



FINAL ANNUAL BUDGET OF

King Cetshwayo District Municipality

2018/19 TO 2020/21

**FINAL MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

MAY 2018

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Abbreviations and Acronyms

AMR	Automated Meter Reading		Programme
ASGISA	Accelerated and Shared Growth Initiative	MIG	Municipal Infrastructure Grant
BPC	Budget Planning Committee	MM	Municipal Manager
CBD	Central Business District	MMC	Member of Mayoral Committee
CFO	Chief Financial Officer	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	MWIG	Municipal Water Infrastructure Grant
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
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RBIG	Regional Bulk Infrastructure Grant
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SAPS	South African Police Service
KPI	Key Performance Indicator	SDBIP	Service Delivery Budget Implementation Plan
kWh	kilowatt	SMME	Small Micro and Medium Enterprises
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

Part 1 – Annual Budget

1.1 Mayor's Report

The Mayors report will be included once the Honourable Mayor has presented her 2018/2019 final budget Speech before Council on Friday, 25 May 2018.

1.2 Council Resolutions

On 25 May 2018 the Council of King Cetshwayo District Municipality met in the Council Chambers of King Cetshwayo House to consider the final consolidated annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1.2.1 The Council of King Cetshwayo District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.2.1.1 The final consolidated annual budget of the municipality and its entity for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:

1.2.1.1(a) Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2 on page 44;

1.2.1.1(b) Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3 on page 45;

1.2.1.1(c) Consolidated Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4 on page 46; and

1.2.1.1(d) Consolidated Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 on page 47.

1.2.1.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1.2(a) Consolidated Budgeted Financial Position as contained in Table A6 on page 48;

1.2.1.2(b) Consolidated Budgeted Cash Flows as contained in Table A7 on page 49;

1.2.1.2(c) Consolidated Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 on page 50;

1.2.1.2(d) Consolidated Asset management as contained in Table A9 on page 51; and

1.2.1.2(e) Basic service delivery measurement as contained in Table A10 on Page 54.

1.2.2 The Council of King Cetshwayo District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:

1.2.2.1 the tariffs for the supply of water, sanitation, solid waste, cemetery and other miscellaneous fees– as set out on attached Annexure B.

1.3 Executive Summary – King Cetshwayo District Municipality

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

The Municipality's core business and service delivery priorities were again reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items. This has resulted in estimated expenditure of nearly R167 million for the 2018/19 financial year being reduced. Key areas where savings were realized was on staff costs due to reprioritisation of vacancies and limiting of overtime budget, as well as a reduction in the budget for the following expenditure types being printing and stationery, subsistence and travel, accommodation and catering. Furthermore, it be noted that that budget for overtime has been aligned to the Council's overtime policy where only employees earning below the threshold as determined by the Minister of labour as well as employees deemed to be performing essential and emergency work are catered for.

The Municipality has over the years embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people led government. Added to this is the rollout of smart prepaid meters in some of our local municipalities where King Cetshwayo is a water services provider.

Various National Treasury's MFMA Circulars were used to guide the compilation of the 2018/19 MTREF, with special emphasis on Circulars 89 and 91.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- The on going difficulties in the national and global economy;
- The depreciation of the exchange rate and its effect on the economic growth and the job opportunities;
- Aging water and waste water infrastructure;
- The crippling effect of the drought that has persisted in the province and the King Cetshwayo district in particular which have necessitated the provision of water through water tankers which is a very expensive way of providing water;
- The backlogs, unavailability of water sources and severe drought that has affected the District in recent months and.
- The need to reprioritise projects and expenditure within the existing resource basket given the cash flow realities and declining cash position of the municipality;

- The increased cost of water treatment and reticulation which is placing upward pressure on service tariffs to residents. It be noted that King Cetshwayo's internally funded capital in terms of the draft budget accounts for only 2% of the total capital budget, most of the capital budget is grant funded mainly through MIG, RBIG and WSIG which is for backlog eradication and bulk pipeline infrastructure layout. Furthermore, it must be noted that the depreciation is now being partially cash backed which will assist in increasing own Capital spend going forward.
- The district is predominantly rural and households are sparsely located thereby making billing and credit control an expensive exercise.
- The cost to operate and maintain newly rolled out projects when collection does not break even when compared to associated costs like chemicals and electricity and in some instances tariffs of water boards and other neighbouring Water Service Authorities.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs; the King Cetshwayo District municipality has not attained that yet, but we intend to put together a strategy to move towards cost reflective tariffs with minimal impact on the consumer.
- 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;
- An in-depth analysis was done for the following items and allocations to these items had to be supported by a motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - No new positions have been funded, except where another vacant position has been sacrificed to fund it;
 - Overtime limited to 2% of remuneration only for employees qualifying for such;
 - Furniture and office equipment;
 - Catering;
 - Conferences;
 - Ad-hoc travelling; and
 - Delegations.

In view of the aforementioned, the following table is an overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2018/19 MTREF

2018/2019 Multi Year Budget Summary - Consolidated							
	2018/2019 Draft Budget	2018/2019 Final Budget	Change Amount	Change %	2019/2020 Budget	2020/2021 Budget	Total for MTREF
Revenue by Source							
- Grants & subsidies	371,990,000	372,591,000	601,000	0.16%	339,046,000	411,516,000	1,123,153,000
- Equitable Share	227,727,000	227,727,000	-	0.00%	243,622,000	264,560,000	735,909,000
- Levy Replacement Grant	249,115,000	249,115,000	-	0.00%	271,083,000	294,668,000	814,866,000
Total Government Grant & Subsidies	848,832,000	849,433,000	601,000	0.07%	853,751,000	970,744,000	2,673,928,000
- Sundry Income	999,684	999,684	-	0.00%	1,155,265	1,288,581	3,443,530
- Interest Income	44,617,974	44,617,974	-	0.00%	47,295,052	50,132,756	142,045,782
- King Cetshwayo Fresh Produce Market	33,300,680	31,947,638	-1,353,042	-4.06%	31,227,114	33,875,500	97,050,252
Total Other Income	78,918,338	77,565,296	-1,353,042	-1.71%	79,677,431	85,296,837	242,539,564
Trading Services	86,460,640	86,460,640	-	0.00%	91,648,278	97,147,175	275,256,093
Borrowings - New Loan - Landfill Site	-	-	-	0.00%	46,389,747	-	46,389,747
AccDPN Reserve - Capex Funding	20,971,656	20,971,656	-	0.00%	-	-	20,971,656
Surplus Brought Forward (2017/2018) - VAT on Grants	40,570,880	40,570,880	-	0.00%	-	-	40,570,880
Total Revenue	1,075,753,514	1,075,001,472	(752,042)	-0.07%	1,071,466,456	1,153,188,012	3,299,655,940
Expenditure							
Non-trading services	242,852,773	235,333,440	(7,519,333)	-3.10%	248,014,371	260,566,588	743,914,399
Trading Services	459,659,747	464,609,205	4,949,458	1.08%	434,843,572	461,405,941	1,360,858,718
Operational IDP	121,526,755	136,490,282	14,963,527	12.31%	101,037,318	137,370,423	374,898,023
Capital IDP & Internal Fixed Assets	334,793,221	322,412,842	-12,380,379	-3.70%	376,486,847	386,330,058	1,085,229,747
Total Expenditure	1,158,832,496	1,158,845,769	13,273	0.00%	1,160,382,108	1,245,673,010	3,564,900,886
LESS - DEPRECIATION NOT CASH BACKED	83,078,982	83,844,297	765,314	0.92%	88,915,652	92,484,997	265,244,946
TOTAL EXPENDITURE EXCL. DEPN	1,075,753,514	1,075,001,472	-752,042	-0.07%	1,071,466,456	1,153,188,012	3,299,655,941
BUDGET SHORTFALL	-	-	-	-	-	-	-

It can be noted from the above table that the total revenue budget for the District for 2018/19 financial year is R1.075bn, whereas the total expenditure is expected to be R1.159bn. The amount of R83.8m relates to a depreciation provision which is currently not cash backed, to be noted that the total depreciation for the ensuing financial year is estimated at R93.1m.

Total operational expenditure, trading and non – trading services including operational IDP projects amounts to R836m for 2018/19 slightly decreasing to R784m in 2019/20 and again increasing to R859m in 2020/21 financial years.

The total capital budget for the 2018/19 financial year is R322m, increasing slightly to R376m and R386m in two outer years of the MTREF.

The detailed grant allocations from National Treasury, per the Division of Revenue Bill, 2018 was made available from the 21st February 2018 on National Treasury's website. Furthermore, Provincial allocations have been gazetted and an amount of R300,000, R350,000 and R450,000 for 2018/19 to 2020/21 respectively for Development Planning Shared Services grants, has been included in the 2018/19 budget. An amount of R700,000, R735,000 and R775,000 for 2018/19 to 2020/21 respectively for Tourism Strategy grant, has been included in the 2018/19 budget from Provincial Treasury. KCFPM received a grant funding of R101 000 for the payments of stipend for the farmers who will be trained through Owen Sithole College of Agriculture.

The following table depicts the grant allocations as contained in the 2018 Division of Revenue Bill in comparison to the projections of the 2017 Division of Revenue Act grant allocation;

Table 2 Overview of the 2018/19 grants allocation for the MTREF

TOTAL ALLOCATIONS PER DORB 2018		DORA 2017	DORA 2018 MEDIUM TERM FORECAST				
Name of Grant	Responsible Dept	Budget 18/19 Forecast	Budget 18/19 Gazetted	Variance	% Change	Budget 19/20 Forecast	Budget 20/21 Forecast
Equitable Share	Finance	228,425,000	227,727,000	-698,000	0%	243,622,000	264,560,000
Levy Replacement Grant	Finance	249,115,000	249,115,000	-	0%	271,083,000	294,668,000
Local Finance Management Grant	Finance	1,000,000	1,000,000	-	0%	1,465,000	1,200,000
Municipal Infrastructure Grant	Technical	184,410,000	167,200,000	-17,210,000	-10%	170,818,000	180,826,000
Water Services Infrastructure Grant	Technical	73,000,000	73,000,000	-	0%	93,000,000	98,115,000
Rural Transport Services & Infrastructure	Technical	2,616,000	2,528,000	-88,000	-3%	2,678,000	2,833,000
EPWP Incentive Grant	Technical	-	7,762,000	7,762,000	100%	-	-
Regional Bulk Infrastructure Grant	Technical	104,830,000	120,000,000	15,170,000	13%	70,000,000	127,317,000
Total Gazetted Grants		843,396,000	848,332,000	4,936,000	1%	852,666,000	969,519,000

The Equitable Share allocation has seen a decrease of R698,000 when compared to the 2018/19 projections as Gazetted in the 2017 Division of Revenue Act.

The Water Services Infrastructure Grant has remained unchanged at R73m.

The Municipal Infrastructure Grant (MIG) has decreased by R17.2m from R184m to R167m.

The Regional Infrastructure Grant (RBIG) has increased by R15.1m from R104.8m to R120m.

The Expanded Public Works Incentive grant allocation for the 2018/19 financial year is R7.8m.

Trading Services charges are budgeted for at R86,4m, this is a decrease of R5,6m from the R92,1m that had been estimated in the 2017/18 MTREF.

It is anticipated that an amount of R41m in respect of VAT on MIG, WSIG and RBIG grants will be received from SARS, this has been factored into the 2018/19 budget and R21m for the Accumulated Depreciation Reserves, this will be used to augment the expenditure on capital projects as well to ensure proper functioning of the water schemes supplying potable water to our communities.

Other grants that have been allocated to the district are;

- Finance Management Grant, R1m
- Rural Transport Services and Infrastructure grant, R2.528m
- Planning Shared Services Grant (Provincial), R0.3m
- Tourism Strategy (Provincial), R0.7m
- Agri SETA, R0.101m
- EPWP, R7.762m

The total operating expenditure (excluding operating IDP projects) for the 2018/19 financial year has been appropriated at R699.9m. It is expected that operational expenditure will decrease by 3% in the 2019/20 budget and slightly decrease by 5.4% in the 2020/21 financial year.

The operational IDP projects budget for 2018/19 have decreased by 12% compared to the Draft 2018/19 MTREF projections, in 2019/20 there is a decrease of 35% and then an increase of 36% in the 2020/21 financial year.

The capital budget of R322m for 2018/19 is 3.7% less when compared to the Draft 2018/19. This is the result of the amended project plan that Technical services have resubmitted to the Budget office to be affected to the final budget. To be noted that this has a nil effect as it only a movement from capital to operational grants.

Included in the 2019/20 capital budget is an amount of R46m which is required for the construction of cell 3 of the landfill site. It is anticipated that this funding will be raised through borrowings, although other alternate funding options are currently being investigated, such as Public Private Partnership (PPP). An amount of R900,000 for feasibility and design of cell 3 has been included in the 2017/18 budget and has been funded from the accumulated reserves. The tender for this has been awarded and is expected to be finalised in 2018/19 financial year.

To be noted that a substantial portion of the capital budget will be funded from the MIG, WSIG and the Regional Bulk Infrastructure Grant over MTREF, which has been gazetted for the 2018/19 financial year. The grant is aimed at accelerating the delivery of clean water to communities that do not have access to basic water services. The grant provides funding for municipalities to plan and implement various projects; including the construction of new infrastructure and the refurbishment and extension of existing water schemes, as well as interventions aimed at mitigating the effect of the drought in affected areas.

Capital grants will contribute 98% of capital expenditure for the 2018/19, 86% for 2019/20, and 99% for the 2021/21 financial year.

1.4 Operating Revenue Framework

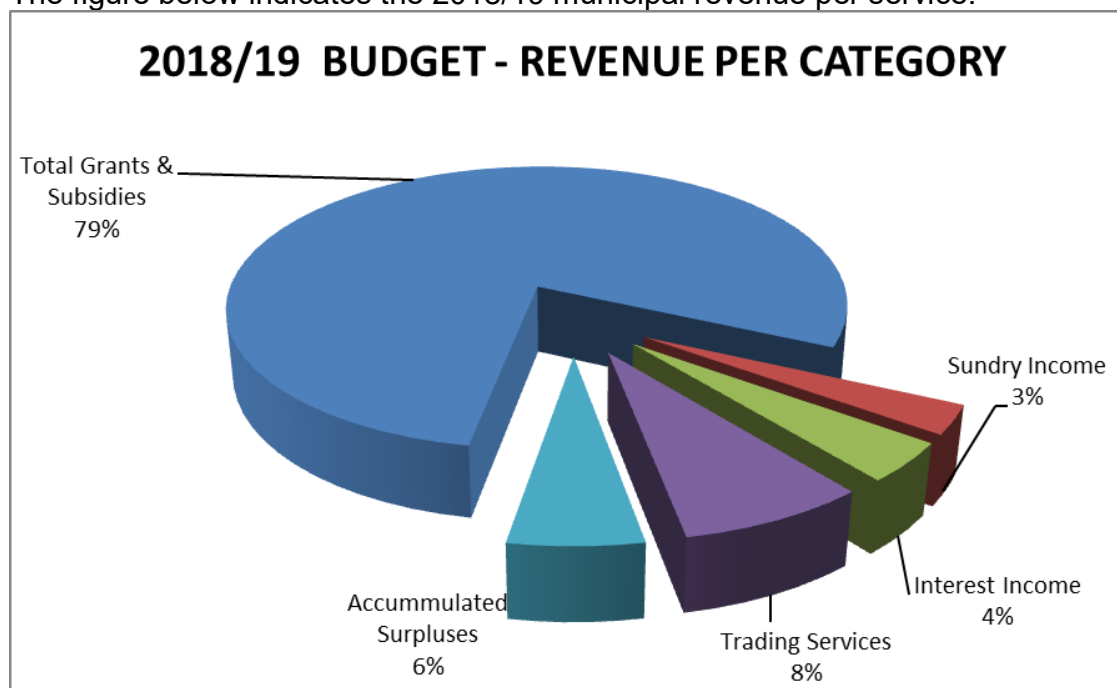
For King Cetshwayo District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty, coupled with the global economic crisis. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and expected economic development;
- Efficient revenue management, which aims to ensure a 84 per cent annual collection rate for Water, Sanitation and Solid Waste service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The rollout of prepaid water meters (smart meters) to all indigent consumers and new water projects;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service, while taking into account the affordability levels of the consumers;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and Incentive policies and rendering of free basic services; and
- Tariff policies of the Municipality.

Figure 1 Revenue per Classification for the 2018/19 financial year

The figure below indicates the 2018/19 municipal revenue per service.



The above graph depicts the municipality's reliance on grants and subsidies making up 79% of the revenue source. Trading Services is the second at only 8%, interest income 4%, sundry income below 3% and accumulated surpluses at 6%.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

DC28 King Cetshwayo District - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)								
Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source								
Service charges - water revenue	48 122	7%	48 337	7%	51 237	7%	54 312	7%
Service charges - sanitation revenue	8 400	1%	8 357	1%	8 858	1%	9 390	1%
Service charges - refuse revenue	20 824	3%	29 566	4%	31 340	4%	33 220	4%
Rental of facilities and equipment	6 595	1%	105	0%	111	0%	118	0%
Interest earned - external investments	42 033	6%	44 308	6%	46 966	7%	49 784	6%
Interest earned - outstanding debtors	310	0%	310	0%	329	0%	348	0%
Fines, penalties and forfeits	8	0%	9	0%	9	0%	10	0%
Licences and permits	106	0%	112	0%	126	0%	134	0%
Transfers recognised - operational	600 279	86%	534 175	77%	528 574	76%	589 034	76%
Other revenue	32 282	5%	32 922	5%	32 348	5%	35 128	5%
Total Revenue (excluding capital transfers and contributions)	758 959	109%	698 201	100%	699 900	100%	771 478	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, Gazette 32141, issued 17 April 2009, 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.

Revenue generated from service charges forms a minimal percentage of the internally generated funds of the Municipality, that being the interest on investments and service charges. The Interest on external investments has been increased by 5 percent when compared with the 2017/18 Adjustments Budget, this is due to the higher repo rate as currently approved by the reserve bank. The total percentage revenue generated from water services charges increases slightly from R48.3m in 2018/19 to R54.3m by 2020/21. The water sales contribution to the total service charges revenue is 56% for 2018/19, 2019/20 and the 2020/21 financial years. The above table excludes revenue foregone arising from rebates associated with the tariff policies of the Municipality.

Solid Waste is the second largest revenue source with R29 million rand expected for the 2018/19 financial year and is expected to increase to R33 million by 2020/21. Another source of revenue is 'other revenue' which consists of various items such as income received from issuing of tender documents, map production and miscellaneous fees. The municipality will review the tariffs of these items on an annual basis to ensure we steadily move to a point where these are cost reflective and market related.

Operating grants and transfers totals R534million in the 2018/19, R528 million in the 2019/20 financial year and further increasing to R589 million in 2020/21.

Tariff-setting is a very important 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 Municipality. The proposed tariffs were discussed at length in the Budget Steering Committee and management committee meetings and a consensus was reached to increase the tariffs in such a way that it will have a minimal impact on the citizens of the district, mostly the vulnerable being the poor. To counter the effect of drought and as a deterrent to water wastage, tariffs for the higher domestic users have been increased while consumers who use 6kl or below per month will not be charged.

National Treasury, in its MFMA Circulars 89 and 91 issued in December 2017 and March 2018 respectively, continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment which will in turn result in a huge debtors book.

It must also be appreciated that the consumer price index, 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 electricity and water, petrol, diesel, chemicals, etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions, over and above being cross subsidised by the equitable share. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Sale of Water and Impact of Tariff Increases

The water Tariffs have been increased on average by 10% for the lower band of consumers and 6% for commercial users as a result of increases in the cost of chemicals and maintenance of the ageing infrastructure in some areas, as well as the bulk cost from Eskom and other major suppliers. It must be noted that consideration has been given to National Treasury's objective of tariffs being cost reflective, however Council has considered the plight of poor residents in the tariff determination process and have thus agreed on an increase which though higher than National Treasury's guideline also attempts to attain cost reflective tariffs over the long term. The free basic water of 6kl is still applicable in the coming financial year only to domestic consumers who consume less than 6kl of water per month.

The roll out of prepaid meters commenced in the 2013/2014 financial year and the impact thereof have started to materialise from the 2017/2018 financial year, wherein a gradual reduction in arrear debts is being realised. However cognisance must be drawn to the possibility that consumers who have prepaid systems may start exercising water conservation mechanisms and thus reduce their demand for potable water which may affect the revenue generated. The cost of providing the water function in far exceeds the revenue generated is therefore cross subsidised from both the equitable share and the levy replacement grant.

The proposed tariffs for households (residential) and non-residential consumers are detailed on Annexure C of the medium term budget report.

In taking cognisance of the country wide shortage of fresh water supplies the municipality have for the first time in the 2015/2016 financial year, introduced an additional tariff step, aimed at discouraging excessive water consumption through a high tariff. Furthermore it was noted that despite continuous communiqué during period of drought, many residents fail to heed Councils call for water reduction, therefore it was considered prudent to introduce as from 2015/2016 a tariff applicable during drought conditions, which is considerably higher than the normal rates.

1.4.2 Sanitation and Impact of Tariff Increases

As a result of all local municipalities having to comply with the Municipal Property Rates Act, Act 6 of 2004, it is now possible to calculate the sanitation tariffs for the district based on the new valuation rolls from these municipalities. The valuation rolls per KZ has been completed and the district has utilised these in the calculation of the sanitation tariffs, hence the implementation of the new sanitation tariffs commenced in

the 2010/11 financial year. The tariff increase for 2018/2019 has been determined at 10%.

Domestic Sewer tariffs have been revised to R0,00723c per rand value of the property.

Business sewer has also been revised to R0.00723c per rand value of the business property.

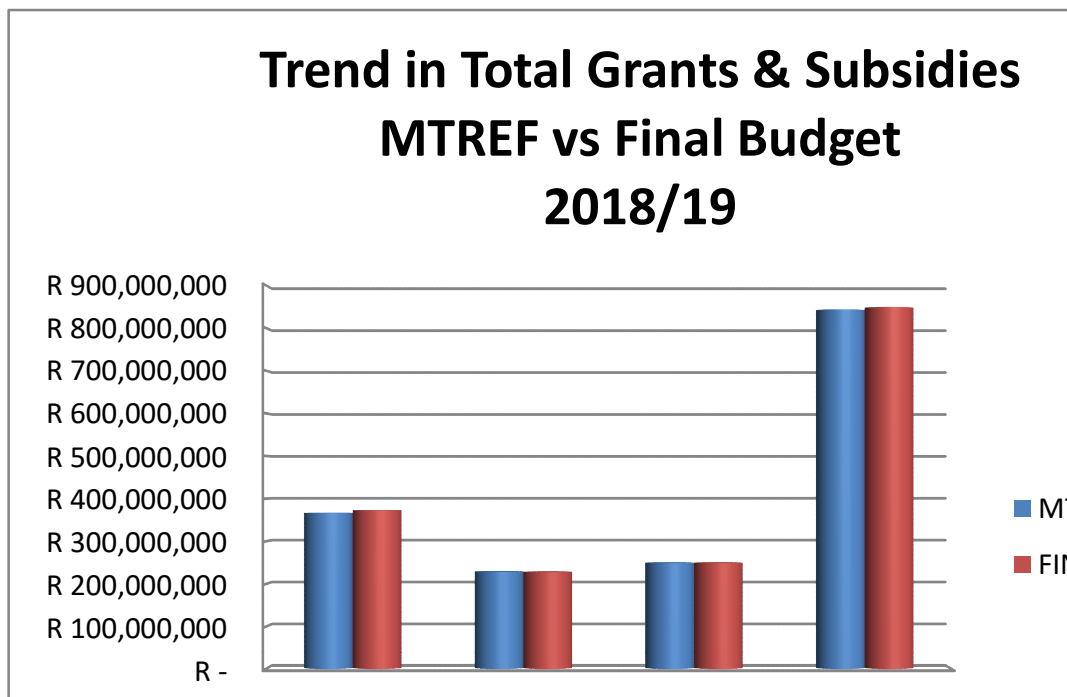
A detailed listing of applicable sanitation tariffs is contained on Annexure C of the medium term budget report.

1.4.3 Regional Solid Waste – Landfill Site

The average increase in the tariff for the 2018/2019 year is 10%. Following the feasibility studies performed, Council needs to increase its solid waste tariffs above inflationary levels for several years, for the site to become financially viable. It must be further noted that cost reduction initiatives must be implemented as the current high cost of maintaining the site cannot be continuously be passed on to our consumers.

Figure 2 Grant Revenue for the Final Budget 2018/19 vs MTREF Budget 2017/18

The below graph pictorially depicts the municipality's dependency on grants equating to a total of R849m for the 2018/19 financial year compared to R937m for the 2017/18 MTREF budget.



1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The Operations and Maintenance costs of the District's 284 water schemes.
- Balanced budget constraints (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 the Water Services Development Plan and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by standard classification item

DC28 King Cetshwayo - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)			
Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
Expenditure By Type			
Employee related costs	254 524	269 487	285 530
Remuneration of councillors	12 870	13 617	14 434
Debt impairment	2 828	4 050	4 293
Depreciation & asset impairment	93 158	98 721	104 618
Finance charges	5 322	10 130	9 194
Bulk purchases	28 534	30 251	32 029
Other materials	32 759	35 546	37 730
Contracted services	294 932	201 792	245 406
Transfers and grants	2 910	3 498	4 125
Other expenditure	108 596	116 804	121 805
Loss on disposal of PPE	-	-	-
Total Expenditure	836 433	783 895	859 163

Operational Budget excluding operational projects is R669m, an increase of R14.7m from the 2018/19 indicative budget approved in the 2017/18 MTREF.

The annual increase in salaries is 7% in line with the 2018 salary and wage proposal which has been put forward by the facilitator in the negotiation between SALGA, the employer body, and the organized labour, any variance from this provision will have to be accommodated during the adjustment budget should it be necessary.

A total of R140m has been put aside for the Repairs and maintenance of the municipal assets. This figure includes an amount for work performed by a Service Support Agency for the operation, repairs and maintenance of the Assets. The ratio of the repairs and maintenance to the carrying value of assets is currently 6%. It is important that the asset maintenance plan is finalized so that a proper budget which will link to the maintenance plan is provided for.

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 Municipality's budget. The total budget for Councillors' allowances for the 2017/18 financial year is R12.8m. An estimated increase of 6% has been applied for the Councillors remuneration.

The provision for debt impairment was determined based on an annual collection rate of between 90 and 95 per cent and the Credit and Debt Collection Policy of the Municipality. For the 2018/19 financial year this amount equates to R2.8 million and escalates to R4 million by 2019/20. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, the municipality's realistically anticipated revenues and the depreciation also has to be cash backed.

Provision for depreciation and asset impairment has been informed by the Municipality's Property, Plant & Equipment Policy. Depreciation is considered to be a rate at which the asset is being consumed. Budget provisions in this regard total R93 million for the 2018/19 financial year and equates to 11 per cent of the total operating expenditure. To be noted that the implementation of GRAP 17 accounting standard has meant bringing a number of assets previously not included in the assets register onto the register. This exercise was done for the 2010/2011 financial year and has resulted in a significant increase in depreciation in relation to prior years. To be noted that the accumulated depreciation for the municipality amounts to R434m as per 2017/18 Annual Financial Statements. However, R9.3m of the 2018/19 financial year's depreciation is cash backed to provide for the Capital Reserve and this will continue over the medium term provided the municipality's revenues do not change.

Finance charges consist primarily of the repayment of interest on long-term loans. These charges make up 6 per cent (R5.3 million) of the total operating expenditure for 2018/19. This expenditure item is expected to increase by 2019/20 due to the proposed loan of R46m which will be used to fund the construction of cell 3 of the

landfill site. To be noted that the municipality annually appoints a reputable credit rating agency to determine the creditworthiness and the financial health of the municipality.

Bulk purchases are directly informed by the purchase of bulk water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The budget for bulk purchases in 2018/19 amounts to R28.5m.

Contracted services consists mainly of the SSA contract, this expenditure item amounts to a total of R295m for 2018/19. To be noted that as part of the tender specifications, WSSA also undertakes repairs and maintenance of the water schemes in the King Cetshwayo District, the total budget for this tender is budgeted for at R140m for the 2018/19 financial year.

This function was outsourced after a thorough investigation as required by section 78 of the Municipal Systems Act. The current tender was awarded during the 2013/14 financial year and has been extended on a month to month basis pending the finalisation of the section 78 report is has been tabled before Council and council will soon and this will then determine a way forward in so far as the SSA contract is concerned.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6 per cent for 2018/19 – 2020/2021 MTREF.

The following table gives a breakdown of the main expenditure categories for the 2018/19 financial year.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance.

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. Repairs and maintenance has been budgeted for at R140 million for the 2018/19 financial year including the operations and maintenance contract. In relation to the total operating expenditure, repairs and maintenance is currently 5.2% of the total net carrying value of the PPE.

1.5.2 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 Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement) on page 54.

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.

Figure 3 Operational Expenditure by Vote (Incl. IDP Projects) for the 2018/19 financial year.

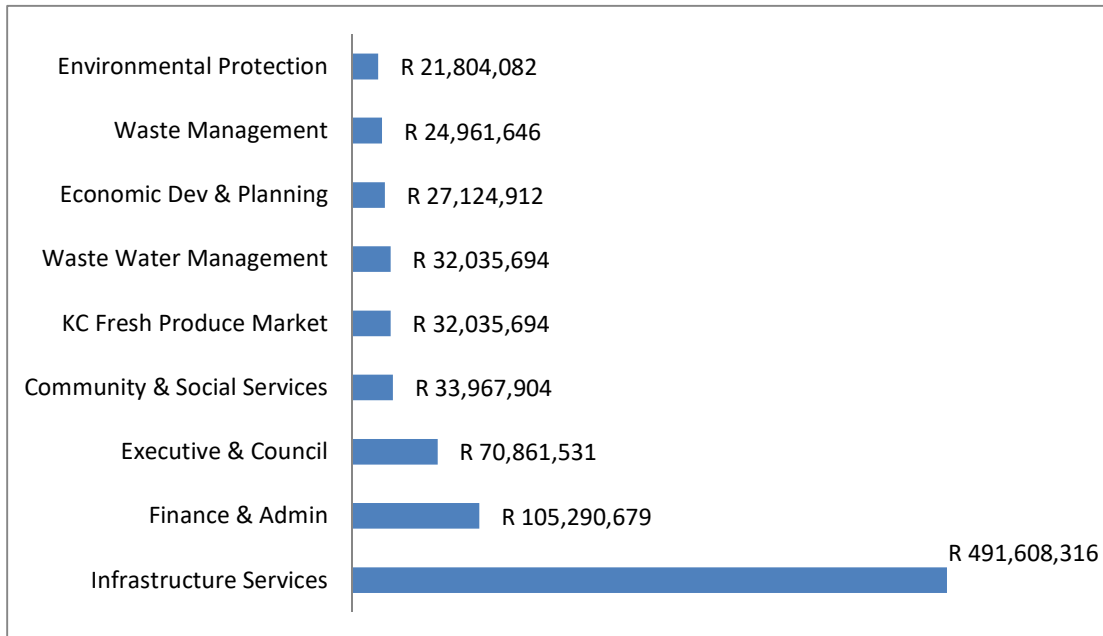


Table 5: - Summary of the Operational IDP Projects (Typical Work stream) for the medium Term

Operational IDP Budget Per Vote - KCDM						
	2018/2019	2018/2019	Change	Change	2019/2021	2020/2021
	Draft Budget	Final Budget	Amount	%	Budget	Budget
	R	R	R		R	
BOARD & GENERAL EXPENSES	1,407,000	1,457,000	50,000	4%	1,227,500	1,839,500
EXECUTIVE CORPORATE	-	50,000			-	-
DEPARTMENT OF THE MUNICIPAL MANAGER	5,285,000	5,285,000	-	0%	4,610,000	6,077,500
PERFORMANCE MANAGEMENT UNIT	200,000	200,000	-	0%	300,000	450,000
LEGAL SERVICES UNIT	300,000	300,000	-	0%	470,000	680,000
PUBLIC PARTICIPATION UNIT	200,000	150,000	-50,000	-25%	330,000	680,000
Executive & Council	7,392,000	7,442,000	-	-0	6,937,500	9,727,000
MANAGEMENT SERVICES / HR	1,180,000	1,180,000	-	0%	1,430,000	1,646,500
EXECUTIVE FINANCE	500,000	500,000	-		400,000	350,000
BUDGETS & REPORTING	500,000	500,000	-	0%	300,000	399,000
SUPPLY CHAIN MANAGEMENT	720,000	720,000	-	0%	832,750	980,000
MANAGEMENT ACCOUNTS & REPORTING	695,000	695,000	-	0%	735,000	630,000
ASSET CARE CENTRE	550,000	550,000	-	0%	830,000	450,000
Finance & Admin	4,145,000	4,145,000	-	0%	4,527,750	4,455,500
COMMUNITY SERVICES DIVISION	10,197,600	9,947,600	-250,000	-2%	9,067,500	9,789,450
DISASTER MANAGEMENT	1,170,000	1,420,000	250,000	21%	1,370,000	1,820,000
Community & Social Total	11,367,600	11,367,600	-	0%	10,437,500	11,609,450
MUNICIPAL HEALTH SERVICES	196,000	196,000	-	0%	550,000	663,000
Environmental Health Total	196,000	196,000	-	0%	550,000	663,000
ECONOMIC DEVELOPMENT	6,394,050	7,094,050	700,000	11%	9,952,000	11,247,500
DEVELOPMENT PLANNING & ENVIRONMENT	986,000	986,000	-	0%	1,782,200	2,104,000
Planning & Development Total	7,380,050	8,080,050	700,000	12%	11,734,200	13,351,500
SANITATION	23,604,158	23,653,000	48,842	0%	2,203,775	17,730,591
Waste Water Management Total	23,604,158	23,653,000	48,842	0%	2,203,775	17,730,591
PROJECT MANAGEMENT UNIT - MIG	100,000	100,000	-	0%	100,000	100,000
AUXILLARY INFRASTRUCTURE SERVICES	2,616,000	2,528,000	-88,000	-3%	2,678,000	2,833,000
WATER SERVICES AUTHORITY DIVISION	2,880,000	3,330,000	450,000	16%	4,135,000	5,165,300
WATER SERVICES PROVIDER DIVISION - SSA	58,225,947	57,028,632	-1,197,316	-2%	53,203,593	65,792,082
CONSUMER BILLING & CREDIT CONTROL	500,000	500,000	-	0%	650,000	905,000
WATER USE EFFICIENCY	1,890,000	16,890,000	15,000,000	794%	2,510,000	3,237,500
PROCESS MANAGEMENT	1,230,000	1,230,000	-	0%	1,370,000	1,800,500
Water	67,441,947	81,606,632	14,164,685	31%	64,646,593	79,833,382
TOTAL	121,526,755	136,490,282	14,913,527	12%	101,037,318	137,370,423

1.6 Capital expenditure

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

DC28 King Cetshwayo - Table A5 Consolidated Budgeted Financial Performance (revenue and expenditure)						
Description	2018/19 Medium Term Revenue & Expenditure Framework					
	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
R thousand						
Capital Expenditure per Vote						
Executive & Council	1 110	0%	100	0%	100	0%
Finance & Administration	1 920	1%	1 870	0%	2 250	1%
Community & Social	–	0%	–	0%	–	0%
Public Safety	–	0%	–	0%	–	0%
Planning & Economic Development	100	0%	100	0%	–	0%
Environmental Protection	300		300		200	
Waste Management	575	0%	46 390	12%	–	0%
Waste Water Management	47 768	15%	45 000	12%	30 002	8%
Water Distribution	270 040	84%	282 727	75%	353 958	92%
Other	600	0%	–	0%	–	0%
Total Capital Budget	322 413	100%	376 487	100%	386 510	100%

Capital Expenditure by Vote for the 2018/19 financial year.

For 2018/19 an amount of R270 million has been appropriated for the development of water infrastructure which represents 84 per cent of the total capital budget, decreasing to 75% in 2019/20 and again increasing to 92% in the 2020/21 financial year. Infrastructure gets the biggest share of the capital budget followed by Finance and Administration at R1.9m for the 2018/19 financial year.

Included in the 2019/20 capital budget is an amount of R46m which is required for the construction of cell 3 of the landfill site. It is anticipated that this funding will be raised through borrowings, although other alternate funding options are currently being investigated, such as Public Private Partnership (PPP). The tender for the design and planning has been awarded in the 2017/18 financial year and it is expected to be finalised in the 2018/19 financial year.

Table 6: - Summary Capex for the Medium Term

Capital Budget per Vote						
	2018/2019	2018/2019	Change	Change	2019/2020	2020/2021
	Draft Budget	Final Budget	Amount	%	Budget	Budget
	R	R	R		R	R
BOARD & GENERAL EXPENSES	230 000	930 000	700 000	304%	100 000	100 000
ADMINISTRATIVE SERVICES DIVISION	100 000	100 000	-	0%	-	-
DEPARTMENT OF THE MUNICIPAL MANAGER	180 000	180 000	-	0%	-	-
PUBLIC PARTICIPATION UNIT	50 000	50 000	-	0%	-	-
Executive & Council	560 000	1 260 000	700 000	125%	100 000	100 000
BUDGETS & REPORTING	500 000	500 000	-	0%	500 000	500 000
INFORMATION & COMMUNICATIONS TECHNOLOGY	800 000	800 000	-	0%	920 000	1 150 000
MANAGEMENT ACCOUNTS & REPORTING	20 000	20 000	-	0%	-	-
ASSET CARE CENTRE	450 000	450 000	-	0%	450 000	600 000
Finance & Admin	1 770 000	1 770 000	-	0%	1 870 000	2 250 000
AIR QUALITY	300 000	300 000	-	0%	300 000	200 000
Environmental Protection	300 000	300 000	-	0%	300 000	200 000
ECONOMIC DEVELOPMENT	50 000	50 000	-	0%	50 000	-
DEVELOPMENT PLANNING & ENVIRONMENT	50 000	50 000	-	0%	50 000	-
Planning & Development	100 000	100 000	-	0%	100 000	-
TECHNICAL FACILITY SERVICES - LANDFILL	575 000	575 000	-	0%	46 389 747	-
Waste Management	575 000	575 000	-	0%	46 389 747	-
MUNICIPAL INFRASTRUCTURE & IMPLEMENTATION	237 489 500	237 489 500	-	0%	215 177 100	283 593 058
WATER SERVICES AUTHORITY DIVISION	8 050 000	8 050 000	-	0%	20 050 000	15 000 000
WATER SERVICES PROVIDER DIVISION - SSA	1 500 000	1 500 000	-	0%	1 500 000	2 250 000
WATER USE EFFICIENCY	38 000 000	23 000 000	(15 000 000)	-39%	46 000 000	53 115 000
Water Distribution	285 039 500	270 039 500	(15 000 000)	-5%	282 727 100	353 958 058
SANITATION	46 096 342	47 768 342	1 672 000	4%	45 000 000	30 002 000
Waste Water Management	46 096 342	47 768 342	1 672 000	4%	45 000 000	30 002 000
TOTAL	334 440 842	321 812 842	(12 628 000)	-4%	376 486 847	386 510 058

The figure below indicates the municipality's 2018/19 Capital Budget by Funding Source.

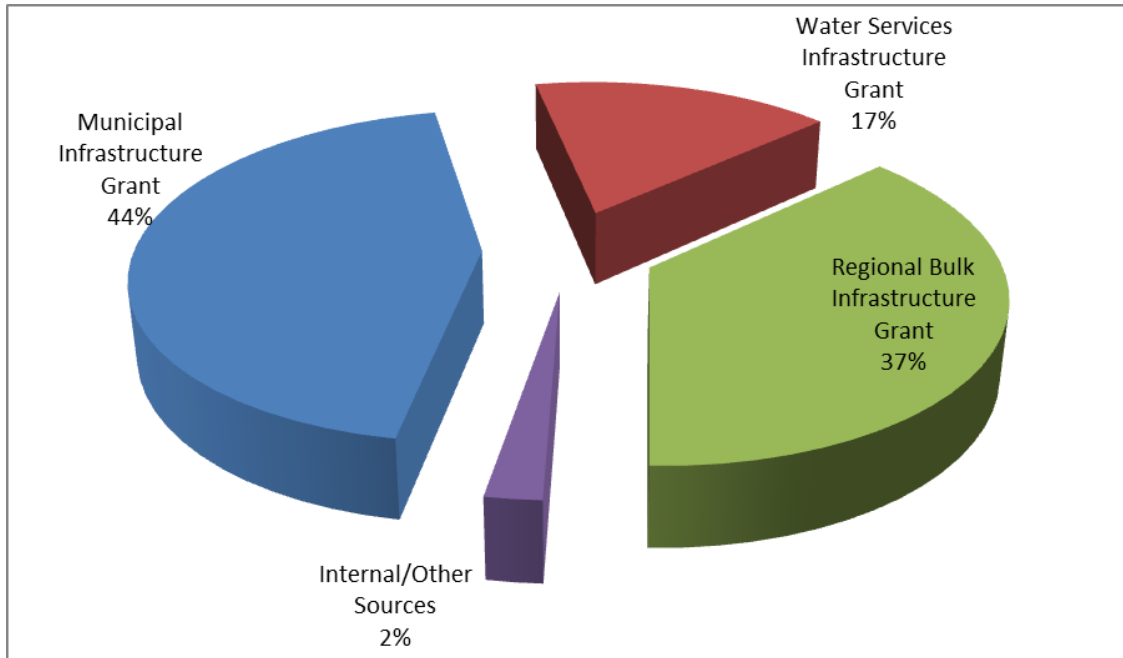


Figure 4 Capital Budget by Funding Source for the 2018/19 financial year

KING CETHSWAYO FRESH PRODUCE MARKET

Section 87(1) of the MFMA states that the board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the financial year or earlier if requested by the parent municipality. When calculating the 150 days (being 5 months) it is therefore required for the municipal entity to submit its proposed budget by the end of January. While this will be a draft budget, the board of directors and the parent municipality have 50 days after that to review the budget and assess the priorities and objectives and make necessary recommendations to the proposed budget as stated in Section 87(2) of the MFMA. The revised budget is then required to be submitted 100 days before the start of the financial year (sometime in mid-March).

OVERVIEW OF THE ANNUAL BUDGET PROCESS

The budget is prepared as the enabler to the implementation of the recently revised strategic plan and the annual performance plan (budget implementation plan/scorecard) of the entity.

- In line with Section 87 of the MFMA, the entity will be required to meet the following deadlines in respect of the 2018/2019 budget process:
- Submission of the proposed budget for 2018/2019 by no later than 31 January 2018 (150 days before the start of the financial year).
- Submission of the revised budget for 2018/2019 by no later than 20 March 2018 (100 days before the start of the financial year).
- Approval of the entity's budget (by the board of directors) by no later than 31 May 2018.

SUMMARY OF THE KCFPM BUDGET FOR 2018/19

Table 1 below provides a summary of the proposed budget for income and expenditure for the entity, for the 2018/19 financial year.

2018/2019 Multi Year Budget Summary - KCFPM							
	2018/2019 Draft Budget	2018/2019 Final Budget	Change Amount	Change %	2019/2020 Budget	2020/2021 Budget	Total for MTREF
Revenue by Source							
- Grants & subsidies	-	101,000	101,000	0.00%	-	-	101,000
Total Government Grant & Subsidies	-	101,000	101,000	0.00%	-	-	101,000
- Selling of Produce	30,300,680	27,947,638	-2,353,042	-7.77%	28,227,114	31,875,500	88,050,252
- Transfer from Parent Municipality	3,000,000	4,000,000	1,000,000	33.33%	3,000,000	2,000,000	9,000,000
Total Other Income	33,300,680	31,947,638	(1,353,042)	-4.06%	31,227,114	33,875,500	97,050,252
Total King Cetshwayo Fresh Produce Market	33,300,680	32,048,638	(1,252,042)	-3.76%	31,227,114	33,875,500	97,151,252
Expenditure							
Non-trading services	15,309,226	7,514,918	(7,794,308)	-50.91%	7,344,424	7,534,879	22,394,221
Trading Services	18,189,075	24,520,776	6,331,701	34.81%	24,545,690	25,277,812	74,344,278
Capital IDP & Internal Fixed Assets	352,379	600,000	247,621	70.27%	-	-	600,000
Total Expenditure	33,850,680	32,635,694	-1,214,986	-3.59%	31,890,114	32,812,691	97,338,499
LESS : DEPRECIATION NOT CASH BACKED	550,000	650,000	100,000	18.18%	663,000	676,260	1,989,260
TOTAL EXPENDITURE EXCL. DEPN	33,300,680	31,985,694	-1,314,986	-3.95%	31,227,114	32,136,431	95,349,239
BUDGET SHORTFALL	-	62,944	62,944	-	-	1,739,069	1,802,013

REVENUE

The table below depicts the total anticipated revenue for the municipality for the final 2018/19 MTREF in comparison to those that were included in the draft budget tabled before Council on 28 March 2018;

- Operating grants and subsidies relates to the grant provided by the parent municipality which is aimed at ensuring continued operation of the entity as it works on developing the regional market and also looking for other revenue streams that will ensure profitability and viability, thus removing reliance on funding from the shareholder. An amount of R3 million is budgeted for 2018/19 as per the allocation from the parent municipality and R1 million was added to assist in the payments of farmers as the department takes time to make payments. This grant funding must be ring fenced for farmers' payments only. Therefore 2018/2019 grant amounts to R4 million.
- Revenue of R27.947 million is based on the 3-year contract with the Department of Education for the supply of fresh produce to schools for the period from July 2017 – June 2020. The department did not budget for a rate increase in 2018/2019 which then forced the entity to budget at the same rate, a 1% increase in the number of learners was factored in the year 2019/2020. It is anticipated that the contract will be renewed in 2020/2021 financial year therefore a rate increase and increase in the number of learners was factored in the budget for the financial year.
- KCFPM received a grant funding of R101 000 for the payments of stipend for the farmers who will be trained through Owen Sithole College of Agriculture.

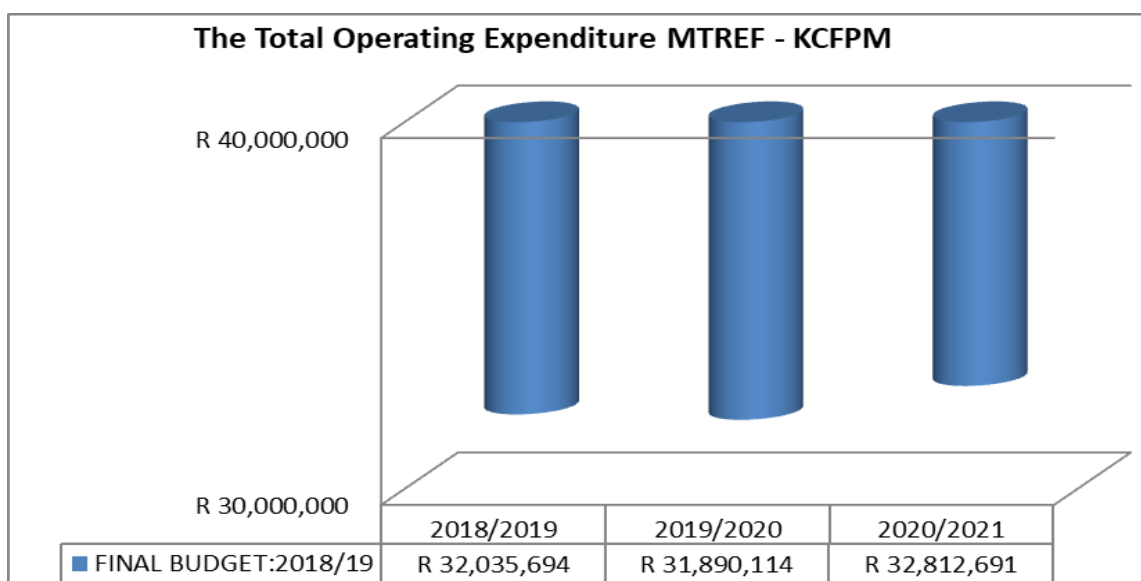
EXPENDITURE

The overall Expenditure for the 2018/19 financial year is R32m rand, decreasing by R1.2m from the 2018/19 indicative budget approved in the draft 2018/19 MTREF, in line with the anticipated revenues. The different categories of expenditure are further analysed below:

Operational Budget

The table below depicts the changes in the final operational budget in comparison to the one contained in the draft 2018/19 MTREF.

2018/19 OPERATIONAL EXPENDITURE - KCFPM	Budget Year Draft '2018/19	Budget Year Final '2018/19	CHANGE AMOUNT	CHANGE %	Budget Year '2019/20	% Increase	Budget Year '2020/21	% Increase
Departments								
KING CETSHWAYO FRESH PRODUCE MARKET	33,498,301	32,035,694	(1,462,607)	-4%	31,890,114	0	32,812,691	3%
CEO	7,906,230	743,000	(7,163,230)	-91%	757,860	6%	780,106	3%
FINANCE	4,460,373	4,099,217	(361,156)	-8%	4,111,361	6%	4,216,544	3%
CORPORATE SERVICES	2,942,623	2,672,701	(269,922)	-9%	2,475,203	6%	2,538,229	3%
OPERATIONS	17,539,075	23,598,526	6,059,451	35%	23,964,015	6%	24,679,186	3%
AGRI BUSINESS	650,000	922,250	272,250	42%	581,675	6%	598,626	3%
TOTAL OPERATIONAL EXPENDITURE	33,498,301	32,035,694	(1,462,607)	-4%	31,890,114	6%	32,812,691	3%



- The entity budget of R32.305 million for the 2018/2019 financial year which includes spending directly related to the contract for the delivery of fresh produce to schools such as transportation of fresh produce. A budget of R200 000 has been allocated for the purchase of nursery materials and 100 000 for farmers training.

The major cost drivers for the entity currently are as follows:

- Purchase of fresh produce with a budget of R16.908 million for 2018/2019 that will cater for the purchase of fresh produce from local emerging farmers for supply to schools within the King Cetshwayo district as per the contract with the Department of Education. The entity will make effort to benchmark prices to ensure better results at the end of the financial year. The budgeted spending for 2018/2019, when compared with 2017/2018 budget, shows a significant increase due to the revised menu from the department which the entity must comply with as it is a critical aspect of the contract.
- Transportation of fresh produce, budgeted at R5.961 million for 2018/2019. The entity planned to rationalize this cost through implementing changes in the logistics and also the logistics contracts as follows:
 - ✓ The entity has developed a new transport model by clustering the schools per area. The transporter shall deliver to the schools which are closer to each other and also closer to his residents to ensure limited km.
- Employee related costs has been reduced from a budget of R7.025 million to R3.399 million for the payment of salaries to employees resulting from the turnaround strategy implementation. The changes are detailed on the turnaround strategy report.

Other significant expenditure items

- An amount of R700 000 is budgeted for the allowances, travel and accommodation of Directors for Board meetings, Board committee meetings and other conferences and meetings attended in capacity as the entity's Board members. A training and development for the Board is budgeted at R80 000.
- Contracted services (excluding transportation): The entity has budgeted R1.200 million for contracted services which includes, security, legal cost and consultants' fees resulting from the turnaround strategy implementation.
- The entity has prepared a budget that sees the operating surplus being allocated towards the marketing and branding of the market which is aimed at increasing the visibility and enhance the image of the market through bill boards, community road shows and radio slots to attract the farmers and other stake holders.

CAPITAL EXPENDITURE FINANCING

The entity has allocated R600 000 for the establishment of the nursery facilities to enable the emerging farmers to get the seedlings as and when required.

Capital Budget per Vote - KCFPM						
	2018/2019	2018/2019	Change	Change	2019/2020	2020/2021
	Draft Budget	Final Budget	Amount	%	Budget	Budget
	R	R	R		R	R
FINANCE	-	-	-	#DIV/0!	-	-
CORPORATE	209,840	-	(209,840)	-1	-	-
AGRI BUSINESS	142,539	600,000	457,461	3.20937	-	-
KING CESTHWAYO FRESH PRODUCE MARKI	352,379	600,000	247,621	70%	-	-
TOTAL	352,379	600,000	247,621	70%	-	-

The entity has prepared a revised budget that sees the operating surplus being allocated towards projects and capital expenditure during the years.

Part 2 – Supporting Documentation

2.1 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 Honourable Speaker, Mayor, Deputy Mayor and the Council Whip, on the administration side it consists of the Municipal Manager and senior officials of the municipality.

The primary aims 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 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.

2.2 Schedule of Key Deadlines

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 2018) a time schedule that sets out the process to revise the IDP and prepare the budget.

The IDP and budget time schedule were tabled in the Budget Steering Committee in August 2018 and was then subsequently submitted to the Financial Services Portfolio Committee, Exco, and Council in August 2018. The Key dates applicable to the process were:

- **August 2018** – The Mayor tables the Schedule of Key deadlines to the relevant Council Committees;
- **September 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget Office for consolidation and assessment against the financial planning guidelines;
- **January 2019**- Council considers the 2018/19 Mid-year Review in terms of section 72 of the MFMA;
- **February 2019**- Council considers the 2018/19 Adjustments Budget;

- **March 2018**– Multi-year budget proposals are submitted to the Budget Steering Committee for consideration and further deliberation;
- **March 2018**- Tabling in the Financial Services Portfolio Committee, Exco and Council of the draft 2018/19 IDP and 2018/19 MTREF for consideration;
- **April/May 2018** – Public consultation, IDP Roadshows;
- **May 2018**– 2018/19 MTREF, taking into consideration comments received from the public, comments from National and Provincial Treasuries, and updated information from the most recent Division of Revenue Bill and financial framework;
- **May 2018** - Tabling of the final 2018/19 MTREF before Council for consideration and approval.
- **June 2018** - finalisation of the 2018/19 IDP review

There were minor deviations from the key dates set out in the Budget Time Schedule tabled in Council, however, the dates were still within the legislated timelines.

2.3 Process For Integration Of The IDP & Preparation Of The Budget

The budget process is integrated with the review of the IDP through the IDP review mechanism. The outcome of consultation feeding into the preparation and review of the IDP is taken into account in the budget process.

Planning and Economic Development arranged alignment forums, of which key outcomes were considered in the review of the IDP and for inclusion in the 2018/2019 Multi-Year Budget Consultation for the preparation of the King Cetshwayo IDP.

2.4 Process to Record and Integrate Input from the Community

Planning & Economic Development recorded inputs from the alignment forums and with Road shows have been held in October and November 2017 in each Local Municipality Area to provide feedback on the tabled Budget / IDP.



Community Members listening attentively during the November IDP/Budget Roadshows

2.5 Process and Media Used To Provide Information on The Budget and IDP To The Community

Some of the tools used for communicating the Budget/IDP, as contained in the Public Relations / Communication Strategy, are:

- Road shows in uMhlathuze, uMfolozi, Nkandla, Mthonjaneni & uMlalazi Municipalities annually in April during the Budget/IDP comment phase and in October after Council approval of the IDP/Budget
- Monthly external newsletter *Izindaba Ezimtoti*
- Monthly internal newsletter *Ezisematheni*
- King Cetshwayo website www.kingcetshwayo.gov.za
- Annual Service Commitment Charter booklet published as and when needed
- Annual Report – publication planned for January each year.
- Print media press releases as and when required to local and provincial newspapers
- Adverts in local and provincial newspapers as required
- IDP Representative Forum meetings
- District LED Forum meetings
- District Mayors' Forum meetings



Her Worship, The Mayor NNP Mkhulisi during the Amakhosi Roadshow in November 2017.

2.6 Alignment Of Budget With IDP

The budget was prepared using the following IDP inputs:

- Situational Analysis
- The outputs of the consultations with the various stakeholders.
- Priority Development Issues
- Strategic approach

The information from the above processes was included in the budget according to the IDP prioritisation model. A preparation of the municipal Integrated Development Plan (IDP) has been prepared for the 2017/18 - 2021/22 as required by the Municipal Systems Act and the MFMA. The document contains information on the following:

- Vision for the King Cetshwayo District Municipality
- Strategic Focus Areas
- Long-term goals or outcomes for the resident communities
- Alignment with national, provincial and district plans
- Consideration of service delivery and funding of housing, health and transport
- Description of prioritisation systems used for allocating resources to objectives
- Amendments to the IDP
- The consultative process undertaken to review the IDP

The Budget Steering Committee has been operational since the inception of the IDP preparation process. The committee acts as a support to the IDP preparation process.

2.7 IDP FOCUS AREAS

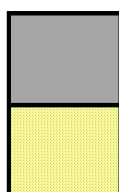
The integrated development approach of the King Cetshwayo District Municipality focuses on the combination of basic needs approach and economic development. As such, the district has been investing in physical, social and economic development aspects. Its investment has been founded on the approach of responding to areas of greatest need and areas with potential for greatest returns in terms of economic development.

The King Cetshwayo District Municipality also focuses on its core functions as referenced in Section 84(1) of the Municipal Structures Act (No. 117 of 1998). The following table provides a summary of only those core functions (shaded areas) for the King Cetshwayo District Municipality:

POWERS AND FUNCTIONS

In terms of Circular 8/2008: 2008/09 Capacity Assessments and Recommendations: Adjustment of Powers and Functions between District and Local Municipalities in terms of Section 85 of the Local Government: Municipal Structures Act 1998, the uThungulu Distri

			281	282	283	284	285	286
1	S 84(1)(a)	Integrated development planning for the district municipality including Development Plan for the local municipalities within the area of the District Municipality						
2	S 84(1)(b)	Potable water supply that effects a significant proportion of the municipalities in the district						
3	S 84(1)(C)	Bulk supply of electricity						
4	S 84(1)(d)	Domestic waste-water and sewage disposal system						
5	S 84(1)(e)	Solid waste disposal sites serving the area of the District Municipality as a whole						
6	S 84 (1)(f)	Municipal roads which form an integrated part of a road transport system for the area of the district municipality as a whole						
7	S 84 (1)(g)	Regulation of passenger transport services						
8	S 84 (1)(h)	Municipal airport serving the area of the district municipality as a whole						
9	S 84 (1)(i)	Municipal health serving the area of the district municipality as a whole						
10	S 84 (1)(j)	Fire fighting services for district municipality as a whole						
11	S 84 (1)(k)	Fresh produce markets and (abattoirs) serving the area of the district municipality as a whole						
12	S 84 (1)(l)	Cemeteries and crematoria						
13	S 84 (1)(m)	Promotion of local tourism for the district municipality						
14	S 84 (1)(n)	Municipal public works relating to any of the above function or and other functions assigned to the district municipality						
	S 84 (1)(o)	The receipt, allocation and if applicable distribution of grants made to the district municipality						
16	S 84 (1)(p)	The imposition and collection of taxes, levies and duties as related to the above functions or may be assigned to the District Municipality in terms of national						
18	Sched 4 B	Building regulations						
22	Sched 4 B	Local Tourism						
40	Sched 5 B	Licencing and control of undertakings that sell food to the public						
50	Sched 5 B	Refuse removal, refuse dumps, solid waste disposal and cleansing services						



Allocated functions to the District

Functions omitted from existing enactment in terms of Extraordinary Provincial Gazette of KZN Vol3 No 299 dated 30 June 2009

2.8 IDP Strategic Objectives

The above is compartmentalized into the following eleven development strategies for the district:

STRATEGIC PRIORITIES	PROGRAMMES
Municipal Transformation and Organisational Development.	
	Human Resource Development
	Information & Communication Technology Services
	Administrative Services
	Individual Performance Management
	Organisational Performance Management
	Institutional Development
	Integrated Development Planning
Municipal Financial Viability and Management.	
	Financial management
	Budgeting and reporting
	Revenue Enhancement
	Expenditure control
	Improved Audit Opinion
Good Governance and Public Participation.	
	Public Relations & Communications
	Intergovernmental Relations
	Public Participation
	Batho Pele Principles
	Community Participation
	Nation-building and good governance.
	Improved Ward Information
Infrastructure Development and Service Delivery.	
	Electricity & Alternative Energy
	Regional Solid Waste
	Regional Cemeteries and Crematoria
	Municipal Roads and Public Transport Services
	Municipal Airports
	Municipal Public Works
	Regional Fresh Produce Market
	Abattoir
	ICT Infrastructure
	Rail Networks
	Harbour

STRATEGIC PRIORITIES	PROGRAMMES
Basic Services Provision	
	Access to Water (Potable Water and Waste Water)
	Access to Sanitation
	Potable Water, Waste Water and Sanitation
	Drought relief
	Upgrading of Water Services Networks
	Water Services Authority and Planning
	Access to Electricity (Energy)
	Access to Solid Waste (Regional Solid Waste)
	Regional Cemeteries and Crematoria
	Free Basic Services
	Improved access to basic services
	Improved access to Free Basic Services
Local Economic Development	
	Local Economic Development
	Local Economic Development of prioritised groups
	Local Tourism Development
	Agricultural Development
	Business and Industrial Development
	Community Work programme implemented and cooperatives supported
Sustainable Human Settlement & Land Management	
	Internal Fixed Assets
	Spatial Planning & Development
	Nodal Planning & Development
	Land Use Management
	Land Reform
	Housing
Human Resource Development	
	Education
	Skills Development
Rural Development & food security	
	Sustainable Livelihoods
	Rural development
	Agrarian Reform

STRATEGIC PRIORITIES	PROGRAMMES
Community Development & Social Services	
	Municipal Health
	Air Quality Management
	Safety & Security
	Crime Prevention
	Community, Service, Facilities and Actions
	Sport & Recreation Programme
	Disaster Management
	Marginalised Groups
	HIV/AIDS
	Culture, Arts & Heritage
Environmental & Resource Management	
	Integrated Environmental Management
	Coastal Management
	Responses to Climate Change

The 2018/2019 MTREF has therefore been directly informed by the above strategic objectives and the IDP.

2.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

2.9.1 PROVISION OF CLEAN WATER AND MANAGING WASTE WATER

King Cetshwayo District Municipality is a Water Services Authority (WSA) in terms of the Minister's determination of the municipal powers and function in terms of section 84 (b) and (d) of the Municipal Structures Act, Act 117 of 1998. The WSA functions are clearly defined in chapter 3 of the Water Services Act, Act 108 of 1997.

The WSA function status is only applicable to the four local municipalities namely;

uMfolozi Municipality	KZ 281
uMlalazi Municipality	KZ 284
Mthonjaneni Municipality	KZ 285
Nkandla Municipality	KZ 286

Based on the aforementioned functions, a detailed Water Services Development Plan (WSDP) was prepared indicating the challenges facing the municipality. King Cetshwayo is predominantly rural with only 20% being urban incorporating surrounding townships. The backlogs are reflected below;

Water Supply Backlog based on the 2011 census data

Basic Service	Number of Households (HH) with access	Number of HH without access	Backlog in Percentage based on 2011 Stats of 116 367 HH in the District
Access to Water	73213	43154	37
Access to Sanitation	79523	36844	32

Based on the table above, it is clear that the municipality is faced with the challenge of ensuring that the 37% (43154) households that have now been provided with water or have access to piped water and enjoys uninterrupted service.

To successfully achieve this mammoth task, the WSA undertook a Section 78 capacity assessment as prescribed in the Municipal Systems Act, Act 32 of 2000. This was done to assess the capacity of all local municipalities to ascertain if they would be able to undertake the Water Services Provider (WSP) function.

The outcome of this service indicated that all five municipalities would not be able to manage water services provision function within the extended areas. It be noted that the previous town councils only had capacity and resources to provide water services within their old boundaries. The newly established wall to wall municipalities resulted in massive extensions of the municipal boundaries with the inclusion of vast rural areas with limited infrastructure.

The 73213 households receive water from over 250 water schemes. These water projects receive water from the following sources: boreholes, springs, rivers through weirs, dams and from bulk pipeline from other neighbouring municipalities.

Access to sanitation stands at 79523 of household served by rural sanitation (VIP) as well as water borne sewerage systems in urban areas except for Mbonambi Town which is entirely on septic tanks. That means our sanitation backlog is about 36844 households representing 32%.

2.9.2 WATER SERVICES PROVIDER STATUS

In view of the fact that all local municipalities did not have capacity to undertake the WSP function, King Cetshwayo entered into a service level agreement with the local municipalities, excluding KZ 282 to provide the WSP function for their entire respective servicing areas. This required that the municipality provide all resources and capacity to ensure that all systems were operational.

To achieve this successfully, King Cetshwayo opted for the services of a service support agent (SSA) for rural schemes. The town supply schemes are operated and managed by KCDM. King Cetshwayo appointed the service of a service support agent WSSA.

In addition to the maintenance of rural schemes, the municipality is also responsible for the maintenance of rudimentary water supply facilities such as boreholes, standard developments schemes and protected localized springs which do not have piped network due to low yields.

In areas where boreholes and springs have dried up and where there is no prospect of groundwater, the municipality provide water with water tankers. As alluded earlier in the book, this cost has been increasing annually and no funding has been forthcoming from National and Provincial Government.

2.9.3 WATER QUALITY ISSUES

The municipality is taking the water quality issue very seriously. From last year, the municipality started to make budget provision to address water quality issues. Currently water quality is managed based on the Department of Water Affairs guidelines. These guidelines were reviewed in April 2009 to conform to the SANS 241 standard (blue and green drop). With the introduction of the blue drop performance rating, this standard was improved to only consider water conforming to the class 1 classification.

King Cetshwayo is doing internal monitoring by sampling all its water schemes on a monthly basis and submit those results to DWA through an electronic reporting system. In addition to this, all water plants are equipped with chlorine test meters. The samples are taken on a daily basis for chlorine level monitoring. This also includes the turbidity testing. Most of King Cetshwayo water quality has always been above the 80% compliance. The bulk failures are received from boreholes and spring sources mostly in areas without electricity.

❑ EFFLUENT QUALITY

The effluent samples are taken on a monthly basis and the results are submitted to DWA.

These systems are in Eshowe Town and at Melmoth. Most of the failure are on the oxidation ponds where excessive grown of vegetation has occurred.

❑ WATER SAFETY PLAN

Previously the municipality did not have a water safety plan as this was not compulsory. A budget provision was made available in the 2012/13 financial year with similar provisions made in the outer years. In March 2012, a draft water safety plan was sent to the Department of Water Affairs for approval.

It is important to state that all designs of bulk schemes had been based on 36 to 48hr storages. Since 2006, the municipality has embarked on a strategy to move away from unreliable local sources such as boreholes and springs as they are susceptible to groundwater fluctuations and are the first points of failure during drought.

❑ PROBLEMS EXPERIENCED BY THE MUNICIPALITY

- Huge number of backlogs still to be addressed by the municipality
- Ageing infrastructure in the towns
- Vast areas without water requiring carting of water by tankers
- Diminishing groundwater causing boreholes to dry or affecting water quality
- Negative impact on water supply due to high demand arising from excessive garden watering due to the "One House One Garden" which is a National Government campaign.
- Lack of metering in rural areas
- Vandalism of infrastructure by some community members
- Persistent drought in the district which has necessitated restrictions on the supply of water in some areas as well as interventions such as transporting water by water tankers, which is costly.
- Serious illegal water abstraction and abuse
- Insufficient funds for proper asset management

- Lack of capacity
- Serious challenges with the management of the Support Service Agent contract.

❑ **STEPS TO ADDRESS THE ABOVE PROBLEMS**

All the problems reflected above are covered in detail in the WSDP.

It should also be noted that as the new infrastructure is implemented, more funding is required for the operation and maintenance of these assets.

2.9.4 WATER CONSERVATION AND WATER DEMAND MANAGEMENT (WC/WDM)

King Cetshwayo District Municipality has taken the issue of WC/WDM seriously. Council has approved the Water Conservation and Water Demand Management Strategy for King Cetshwayo and its implementation is underway. In pursuance of this, a new section known as Water Use Efficiency (WUE) has been created and tasked with the responsibility of implementing the strategy. This section is headed by a Senior Manager. The first priority is to determine the level of non-revenue water and set targets to reduce based on the WC/WDM plan.

A service provider has been appointed to carry out analysis of various systems and do zoning and installation of bulk meters for the purpose of water balances. Another service provider will be appointed to replace conventional meters with smart meters and to carry out leak repairs in the customers' properties. The tender is currently undergoing the BID processes. These repairs will be a once off activity. Thereafter, our customers will be expected to manage their leaking appliances. In areas where we are experiencing high rate of defaulters, the smart meters will be put of pre-paid mode.

2.9.5 PERFORMANCE INDICATORS AND BENCHMARKS

2.9.5.1 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. In this regard the Municipality has been independently rated by Global credit rating co. for the past three years and has received an A- rating for its long term credit worthiness. This is indicative of high certainty of timely payment and liquidity factors that are strong and supported by good fundamental protection factors. As with all other municipalities, King Cetshwayo District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be monitored to ensure we maintain a healthy gearing ratio.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. Cognisance must be taken of the impact borrowings will have on future tariffs for service charges.

2.9.5.5 With the current scenario, the percentage of the total salary budget excluding Councillors allowances to the total operational budget is sitting and 32% for the 2018/19 financial year, this trend remains throughout the MTREF period, which is 2018/19 and 2020/21 financial years.

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

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Council. With the exception of water, only registered indigents qualify for the free and subsidised services.

For the 2018/19 financial year approximately 2400 registered indigents have been provided for in the budget with this figure increasing to 2600 by 2020/21. In terms of the Municipality's indigent policy registered households are entitled to 10kl free water, and subsidised sanitation costs.

Note that the number of households in informal 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 statistics for free water supplied.

2.10 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The Budget related policies of the municipality have been reviewed and vetted by the Legal Services section of the KCDM. These policies have been taken to the Rules Committee and will be taken to Exco and Council for final approval together with the final 2018/2019 multi year budget in May 2018. These policies are as follows;

- Incentive Policy
- Indigent Policy
- Investment and Banking Policy
- Property, Plant and Equipment
- Tariff Policy
- Credit Control and Debt collection Policy (Bylaws)
- Virement Policy
- Budget policy
- Long Term Financial Planning Policy
- Funding & Reserves Policy
- Targeted Procurement Policy
- Borrowing Policy
- Supply Chain Management
- Creditors and Employee Related Payments Policy
- Fleet Management Policy
- Cost Containment Policy
- Standard for Infrastructure Procurement & Delivery Management Policy

2.11 Legislation compliance status

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

2.11.1 In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.

2.11.2 Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed a total of over twenty interns since the inception of this programme. Currently there are five in the employ of the municipality, three of these interns have finished Certificate in Municipal Development Programme through Wits Business School.

2.11.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA. This Office is headed by a permanently employed Chief Financial Officer.

2.11.4 Audit Committee and Municipal Public Accounts Committee

An Audit Committee and the Municipal Public Accounts Committee has been established and is fully functional.

2.11.5 Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the final budget and is directly aligned and informed by the 2018/19 MTREF. The draft SDBIP will be finalised in terms of Section 53(1) of the MFMA. This is attached as annexure A on this document.

2.11.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.12 Annual Budget Tables – Consolidated Budget

DC28 King Cetshwayo - Table A1 Consolidated 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
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	53 826	62 858	64 615	85 400	77 346	77 346	71 498	86 260	91 436	96 922
Investment revenue	37 046	38 871	45 649	37 833	42 033	42 033	41 158	44 308	46 966	49 784
Transfers recognised - operational	469 387	573 410	467 500	636 873	600 279	600 279	522 987	534 175	528 574	589 034
Other own revenue	15 143	47 746	42 749	39 315	39 301	39 301	35 519	33 458	32 924	35 738
Total Revenue (excluding capital transfers and contributions)	575 402	722 885	620 513	799 422	758 959	758 959	671 162	698 201	699 900	771 478
Employee costs	132 210	155 594	173 463	235 930	216 647	216 647	174 056	254 524	269 487	285 530
Remuneration of councillors	9 395	10 348	10 292	12 153	12 003	12 003	10 815	12 870	13 617	14 434
Depreciation & asset impairment	48 915	50 863	62 985	86 511	86 511	86 511	51 553	93 158	98 721	104 618
Finance charges	12 672	11 252	9 163	6 432	6 432	6 432	3 529	5 322	10 130	9 194
Materials and bulk purchases	39 224	49 733	55 622	80 081	62 182	62 182	54 243	61 293	65 797	69 759
Transfers and grants	7 181	7 563	10 635	8 888	5 042	5 042	2 897	2 910	3 498	4 125
Other expenditure	383 584	445 020	399 601	350 649	509 171	509 171	376 208	406 356	322 646	371 504
Total Expenditure	633 181	730 373	721 762	780 645	897 989	897 989	673 300	836 433	783 895	859 163
Surplus/(Deficit)	(57 779)	(7 488)	(101 249)	18 777	(139 029)	(139 029)	(2 138)	(138 232)	(83 996)	(87 685)
Transfers and subsidies - capital (monetary allocated)	229 446	362 829	398 564	176 410	233 271	233 271	117 203	315 258	325 177	381 710
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025
Share of surplus/ (deficit) of associate entities	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025
Capital expenditure & funds sources										
Capital expenditure	233 422	392 637	375 258	327 417	274 533	274 533	116 901	322 413	376 487	386 510
Transfers recognised - capital	218 093	358 498	357 062	289 758	233 271	233 271	105 483	315 258	325 177	381 710
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	8 766	1 807	-	-	-	-	-	-	46 390	-
Internally generated funds	6 564	32 333	18 196	37 659	41 262	41 262	11 418	7 155	4 920	4 800
Total sources of capital funds	233 422	392 637	375 258	327 417	274 533	274 533	116 901	322 413	376 487	386 510
Financial position										
Total current assets	588 839	613 581	621 509	273 863	273 863	273 863	765 976	450 374	527 043	542 688
Total non current assets	1 545 008	1 881 519	2 162 137	3 024 675	2 971 791	2 971 791	2 227 264	2 704 495	2 946 655	3 155 436
Total current liabilities	245 903	241 866	270 858	129 003	129 003	129 003	374 426	148 352	153 470	167 285
Total non current liabilities	154 834	148 820	144 839	151 532	151 532	151 532	138 175	155 303	203 156	207 174
Community wealth/Equity	1 733 110	2 090 599	2 367 949	3 066 065	2 965 119	2 965 119	2 480 639	2 851 213	3 117 072	3 323 666
Cash flows										
Net cash from (used) operating	114 463	394 973	393 953	273 149	154 793	154 793	-	273 012	315 747	402 936
Net cash from (used) investing	(197 972)	(326 862)	(300 164)	(319 880)	(268 828)	(268 828)	-	(315 258)	(325 177)	(381 710)
Net cash from (used) financing	(6 938)	(9 529)	(12 989)	(9 558)	(9 558)	(9 558)	-	(5 928)	(6 670)	(7 529)
Cash/cash equivalents at the year end	428 309	486 891	503 357	66 846	199 474	199 474	-	361 164	345 064	358 761
Cash backing/surplus reconciliation										
Cash and investments available	448 076	437 837	509 560	205 534	205 534	205 534	629 561	409 072	483 036	495 602
Application of cash and investments	279 340	190 206	186 917	173 998	174 411	174 411	324 219	218 818	239 563	254 106
Balance - surplus (shortfall)	168 736	247 631	322 643	31 536	31 123	31 123	305 342	190 254	243 472	241 496
Asset management										
Asset register summary (WDV)	1 524 894	1 866 853	2 155 712	3 024 497	2 971 613	2 971 613	-	2 704 365	2 946 569	3 155 395
Depreciation	48 915	50 863	62 985	86 511	86 511	86 511	86 511	93 158	98 721	104 618
Renewal of Existing Assets	-	-	-	2 000	3 253	3 253	3 253	2 100	-	10 000
Repairs and Maintenance	76 699	88 716	79 267	68 249	152 468	152 468	152 468	140 302	84 352	91 697

DC28 King Cetshwayo - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional 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	1									
Governance and administration		494 947	720 659	687 267	608 756	612 777	612 777	648 403	656 188	739 676
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		494 947	720 659	687 267	608 756	612 777	612 777	648 403	656 188	739 676
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		18 423	18 650	20 822	19 299	19 299	19 299	19 227	20 797	22 124
Community and social services		270	270	174	224	224	224	192	204	216
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		18 152	18 380	20 648	19 075	19 075	19 075	19 035	20 593	21 909
Economic and environmental services		-	-	-	106	106	106	112	126	134
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	106	106	106	112	126	134
Trading services		291 479	297 630	280 536	316 256	329 524	329 524	313 668	316 739	357 378
Energy sources		-	-	-	-	-	-	-	-	-
Water management		211 093	209 765	222 224	245 455	241 093	241 093	257 092	274 337	297 038
Waste water management		63 473	68 892	25 404	37 893	67 607	67 607	27 010	11 062	27 121
Waste management		16 913	18 972	32 908	32 908	20 824	20 824	29 566	31 340	33 220
Other	4	-	48 774	30 452	31 415	30 524	30 524	32 049	31 227	33 876
Total Revenue - Functional	2	804 848	1 085 714	1 019 078	975 832	992 230	992 230	1 013 459	1 025 077	1 153 188
Expenditure - Functional										
Governance and administration		120 053	129 435	136 616	169 882	161 649	161 649	176 152	186 059	198 353
Executive and council		38 847	55 904	38 041	36 203	33 004	33 004	40 113	41 143	45 341
Finance and administration		81 206	73 532	98 575	133 679	128 645	128 645	136 039	144 915	153 012
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		35 493	45 645	49 074	52 581	53 082	53 082	53 003	55 118	59 051
Community and social services		22 742	29 960	31 224	32 956	34 643	34 643	33 968	34 525	37 142
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		12 751	15 685	17 850	19 625	18 438	18 438	19 035	20 593	21 909
Economic and environmental services		27 716	21 276	20 767	31 429	34 119	34 119	29 894	33 680	35 434
Planning and development		27 716	21 276	20 767	28 955	31 892	31 892	27 125	30 734	32 312
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	2 474	2 228	2 228	2 769	2 946	3 123
Trading services		449 920	503 402	485 201	496 353	618 597	618 597	545 348	477 148	533 512
Energy sources		-	-	-	26 000	-	-	-	-	-
Water management		346 331	405 522	423 415	385 242	462 773	462 773	491 872	437 890	477 380
Waste water management		65 097	63 957	26 651	46 052	127 773	127 773	28 514	7 301	23 066
Waste management		38 492	33 923	35 135	39 060	28 051	28 051	24 962	31 957	33 066
Other	4	-	30 614	30 104	30 399	30 541	30 541	32 036	31 890	32 813
Total Expenditure - Functional	3	633 181	730 373	721 762	780 645	897 989	897 989	836 433	783 895	859 163
Surplus/(Deficit) for the year		171 667	355 341	297 316	195 187	94 242	94 242	177 026	241 181	294 025

DC28 King Cetshwayo - Table A3 Consolidated 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	1									
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-
Vote 02 - Economic Development, Planning & Environ		-	-	-	-	-	-	-	-	-
Vote 03 - Community & Social Services		270	270	174	224	224	224	192	204	216
Vote 04 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 05 - Environmental Health		18 152	18 380	20 648	19 181	19 181	19 181	19 148	20 719	22 042
Vote 06 - Finance & Administration		498 336	746 777	701 203	608 756	612 777	612 777	648 403	656 188	739 676
Vote 07 - Infrastructure Services		211 093	209 765	222 224	245 455	241 093	241 093	257 092	274 337	297 038
Vote 08 - Waste Management		13 524	16 913	18 972	32 908	20 824	20 824	29 566	31 340	33 220
Vote 09 - Waste Water Management		63 473	68 892	25 404	37 893	67 607	67 607	27 010	11 062	27 121
Vote 10 - King Cetshwayo Fresh Produce Market		-	24 716	30 452	31 415	30 524	30 524	32 049	31 227	33 876
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	804 848	1 085 714	1 019 078	975 832	992 230	992 230	1 013 459	1 025 077	1 153 188
Expenditure by Vote to be appropriated	1									
Vote 01 - Executive & Council		38 847	55 904	38 041	64 706	61 722	61 722	70 912	74 357	81 192
Vote 02 - Economic Development, Planning & Environ		27 716	21 276	20 767	28 955	31 892	31 892	27 125	30 734	32 312
Vote 03 - Community & Social Services		22 742	29 960	31 224	32 956	34 643	34 643	33 968	34 525	37 142
Vote 04 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 05 - Environmental Health		12 751	15 685	17 850	22 100	20 666	20 666	21 804	23 539	25 031
Vote 06 - Finance & Administration		81 206	73 532	98 575	105 177	99 927	99 927	105 241	111 701	117 161
Vote 07 - Infrastructure Services		346 331	405 522	423 415	411 242	462 773	462 773	491 872	437 890	477 380
Vote 08 - Waste Management		38 492	33 923	35 135	39 060	28 051	28 051	24 962	31 957	33 066
Vote 09 - Waste Water Management		65 097	63 957	26 651	46 052	127 773	127 773	28 514	7 301	23 066
Vote 10 - King Cetshwayo Fresh Produce Market		-	30 614	30 104	30 399	30 541	30 541	32 036	31 890	32 813
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	633 181	730 373	721 762	780 645	897 989	897 989	836 433	783 895	859 163
Surplus/(Deficit) for the year	2	171 667	355 341	297 316	195 187	94 242	94 242	177 026	241 181	294 025

DC28 King Cetshwayo - Table A4 Consolidated 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	35 233	39 721	38 937	52 492	48 122	48 122	45 413	48 337	51 237	54 312
Service charges - sanitation revenue	2	4 799	5 595	6 706	7 815	8 400	8 400	7 427	8 357	8 858	9 390
Service charges - refuse revenue	2	13 524	16 913	18 972	25 093	20 824	20 824	18 657	29 566	31 340	33 220
Service charges - other		270	630								
Rental of facilities and equipment		36	41	47	6 595	6 595	6 595	6 036	105	111	118
Interest earned - external investments		37 046	38 871	45 649	37 833	42 033	42 033	41 158	44 308	46 966	49 784
Interest earned - outstanding debtors		1 970	1 760	2 054	310	310	310	2 095	310	329	348
Dividends received											
Fines, penalties and forfeits					-	8	8	7	9	9	10
Licences and permits				52	106	106	106	20	112	126	134
Agency services											
Transfers and subsidies		469 387	573 410	467 500	636 873	600 279	600 279	522 987	534 175	528 574	589 034
Other revenue	2	13 137	45 944	40 597	32 305	32 282	32 282	27 362	32 922	32 348	35 128
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		575 402	722 885	620 513	799 422	758 959	758 959	671 162	698 201	699 900	771 478
Expenditure By Type											
Employee related costs	2	132 210	155 594	173 463	235 930	216 647	216 647	174 056	254 524	269 487	285 530
Remuneration of councillors		9 395	10 348	10 292	12 153	12 003	12 003	10 815	12 870	13 617	14 434
Debt impairment	3	10 260	7 872	12 426	3 615	3 615	3 615	3 394	2 828	4 050	4 293
Depreciation & asset impairment	2	48 915	50 863	62 985	86 511	86 511	86 511	51 553	93 158	98 721	104 618
Finance charges		12 672	11 252	9 163	6 432	6 432	6 432	3 529	5 322	10 130	9 194
Bulk purchases	2	39 224	49 535	55 622	52 800	29 052	29 052	28 873	28 534	30 251	32 029
Other materials	8		198		27 281	33 130	33 130	25 370	32 759	35 546	37 730
Contracted services		90 364	103 023	111 867	269 843	396 176	396 176	287 126	294 932	201 792	245 406
Transfers and subsidies		7 181	7 563	10 635	8 888	5 042	5 042	2 897	2 910	3 498	4 125
Other expenditure	4, 5	282 124	333 479	275 308	77 191	109 381	109 381	85 687	108 596	116 804	121 805
Loss on disposal of PPE		836	646		-	-	-	-	-	-	-
Total Expenditure		633 181	730 373	721 762	780 645	897 989	897 989	673 300	836 433	783 895	859 163
Surplus/(Deficit)		(57 779)	(7 488)	(101 249)	18 777	(139 029)	(139 029)	(2 138)	(138 232)	(83 996)	(87 685)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		229 446	362 829	398 564	176 410	233 271	233 271	117 203	315 258	325 177	381 710
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		171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025
Taxation											
Surplus/(Deficit) after taxation		171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		171 667	355 341	297 316	195 187	94 242	94 242	115 065	177 026	241 181	294 025

DC28 King Cetshwayo - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

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
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 01 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 02 - Economic Development, Planning & Environment		-	-	-	-	-	-	-	-	-	-
Vote 03 - Community & Social Services		-	-	-	-	3 445	3 445	636	-	-	-
Vote 04 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 05 - Environmental Health		-	-	-	-	-	-	-	-	-	-
Vote 06 - Finance & Administration		-	-	-	-	-	-	-	-	-	-
Vote 07 - Infrastructure Services		189 350	380 254	354 169	217 017	209 807	209 807	92 268	261 990	251 177	336 708
Vote 08 - Waste Management		-	-	-	3 500	310	310	-	575	46 390	-
Vote 09 - Waste Water Management		6 400	1 751	3 000	-	-	-	-	47 768	45 000	30 002
Vote 10 - King Cetshwayo Fresh Produce Market		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	195 750	382 005	357 169	220 517	213 562	213 562	92 904	310 333	342 567	366 710
Single-year expenditure to be appropriated	2										
Vote 01 - Executive & Council		674	779	3 579	1 150	2 300	2 300	1 926	1 260	100	100
Vote 02 - Economic Development, Planning & Environment		88	168	-	100	100	100	-	100	100	-
Vote 03 - Community & Social Services		308	440	999	450	2 278	2 278	53	-	-	-
Vote 04 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 05 - Environmental Health		-	200	-	350	200	200	49	300	300	200
Vote 06 - Finance & Administration		3 823	1 276	3 472	10 724	14 351	14 351	1 318	1 770	1 870	2 250
Vote 07 - Infrastructure Services		22 563	4 248	2 893	92 711	41 408	41 408	20 605	8 050	31 550	17 250
Vote 08 - Waste Management		3 632	778	258	50	52	52	44	-	-	-
Vote 09 - Waste Water Management		6 583	2 444	2 929	50	-	-	-	-	-	-
Vote 10 - King Cetshwayo Fresh Produce Market		-	300	3 959	1 316	283	283	3	600	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		37 672	10 633	18 089	106 900	60 971	60 971	23 997	12 080	33 920	19 800
Total Capital Expenditure - Vote		233 422	392 637	375 258	327 417	274 533	274 533	116 901	322 413	376 487	386 510
Capital Expenditure - Functional											
Governance and administration		4 497	1 755	7 052	11 874	16 651	16 651	3 244	3 030	1 970	2 350
Executive and council		651	682	3 579	600	1 950	1 950	1 609	1 110	100	100
Finance and administration		3 846	1 073	3 472	11 274	14 701	14 701	1 635	1 920	1 870	2 250
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		3 853	852	999	450	5 722	5 722	689	-	-	-
Community and social services		3 853	852	999	450	5 722	5 722	689	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		12 683	668	-	450	300	300	49	400	400	200
Planning and development		12 683	468	-	100	100	100	-	100	100	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	200	-	350	200	200	49	300	300	200
Trading services		212 389	389 062	363 248	313 328	251 576	251 576	112 917	318 383	374 117	383 960
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		195 773	384 090	357 062	309 728	251 214	251 214	112 873	270 040	282 727	353 958
Waste water management		12 983	4 195	5 929	50	-	-	-	47 768	45 000	30 002
Waste management		3 632	778	258	3 550	362	362	44	575	46 390	-
Other		-	300	3 959	1 316	283	283	3	600	-	-
Total Capital Expenditure - Functional	3	233 422	392 637	375 258	327 417	274 533	274 533	116 901	322 413	376 487	386 510
Funded by:											
National Government		203 279	358 309	357 062	289 758	233 271	233 271	105 483	315 258	325 177	381 710
Provincial Government		14 814	189	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	218 093	358 498	357 062	289 758	233 271	233 271	105 483	315 258	325 177	381 710
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	8 766	1 807	-	-	-	-	-	-	46 390	-
Internally generated funds		6 564	32 333	18 196	37 659	41 262	41 262	11 418	7 155	4 920	4 800
Total Capital Funding	7	233 422	392 637	375 258	327 417	274 533	274 533	116 901	322 413	376 487	386 510

DC28 King Cetshwayo - Table A6 Consolidated 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		78 309	83 437	198 357	45 823	45 823	45 823	123 854	59 072	74 079	66 645
Call investment deposits	1	350 000	340 000	305 000	159 711	159 711	159 711	504 895	350 000	408 956	428 956
Consumer debtors	1	81 990	115 745	72 298	27 621	27 621	27 621	41 059	31 851	33 768	35 981
Other debtors		69 881	65 472	40 080	29 790	29 790	29 790	90 092	388	388	388
Current portion of long-term receivables		44	89	43	45	45	45	-	49	44	44
Inventory	2	8 615	8 837	5 731	10 873	10 873	10 873	6 075	9 015	9 808	10 674
Total current assets		588 839	613 581	621 509	273 863	273 863	273 863	765 976	450 374	527 043	542 688
Non current assets											
Long-term receivables		347	265	222	178	178	178	-	130	85	41
Investments		19 767	14 400	6 203	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 523 844	1 862 226	2 151 559	3 006 559	2 954 884	2 954 884	2 216 644	2 702 211	2 944 300	3 152 850
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		1 050	4 627	3 453	17 239	16 029	16 029	3 717	1 455	1 570	1 845
Other non-current assets		-	-	700	700	700	700	6 903	700	700	700
Total non current assets		1 545 008	1 881 519	2 162 137	3 024 675	2 971 791	2 971 791	2 227 264	2 704 495	2 946 655	3 155 436
TOTAL ASSETS		2 133 846	2 495 099	2 783 646	3 298 538	3 245 654	3 245 654	2 993 239	3 154 869	3 473 698	3 698 124
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	(812)	-	-	-
Borrowing	4	9 529	12 989	10 605	5 928	5 928	5 928	(5 345)	6 670	7 529	8 486
Consumer deposits		9 698	10 139	10 387	11 520	11 520	11 520	9 355	12 212	12 944	13 721
Trade and other payables	4	225 292	217 074	248 209	109 767	109 767	109 767	373 102	127 662	131 083	143 053
Provisions		1 384	1 665	1 656	1 786	1 786	1 786	(1 873)	1 809	1 914	2 025
Total current liabilities		245 903	241 866	270 858	129 003	129 003	129 003	374 426	148 352	153 470	167 285
Non current liabilities											
Borrowing		68 056	55 067	44 462	38 533	38 533	38 533	52 529	31 864	68 291	59 806
Provisions		86 777	93 752	100 377	112 999	112 999	112 999	85 646	123 440	134 865	147 368
Total non current liabilities		154 834	148 820	144 839	151 532	151 532	151 532	138 175	155 303	203 156	207 174
TOTAL LIABILITIES		400 737	390 685	415 697	280 535	280 535	280 535	512 601	303 656	356 626	374 459
NET ASSETS	5	1 733 110	2 104 414	2 367 949	3 018 003	2 965 119	2 965 119	2 480 639	2 851 213	3 117 072	3 323 666
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 468 118	1 825 607	2 102 957	2 802 808	2 701 863	2 701 863	2 480 639	2 441 874	2 763 063	3 037 234
Reserves	4	264 992	264 992	264 992	263 256	263 256	263 256	-	409 339	354 010	286 431
TOTAL COMMUNITY WEALTH/EQUITY	5	1 733 110	2 090 599	2 367 949	3 066 065	2 965 119	2 965 119	2 480 639	2 851 213	3 117 072	3 323 666

DC28 King Cetshwayo - Table A7 Consolidated Budgeted Cash Flows

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		53 826	62 958	64 841	77 061	69 015	69 015		86 260	63 230	96 922
Other revenue		(8 161)	44 113	(6 399)	34 730	34 707	34 707		33 148	32 595	35 389
Government - operating	1	398 843	411 606	433 789	523 525	525 032	525 032		534 175	528 574	589 034
Government - capital	1	250 503	505 220	461 763	289 758	289 758	289 758		315 258	325 177	381 710
Interest		37 074	40 632	47 703	38 144	42 344	42 344		44 618	47 295	50 133
Dividends									-	-	-
Payments											
Suppliers and employees		(597 770)	(628 195)	(587 984)	(675 049)	(791 043)	(791 043)		(732 215)	(667 497)	(736 933)
Finance charges		(12 672)	(11 252)	(9 125)	(6 432)	(6 432)	(6 432)		(5 322)	(10 130)	(9 194)
Transfers and Grants	1	(7 181)	(30 110)	(10 635)	(8 588)	(8 588)	(8 588)		(2 910)	(3 498)	(4 125)
NET CASH FROM/(USED) OPERATING ACTIVITIES		114 463	394 973	393 953	273 149	154 793	154 793	-	273 012	315 747	402 936
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1 237	6 311	187					-	-	-
Decrease (increase) in non-current debtors			36	8 271					-	-	-
Decrease (increase) other non-current receivables		42		90	143	143	143		-	-	-
Decrease (increase) in non-current investments		3 238			6 079	6 079	6 079		-	-	-
Payments											
Capital assets		(202 488)	(333 210)	(308 711)	(326 102)	(275 050)	(275 050)		(315 258)	(325 177)	(381 710)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(197 972)	(326 862)	(300 164)	(319 880)	(268 828)	(268 828)	-	(315 258)	(325 177)	(381 710)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits			440		1 047	1 047	1 047		-	-	-
Payments											
Repayment of borrowing		(6 938)	(9 969)	(12 989)	(10 605)	(10 605)	(10 605)		(5 928)	(6 670)	(7 529)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(6 938)	(9 529)	(12 989)	(9 558)	(9 558)	(9 558)	-	(5 928)	(6 670)	(7 529)
NET INCREASE/ (DECREASE) IN CASH HELD		(90 447)	58 582	80 800	(56 289)	(123 593)	(123 593)	-	(48 174)	(16 100)	13 697
Cash/cash equivalents at the year begin:	2	518 756	428 309	422 557	123 135	323 067	323 067		409 338	361 164	345 064
Cash/cash equivalents at the year end:	2	428 309	486 891	503 357	66 846	199 474	199 474		361 164	345 064	358 761

DC28 King Cetshwayo - Table A8 Consolidated 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	428 309	486 891	503 357	66 846	199 474	199 474	-	361 164	345 064	358 761
Other current investments > 90 days		-	(63 455)	-	138 688	6 060	6 060	629 561	47 909	137 972	136 841
Non current assets - Investments	1	19 767	14 400	6 203	-	-	-	-	-	-	-
Cash and investments available:		448 076	437 837	509 560	205 534	205 534	205 534	629 561	409 072	483 036	495 602
Application of cash and investments											
Unspent conditional transfers		38 603	15 939	16 960	-	-	-	165 847	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	2 854	2 854	2 854	-	-	-	-
Other working capital requirements	3	85 902	25 447	169 957	58 145	58 558	58 558	158 372	95 378	104 699	106 738
Other provisions		154 834	148 820	-	112 999	112 999	112 999	-	123 440	134 865	147 368
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		279 340	190 206	186 917	173 998	174 411	174 411	324 219	218 818	239 563	254 106
Surplus(shortfall)		168 736	247 631	322 643	31 536	31 123	31 123	305 342	190 254	243 472	241 496

DC28 King Cetshwayo - Table A9 Consolidated 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	233 422	392 637	375 258	244 667	255 970	255 970	271 045	319 987	324 258
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		120 179	368 191	354 169	226 658	231 268	231 268	266 390	261 177	321 708
Sanitation Infrastructure		4 926	24 447	20 389	50	-	-	-	-	-
Solid Waste Infrastructure		108 317	-	-	3 500	310	310	575	46 390	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		233 422	392 637	374 558	230 208	231 578	231 578	266 965	307 567	321 708
Community Facilities		-	-	-	-	3 445	3 445	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	3 445	3 445	-	-	-
Heritage Assets		-	-	700	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	2 116	1 283	1 283	600	10 000	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	2 116	1 283	1 283	600	10 000	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	7 815	6 370	6 370	725	725	800
Intangible Assets		-	-	-	7 815	6 370	6 370	725	725	800
Computer Equipment		-	-	-	2 559	7 501	7 501	910	845	850
Furniture and Office Equipment		-	-	-	520	1 893	1 893	695	400	300
Machinery and Equipment		-	-	-	950	291	291	450	450	600
Transport Assets		-	-	-	500	3 609	3 609	700	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	2 000	3 253	3 253	2 100	-	10 000
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	2 000	3 253	3 253	2 100	-	10 000
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	2 000	3 253	3 253	2 100	-	10 000
Total Upgrading of Existing Assets	6	-	-	-	80 750	15 310	15 310	49 268	56 500	52 252
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	80 750	15 310	15 310	49 268	56 500	52 252
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	80 750	15 310	15 310	49 268	56 500	52 252

DC28 King Cetshwayo - Table A9 Consolidated 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
Total Capital Expenditure	4									
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		120 179	368 191	354 169	309 408	249 831	249 831	317 758	317 677	383 960
<i>Sanitation Infrastructure</i>		4 926	24 447	20 389	50	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		108 317	-	-	3 500	310	310	575	46 390	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		233 422	392 637	374 558	312 958	250 141	250 141	318 333	364 067	383 960
Community Facilities		-	-	-	-	3 445	3 445	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	3 445	3 445	-	-	-
Heritage Assets		-	-	700	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	2 116	1 283	1 283	600	10 000	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	2 116	1 283	1 283	600	10 000	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	7 815	6 370	6 370	725	725	800
Intangible Assets		-	-	-	7 815	6 370	6 370	725	725	800
Computer Equipment		-	-	-	2 559	7 501	7 501	910	845	850
Furniture and Office Equipment		-	-	-	520	1 893	1 893	695	400	300
Machinery and Equipment		-	-	-	950	291	291	450	450	600
Transport Assets		-	-	-	500	3 609	3 609	700	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		233 422	392 637	375 258	327 417	274 533	274 533	322 413	376 487	386 510

DC28 King Cetshwayo - Table A9 Consolidated 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
R thousand										
ASSET REGISTER SUMMARY - PPE (WDV)	5									
<i>Roads Infrastructure</i>										
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>										
<i>Water Supply Infrastructure</i>		761 700	1 724 808	2 022 885	2 684 394	2 624 817	2 624 817	2 387 065	2 504 536	2 744 606
<i>Sanitation Infrastructure</i>		24 751	24 270	30 948	9 151	9 101	9 101	55 198	103 871	133 873
<i>Solid Waste Infrastructure</i>		662 930	23 047	18 448	26 562	23 372	23 372	16 930	109 135	62 745
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		1 449 381	1 772 125	2 072 281	2 720 107	2 657 290	2 657 290	2 459 193	2 717 543	2 941 225
<i>Community Facilities</i>										
<i>Sport and Recreation Facilities</i>		74 463	90 101	61 928	43 240	45 852	45 852	41 816	41 145	41 238
Community Assets		74 463	90 101	61 928	43 240	45 852	45 852	41 816	41 145	41 238
Heritage Assets				700	700	700	700	700	700	700
<i>Revenue Generating</i>										
<i>Non-revenue Generating</i>										
Investment properties										
<i>Operational Buildings</i>										
<i>Housing</i>										
Other Assets										
Biological or Cultivated Assets										
<i>Servitudes</i>										
<i>Licences and Rights</i>		1 050	4 627	3 453	17 239	16 029	16 029	1 455	1 570	1 845
Intangible Assets		1 050	4 627	3 453	17 239	16 029	16 029	1 455	1 570	1 845
Computer Equipment				5 374	162 483	167 191	167 191	142 755	138 272	128 641
Furniture and Office Equipment				4 431	34 992	36 365	36 365	16 317	9 164	6 369
Machinery and Equipment				1 115	16 866	16 208	16 208	20 037	18 224	16 952
Transport Assets				6 429	28 870	31 979	31 979	22 092	19 952	18 425
Libraries										
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 524 894	1 866 853	2 155 712	3 024 497	2 971 613	2 971 613	2 704 365	2 946 569	3 155 395
EXPENDITURE OTHER ITEMS										
Depreciation	7	48 915	50 863	62 985	86 511	86 511	86 511	93 158	98 721	104 618
Repairs and Maintenance by Asset Class	3	76 699	88 716	79 267	68 249	152 468	152 468	140 302	84 352	91 697
<i>Roads Infrastructure</i>										
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>										
<i>Water Supply Infrastructure</i>		76 699	88 716	79 267	66 468	149 823	149 823	138 523	82 081	89 291
<i>Sanitation Infrastructure</i>										
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
Infrastructure		76 699	88 716	79 267	66 468	149 823	149 823	138 523	82 081	89 291
<i>Community Facilities</i>					250	150	150	4	4	4
<i>Sport and Recreation Facilities</i>										
Community Assets					250	150	150	4	4	4
Heritage Assets										
<i>Revenue Generating</i>										
<i>Non-revenue Generating</i>										
Investment properties										
<i>Operational Buildings</i>										
<i>Housing</i>										
Other Assets										
Biological or Cultivated Assets										
<i>Servitudes</i>										
<i>Licences and Rights</i>										
Intangible Assets										
Computer Equipment										
Furniture and Office Equipment					6	3	3	3	3	3
Machinery and Equipment					620	945	945	1 115	1 144	1 211
Transport Assets					905	1 547	1 547	658	1 120	1 187
Libraries										
Zoo's, Marine and Non-biological Animals										
TOTAL EXPENDITURE OTHER ITEMS		125 615	139 579	142 252	154 760	238 979	238 979	233 460	183 073	196 315

DC28 King Cetshwayo - Table A10 Consolidated 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		30 306	30 609	31 221	40 337	40 337	40 337	40 741	41 148	41 560
Piped water inside yard (but not in dwelling)		47 000	47 470	48 419	58 065	58 065	58 065	58 646	59 232	59 824
Using public tap (at least min.service level)	2	22 500	22 725	23 180	29 282	29 282	29 282	29 575	29 871	30 169
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		99 806	100 804	102 820	127 684	127 684	127 684	128 961	130 251	131 553
Using public tap (< min.service level)	3	9 930	10 029	10 230	10 102	10 102	10 102	10 203	10 305	10 408
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		35 616	35 972	36 692	55 677	55 677	55 677	56 234	56 796	57 364
<i>Below Minimum Service Level sub-total</i>		45 546	46 001	46 921	65 779	65 779	65 779	66 437	67 102	67 773
Total number of households	5	145 352	146 806	149 742	193 464	193 464	193 464	195 398	197 352	199 326
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		30 306	30 609	31 221	40 337	40 337	40 337	40 741	41 148	41 560
Flush toilet (with septic tank)		4 250	4 293	4 378	5 657	5 657	5 657	5 713	5 770	5 828
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		83 274	84 107	85 789	97 528	97 528	97 528	98 503	99 488	100 483
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		117 830	119 008	121 388	143 522	143 522	143 522	144 957	146 407	147 871
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		27 522	27 797	28 353	49 942	49 942	49 942	50 441	50 946	51 455
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		27 522	27 797	28 353	49 942	49 942	49 942	50 441	50 946	51 455
Total number of households	5	145 352	146 806	149 742	193 464	193 464	193 464	195 398	197 352	199 326

2.14 Municipal Manager’s quality certificate

I, acting municipal manager of King Cetshwayo District, 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 King Cetshwayo District (DC28)

Signature _____

Date _____



KING CETSHWAYO
DISTRICT MUNICIPALITY