,384,131	1,384,131	1,384,131	1,474,657	1,565,683	1,667,724

Table 3 Percentage growth in revenue by main revenue source

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

As compared to 2017/2018 adjustment budget, the revenue increased by R90 million which is 7 percent and increases in 2019/2020 by R91 million and R102 million in 2020/2021. This is mainly as a result of increase in government grants (equitable Share) and also projected service charges revenue.

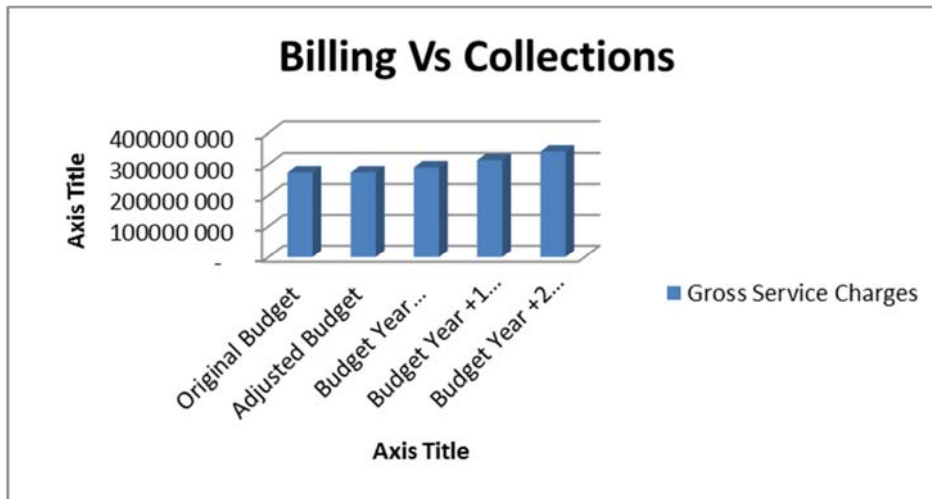
Service Charges

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Service Charges billed	268 583 183	268 583 183	284 698 174	307 474 028	335 146 691
Interest on Debtors	5 000 000	5 000 000	5 300 000	5 618 000	5 955 080
Gross Service Charges	273 583 183	273 583 183	289 998 174	313 092 028	341 101 771
Less : Debt Impairment	(83 337 653)	(83 337 653)	(87 671 211)	(92 493 128)	(97 580 250)
Service Charges to be Collected	190 245 530	190 245 530	202 326 963	220 598 901	243 521 521

The gross revenue for service charges in original equals to R268 million and adjustment budget equals to R268 million relating to 2017/18 with interest on outstanding debtors of R5 million resulting in the gross service charges anticipated to be R273 million in original budget and R273 million in adjustment budget. For the 2018/19 MTREF, the gross revenue for services charges amounts to R289 million, R307 million and R325 million respectively. The anticipated debt impairment for 2018/19 MTREF amounts to R87 million, R46 million and R97 million respectively. Resulting in the anticipated collections being R202 million, R214 million and R228 million being 70percent in 2018/19, and 70percent in two outer years collection rate.

The propose tariff increase is 6percent for residential, 9percent for business and 12percent for government during 2018/19. The Tariff policy is attached

Graphic illustration of billing vs. collections budgeted for.



Interest received comprises of interest on investments of R29 million and interest on debtors of R5 million. The interest on investments has been constant from adjustment budget to current year budget for prudence since the economy is projected to worsen due to unstable political climate.

Other own revenue consists mainly of reserves of R185 million, tender fees of R1.1 million,

Operating grants and transfers totals R798 million in the 2018/2019 financial year and increases to R855 million by 2019/2020 and to R927 in 2020/2021. The main item in the operating grants and transfers is the Equitable share amounting to R791 million for 2018/2019, R853 million and R925 million for 2019/2020 and 2020/2021 years respectively.

The organisational structure for BTO has been approved by the council which will address some of the capacity challenges faced by the municipality in collecting the revenue to further increase the revenue base of the municipality in order to decrease the dependency of grants and transfers from the government.

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		564 347	631 409	674 226	735 126	735 126	735 126	798 523	855 753	927 444
Local Government Equitable Share		548 919	622 201	669 303	728 270	728 270	728 270	791 526	853 638	925 329
EPWP Incentive		12 994	6 693	3 213	4 811	4 811	4 811	4 882		
Finance Management		1 500	1 575	1 710	2 045	2 045	2 045	2 115	2 115	2 115
Municipal Systems Improvement		934	940	-						
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	564 347	631 409	674 226	735 126	735 126	735 126	798 523	855 753	927 444

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the district municipality.

The percentage increases of both water purchases from Department of Water Affairs (DWA) are far beyond the mentioned inflation target. Given that this tariff increases are determined by external agencies, the impact they have on the municipality's water rate tariffs and in these tariffs are largely outside the control of the district municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the district municipality's future financial position and viability.

It must also be appreciated that the consumer price index (CPI), as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals etc more especially that the petrol price is continuing to increase. The current challenge facing the district municipality

in managing the gap between cost drivers and tariffs levied as only 7percent of consumers are charged for consumption and 93percent is not charged making it difficult to recover costs and at the same time not increasing the tariffs too much for the 7percent that are charged.

1.3.1 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Due to the location and the demographics of the district municipality, the challenge is OR Tambo District Municipality is made up of mostly rural areas. This result in municipality having a huge backlog in providing infrastructure for water and sanitation and the construction of infrastructure is mainly on addressing those backlogs in the rural communities. The overall number of households in the district is over 320 080 of which only 7percent are in the urban areas of whom the revenue for services is received according to the tariffs. Even households that are in the urban areas, the district has to provide subsidies on services (free basic) due to the indigent status of the households. This presents a challenge because, due to the eradication of backlogs, most of the infrastructures assets are constructed in the rural areas where the household do not pay for the services. Resulting in the value of assets reflected in the financial statement located in rural areas. This means the depreciation of R161 million is largely made up of assets that are located in rural areas.

Currently the depreciation is funded and funding of depreciation will assist in better maintenance of infrastructure.

A tariff increase of 6 percent for households, 9 percent for business and increase of 12 percent for government from 1 July 2018 for water is proposed. This is based on input cost assumptions of 6 percent increase in the cost of bulk water by DWA, in addition 6 kℓ water is provided for free to the indigent households.

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

Table 4 Proposed Water Tariffs

Kl	Current Tarriff	Proposed Tariff	Proposed Increase
Households			
0 - 6lk	6.41	6.79	6%
7-10kl	6.43	6.82	6%
11-20kl	7.29	7.72	6%
21kl +	9.45	10.02	6%
Business			
0-30kl	11.95	13.03	9%
31-40kl	16.22	17.68	9%
41-50kl	19.00	20.71	9%
51kl +	21.43	23.36	9%
Government			
0-30kl	12.74	14.27	12%
31-40kl	17.30	19.37	12%
41-50kl	20.26	22.70	12%
51kl +	22.86	25.60	12%

Basic charges are as follows

Chategory	Current Tarriff	Proposed Tariff	Proposed Increase
Domestic	43.41	46.01	6%
Business	43.41	47.32	9%
Government	45.05	50.45	12%

1.3.2 Sanitation and Impact of Tariff Increases

A tariff increase of 6 percent on households, 9 percent on businesses and 12 percent on government for sanitation from 1 July 2018 is proposed. This is based on number of units (toilets) the household/business/government has. The tariff is per toilet facility on the household or business and this is tabulated here-under.

Table 4 Proposed sanitation tariffs

Category	Current Tarriff	Proposed Tariff	Proposed Increase
Domestic	73.90	78.33	6%
Business	131.36	143.18	9%
Government	136.31	152.67	12%

1.3.3 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. This shows that for the household, the average bill for water and sanitation per month for the middle-income range amounts to R139. This depends on the consumptions as more the consumption, the more the bill. This is only an average for water and sanitation only as other services are not offers by the district municipality. For Indigent, the subsidy offered per month amount to R138 and also depending on the consumption because, if indigent households consumes more than 6kl, the from 7kl upwards, the household is charged.

Table 5 MBRR Table SA14 – Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy		37.57	40.95	43.42	46.03	46.03	46.03	6.0%	48.79	52.69	57.96
Water: Consumption		5.95	6.49	6.87	7.29	7.29	7.29	6.0%	7.72	8.34	9.18
Sanitation		63.96	69.72	73.90	78.33	78.33	78.33	6.0%	83.03	89.68	98.64
Refuse removal											
Other											
sub-total		107.48	117.15	124.19	131.65	131.65	131.65	6.0%	139.54	150.71	165.78
VAT on Services											
Total large household bill:		107.48	117.15	124.19	131.65	131.65	131.65	6.0%	139.54	150.71	165.78
% increase/-decrease			9.0%	6.0%	6.0%	-	-	6.0%	6.0%	8.0%	10.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy		37.57	40.95	43.42	46.03	46.03	46.03	6.0%	48.79	52.69	57.96
Water: Consumption		5.25	5.72	6.07	6.43	6.43	6.43	6.0%	6.82	7.36	8.10
Sanitation		63.96	69.72	73.90	78.33	78.33	78.33	6.0%	83.03	89.68	98.64
Refuse removal		-	-	-	-	-	-				
Other		-	-	-	-	-	-				
sub-total		106.78	116.39	123.39	130.79	130.79	130.79	6.0%	138.64	149.73	164.70
VAT on Services											
Total small household bill:		106.78	116.39	123.39	130.79	130.79	130.79	6.0%	138.64	149.73	164.70
% increase/-decrease			9.0%	6.0%	6.0%	-	-	6.0%	6.0%	8.0%	10.0%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy		37.57	40.95	43.42	46.03	46.03	46.03	6.0%	48.79	52.69	57.96
Water: Consumption		5.25	5.72	6.07	6.43	6.43	6.43	6.0%	6.82	7.36	8.10
Sanitation		63.96	69.72	73.90	78.33	78.33	78.33	6.0%	83.03	89.68	98.64
Refuse removal											
Other											
sub-total		106.78	116.39	123.39	130.79	130.79	130.79	6.0%	138.64	149.73	164.70
VAT on Services											
Total small household bill:		106.78	116.39	123.39	130.79	130.79	130.79	6.0%	138.64	149.73	164.70
% increase/-decrease			9.0%	6.0%	6.0%	-	-	6.0%	6.0%	8.0%	10.0%

1.3.4 mSCOA Compliance

mSCOA is a multi-dimensional recording and reporting system across seven segments. Function or sub-function (GFS votes structure) Item (asset, liability, revenue, expenditure, etcetera) Funding source (rates, services charges, grants, loans, etcetera), Region (wards, whole municipality, head office), costing. National Treasury introduced the mSCOA in order to standardize and integrate the municipal activities in order to enhance the comparability, transparency of information for better planning, implementation and reporting.

National Treasury requires that the municipalities be able to transact live to mSCOA by 01 July 2017 with the accounting system recognized and accredited by NT. Monthly data strings are generated and uploaded to LG database.

Governance documentation is in place and an mSCOA audit file is maintained. Costing methodology has been developed and a costing policy drafted that was tabled to council in March 2018. Business processes are being developed by the University of Natal. There is a work stream that is working on aligning the Annual financial statements for 17/18 with mSCOA.

Challenges faced in mSCOA

Since mSCOA is a huge reform, there are many areas that totally changed and these are the challenges encountered in implementing mSCOA.

The system could not generate the non-financial data strings but the service provider has since developed these and is currently on site to assist the municipality in these submissions.

Change Management

The reform seeks to integrate all the processes and activities of the municipality forcing integration and interdependency. Change management is required in order to migrate from a silos mentality to be integrated. There are some resistances in this change as the IDP and budget is perceived as for the IDP section and the Budget and Treasury office tools.

Handling large volume of data

Quantity of data to be handled, structured and configured resulted in a number of errors identified.

IT related limitations

We had huge challenges on the support of our vendor (BCX) for the mSCOA software. This resulted in some of the modules required being delayed (borrowings and investment). This has also caused the decline in relations to national treasury due to non-submission of documents and data strings.

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Further training on use of new mSCOA compliant system is still required. Replacement of IT equipment (servers, computers etc) that are compatible with the mSCOA system.

1.4 Operating Expenditure Framework

The District Municipality's expenditure framework for the 2018/2019 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to backlog eradication;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high-level summary of the 2018/2019 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Description R thousands	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Employee costs	345,106	393,172	436,851	418,203	417,614	417,614	417,614	533,190	570,951	611,387
Remuneration of councillors	16,458	17,701	17,750	17,589	27,080	27,080	27,080	27,915	29,897	32,019
Depreciation & asset impairment	152,109	156,134	164,456	167,308	161,308	161,308	161,308	162,820	171,812	181,302
Finance charges	1,865	579	6,001	-	-	-	-	85	94	103
Materials and bulk purchases	39,262	118,872	128,718	161,147	154,528	154,528	154,528	133,642	140,999	148,762
Transfers and grants	52,419	107,936	149,375	33,404	37,504	37,504	37,504	99,616	106,703	114,334
Other expenditure	697,288	513,161	624,586	560,218	582,590	582,590	582,590	513,039	539,443	572,595
Total Expenditure	1,304,506	1,307,554	1,527,737	1,357,869	1,380,625	1,380,625	1,380,625	1,470,307	1,559,898	1,660,503

The budgeted allocation for employee related costs for the 2018/2019 financial year totals R533 million, which equals 36 percent of the total operating expenditure. Norm recommended in MFMA circular 71 is between 25 percent to 40 percent. The increase between the adjustment budget and budget under consideration equals to 28 percent. This is mainly due to the increment of 7.1 percent being projected and the budgeting for the filling of critical vacant posts, increase in benefits due to employment on permanent basis of temporal workers and the provision for notch

adjustment for the expected job evaluation results. An annual increase of 7.1 percent has been included in 2020/2021.

The district municipality decided to increase the salaries by 7.1 percent as recommended by circular and 86 It should be noted that the total financial implication could not be determined.

The district municipality undertook the Separations of Powers program where there will be significant increase in the council portfolio committees hence increase in the council remuneration costs and the councillors remunerations are budgeted under the upper limits of public office bearers in grand 5 municipality. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the district municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 85 percent. For the 2018/2019 financial year this amount equates to R87 million and increases to R97million by 2020/2021. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management and Accounting Policies. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R162 million for the 2018/2019 financial and equates to 11 percent of the total operating expenditure.

The depreciation has been funded and this will assist in the renewal of assets in the future should the need arise.

Bulk purchases are directly informed by the purchase of water from DWA. The annual price increases have been factored into the budget appropriations directly inform the revenue provisions. The expenditures include distribution losses and portion of repayment of old debt has been provided for and decrease the creditors.

Other materials comprise of amongst others the materials for maintenance, repair of water and sanitation infrastructure and roads, repair of computers, repair of municipal buildings and repair of motor vehicles.

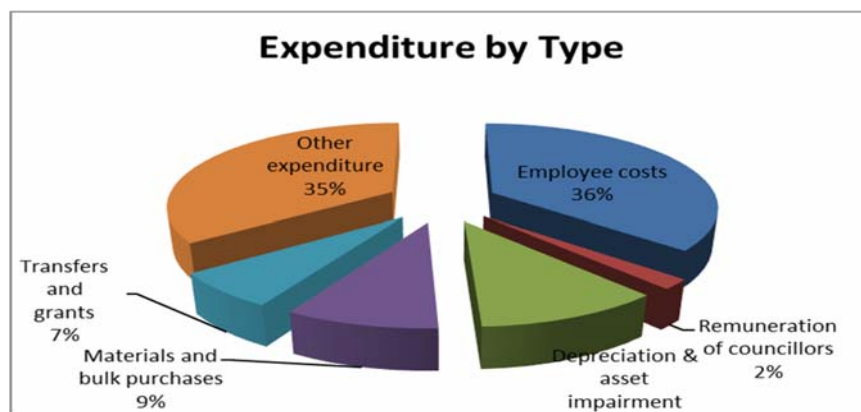
Contracted services expenditure totals R42 million which is made up of contract with the security company and consultants on professional and has escalated by 8 percent, this is due to escalation of fees in security industry and increase in sites that require security services.

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Grants and Transfers are made up of transfers by Ntinga Development Agency to the projects. The expenditure will increase by 7 percent and 6 percent in 2019/2020 and 2020/2021 respectively.

Other expenditure comprises of various line items relating to the daily operations of the municipality. **Further detailed list will be provided at the end of this document.**

The following table gives a breakdown of the main expenditure categories for the 2018/2019 financial year.



The chart above indicates the main operational expenditure categories as a percentage of the total budget for the 2018/2019 financial year.

1.4.1 Priority given to repairs and maintenance

During the compilation of the 2018/2019 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the district municipality's infrastructure and historic deferred maintenance. Repairs and maintenance decreased by 5 percent in the 2018/2019 financial year, from R67 million to R63 million and by 4 percent in 2019/2020 and increase by 6 percent in 2020/2021.

The percentage of R&M in relation to Capital Expenditure is 5 percent. The norm that National Treasury recommends is 8 percent of repairs and maintenance to capital expenditure. The operating and maintenance includes the items which are classified under the general expenditure and not in the repairs but they form part of the operating and maintenance. The items included in the general expenditure are :

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- Water purification chemicals amounting to R13 million
- Electricity on water schemes – R37 million

When the above items which form part of operating and maintenance are included, the total amount of O&M amounts to R112 million which is 9percent of capital expenditure which is above the recommended norm moreover depreciation of R162 million is budgeted for which sets aside funds for planning for the future maintenance of the infrastructure.

Since MIG is considered capital grant, all the expenditure budgeted for under MIG would form part of capital expenditure even though these don't meet the criteria of capital expenditure. In the district municipality, there are projects that are awarded for the construction of sanitation VIP toilets in the rural areas under MIG. The expenditure is not recognised as capital under GRAP.

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

Table 7 Repairs and maintenance per asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and Maintenance by Asset Class	3	-	-	-	87 597	67 978	68 678	62 812	66 258	69 894
<i>Roads Infrastructure</i>		-	-	-	14 000	8 200	8 200	2 626	2 763	2 907
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	42 448	40 228	40 928	32 395	34 176	36 056
<i>Sanitation Infrastructure</i>		-	-	-	17 820	8 120	8 120	18 747	19 778	20 865
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	74 268	56 548	57 248	53 768	56 717	59 828
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	3 694	3 294	3 294	3 466	3 656	3 857
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	3 694	3 294	3 294	3 466	3 656	3 857
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	1 025	1 025	1 025	1 078	1 138	1 200
Furniture and Office Equipment		-	-	-	1 785	1 785	1 785	1 000	1 055	1 113
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	6 825	5 325	5 325	3 500	3 693	3 896
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

For the 2018/2019 financial year, 87 percent or R55 million of total repairs and maintenance will be spent on water and sanitation infrastructure assets. Other assets (computer repairs, building repairs and vehicle repairs) has been allocated R8 million equating to 13 percent to total repairs.

1.4.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the district municipality's Indigent Policy. The target is to register more indigent households during the 2018/2019 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement

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

Since the district municipality is comprised of deeply rural areas, the large quantities of processed water form part of free basic services as the cost will not be recovered since the access to water in rural communities is mainly use of public taps (minimum service levels).

Out of the households in the district, only 7percent households live in towns and pay for the services rendered being water and sanitation. Even in the 7percent there are households that are registered as indigent. Then 93percent households do not pay for services rendered and form part of free basic services. To eradicate backlogs, projects funded by Municipal Infrastructure Grant (MIG) are mainly constructed in these rural areas and a large portion of water is supplied to the areas leaving only less than 7percent of total household paying for the water and sanitation. Cost recovery in these circumstances is difficult to maintain and the municipality is constantly reliant on grant funding.

1.5 Capital expenditure

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

Table 8 2018/2019 Medium-term capital budget per vote

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - Ex ec. & Council		-	-	-	2,000	3,800	3,800	3,800	3,600	3,500	10,000
Vote 2 - Fin. & Admin		11,092	18,727	17,337	72,260	67,672	67,672	67,672	36,912	56,705	53,435
Vote 3 - Planning & Dev		824	336	-	3,600	2,673	2,673	2,673	600	-	-
Vote 4 - Health		-	-	-	1,100	1,100	1,100	1,100	1,100	120	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Housing		-	-	-	4,070	3,820	3,820	3,820	4,250	545	45
Vote 7 - Public Safety		-	-	-	3,800	6,500	6,500	6,500	3,600	8,000	8,500
Vote 8 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental		-	-	-	-	-	-	-	3,500	3,000	3,000
Vote 10 - Roads		-	-	-	12,664	-	-	-	19,439	33,113	3,293
Vote 11 - Water		422,376	491,145	791,934	1,151,404	1,152,064	1,152,064	1,152,064	1,111,390	1,086,348	1,183,918
Vote 12 - Tourism		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		434,293	510,208	809,272	1,250,898	1,237,629	1,237,629	1,237,629	1,184,390	1,191,331	1,262,191

For 2018/2019 an amount of R1 billion has been appropriated for the development of infrastructure which represents 86 percent of the total capital budget which is constant in the outer years. Asset Renewal amount to R70 million, R51 million and R67 million for MTREF which relates to infrastructure.

Total new assets represent 91 percent or R1.08 billion of the total capital budget while asset renewal equates to 9 percent or R101 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 18 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class

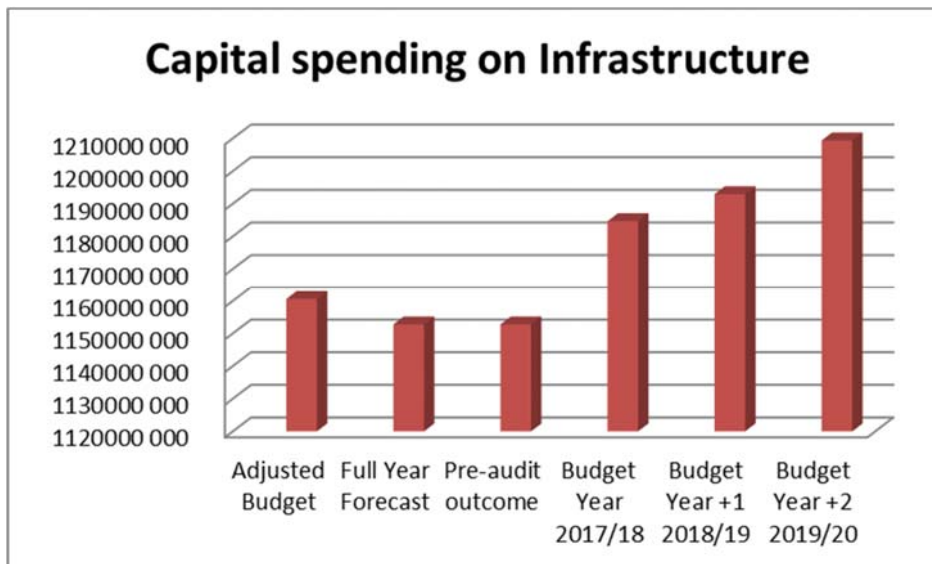
Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Municipal Infrastructure Grant - R645 million
- Regional Bulk Infrastructure Grant - R327 million
- Municipal Water Infrastructure Grant - R124 million
- Buildings - R27 million
- Motor Vehicles - R5 million
- Fire Fighting Equipment - R1 million
- Disaster facilities - R10.8 million

Classified under asset renewal

- Refurbishment of Water Schemes - R54.7 million
- Water Meters - R35 million
- Sewerage Reticulation - R3 million
- Water Pump Stations - R7.6 million
- Maintenance of Pipe Leaks - R6.8 million
- Spring Protection - R6.5 million

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



Capital Expenditure is funded by

Conditional Grants being:-

- Municipal Infrastructure Grant – R 619 million
- Water Services Infrastructure grant - R 90 million
- Bulk Infrastructure Grant - R309 million
- Rural Roads Asset Management - R 2.9 million

Value Added Tax (VAT)

Refunds of VAT

- R162 million

In arriving at the VAT projection, actual outcome received from previous periods form basis of VAT projection and this is not a provision.

1.6 Annual Budget Tables - Consolidation

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/2019 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

OR Tambo District Municipality 2018/2019 Budget and MTREF
Table 9 MBRR Table A1 - Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	188,615	195,346	206,822	268,583	268,583	268,583	268,583	284,698	307,474	335,147
Investment revenue	17,413	32,993	36,425	25,000	34,000	34,000	34,000	29,350	30,500	33,850
Transfers recognised - operational	1,194,079	1,303,781	1,523,251	735,126	735,126	735,126	735,126	798,523	855,753	927,444
Other own revenue	118,441	139,987	180,532	332,863	346,422	346,422	346,422	362,086	371,956	371,284
Total Revenue (excluding capital transfers and contributions)	1,518,547	1,672,107	1,947,031	1,361,572	1,384,131	1,384,131	1,384,131	1,474,657	1,565,683	1,667,724
Employee costs	345,106	393,172	436,851	418,203	417,614	417,614	417,614	533,190	570,951	611,387
Remuneration of councillors	16,458	17,701	17,750	17,589	27,080	27,080	27,080	27,915	29,897	32,019
Depreciation & asset impairment	152,109	156,134	164,456	167,308	161,308	161,308	161,308	162,820	171,812	181,302
Finance charges	1,865	579	6,001	-	-	-	-	85	94	103
Materials and bulk purchases	39,262	118,872	128,718	161,147	154,528	154,528	154,528	133,642	140,999	148,762
Transfers and grants	52,419	107,936	149,375	33,404	37,504	37,504	37,504	99,616	106,703	114,334
Other expenditure	697,288	513,161	624,586	560,218	582,590	582,590	582,590	513,039	539,443	572,595
Total Expenditure	1,304,506	1,307,554	1,527,737	1,357,869	1,380,625	1,380,625	1,380,625	1,470,307	1,559,898	1,660,503
Surplus/(Deficit)	214,041	364,553	419,294	3,703	3,506	3,506	3,506	4,350	5,785	7,221
Transfers and subsidies - capital (monetary allocated)	-	-	-	1,099,649	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Capital expenditure & funds sources										
Capital expenditure	434,293	510,208	809,272	1,250,898	1,237,629	1,237,629	1,237,629	1,184,390	1,191,331	1,262,191
Transfers recognised - capital	356,091	481,354	683,123	1,099,649	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	78,202	28,854	126,149	151,249	137,980	137,980	137,980	162,060	168,096	173,639
Total sources of capital funds	434,293	510,208	809,272	1,250,898	1,237,629	1,237,629	1,237,629	1,184,390	1,191,331	1,262,191
Financial position										
Total current assets	493,186	604,154	529,932	925,199	932,271	932,271	932,271	895,836	920,049	930,231
Total non current assets	4,401,136	4,768,381	5,398,654	9,317,447	9,304,178	9,304,178	9,304,178	10,325,667	11,346,209	12,428,176
Total current liabilities	402,531	403,396	403,248	385,569	379,766	379,766	379,766	338,140	353,874	350,250
Total non current liabilities	46,555	54,837	102,837	100	100	100	100	100	100	100
Community wealth/Equity	4,445,236	4,849,686	5,268,980	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057
Cash flows										
Net cash from (used) operating	536,843	616,172	691,071	1,270,660	1,264,145	1,264,145	1,264,145	1,350,960	1,272,428	1,332,215
Net cash from (used) investing	(433,746)	(586,211)	(807,900)	(1,250,898)	(1,237,629)	(1,237,629)	(1,237,629)	(1,184,390)	(1,191,331)	(1,262,191)
Net cash from (used) financing	(664)	(124)	38,775	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662
Cash backing/surplus reconciliation										
Cash and investments available	309,312	397,355	359,108	681,763	688,835	688,835	688,835	706,542	787,639	857,662
Application of cash and investments	233,865	274,131	300,935	191,784	184,689	184,689	184,689	149,880	245,191	301,096
Balance - surplus (shortfall)	75,447	123,224	58,173	489,980	504,147	504,147	504,147	556,661	542,448	556,567
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	167,308	161,308	161,308	161,308	162,000	170,910	180,310
Renewal of Existing Assets	-	-	-	78,563	77,063	77,063	77,063	101,112	51,330	67,943
Repairs and Maintenance	-	-	-	87,597	68,678	68,678	68,678	62,812	66,258	69,894
Free services										
Cost of Free Basic Services provided	-	-	-	646,328	646,328	646,328	690,500	690,500	697,198	703,961
Revenue cost of free services provided	-	1,948	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	215	213	212	211	211	211	188	188	187	185
Sanitation/sew erage:	45	37	29	21	21	21	28	28	26	24
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating has a surplus of R4.3 million in 2018/2019 and R5.7 million and R7.2 million in two outer years respectively over the MTREF
 - b. Capital expenditure is funded by grant transfers and own revenue of which
 - i. 52 percent (R619 million) is MIG allocation
 - ii. 7.6 percent (R90 million) is Water Services infrastructure grant
 - iii. 26 percent (R309 million) is Bulk Infrastructure grant
 - iv. 0.2 percent (R2.9 million) is rural roads asset management grant
 - v. 13 percent (R160 million) other assets in capital expenditure are funded by the VAT.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

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

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
<i>Governance and administration</i>		880,027	998,079	1,094,298	446,319	462,537	462,537	474,578	499,192	530,570
Executive and council		7,072	5,610	-	192,905	207,613	207,613	219,647	228,302	242,706
Finance and administration		872,955	992,469	1,094,298	253,414	254,924	254,924	254,931	270,890	287,864
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		2,758	3,240	-	73,459	75,065	75,065	88,660	94,395	100,508
Community and social services		2,758	-	-	30,094	26,418	26,418	38,994	41,523	44,220
Sport and recreation		-	-	-	7,336	7,091	7,091	8,775	9,294	9,844
Public safety		-	-	-	15,181	19,009	19,009	23,733	25,313	27,001
Housing		-	-	-	13,707	14,926	14,926	13,647	14,537	15,487
Health		-	3,240	-	7,141	7,621	7,621	3,512	3,728	3,957
<i>Economic and environmental services</i>		17,914	8,951	3,175	151,971	145,893	145,893	191,698	205,089	220,230
Planning and development		13,005	6,613	3,175	102,412	99,319	99,319	145,793	156,204	168,169
Road transport		2,363	2,338	-	22,155	16,264	16,264	14,371	15,249	16,182
Environmental protection		2,546	-	-	27,404	30,310	30,310	31,534	33,636	35,879
<i>Trading services</i>		617,848	661,837	849,558	686,162	693,375	693,375	713,832	760,756	809,778
Energy sources		-	-	-	-	-	-	-	-	-
Water management		617,848	661,837	849,558	686,162	693,375	693,375	713,832	760,756	809,778
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	3,661	7,261	7,261	5,888	6,251	6,637
Total Revenue - Functional	2	1,518,547	1,672,107	1,947,031	1,361,572	1,384,131	1,384,131	1,474,657	1,565,683	1,667,724
Expenditure - Functional										
<i>Governance and administration</i>		379,090	350,700	594,546	446,319	462,537	462,537	474,578	499,192	530,570
Executive and council		117,610	143,401	179,746	192,905	207,613	207,613	219,647	228,302	242,706
Finance and administration		261,481	207,298	414,800	253,414	254,924	254,924	254,931	270,890	287,864
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		52,659	52,048	62,683	73,459	75,065	75,065	88,660	94,395	100,508
Community and social services		15,434	11,434	12,636	30,094	26,418	26,418	38,994	41,523	44,220
Sport and recreation		2,513	4,109	5,579	7,336	7,091	7,091	8,775	9,294	9,844
Public safety		24,098	23,716	31,303	15,181	19,009	19,009	23,733	25,313	27,001
Housing		7,200	8,085	8,543	13,707	14,926	14,926	13,647	14,537	15,487
Health		3,414	4,704	4,621	7,141	7,621	7,621	3,512	3,728	3,957
<i>Economic and environmental services</i>		86,871	109,360	128,428	151,971	145,893	145,893	190,848	203,504	217,509
Planning and development		64,346	56,365	81,162	102,412	99,319	99,319	144,943	154,619	165,448
Road transport		5,504	30,926	19,425	22,155	16,264	16,264	14,371	15,249	16,182
Environmental protection		17,021	22,068	27,841	27,404	30,310	30,310	31,534	33,636	35,879
<i>Trading services</i>		784,131	755,363	703,273	682,459	689,869	689,869	710,332	756,556	805,278
Energy sources		-	-	-	-	-	-	-	-	-
Water management		784,131	755,363	703,273	682,459	689,869	689,869	710,332	756,556	805,278
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	1,754	2,187	2,602	3,661	7,261	7,261	5,888	6,251	6,637
Total Expenditure - Functional	3	1,304,506	1,269,658	1,491,532	1,357,869	1,380,625	1,380,625	1,470,307	1,559,898	1,660,503
Surplus/(Deficit) for the year		214,041	402,448	455,499	3,703	3,506	3,506	4,350	5,785	7,221

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 12 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

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2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Water and Waste water functions. As already noted above, the municipality depends on government grants as there is a huge backlog of services, the municipality will be undertaking to endeavour in increasing the revenue collection more especially in water services so as to be able to finance the depreciation of assets and explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

3.

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

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote										
Vote 1 - Exec. & Council	1	7,072	5,610		192,905	207,613	207,613	219,647	228,302	242,706
Vote 2 - Fin. & Admin		872,955	992,469	1,094,298	253,414	254,924	254,924	254,931	270,890	287,864
Vote 3 - Planning & Dev		13,005	58,924	14,182	102,412	99,319	99,319	145,793	156,204	168,169
Vote 4 - Health			3,240		7,141	7,621	7,621	3,512	3,728	3,957
Vote 5 - Community Services		2,758			14,270	11,244	11,244	13,756	14,637	15,576
Vote 6 - Housing					13,707	14,926	14,926	13,647	14,537	15,487
Vote 7 - Public Safety					31,005	34,183	34,183	48,971	52,199	55,644
Vote 8 - Sports & Recreation					7,336	7,091	7,091	8,775	9,294	9,844
Vote 9 - Environmental		2,546			27,404	30,310	30,310	31,534	33,636	35,879
Vote 10 - Roads		2,363	2,338		22,155	16,264	16,264	14,371	15,249	16,182
Vote 11 - Water		617,848	661,837	848,672	686,162	693,375	693,375	713,832	760,756	809,778
Vote 12 - Tourism					3,661	7,261	7,261	5,888	6,251	6,637
Vote 13 - [NAME OF VOTE 13]										
Vote 14 - [NAME OF VOTE 14]										
Vote 15 - [NAME OF VOTE 15]										
Total Revenue by Vote	2	1,518,547	1,724,418	1,957,153	1,361,572	1,384,131	1,384,131	1,474,657	1,565,683	1,667,724
Expenditure by Vote to be appropriated										
Vote 1 - Exec. & Council	1	117,610	143,401	179,746	192,905	207,613	207,613	219,647	228,302	242,706
Vote 2 - Fin. & Admin		261,481	207,298	414,800	253,414	254,924	254,924	254,931	270,890	287,864
Vote 3 - Planning & Dev		64,346	110,001	79,276	102,412	99,319	99,319	144,943	154,619	165,448
Vote 4 - Health		3,414	4,704	4,621	7,141	7,621	7,621	3,512	3,728	3,957
Vote 5 - Community Services		15,434	11,434	12,636	14,270	11,244	11,244	13,756	14,637	15,576
Vote 6 - Housing		7,200	8,085	8,543	13,707	14,926	14,926	13,647	14,537	15,487
Vote 7 - Public Safety		24,098	23,716	31,303	31,005	34,183	34,183	48,971	52,199	55,644
Vote 8 - Sports & Recreation		2,513	4,109	5,579	7,336	7,091	7,091	8,775	9,294	9,844
Vote 9 - Environmental		17,021	22,068	27,841	27,404	30,310	30,310	31,534	33,636	35,879
Vote 10 - Roads		5,504	30,926	19,425	22,155	16,264	16,264	14,371	15,249	16,182
Vote 11 - Water		784,131	755,363	702,387	682,459	689,869	689,869	710,332	756,556	805,278
Vote 12 - Tourism		1,754	2,187	2,602	3,661	7,261	7,261	5,888	6,251	6,637
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	1,304,506	1,323,294	1,488,761	1,357,869	1,380,625	1,380,625	1,470,307	1,559,898	1,660,503
Surplus/(Deficit) for the year	2	214,041	401,124	468,392	3,703	3,506	3,506	4,350	5,785	7,221

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the district municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the water trading services.

Table 12 Surplus/ (Deficit) calculations for the trading services

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
Water					
Revenue (including capital grants and transfers)	1,785,810,969	1,793,023,883	1,736,162,299	1,783,991,097	1,898,330,347
Operating Expenditure	682,458,922	689,868,629	710,332,299	756,556,097	805,278,347
Surplus/(Deficit) for the year	1,103,352,048	1,103,155,254	1,025,830,000	1,027,435,000	1,093,052,000
Percentage Surplus	62%	62%	59%	58%	58%

2. The Water Services trading surplus is 62 percent in 2017/2018 and in 2018/2019 being 59 percent and decreased to 58 percent in two outer years.
3. The surplus on the water account remains relatively constant over the MTREF Table 13

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MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	147,922	156,597	164,031	191,188	191,188	191,188	191,188	199,289	215,232	234,603
Service charges - sanitation revenue	2	39,258	38,749	42,791	77,395	77,395	77,395	77,395	85,409	92,242	100,544
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		1,435	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		30	24	35	55	55	55	55	58	61	64
Interest earned - external investments		17,413	32,993	36,425	25,000	34,000	34,000	34,000	29,350	30,500	33,850
Interest earned - outstanding debtors		33,622	42,029	46,914	5,000	5,000	5,000	5,000	5,300	5,618	5,955
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		87	88	66	-	-	-	-	-	-	-
Transfers and subsidies		1,194,079	1,303,781	1,523,251	735,126	735,126	735,126	735,126	798,523	855,753	927,444
Other revenue	2	84,702	97,846	133,517	327,808	341,367	341,367	341,367	356,728	366,277	365,264
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		1,518,547	1,672,107	1,947,031	1,361,572	1,384,131	1,384,131	1,384,131	1,474,657	1,565,683	1,667,724
Expenditure By Type											
Employee related costs	2	345,106	393,172	436,851	418,203	417,614	417,614	417,614	533,190	570,951	611,387
Remuneration of councillors		16,458	17,701	17,750	17,589	27,080	27,080	27,080	27,915	29,897	32,019
Debt impairment	3	154,081	107,782	147,042	83,338	83,338	83,338	83,338	87,671	92,493	97,580
Depreciation & asset impairment	2	152,109	156,134	164,456	167,308	161,308	161,308	161,308	162,820	171,812	181,302
Finance charges		1,865	579	6,001	-	-	-	-	85	94	103
Bulk purchases	2	39,262	43,845	42,407	73,550	86,550	86,550	86,550	70,500	74,378	78,468
Other materials	8	75,027	86,311	87,597	87,597	67,978	67,978	67,978	63,142	66,621	70,294
Contracted services		21,709	28,424	44,832	44,298	39,608	39,608	39,608	42,664	45,010	47,486
Transfers and subsidies		52,419	107,936	149,375	33,404	37,504	37,504	37,504	99,616	106,703	114,334
Other expenditure	4, 5	521,498	376,955	416,961	432,582	459,645	459,645	459,645	382,704	401,940	427,530
Loss on disposal of PPE		-	-	15,752	-	-	-	-	-	-	-
Total Expenditure		1,304,506	1,307,554	1,527,737	1,357,869	1,380,625	1,380,625	1,380,625	1,470,307	1,559,898	1,660,503
Surplus/(Deficit)		214,041	364,553	419,294	3,703	3,506	3,506	3,506	4,350	5,785	7,221
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	1,099,649	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773

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

- Total revenue is R1.47 billion in 2018/2019 and increase to R1.66 billion by 2020/2021. This represents an increase of 6 percent for the 2019/2020 financial year and increase R103 million being 6 percent for the 2020/2021 financial year.

2. Services charges' relating to water and sanitation constitutes the biggest component of the revenue basket of the district municipality totalling R284 million for the 2018/2019 financial year and increasing to R334 million by 2020/2021.
3. Transfers recognised – local government equitable share and other operating grants from national and provincial government.
4. The following graph illustrates the major expenditure items per type.

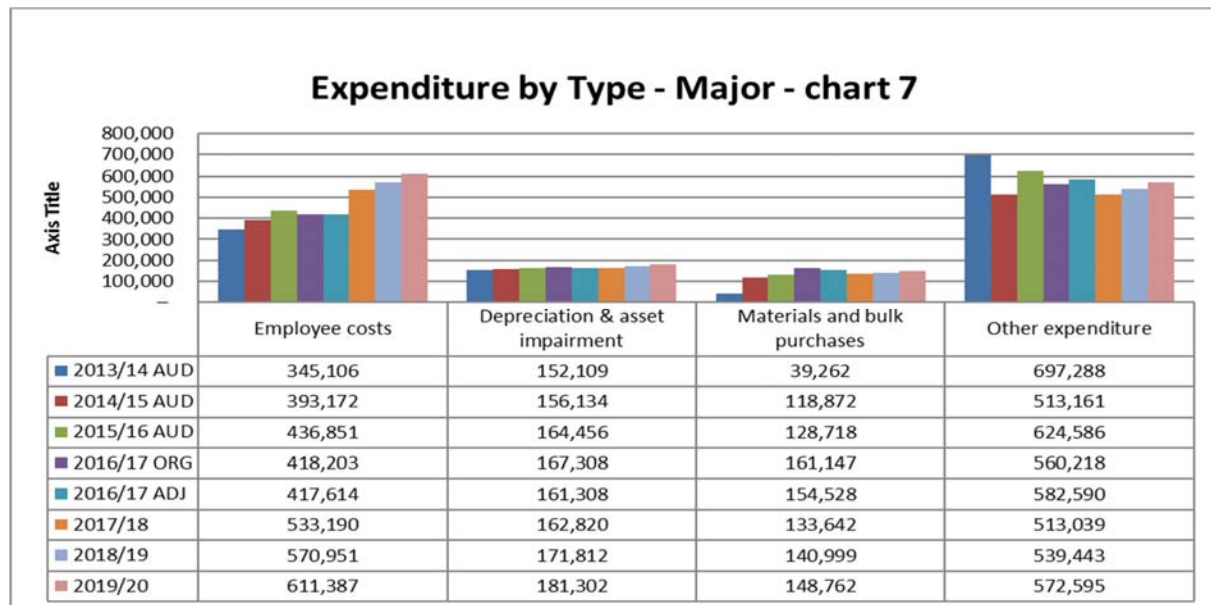


Figure 1 Expenditure by major type

5. Bulk purchases have increased from 2018/2019 to 2019/2020 period from R70 million to R78 million being 6 percent from 2019/2020 to 2020/2021 respectively. These increases are in line with the tariff increase for bulk water purchases from DWA and repayment of old debt.
6. Employee related costs, bulk purchases, depreciation, are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

When comparing the surplus for the audited outcome for the 2016/2017 financial year with the budget for 2018/19, the actual outcome amounts to R468 million whilst the budget amounts to R4 million. The reason for the difference is due to the classification between GRAP and MBRR. For GRAP, capital revenue is included in the transfer recognised as revenue recognition on the spending of capital grants whilst in MBRR, the actual allocation for the capital transfers is not recognised in the line item for the transfer recognised hence the difference.

Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - Exec. & Council		-	-	-	2,000	3,800	3,800	3,800	3,600	3,500	10,000
Vote 2 - Fin. & Admin		11,092	18,727	17,337	72,260	67,672	67,672	67,672	36,912	56,705	53,435
Vote 3 - Planning & Dev		824	336	-	3,600	2,673	2,673	2,673	600	-	-
Vote 4 - Health		-	-	-	1,100	1,100	1,100	1,100	1,100	120	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Housing		-	-	-	4,070	3,820	3,820	3,820	4,250	545	45
Vote 7 - Public Safety		-	-	-	3,800	6,500	6,500	6,500	3,600	8,000	8,500
Vote 8 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental		-	-	-	-	-	-	-	3,500	3,000	3,000
Vote 10 - Roads		-	-	-	12,664	-	-	-	19,439	33,113	3,293
Vote 11 - Water		422,376	491,145	791,934	1,151,404	1,152,064	1,152,064	1,152,064	1,111,390	1,086,348	1,183,918
Vote 12 - Tourism		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		434,293	510,208	809,272	1,250,898	1,237,629	1,237,629	1,237,629	1,184,390	1,191,331	1,262,191
Total Capital Expenditure - Vote		434,293	510,208	809,272	1,250,898	1,237,629	1,237,629	1,237,629	1,184,390	1,191,331	1,262,191

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

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R1,18 billion for the 2018/2019 financial year and then increases in 2019/2020 to R1.19 billion and in 2020/2021 to R1.26 billion.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are

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indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

4. The capital programme is funded from capital and provincial grants and transfers being MIG, WSIG and own revenue (VAT).

Table 15 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash			59,725	105,285	220,000	227,072	227,072	227,072	221,367	333,872	380,150
Call investment deposits	1	309,312	337,630	253,823	461,763	461,763	461,763	461,763	485,175	453,767	477,512
Consumer debtors	1	102,123	102,184	54,602	218,673	218,673	218,673	218,673	163,243	104,926	43,573
Other debtors		65,889	87,904	95,329	4,642	4,642	4,642	4,642	4,884	5,152	5,436
Current portion of long-term receivables					2,400	2,400	2,400	2,400	2,524	2,663	2,810
Inventory	2	15,862	16,711	20,893	17,721	17,721	17,721	17,721	18,643	19,668	20,750
Total current assets		493,186	604,154	529,932	925,199	932,271	932,271	932,271	895,836	920,049	930,231
Non current assets											
Long-term receivables		297	1,198	1,199							
Investments											
Investment property		2,200	2,200	2,200							
Investment in Associate											
Property, plant and equipment	3	4,380,801	4,746,141	5,372,308	9,299,777	9,286,508	9,286,508	9,286,508	10,307,079	11,326,598	12,407,487
Agricultural											
Biological		14,637	16,616	20,955	15,035	15,035	15,035	15,035	15,817	16,687	17,604
Intangible		3,111	2,136	1,902	2,635	2,635	2,635	2,635	2,772	2,924	3,085
Other non-current assets		90	90	90							
Total non current assets		4,401,136	4,768,381	5,398,654	9,317,447	9,304,178	9,304,178	9,304,178	10,325,667	11,346,209	12,428,176
TOTAL ASSETS		4,894,322	5,372,536	5,928,586	10,242,646	10,236,449	10,236,449	10,236,449	11,221,503	12,266,258	13,358,407
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	84	20	-	270	270	270	270	286	303	322
Consumer deposits			2,450	1,605	3,000	3,000	3,000	3,000	3,156	3,330	3,513
Trade and other payables	4	402,447	398,750	399,432	382,299	376,496	376,496	376,496	334,697	350,241	346,416
Provisions			2,176	2,211							
Total current liabilities		402,531	403,396	403,248	385,569	379,766	379,766	379,766	338,140	353,874	350,250
Non current liabilities											
Borrowing		-	-	-	100	100	100	100	100	100	100
Long term liabilities		20	-	38,795							
Provisions		46,534	54,837	64,042	-	-	-	-	-	-	-
Total non current liabilities		46,555	54,837	102,837	100	100	100	100	100	100	100
TOTAL LIABILITIES		449,086	458,234	506,085	385,669	379,866	379,866	379,866	338,240	353,974	350,350
NET ASSETS	5	4,445,236	4,914,302	5,422,501	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		4,445,236	4,849,686	5,268,980	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	4,445,236	4,849,686	5,268,980	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 45 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 16 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									-	-	-
Service charges		132,137	138,063	129,549	185,246	185,246	185,246	185,246	197,027	214,981	237,566
Other revenue		175,416	80,400	122,905	327,863	342,988	342,988	342,988	513,963	433,413	415,693
Government - operating	1	815,876	815,231	828,195	735,126	735,126	735,126	735,126	798,523	855,753	927,444
Government - capital	1	356,091	481,354	683,123	1,099,649	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Interest		23,928	52,452	57,322	30,000	39,000	39,000	39,000	34,650	36,118	39,805
Dividends					-	-	-	-	-	-	-
Payments											
Suppliers and employees		(964,740)	(842,814)	(974,646)	(1,073,819)	(1,100,359)	(1,100,359)	(1,100,359)	(1,114,036)	(1,182,383)	(1,260,417)
Finance charges		(1,865)	(579)	(6,001)	-	-	-	-	-	-	-
Transfers and Grants	1		(107,936)	(149,375)	(33,404)	(37,504)	(37,504)	(37,504)	(101,497)	(108,688)	(116,428)
NET CASH FROM/(USED) OPERATING ACTIVITIES		536,843	616,172	691,071	1,270,660	1,264,145	1,264,145	1,264,145	1,350,960	1,272,428	1,332,215
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			304	539					-	-	-
Proceeds on sale of biological assets		444	294	1,958					-	-	-
Decrease (increase) in non-current debtors		(180)							-	-	-
Decrease (increase) biological assets		209	401						-	-	-
Decrease (increase) in non-current investments			(901)	(2)					-	-	-
Payments											
Capital assets		(433,469)	(585,887)	(810,077)	(1,250,898)	(1,237,629)	(1,237,629)	(1,237,629)	(1,184,390)	(1,191,331)	(1,262,191)
Biological assets		(751)	(422)	(318)							
NET CASH FROM/(USED) INVESTING ACTIVITIES		(433,746)	(586,211)	(807,900)	(1,250,898)	(1,237,629)	(1,237,629)	(1,237,629)	(1,184,390)	(1,191,331)	(1,262,191)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing				38,795					-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(664)	(124)	(20)					-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(664)	(124)	38,775	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		102,433	29,837	(78,054)	19,763	26,517	26,517	26,517	166,570	81,097	70,024
Cash/cash equivalents at the year begin:	2	206,879	339,556	369,393	513,455	513,455	513,455	513,455	539,972	706,542	787,639
Cash/cash equivalents at the year end:	2	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the District Municipality increased from 2013/14 to 2015/16 period owing directly to a net increase in cash.
4. The approved 2018/2019 MTREF budget provide for a R8 million in cash held.
5. The 2018/2019 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term and shows cash available equivalent to the depreciation which will assist the municipality in asset renewal in future.

6. Cash and cash equivalents totals R706 million as at the end of the 2018/2019 financial year and R787 billion and R857 billion in two outer years.

Table 17 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662
Other current investments > 90 days		-	27,962	67,769	148,545	148,863	148,863	148,863	(0)	(0)	0
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		309,312	397,355	359,108	681,763	688,835	688,835	688,835	706,542	787,639	857,662
Application of cash and investments											
Unspent conditional transfers		4,110	9,501	7,230	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	229,755	264,630	293,705	191,784	184,689	184,689	184,689	149,880	245,191	301,096
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		233,865	274,131	300,935	191,784	184,689	184,689	184,689	149,880	245,191	301,096
Surplus(shortfall)		75,447	123,224	58,173	489,980	504,147	504,147	504,147	556,661	542,448	556,567

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be “funded”.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2014/15 to 2016/17 the surplus was from R75 million to R58 million.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2018/2019 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

OR Tambo District Municipality 2018/2019 Budget and MTREF

Table 18 MBRR Table A9 - Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	434,220	510,208	809,272	1,171,735	1,160,216	1,160,216	1,083,279	1,140,001	1,194,248
<i>Roads Infrastructure</i>		10,759	--	--	2,931	2,231	2,231	2,939	3,113	3,293
<i>Storm water Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Electrical Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Water Supply Infrastructure</i>		411,617	481,354	791,934	1,096,718	1,096,718	1,096,718	1,019,391	1,020,122	1,085,259
<i>Sanitation Infrastructure</i>		--	--	--	2,468	2,000	2,000	4,596	4,849	10,115
<i>Solid Waste Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Rail Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Coastal Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Information and Communication Infrastructure</i>		--	--	--	--	--	--	--	--	--
Infrastructure		422,376	481,354	791,934	1,102,117	1,100,949	1,100,949	1,026,926	1,028,084	1,098,667
<i>Community Facilities</i>		--	--	--	14,800	9,800	9,800	--	--	--
<i>Sport and Recreation Facilities</i>		--	--	--	--	--	--	--	--	--
Community Assets		--	--	--	14,800	9,800	9,800	--	--	--
<i>Heritage Assets</i>		--	--	--	--	800	800	1,100	--	--
<i>Revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Non-revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Investment properties</i>		--	--	--	--	--	--	--	--	--
<i>Operational Buildings</i>		--	1,661	199	30,763	18,162	18,162	5,629	50,902	46,479
<i>Housing</i>		--	--	--	3,200	3,200	3,200	3,500	--	--
Other Assets		--	1,661	199	33,963	21,362	21,362	9,129	50,902	46,479
<i>Biological or Cultivated Assets</i>		751	261	--	--	--	--	--	--	--
<i>Services</i>		--	--	--	2,600	10,550	10,550	2,651	2,555	2,585
<i>Licences and Rights</i>		--	--	--	2,600	10,550	10,550	2,651	2,555	2,585
<i>Intangible Assets</i>		--	--	--	--	--	--	--	--	--
<i>Computer Equipment</i>		879	1,561	501	1,835	1,835	1,835	2,050	1,970	2,500
<i>Furniture and Office Equipment</i>		1,526	12,132	8,568	2,285	2,285	2,285	3,000	800	850
<i>Machinery and Equipment</i>		982	4,691	713	8,060	9,060	9,060	30,345	49,691	25,666
<i>Transport Assets</i>		7,705	8,548	7,357	6,075	3,575	3,575	8,078	6,000	17,500
<i>Libraries</i>		--	--	--	--	--	--	--	--	--
<i>Zoo's, Marine and Non-biological Animals</i>		--	--	--	--	--	--	--	--	--
Total Renewal of Existing Assets	2	--	--	--	78,563	77,063	77,063	101,112	51,330	67,943
<i>Roads Infrastructure</i>		--	--	--	1,733	1,733	1,733	1,500	--	--
<i>Storm water Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Electrical Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Water Supply Infrastructure</i>		--	--	--	72,680	67,180	67,180	95,246	39,224	50,584
<i>Sanitation Infrastructure</i>		--	--	--	4,150	8,150	8,150	4,366	12,106	17,359
<i>Solid Waste Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Rail Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Coastal Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Information and Communication Infrastructure</i>		--	--	--	--	--	--	--	--	--
Infrastructure		--	--	--	78,563	77,063	77,063	101,112	51,330	67,943
<i>Community Facilities</i>		--	--	--	--	--	--	--	--	--
Total Capital Expenditure	4	434,220	510,208	809,272	1,250,298	1,237,279	1,237,279	1,184,390	1,191,331	1,262,191
<i>Roads Infrastructure</i>		10,759	--	--	4,664	3,964	3,964	4,439	3,113	3,293
<i>Storm water Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Electrical Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Water Supply Infrastructure</i>		411,617	481,354	791,934	1,169,398	1,163,898	1,163,898	1,114,637	1,059,346	1,135,843
<i>Sanitation Infrastructure</i>		--	--	--	6,618	10,150	10,150	8,962	16,954	27,474
<i>Solid Waste Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Rail Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Coastal Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Information and Communication Infrastructure</i>		--	--	--	--	--	--	--	--	--
Infrastructure		422,376	481,354	791,934	1,180,679	1,178,012	1,178,012	1,128,037	1,079,413	1,166,610
<i>Community Facilities</i>		--	--	--	14,800	9,800	9,800	--	--	--
<i>Sport and Recreation Facilities</i>		--	--	--	--	--	--	--	--	--
Community Assets		--	--	--	14,800	9,800	9,800	--	--	--
<i>Heritage Assets</i>		--	--	--	--	800	800	1,100	--	--
<i>Revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Non-revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Investment properties</i>		--	--	--	--	--	--	--	--	--
<i>Operational Buildings</i>		--	1,661	199	30,763	18,162	18,162	5,629	50,902	46,479
<i>Housing</i>		--	--	--	3,200	3,200	3,200	3,500	--	--
Other Assets		--	1,661	199	33,963	21,362	21,362	9,129	50,902	46,479
<i>Biological or Cultivated Assets</i>		751	261	--	--	--	--	--	--	--
<i>Services</i>		--	--	--	2,600	10,550	10,550	2,651	2,555	2,585
<i>Licences and Rights</i>		--	--	--	2,600	10,550	10,550	2,651	2,555	2,585
<i>Intangible Assets</i>		--	--	--	--	--	--	--	--	--
<i>Computer Equipment</i>		879	1,561	501	1,835	1,835	1,835	2,050	1,970	2,500
<i>Furniture and Office Equipment</i>		1,526	12,132	8,568	2,285	2,285	2,285	3,000	800	850
<i>Machinery and Equipment</i>		982	4,691	713	8,060	9,060	9,060	30,345	49,691	25,666
<i>Transport Assets</i>		7,705	8,548	7,357	6,075	3,575	3,575	8,078	6,000	17,500
<i>Libraries</i>		--	--	--	--	--	--	--	--	--
<i>Zoo's, Marine and Non-biological Animals</i>		--	--	--	--	--	--	--	--	--
TOTAL CAPITAL EXPENDITURE - Asset class		434,220	510,208	809,272	1,250,298	1,237,279	1,237,279	1,184,390	1,191,331	1,262,191
EXPENDITURE OTHER ITEMS										
Depreciation	7	--	--	--	167,308	161,308	161,308	162,000	170,910	180,310
Repairs and Maintenance by Asset Class	3	--	--	--	87,597	68,678	68,678	62,812	66,258	69,894
<i>Roads Infrastructure</i>		--	--	--	14,000	8,200	8,200	2,626	2,763	2,907
<i>Storm water Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Electrical Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Water Supply Infrastructure</i>		--	--	--	42,448	40,928	40,928	32,395	34,176	36,056
<i>Sanitation Infrastructure</i>		--	--	--	17,920	8,120	8,120	18,747	19,778	20,865
<i>Solid Waste Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Rail Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Coastal Infrastructure</i>		--	--	--	--	--	--	--	--	--
<i>Information and Communication Infrastructure</i>		--	--	--	--	--	--	--	--	--
Infrastructure		--	--	--	74,268	57,248	57,248	53,768	56,717	59,828
<i>Community Facilities</i>		--	--	--	--	--	--	--	--	--
<i>Sport and Recreation Facilities</i>		--	--	--	--	--	--	--	--	--
Community Assets		--	--	--	--	--	--	--	--	--
<i>Heritage Assets</i>		--	--	--	--	--	--	--	--	--
<i>Revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Non-revenue Generating</i>		--	--	--	--	--	--	--	--	--
<i>Investment properties</i>		--	--	--	--	--	--	--	--	--
<i>Operational Buildings</i>		--	--	--	3,694	3,294	3,294	3,466	3,656	3,857
<i>Housing</i>		--	--	--	--	--	--	--	--	--
Other Assets		--	--	--	3,694	3,294	3,294	3,466	3,656	3,857
<i>Biological or Cultivated Assets</i>		--	--	--	--	--	--	--	--	--
<i>Services</i>		--	--	--	--	--	--	--	--	--
<i>Licences and Rights</i>		--	--	--	--	--	--	--	--	--
<i>Intangible Assets</i>		--	--	--	--	--	--	--	--	--
<i>Computer Equipment</i>		--	--	--	1,025	1,025	1,025	1,078	1,138	1,200
<i>Furniture and Office Equipment</i>		--	--	--	1,785	1,785	1,785	1,000	1,055	1,113
<i>Machinery and Equipment</i>		--	--	--	--	--	--	--	--	--
<i>Transport Assets</i>		--	--	--	6,825	5,325	5,325	3,500	3,693	3,896
<i>Libraries</i>		--	--	--	--	--	--	--	--	--
<i>Zoo's, Marine and Non-biological Animals</i>		--	--	--	--	--	--	--	--	--
TOTAL EXPENDITURE OTHER ITEMS		--	--	--	254,905	229,986	229,986	224,812	237,168	250,204

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 percent of PPE. The district municipality does not meet these recommendations as the district municipality is still having a huge backlog in construction of infrastructure in the rural communities. Bulk of the budget is for construction of new infrastructure.

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Table 4 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		30 770	32 162	33 554	34 946	34 946	34 946	42 489	43 028	43 575
Piped water inside yard (but not in dwelling)		28 764	29 286	29 809	30 331	30 331	30 331	44 442	46 912	50 368
Using public tap (at least min.service level)	2	45 085	46 406	47 727	49 049	49 049	49 049	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	43 959	44 516	45 082
<i>Minimum Service Level and Above sub-total</i>		104 619	107 854	111 090	114 326	114 326	114 326	130 890	134 456	139 025
Using public tap (< min.service level)	3	20 327	19 641	18 954	18 267	18 267	18 267	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	20 062	19 807	19 555
No water supply		194 484	193 835	193 186	192 537	192 537	192 537	168 394	167 242	165 118
<i>Below Minimum Service Level sub-total</i>		214 811	213 476	212 140	210 804	210 804	210 804	188 456	187 049	184 673
Total number of households	5	319 430	321 330	323 230	325 130	325 130	325 130	319 346	321 505	323 698
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		30 770	32 162	33 554	34 946	34 946	34 946	69 348	73 432	74 888
Flush toilet (with septic tank)		20 373	21 408	22 444	23 480	23 480	23 480	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		222 985	230 569	238 152	245 735	245 735	245 735	221 890	222 025	224 672
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		274 128	284 139	294 150	304 161	304 161	304 161	291 238	295 457	299 560
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		45 302	37 191	29 080	20 969	20 969	20 969	28 108	26 048	24 138
<i>Below Minimum Service Level sub-total</i>		45 302	37 191	29 080	20 969	20 969	20 969	28 108	26 048	24 138
Total number of households	5	319 430	321 330	323 230	325 130	325 130	325 130	319 346	321 505	323 698
Energy:										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Refuse:										
Removed at least once a week		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	106 783	106 783	106 783	108 463	111 235	115 005
Sanitation (free minimum level service)		-	-	-	10 097	10 097	10 097	10 195	10 294	10 394
Electricity/other energy (50kw h per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	646 328	646 328	646 328	483 350	488 038	492 772
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	207 150	209 159	211 188
Electricity/other energy (50kw h per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		-	-	-	646 328	646 328	646 328	690 500	697 198	703 961

Explanatory notes to Table A10 - Basic Service Delivery Measurement

The following tables contain data that is sourced from the IHS Markit Regional eXplorer version 1181. The 2018 to 2019 household figures information is extracted from the WSDP data, and the Average percentage and Household increases and decreases in Table A10 is extrapolated from it.

H/H Services - Sanitation	2018/19 H/H	2019/20H /H	2020/21 H/H	Ave. H/H Growth
Flush toilet (connected to sewerage)	69 348	73 432	74 888	3225
Pit Toilet (Ventilated)	221 890	222 025	224 672	2782
No toilet provision	28 108	26 048	24 138	-1985
Total	319346	321505	323698	

H/H Services - Water	2018/19 H/H	2019/20H /H	2020/21 H/H	Ave. H/H Growth
Piped water inside dwelling	42 489	43 028	43 575	543
Piped water in yard	44 442	46 912	50 368	2963
Using public tap (at least min. service level)	43 959	44 516	45 082	562
Using public tap (< min. service level)	20 062	19 807	19 555	-255
No water supply	168 394	167 242	165 118	-2138
Total	319346	321505	323698	

Out of 319 346 households in the district in the 2018/2019 FY, only 42 489 households constituting to 13, 3% receive a high level of water supply service. This therefore means that 13, 3% of the households in the district are urban in their nature and 86, 7 % of the households are rural in nature.

It is estimated that the households will increase from 314,080 to 319346 in the 2017/2018 FY, and 13, 3 % of households will be connected with water inside the dwelling, whilst 13,6% of households will be connected with water inside yard. The water services backlogs will be reduced to 59.3% in the 2018/2019 FY.

There are 69 348 households that will receive a high level of sanitation service, constituting to 21, 7 % of the 319 346 total households estimated in the 2018/2019 FY.

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69, 5% of the households are estimated to be using VIP's (Ventilated Improved Toilet) and a backlog of 8, 8% is anticipated. Although it is noted that there are households that are recorded by Stats SA to be using bucket system, the municipality has eradicated its bucket system backlogs and those households are deemed not to be receiving sanitation services

Furthermore OR Tambo District Municipality is distributing free basic services to its communities that have registered as indigent households and have been successfully approved. Currently the registered indigents are 153 000 that receives 6kl of free basic water per month at a cost of R6.42/kl

Service Delivery Standards

Eastern Cape: OR Tambo District Municipality(DC15) - Schedule of Service Delivery Standards Table

Standard	Description	Service Level
Water Service		
	Water Quality rating (Blue/Green/Brown/NO drop)	Blue Drop and No Drop
	Is free water available to all? (All/only to the indigent consumers)	Only to the Indigent Consumer
	Frequency of meter reading? (per month, per year)	Per Month
	Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	Two Months
	On average for how long does the municipality use estimates before reverting back to actual readings? (months)	One month
	<i>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</i>	
	One service connection affected (number of hours)	24 hours
	Up to 5 service connection affected (number of hours)	24 hours
	Up to 20 service connection affected (number of hours)	24 hours
	Feeder pipe larger than 800mm (number of hours)	5 Hours
	What is the average minimum water flow in your municipality?	10l/s
	Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	Yes
	How long does it take to replace faulty water meters? (days)	5 days
	Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	No
Sewerage Service		
	Are your purification system effective enough to put water back in to the system after purification?	No
	To what extend do you subsidize your indigent consumers?	100 Percent
	<i>How long does it take to restore sewerage breakages on average</i>	
	Severe overflow? (hours)	5 Hours

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Sewer blocked pipes: Large pipes? (Hours)	24 Hours	
Sewer blocked pipes: Small pipes? (Hours)	48 Hours	
Spillage clean-up? (hours)	24 Hours	
Replacement of manhole covers? (Hours)		
Road Infrastructure Services		
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)		
Financial Management		
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease	
Are the financial statement outsourced? (Yes/No)	Yes	
Are there Council adopted business process structuring the flow and management of documentation feeding to Trial Balance?	No	
How long does it take for a Tax/Invoice to be paid from the date it has been received?		30
Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans?	no	
Administration		
Reaction time on enquiries and requests?	1-3 mins (call centre)	
Time to respond to a verbal customer enquiry or request? (working days)	< less than day	
Time to respond to a written customer enquiry or request? (working days)	3-5 working days	
Time to resolve a customer enquiry or request? (working days)	1-3 days (fire services)	
What percentage of calls are not answered? (5percent,10percent or more)	< less than 5percent	
How long does it take to respond to voice mails? (hours)		
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	
How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)		
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?		
Community safety and licensing services		
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)	10 mins urban, 1h35 mins rural depending terrain	

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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)	Provincial competence
Economic development How many economic development projects does the municipality drive? How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects? What percentage of the projects have created sustainable job security? Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	
Other Service delivery and communication Is a information package handed to the new customer? (Yes/No) Does the municipality have training or information sessions to inform the community? (Yes/No) Are customers treated in a professional and humanly manner? (Yes/No)	
	Yes
	Yes
	Yes

Part 2 – Supporting Documentation

1.7 Overview of the annual budget process

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

The Budget Steering Committee consists of the Municipal Manager and senior officials.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the District Municipality’s IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality’s revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

1.9 BUDGET TIME SCHEDULE FOR 2018/2019

Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
Preparation Phase	Development of IDP & Budget Process Plan	IDP manager	Jul 2017	Desktop work	Approved IDP and Budget Process Plan
	Advert for the revival of the IDP and Budget Representative Forum and the IDP and Budget Process Plan (2017/2018)	IDP manager	Jul 2017	Media	
	Adoption of the IDP and Budget Process Plan	Executive Mayor, Senior Management	Aug 2017	Council Meeting	
	Submit Process Plan to the MEC Local Government	IDP Manager	Sep 2017	Courier	
Analysis Phase	First IDP & Budget Rep Forum to present the IDP and Budget Process Plan to Stakeholders	IDP Manager	Sep 2017	Forum	Determine and assess the current level of development and the emerging challenges,
	Review and document information submitted by Senior Management	IDP Manager	Oct 2017	Desktop work	

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Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
	First draft Situational Analysis ready	IDP Manager	Oct 2017	Desktop work	opportunities and priority issues.
Strategies Phase	IDP and Budget Steering Committee	Senior Management	Nov 2017	Meeting	Develop Objectives for priority issues and determine programmes to achieve strategic intent including the development of the Strategic Scorecard.
	Present first draft situational analysis to the IDP & Budget Steering Committee and request inputs for the new Municipal Vision, Mission, Strategies & Objectives	IDP Manager	Nov 2017	Meeting	
	Mayoral Committee to confirm and recommend approval of Situational Analysis, Municipal Vision, Mission, Strategies and Objectives	Executive Mayor	Nov 2017	Meeting	
Projects Phase	Set and agree on IDP priority programmes/projects	Senior Management	Nov – Dec 2017	Meeting	Identifying projects and set outputs & targets
	Senior Management develop draft 2018-2019 SDBIP	Senior Management	Mar 2018	Meeting	
Integration Phase	Senior Management identifying programmes with external stakeholders	Senior Management	Feb – Mar 2018	Meeting	Incorporate programmes and projects into the IDP
	Integration of sector plans and institutional programmes	IDP Manager	Mar 2018	Desktop work	
	Presentation of Draft IDP & Budget to the IDP and	IDP Manager	Mar 2018	Meeting	

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Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
	Budget Steering Committee and MAYCO				
	Receive proposed budget from the board of directors of the municipal entity (MFMA S87 (1))	Accounting Officer	Feb 2018		
Approval Phase	Tabling of the Draft IDP and Budget to Council	Executive Mayor	Mar 2018	Council Meeting	Approved IDP, Budget and SDBIP
	Submission of Draft IDP and Budget to MEC, Treasury and Local Government	IDP Manager	Apr 2018	Courier	
	Invite public comments on Draft IDP and Budget including Outreaches	IDP Manager	Apr – May 2018	Media	
	IDP & Budget Steering Committee considers submissions, representations and recommendations from IDP Outreaches. Executive Mayor be provided with an opportunity to respond to submissions during consultation and table amendments for Council consideration.	ALL	May 2018	Meeting	
	Adoption of final IDP, Budget and Budget related policies	Council	May 2018	Council meeting	

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Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
	Submission of final IDP and Budget to MEC, Treasury and Local Government.	IDP Manager	May – Jun 2018	Courier	
	Publication of approved IDP and Budget on website and local newspaper	IDP Manager	Jun 2018	Media	Approved SDBIP and annual performance agreements
	Finalization and submission of draft 2018-2019 SDBIP and annual performance agreement by Municipal Manager to the Executive Mayor	Municipal Manager	Jun – Jul 2018	Meeting	
	Executive Mayor approves the 2018-2019 SDBIP and annual performance agreements of the Municipal Manager and Senior Managers within 28 days after the approval of the IDP and Budget	Executive Mayor	Jun – July 2018	Meeting	
	Submit the approved SDBIP and performance agreements to MEC, Local Government, Local Government within 14 days after approval.	IDP Manager, Corporate Services Manager	Jul 2018	Courier	
Monitoring and Evaluation	Commence with the compilation of the Annual Report 2016-2017	Senior Management	Jul 2017 – Mar 2018	Desktop work	Compile Annual report

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Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
	Quarterly SDBIP performance progress report for first quarter Section 80 Committees, MAYCO and Council	Senior Management	Oct 2017	Desktop work	SDBIP performance reported
	Quarterly SDBIP performance progress report for second quarter, Section 80 Committees, MAYCO and Council	Senior Management	Jan 2018	Desktop work	SDBIP performance reported
	Mid-year budget and performance assessment MFMA Section 72 (1)(2)(3)	Senior Management	Jan 2018	Management Session	Mid-Term finance and service delivery performance report compliant with MFMA
	Executive Mayor tables the Annual Report 2016-2017 MFMA Section 127 (2)	Executive mayor	Jan 2018	Council meeting	Draft Annual Report
	Executive Mayor tables adjustment budget for approval by Council MFMA Section 28	Executive Mayor	Feb 2018	Council meeting	Approved Adjusted Budget
	Publicise both the Annual Report (invite public inputs into the report – MFMA 127 & MSA section 21A) and the adjustment budget on the municipal website and in local newspapers.	Municipal Manager	Feb – Mar 2018	Media	Annual Report and adjustment budget publicized

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Phases	Target/Activity	Role Players Stakeholders	Time Frames	Mechanisms/Tools	Output
	Council to consider and adopt Annual & Oversight Report by end March MFMA Section 129 (1)	Municipal Manager & Executive Mayor	Mar 2018	Council meeting	Approved Annual Report & Oversight Report
	Publicise Annual & Oversight Report, within 7 days of adoption MFMA Section 129(3) & MSA Section 21A	Municipal Manager	Apr 2018	Media	
	Within 7 days of adoption of Annual Report & Oversight Report submit to Provincial Legislature/MEC for Local Government	Municipal Manager	Apr 2018	Courier	
	Quarterly SDBIP performance progress report for third quarter, Section 80 Committees, MAYCO and Council	Senior Management, Executive Mayor	Apr 2018	Desktop work	SDBIP performance report noted
	Quarterly SDBIP performance progress report for fourth quarter, Section 80 Committees, MAYCO and Council	Senior Management, Executive Mayor	Jul 2018	Desktop work	
	Ensure board of Directors of a municipal entity approve the entity's budget after tabling account of any hearing or recommendations by Council (MFMA) (87) 4	Accounting Officer	June 2018		Approved Budget for the Municipal Entity

The process was partially followed and not all the process was done at the stipulated timeframes being:

- No review of tariffs in October, the tariffs were first reviewed in February and no consultative processes for tariffs were undertaken in November. Tariffs were only consulted on when the budget has been tabled and community consultations are undertaken on budget and IDP.
- Budget inputs by departments were only submitted in March 2017

1.1 IDP and Service Delivery and Budget Implementation Plan

This is the draft IDP as draft by Council in March 2018.

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

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

The IDP has been taken into a business and financial planning process leading up to the 2018/2019 MTREF, based on the approved 2017/2018 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/2019 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and

Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

The Local Government Municipal Systems Act No. 32 of 2000, section 28 stipulates that the Municipal Council must adopt a process to guide the planning, drafting and adoption of its IDP within a prescribed period (10 months before the start of the new financial year as per MFMA 21 (1)). The Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA), section 21 (1) (b) prescribes that the Executive Mayor must table in the Municipal Council a time schedule outlining the key deadlines for the preparation, tabling and approval of the annual budget, annual review of the Integrated Development Plan as well as the budget related policies and related consultative processes.

The main objective of an IDP process plan is to set out a procedure to guide planning, drafting and adoption of the IDP. It seeks to achieve the following: -

- i. To draw up a process that would encourage inclusiveness and transparency by ensuring the following:
 - a) Participation by all local municipalities, other stakeholders and communities is encouraged in every way possible
 - b) Comments and inputs made during the IDP Road Shows and Mayoral and IGR outreach programmes are fully considered in developing the IDP
- ii. To solicit and align development priorities of the O.R. Tambo District Municipality with those of the local municipalities as well as provincial and national sector departments, by looking at the following:
 - a) Aligning the IDP, PMS and Budgeting process to the budgeting cycles of the National and Provincial Government department
 - b) Developing a schedule for critical alignment deadlines to ensure that the district is able to timeously align its planning and budgeting processes to inform those of the national and provincial spheres, thereby increasing the scope for funding commitments.
- iii. To enhance service delivery and development through the following:
 - a) Preparation and review of relevant sector plans.
 - b) Implementation and review of PMS.
 - c) Preparation and adoption of annual municipal budget.
 - d) Alignment of IDP and Budgeting processes with national and provincial planning and budgeting processes.

1.1.1 Community Consultation

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The draft 2018/2019 MTREF as tabled before Council on 31 March 2015 for community consultation. Notice of community road shows for different wards will be published in the local newspaper.

Ward Committees will be utilised to facilitate the community consultation process, and included public briefing sessions. The applicable dates and venues will be published in the local and provincial newspapers. Other stakeholders will be involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2018/2019 MTREF. Feedback and responses to the submissions received is available on request. The following are some of the main issues and concerns raised as well as comments received in consultation processes in previous years:

- Several complaints were received regarding poor service delivery, especially water distribution in rural communities, state of road infrastructure;
- Incomplete pit toilets and poor access to health facilities in rural communities.
- Poor performance of contractors relating to water infrastructure development and maintenance were raised;
- Constant water outages.

These issues will be addressed together with any new that will be raised when the public participation gatherings will be in progress.

The MSA, 2000: Section 17(4) states that participation must take place through the established structures. It must also take place through mechanisms, processes and procedures that exist in terms of the MSA itself or that have been established by the Council. The MSA mentions the ward committees as a vehicle for participation. In addition to ward committees, the council may for instance, establish advisory committees consisting of persons who are not councillors. The mechanisms, processes and procedures mentioned in the MSA must include:

- Procedures to receive and deal with petitions and complaints of the public;
- Procedures to notify the community about important decisions (such as the IDP, service delivery choices etc) and allowing public comment when it is appropriate;
- Public hearings;
- Consultative meetings with recognized community organizations when appropriate, traditional authorities; and
- Report back to the community

These systems must as a minimum measure, be established in every municipality. The special needs of women, illiterate people, physically challenged people, and other disadvantaged groups must be taken into account. Four major functions can be aligned with the public participation

process namely; Needs orientation, Appropriateness of solutions, Community ownership and Empowerment.

The following participation mechanisms are proposed:

IDP REPRESENTATIVE FORUM

The IDP Representative Forum is the main organizational mechanism in place for discussion, negotiation and decision-making between stakeholders with the municipal area. It is constituted of Councillors, Mayors and Municipal managers of all constituent municipalities, representative of organised role playing groups, NGO, Senior officials from Government departments and municipal heads of departments. Additional organizations should be encouraged to participate in the Forum throughout the process.

MEDIA

Amongst others the local press will be used to inform the community of the progress with respect to the IDP.

CIRCULATE NOTICE

Notices on the IDP Process (in English and isiXhosa) will be placed at strategic Notice boards: public buildings (e.g. Schools, Clinics, and Tribal/Magistrates Courts etc) and places of religion. Notices can also be attached on the municipal customer's monthly accounts.

WEBSITE AND ELECTRONIC BILLBOARD

Notices on the IDP processes will be published in the O.R. Tambo DM website.

ROADSHOWS

A number of road shows will be conducted in an effort to ensure that the public is actively involved throughout the process. Announcements of the road show programme will have to be made in local and community radio stations and also make use of local newspaper publications.

1.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

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

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

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the District Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;

OR Tambo District Municipality 2018/2019 Budget and MTREF

- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/2019 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 5 IDP Strategic Objectives

2018/2019 Financial Year	2018/2019 MTREF
1. Institutional Transformation and Development	1. Improve workplace and community skills development to ensure capacity to achieve set objectives and sustainable job creation
2. Good governance and public participation	1 Building a coherent district that is responsible, accountable and promote clear governance
3. Financial viability and Management	1. Ensure sound financial management, sustainability, viability of the municipality
4. Improve coordination and intergration of LED programs and enhancing access to LED infrastructure and promoting sustainable community livelihood	1 Promote economic growth and creating sustainable economic activities through rationalised programmes within a limited natural resources
5. The provision of quality basic services and infrastructure	1. Provide adequate accessible infrastructure and enhancing the community

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

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Institutional Transformation and Development
 - Promote workplace and community skills development
 - Improve institutional systems and structures
 - Proper Labour relations planning
 - Review existing organisational structure
2. Good Governance and public participation
 - Promote transparency and accountability
 - Promote effective functioning of Inter Governmental Relations (IGR)
 - Promote Batho Pele principles
3. Financial Viability and Management
 - Ensure effective financial management planning and budgeting
 - Develop effective and efficient system of internal controls
 - Promote transparency in procurement
 - Achieve optimum revenue collection
4. Fighting poverty, building clean, safe, healthy and sustainable communities
 - Promote local economic development projects
 - Provide assistance to local emerging contractors and businesses
5. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide water;
 - Provide sanitation;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide District Municipality planning services; and
 - Maintaining the infrastructure of the District Municipality.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the District Municipality. The five-year programme responds to the development challenges and opportunities faced by the District Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

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In addition to the five-year IDP, the District Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the District Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the District Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the District Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the District Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/2019 MTREF has therefore been directly informed by the IDP process and the following tables provide reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

OR Tambo District Municipality 2018/2019 Budget and MTREF

Table 20 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Providing Access to potable water, and sanitation services and improve the community livel y hood	Provide adequate and accessible infrastructure and enhancing the community livel y hood			622 969	667 415	848 672	1 881 424	1 884 353	1 884 353	1 839 193	1 893 636	2 015 021
Improve coordination and intergration of LED programs and enhancing access to LED infrastructure and promoting sustainable community livel y hood	Promoting economic growth and creating sustainable economic activ ities through rationalised programmes within limited natural resources			15 551	58 924	14 182	133 478	136 890	136 890	183 215	196 091	210 685
Promote workplace skills development	Improve the institutional systems and overrall capacity			42	607	410	111 823	112 754	112 754	129 601	137 752	146 424
Strengthening governance and control environment	Building a coherent district that is responsible, accountable and promote clean governance			7 072	5 610	-	192 905	207 613	207 613	219 647	228 302	242 706
Financial viability and Management	Ensure sound financial management, sustainability, viability of the municipality			872 913	991 862	1 093 889	141 590	142 170	142 170	125 330	133 138	141 440
Total Revenue (excluding capital transfers and contributions)				1 518 547	1 724 418	1 957 153	2 461 221	2 483 780	2 483 780	2 496 987	2 588 918	2 756 276

Table 21 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Providing Access to potable water, and sanitation services and improve the community livel y hood	Provide adequate and accessible infrastructure and enhancing the community livel y hood			842 294	838 337	784 495	778 072	781 198	781 198	813 363	866 201	921 969
Improve coordination and intergration of LED programs and enhancing access to LED infrastructure and promoting sustainable community livel y hood	Promoting economic growth and creating sustainable economic activ ities through rationalised programmes within limited natural resources			83 122	134 257	109 720	133 478	136 890	136 890	182 365	194 506	207 963
Promote workplace skills development	Improve the institutional systems and overrall capacity			90 182	99 716	129 107	86 621	84 220	84 220	97 080	103 289	109 901
Strengthening governance and control environment	Building a coherent district that is responsible, accountable and promote clean governance			165 203	192 572	244 840	218 108	236 147	236 147	298 051	311 424	330 834
Financial viability and Management	Ensure sound financial management, sustainability, viability of the municipality			123 705	55 834	218 733	141 590	142 170	142 170	79 448	84 480	89 836
Total Expenditure				1 304 506	1 320 717	1 486 894	1 357 869	1 380 625	1 380 625	1 470 307	1 559 898	1 660 503

Table 22 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand												
Providing Access to potable water, and sanitation services and improve the community	Provide adequate and accessible infrastructure and enhancing the community	A		422 376	491 145	791 934	1 173 037	1 163 484	1 163 484	1 139 779	1 128 126	1 195 756
Improve coordination and intergration of LED programs and enhancing access to LED	Promoting economic growth and creating sustainable economic activities through	B		824	336	-	3 600	2 673	2 673	4 100	3 000	3 000
Promote workplace skills development	Improve the institutional systems and overall capacity	C		-	-	-	-	-	-	1 801	1 555	2 085
Strengthening governance and control environment	Building a coherent district that is responsible, accountable and promote clean	D		-	-	-	2 000	3 800	3 800	3 600	3 500	10 000
Financial viability and Management	Ensure sound financial management, sustainability, viability of the municipality	E		11 092	18 727	17 337	72 260	67 672	67 672	35 111	55 150	51 350
Total Capital Expenditure			1	434 293	510 208	809 272	1 250 898	1 237 629	1 237 629	1 184 390	1 191 331	1 262 191

1.3 Measurable performance objectives and indicators

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

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

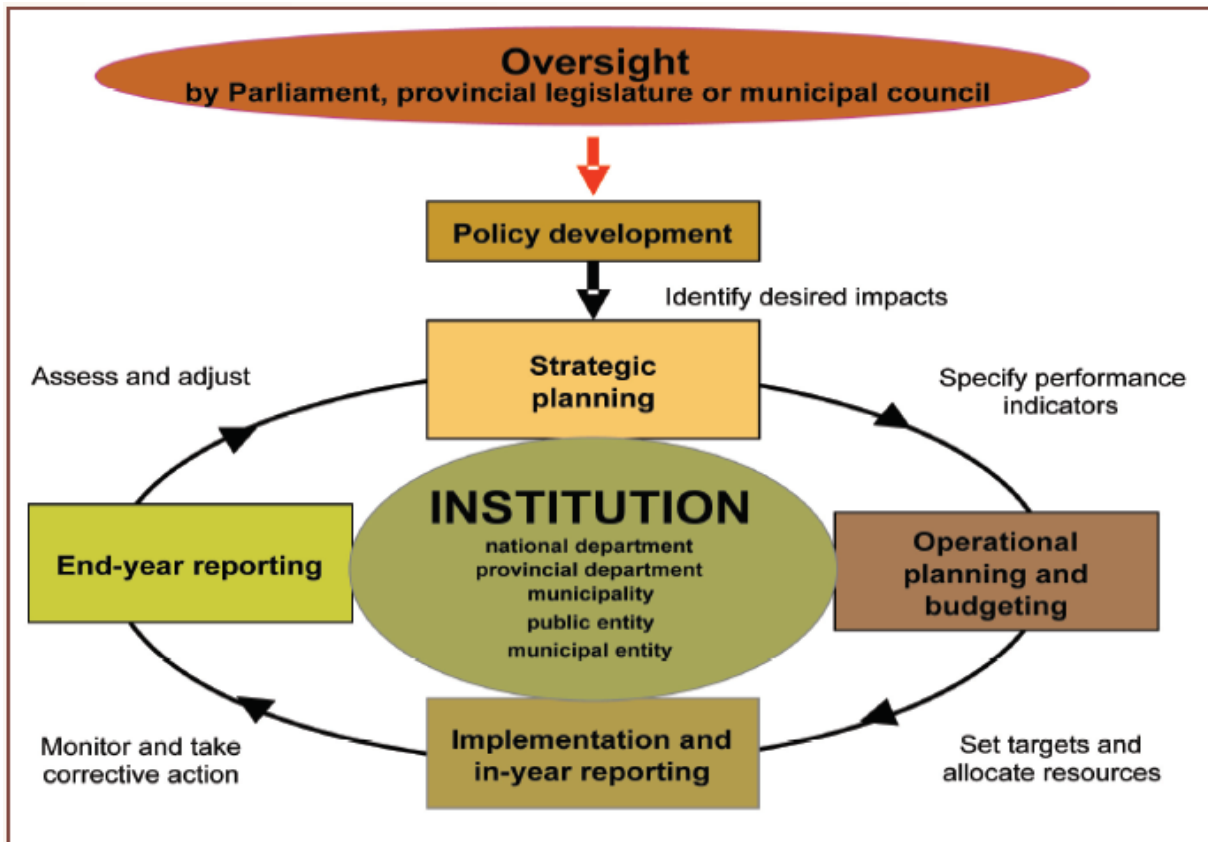


Figure 2 Planning, budgeting and reporting cycle

The performance of the District Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The District Municipality therefore has drafted an integrated performance management system which encompasses:

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

The performance information concepts used by the District Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

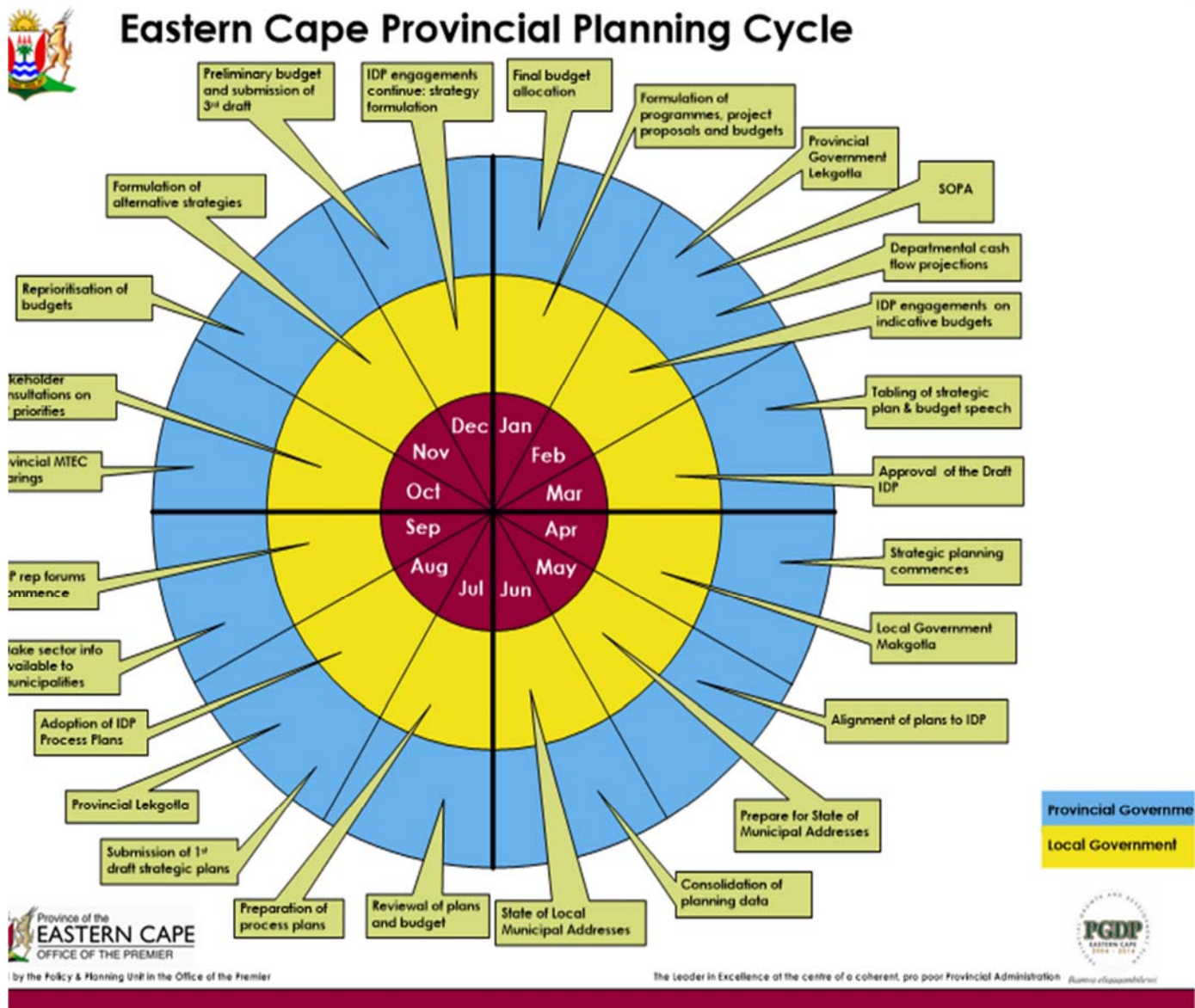


Figure 3 (1) Planning, budgeting and reporting cycle

The planning of the District includes the sector departments within the area which must be aligned with the planning of those sector departments

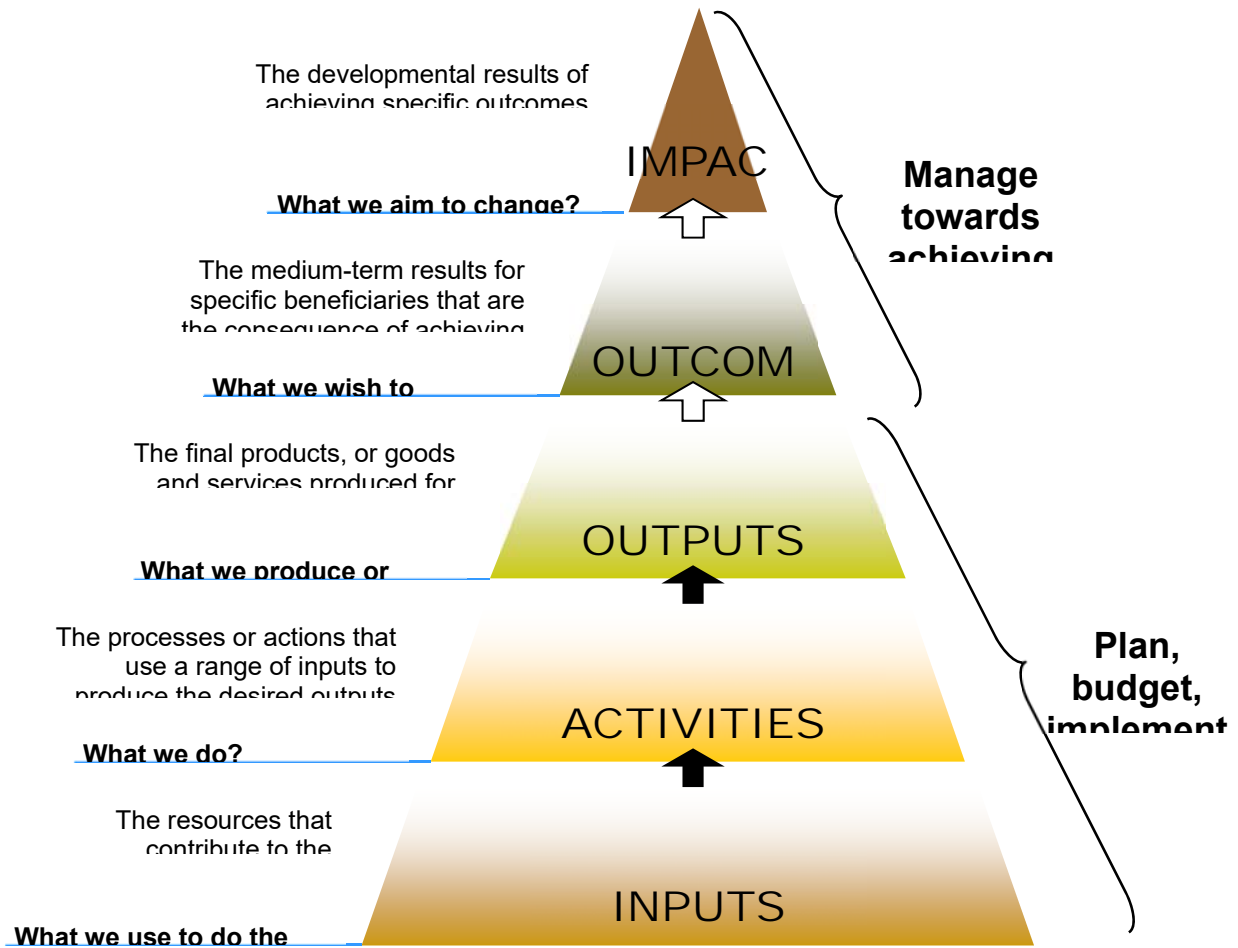


Figure 4 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 63 MBRR Table SA7 - Measurable performance objectives

OR Tambo District Municipality 2018/2019 Budget and MTREF

Description	Unit of measurement	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Vote 1 - vote name	Number of Meetings	14	14	14	14	14	14	14	14	14
Function 1 - (name)	Number of Meetings	4	4	4	4	4	4	4	4	4
Sub-function 1 - (name)										
<i>Insert measure/s description</i>	Number of Meetings	12	12	12	12	12	12	12	12	12
	Number of Meetings	4	4	4	4	4	4	4	4	4

Table 24 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid / Operating Expenditure	0.2%	0.1%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.8%	0.2%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	30.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.2	1.5	1.3	2.4	2.5	2.5	2.5	2.6	2.6	2.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.2	1.5	1.3	2.4	2.5	2.5	2.5	2.6	2.6	2.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.8	1.0	0.9	1.8	1.8	1.8	1.8	2.1	2.2	2.4
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		70.1%	70.9%	62.6%	69.0%	69.0%	69.0%	69.0%	69.2%	69.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		70.1%	70.7%	62.6%	69.0%	69.0%	69.0%	69.0%	69.2%	69.9%	70.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	11.1%	11.4%	7.8%	16.6%	16.3%	16.3%	16.3%	11.6%	7.2%	3.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))										
Creditors to Cash and Investments		128.8%	105.4%	134.6%	71.7%	69.7%	69.7%	69.7%	47.4%	44.5%	40.4%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)	6 717	8 461	13 432	8 461	8 461	8 461	8 461	8 207	7 551	7 400
	Total Cost of Losses (Rand '000)	21603.141	12257657	22816450	12257657	12257657	12257657	12 258	11 890	10 939	10 720
	% Volume (units purchased and generated less units sold)/units purchased and generated	25	43%	54%	43%	43%	43%	43%	40%	32%	30%
Employee costs	Employee costs/(Total Revenue - capital revenue)	22.7%	23.5%	22.4%	30.7%	30.2%	30.2%	30.2%	36.2%	36.5%	36.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	23.8%	23.0%	22.0%	32.0%	32.1%	32.1%	32.1%	37.9%	38.3%	38.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	6.4%	5.0%	5.0%	5.0%	4.3%	4.2%	4.2%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.1%	9.4%	8.8%	12.3%	11.7%	11.7%	11.7%	11.0%	11.0%	10.9%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	6.2	6.4	14.1	16.1	16.1	16.1	18.7	18.7	17.8	18.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	89.1%	97.3%	72.5%	84.0%	84.0%	84.0%	84.0%	59.9%	36.7%	15.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	4.4	5.0	3.3	7.4	7.3	7.3	7.3	8.2	8.5	8.7

1.3.1 Performance indicators and benchmarks

1.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, OR Tambo District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the District Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/2019 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. The District Municipality is not intending to borrow funds.

1.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2017/2018 financial year the ratio was only 0 percent of equity and debt utilised to finance assets. Then in 2018/2019 MTREF the ratio is 0percent.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Since the District is not intending to borrow, this ratio is nil since the municipality does not intend to borrow funds.

1.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities. This gives an indication of how much the cash will be able to cover the current liabilities and the best practice is about 3:1. In 2014/15 to 2015/16 the ratio is 1,1:1 which indicates that the municipality is in break even point to cover the current liabilities due to a number of reasons being one of them the poor collection rate on service charges. But in 2017/2018 budget, it is anticipated that the ratio is 2.5:1 due to the decrease in current liabilities and increase in current assets, this decrease was as a result of decrease in accruals but still this is not safe enough as it is in breakeven point. For the 2018/2019 MTREF the current ratio is 2,7:1 this will improve as the collections rate will improve and the cash on hand will

increase (largely due to the reserve funds from depreciation) but there is still room for improvement in the area of collections for this ratio to rise and closer to the best practice.

1.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management strategy has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. Currently the projected collection rate is at 70 percent for 2017/2018 which is anticipated to be reached. For 2018/2019, anticipated collection rate is 85 percent. There is a revenue strategy that is planned by 2018/2019 where the consumers will be encouraged to pay their old debts.

1.3.1.5 Creditors Management

- The District Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. Though there are some challenges in payments of contractors for MIG spending due to the process of verification of work done, there are mechanisms in place to address these. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 percent compliance rate to this legislative obligation.
- Other Indicators
- Employee costs being 36 percent as a percentage of operating revenue is fairly constant over the MTREF. This is due to the increment of 7 percent and the filling of vacant posts.
- Repairs and Maintenance is significantly lower as the percentage of total property plant and equipment which is 4.3 percent. This as a result of some items which were reclassified from repairs and maintenance to capital expenditure and other direct costs on operations and maintenance being classified under other expenditure. Even then this is not enough still to address the aging of the infrastructure more especially in towns. Funding the depreciation will assist in asset renewal and replacement.

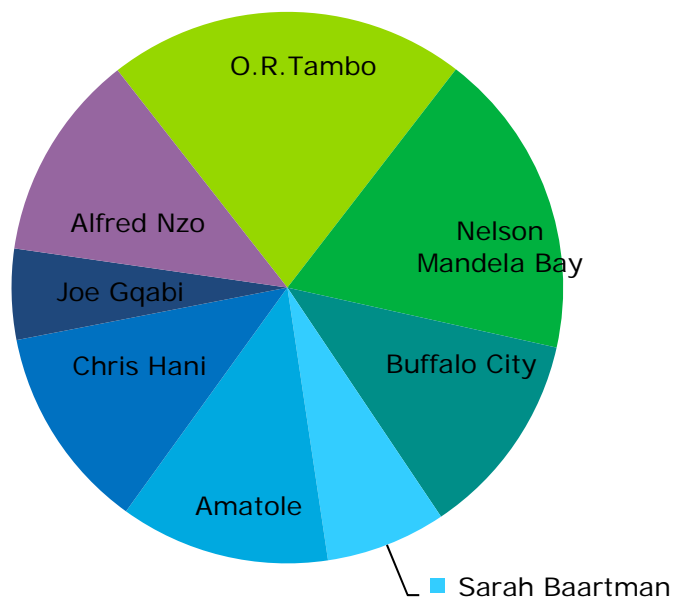
1.3.2 Free Basic Services: basic social services package for indigent households

Table 24 a MBRR Table SA9 – Social, Economic and demographic statistics assumptions

Basis of calculation	2001 Census	2007 Survey	2011 Census	2014/15	2015/16	2016/17	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
	1 677	1 862	1 365	1 977	2 168	2 180	1 490	1 520	1 540	1 550
	287	264	257	372	408	410	412	415	419	423
	285	270	260	377	413	415	417	421	425	429
	234	239	248	360	394	397	400	404	408	412
	197	220	239	346	379899.76	382	384	388	392	396
	179	66	67	97	107	107	99, 613	101	101	102
	9 744	3 133	362	524	575	584	590	650	717	791
	36 506	17 227	3 640	5 271	5 783	5 873	5 990	6 607	7 288	8 039
	118 387	91 695	57 244	50 678	49 157	49 923	50 921	56 171	6 196	68 350
	63 966	95 960	117 911	170 758	187 321	190 240	194 045	214 051	236 119	260 463
	14 629	41 606	63 479	91 930	100 847	102 418	104 466	115 236	127 117	140 223
	8 944	20 181	31 263	45 275	49 667	50 440	51 449	56 753	62 604	69 058
	3 466	7 396	10 804	15 646	17 164	17 431	17 780	19 613	21 635	23 866
	3 052	7 569	12 337	17 866	19 599	19 905	20 303	22 396	24 705	27 252
	1 246	2 718	3 983	5 768	6 328	6 426	6 555	7 231	7 977	8 799
	712	1 140	1 497	2 168	2 378	2 415	2 463	2 717	2 997	3 306
	131	274	276	311	320	325	332	366	404	446
	15	43	48	54	56	57	58	64	71	78
	9 744	3 133	362	342.80	336.63	308	289.00	271	255	240
	-	-	-	0.00	0.00					
	1 676 592	1 441 120	1 364 931	1 977	2 168	2 207	1 490	1 520	1 540	1 550
	1 607 878	-	828 500	1 200	1 316	1 293	909 542	854 384	802 608	75 397
	339 294	356 085	298 229	432	474	478	317 221	322 000	326 991	332 059
	9 744	3 133	362	1	1	1	291	273	256	240
	R0 - R2544	R0 - R2544	2 544	3 684	4 042	-	2 400	2 647	2 920	3 221
	297 139	277 085	305 303	314 689	316 129	317 552	138, 308	140 452	142 629	144 840
	9 324	5 996	3 274	4 741	5 201	4 816	178, 912	178 894	178 876	178 858
	306 463	283 081	308 577	319 430	321 330	322 368	-	319 346	321 505	323 698
	-	-	-	-	-	-				
	-	-	-	-	-	-				
	-	-	-	-	-	-				
				5.6%	4.8%			5.3%	5.4%	5.5%
				0.0%	0.0%					
				0.0%	0.0%			7.0%	7.2%	7.3%
				5.5%	4.4%			7.1%	7.1%	7.1%
				0.0%	0.0%					
				0.57%	0.57%			6.0%	7.0%	7.0%
				80.0%	98.0%			100.0%	100.0%	100.0%
				6.0%	6.3%			100.0%	100.0%	100.0%
				10.0%	10.0%			40.0%	40.0%	40.0%

Population statistics is important when analysing an economy, as the population growth directly and indirectly impacts employment and unemployment, as well as other economic indicators such as economic growth and per capita income. With 1.47 million people, the O.R.Tambo District Municipality housed 2.6% of South Africa's total population in 2016. Between 2006 and 2016 the population growth averaged 0.94% per annum which is close to half than the growth rate of South Africa as a whole (1.54%). Compared to Eastern Cape's average annual growth rate (0.83%), the growth rate in O.R.Tambo's population at 0.94% was very similar than that of the province.

Total population
 Eastern Cape Province, 2016



Source: IHS Markit Regional eXplorer version 1181

When compared to other regions, the O.R.Tambo District Municipality accounts for a total population of 1.47 million, or 21.0% of the total population in the Eastern Cape Province, which is the most populous region in the Eastern Cape Province for 2016. The ranking in terms of the size of O.R.Tambo compared to the other regions remained the same between 2006 and 2016. In terms of its share the O.R.Tambo District Municipality was slightly larger in 2016 (21.0%) compared to what it was in 2006 (20.8%). When looking at the average annual growth rate, it is noted that O.R.Tambo ranked fourth (relative to its peers in terms of growth) with an average annual growth rate of 0.9% between 2006 and 2016.

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The Ngquza Hill Local Municipality increased the most, in terms of population, with an average annual growth rate of 1.3%, the King Sabata Dalindyebo Local Municipality had the second highest growth in terms of its population, with an average annual growth rate of 1.2%. The Mhlontlo Local Municipality had the lowest average annual growth rate of -0.39% relative to the other within the O.R.Tambo District Municipality.

The population pyramid reflects a projected change in the structure of the population from 2016 and 2021. The differences can be explained as follows:

- In 2016, there is a significantly larger share of young working age people between 20 and 34 (27.5%), compared to what is estimated in 2021 (25.5%). This age category of young working age population will decrease over time.
- The fertility rate in 2021 is estimated to be significantly higher compared to that experienced in 2016.
- The share of children between the ages of 0 to 14 years is projected to be significant smaller (35.9%) in 2021 when compared to 2016 (37.3%).
- In 2016, the female population for the 20 to 34 years age group amounts to 14.3% of the total female population while the male population group for the same age amounts to 13.2% of the total male population. In 2021, the male working age population at 12.5% does not exceed that of the female population working age population at 13.0%, although both are at a lower level compared to 2016.

Population by population group, Gender and Age

The total population of a region is the total number of people within that region measured in the middle of the year. Total population can be categorised according to the population group, as well as the sub-categories of age and gender. The population groups include African, White, Coloured and Asian, where the Asian group includes all people originating from Asia, India and China. The age subcategory divides the population into 5-year cohorts, e.g. 0-4, 5-9, 10-13, etc.

O.R.Tambo District Municipality's male/female split in population was 87.7 males per 100 females in 2016. The O.R.Tambo District Municipality has significantly more females (53.28%) than males, when compared to a typical stable population. This is most probably an area with high male out migration to look for work elsewhere. In total there were 784 000 (53.28%) females and 688 000 (46.72%) males. This is different from the Eastern Cape Province as a whole where the female population counted 3.67 million which constitutes 52.31% of the total population of 7.01 million.

In 2016, the O.R.Tambo District Municipality's population consisted of 99.12% African (1.46 million), 0.18% White (2 720), 0.47% Coloured (6 940) and 0.22% Asian (3 230) people. The largest share of population is within the babies and kids (0-14 years) age category with a total number of 550 000 or 37.3% of the total population. The age category with the second largest number of people is the young working age (25-44 years) age category with a total share of 25.5%, followed by the teenagers and youth (15-24

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years) age category with 323 000 people. The age category with the least number of people is the retired / old age (65 years and older) age category with only 78 200 people, as reflected in the population pyramids below.

ECONOMY

The economic state of O.R.Tambo District Municipality is put in perspective by comparing it on a spatial level with its neighbouring district municipalities, Eastern Cape Province and South Africa. The section will also allude to the economic composition and contribution of the regions within O.R.Tambo District Municipality.

The O.R.Tambo District Municipality does not function in isolation from Eastern Cape, South Africa and the world and now, more than ever, it is crucial to have reliable information on its economy for effective planning. Information is needed that will empower the municipality to plan and implement policies that will encourage the social development and economic growth of the people and industries in the municipality respectively.

With a GDP of R 38 billion in 2016 (up from R 16.3 billion in 2006), the O.R.Tambo District Municipality contributed 11.23% to the Eastern Cape Province GDP of R 338 billion in 2016 increasing in the share of the Eastern Cape from 11.47% in 2006. The O.R.Tambo District Municipality contributes 0.87% to the GDP of South Africa which had a total GDP of R 4.35 trillion in 2016 (as measured in nominal or current prices).It's contribution to the national economy stayed similar in importance from 2006 when it contributed 0.89% to South Africa, but it is lower than the peak of 0.92% in 2007.

The O.R.Tambo District Municipality had a total GDP of R 38 billion and in terms of total contribution towards Eastern Cape Province the O.R.Tambo District Municipality ranked third relative to all the regional economies to total Eastern Cape Province GDP. This ranking in terms of size compared to other regions of O.R.Tambo remained the same since 2006. In terms of its share, it was in 2016 (11.2%) slightly smaller compared to what it was in 2006 (11.5%). For the period 2006 to 2016, the average annual growth rate of 1.0% of O.R.Tambo was the sixth relative to its peers in terms of growth in constant 2010 prices.

The table above indicates the statistical demographic information for the district municipality. Based on the census for 2001 and later on the census for 2011 with the projected growing index of 0.97percent per annum population growth from 2011 census.

As indicated in the table above total number of people in the municipal area amount to 1.36 million in the 2011 census and out of that number, number of poor people in the municipal area amounted to 828,500 which means 60percent of people in the municipal area are poor. This number grew in the subsequent years using the growth index to 1 million poor people out of 1.9 million total population but the percentage remains the same since the same index in both total population

and poor people. But this indicated the challenge the municipality has in the expanding its revenue base due to the demographic dynamics.

The district is located in one of the deeply rural areas in the country with nonexistent infrastructure in some of the areas. The district as per 2011 census comprises of close to 308 577 households of which 93percent are rural. The rural communities comprising of 93percent households receive water and sanitation without paying for them and this forms part of free basic service.

For the 7percent in towns social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the District Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2018/2019 financial year 1600 registered indigent households have been provided for in the budget with this figured expected to increase. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 19 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in rural areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

1.3.3 Providing clean water and managing waste water

The District Municipality is the Water Services Authority for the entire district in terms of the Water Services Act, 1997 and acts as water services provider. The District Municipality source water from dams (DWA) to water pump stations for purification then to consumers. There are other sources of water being boreholes

The following is briefly the main challenges facing the District Municipality in this regard:

- Decrease of water supply due to drought
- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

1.4 Overview of budget related-policies

The District Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2008 is reviewed in 2018/2019 and the Council approved the revised Credit Control Policy as well Tariff policy on the 31 March 2018. The newly revised draft policy is now credible, sustainable, manageable and informed by affordability and value for money that has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions have been included to enhance the lowering of the credit periods for the down payment of debt. In addition emphasis has been placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the District Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

1.4.2 Supply Chain Management Policy

The Supply Chain Management Policy was drafted by Council in December 2005. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on and will be in compliance with the newly revised SCM regulations.

1.4.3 Budget and adjustment budget, Reserves and funding and Virement Policy

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

incorporating the restrictions of mSCOA segments in the amendments of the budget . The Budget related Policies has been approved by the council when tabling 2018/2019 MTREF.

1.4.4 Cash Management and Investment Policy

The aim of the policy is to ensure that the District Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.4.5 Tariff Policies

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

1.5 Overview of budget assumptions

1.5.1 External factors

Domestically, after years of strong growth, during which millions jobs were created, our economy had a CPI of 5.4 percent in 2017. Due to the active industrial action in different sectors taking place and mass protests, devaluation of rand to dollar exchange, worsening of country's credit rating (downgrade to junk status), uncertainty on Eskom electricity supply, gloomy political climate (which is slightly improving due to the new executive), drought resulting in potential import of produce, this will have negative impact on the economy in a long run and the loss of jobs will continue to increase as these circumstances prevail with an increase in budgeted deficit for the country not helping. It is expected that recovery from this deterioration will be slow and uneven, and this will be the same for 2018/2019 which is 5.3 percent and in 2019/2020 and 2020/2021 at 5.4 and 5.5 respectively. The increase in the VAT from 14 percent to 15 percent will hit the consumers in many areas resulting in increase of many products which will inevitably reflect negatively in the earnings of the population which is already stretched. The anticipated rise in fuel prices as the crude oil is rising in price. This will likely increase the inflation.

Owing to the economic slowdown and increase in grant dependency of the population, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining

cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the District Municipality's finances.

1.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/2019 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on District Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 36 percent of total operating expenditure in the 2018/2019 MTREF and a budgeted increment of 8 percent, and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

1.5.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. This relates to water and sanitation revenue sources. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (69 percent) of annual billings. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.5.4 Growth or decline in tax base of the municipality

Due to the location of the District Municipality which is situated in one of the poorest provinces in the country, even then in one to the poorest regions the tax base will both grow and decline as in

towns, there is a potential for growth due to increase in job creation projects whilst in rural areas, the tax base will decrease as the municipality have to subsidise services without revenue.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.5.5 Salary increases

The overall salary increases is projected at 7.1 percent, as guided by MFMA Circular 86 provision for outcome of wage negotiations.

1.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 VAT Refunds

The municipality is registered on cash basis. Receipt of grants is zero rated and does not attract output vat. Main component of refund is the spending on the MIG grant. The municipality ensures that the service providers for the spending of MIG are VAT registered so as to be able to claim

the VAT. VAT refund funds the capital expenditure of the district. Therefore it is assumed that the amount projected will be fully collected.

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2018/2019 MTREF of which performance has been factored into the cash flow budget

2.5.9 Departmental Budget narrative

Water and Sanitation Services

- The ORTDM received following grants for the 2018/19 financial year:
 - Municipal Infrastructure Grant = R619,684,000
 - Regional Bulk Infrastructure Grant = R309,707,000
 - Water Serves Infrastructure Grant = R90,000,000

1. Background

OR Tambo District Municipality (ORTDM) is both Water Services Authority and a Water Services Provider. Authority is therefore vested in it, in terms of the Municipal Structures Act 118 of 1998 or the ministerial authorizations made in terms of this Act, to ensure that water resources and infrastructure are well managed and maintained in order that the service may be provided in an equitable, sustainable and efficient manner.

2. The primary responsibility for Water Services Authority includes

- **Ensuring access:** To ensure the realization of the right of access to water services, particularly basic water services (subject to available resources) by seeing that appropriate investments in water services infrastructure are made.
- **Planning:** To prepare water services development plans to ensure effective, efficient, affordable, economical and sustainable access to water services that promote sustainable livelihoods and economic development.
- **Regulation:** To regulate water services provision and Water Services Providers within the jurisdiction of the municipality and within the policy and regulatory frameworks set by Department of Water Affairs through the enactment of by-laws and the regulation of contracts.

- **Provision:** To ensure the provision of effective, efficient and sustainable water services (including water conservation and demand management) either by providing water services themselves or by selecting, procuring and contracting with external Water Services Providers.

3. Locality

O.R. Tambo District Municipality is one of six District Municipalities in the Eastern Cape Province. It is located in the eastern half of the Province, with its eastern border the Indian Ocean coastline of South Africa as can be seen in. It is bordered by Alfred Nzo District Municipality, Joe Gqabi District Municipality, Chris Hani District Municipality and by Amathole District Municipality. OR Tambo DM is one of six District Municipalities in the Eastern Cape Province and is located in the eastern half of the Province.

OR Tambo District Municipality locality map



The District is classified as a Category C2 Municipality, which indicates an area with a largely rural character. At least 80% of the district was part of the former Transkei, and approximately 93% of the population resides in widely dispersed homesteads and small villages

The other major towns in the district are Mthatha, Mqanduli, Port St. Johns, Qumbu, Lusikisiki, Nggeleni, Libode, Tsolo and Flagstaff.

OR Tambo DM has five local Municipalities with 9 towns namely:

Local Municipality	Town
KSD	Mthatha

	Mqanduli
Nyandeni	Libode
	Ngqeleni
Mhlontlo	Qumbu
	Tsolo
Port St Johns	Port St Johns
Ingquza Hill	Lusikisiki

4. Discussion

- **MIG:**

- The MIG budget allocation for 2018/19 financial year is R619,904,000:

Project Type	Amount (R)	% of Total Budget
Water projects	410 Million	66%
Sanitation	620 Million	29%
PMU	31 Million	5%

- **RBIG:**

- The RBIG budget allocation for 2018/19 financial year is R309,707,000

Project Type	Amount (R)	% of Total Budget
Water projects	304.5 Million	98%
Sanitation	5.2 Million	2%

- **WSIG:**

- The WSIG budget allocation for 2018/19 financial year is R90,000,000

Project Type	Amount (R)	% of Total Budget
Water projects	R85.5 Million	95%
Sanitation	R4.5 Million	5%

5. Conclusions

- The municipality has been constantly spending all grants allocation to it in the recent financial years
- According to the WSDP of the ORTDM, water backlogs are standing at 59.4% while sanitation backlogs are at 23%

- The district has allocated over 86% on average of the 2018/19 grant budget towards reducing water backlogs while 12% has been put aside for sanitation services
- The average annual growth rate of households is 1.55% while the average water backlog reduction per annum stands at 1.27%
- Despite the huge bias on water projects by the municipality if the current situation remains the same as depicted above, the efforts of the district will be unable to make inroads in fighting water backlogs.
- The district does make short to medium term intervention to supply water to isolated settlements by means of standalone schemes mainly using Wsig grant and equitable share, these efforts are facing challenges of theft, vandalism and drought which in some instances condemn communities to stay for days without water
- The district can positively report successes in dealing with sanitation, this is due with implementation of cost effective VIP sanitation projects in the rural areas where most population of the municipality is located.
- While the advantages of VIP sanitation are appreciated in the short term but long term is proving a challenge as the pits get filled up and top toilet structures shows huge distress around five years of existence. This amounts to phenomenon called reverse backlogs.

Human Settlement

CONFERENCE FEES

The funds are budgeted for attendance to Human Settlements development conferences that officials and Portfolio Head for Human Settlements must attend.

PROTECTIVE CLOTHING

The money will be used for protective clothing for officials such as building inspectors on sites as per Health and Safety regulations.

COMMUNITY TRAINING

The department is currently developing a business plan with a purpose of attaining projects to implement them through different housing subsidy instruments. Communities will be trained on different housing instruments and qualification criteria in order for them to understand Human Settlements policies when applying for a housing subsidy. In areas where there is a housing project being implemented these funds will be also used in training communities on building,

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carpentry, plastering etc. The training will be conducted by Accredited Service providers with the officials from the DM and the Regional Office of Human Settlements.

SUBSISTENCE TRAVELLING

This will be used for travelling expenses and booking for officials and the Portfolio Head. The travelling relates to Human Settlement development e.g. monitoring of projects, filling of beneficiary subsidy forms, attending conferences, workshops and meetings etc.

LAUNCHES – HOUSING PROJECTS

There are preparations for project launches events to take place in all 5 Local Municipalities for social relief houses that are being constructed and to be handed over to beneficiaries.

HOUSING FORUMS

The department convenes Human Settlements forums quarterly which are organised to deal with Human Settlement matter for the region in consultation with all the five local municipalities. Other departments also participate and government departments are also invited when there is a need. The meetings are chaired by the Portfolio Head for Human Settlement

GRANT ADHOC HOUSING

The funds will be used to enhance housing development in areas where houses are constructed for special cases as identified by the Local Municipalities in areas where destitute programme will be implemented.

EQUIPMENT AND LABORATORY FEES

The budget will be used to buy things like cameras, tools for testing of building material where quality is suspected not to conform to the norms and standards.

DISTRICT HOUSING DEVELOPMENT STRATEGY

The budget will be used for payment of a service provider appointed for development of this policy document.

HOUSING SOCIAL RELIEF PROGRAMME

The program is meant to assist destitute families in the O R Tambo region by providing them with adequate housing with basic level of services. The funding will be used for building houses for people identified as special cases in all 5 local municipalities of the DM. It is important that in the program provincial norms and standards be adhered to as the DM is requested to finance the program where upon completion of the houses the provincial department is expected to refund .The fund is aimed at constructing more houses through this fund together with the funding from E.P.W.P to assist top up in the program, so as to have an incremental system of construction.

Corporate Services

The HR Services budget is used for

- Organisational Structure Review
- Job Evaluation
- Staff Provisioning
- Conditions of Service
- Skills Development and Training
- Employee Wellness
- Labour Relations

The ICT Management budget is used for

- Procurement, installation, support and maintenance of ICT Infrastructure
- Development, installation, support and maintenance of Information Systems

The Security Services budget is used for

- Procurement, installation, monitoring and maintenance of Security systems

The GIS Service budget is used for

- Procurement, installation, support and maintenance of Spatial and Geographic Information Systems

The Records and Auxiliary services budget is used for

- Procurement, installation, support and maintenance of records management and archiving systems

Office of Executive Mayor

HIV/AIDS community awareness and support
The District Implementation Plan (DIP) for HIV and TB as aligned to the Provincial Implementation Plan (PIP) and National Strategic Plan (NSP) 2017-2022 on HIV/AIDS and TB prioritised HIV

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Counselling and Testing (HCT), with specific National targets to be achieved by Provinces as cascaded to District Municipalities and Local Municipalities. This includes conducting HCT awareness campaigns to increase the number of people who are aware of their HIV and TB status in order to improve their accessibility to available treatment opportunities and services, thereby reduce the number of people dying because of TB and HIV/AIDS. This also includes mobilizing people living with HIV/AIDS to live productive lives through empowerment, skills development and capacity building interventions. Anti-stigma and discrimination against people living with HIV including the LGBTI sectors are prioritised also focusing on improving their access to available services. It also provides for the improvement of the functionality of local and District AIDS councils, also focusing on strengthening leadership and accountability at political civil society structures of AIDS councils. The District Municipality is central with its major role of coordinating IGR ensuring that all sectors of Government and society maximise their participation in reaching out to all vulnerable and key populations with customised and targeted interventions.

HIV/AIDS (OR TAMBO DM) & INKCIYO PROGRAMME

The DIP prioritises focus on intensifying HIV and TB prevention programmes among young people in particular women and adolescent girls. This is informed by the reported higher HIV prevalence rate of 5,7% on youth in general and new infections of 8,5% among women on age group of 15-24 years. The Inkciyo Programme is the main programme focused on addressing this challenge through implementation of empowerment and capacity building programmes focused on young people on issues related to HIV/AIDS, including debates, lifestyle improvement, traditional values support preventative measures etc. The DM also holds an annual Inkciyo awareness event as part of World AIDS day commemoration, whereby not less than 5000 young people are mobilized district wide to participate,

MANDELA MONTH

The OR Tambo DM resolved to commemorate the iconic individuals that originate from the district with a view to uphold their values and maintain their legacy among the communities. Nelson Mandela hails from the district and is a renowned world iconic figure. Various programmes are implemented to benefit the communities in recognition of his legacy. These include but not limited to the memorial lecture, capacity and empowerment programmes targeting the children, elderly, disabled, women and youth.

OR TAMBO MONTH

The OR Tambo DM resolved to commemorate the iconic individuals that originate from the district with a view to uphold their values and maintain their legacy among the communities. The District Municipality is named after this great international iconic figure. Various programmes are implemented to benefit the communities in recognition of his legacy. These include but not limited to the memorial lecture, cultural carnival, boxing tournament, soccer match, visit to Ekurhuleni for the annual wreath laying, Young Women Development Pageant, choral festival etc.

SPU'S - PHYSICALLY CHALLENGED

This provides for empowerment and capacity building for people living with disabilities to provide the necessary support for the improvement of their livelihoods

SPU'S - WOMEN

This provides for empowerment and capacity building for women to provide the necessary support for the improvement of their livelihoods. It includes conducting awareness programmes, dialogues, etc focusing on addressing issues of gender, human rights, health and wellness for the women, also including the men's sector

SPU'S - YOUTH

The Special Programmes Unit focuses on mainstreaming and advocacy for the interests and constitutional rights the vulnerable groups, including the youth. With the existing high rate of unemployment, poverty, young people dropping out of school and having nothing much to do in their communities, increasing rate of crime, drugs and alcohol abuse. The DM is implementing programmes that are focused on improving the livelihoods and economic prospects for the youth through empowerment and capacity building. This includes the youth development policy, annual youth summit or engagement, support to youth development initiatives, etc

SPU'S - OLD AGE

The Special Programmes Unit focuses on mainstreaming and advocacy for the interests and constitutional rights the vulnerable groups, including the elderly people in our communities. Over the years, the OR Tambo district has been faced with brutal killings of elderly people by the youth on allegations of witchcraft. The DM implements programmes focusing empowerment and capacity for the elderly. This includes their wellness programme, golden games encouraging healthy lifestyle of sport and exercise, etc.

INITIATION SUPPORT

Over the years, there has been an increasingly high rate of death of the initiates, young boys undergoing customary rights to manhood are dying and some irreversibly harmed and lose their manhood due to botched circumcision. The DM is coordinating all sectors of society and government departments to join hands in the fight against this challenge.

SPU'S - CHILDREN

Special Programmes Unit focuses on mainstreaming and advocacy for the interests of the vulnerable groups including the children, the orphans, the HIV infected and affected, the abused and those affected with poverty and are in any form of vulnerability as a result of that. Programmes implemented include empowerment and capacity building for children, holding and supporting awareness campaigns on issues of interest to the children. In Partnership with the Department of Education and the private sector (Anglo GOLD Ashante mining company), implement the Star schools programme, benefiting 22 best performing high schools in the district. The schools are supported to sustain their good record on achieving highest results for grade 12.

FINANCIAL ACADEMIC ASSISTANCE

The DM contributes to the improvement of livelihood in vulnerable and poverty stricken households by providing financial assistance to children with potential from these households to access tertiary qualification so as to improve the economic prospects of those families.

COMMUNITY MOBILIZATION FOR POOR PERFORMING MATRIC SCHOOLS

Most of the schools in the district perform extremely poor in terms of grade 12 results. With the recognition of the fact that, the children's education is a societal matter and not only the responsibility of the department of Education, the OR Tambo DM is championing a programme of

mobilizing and empowering communities closest to the poorest performing high schools to implement a support programme for the improvement of grade 12 children in those schools.

Rural Economic and Developmental Planning

1.1 Background

The ORTDM Department REDP is responsible for rural and economic development in the district. The ORTDM has its state owned company the Ntinga Development Agency. The district had recently re-aligned Kei Fresh Produce market and the Ntinga Development Agency to the requirements of both the MFMA and Municipal Systems Act.

1.2 Mandate

The Rural Economic and Development Planning (REDP) department, derives its mandate from S152(1) (c) (d) (e) of the Constitution of the Republic of South Africa, has a responsibility to

- promote social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of local government.

LED is also guided by National Framework for LED, NSDP, MSA, LED White Paper, IPAP, NDP, PGDP among other policies in its mandate to coordinate developmental initiatives of the district and monitor implementation of priority programmes.

The REDP department is also responsible for the proper functioning of its respective IGR structures to ensure aligned integrated development planning, coordinating capacity building initiatives in all the LED sectors for the district, implementation of REDP programmes as per the approved budget, and support LMs on economic development initiatives.

2. PROGRAMS FOR IMPLEMENTATION ON THE 2018/19 FINANCIAL YEAR

The department operates with FIVE sub-units listed as follows:

- 2.1 Environmental & Waste Management.
- 2.2 Spatial Planning & Land Use Management
- 2.3 Tourism
- 2.4 Rural Development, Resource Mobilisation and Research
- 2.5 SMME Development

3. ENVIRONMENT & WASTE MANAGEMENT

3.1 Greenest Municipal Awards

In 2018/19 financial year the department has budgeted for the Greenest Municipality Competition an amount of R650 000.00, this budget will be utilized for the assessment that will be conducted in Local Municipalities as well as hosting the Greenest Municipality Competition Awards to be held in the third quarter. Municipalities will then be assisted towards waste management activities with the budget that will be allocated for prizes in the competition. This competition is a feeder to the Provincial & National Greenest Municipal Competition Awards.

3.2 Environmental Management Planning

In the 2018/2019 financial year, Environmental Management section will be developing the Biodiversity Management Plan and reviewing its Environmental Management Plan with the allocated budget of R800 000.00. These two plans are one of the sector plans that are supposed to be integrated in the IDP as compliance and planning tools.

3.3 Environmental Awareness

In order to improve the standards and manner in which the environment is managed and protected, the National Environmental Management Act mandates all spheres of Government to conduct and facilitate environmental management program to ensure environmental awareness in the communities around. Environmental Management Section has planned to implement educational programs in school and communities as well as establishing Environmental Clubs in all local municipalities with the allocated budget of R1 400 000.00.

3.4 Integrated Waste Management Plan

The district municipality will be reviewing its IWMP and AQMP due to the fact that the air quality function has been devolved from being the Provincial function to the district as per amended National Environmental Management Air Quality Act (39 of 2004). This act mandates the Municipality to develop and implement projects in the Air quality management implementation Plan for complying with the Atmospheric Emission standards. Much has changed in the district with regards to waste management; this then therefore requires the review of the IWMP with the allocated budget of R1000 000.00

3.5 Recycling Facilities

Environmental section will be implementing the established Regional Recycling Program in 2018/19 financial year with the allocated budget of R3 500 000.00. Regional Recycling Program is mainly looking at enhancing quality of environment, creating jobs opportunities, SMME development, and also responding to rampant pollution and climate change. This is looking at linking the harvesting and transportation of recyclable materials from the five local municipalities of O.R Tambo region. Each local Municipality is envisaged to have primary cooperative, which collect, sort and sell/transport to the secondary cooperative, which is based, at a regional level. This regional recycling facility will look at encompassing all types of recyclable waste such as papers, cans, plastics and bottles etc. In a long term, the facility is considering the option of generating renewable energy from the landfill, as well as establishing a factory that will be producing recyclable by-products. The section is also looking at expanding the program with resources so as to include the steel product that are sold along the national roads in assisting the waste pickers even from rural areas.

4. SPATIAL PLANNING AND LAND USE MANAGEMENT (SPLUM)

For the 2018/19 Financial year the SPLUM Unit has been allocated a budget of R985 000.00 for the implementation of SPLUMA. The main activities to be undertaken in that budget include:

- The consultation meetings with Traditional Leaders of the District, on SPLUMA implementation
- Development of Nyandeni LM Land Use Management Systems (LUMS) for urban and peri-urban areas
- Operational costs of the District Municipal Planning Tribunal (DMPT)

The major concerns we have identified regarding this budget is that is likely to be insufficient as the bulk of it is expected to be used towards the development of LUMS. It is expected that during the 2018/19 financial year the DMPT will have meetings, which will cost us to run them (frequency will be determined by the DMPT).

The SPLUM unit has also been allocated a budget of R1700 000.00 for the development of Spatial Development Frameworks (SDFs) in the District. The unit will develop the Local Spatial Development Frameworks (LSDFs) for :

- Ntlangano Node
- Mpande Node
- Mngazana Node and

- Ntlaza Precinct Plan

With an estimated costs of around R400 000.00 per LSDFs, there are no budgetary constraints anticipated for these projects.

5. BUDGET NARRATIVE FOR TOURISM SECTION FOR 2018/2019

Tourism play's crucial role in the district economy. It essentials that latent potential be tapped into through various actions, strategies and policies. Key levers such as routes, nodes, must be coupled with interventions such as concentrated marketing, and infrastructure provision to make sure that tourism reaches its full potential

The total budget for Tourism Section is **R3 439 401**, The Votes are as follows:

5.1 Research and Development

With a budget of R662 760.00 for 2018/19, the program seeks to conduct an analysis audit and facilitate the provision of infrastructure to and at tourist's attraction sites: access roads, signage, Water and Sanitation, Electricity, Ablution Facilities, Viewing Sites and Amenities. This programme seeks to give overall support to tourism product owners/entrepreneurs by: assessment the state of tourism Products Identification of training needs, create linkages to funding opportunities, assist on development

Planned for 2018/19

- Infrastructure Audit.
- Development of Signage.
- Support to SMME'S and Co-operatives.

5.2 Regional and Local Tourism Organisations.

With a Budget of R55 230.00, this program faces huge financial constraints as it purpose is to support and facilitation of the establishment of Regional Tourism Organisations, with the formation of the Associations and Local Tourism Organisations with all Local Municipality which will feed to Regional Tourism Organisation. The purpose of this Structure is drive and manage tourism development of the O.R Tambo Region.

Planned for financial year 2018/19

Ensure sitting of the Sector Forum Meetings

Support functionality and registration of the Local Tourism Organisations

Facilitate the establishment of the Reginal Tourism Organisation.

5.3 Arts and Craft Development

With a budget of R220 920.00 this program is responsible for the assessment of skills, improving quality, capacity building, facilitate institutional arrangements, facilitate production centers and equipment , access to markets, quality control. Resource mobilization, liaising with sector department and stakeholders.

Planned for Financial year 2018/19

- Support to Visual arts and Crafters/ Product Development.
- Support Crafters to attend and exhibit in National and International Trade Shows such as the Grahamstown Arts Festival and the Mangaung African Cultural Festival(MACUFE)

5.4 District Tourism Marketing

With a budget of R1 500 491.00 this program focuses on tourism marketing and Research on tourism information and management systems, Visitor arrivals, trends, destination marketing (print Media, Website, Social Media, Exhibitions, Shows, and Identify platforms).

Planned for financial year 2018/19

- Website Population.
- Exhibit at the International Tourism Indaba and design & manufacture the new exhibition stand.
- Development of Tourism DVD, brochure reprint
- Graphic Design Training.
- Development of promotional material

5.5 Tourism Education and Awareness

With a budget of R1 000.000.00 the program seeks to encourage participation local stakeholders in tourism planning by creating platforms such regional and local tourism forums, wherein experiences, challenges and solutions will be shared.

The main focal point on this program is to conduct awareness campaigns to create awareness focusing on host communities (where there are tourist activities) through activities such as Tourism Month & Heritage Activities in September, O.R Tambo Month in October, Festive Season Tourism Safety Awareness and Support of Festival Activities conducted together with Private Sector. The program also involves use of Media (Print and electronic), to engage learners and public to debates to support the cause for tourism, Events, Safety and security related activities with SAPS.

Planned for financial year 2018/19

- Tourism Beach Sport
- Kayaking Competition
- Events promotion
- Tourism Awareness Campaigns in all Local Municipalities
- Tourism Awards

6. RURAL DEVELOPMENT & RESEARCH

6.1 RAFI (Rural Agro-Industries and Financial Initiative)

Given the vast amount of land and favourable climatic conditions in the Eastern side of the Eastern Cape, the O.R Tambo District has been identified as a potential food basket and agricultural primary production hub for the Eastern Cape Province. In tapping on this Economic and Comparative advantage, the O.R Tambo District Municipality intends to implement the Rural Agro-Industries and Financial Initiative (RAFI) as means to enhance primary production in the district.

With a budget set aside of **R9.5m**, the program seeks to implement a commercial pilot for large scale production of oil seeds / high cash crops (soya beans), and seed multiplication for the district. This program is implemented in partnership with the Government of Argentina. Currently 430ha pilot program is under implementation to consider the Argentinian technology of direct planting and no till. This program which will create more jobs once is implemented fully.

6.2 Development of LED Sector Plans

i) LED Strategy and Capacitation

The LED strategy has been reviewed to align it with key policy frameworks such as DDP, Sector Plans and other frameworks from national, provincial and district levels. Therefore, budget for 2018/19 which is R750 000.00 will be used to facilitate and co-ordinate implementation of sector plans DDP, Agriculture Development Strategy, Forest Development Strategy, development of Aquaculture Development Strategy. These strategies have key programs which brings Co-operatives and SMMEs into the main stream economy and job creation and thus contributing to radical economic transformation. The R600 000.00 budget for 2018/19 for capacitation would help in

training the people of the region in terms of the needs of the economy through HDR Council in order to align skills with the economy.

ii) Sector Development Plans

As part of driving broad development within the region, it's important to have a plan on Rural Development hence we have developed a Rural Development Plan for the District which will be the key driver of development and helps to co-ordinate other sector plans. Therefore, the budget for 2018/19 which is R 600 000.00 will be used to develop a Rural Development Plan and facilitate its implementation in relation with sector plans. This plan together with LED Strategy will be tools to co-ordinate other sector departments on sharing of resources and expertise in fast tracking development within the region and help in creating sustainable jobs.

iii) Agriculture Development Strategy

The Agricultural Sector has significant contribution to the GDP recently and has become one of the key focus areas for economic growth of the country. Therefore, our District has identified Agriculture development as one of its pillars for its economic growth and development. The Agriculture Development Strategy was developed to enhance Agriculture in order to boost economy and create sustainable jobs. Therefore, the budget for 2018/19 which is R400 000.00 will be used to facilitate implementation of the strategy as part of radicalising development of agriculture through SMME/ Co-operative support as indicated above.

6.3 Agri-Parks Program.

The Agricultural sector is one of the drivers of the economy and key contributors to the GDP in the country. Therefore, the national government has developed Agri-Parks Programme in order to drive and re-engineer Agriculture development to boost economy of the country. Contrary to that, the O.R Tambo District Municipality is the net importer of all its food including vegetables, fruit and meat products. All Districts Municipalities have been earmarked as drivers of the programme in order to boost Agriculture. Given the fact that, O.R Tambo Region imports fruit and vegetables at a cost of R10 billion a year, the District Municipality wants to contribute to the implementation of Agri-Parks programme through development of FPSUs business plans as well as establishing Hydroponics Program in various Local Municipalities.

With a budget of **R15m**, as part of promoting radical economic development and creating vibrant communities, the District has embarked on a number of Economic programs.

Guided by the NDP, PDP, the IPAP, the District LED strategy document, the IDP and outcomes of the DDP Summit, the O.R Tambo District Municipality has explored number of areas with high potential for driving economic growth and job creation. Those include but not limited to:

- Focusing on Agriculture & Agro-processing as one of the pillars with a specific focus on intensifying primary production
- A need for investment on sustainable economic infrastructure, which includes industrial parks; alternative energy sources and modern communication technology as major drivers for creating a conducive environment for private investment.
- Sustaining and development of Tourism & Ocean economic opportunities as highlighted through the Operation Phakisa methodologies
- Tapping on the opportunities persuaded by Major National and Provincial driven Projects such as the Agri-Parks Program, Wild Coast SEZ, N2 Wild Coast road, Umzimvubu Dam, Mthatha airport Upgrade, Mthatha Presidential Infrastructure intervention Projects etc.

Programs for 2018/19

- Develop Business Plans for THREE Farmer Production Support Production Units in three LMs.
- Establish FIVE Agri-Tech Incubation Centres for increased vegetable production.

6.4 Regional Industrial Development Program

With a budget of R5m the department aims to enhance industrial development for establishing factory for rural communities for tissue manufacturing, chemicals and enhanced capacity for the Auto-Motive Sector Incubation. A feasibility study for the Regional Auto-Motive Hub is envisaged in this program and intensive training on panel beating and Auto-Body repairs is also primary in this program.

6.5 Trade and Investment Promotion

The successful implementation of the programs mentioned above require collaboration of both government and private sector. Therefore, Trade and Investment Strategy was developed among other things to promote investment in the district. In this regard, a task team has been established to facilitate and co-ordinate investment activities within the region. Therefore, the R200 000.00 budget for 2018/19 will be used to facilitate and co-ordinate investment for the region including preparations for land and economic

investment conference. This programme aimed at facilitating and creating conducive environment for radical economic transformation which will ultimately create sustainable jobs.

7. SMME, COOPERATIVES AND INFORMAL TRADE SUPPORT

With a budget of R12m the district plans to enhance job creation and support SMMEs, Cooperatives and Informal Trade enterprises on material, inputs and supplies necessary to unlock the potential of business in the rural communities. In addition the budget aims to ensure a fully established and operational Cooperatives Development Centre for the District.

Co-operatives have been supported in previous financial years but their contribution to the economy of the region is minimal due the fact that, they are not able to sustain themselves due to a number of challenges such as lack of financial management, lack of entrepreneurial knowledge, lack of skills, lack of access to market and lack of sufficient financial support. These challenges will be addressed through the planned SMME/Co-operative Funding Policy for the district, HRD Council which focuses on skills development, Partnerships we have with other sectors such as ECDC, DTI and other departments. Therefore, the budget for 2018/19 will be used support co-operatives with inputs, training and facilitate access to market. The District Municipality will improve its monitoring and assistance to Co-operatives and SMMEs through the development and implementation of SMME/Co-operative Funding Policy which will be processed to council for approval. The development of this Policy also aims to strengthen our economic cluster through IGR in order to create sustainable jobs and bring SMMEs/Co-operatives to the main stream economy.

Community Services

Subsistence & Travelling	To cover for the accommodation, flights and all travelling arrangements for the personnel and the office of the Portfolio Head in areas of programmes that require his intervention.
Disaster Risk Management	Budget will be used to ensure integrated approach to disaster risk management focusing on building resilience, improved institutional capacity to mitigate and respond to disasters through programmes like Disaster Management Information System; Scientific Disaster Management; Skills Development and Capacity Building; Stipend for emergency volunteers- who are used to do community awareness

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	programmes on disaster management and Disaster preparedness and response- This programme serves as an immediate intervention whenever an strikes
Fire Emergency Services	Budget for Fire Fighting Services covers matters like uniform and protective clothing, Business and Public building inspections in terms of compliance to fire prevention; stipend for volunteers who assist in building community awareness on fire emergency services; Firefighting equipment that focuses on purchasing fire trucks.
Municipal Health Services	Municipal health services establishment focusing in establishing Satellite Offices in Local Municipalities; Primary Health Care- focussing in coordinating National Health Insurance programme; municipal health services which includes testing of water, taking food samples, inspecting funeral parlours and waste management landfill sites.
Sports, Recreation, Arts, Culture and Heritage	District Sports Council and establishment and building capacity of other structures of all sport codes ; Transfer of Sports Facilities that are developed in rural areas where communities especially youth is affected; Ingquza Hill Massacre (Pondoland Revolt) which is commemorated yearly in June; Sports and Recreation which includes building capacity and supporting arts and cultural groups with necessary equipment
Social Development and Community Safety	Budget will assist in coordinating Safety and security programmes; coastal safety- which supports four Local municipalities with coastal beaches by providing coastal patrollers and life guards (when funds permit); social relief programme which serves as an intervention whenever an incident strikes; library services- that promotes usage of libraries and building capacity of librarians that are in the rural libraries; early childhood development- which supports some of the centres that are not catered for by Department of Education and Social Development; child protection services- which is a programme that is used to create public awareness on violence committed against children and moral regeneration programs that are meant for youth.

Legislative Services

This report will concentrate more on cost drivers.

COUNCIL AND COMMITTEES

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According to MFMA Calendar and the Structures Act, there are 12 council meetings to be held in a financial year. This includes compliance reports and ordinary council meetings.

In addition to the above, there are 2 Open Council meetings which include SODA and Taking Council to the People”.

In line with Municipal Oversight Model, oversight committees have a responsibility of analysing performance reports of the departments and conduct project visits (when it is necessary). In the process, MMCs and HODs are called for engagement sessions by each committee. This includes sitting of 14 committee meetings twice per quarter to look at the quarterly reports of the departments.

Since O.R Tambo District municipality is vast and rural in nature, councillors attending Council meetings need to be accommodated whenever they attend council and committee meetings since they are preceded by Caucus (and study groups) meetings which usually sit in the evenings of the previous day. Most committee meetings take for about 5 hours long since O.R. Tambo has 5 local municipalities under its jurisdiction. Circular 82 of MFMA has been taken into consideration in instances where meetings go beyond 3pm for part-time councillors.

In addition to that, there are councillors identified for capacity building in areas relating to Council business (excluding tertiary institutions), whose accommodation needs to be budgeted for.

In light of the above, accommodation for the sitting of council and committee meetings can be estimated to R9 737 600.

The above amount excludes S&T travelling claims for councillors and other municipal programmes from other departments.

MPAC OVERSIGHT ROADSHOWS

The Council adopted Circular 63 of MFMA for the adoption of the Annual report. The process includes taking of the report to communities, inviting comments. After the report has been tabled, the MPAC committee embarks on oversight roadshows and project verification. This process takes about 4 months to conclude.

In addition to the above, MPAC has an overall responsibility of interrogating all the departments quarterly and mid-term reports.

PUBLIC PARTICIPATION

The programmes under public participation include the following programmes:

- Moral Regeneration movement
- Public Participation Forum
- Community Education Programmes (Speaker's Outreaches)
- Support to functionality of ward committees
- District Speaker's Forums

WHIPPERY SERVICES

The unit is responsible for the following activities that need to be financed:

- Sitting of study groups (caucuses) for each committee meeting
- Sitting of caucus meetings for each council meeting
- Multi party meetings
- Whippery Forums
- District Chief Whips meetings
- Troika meetings
- Extended Troika meetings
- Constituency meetings

RESEARCH

For each and every committee to be in a position to analyse the departmental report, the reports need to be taken to researchers. For researchers to be fully effective, they have to develop Research Agenda.

1. ACCOMODATION

Line item	No. of Cllrs that qualify for accomodation/ Guests	Number of Days	Number of meetings	Number of committees	Cost P/P P Night/ day	Total Cost
Council meetings	63	1	12	N/A	R1700 (Bed, Dinner & Breakfast)	R1 285 200
Committee meetings & Study groups	14	2	8	14	R1700	R5 331 200
Open Council Meetings	63	2	2	N/A	R1700	R428 400
Whippery Project Visits	30 (party whips and chairpersons)	5	2	N/A	R1700	R510,000
Committee Project Visits (Focused Intervention Study)	14	2	2	14	R1700	R1 332 800
Capacity Building	10	5	10	N/A	R1700	R850 000

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TOTAL						R9 737 600
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2. CATERING

Line item	No. of Cllrs / Guests	Number of Days	Number of meetings	Number of committees	Cost P/P P Plate	Total Cost
Council meetings	100	1	12		R100	R120 000
Committee meetings	15	1	8	14	R100	R168 000
Committee study Groups	15	1	8	14	R100	R168 000
Open Council Meetings	300	1	2	N/A	R100	R60,000
Speaker's Outreach Programmes	300	1	2	N/A	R100	R60 000
Sector Parliament	200	1	1	N/A	R100	R20,000
Whippery Outreaches	200	1	2	N/A	R100	R40 000
Whippery Project Visits	30	5	2	N/A	R100	R30 000

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Committee Project Visits (FIS)	14	2	2	14	R100	R78 400
TOTAL						R744 400

3. COUNCIL NOTICES

a. $R9000 \times 13 = R117\ 000$

4. MOBILISATION / TRANSPORTATION

a. $300 \text{ delegates} \times R100 \times 2 \text{ (2 Open Councils, 4 Outreaches)} = R180\ 000$

5. Vehicles for the Speaker and Whippery = R 1,000,000

1.5.7

6. TENTS AND CHAIRS

a. $2 \times R30\ 000 \text{ Outreaches} = R\ 60,000$

b. $2 \times R30\ 000 \text{ Open Councils} = R60,000$

7. HIRING OF P.A.SYSTEM

a. $2 \times R10\ 000 \text{ Outreaches} = R\ 20,000$

b. $2 \times R10\ 000 \text{ Open Councils} = R20,000$

8. FEES FOR SERVICE PROVIDERS

- a. Speaker's Outreaches (Community Education workshop) = R450 000
- b. Whippyery Outreaches (community Education workshop) = R450 000
- c. Voter Education = R450 000

Ntinga Development Agency

1. 2018/2019 BUDGET OVERVIEW

- a) Ntinga O.R. Tambo Development Agency SOC LTD is operating as a wholly owned implementing agent of the parent municipality, O.R. Tambo District Municipality (ORTDM). During 2015/2016 financial year the mandate of the Entity was amended. The amended mandate is mainly derived from the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) and Section 84(1)(a)(b)(d)(k)(m)(n)&(p) of Municipal Structures Act, 1998 (Act 117 of 1998).

It is to facilitate, manage and implement Socio-economic Development initiatives with a special focus on:

- Water and Sanitation;
 - Service Centres (e.g. Markets, Abattoirs, Agri-parks, Farms, etc.);
 - Rural Development (e.g. Tourism, Forestry, Agriculture, etc.);
 - Cooperatives and SMMEs; and
 - Any other related function in partnership with either public or private sector.
- b) In implementing the above mandate the Entity has developed a strategy anchored on the following four goals:-
 - Goal 1: Sustainable Water Services (water supply and sanitation) Systems
 - Goal 2: Enhanced and Enabled Full Value Chains (upstream and downstream) for Agricultural Produce, Markets, Abattoirs and Aquaculture.
 - Goal 3: Diversified Partnerships that Promote Inclusive Socio-economic Development and Growth.
 - Goal 4: Dynamic, Capable and Sustainable State Owned Company.

This budget is aligned to the four goals.

- c) The entity has shifted away from traditional poverty alleviation programmes. Coupled with that, the entity has been restructured to assist the parent municipality in the implementation of water and sanitation function. With effect from 01 July 2017 the Entity has been operating as a State Owned Company. Main programmes planned for implementation during the 2018/2019 financial year are summarized as follows:-
- Water services including maintenance of water schemes, billing in peri-urban areas, revenue collection as well as social facilitation;
 - Trade and investment promotions;
 - Enterprises development;
- d) Ntinga is planning to maximize return on the operations of farms and other enterprises such as the abattoir, Kei Fresh Produce Market and the Dairy farm. To this end the Entity has a strategic goal of enhancing and enabling full value chains using the available enterprises. Some of the functions will be carried out through strategic partnerships. The overarching strategy is to turn the enterprises from loss making into profitable and viable business centres.
- e) The Entity is positioning itself to be one of the key roleplayers in strategic programmes including the following:
- Agri-parks initiative;
 - Umzimvubu Dam construction;
 - N2 toll road roll-out;
 - Industrialisation in the district;
 - Alternative energy programme.
- f) This budget is prepared taking into account that has assumed the full operations of the Adam Kok Farms including recognition of revenue generated.
- g) Compared with the 2017/2018 budget, there is a decline in grant funding from the parent municipality. The Entity expects to generate more revenue from water services. Projected water services revenue includes management and maintenance of water schemes, social facilitation as well as billing of water consumers in rural areas and debt collection.
- h) During 2017/2018 the Entity has utilised accumulated cash reserves for capitalisation purposes. The abattoir and the fresh produce market had been prioritised. A total of R12m has been utilised for this purpose. This capitalisation is expected to yield positive returns in the medium to long term. For the two prioritized enterprises the return expected on capitalisation is as follows:-

Abattoir

Over the next three years to 2020/2021 abattoir revenue is to increase from R4,5m to an average of R18.0m per annum. This is a total increase of R13.5m. The number of units slaughtered at the

abattoir is to increase significantly taking into account that the majority of the units will be coming from the Adam Kok Farms. The number of abattoir customers is set to increase by having amongst others retailers, supermarkets etc.

Operational losses are to decrease gradually. Grant funding required to subsidize operations is estimated to decrease from R1.1m in 2017/2018 up to no funding required in 2018/2019 financial year. Projections are that the abattoir will turn profitable with effect from the 2019/2020 financial year and will therefore no longer require grant funding from that financial year onwards.

Kei Fresh Produce Market

Over the next three years to 2020/2021 fresh produce market revenue is to increase from R4,4m to an average of R7,2m per annum. All equipment is expected to be fully operational by the end of the 2017/2018 financial year. The market will then be in a position to compete with other markets and be in position to attract producers to sell their produce through it. Grant funding required to subsidize operations is estimated to decrease from R3,3m in 2017/2018 financial year to no grant funding required in 2018/2019 financial year. Projections are that the market will turn profitable with effect from the 2018/2019 financial year and will therefore no longer require grant funding from that financial year onwards.

2. RESOLUTIONS

In compliance with Local Government: Municipal Finance Management Act Section 87(4), the Board of Directors approves the 2018/2019 budget of the Entity.

3. EXECUTIVE SUMMARY

The 2018/2019 operational annual budget amounts to R84,1m and capital budget amounts to R0.9m. This gives a total 2018/2019 budget of R85,0m compared to the 2017/2018 financial year budget of R63,0m.

Grant funding from the parent municipality for 2017/2018 financial year was R29,5m including Vat. For the 2018/2019 financial year, grant funding is R31,1m including Vat. For the 2019/2020 financial year it is R32,7m including Vat and for the 2020/2021 financial year the grant funding is R34,4 including Vat.

Year to year budget increase is estimated to be approximately 10%. Invested funds will reduce through spending mainly on capital expenditure.

There is a 7% estimated increase in salaries and wages budget in the 2018/2019 budget. Budget provision has been made for filling of new vacant positions with special focus on water services.

Funds that are not readily required for operational requirements are invested in call deposits in line with the investment policy.

The entity does not have long term borrowings.

Net assets position is expected to be sound into the foreseeable future with assets exceeding liabilities.

4. SUPPORTING DOCUMENTATION

4.1 Overview of annual budget process

There is an agreement in place between the entity and the parent municipality. This agreement is based on the mandate given to the Entity. As part of the integrated development plan of the parent municipality activities to be carried out by the entity are outlined. In addition to this, the Board of Directors develops and adopts a strategy of implementing the mandate. All of these are then used to inform budget proposals. Heads of departments prepare departmental budgets for submission to Chief Financial Officer for checking alignment with the strategy as well as consolidation.

The consolidated draft budget is then considered by the sub-committee of the board before it is discussed by the board of directors. Upon approval by the Board of Directors the budget is submitted to the parent municipality.

Where there are changes that are proposed by the parent municipality they are taken into account before the consolidated budget is tabled in Council before the end of March of each year. The consolidated budget is then taken for public consultation by the parent municipality. Views of the community and key stakeholders are then considered by the Board of Directors before the final budget is adopted by the Board of Directors.

4.2 Overview of alignment of annual budget with service delivery agreement

Ntinga is a wholly owned municipal entity of O.R. Tambo District Municipality. The parent municipality appoints the Board of Directors. As a means of oversight the parent municipality is represented in meetings of Board of Directors. Financial reports of the entity are submitted to the parent municipality monthly. Furthermore, quarterly performance reports and financial reports are subject of discussions by Council of the parent municipality. The entity is also subjected to Municipal Public Accounts Committee processes.

4.3 Overview of budget related policies

Listed below are Ntinga's budgeted related policies. They are accessible from our records management office. They are also posted on our website www.ntinga.org.za under Acts and policies.

- Asset management policy
- Credit control policy
- Fleet management policy
- Investment policy
- Leave policy
- Performance management policy
- Budget policy

These policies are subject of reviewal annually.

4.4 Overview of budget assumptions

The budget proposals are based on the following assumptions:-

- a) Medium Term Expenditure Framework (MTEF) Guide was used to inform some of the budget proposals. Primarily the budgeted grant amounts for 2018/2019 and 2019/2020 are based on its MTEF budget.
- b) Operations under a state owned company form commenced in full with effect from 01 July 2017;
- c) The Entity has taken the full responsibility for operations at Kei Fresh Produce Market with effect from 01 July 2017;
- d) Improved returns on investments made on projects such as the abattoir and the fresh produce market are expected in the 2018/2019 financial year. These projects are forecast to be self sustainable in the 2018/2019 financial year;
- e) Revenue from Adam Kok farms is recognised by the Entity.
- f) Year to year price increase is estimated to be approximately 10%. This is informed by the struggling economic outlook e.g. increase in VAT rate which is going to have adverse

impact in food prices etc. Drought as well is expected to have adverse effect on future prices.

- g) The Entity is attending to operational challenges in service centers such as the farms, fresh produce market and the abattoir. There is a strategy that links operations of various service centers thereby maximizing return on investment.
- h) The Entity has budgeted for depreciation in value of assets.
- i) There will be new appointments of staff particularly in water services

4.5 Overview of budget funding

Bulk of the budget is funded from grant funding from the Parent Municipality.

Own revenue in the form of sales at the dairy, the fresh produce market and the abattoir is expected to improve.

5. Legislation compliance status

Ntinga is fully implementing all legislation that is applicable to it. There are no delays in implementation and there is no application for such.

6. Other supporting documents

Additional information on expenditure

- a) Estimates of year to year budgets are based on the costing of projects and programmes. In an event that budgets require annual increases, we used an average percentage of 10%.
- b) Accommodation and travel budget will be utilized for all employees within the institution. This is mainly based on travelling to be done by staff when performing their duties as well as training requirements and workshops that will be attended to skill and capacitate employees. With now operations under the state owned company form, expenditure on training of staff is expected to increase.
- c) Board and committees fees budget is set aside for board and committee meetings. It is expected that the Board and its Committees will hold the minimum of four meetings each during the year. The number of board members is expected to increase. The budget includes all board related expenses.

R2.4m has been budgeted for audit fees for Auditor General to perform their statutory work.

Table 27 MBRR Table A7 - Budget cash flow statement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									-	-	-
Service charges		132,137	138,063	129,549	185,246	185,246	185,246	185,246	197,027	214,981	237,566
Other revenue		175,416	80,400	122,905	327,863	342,988	342,988	342,988	513,963	433,413	415,693
Government - operating	1	815,876	815,231	828,195	735,126	735,126	735,126	735,126	798,523	855,753	927,444
Government - capital	1	356,091	481,354	683,123	1,099,649	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Interest		23,928	52,452	57,322	30,000	39,000	39,000	39,000	34,650	36,118	39,805
Dividends					-	-	-	-	-	-	-
Payments											
Suppliers and employees		(964,740)	(842,814)	(974,646)	(1,073,819)	(1,100,359)	(1,100,359)	(1,100,359)	(1,114,036)	(1,182,383)	(1,260,417)
Finance charges		(1,865)	(579)	(6,001)	-	-	-	-	-	-	-
Transfers and Grants	1	(107,936)	(107,936)	(149,375)	(33,404)	(37,504)	(37,504)	(37,504)	(101,497)	(108,688)	(116,428)
NET CASH FROM/(USED) OPERATING ACTIVITIES		536,843	616,172	691,071	1,270,660	1,264,145	1,264,145	1,264,145	1,350,960	1,272,428	1,332,215
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			304	539					-	-	-
Proceeds on sale of biological assets		444	294	1,958					-	-	-
Decrease (increase) in non-current debtors		(180)							-	-	-
Decrease (increase) biological assets		209	401						-	-	-
Decrease (increase) in non-current investments			(901)	(2)					-	-	-
Payments											
Capital assets		(433,469)	(585,887)	(810,077)	(1,250,898)	(1,237,629)	(1,237,629)	(1,237,629)	(1,184,390)	(1,191,331)	(1,262,191)
Biological assets		(751)	(422)	(318)							
NET CASH FROM/(USED) INVESTING ACTIVITIES		(433,746)	(586,211)	(807,900)	(1,250,898)	(1,237,629)	(1,237,629)	(1,237,629)	(1,184,390)	(1,191,331)	(1,262,191)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing				38,795					-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(664)	(124)	(20)					-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(664)	(124)	38,775	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		102,433	29,837	(78,054)	19,763	26,517	26,517	26,517	166,570	81,097	70,024
Cash/cash equivalents at the year begin:	2	206,879	339,556	369,393	513,455	513,455	513,455	513,455	539,972	706,542	787,639
Cash/cash equivalents at the year end:	2	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662

The above table shows that cash and cash equivalents of the District Municipality decreased from the 2014/15 from R309million to 2016/17 R291 million. The main reason for the decrease in 2016/17 cash held deficit of R78 million which is mainly due to increase in employee costs, withholding of conditional grant (MIG). With the 2017/2018 budget various cost efficiencies and savings had to be realised to ensure the District Municipality could meet its operational expenditure commitments and an increase to R533 million was budgeted for and in the adjustment budget increased to R539 million. For the 2018/2019 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R706 million, R787 million, R857 billion for MTREF respectively.

1.5.8 Cash Backed Reserves/Accumulated Surplus Reconciliation

OR Tambo District Municipality 2018/2019 Budget and MTREF

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 28 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662
Other current investments > 90 days		-	27,962	67,769	148,545	148,863	148,863	148,863	(0)	(0)	0
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		309,312	397,355	359,108	681,763	688,835	688,835	688,835	706,542	787,639	857,662
Application of cash and investments											
Unspent conditional transfers		4,110	9,501	7,230	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	229,755	264,630	293,705	191,784	184,689	184,689	184,689	149,880	245,191	301,096
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		233,865	274,131	300,935	191,784	184,689	184,689	184,689	149,880	245,191	301,096
Surplus(shortfall)		75,447	123,224	58,173	489,980	504,147	504,147	504,147	556,661	542,448	556,567

From the above table it can be seen that the cash and investments available total R309 million in 2014/15 audit outcomes then increase to R309 million in 2015/16 and decrease to R291 million in 2016/17. The decrease is as explained above in explanation of table A7 being cash shortage of R78 million was experienced in the 2016/17 financial year which was as a result of withholding of MIG resulting in municipality utilising own reserves, increase in employee costs. Cash available of R706 million in 2018/2019 then increase to R857 million at end of the MTREF, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. For 2018/2019 MTREF there was unspent conditional of R7 million.
- In other working capital requirements, a key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the District Municipality in 2017/2018 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. For 2014/15 audited outcome, the working capital amounted to R229 million which then increased to R266 million in 2015/16 and R294 in 2016/17 resulting in the surplus of cash in 2014/15 and 2015/16 of R75 million and R123 million respectively In 2016/17 there was a surplus of R58 million.

The main reasons of the shortfall is in 2016/2017 audit outcome

- Decrease in the cash due to the withholding of conditional grant (MIG) resulting in municipality financing from own funds the commitments that were already contracted for.
- Increase in debt impairment (due to the internal leakages of households within the dwelling identified that resulted in increase in impairing debtors as per the recommendation of AG) which in turn decreased the debtors in the balance sheet. The formula used to determine the "other working capital requirements" takes the already impaired net debtors in the balanced sheet and compare with the creditors. If the formula was using the gross debtors which amounted to R643 million, the amount would be favourable. But since the already impaired debtors balance (with impairment of R147 million) is utilised, it will seem as if the debtors are smaller than the creditors

It can be concluded that the District Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

1.5.9 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 29 MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	309,312	369,393	291,339	533,218	539,972	539,972	539,972	706,542	787,639	857,662
Cash + investments at the yr end less applications - R'000	18(1)b	2	75,447	123,224	58,173	489,980	504,147	504,147	504,147	556,661	542,448	556,567
Cash year end/monthly employee/supplier payments	18(1)b	3	4.4	5.0	3.3	7.3	7.2	7.2	7.2	8.2	8.5	8.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Service charge rev % change - macro CPIIX target ex clusive	18(1)a,(2)	5	N.A.	(2.4%)	(0.1%)	23.9%	(6.0%)	(6.0%)	(6.0%)	0.0%	2.0%	3.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	100.2%	65.1%	65.2%	85.3%	85.9%	85.9%	85.9%	109.9%	95.4%	92.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	81.7%	55.2%	71.1%	31.0%	31.0%	31.0%	31.0%	30.8%	30.1%	29.1%
Capital payments % of capital expenditure	18(1)c;19	8	99.8%	114.8%	100.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	9	0.0%	0.0%	30.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	13.1%	(21.1%)	50.5%	0.0%	0.0%	0.0%	(24.4%)	(33.9%)	(54.0%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	303.5%	0.1%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.9%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	6.3%	6.2%	6.2%	6.2%	8.5%	4.3%	5.4%

1.5.9.1 Cash/cash equivalent position

The District Municipality’s forecast cash position was discussed as part of the budgeted cash flow statement. A ‘positive’ cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality’s forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/2019 MTREF shows R706 million then R787 million and R857 million at end of MTREF.

1.5.9.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 28,. The reconciliation is intended to

be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.5.9.3 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2018/2019 MTREF the indicative outcome is a surplus of R1 billion respectively.

1.5.9.4 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc. For 2018/2019 resulted in (0percent) then in 2020/2021 amounted to 3 percent. Reason for increase in revenue has been mentioned in the revenue analysis above being the anticipated increase in billing due to the data cleansing resulting in higher collection rate.

1.5.9.5 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 86 percent for MTREF. Given that the assumed collection rate was based on a 69 percent performance target and the free basic component in determining the collection rate is reduced hence the targeted collection is 69 percent The cash flow statement has been conservatively determined. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly. The municipality has succeeded in collecting the refunds from SARS for VAT. The collection rate is above 95percent of the claims that are submitted for the VAT refund. The amount for VAT claims is directly affected by the level of spending on more especially MIG projects.

1.5.9.6 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at average of 30 percent over the MTREF.

1.5.9.7 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 percent timing discount has been factored into the cash position forecasted over the entire financial year.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. District Municipality will not undertake any borrowing.

1.5.9.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (Dora) have been budgeted for. The District Municipality has budgeted for all transfers.

1.5.9.10 Consumer debtors change (Current and Non-current)

The purposes of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.5.9.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 42 MBRR SA34C.

1.5.9.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which

was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 41 MBRR SA34b.

1.6 Expenditure on grants and reconciliations of unspent funds

Table 30 MBRR SA19 - Expenditure on transfers and grant programmes

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:										
Operating expenditure of Transfers and Grants										
National Government:		564,347	631,409	674,226	735,126	735,126	735,126	798,523	855,753	927,444
Local Government Equitable Share		548,919	622,201	669,303	728,270	728,270	728,270	791,526	853,638	925,329
EPWP Incentive		12,994	6,693	3,213	4,811	4,811	4,811	4,882	-	-
Finance Management		1,500	1,575	1,710	2,045	2,045	2,045	2,115	2,115	2,115
Municipal Systems Improvement		934	940	-						
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants		564,347	631,409	674,226	735,126	735,126	735,126	798,523	855,753	927,444
Capital expenditure of Transfers and Grants										
National Government:		710,999	660,205	1,070,117	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
Municipal Infrastructure Grant (MIG)		604,371	519,099	617,195	645,218	645,218	645,218	619,684	633,395	671,322
Regional Bulk Infrastructure				343,183	327,500	327,500	327,500	309,707	286,727	308,437
Municipal Water Services Infrastructure Grant (WSIG)		89,442	124,303	109,739	124,000	124,000	124,000	90,000	100,000	105,500
Department of water affairs		10,000	10,000							
Other government departments		4,500	4,110							
Department of Roads and Transport		2,686	2,693		2,931	2,931	2,931	2,939	3,113	3,293
Provincial Government: Other capital transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		710,999	660,205	1,070,117	1,099,649	1,099,649	1,099,649	1,022,330	1,023,235	1,088,552
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		1,275,346	1,291,614	1,744,343	1,834,775	1,834,775	1,834,775	1,820,853	1,878,988	2,015,996

1.7 Councillor and employee benefits

Table 31 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		11,664	11,963	16,747	13,228	22,719	22,719	21,090	22,587	24,191
Pension and UIF Contributions		4,794	627							
Medical Aid Contributions										
Motor Vehicle Allowance			4,291		4,362	4,362	4,362	5,227	5,598	5,995
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		16,458	16,882	16,747	17,589	27,080	27,080	26,316	28,185	30,186
% increase	4		2.6%	(0.8%)	5.0%	54.0%	-	(2.8%)	7.1%	7.1%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		8,024	11,223	12,457	14,747	14,027	14,027	(1,965)	(2,105)	(2,254)
Pension and UIF Contributions		491	319	571						
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3	4,837	3,520	2,455	1,279	1,639	1,639	1,639	1,755	1,880
Cellphone Allowance	3		12	282	296	390	390	330	353	379
Housing Allowances	3									
Other benefits and allowances	3		103	306						
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		13,352	15,177	16,072	16,321	16,056	16,056	4	4	5
% increase	4		13.7%	5.9%	1.6%	(1.6%)	-	(100.0%)	7.1%	7.1%
Other Municipal Staff										
Basic Salaries and Wages		253,339	233,285	250,678	312,167	281,919	281,919	351,260	376,111	402,736
Pension and UIF Contributions		40,320	11,046	11,989	30,751	42,093	42,093	51,974	55,661	59,604
Medical Aid Contributions			10,316	11,402	12,545	13,962	13,962	50,648	54,243	58,095
Overtime		6,261	11,651	16,822	8,210	11,110	11,110	20,654	22,121	23,691
Performance Bonus										
Motor Vehicle Allowance	3	24,416	24,410	31,574	18,543	27,389	27,389	34,500	36,947	39,560
Cellphone Allowance	3		1,214	582	955	1,110	1,110	2,146	2,297	2,457
Housing Allowances	3		10,137	11,409	10,976	16,063	16,063	16,888	18,087	19,371
Other benefits and allowances	3				7,384	7,563	7,563	5,117	5,480	5,868
Payments in lieu of leave			9,193	11,103						
Long service awards			7,840	10,440	349	349	349			
Post-retirement benefit obligations	6	7,418	33,053	38,992						
Sub Total - Other Municipal Staff		331,754	352,146	394,991	401,881	401,558	401,558	533,186	570,947	611,382
% increase	4		6.1%	12.2%	1.7%	(0.1%)	-	32.8%	7.1%	7.1%
Total Parent Municipality		361,564	384,205	427,809	435,792	444,694	444,694	559,507	599,136	641,573

Table 32 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

OR Tambo District Municipality 2018/2019 Budget and MTREF

Disclosure of Salaries, Allowances & Benefits 1.	Ref	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum	No.		1.				2.
Councillors	3						
Speaker	4	793,351		193,601			986,952
Chief Whip		743,789		181,501			925,290
Executive Mayor		991,600		242,002			1,233,602
Deputy Executive Mayor		793,351		193,601			986,952
Executive Committee		5,424,434		1,323,657			6,748,091
Total for all other councillors		13,201,956		3,429,324			16,631,280
Total Councillors	8	-	-	5,563,686			27,512,168
Senior Managers of the Municipality	5						
Municipal Manager (MM)		1,592,940		156,000			1,748,940
Chief Finance Officer		1,274,462		480,089			1,754,551
Director : Legislative Services		1,205,344		210,000			1,415,344
Director - Office of Executive Mayor		1,266,562		150,000			1,416,562
Director - Municipal Manager		1,308,495		30,000			1,338,495
Director - Corporate Services		1,392,837		30,000			1,422,837
<i>List of each official with packages >= senior manager</i>							
Director - Rural Economic Development and Planning		1,654,436		114,000			1,768,436
Director - Human Settlements		1,037,364		210,000			1,247,364
Director - Water and Sanitation Services		1,198,406		24,000			1,222,406
							-
Director : Internal Audit		1,122,008		295,000			1,417,007
Director : Community Services		1,505,516		270,000			1,775,516
							-
							-
							-
							-
							-
							-
Total Senior Managers of the Municipality	8,10	-	-	1,969,089	-		16,527,461

Table 33 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2016/17			Current Year 2017/18			Budget Year 2018/19		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		60	–	60	71	–	71	71	–	71
Board Members of municipal entities	4	11	–	11	10	–	10	10	–	10
Municipal employees	5	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	3	18	–	18	13	–	10	12	–	10
Other Managers	7	50	50	–	55	55	–	65	51	–
Professionals		103	93	10	103	93	–	129	52	77
<i>Finance</i>		51	41	10	51	41	–	77	–	77
<i>Spatial/town planning</i>		1	1	–	1	1	–	1	1	–
<i>Information Technology</i>		–	–	–	–	–	–	–	–	–
<i>Roads</i>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Water</i>		–	–	–	–	–	–	–	–	–
<i>Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Refuse</i>		–	–	–	–	–	–	–	–	–
<i>Other</i>		51	51	–	51	51	–	51	51	–
Technicians		97	95	2	97	94	–	101	96	–
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		8	6	2	8	6	–	10	8	–
<i>Roads</i>		–	–	–	–	–	–	–	–	–
<i>Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Water</i>		85	85	–	85	84	–	87	84	–
<i>Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Refuse</i>		–	–	–	–	–	–	–	–	–
<i>Other</i>		4	4	–	4	4	–	4	4	–
Clerks (Clerical and administrative)		249	245	4	261	245	16	356	245	16
Service and sales workers		73	73	–	73	73	–	193	93	5
Skilled agricultural and fishery workers		18	–	18	–	–	–	–	–	–
Craft and related trades		–	–	–	–	–	–	–	–	–
Plant and Machine Operators		60	60	–	60	59	–	96	59	–
Elementary Occupations		909	833	76	909	895	–	1,158	1,148	78
TOTAL PERSONNEL NUMBERS	9	1,648	1,449	199	1,652	1,514	107	2,191	1,744	267
% increase					0.2%	4.5%	(46.2%)	32.6%	15.2%	149.5%
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10	118	118	–	118	118	–	118	118	–
Human Resources personnel headcount	8, 10	20	–	–	22	21	1	22	21	1

Implementation of the Approved Organisational Structure

The revised Micro Organizational Structure which was approved by Council on 6 December 2014 is presumed to be vacant pending completion of the following sequence of processes:

1. Job Description writing
2. Job Evaluation
3. Costing of Organizational Structure
4. Placement of Employees

The processes in question are still work in progress. However, the personnel that is currently operational which is still to migrate to the newly approved organogram is the main cost driver within the municipality's payroll.

Currently nine senior management S56 posts have been filled with three outstanding.

Employment of Casual Employees

The District Municipality has employed casual workers who have been retained for a number of years. These casuals now fit the definition of employee in terms of our LRA amendment as they have been employed for more than three (03) months since the date of effect of the amendment namely 01 January 2015.

They were contracted on twelve (12) months fixed contract so as to regulate their open ended employment with the District Municipality. The basis of entering into the one year contract was a resolution taken by the LLF that casual employees must be contracted for a year (1st March 2014 to 28 February 2015), meanwhile a verification process to distinguish between those employed prior 2010 and those employed post 2010 is being conducted. The objective was that those employed post 2010 were unlawfully employed as it was resolved not to employ any additional casual employees after 31 January 2010.

Upon expiry of the fixed term contract in February 2015, it became realistic that the verification process was not finalized and that no alternative plans were in place for the service delivery department, specifically DWASS, in ensuring uninterrupted water provisioning to communities, however, the departments affected reported that despite the expiry of contracts, the contracted workers refused to accept termination as their contractual arrangements were to allow time to finalise verification. The verification is currently at its final stages.

1.8 Monthly targets for revenue, expenditure and cash flow

Table 34 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue By Source																
Property rates																
Service charges - electricity revenue																
Service charges - water revenue		19,475	15,083	16,728	18,822	14,893	8,266	8,388	19,048	27,224	14,865	18,578	17,918	199,289	215,232	234,603
Service charges - sanitation revenue		8,346	6,464	7,169	8,067	6,383	3,543	3,595	8,163	11,667	6,371	7,962	7,679	85,409	92,242	100,544
Service charges - refuse revenue																
Service charges - other																
Rental of facilities and equipment		5	5	5	5	5	5	5	5	5	5	5	5	58	61	64
Interest earned - external investments		2,446	2,335	3,185	1,249	3,554	1,596	2,571	2,446	2,631	2,446	2,446	2,446	29,350	30,500	33,850
Interest earned - outstanding debtors		442	422	575	225	642	288	464	442	475	442	442	442	5,300	5,618	5,955
Dividends received																
Fines, penalties and forfeits																
Licences and permits																
Agency services																
Transfers and subsidies		318,156	-	-	-	265,062	-	-	1,221	214,084	-	-	0	798,523	855,753	927,444
Other revenue		195,249	15,973	15,630	17,634	16,035	17,375	9,086	15,983	14,371	10,464	10,646	18,283	356,728	366,277	365,264
Gains on disposal of PPE																
Total Revenue (excluding capital transfers and contributions)		544,118	40,282	43,293	46,002	306,574	31,072	24,109	47,307	270,457	34,593	40,079	46,773	1,474,657	1,565,683	1,667,724
Expenditure By Type																
Employee related costs		44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	533,190	570,951	611,387
Remuneration of councillors		2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,695	27,915	29,897	32,019
Debt impairment		7,306	7,306	7,306	7,306	7,306	7,306	7,306	7,306	7,306	7,306	7,306	7,306	87,671	92,493	97,580
Depreciation & asset impairment		13,568	13,568	13,568	13,568	13,568	13,568	13,568	13,568	13,568	13,568	13,568	13,568	162,820	171,812	181,302
Finance charges		7	7	7	7	7	7	7	7	7	7	7	7	85	94	103
Bulk purchases		5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	70,500	74,378	78,468
Other materials		5,038	5,170	5,091	4,777	5,592	5,089	5,142	5,538	5,686	5,569	5,412	5,038	63,142	66,621	70,294
Contracted services		5,129	6,102	4,801	4,324	3,921	3,424	2,113	3,071	2,199	2,047	2,034	3,499	42,664	45,010	47,486
Transfers and subsidies		8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	6,577	99,616	106,703	114,334
Other expenditure		33,917	33,700	41,215	31,500	33,001	34,899	23,429	31,192	32,826	28,849	27,302	30,875	382,704	401,940	427,530
Loss on disposal of PPE																
Total Expenditure		126,023	126,911	133,046	122,541	124,453	125,352	112,623	121,741	122,650	118,404	116,688	119,873	1,470,307	1,559,898	1,660,503
Surplus/(Deficit)		418,095	(86,629)	(89,754)	(76,539)	182,120	(94,279)	(88,514)	(74,434)	147,806	(83,811)	(76,610)	(73,100)	4,350	5,785	7,221
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		206,817	-	-	-	305,817	-	-	-	509,696	-	-	-	1,022,330	1,023,235	1,088,552
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)																
Transfers and subsidies - capital (in-kind - all)																
Surplus/(Deficit) after capital transfers & contributions		624,912	(86,629)	(89,754)	(76,539)	487,937	(94,279)	(88,514)	(74,434)	657,503	(83,811)	(76,610)	(73,100)	1,026,680	1,029,020	1,095,773
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	624,912	(86,629)	(89,754)	(76,539)	487,937	(94,279)	(88,514)	(74,434)	657,503	(83,811)	(76,610)	(73,100)	1,026,680	1,029,020	1,095,773

OR Tambo District Municipality 2018/2019 Budget and MTREF

Table 35 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote																
Vote 1 - Exec. & Council		79,430	-	-	-	66,827	-	-	-	54,224	-	-	19,166	219,647	228,302	242,706
Vote 2 - Fin. & Admin		94,686	2,170	2,923	1,207	79,225	1,515	2,379	2,268	64,079	2,268	2,268	(56)	254,931	270,890	287,864
Vote 3 - Planning & Dev		44,927	4,480	4,577	4,356	37,804	4,395	4,507	5,713	30,450	4,492	4,492	(4,401)	145,793	156,204	168,169
Vote 4 - Health		1,392	-	-	-	1,171	-	-	-	950	-	-	0	3,512	3,728	3,957
Vote 5 - Community Services		5,450	-	-	-	4,585	-	-	-	3,721	-	-	-	13,756	14,637	15,576
Vote 6 - Housing		5,407	-	-	-	4,549	-	-	-	3,691	-	-	0	13,647	14,537	15,487
Vote 7 - Public Safety		19,402	-	-	-	16,323	-	-	-	13,245	-	-	0	48,971	52,199	55,644
Vote 8 - Sports & Recreation		2,956	-	-	-	2,487	-	-	-	2,018	-	-	1,313	8,775	9,294	9,844
Vote 9 - Environmental		12,494	-	-	-	10,511	-	-	-	8,529	-	-	0	31,534	33,636	35,879
Vote 10 - Roads		4,416	-	-	-	3,716	-	-	-	3,015	-	-	3,224	14,371	15,249	16,182
Vote 11 - Water		271,226	33,632	35,793	40,438	77,412	25,162	17,223	39,326	84,942	27,832	33,318	27,526	713,832	760,756	809,778
Vote 12 - Tourism		2,333	-	-	-	1,963	-	-	-	1,593	-	-	0	5,888	6,251	6,637
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote		544,118	40,282	43,293	46,002	306,574	31,072	24,109	47,307	270,457	34,593	40,079	46,773	1,474,657	1,565,683	1,667,724
Expenditure by Vote to be appropriated																
Vote 1 - Exec. & Council		19,423	17,426	18,123	18,037	17,361	14,484	17,604	19,750	15,781	17,879	17,517	26,263	219,647	228,302	242,706
Vote 2 - Fin. & Admin		29,841	24,168	26,778	21,459	21,402	21,292	18,685	18,489	18,290	21,553	17,407	15,568	254,931	270,890	287,864
Vote 3 - Planning & Dev		10,149	13,149	15,915	10,149	13,277	14,974	10,349	10,277	17,839	11,649	10,400	6,816	144,943	154,619	165,448
Vote 4 - Health		282	295	282	332	307	282	295	307	282	282	282	282	3,512	3,728	3,957
Vote 5 - Community Services		756	756	795	815	2,693	1,085	1,359	1,773	1,498	756	757	713	13,756	14,637	15,576
Vote 6 - Housing		1,219	1,055	1,585	1,055	1,447	1,122	792	1,162	1,123	1,037	1,037	1,013	13,647	14,537	15,487
Vote 7 - Public Safety		4,060	3,999	4,673	4,247	4,286	4,854	3,430	3,765	3,764	3,879	3,601	4,412	48,971	52,199	55,644
Vote 8 - Sports & Recreation		571	188	1,342	888	1,009	870	216	626	591	599	290	1,585	8,775	9,294	9,844
Vote 9 - Environmental		2,037	2,541	2,898	2,568	2,974	2,471	2,323	2,332	3,223	2,463	3,015	2,687	31,534	33,636	35,879
Vote 10 - Roads		548	548	1,100	813	1,181	681	614	1,302	1,590	1,114	1,041	3,839	14,371	15,249	16,182
Vote 11 - Water		56,459	62,203	58,985	61,304	58,257	62,865	56,752	61,427	57,965	56,489	61,138	56,489	710,332	756,556	805,278
Vote 12 - Tourism		678	584	571	874	259	371	204	530	704	704	204	204	5,888	6,251	6,637
Total Expenditure by Vote		126,023	126,911	133,046	122,541	124,453	125,352	112,623	121,741	122,650	118,404	116,688	119,873	1,470,307	1,559,898	1,660,503
Surplus/(Deficit) before assoc.		418,095	(86,629)	(89,754)	(76,539)	182,120	(94,279)	(88,514)	(74,434)	147,806	(83,811)	(76,610)	(73,100)	4,350	5,785	7,221

OR Tambo District Municipality 2018/2019 Budget and MTREF

Table 36 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional																
<i>Governance and administration</i>		174,116	2,170	2,923	1,207	146,052	1,515	2,379	2,268	118,303	2,268	2,268	19,110	474,578	499,192	530,570
Executive and council		79,430	-	-	-	66,827	-	-	-	54,224	-	-	19,166	219,647	228,302	242,706
Finance and administration		94,686	2,170	2,923	1,207	79,225	1,515	2,379	2,268	64,079	2,268	2,268	(56)	254,931	270,890	287,864
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		34,607	-	-	-	29,116	-	-	-	23,625	-	-	1,313	88,660	94,395	100,508
Community and social services		5,450	-	-	-	4,585	-	-	-	3,721	-	-	25,238	38,994	41,523	44,220
Sport and recreation		2,956	-	-	-	2,487	-	-	-	2,018	-	-	1,313	8,775	9,294	9,844
Public safety		19,402	-	-	-	16,323	-	-	-	13,245	-	-	(25,238)	23,733	25,313	27,001
Housing		5,407	-	-	-	4,549	-	-	-	3,691	-	-	0	13,647	14,537	15,487
Health		1,392	-	-	-	1,171	-	-	-	950	-	-	0	3,512	3,728	3,957
<i>Economic and environmental services</i>		61,837	4,480	4,577	4,356	52,031	4,395	4,507	5,713	41,994	4,492	4,492	(1,176)	191,698	205,089	220,230
Planning and development		44,927	4,480	4,577	4,356	37,804	4,395	4,507	5,713	30,450	4,492	4,492	(4,401)	145,793	156,204	168,169
Road transport		4,416	-	-	-	3,716	-	-	-	3,015	-	-	3,224	14,371	15,249	16,182
Environmental protection		12,494	-	-	-	10,511	-	-	-	8,529	-	-	0	31,534	33,636	35,879
<i>Trading services</i>		271,226	33,632	35,793	40,438	77,412	25,162	17,223	39,326	84,942	27,832	33,318	27,526	713,832	760,756	809,778
Energy sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water management		271,226	33,632	35,793	40,438	77,412	25,162	17,223	39,326	84,942	27,832	33,318	27,526	713,832	760,756	809,778
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		2,333	-	-	-	1,963	-	-	-	1,593	-	-	0	5,888	6,251	6,637
Total Revenue - Functional		544,118	40,282	43,293	46,002	306,574	31,072	24,109	47,307	270,457	34,593	40,079	46,773	1,474,657	1,565,683	1,667,724
Expenditure - Functional																
<i>Governance and administration</i>		49,264	41,594	44,901	39,496	38,763	35,776	36,289	38,240	34,071	39,431	34,924	41,831	474,578	499,192	530,570
Executive and council		19,423	17,426	18,123	18,037	17,361	14,484	17,604	19,750	15,781	17,879	17,517	26,263	219,647	228,302	242,706
Finance and administration		29,841	24,168	26,778	21,459	21,402	21,292	18,685	18,489	18,290	21,563	17,407	15,568	254,931	270,890	287,864
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		6,889	6,293	8,676	7,337	9,742	8,214	6,092	7,633	7,258	6,553	5,968	8,006	88,660	94,395	100,508
Community and social services		756	756	795	815	2,693	1,085	1,359	1,773	1,498	756	757	25,951	38,994	41,523	44,220
Sport and recreation		571	188	1,342	888	1,009	870	216	626	591	599	290	1,585	8,775	9,294	9,844
Public safety		4,060	3,999	4,673	4,247	4,286	4,854	3,430	3,765	3,764	3,879	3,601	(20,826)	23,733	25,313	27,001
Housing		1,219	1,055	1,585	1,055	1,447	1,122	792	1,162	1,123	1,037	1,037	1,013	13,647	14,537	15,487
Health		282	295	282	332	307	282	295	307	282	282	282	282	3,512	3,728	3,957
<i>Economic and environmental services</i>		12,734	16,238	19,913	13,530	17,432	18,126	13,286	13,912	22,652	15,226	14,455	13,343	190,848	203,504	217,509
Planning and development		10,149	13,149	15,915	10,149	13,277	14,974	10,349	10,277	17,839	11,649	10,400	6,816	144,943	154,619	165,448
Road transport		548	548	1,100	813	1,181	681	614	1,302	1,590	1,114	1,041	3,839	14,371	15,249	16,182
Environmental protection		2,037	2,541	2,898	2,568	2,974	2,471	2,323	2,332	3,223	2,463	3,015	2,687	31,534	33,636	35,879
<i>Trading services</i>		56,459	62,203	58,985	61,304	58,257	62,865	56,752	61,427	57,965	56,489	61,138	56,489	710,332	756,556	805,278
Energy sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water management		56,459	62,203	58,985	61,304	58,257	62,865	56,752	61,427	57,965	56,489	61,138	56,489	710,332	756,556	805,278
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		678	584	571	874	259	371	204	530	704	704	204	204	5,888	6,251	6,637
Total Expenditure - Functional		126,023	126,911	133,046	122,541	124,453	125,352	112,623	121,741	122,650	118,404	116,688	119,873	1,470,307	1,559,898	1,660,503
Surplus/(Deficit) before assoc.		418,095	(86,629)	(89,754)	(76,539)	182,120	(94,279)	(88,514)	(74,434)	147,806	(83,811)	(76,610)	(73,100)	4,350	5,785	7,221
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	418,095	(86,629)	(89,754)	(76,539)	182,120	(94,279)	(88,514)	(74,434)	147,806	(83,811)	(76,610)	(73,100)	4,350	5,785	7,221

Table 37 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<i>Single-year expenditure to be appropriated</i>																
Vote 1 - Exec. & Council		-	-	-	-	1,500	1,000	-	-	-	-	-	1,100	3,600	3,500	10,0
Vote 2 - Fin. & Admin		5,219	6,802	7,067	4,655	6,817	7,802	5,755	10,923	2,862	3,858	5,051	(29,900)	36,912	56,705	53,4
Vote 3 - Planning & Dev		-	-	-	-	-	-	-	600	-	-	-	-	600	-	-
Vote 4 - Health		-	1,000	-	100	-	-	-	-	-	-	-	-	1,100	120	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Housing		-	400	300	1,020	-	240	1,630	-	-	660	-	-	4,250	545	-
Vote 7 - Public Safety		-	-	400	2,000	-	400	-	-	800	-	-	-	3,600	8,000	8,5
Vote 8 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental		-	117	117	350	350	350	350	350	350	350	350	467	3,500	3,000	3,0
Vote 10 - Roads		-	300	2,700	4,700	2,708	4,950	4,773	2,858	2,750	3,100	2,800	(12,200)	19,439	33,113	3,2
Vote 11 - Water		76,295	79,262	94,626	92,072	100,388	72,256	80,018	96,157	97,031	86,679	104,180	132,426	1,111,390	1,086,348	1,183,9
Vote 12 - Tourism		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	81,514	87,881	105,210	104,896	111,763	86,998	92,526	110,888	103,794	94,647	112,381	91,893	1,184,390	1,191,331	1,262,1
Total Capital Expenditure	2	81,514	87,881	105,210	104,896	111,763	86,998	92,526	110,888	103,794	94,647	112,381	91,893	1,184,390	1,191,331	1,262,1

Table 38 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		5,219	6,802	7,067	4,655	8,317	8,802	5,755	10,923	2,862	3,858	5,051	(28,800)	40,512	60,205	63,435
Executive and council		-	-	-	-	1,500	1,000	-	-	-	-	-	1,100	3,600	3,500	10,000
Finance and administration		5,219	6,802	7,067	4,655	6,817	7,802	5,755	10,923	2,862	3,858	5,051	(29,900)	36,912	56,705	53,435
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	1,400	700	3,120	-	640	1,630	-	800	660	-	-	8,950	8,665	8,545
Community and social services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	400	2,000	-	400	-	-	800	-	-	-	3,600	8,000	8,500
Housing		-	400	300	1,020	-	240	1,630	-	-	660	-	-	4,250	545	45
Health		-	1,000	-	100	-	-	-	-	-	-	-	-	1,100	120	-
<i>Economic and environmental services</i>		-	417	2,817	5,050	3,058	5,300	5,123	3,808	3,100	3,450	3,150	(11,733)	23,539	36,113	6,293
Planning and development		-	-	-	-	-	-	-	600	-	-	-	-	600	-	-
Road transport		-	300	2,700	4,700	2,708	4,950	4,773	2,858	2,750	3,100	2,800	(12,200)	19,439	33,113	3,293
Environmental protection		-	117	117	350	350	350	350	350	350	350	350	467	3,500	3,000	3,000
<i>Trading services</i>		76,295	79,262	94,626	92,072	100,388	72,256	80,018	96,157	97,031	86,679	104,180	132,426	1,111,390	1,086,348	1,183,918
Energy sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water management		76,295	79,262	94,626	92,072	100,388	72,256	80,018	96,157	97,031	86,679	104,180	132,426	1,111,390	1,086,348	1,183,918
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	2	81,514	87,881	105,210	104,896	111,763	86,998	92,526	110,888	103,794	94,647	112,381	91,893	1,184,390	1,191,331	1,262,191
Funded by:																
National Government		206,817	-	-	-	305,817	-	-	-	509,696	-	-	-	1,022,330	1,023,235	1,088,552
Provincial Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		206,817	-	-	-	305,817	-	-	-	509,696	-	-	-	1,022,330	1,023,235	1,088,552
Public contributions & donations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		13,531	15,586	15,128	17,805	15,670	17,459	6,382	15,599	13,445	8,224	8,468	14,763	162,060	168,096	173,639
Total Capital Funding		220,348	15,586	15,128	17,805	321,486	17,459	6,382	15,599	523,142	8,224	8,468	14,763	1,184,390	1,191,331	1,262,191

Table 39 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand															
Cash Receipts By Source													1		
Property rates															
Service charges - electricity revenue															
Service charges - water revenue	12,169	7,777	9,422	11,516	7,587	960	1,082	11,742	19,918	7,559	11,272	10,612	111,618	122,739	137,022
Service charges - sanitation revenue	8,346	6,464	7,169	8,067	6,383	3,543	3,595	8,163	11,667	6,371	7,962	7,679	85,409	92,242	100,544
Service charges - refuse revenue															
Service charges - other															
Rental of facilities and equipment	5	5	5	5	5	5	5	5	5	5	5	5	58	61	64
Interest earned - external investments	2,446	2,335	3,185	1,249	3,554	1,596	2,571	2,446	2,631	2,446	2,446	2,446	29,350	30,500	33,850
Interest earned - outstanding debtors	442	422	575	225	642	288	464	442	475	442	442	442	5,300	5,618	5,955
Dividends received															
Fines, penalties and forfeits															
Licences and permits															
Agency services															
Transfer receipts - operational	318,156	-	-	-	265,062	-	-	1,221	214,084	-	-	0	798,523	855,753	927,444
Other revenue	195,249	15,973	15,630	17,634	16,035	17,375	9,086	15,983	14,371	10,464	10,646	175,461	513,906	433,352	415,628
Cash Receipts by Source	536,813	32,976	35,987	38,696	299,268	23,766	16,803	40,001	263,151	27,287	32,773	196,644	1,544,163	1,540,265	1,620,508
Other Cash Flows by Source															
Transfer receipts - capital	206,817	-	-	-	305,817	-	-	-	509,696	-	-	-	1,022,330	1,023,235	1,088,552
Total Cash Receipts by Source	743,629	32,976	35,987	38,696	605,084	23,766	16,803	40,001	772,847	27,287	32,773	196,644	2,566,493	2,563,500	2,709,060
Cash Payments by Type															
Employee related costs	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	44,433	533,190	570,951	611,387
Remuneration of councillors	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	2,293	27,512	29,466	31,558
Finance charges															
Bulk purchases - Electricity															
Bulk purchases - Water & Sewer	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	70,500	74,378	78,468
Other materials	5,038	5,170	5,091	4,777	5,592	5,089	5,142	5,538	5,686	5,569	5,412	5,038	63,142	66,621	70,294
Contracted services	5,129	6,102	4,801	4,324	3,921	3,424	2,113	3,071	2,199	2,047	2,034	2,599	41,764	44,061	46,484
Transfers and grants - other municipalities	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	8,458	101,497	108,688	116,428
Transfers and grants - other															
Other expenditure	33,917	33,700	41,215	31,500	33,001	34,899	23,429	31,192	32,826	28,849	27,302	26,098	377,928	396,907	422,227
Cash Payments by Type	105,142	106,030	112,165	101,660	103,572	104,470	91,742	100,860	101,769	97,523	95,807	94,794	1,215,533	1,291,071	1,376,845
Other Cash Flows/Payments by Type															
Capital assets	81,514	87,881	105,210	104,896	111,763	86,998	92,526	110,888	103,794	94,647	112,381	91,893	1,184,390	1,191,331	1,262,191
Repayment of borrowing															
Other Cash Flow s/Payments															
Total Cash Payments by Type	186,656	193,910	217,375	206,556	215,335	191,469	184,268	211,748	205,563	192,170	208,188	186,687	2,399,923	2,482,403	2,639,037
NET INCREASE/(DECREASE) IN CASH HELD	556,973	(160,935)	(181,388)	(167,860)	389,749	(167,702)	(167,465)	(171,747)	567,284	(164,883)	(175,415)	9,958	166,570	81,097	70,024
Cash/cash equivalents at the month/year begin:	539,972	1,096,945	936,011	754,623	586,762	976,512	808,809	641,344	469,598	1,036,882	871,999	696,584	539,972	706,542	787,639
Cash/cash equivalents at the month/year end:	1,096,945	936,011	754,623	586,762	976,512	808,809	641,344	469,598	1,036,882	871,999	696,584	706,542	706,542	787,639	857,662

1.9 Contracts having future budgetary implications

In terms of the District Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

1.10 Capital expenditure details

The following three tables present details of the District Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

OR Tambo District Municipality 2018/2019 Budget and MTREF
Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		422,376	481,354	791,934	1,102,117	1,100,949	1,100,949	1,026,926	1,028,084	1,098,667
Roads Infrastructure		10,759	-	-	2,931	2,231	2,231	2,939	3,113	3,293
Roads		10,759			2,931	2,231	2,231	2,939	3,113	3,293
Road Structures										
Water Supply Infrastructure		411,617	481,354	791,934	1,096,718	1,096,718	1,096,718	1,019,391	1,020,122	1,085,259
Water Treatment Works		411,617	481,354	791,934	1,096,718	1,096,718	1,096,718	1,019,391	1,020,122	1,085,259
Sanitation Infrastructure		-	-	-	2,468	2,000	2,000	4,596	4,849	10,115
Toilet Facilities					2,468	2,000	2,000	4,596	4,849	10,115
Community Assets		-	-	-	14,800	9,800	9,800	-	-	-
Community Facilities		-	-	-	14,800	9,800	9,800	-	-	-
Halls										
Centres					14,800	9,800	9,800			
Heritage assets		-	-	-	-	800	800	1,100	-	-
Monuments						800	800	1,100		
Other assets		-	1,661	199	33,963	21,362	21,362	9,129	50,902	46,479
Operational Buildings		-	1,661	199	30,763	18,162	18,162	5,629	50,902	46,479
Municipal Offices			1,661	199	27,000	15,162	15,162	700	45,500	45,000
Yards					3,763	3,000	3,000	4,929	5,402	1,479
Housing		-	-	-	3,200	3,200	3,200	3,500	-	-
Staff Housing					3,200	3,200	3,200	3,500	-	-
Biological or Cultivated Assets		751	261	-	-	-	-	-	-	-
Biological or Cultivated Assets		751	261							
Intangible Assets		-	-	-	2,600	10,550	10,550	2,651	2,555	2,585
Servitudes										
Licences and Rights		-	-	-	2,600	10,550	10,550	2,651	2,555	2,585
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications					2,600	10,550	10,550	2,651	2,555	2,585
Load Settlement Software Applications										
Unspecified										
Computer Equipment		879	1,561	501	1,835	1,835	1,835	2,050	1,970	2,500
Computer Equipment		879	1,561	501	1,835	1,835	1,835	2,050	1,970	2,500
Furniture and Office Equipment		1,526	12,132	8,568	2,285	2,285	2,285	3,000	800	850
Furniture and Office Equipment		1,526	12,132	8,568	2,285	2,285	2,285	3,000	800	850
Machinery and Equipment		982	4,691	713	8,060	9,060	9,060	30,345	49,691	25,666
Machinery and Equipment		982	4,691	713	8,060	9,060	9,060	30,345	49,691	25,666
Transport Assets		7,705	8,548	7,357	6,075	3,575	3,575	8,078	6,000	17,500
Transport Assets		7,705	8,548	7,357	6,075	3,575	3,575	8,078	6,000	17,500
Total Capital Expenditure on new assets	1	434,220	510,208	809,272	1,171,735	1,160,216	1,160,216	1,083,279	1,140,001	1,194,248

Table 41 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure		-	-	-	78,563	77,063	77,063	101,112	51,330	67,943
Roads Infrastructure		-	-	-	1,733	1,733	1,733	1,500	-	-
<i>Roads</i>					1,733	1,733	1,733	1,500	-	-
Water Supply Infrastructure		-	-	-	72,680	67,180	67,180	95,246	39,224	50,584
<i>Dams and Weirs</i>										
<i>Boreholes</i>					19,100	19,100	19,100	54,755	9,764	15,301
<i>Reservoirs</i>										
<i>Pump Stations</i>					11,590	10,090	10,090	8,100	13,545	15,515
<i>Water Treatment Works</i>										
<i>Capital Spares</i>					41,990	37,990	37,990	32,391	15,914	19,767
Sanitation Infrastructure		-	-	-	4,150	8,150	8,150	4,366	12,106	17,359
<i>Pump Station</i>					1,000	6,000	6,000	1,052	1,110	5,671
<i>Reticulation</i>					3,150	2,150	2,150	3,314	10,996	11,688
<i>Waste Water Treatment Works</i>										
Total Capital Expenditure on renewal of existing	1	-	-	-	78,563	77,063	77,063	101,112	51,330	67,943
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	6.3%	6.2%	6.2%	8.5%	4.3%	5.4%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	47.0%	47.8%	47.8%	62.4%	30.0%	37.7%

Table 42 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		-	-	-	74,268	57,248	57,248	53,768	56,717	59,828
Roads Infrastructure		-	-	-	14,000	8,200	8,200	2,626	2,763	2,907
<i>Roads</i>					14,000	8,200	8,200	2,626	2,763	2,907
Water Supply Infrastructure		-	-	-	42,448	40,928	40,928	32,395	34,176	36,056
<i>Dams and Weirs</i>										
<i>Boreholes</i>					875	2,875	2,875	921	971	1,025
<i>Reservoirs</i>					1,025	1,750	1,750	2,183	2,303	2,430
<i>Pump Stations</i>					25,285	2,245	2,245	9,882	10,425	10,999
<i>Water Treatment Works</i>										
<i>Capital Spares</i>					15,263	34,058	34,058	19,410	20,477	21,603
Sanitation Infrastructure		-	-	-	17,820	8,120	8,120	18,747	19,778	20,865
<i>Pump Station</i>					1,500	1,500	1,500	1,578	1,665	1,756
<i>Reticulation</i>					14,320	5,320	5,320	15,065	15,893	16,767
<i>Waste Water Treatment Works</i>					2,000	1,300	1,300	2,104	2,220	2,342
Other assets		-	-	-	3,694	3,294	3,294	3,466	3,656	3,857
Operational Buildings		-	-	-	3,694	3,294	3,294	3,466	3,656	3,857
<i>Municipal Offices</i>					3,465	3,065	3,065	3,224	3,402	3,589
<i>Yards</i>					229	229	229	241	254	268
Computer Equipment		-	-	-	1,025	1,025	1,025	1,078	1,138	1,200
Computer Equipment					1,025	1,025	1,025	1,078	1,138	1,200
Furniture and Office Equipment		-	-	-	1,785	1,785	1,785	1,000	1,055	1,113
Furniture and Office Equipment					1,785	1,785	1,785	1,000	1,055	1,113
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment										
Transport Assets		-	-	-	6,825	5,325	5,325	3,500	3,693	3,896
Transport Assets					6,825	5,325	5,325	3,500	3,693	3,896
Libraries		-	-	-	-	-	-	-	-	-
Libraries										
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
Total Repairs and Maintenance Expenditure	1	-	-	-	87,597	68,678	68,678	62,812	66,258	69,894
<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.9%	0.7%	0.7%	0.7%	0.6%	0.6%
<i>R&M as % Operating Expenditure</i>		0.0%	0.0%	0.0%	6.5%	5.0%	5.0%	4.5%	4.5%	4.5%

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

1. In year reporting
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis since there are returns that the district municipality was unable to prepare due to the capacity challenges (staff shortages) in the unit.
2. Internship programme
The District Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office (BTO)
The Budget and Treasury Office has been established in accordance with the MFMA, but council has approved the proposed structure that will be in compliance with the requirements of MFMA for establishment of BTO office.
4. Audit Committee
The Audit Committee is yet to be appointed as the previous committee term has recently expired.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/2019 MTREF in June 2015 directly aligned and informed by the 2018/2019 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training

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Senior management of the district municipality and the all the staff the Budget and Treasury office have registered for the minimum competency level program required by National Treasury.

8. MSCOA compliance

1.11 Other supporting documents

Table 43 MBRR Table SA1 - Supporting detail to budgeted financial performance

Detailed list of other expenditure reflected at R111 million

DISCRIPTION	AMOUNT	DISCRIPTION	AMOUNT
ADVERTISING FEES	1 044 110.00	LAUNCHES - HOUSING PROJECTS	220 920.00
AFFLUENT MANAGEMENT PROGRAM	552 300.00	LED CAPACITY	600 000.00
AGRICULTURAL DEVELOPMENT STRATEGY	400 000.00	LED STRATEGY	750 000.00
AGRI-PACKS	15 000 000.00	LEGAL FEES	5 706 500.00
AMBASSADORS	331 380.00	LEVELLING OF SPORTS FACILITIES	220 920.00
ARTS AND CRAFT DEVELOPMENT	220 920.00	LIBRARY SERVICES	607 530.00
ARTS, CULTURE & HERITAGE	1 578 000.00	LOCAL LABOUR FORUM PROGRAMME DEVELOPMENT	165 690.00
ASSISTANCE TO EX-COMBATANTS	386 610.00	MANDELA MONTH	3 000 000.00
AUDIT COMMITTEE ALLOWANCES	405 020.00	MAYORAL IMBIZO	2 624 740.00
BANK CHARGES	1 041 600.00	MEDICAL EXAMINATION	110 460.00
BLUE DROP PROGRAM	1 552 300.00	MEMBERSHIP FEES	517 868.00
BOOKS & PUBLICATIONS	351 815.10	MORAL REGENERATION PROGRAMS	635 500.00
CHILD PROTECTION SERVICES	530 000.00	MUNICIPAL HEALTH SERVICES	1 465 000.00
CLEANING MATERIALS AND SERVICES	1 634 808.00	MUNICIPAL SUPPORT PROGRAM	3 522 400.00
COASTAL SAFETY	2 251 280.00	MUNICIPAL SYSTEMS IMPROVEMENT GRANT	250 000.00
COMMUNICATION	6 373 920.00	OCCUPATIONAL HEALTH & SAFETY	333 159.98
COMMUNITY TRAINING	270 364.00	OFFICE RENTAL	1 880 450.00
CONFERENCE FEES	1 310 242.93	OR TAMBO MONTH	2 500 000.00
CO-OPERATIVE SUPPORT	12 000 000.00	OVERSIGHT COMMITTEE & ROADSHOWS	957 320.00
CORPORATE EXPENSES	191 990.00	PERFORMANCE MANAGEMENT SYSTEM	1 325 520.00
COUNCIL AND COMMITTEE	3 987 080.00	POSTAGE	289 300.00
COUNCIL MEETINGS	563 346.00	PRIMARY HEALTHCARE	75 000.00
COUNCIL RECEPTIONS	22 092.00	PROJECT MANAGEMENT OFFICE	2 000 000.00
CUSTOMER RELATIONS SERVICES	1 209 200.00	PUBLIC PARTICIPATION	2 100 000.00

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DISCRIPTION	AMOUNT	DISCRIPTION	AMOUNT
DISASTER MANAGEMENT INFORMATION SYSTEM	2 000 000.00	PUBLIC TRANSPORT ASSISTANCE PROGRAM	1 215 060.00
DISASTER MANAGEMENT PLAN	1 500 000.00	RAIN HARVESTING	1 104 600.00
DISASTER MANAGEMENT SUMMIT	690 000.00	REGIONAL & LOCAL TOURISM ORGANISATIONS	55 230.00
DISASTER PREPAREDNESS AND RESPONSE	1 740 000.00	REGIONAL INDUSTRIAL DEVELOPMENT PROGRAM	5 000 000.00
DISTRICT PLANNING STRATEGY	300 000.00	RELOCATION COSTS	373 460.00
DISTRICT SPEAKER'S FORUM	441 840.00	RESEARCH AND DEVELOPMENT	662 760.00
DISTRICT SPORTS COUNCIL	77 322.00	RESEARCH AND POLICY DEVELOPMENT	998 518.48
DISTRICT TOURISM MARKETING	1 500 490.59	RISK ASSESSMENT AND REDUCTION PROGRAM	270 000.00
DISTRICTWIDE ELECTRIFICATION PLAN	552 300.00	RISK MANAGEMENT	807 409.00
EARLY CHILDHOOD DEVELOPMENT	1 055 000.00	RURAL AGRO INDUSTRIAL SUPPORT	9 500 000.00
EMPLOYEE ASSISTANCE PROGRAM	1 130 900.00	SAFETY AND SECURITY PROGRAMMES	231 966.00
ENVIROMENTAL AWARENESS	1 400 000.00	SALGA FEES	5 228 000.00
ENVIRONMENTAL MANAGEMENT PLANNING	800 000.00	SECTION 79 COMMITTEES	1 052 000.00
FINANCIAL & BUDGETING REFORMS	2 151 340.00	SECTOR DEVELOPMENT	600 000.00
FIRE FIGHTING SERVICE	2 423 282.00	SECTORAL ENGAGEMENT	552 300.00
FREE BASIC SERVICES	1 215 060.00	SITTING ALLOWANCE - TRADITIONAL LEADERS	220 920.00
FUNCTIONS & STAFF WELFARE	936 280.00	SOCIAL RELIEF PROGRAMME	500 000.00
GET THE RECORDS STRAIGHT PROJECT (GTRS)	1 954 542.00	SPATIAL DEVELOPMENT FRAMEWORK	1 700 000.00
GRANT - ADHOC HOUSING	55 230.00	SPLUMA	985 000.00
GREENEST MUNICIPAL AWARDS	650 000.00	SPORTS AND RECREATION	1 714 760.00
HERITAGE DEVELOPMENT	186 730.00	SPORTS DEVELOPMENT	452 360.00
HERITAGE SECTOR PLAN	276 150.00	STANDING ORDERS & RESOLUTIONS REGISTER	633 830.00
HIV/AIDS (OR TAMBO DM) & INKCIYO PROGRAMME	1 450 000.00	STIPEND FOR EMERGENCY VOLUNTEERS	4 600 000.00

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DISCRIPTION	AMOUNT	DISCRIPTION	AMOUNT
HIV/AIDS COMMUNITY AWARENESS	1 000 000.00	SUPPORT TO TRADITIONAL AUTHORITIES	723 250.00
HOUSING DEVELOPMENT STRATEGY	263 000.00	TECHNICAL FORUM WSJTT	717 990.00
HOUSING FORUMS	124 662.00	TOURISM EDUCATION AND AWARENESS	1 000 000.00
HOUSING SOCIAL RELIEF PROGRAMME	2 854 076.00	TRADE AND INVESTMENT PROMOTION	200 000.00
HUMAN RESOURCE WORKSHOP	6 522.40	VERIFICATION OF INDIGENT HOUSEHOLDS	736 400.00
INITIATION SUPPORT	794 110.00	VIP PROTECTION UNIT	1 049 370.00
INTEGRATED DEVELOPMENT PLAN-GRANT	5 482 350.00	WASTE WATER MANAGEMENT	662 760.00
INTEGRATED SPATIAL MANAGEMENT SYSTEM	276 150.00	WATER AND SANITATION MASTER PLANS	1 156 000.00
INTEGRATED WASTE MANAGEMENT PLAN	1 000 000.00	WATER PLANT HIRE	5 260 000.00
INTEREST EXPENSES - EXTERNAL	662 760.00	WATER QUALITY MONITORING	1 159 585.88
INTER-GOVERNMENTAL RELATIONS	1 528 030.00	WEBSITE MAINTENANCE	220 920.00
INTERNSHIP PROGRAMME	717 990.00	WHIPPERY SUPPORT	3 156 000.00
JOB EVALUATION PROGRAM	1 157 200.00		
LANDSCAPING	526 000.00		
WOMEN'S CAUCUS	1 052 000.00		
WORKMEN'S COMPENSATION FUND	3 313 800.00		
WSA PLANS	2 450 000.00		
WSDIP	2 209 200.00		

Table 44 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Ref	Vote 1 - Exec. & Council	Vote 2 - Fin. & Admin	Vote 3 - Planning & Dev	Vote 4 - Health	Vote 5 - Community Services	Vote 6 - Housing	Vote 7 - Public Safety	Vote 8 - Sports & Recreation	Vote 9 - Environmental	Vote 10 - Roads	Vote 11 - Water	Vote 12 - Tourism	Vote 13 - [NAME OF VOTE 13]	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
R thousand																	
Revenue By Source																	
Property rates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	199,289	-	-	-	-	199,289
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	85,409	-	-	-	-	85,409
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	58	-	-	-	-	-	-	-	-	-	-	-	-	-	58
Interest earned - external investments		-	26,000	3,350	-	-	-	-	-	-	-	-	-	-	-	-	29,350
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	5,300	-	-	-	-	5,300
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue		-	1,157	50,559	-	-	-	-	-	-	-	305,012	-	-	-	-	356,728
Transfers and subsidies		214,765	227,716	91,884	3,512	13,756	13,647	48,971	8,775	31,534	14,371	118,822	5,888	-	-	-	793,641
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		214,765	254,931	145,793	3,512	13,756	13,647	48,971	8,775	31,534	14,371	713,832	5,888	-	-	-	1,469,775
Expenditure By Type																	
Employee related costs		80,294	113,866	49,125	1,412	7,816	8,767	34,803	2,260	22,949	5,980	203,470	2,449	-	-	-	533,190
Remuneration of councillors		27,512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,512
Debt impairment		-	-	-	-	-	-	-	-	-	-	87,671	-	-	-	-	87,671
Depreciation & asset impairment		-	-	820	-	-	-	-	-	-	-	162,000	-	-	-	-	162,820
Finance charges		-	-	85	-	-	-	-	-	-	-	-	-	-	-	-	85
Bulk purchases		-	-	-	-	-	-	-	-	-	-	70,500	-	-	-	-	70,500
Other materials		-	9,044	330	-	-	-	-	-	-	2,626	51,141	-	-	-	-	63,142
Contracted services		-	41,764	-	-	-	-	-	-	-	-	-	-	-	-	-	41,764
Transfers and subsidies		17,564	-	39,149	75	2,085	270	-	2,388	-	-	38,085	-	-	-	-	99,616
Other expenditure		94,277	93,482	64,327	2,025	3,855	4,609	14,168	4,127	8,585	2,541	97,464	3,439	-	-	-	392,900
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		219,647	258,156	153,836	3,512	13,756	13,647	48,971	8,775	31,534	11,147	710,332	5,888	-	-	-	1,479,200
Surplus/(Deficit)		(4,882)	(3,224)	(8,043)	-	(0)	-	-	-	-	3,224	3,500	-	-	-	-	(9,425)
Transfers and subsidies - Capital (Provincial and District) allocations (National / Provincial and District)		-	-	-	-	-	-	-	-	-	-	1,022,330	-	-	-	-	1,022,330
Surplus/(Deficit) after capital transfers & contributions		(4,882)	(3,224)	(8,043)	-	(0)	-	-	-	-	3,224	1,025,830	-	-	-	-	1,012,905

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Table 45 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Call investment deposits											
Call deposits		309,312	337,630	253,823	461,763	461,763	461,763	461,763	485,175	453,767	477,512
Other current investments											
Total Call investment deposits	2	309,312	337,630	253,823	461,763	461,763	461,763	461,763	485,175	453,767	477,512
Consumer debtors											
Consumer debtors		466,977	544,229	643,684	537,363	537,363	537,363	537,363	569,604	603,781	640,008
Less: Provision for debt impairment		(364,854)	(442,045)	(589,082)	(318,690)	(318,690)	(318,690)	(318,690)	(406,361)	(498,854)	(596,435)
Total Consumer debtors	2	102,123	102,184	54,602	218,673	218,673	218,673	218,673	163,243	104,926	43,573
Debt impairment provision											
Balance at the beginning of the year		383,636	334,628	427,231	235,352	235,352	235,352	235,352	318,690	406,361	498,854
Contributions to the provision		64,910	107,693	161,747	83,338	83,338	83,338	83,338	87,671	92,493	97,580
Bad debts written off		(51)	(276)	105							
Balance at end of year		448,494	442,045	589,082	318,690	318,690	318,690	318,690	406,361	498,854	596,435
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		6,482,626	7,050,684	7,813,953	12,352,205	12,338,937	12,338,937	12,338,937	13,523,327	14,714,659	15,976,850
Leases recognised as PPE					1,000	1,000	1,000	1,000			
Less: Accumulated depreciation		2,101,824	2,304,543	2,441,645	3,053,429	3,053,429	3,053,429	3,053,429	3,216,249	3,388,061	3,569,363
Total Property, plant and equipment (PPE)	2	4,380,801	4,746,141	5,372,308	9,299,777	9,286,508	9,286,508	9,286,508	10,307,079	11,326,598	12,407,487
LIABILITIES		4,380,801									
Current liabilities - Borrowing		-									
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		84	20		270	270	270	270	286	303	322
Total Current liabilities - Borrowing		84	20	-	270	270	270	270	286	303	322
Trade and other payables											
Trade and other creditors		398,337	389,249	392,202	382,299	376,496	376,496	376,496	334,697	350,241	346,416
Unspent conditional transfers		4,110	9,501	7,230	-	-	-	-	-	-	-
VAT					-	-	-	-	-	-	-
Total Trade and other payables	2	402,447	398,750	399,432	382,299	376,496	376,496	376,496	334,697	350,241	346,416
Non current liabilities - Borrowing											
Borrowing											
Finance leases (including PPP asset element)					100	100	100	100	100	100	100
Total Non current liabilities - Borrowing		-	-	-	100	100	100	100	100	100	100
Provisions - non-current											
Retirement benefits		46,534	54,837	64,042							
List other major provision items											
Refuse landfill site rehabilitation											
Other											
Total Provisions - non-current		46,534	54,837	64,042	-	-	-	-	-	-	-
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		4,231,195	4,473,503	4,849,686	8,753,625	8,753,428	8,753,428	8,753,428	9,856,584	10,883,264	11,912,284
GRAP adjustments			11,631		-						
Restated balance		4,231,195	4,485,134	4,849,686	8,753,625	8,753,428	8,753,428	8,753,428	9,856,584	10,883,264	11,912,284
Surplus/(Deficit)		214,041	364,553	419,294	1,103,352	1,103,155	1,103,155	1,103,155	1,026,680	1,029,020	1,095,773
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	4,445,236	4,849,686	5,268,980	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057
Reserves											
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	4,445,236	4,849,686	5,268,980	9,856,977	9,856,584	9,856,584	9,856,584	10,883,264	11,912,284	13,008,057

1.12 Municipal manager’s quality certificate

I, municipal manager of OR Tambo District Municipality , hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of OR Tambo District Municipality (DC15)

Signature _____

Date _____