

## 1.3 EXECUTIVE SUMMARY

### 1.3.1 INTRODUCTION

The 2018/2019 Medium Term budget is a total consolidated budget of R 45.8 billion which has been developed with an overall planning framework and includes programmes and projects to achieve the city's strategic objectives. This budget was set against the backdrop of slow economic growth where tough choices had to be made to achieve the development outcomes for the city. Economic challenges will continue to pressurise municipal revenue generation and collections in 2018/19, hence a conservative approach has been adopted when projecting expected revenues and receipts. Despite increasingly challenging circumstances, service delivery will continue to be sustained through this budget by reprioritising expenditure to ensure key objectives are achieved. Provisions in this medium term budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure. This budget has been developed to contribute to the municipality achieving the strategic objectives of the IDP. The 2018/2019 MTREF is informed by the municipality's long-term financial strategy with emphasis on affordability and long-term sustainability. National Treasury's MFMA Circular No.89 was used to guide the compilation of the 2018/19 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget
- Major tariffs to be cost reflective, realistic and affordable
- Budget to contribute to achieving strategic objectives of the IDP
- Loans to be sustainable and affordable and utilised for capital projects only
- Balancing capital expenditure for social, economic, rehabilitation and support
- Need to ensure rates base growth to ensure sustainability of free basic services
- Holistic: account for basket of goods & services provided, that are needs driven into the IDP
- Income/ revenue driven budget: affordability i.e. if funds do not materialise review expenditure

The main CHALLENGES experienced during the compilation of the 2018/2019 MTREF are as follows:

- Huge backlogs and further demands due to urbanization.
- Huge impact of IRPTN operating costs on city's financing.
- Economic slowdown & unemployment : impacts on collection rates.
- National Treasury austerity measures with minimal growth in grant allocations.
- Impact of increased spend in repairs and maintenance and capital on tariff increases.
- Declining trend of cash reserves: need to be closely monitored.
- Limited resources and minimal growth in the rates base & costs to unblock development.
- Increase in informal settlements and the related pressure on the provision of free basic services.

The following are some of the AUSTERITY MEASURES that have been applied to the 2018/19 medium term budgets, in order to address the initial budget deficit and ensure reasonable levels of tariffs and also to confirm to National Treasury cost containment guidelines.

- Fleet operations ring fenced for better operational efficiency
- Productivity assessment and bench-marking of costs undertaken.
- Strategic approach to vacancies. Analysis of vacancies carried out.
- Productivity analysis to include value for money and staff redeployment.
- Utilisation of vehicles being closely monitored via the vehicle tracking system.
- Hiring of plant etc. being investigated. If more expensive, consider purchasing.
- Fuel, overtime, catering, and consultants are some of the costs that are closely monitored.

### 1.3.2 OVERVIEW OF THE 2018/19 MTREF

#### OPERATING BUDGET

The operating budget, which funds the continued provision of services provided by the municipality, increases from R 37.2 billion in 2017/18 to R38.7 billion in 2018/19, R 41.7 billion in 2019/20 and R 45.2 billion in 2020/2021 respectively.

The growth of the operating budget is mainly due to:

- Repairs and maintenance of infrastructure
- Cost of addressing service delivery backlogs
- Cost of bulk purchases - water and electricity
- Impact of capital spending on operating expenditure
- Employee related costs as a result of filling of vacancies and provision for salary increase

The following are the Main Drivers of the 2018/19 Operating Budget of R38.7 billion.

- **Water Services: R 6.9 billion, increase of R 744 million (11.7%)**
  - Bulk Water Purchases R 2 380 million
  - Free Basic Water R 726 million
  - Repairs and Maintenance R 455 million
  - Interest on Loans R 287 million
  - Staff Expenditure R 772 million
  - Depreciation R 269 million

Water services are provided to approximately 956 000 consumers via 327 storage facilities, 98 pumps stations and 5 purification works. The maintenance of these facilities and the reticulation network is vital to ensure that the system is capacitated to deliver at acceptable standards. The capacity to provide the service effectively and efficiently is a critical component in the delivery of sustainable basic services, for the improvement of a healthy living environment and in the support of economic development. Due to the increase in demand, projects to increase the capacity of the bulk water supply in certain areas will continue. Cities must provide access to reliable, safe water. As part of their obligation to deliver basic services, cities must maximise the availability of water resources, which requires careful management, capital expenditure on infrastructure for extracting, treating and conveying water to the ultimate user, and technical capacity to ensure the infrastructure remains in good working condition.

- **Cleansing and Solid Waste: R 2.1 billion**
  - Community based contractors R 345 million
  - Staff Expenditure R 623 million
  - Refuse Bags R 108 million
  - Repairs & Maintenance R 65 million
  - Depreciation R 49 million

A refuse removal service is provided once a week to over 956 000 households, both formal and informal. Approximately 81.3 million refuse bags are distributed and over 426 000 tons of refuse is removed annually, creating a healthy and sustainable environment for all. The units services also include the transportation of domestic, commercial and industrial waste, the management of landfill sites, street cleaning and litter removal services. The unit engages community based contractors as well as major contractors to provide domestic refuse collection and litter picking in their contracted areas. All major streets are cleaned on a daily basis and the CBD streets are swept thrice daily. High pressure washing of streets and pavements takes place at night.

Waste management services are under pressure from rapid urbanisation, population growth, unsustainable consumption patterns and rigid traditional waste-management practices. Cities have little choice but to adopt better waste-management practices because of the increasing environmental pollution and diminishing landfill airspace, as well as the high cost of developing new landfill sites. In this regard, the city has approved a partnership with USAID for waste incinerator at no cost to the city which will substantially reduce the dependence on landfill sites.

- **Sanitation: R 1.9 billion, increase of R 152 million ( 8.4 %)**

○ Repairs & Maintenance	R 129 million
○ Free Basic Sanitation	R 235 million
○ Ablution Facilities	R 176 million
○ Staff Expenditure	R 434 million
○ Depreciation	R 226 million

The service relates to the collection and treatment of waste water produced in the city. Approximately 505 000 KL of effluent flows into the treatment works daily. A vast infrastructure network of sewer pipeline, pump stations and waste water treatment works are operated and maintained to achieve this. The municipality also provides services to the rural areas via environmentally friendly and innovative ways of sanitation disposal, while developing community ablution facilities within informal settlements.

- **Electricity Service: R 14.4 billion, increase of R 1.0 billion ( 7.5 %)**

○ Bulk Purchases	R 8 910 million
○ Repairs and maintenance	R 1 162 million
○ Staff Expenditure	R 1 288 million
○ Depreciation	R 388 million

Electricity services are provided to over 718 000 customers within the city and surrounding areas. The aim of the unit is to provide electricity, public lighting and other energy services to all sectors of the community and provide energy solutions that promote business growth and enhanced economic stimulation. The electrical network which includes 135 major substations is progressively expanded to cater for growth and new connections. The electrification of rural and informal settlement’s programme will continue with new prepaid customer connections. A strategy is also being developed on meter replacement using both smart and prepaid meters.

- **Engineering Services: R 2.0 billion, increase of R 30.4 million**

○ Repairs & Maintenance	R 651 million
○ Staff Expenditure	R 807 million
○ Depreciation	R 540 million
○ Hire of Plant and Vehicles	R 102 million

The unit provides engineering, buildings and built environmental infrastructure, surveying and land information services. This includes the maintenance of the tarred and gravel municipal road network (over 8 200 km) and sidewalks, the storm-water systems of pipes, open drains and canals as well as the design and construction of road & bridge infrastructure. The unit is also responsible for architectural project and maintenance services as well as infrastructure management.

- **Community and Emergency Services: R 3.2 billion, increase of R 113 million**

○ Staff Expenditure	R 2 596 million
○ Repairs & Maintenance	R 116 million
○ External Security & VIP Guards	R 175 million
○ Verge Maintenance	R 77 million
○ Depreciation	R 234 million

The unit provides Parks, Recreation & Culture as well as Safety and Security services. These entail operation and maintenance of a range of facilities which include 336 soccer fields, 163 community halls, 141 parks, 57 cemeteries, 96 libraries, 16 museums and 52 swimming pools. The unit also maintains 260 000 ha of verges in the municipal area. The health department provides primary health care services to communities via its 58 clinics, 18 health posts and mobile clinics. The disaster management and emergency control unit provides emergency services and CCTV crime surveillance via 350 CCTV cameras across the municipal area. In addition, the Fire and Emergency Services unit operates and maintains 20 fire stations. The Security Management Unit manages the external security contract to safe guard council's assets. The Safer Cities Unit ensures that every citizen within the eThekweni Municipality is safe, and shares a common understanding on community safety.

#### **METRO POLICE: ADDITIONAL STAFF**

When the eThekweni Metro Police was established in 2000, Council resolved that by 2010 it would be staffed with 5 000 members. As at this date, there are 2 286 members in the unit, thus by Council resolution a shortfall of 2 714. Notwithstanding this, there has been no recruitment of new personnel into Metro Police since 2009/2010. In that same period, members have either resigned, deceased, retired etc, thus depleting actual manpower over the years. Yet also aligned to that 8 years, the eThekweni region has grown phenomenally, this being both in housing infrastructure such as the Cornubia development, Riverhorse Valley and various other developments, as well as becoming a major tourism and conferencing destination, this at the detriment of no additional manpower resources for policing.

The three mandated functions of Metro Police are, Traffic Management, Bylaw Enforcement & Crime Prevention. Yet in addition to this, the following are carried out daily:

Deployment to service Delivery protests, Road Closures, Hostels, Freeways and Highways (rock throwing), threats from business forums, increased land Invasions as support to Security Management, Councillor Protection, up to 11 Gathering Act marches weekly, increased conferencing and events in the city, SAPS and Transport related mandated functions daily ie roadblocks, vehicle check points, harbour protection, illegal taverns, drug related offences, illegal Foreigners etc. Accordingly, provision has been made for the recruitment of 400 Metro Police Officers in the 2018.19 financial year.

#### **LAND INVASION: SECURITY**

The Security Management Unit has proposed engagement of external security companies to compliment and assist with preventing the unlawful occupation of land. There are approximately 450 informal areas throughout eThekweni Municipality where land invasion control functions have to be performed daily. Land invaders have proven to be more audacious in their attempts to occupy land unlawfully throughout the eThekweni Municipality area. Due to the vastness of areas to be covered and the increase in the number of land invasions, Land Invasion Control is currently only focusing on approximately 13 % of the total area due to insufficient capacity. In 2016 a decision was made by the Council's Executive Committee to investigate and engage in private security to support the Council's Land Invasion Control branch. The functions of the land invasion control will be to monitor and prevent unlawful occupation of land, demolish unoccupied structures, facilitate the eviction process through directive of the court and provide security during the relocation of beneficiaries of formal housing. A provision of R 10m has been made in the 2018.19 budget.

- Other

○ ETA: Transport Unit	R 705 million
○ Metro Police Services	R 1 232 million
○ Information Technology	R 454 million
○ Events	R 139 million
○ Tourism Marketing	R 41 million
○ Economic Development Sector Programmes	R 32 million
○ Poverty Alleviation: Soup Kitchens	R 82 million
○ Neighbourhood Development	R 50 million

## JOB CREATION, SKILLS & YOUTH DEVELOPMENT

eThekwini Municipality is determined to improve the lives of all its residents, especially those that are underprivileged. Through township renewal projects, the city has succeeded in bringing economic opportunities and job creation closer to the people.

### The Zibambele Programme

The Zibambele Programme, which draws on the most destitute citizens in the city, has become an integral part of the Roads Department's operations. The creation of work opportunities on eThekwini Municipalities' road network to maintain the general condition of the network and also help to break the poverty cycle of the eThekwini Municipality's most needy inhabitants. There are at present over 6 500 beneficiaries deployed and managed by the municipality. The programme assists economically vulnerable people on an on-going basis, thus allowing them to plan their future regarding food, clothing and education. Normal construction projects have a limited life span and are unable to offer this level of support and sustainability. To date, the eThekwini Zibambele programme has been a huge success. By augmenting its internal capacity with community-based structures, eThekwini Municipality has been able to gain an operational advantage and also help achieve one of the key objectives of its transformation plan, which is to enable more citizens to enjoy an improved quality of life, now and in the future.

The following job creation & skills development initiatives are undertaken by the municipality in support of governments call to address unemployment & create job opportunities:

- 1 500 caretakers employed at ablution facilities with a further 70 to be employed as further ablution facilities are completed.
- Use of 1 389 plumbing contractors on a rotational basis to undertake water related services. Currently looking to employ additional plumbers to improve turnaround time.
- 366 community based contractors employing about 1 770 people for refuse removal services
- 13 graduate engineers employed under the Water mentorship program
- 140 community based contractors utilized in the roll out of rural water and sanitation projects
- 753 people employed by DSW utilising EPWP grant
- EPWP Grant (R 75.3m), maximum payable is R 100 per day of which R 50 is subsidized by National Treasury. Target to create 25 855 work opportunities.
- Zibambele Poverty Alleviation (R 95.2m) - over 6 500 jobs created.
- Sihlanvimvelo stream cleaning (R 38.5m) - over 500 jobs created.

## FOOD AID PROGRAM (SOUP KITCHENS)

In order to assist the municipality in its food aid program and maximize this service, the engagement of faith based organizations and NGO'S to adopt soup kitchens are to be investigated and where considered necessary a grant in aid will be provided. A provision of R 82 million has been made to increase the number of soup kitchens from 55 currently to 73. The main aim is to have 1 soup kitchen per ward by 2019/20. A total of 479 Volunteers are currently running the soup kitchens on a daily basis and 162 will be added. About 300 beneficiaries are served in each soup kitchen site.

## AGRI - PARK

To ignite growth and create employment, Council approved the establishment of the Radical Agriculture Socio - Economic Transformation programme. The objectives of the programme are to incubate start-up and growth entrepreneurs operating in the sustainable food value chain. The incubator will be based at the Clairwood Fresh Produce Market. A capital budget provision of R 5 m, and an operating budget of R 18.5m has been made for the Agri-park in the 2018/19 year. The National Development Plan estimates that agriculture could potentially create 1 million jobs by 2030.

## AGRICULTURE

- 85 Community Gardens
- Fruit trees - average of 10 trees per garden
- All Gardens Supported with organic fertilizer and compost.
- Provision of fencing, storage containers, toilets and water provision infrastructure
- All Community Gardens supported with tools
- Agripark - additional funds to be sourced once feasibility have been completed
- Assessing the role that Trees for Africa would play in integrating Agri farms (R4.5m)

## YOUTH DEVELOPMENT

The municipality believes in empowering youth to ensure they contribute to the economic growth and development of the city. The Mayor's office runs a number of programmes specifically targeted at empowering young people in the city. The Youth Office runs various programmes and works with other departments to drive youth development. The Youth Office also plays an advisory role to guide departments about what the city is doing to promote the development of youth. Youth development is a priority as youth are the majority in eThekweni being about 60 percent of the population.

There are a number of initiatives across the municipality that are specifically targeting youth development. In some instances, it is specific areas of scarce skills, in other instances; it is general up-skilling initiatives. Investment's in Youth Development initiatives for the 2018/19 year in respect of trainee / graduate trainee and bursary / loan student programmes amount to R 6.2 m. In addition there is provision of R 18.9 m in respect of other youth development initiatives .ie Youth Desk at City Hall, Youth Camp, Youth Rally EThekweni, Youth in Business summit, Africa Youth Month Commemoration, cultural sports, prevention of social ills campaign, youth parliament etc.

## COMMUNITY WORK PROGRAMME

In its endless endeavour to create job opportunities for residents, eThekweni Municipality has employed 1 000 people to be part of the City's Community Work Programme (CWP) which will ensure a cleaner looking Durban. Inducted supervisors will ensure the smooth roll-out of the programme in 40 Municipal wards as a pilot project. The supervisors will be working with a team of 25 people in each ward to clean schools, clinics and other government buildings. This forms part of the city's poverty alleviation programme as most participants were selected from community upliftment programmes.

## ETHEKWINI MUNICIPAL ACADEMY

In 2015 Council resolved to establish an Academy to integrate all training budget, programmes and facilities. The main objective was to integrate and centralise all training and development interventions into a single centre of coordination and accountability. A high level feasibility study has been conducted and recommended that the Academy should be an entity of the municipality. The Academy has learning and development programmes targeting the internal employees, councillors, community members, government officials, officials from other municipalities and international delegates. Programmes include skills programmes, academic qualifications, short courses, technical skills programmes, seminars, master classes, workshops, on the job training, learnerships, internships, bursaries, international exchanges, technical support, etc.

Achievements include :

- Work experience training to 943 students.
- Apprenticeships - 93 apprentices.
- Skills Programmes - 366 learners
- Learnerships - 359 learners
- Bursaries awarded to 35 students
- Financial relief to 404 students.
- 24 Career Expos held
- Community Development training to 640 community members
- 32 MILE Programmes to 4 000 delegates

## TARIFFS

The proposed tariff increases for the medium term are as follows:

SERVICE	2018/2019	2019/2020	2020/2021
Assessment Rates	6.9 %	6.9 %	6.9 %
Water			
-Residential	15.0 %	15.0 %	15.0 %
-Business	15.5 %	15.5 %	15.5 %
Electricity	6.84 %	8.0 %	8.0 %
Sanitation	9.9 %	9.9 %	9.9 %
Refuse	9.9 %	9.9 %	9.9 %

The above increases in tariffs reflect an appropriate balance between the interest of poor households, other customers while ensuring the financial sustainability of the municipality.

The following are general contributory factors for the increase in levels of rates and service charges:

- The cost of bulk purchases.
- Cost of the social package to indigents.
- Provision for the filling of critical vacancies.
- Salary increase with effect from 1 July 2018.
- Increased maintenance of network and infrastructure
- The impact of capital spend on the operating budget.
- Rollout of infrastructure and the provision of basic services.

The cost pressures of the water and electricity bulk purchases tariffs continue to grow faster than the inflation rate. Given that these tariff increases are determined by the external bodies, the impacts they have on the municipality's tariff are largely outside the control of the city. Furthermore, the adverse impacts of the current economic climate coupled with unfavourable external pressures on services, make tariff increases higher than the CPI levels inevitable.

## CAPITAL BUDGET

Capital expenditure is budgeted to rise to R 7.0 bn in 2018/19 and thereafter to R 7.7 bn by 2020/21. R 17.3 billion (approximately 79 %) is allocated to meeting infrastructure and household services needs and backlogs over the medium term. R 2.2 billion of this is directed to new housing developments and interim servicing of informal settlements. The capital budget continues to reflect consistent efforts to address backlogs in basic services and the renewal of the infrastructure of existing network services.

Major Capital Programmes in the Medium-Term Capital Budget:

PROJECT / ITEM	R' m
Low cost Housing and Infrastructure	3 416.9
EThekwini Transport Authority (Including PTIS)	3 724.8
Electricity Infrastructure	2 615.3
Addressing Community Service Backlogs	1 356.3
Water Loss Intervention Programme & replacement of water pipes	370.9
Roads Rehabilitation and Reconstruction, and New Access roads	1 657.1
Wastewater Treatment Works: Upgrades/Expansion	275.9
Northern Aqueduct - Water	397.7
Western Aqueduct - Water	45.0
Ablution Blocks-Upgrade: Informal Settlements	750.0
Zonal Planning	1 006.5
Inner City Regeneration and Warwick Development	90.0
Town Centre Renewals - Nodal developments	624.5



### 1.3.3 STRATEGIC PRIORITIES FOR THE 2018/2019 YEAR

The municipality has identified the following priority areas to be addressed during the 2018/19 financial year.

- Water challenges
- Human settlements;
- Economic development
- Financial sustainability;
- Access to public transport
- Service delivery backlogs
- Climate change mitigation
- Human capital development;
- Energy challenges;
- Health of society;
- Safer city
- Food security;
- Sustainable spatial form;
- Rural development;
- Infrastructure degradation;
- Undermining natural capital;

### 1.3.4 KEY ISSUES

#### UNACCOUNTED FOR WATER (LOSS IN DISTRIBUTION)

Despite the numerous interventions, the water loss in distribution continues to be a serious challenge. Water loss management is an on-going project aimed at reducing the real water losses in the municipal area. The primary objective of the NRW reduction activities is to reduce the NRW levels from 36 % at present to a targeted and sustained value of 25 % by June 2019. The estimated water losses were due mainly to illegal connections and vandalism as well as the aging infrastructure. In order to address the water losses, "early warning" leak detection monitors will be rolled out on the municipality's bulk water trunk mains. The challenge faced in reducing water losses are compounded by the mushrooming of informal settlements, some of which are illegally connected to the water supply.

To redress this, various strategies are in place including:

- the leak detection and repair strategy
- The installation of pressure reducing valves
- The installation of consumer water meters in rural areas
- The installation of bulk meters to informal settlements
- the regularization and registration of water connections
- Upgrading of Industrial, commercial and institutional meters

The Municipality's Conservation and Water Demand Management Plan seeks to reduce the water loss to 20% in the next ten years. New targets by loss type for non-Revenue Water, per the plan are as follows:

- Losses from bursts, leaks, high pressure and reservoirs are currently at 30%. The target is 25% in the next five years and 17% in the next 10 years.
- Apparent losses which include inaccurate meters and illegal connections, the current loss is 10%. The target is 5% in the next five years and 3% by 2027.
- For authorized unbilled consumption which includes unmetered rural areas, unmetered informal houses, RDP developments, firefighting and tanker services, the target is 5% in the next five years and 3% in the next 10 years, an improvement from the current loss of 10%.

**ACTION STATUS ON SOME PROJECTS TO ADDRESS THE WATER LOSS INCLUDES:**

- Pipe replacement which is ongoing. The approach will be reviewed based on performance, criticality, vulnerability and network analysis,
- Leak detection and reservoir refurbishment will commence.
- Efforts are underway in quick response to bursts and leaks. This will be intensified and resourced and a first level rapid response team will be created
- Education and awareness campaigns, while ongoing, will be refocused and intensified.
- The installation of smart meters, valve control training and resizing of meters is still to commence while the replacement of aged meters is to be intensified under the programme,
- The metering of informal settlements will be fast-tracked and a programme will commence soon while the metering of rural properties will also be intensified.

**UNFUNDED MANDATES AND FUNDING REALITIES**

Certain non-core functions and services which in terms of the constitution fall under the responsibility of National or Provincial Authorities are being provided by the municipality. These functions include the provision of Health Services, Libraries, Museums, and Housing. The reduction or non - payment of subsidies for these services require the municipality to allocate its own resources to make up the shortfall. The provision of housing is dependent on budget allocations by the Provincial and National governments and the actual funding received does not make it possible for the municipality to reduce the ever increasing housing backlog. These unfunded/ underfunded mandates pose an institutional and financial risk to the municipality as substantial amounts of own funding is being allocated to non-core functions at the expense of basic service delivery. Although much has been done to address the development challenges of the city, meeting targets will continue to depend on financial support from Provincial and to a larger extent National Government. Despite additional grants received, the levels are still not sufficient to meet unfunded mandates. Given adequate levels of funding, the city could meet the huge challenges it still faces.

The costs of unfunded mandates for 2018/19 are as follows:

	<u>R'm</u>
Libraries	303.3
Health - Other than municipal health services	357.4
Museums	71.0
Housing: New Development and Hostels	578.4
Formal Housing	31.0
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## CLIMATE CHANGE / SUSTAINABILITY

Climate change is recognized as the major environmental problem facing the globe. Escalating greenhouse gas emissions contribute towards climate change and will ultimately impact on human health, food security, natural resources, sea level rise, land loss and coastal infrastructure. Climate change embraces far more than temperature change and may include changes in rainfall patterns, the spread of infectious disease, increase alien vegetation invasion and loss of biodiversity.

### PARIS AGREEMENT ON CLIMATE CHANGE

The 2015 Paris Agreement is universally regarded as a seminal point in the development of the international climate change regime under the United Nations Framework Convention on Climate Change (UNFCCC). The Agreement was adopted after four years of intense negotiations mandated by the 17th UNFCCC CoP held in Durban in 2011. The Agreement is a comprehensive framework which will guide international efforts to limit greenhouse gas emissions and to meet all the associated challenges posed by climate change. It signals the change in pace towards the low carbon development from 2020 onwards through commitments of countries in ambitious national plans called Nationally Determined Contributions. This outcome recognises that climate change represents an urgent threat to human societies and the planet, requiring the widest possible cooperation by all countries and other stakeholders. The main objective of the Agreement is to limit the global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees.

South Africa is a signatory to the Paris Agreement and has an obligation to limit temperature increases to 1.5oC, above pre-industrial levels. C40 Cities Climate Leadership Group have developed 'Deadline 2020' that will provide more clarity and guidance to achieve their emission reduction targets, based on the classification of the City; this is in addition to and the next step from the Durban Climate Change Strategy (DCCS). It is critical that the 'Implementation Plan' gap be addressed, and the next step for eThekweni Municipality will be to develop an Implementation Plan, which will include the following sectors identified by the DCCS and Deadline 2020: Urban Planning, Transportation, Energy, Buildings, and Waste. It should be noted that while the Implementation Plan is being developed, there are over 50 mitigation projects currently being implemented by the eThekweni Municipality. The Paris Agreement is also an important tool in mobilising finance, technological support and capacity building for developing countries, and will also help to scale up global efforts to address and minimise loss and damage from climate change and increase climate resilience.

### ADDRESSING CLIMATE CHANGE CHALLENGES

Climate change is likely to cause a number of challenges for eThekweni Municipality, linked to global impacts such as increased temperatures, extreme weather events (e.g flooding and drought), sea level rise and rainfall variability. Being a coastal city with 97 km of high- developed coastline, Durban is particularly vulnerable to sea level rise. The areas particularly vulnerable to sea rise are coastal wetland and dune ecosystems. Hunger and food insecurity are great challenges facing communities residing within the municipal area. It is anticipated that climate change will have a significant impact on the weather variability and agricultural production within KZN which will in turn impact on the most vulnerable rural communities. The remedies are to be sought in effective conservation measures, responsiveness to climate changes with regard to choice of agricultural production techniques and products in planning/implementing judicious water management practices and in preparedness for extreme weather conditions. As such climate change runs the risk of undoing all of the development gains of the last one and a half decades, and for a city such as Durban, climate change adaption in all sectors will have to become one of the Municipality's top development priorities

Climate change and rapid urbanization are resulting in significant probabilities of flood risk to residents of eThekweni Municipality. The recent flood highlights the municipality's risk to these types of disasters. The risk to infrastructure and civilians will be catastrophic without a proper early warning system in place. The Coastal Stormwater and Catchment Management Department is setting up a Forecast Early Warning System (FEWS) linking hydraulic models, rainfall data and warning system in order to mitigate flooding and similar disasters. This system has the potential to prevent loss of life and safeguard key infrastructure during flooding events. CSCM is currently in the calibration/validation and testing phase of the FEWS for the entire eThekweni Region, picking up over 250 known flood risk zones.

Due to well below average rainfall, the province has been experiencing a drought. This has impacted on the local dam storage levels. Despite rains, the drought situation still remains a challenge in eThekweni Municipality. However, a number of interventions have been implemented by the municipality to ensure that taps do not run dry. While some supply systems have recovered following rains, the Umgeni River System, which supplies water to the largest portion of the population, is under strain. Water saving measures implemented by the municipality include, installing water restrictors, dealing with water leaks promptly, shutting down water supply to all reservoirs to fill up as well as awareness campaigns to educate and empower residents. Plans and studies are underway to channel water from the Mkomazi River by 2025 to help quench the thirst in the municipal region. The proposed Smithfield and Impendle dams would also enable Umgeni water to provide water to eThekweni for 30 to 40 years. To augment water supply through using renewable energy in water distribution systems, a mini hydropower plant will be included to the existing Western Aqueduct Hydropower project. The project aims to maximise overall benefits from the infrastructure and its impacts and reduce greenhouse gas emissions. In order to ensure a sustainable water supply in the city, the municipality has developed a comprehensive Water Conservation and Water Demand Management Plan for the next ten years. To beef up eThekweni's portable water supply to residents, the municipality is to pilot an energy savings and environmental friendly water system desalination technology demonstration plant.

## CLIMATE CHANGE: ETHEKWINI LEADING THE WAY

According to Public Sector Manager magazine dated February 2018, the Ethekeweni Municipality has led the charge by developing a City-wide climate change adaptation and mitigation strategy that was approved by Council in 2015. Development of the strategy followed the successful hosting of the United Nation's Climate Change Conference in Durban in 2011, although a Municipal Climate Protection Programme (MCP) had already been developed in 2004. Ethekeweni's strategy covers a broad spectrum with seven priority areas, namely, water, health, biodiversity, food security, sustainable energy, transport, and waste & pollution (these will be discussed in more detail below).

Climate change is a significant threat and causes challenges through increased temperatures, extreme weather events, sea-level rise and climate variability. Temperatures in Durban are projected to increase by 1.5°C and 2.5°C by 2065 and by 3.0°C and 5.0°C by 2100. Annual rainfall changes is projected to include an increase in rainfall of up to 500mm by 2 100mm. This is likely to manifest through an increase in extreme rainfall events and stream flow intensity, with prolonged dry spells between rainfall events. Sea level rise along our coastline is occurring at 2.7cm per decade and may accelerate in the future. Current predictions are that a number of economic and tourist areas may be affected by sea level rise. An increase in damage can also be expected by more frequent extreme events such as flooding and storm surges. It is therefore clear that climate change is a threat to sustainable development and could undermine poverty alleviation efforts and have severe implications for food security, clean water, energy supply and environmental health.

The financial effects of climate change can be just as devastating as the physical ones. Unexpected disaster management costs relating to storms, flooding, unusually huge waves, erosion, fires, and droughts can impact significantly on the City's budget. Climate change runs the risk of undoing all of the development gains of the last two and a half decades, and for a city such as Durban climate change adaptation in all sectors has become one of the Municipality's top development priorities. These business risks forms the economic rationale for going green. It does not make sense only from an environmental or world citizen perspective, it makes sense from a bottom-line point of view too.

With respect to responding to the threat of climate change, the Durban Adaptation Charter (DAC) and the Durban Climate Change Strategy (DCCS) are pursued as the core elements of our response. COP17-CMP saw a significant emphasis placed on adaptation as a necessary climate change response at the international level with the signing of the Durban Adaptation Charter (DAC). The DAC commits signatories to ten principles of climate change adaptation action with the aim of supporting local authorities to respond effectively to climate change. In order to fast track implementation a 'Networks of Networks' model has been adopted in which cities that are leaders in climate change adaptation in a region serve as Durban Adaptation Charter Regional Hubs.

Implementation of the Durban Adaptation Charter is done through the maintenance and advancement of the Central KZN Climate Change Compact This is a partnership between Durban and surrounding local and district municipalities to address climate change at a regional scale in an integrated fashion. This provides an opportunity for the Municipality to work and share resources at a scale much larger than its current boundaries, whilst addressing climate impacts upstream in catchments before they reach the municipality's boundaries. The DAC has advanced the international reputation of eThekweni Municipality through its innovative approach and ability to drive international processes, such as the inclusion of climate change adaptation in the Paris Agreement.

The Durban Climate Change Strategy is the tool by which climate change is addressed in eThekweni Municipality. The integration of mitigation and adaptation in this strategy is viewed as a global lead. Political oversight is provided by the Municipal Climate Change Committee chaired by the Mayor and administrative oversight via the Disaster Management Advisory Forum's DCCS Technical Task Team. During 2017, the City secured technical expertise assistance through the C40 Climate Leadership Group to start the process of developing implementation plans for the ten themes of the DCCS. An appointment has been made and the process has started.

The key sustainability initiatives in each sector follows hereunder:

## WATER

- New aqueducts
- Channel water from the Mkomazi River by 2025.
- Building Smithfield and Impendle dams.
- A mini hydropower plant included in Western Aqueduct Hydropower project.
- The City's Water Conservation and Water Demand Management Plan for the next ten years.
- Protecting and enhancing revenue streams to optimise the usage of available water resources.
- Increase water reuse to 100M/day by 2022.
- Housing projects have included water-efficient showerheads and faucets, as well as rainwater harvesting through jojo tanks.
- Installed pressure reducing water valves.
- Several projects relating to wastewater works (WWTW's). This includes trunk sewer, pumping systems and the expansion of the Hammarsdale wastewater treatment works.
- The Wastewater Treatment Plant Public Private Partnership project.
- Another key wastewater treatment project is the Organica Plant.
- The Remix project - desalination technology demonstration plant.
- Several water saving devices, such as devices that could reduce flows on taps and showers.

## HEALTH

- Health surveillance of premises to monitor and evaluate health risks and hazards in the environment, scrutinise building plans, participating in environmental impact assessments.
- Surveillance and prevention of communicable diseases by investigating the environmental factors leading to the cause, promoting health and hygiene programmes and educating communities.
- Environmental pollution control by identifying water, air and soil polluting agents.
- Air quality management through emission inventory monitoring, modelling and toxicological reports.
- Noise management through controlling and preventing vibration and noise pollution.
- Water quality monitoring through the implementation of the Water Quality Strategy.
- Food safety management by monitoring the formal & informal sectors to ensure the safe handling of food.
- Vector control to identify and eradicate vector habitats and breeding places.
- Disposal of the dead - by monitoring practices at cemeteries and crematoria.
- Chemical safety by licensing and auditing premises that deal with chemicals.
- Waste management by ensuring proper refuse management, liquid management, proper disposal of health care risk waste, disposal of diseased animal tissue, and usage of sludge.
- Clean and functional rivers help reduce the impacts of water-borne diseases.
- Derelict and abandoned buildings pose an environmental and health & safety risk are being addressed.

## BIODIVERSITY, REFORESTATION & ECOSYSTEMS

- The Durban Metropolitan Open Space System (D'MOSS) - provides R4.2M p.a worth of ecosystem flows.
- Working for Ecosystems Programme (WFE)
- Community Reforestation Programme (CRP)
- Fire and Invasive Species Control Programme (FISC) have been established.
- During the 2016/2017 financial year, 15 539 indigenous trees were planted.
- The Buffelsdraai Community Reforestation Project has now received a Gold Standard Validation Certificate from the Climate, Community and Biodiversity Alliance (CCBA) for benefits to local communities and biodiversity, as well as ensuring exceptional climate change adaptation benefits.
- Participation in the global '100 Resilient Cities' Programme.
- Parks are our green lungs: Durban Botanic Gardens; Umgeni River Bird Park; Japanese Garden; Mitchell Park; Paradise valley, etc.
- Landscaping of town entrances, traffic circles, taxi ranks, etc.
- Alien removal plants (AIP) programme
- Nurseries to supply trees and plants: Silverglen Medicinal Plant, Randles Nursery, Bridge Valley, Decorative Nursery, and Hillary Nursery.
- Green roof programme.

## FOOD SECURITY

- The Northdene Agro-Ecology Research & Development Centre has been developed as a production hub at the old Northdene waterworks to drive innovation and provides material support to implement polycultural delivery. Currently there is also a fish hatchery and broodstock ponds for the aquaculture programme and nurseries for plant propagation.
- A micro-propagation tissue culture laboratory has been developed. This is being used to develop plants for bananas, strawberries, pawpaw, ginger, sweet potatoes, pineapple, and a host of african and ayurvedic medicinal plants.
- The Newlands-Mashu Bio-intensive Propagation East Zone Hub continues as a bio-intensive demonstration and learning site.
- A pilot BORDA baffle bioreactor unit has been built to process sewage from 83 adjacent homes to produce biogas and nutrient-rich water.
- The Umbumbulu South Zone Hub provides a training, packing, marketing and coordination venue for growers in the South region.
- Scorpio Place in the Mariannridge Central Zone Hub offers on-site training and a demonstration garden. Support is also provided for various value-adding initiatives, including bottling and drying of excess produce, and making liquid composts and organic pesticides.
- Project 200 is a garden assistance programme. The most active gardens are being targeted for intervention and support. Pilot delivery of 100 interventions complete.
- The Edamame (vegetable soya) programme is also well underway.

## WASTE

- Landfill development plans to ensure best practices and allow for engineered systems to manage odours and leachate (toxic waste waters).
- The review of business processes has helped to identify inefficiencies due to excessive waste discharge and poor use of inputs within the value chain. We are rolling out an ISO 9001 accreditation project across the Municipality which will help make our processes more efficient and reduce waste.
- Composting
- Anaerobic Digestion
- The Clean My City programme
- Recycling

## TRANSPORTATION

- Procuring ten electric buses to be piloted and operated within the City.
- Looking at developing charging infrastructure for electrical vehicles which will be open to the public.
- City Fleet's sustainable transport initiatives that look at a broad spectrum of fleet management initiatives, from analyzing the need to travel to the technical specification and design of low emission and electric vehicles, including alternative fuel options.
- A programme to reduce carbon emissions on its Public Transport and Municipal Fleet operations. An action plan has been developed, that will untimely be the roadmap to move the municipality over and agreed period from "Low emissions to "Zero Emissions".
- Initiatives to reduce fuel consumption.
- Integrated Rapid Public Transport Network (IRPTN) through our Go Durban project.
- Dedicated bus and taxi lanes to promote the use of public transport.
- Cycling infrastructure developed.

## SUSTAINABLE ENERGY

- Solar photovoltaic (PV) project.
- Using solar panels on water reservoir sites.
- Solar water heating, heat pumps, and LED (energy efficient) lighting are all being used in our housing projects.
- Energy efficient street lighting is being explored as part of smart city initiatives.
- Smart metering to ensure greater electricity efficiency is also being explored.
- There is a key focus on alternate sources of energy. We have several projects relating to solar power, wind power with modern wind turbines, and hydropower.
- A hydropower project at the western aqueduct.
- Several gas-to-electricity projects.
- Durban Solid Waste (DSW) has successfully implemented a landfill gas (LFG) to electricity project which has been Africa's first LFG to electricity Clean Development Mechanism (CDM) project.
- Energy management systems in Water & Sanitation.
- A Cool Durban project to mitigate the urban heat island.

## URBAN PLANNING

- Reversing the loss of natural areas and improving management through the use of various instruments such as controlled development areas, environmental servitudes, environmental special rating areas, land acquisition, biodiversity stewardship (especially in traditional authority areas) and including environmental considerations in preparing the municipal valuation roll.
- Targeted biodiversity interventions
- The proposed Strategic Environmental Assessment (SEA) will be used to improve understanding of the role of natural ecosystems.
- The South Durban Basin Greening Programme
- Accelerated Greening Programme which will entail drawing up a comprehensive implementation and management plan for each of the greening sectors (coastal, catchments, D'Moss and streetscapes, corridors and precincts).

## BUILDINGS

- The New Building Programme to ensure that by 2020 all new buildings in eThekweni Municipality are net-zero carbon rated.
- Energy Efficiency Demand Side projects on municipal owned facilities relating mainly to lighting retrofits in buildings, but also includes variable speed drives, heating and street lighting.
- Greening of stadia.

## GREEN PROCUREMENT

- Green procurement is embedded in our SCM Policy
- All procurement must meet environmental standards.
- A more detailed green procurement strategy to support the SCM Policy is being developed.
- The environmental criteria for each product or service are integrated into the SCM processes as they are adopted.
- All projects undertaken by the City are subject to an environmental impact assessment.

## EDUCATION & AWARENESS CAMPAIGNS

Several education and awareness campaigns have been undertaken, especially with regard to climate change, biodiversity, food security, waste minimisation, water conservation, and invasive alien plants. Various tours have been arranged for schoolchildren and the public.

We are clearly a leader in South Africa and Africa in terms of going green and reducing our carbon footprint. We are committed to building a green economy and addressing climate change. We are also committed to meeting the SDG and Paris Agreement targets. Accordingly, our key focus is on urban planning, transportation, energy, water, buildings, and waste. Whilst we are clearly doing a lot, there is a long way to go. A major challenge is the lack of pilot funding. Accordingly, we intensively interrogate the cost-benefit of each project (must have a positive NPV). We need to explore further how we fund such projects in future. In building our City for our future generations, green initiatives are imperative, especially considering the impact of climate change and increasing rural-urban migration. It helps uplift the quality of life of our people socially, environmentally and economically.

## ENVIRONMENTAL SUSTAINABILITY

Sustainability is a key global issue right now. In terms of the triple bottom line, this encompasses financial & economic sustainability, social sustainability, and environmental sustainability. In particular there is currently a key focus on environmental sustainability and the physical environment, especially due to the impact of climate change. Our Mayor is a Vice-President on the global C40 Board and President of the Africa division and a leader on sustainability in terms of all three aspects.

In 2015 countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals. In 2016 the Paris Agreement on climate change entered into force, addressing the need to limit the rise of global temperatures. Governments, businesses, and civil society together with the United Nations and C40 are mobilizing efforts to achieve the Sustainable Development Agenda by 2030. Universal, inclusive and indivisible, the Agenda calls for action by all countries and cities to improve the lives of people everywhere.

## SUSTAINABLE DEVELOPMENT GOALS (SDG's)

The intention of the SDG's is to be a universally shared common, globally accepted vision to progress to a just, safe and sustainable space for all inhabitants. It is based on the moral principle of the Millennium Development Goals that no one or one country should be left behind and that each country has a common responsibility in delivering on the global vision. One of the departure points in developing the SDG's was that countries would need to ensure that there is a balance between the economic, political, social and environmental effort required to ensure that these goals are achieved. The SDG's allow for a whole holistic development of cities with a wider range of development programs. The municipality would continue to address these issues in a holistic and integrated manner.



The 17 SDG's are listed in the figure below.



Whilst local governments have a responsibility to localize all of the 17 SDG's , the SDG that is most applicable to cities is the "Sustainable Cities and Community - SDG 11". Of particular importance to cities is the targets that are defined for this goal.

These targets are listed below.

- By 2030, ensure access for all to adequate, safe and affordable housing and basic services upgrade slums
- By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
- By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
- Strengthen efforts to protect and safeguard the world's cultural and natural heritage
- By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
- By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
- By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
- Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning
- By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels
- Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials

The SDGs targets should influence the development of programs and projects that the city would want to implement through its IDP.

## THEFT OF ELECTRICITY

Over the past few years the municipality is faced with a challenge of illegal connections, especially in informal settlements. Electricity theft has led to devastating and tragic consequences such as loss of life as well as damage to infrastructure. Legitimate customers also experience continuous outages due to overloaded circuits. Illegal connections are costing the municipality about R 150 million annually. Huge efforts are expended in curbing theft, however, the trend is exacerbated by electricity prices and a weakened economy.

To mitigate this trend, regular sweeps, disconnections and removal of tampered installations are carried out. Furthermore, the electrification of informal settlements is expected to have a positive impact on the number of theft incidents of electrical cables. In order to minimize the impact of illegal connections, the city has introduced several initiatives and modifications to the infrastructure such as frequent removal of illegal connections and converting affected service connections from underground mains to overhead mains to minimize interruption of supply to customers. The issue is a challenge and the municipality is making great effort to electrify informal settlements across the city, in order to curb the number of illegal connections.

To make sure that illegal connections are eradicated in the targeted areas, operations are carried out at least once a week. Other interventions include optimal network configuration, effective network maintenance and network loading, and installation of anti-theft technologies at substations. There are also customer awareness and educational programmes around safety, reporting theft of electricity and the consequences of connecting electricity illegally. As part of eThekweni Municipality's continued fight against the growing scourge of illegal electricity connections, the City's Electricity Revenue Protection Service has embarked on a massive illegal electricity meter crackdown operation. The clean-up process involves blocking all meters not linked to any connection or application number. In addition, Government has enacted harsher penalties for the theft of metals and damages to essential infrastructure.

## HOUSING / HOSTELS

Increasing urbanization due to a growing number of people moving into the municipal area for better opportunities as well as land invasions is creating a challenge for the municipality and which increases the housing backlog. Availability of well-located land for public housing remains a serious challenge especially because the sustainability of settlements depends strongly on their location and accessibility. Well-located land is generally expensive and subject to competition from other uses. Often, settlements are established on unsuitable land, making it costly to service and construct homes.

The municipality is dependent on the budget provision by National and Provincial departments to deliver houses. The limited budget allocation to the municipality has hindered the delivery of all housing programmes. The current housing subsidy quantum does not cover the total cost of a house due to adverse geological and topographical conditions. As a strategy to deal with these, negotiations with contractors, consultants and suppliers have been instated in an endeavour to align construction with the subsidy quantum. The municipality will lobby the Provincial and National Human Settlements department for increased funding and budget allocation.

## SALARIES AND ALLOWANCES

In order to ensure effective utilisation of available budgetary provisions and contain personnel costs, this expenditure is continually being reviewed and the filling of all vacancies currently has a rigid process of authorisation prior to the recruitment process. As a result the percentage Salaries and Allowances of the total Operating Budget has declined steadily to a level of 27.1%. Whilst this percentage reflects a decreasing trend, there has been an increase in the number of posts and positions filled. A rationalisation of all vacant posts will be undertaken with greater scrutiny by the management services unit. Productivity assessments are on-going to ensure that all staff are accounted for, are effectively engaged and are adding value.

### 1.3.5 PERFORMANCE, ACHIEVEMENTS AND CHALLENGES

#### 1.3.5.1 SERVICE DELIVERY

The city has made major gains in the provision of basic service in the past twenty years despite servicing large populations. Key outputs delivered show significant progress in the eradication of household backlogs by the city. The recent South African Cities Network Report: 2016 has lauded the municipality for fast-tracking service delivery to improve the quality of life of its citizens. The municipality has pledged to support the Provincial Governments Back to Basics programmes aimed at rekindling the spirit of service delivery in the province's municipalities.

The municipality has received an unqualified audit report for the 2015/16 financial year. While this is a regression from the clean audit outcome achieved in the previous year, the municipality has performed remarkably well in a challenging year, and the financial management of the city is still impressive. The municipality retained the outstanding overall collection rate for the past year. The consolidated financial performance indicators show that the municipality is in a healthy fiscal position with strong liquidity, which reflects the City's strong commitment to the principles of accountability, transparency, proper financial management and effective internal control systems. Despite the introduction of fiscal austerity measures, the City has remained resilient and still rates among the best-run and financially strongest local government in Africa. The city was given a credit rating of AA with positive outlook by Global Credit Rating Agency. This is the highest rating given by this rating agency in the municipal sector. The municipality's service delivery programmes to drastically improve the lives of residents through various interventions are making a visible impact.

In recognition of the service delivery progress, the municipality has received the following awards:

- Premiers Service Excellence Awards
  - Best Public Service Implemented Programme
- Africa Architecture Awards
  - Winner of the Built Category : ( Umkhumbane Museum)
- South African Institute of Architects ( KZN Awards )
  - Hammarisdale Traders Market and Springfield precast yard and building services centre projects.
- Kamoso Awards
  - Implementation of the EPWP
  - Cleansing and solid waste Citywide cleansing Programme
- Govan Mbeki Awards:
  - Runner-up : Best Community Residential Unit
  - Best Informal Settlement Upgrade
  - Runner-up : Best Social Housing Project
  - Best Metropolitan Municipality of the year.
  - Best Integrated Residential Development Project- Cornibia
- International Society of City and Regional Planners.
  - Award of excellence for the city's spatial and regeneration strategy.

- South African Institute of Civil Engineers Awards
  - CCTV Pipe inspection and Personal Computer Stormwater Management Model
  - Herrenknecht Technical Excellence Award : M25- C9 underpass.
  - Climate and Clean Air Certification
  
- Climate and Clean Air Certification
  - Honorary Climate and Clean Air Award
  - Durban Landfill Conservancies Project

### 1.3.5.2 SERVICE DELIVERY STANDARDS, LEVELS OF SERVICES, OUTCOMES, TIMETABLE FOR ACHIEVEMENTS AND FINANCIAL IMPLICATIONS

Vast strides have made by the Municipality to address the service delivery backlogs and specific strategies have also been put in place to deal with the existing backlogs. EThekweni Municipality is committed to ensuring that all backlogs in the provision of infrastructure are removed and as such has embarked on a Municipal Infrastructure Investment Framework for the city. In line with the Investment Framework, the plan EMA can make best use of existing resources and infrastructure can be achieved by building upon existing concentrations of activities and existing infrastructure.

The municipality has been a front runner of accelerated delivery for many years and continues to put significant resources and effort into infrastructure delivery in order to eradicate existing backlogs. Despite the significant rollout of basic services, the service delivery backlogs are huge. Currently this is being exacerbated by urbanisation that has seen sustained population influx into the municipal area. Limited funding and exponential growth in the municipality has also increased the level of backlogs. As part of its infrastructure planning, the municipality has documented the nature and extent of backlogs in service delivery across the metropolitan area.

The provision of acceptable basic services is a critical element in the national developmental agenda. Water, electricity, sanitation, waste removal and social amenities are key critical services which have been identified by communities that are required to meet their basic needs. Limited funding and exponential growth in the Municipality has increased the levels of backlogs.

The following table is a summary of the backlogs of the municipality.

Basic Service	Existing Backlog (households)
Housing	384 914
Water	6 184
Sanitation	116 519
Electricity	227 934
Roads	1 470 ( km's )

Incremental services (formerly known as Interim Service) is a service delivery programme aimed at addressing the service delivery backlogs in informal settlements which are not part of Human Settlement Unit's short term delivery programme. Incremental services are deemed to comprise a combination of services: i.e. water standpipes, communal ablution/sanitation blocks, solid waste removal, basic road access and footpaths with related stormwater controls and electricity. The programme aims to promote social equity and social inclusion by providing every household in informal settlements with access to basic engineering services as soon as possible. In this regard, council has approved the allocation of R 180 Million per year, for the next six financial years for the provision of engineering services to informal settlements as part of the Municipality's Incremental Services Programme.

The city is fast tracking housing delivery through the Cornubia mixed use human settlements project which will directly improve the shortage of housing in eThekweni. When completed, Cornubia is expected to deliver a total of 28 000 units and house approximately 120 000 people. The Informal Settlement Programme is the major focus of eThekweni Housing with the principle intention to upgrade informal settlements wherever possible and to only relocate residents if upgrading is impossible for health, safety or technical reasons. Development of the land assembly pipeline plan and acquisition of land, positions the municipality for continued and accelerated service delivery in the years to come. In an effort to speed up the pace of housing delivery, a pilot project using alternate building technology has been undertaken which has shown to decrease the number of days for construction.

Informal settlements are an urban reality and may be the only form of housing available to many residents in the medium term. These settlements are temporary until such time that formal housing becomes available or will be upgraded into formal at a later stage. A standard has been developed by Electricity Department to safely electrify informal settlements. Due to the rapid pace of informal urbanisation, there is a large population within the city that are without basic utility services. While the intention is to provide electricity to all, there are instances where this is not possible due to technical and safety considerations.

The municipality is committed to ensuring that backlogs in the provision of infrastructure are removed and as such has embarked on a Municipal Infrastructure Investment Framework. Emphasis is given to the eradication of rural basic service backlogs especially water and sanitation. The municipality is moving forward to ensure all residents have access to clean running water and sanitation facilities. Inroads are being made with the rollout of the city's ablution programme which includes the delivery of mobile sanitation containers into informal settlements. In urban areas, the primary intervention is the eradication of informal settlements through the provision of housing and a package of household services as well as the provision of interim services to improve living conditions in the settlements. The Back to Basics programme mooted by National Government has been incorporated into the strategy to fast track service delivery.

To ensure that every eThekweni resident has access to electricity, the City has a massive electrification roll-out plan in place for about 19 500 electricity connections in informal settlements, low-cost houses, transit camps and households in rural areas. While it is the intention of the Municipality to provide electricity for every household, there are areas which are not suitable for electrification. These include dwellings built where there is soil erosion, on and around a swamp or flood prone area, underneath high voltage lines and around or on any servitudes, on road or rail servitudes, where there are environmental issues, on private land, where there are any health and safety hazards and clustered places with limited access for the installation of electricity infrastructure.

### 1.3.6 FINANCIAL PERFORMANCE (2016/17 AND 2017/18): PARENT MUNICIPALITY

The city has done well over the last financial year and remains committed to accelerating service delivery and providing economic opportunities. eThekweni contributes significantly to the national fiscus, and the city has positioned itself to contribute to inclusive growth. The city has plans for the implementation of 25 catalytic projects. This is yet another demonstration of our commitment to transform the economic landscape of eThekweni. Despite the tough economic climate the municipality remained in a strong and stable financial position in terms of its short and long term sustainability and viability. Once again the city has maintained its unqualified audit status, something it has maintained since inception.

The municipality continues to be in a strong financial position due to stringent controls. The City boasts a strong financial position as evidenced by its collection rate of 97 percent, cash on hand at year end at R 6.3 billion and that the municipality managed to maintain its investment grade credit rating. National treasury has also commended eThekweni's budget as the best in the country in terms of quality. The City's capital spend of 90.46 percent was achieved. The city has further consistently allocated a higher proportion of its total budget on capital expenditure, which has ranged between 15-20%. EThekweni's 2017/18 capital budget is the second highest among the cities. The bulk of eThekweni's capital budget is spent on trading services followed by roads transport and housing and the city also spend a greater proportion of its budget on asset renewal than the other cities. According to the National Treasury Benchmarking, eThekweni also provides a free basic services to more households than the other cities. EThekweni boasts a well geared balance sheet . In comparison with the other cities eThekweni's percentage of internally generated funds measured against total funding is the second highest among the cities.

The overall financial situation of the municipality is sound and healthy having reported a highly solvent balance sheet as at 2016/17 year end. Due mainly to robust solvency and a lowly geared balance sheet, the credit rating of the municipality has been maintained with positive outlook. The economic performance should be further strengthened through the implementation of catalytic projects.

*The financial performance for 2016/2017 is recorded in greater detail in the municipality's Annual Report.*

The municipality's financial performance and position is sound mainly due to the following factors:

- Budgets are balanced, being financed from the current financial year's revenues from all sources.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.
- Consistently high revenue collection rates are being achieved.
- The municipality has maintained a favourable credit rating

### 1.3.6.1 OPERATING BUDGET

In respect of the 2016/17 financial year, expenditure in the amount of R 23.8 billion was fully funded from the municipality's revenues and grants and subsidies from National and Provincial Government.

#### Operating Budget Performance (Current Year)

The financial performance for the six month period ending December 2017 is summarised in the table below:

<b>Summary Statement of Financial Performance (Parent Municipality)</b>				
<b>Description</b>	<b>2017/18 Original Budget R'000</b>	<b>December YTD Budget R'000</b>	<b>December YTD Actual R'000</b>	<b>Forecast R'000</b>
Total Revenue By Source (Excluding Capital Transfers)	(32 859 788 )	(17 388 541)	(16 778 673)	(32 073 187)
Total Operating Expenditure	32 859 788	14 253 522	15 062 486	32 073 187
<b>(SURPLUS)/DEFICIT</b>	<b>0</b>	<b>(3 135 019)</b>	<b>(1 716 187)</b>	<b>0</b>

*\*(Operating expenditure forecast and original budget is stated after contribution to reserves)*

#### Operational Income Performance (2017/18)

##### Income:

- The proportionate increase in Property Rates to date (R 92m) is mainly attributable to property revaluation in terms of the Municipal Property Rating Act
- Electricity Revenue is lower by R 525m mainly due to inclusion of energy efficiency interventions by consumers. However, electricity sales are expected to increase during the winter months.
- Water Revenue is lower by R 96m due to drought restrictions.

#### Operational Expenditure Performance (2017/18)

The total expenditure to date is 46.8% (2016: 43.4%) of the total expenditure budget. Employee related cost is currently 31% of the total operating costs. Repairs and Maintenance expressed as a percentage of Operating Expenditure is 8.5%. Employee Related Costs is forecasted to decrease by approximately R 240m mainly due to time taken to fill vacant posts. Bulk Purchases has decreased by R 280m mainly due to a reduction in demand in electricity. Typical reasons for the decline include: slowdown in the economy, recent spate of electricity price increases and the incorporation of energy efficiency measures.

### 1.3.6.2 CAPITAL BUDGET

The capital budget totalled R 6.6 billion in 2016/17. This was funded by National and Provincial grants in the amount of R 3.7 billion and R 1.9 billion being funded from Council's internal sources, with the balance of R 1 billion from external funding.

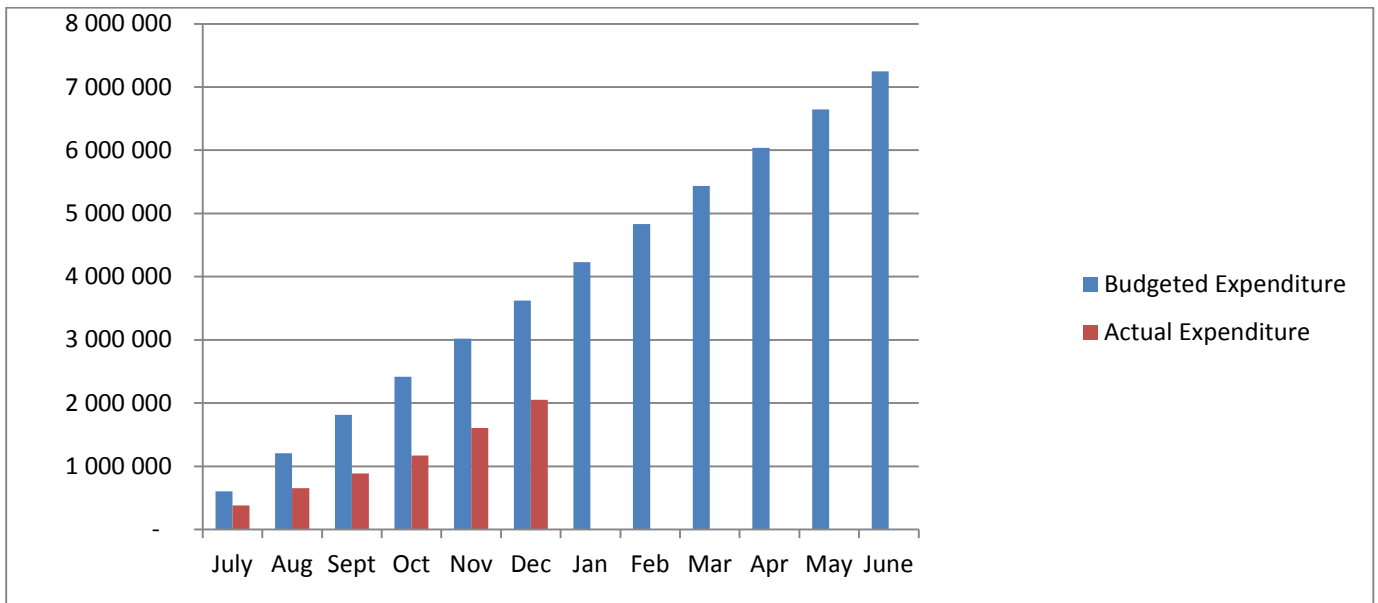
#### Capital Budget Performance (Current Year): Parent Municipality

The capital performance for the six month period ending December 2017 is summarised in the table below.

Summary Statement of Capital Expenditure : December 2016				
Description	2017/18 Budget R'000	December YTD Budget R'000	December YTD Actual R'000	Forecast R'000
Total Capital Expenditure	7 247 283	2 557 566	2 053 853	7 241 182
Total Capital Financing	7 247 283	2 557 566	2 053 853	7 241 182

#### Progressive Capital Budget vs. Actual

The following Chart compares the actual spend on capital against the total approved capital budget of the Parent municipality



In the sixth months of trading, 28.34% (December 2016: 36.66%) of the capital budget has been spent. However, as in the case of past years there would be an acceleration of spending in the ensuing months. Departments are forecasting a 99.92 % spend for the year.



## Conditional Grants

Approximately R 3.7 billion from all sources have been received to date which represents 53.3% of the amount budgeted for.

### 1.3.7 ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Constitution of South Africa recognises that the national, provincial and local government spheres cannot work independently of each other. It provides for co-operative governance and that all three spheres of government align their functions, responsibility, policies, strategies and programmes. This includes natural co-operation and support to facilitate the delivery of services, overall development and growth. In local government, as much as there is a specific mandate given to the municipality, we have to endeavour at all times to align our efforts with that of National and Provincial government to bring about a better life for all.

The municipality is confident that this budget is structured to give effect to the strategic priorities and to support long-term sustained growth and development, in line with National and Provincial objectives and with the key objectives identified in the National Development Plan. Local Government has a crucial role to play in the new growth path and the realisation of many of government's outcomes. All spheres of government place a high priority on transforming and expanding the economy, infrastructure development, job creation, efficient service delivery and poverty alleviation. Local priorities were identified which are mainly in line with the national and provincial priorities.

#### LOCAL PRIORITIES

- Improving skills development to raise productivity
- Investing more in infrastructure to increase growth
- Transforming and growing the economy and job creation
- Accelerated and improved service delivery to communities
- Fighting poverty and building safe, secure and sustainable communities

### 1.3.8 FINANCIAL STRATEGY, ONGOING VIABILITY AND SUSTAINABILITY

The application of sound financial management principles for the compilation of the city's financial plan is essential and critical to ensure that the city remains financially viable and that sustainable municipal services are provided economically and equitably to all communities. In terms of its financial strategy, the municipality continues to display a robust financial profile characterised by strong cash generation and high liquidity levels. The municipality's strong financial position is proof of the sustainability and resilience of the municipality.

The vision of the city will be achieved by growing its economy and meeting people's needs so that all citizens enjoy a high quality of life with equal opportunities in a city that they are truly proud of. The needs of the community and the high levels of poverty and unemployment places excessive demands on the municipality's existing financial resources and threatens to constrain the organization financially if these resources are not properly managed.

### 1.3.8.1 FINANCIAL STRATEGY

These challenges require the development and implementation of a financial strategy that will generate adequate cash resources, on a sustainable basis:

- To provide basic infrastructure and services to the community,
- To enable the Municipality to achieve its vision of a high quality of life for all citizens in the city,
- To create an environment for business growth and investments conducive to economic development, and
- To ensure financial sustainability of the municipality into the future.

Financial sustainability and viability remain the key principles in the financial planning process and, to ensure compliance with the Municipal Finance Management Act, a Financial Strategy for the municipality was developed and adopted by Council.

### 1.3.8.2 BUILT ENVIRONMENT PERFORMANCE PLAN ( BEPPS )

The BEPP promotes integrated planning, budgeting and implementation and integrates the plans of key sectors (economic, transport , human settlements social and engineering infrastructure ). Its aim is to achieve long-term spatial transformation and inclusivity, facilitating economic growth and improved service delivery. The BEPP is the basis from which to confirm and elaborate corporate spatial priorities and to move towards co-ordinated budgeting and implementation of the spatial priorities. The BEPP is also to be the instrument to enable National Treasury to confirm very significant DORA allocations for numerous capital grants. Benefits of a BEPP include savings through higher utilisation levels, increased private sector investment, better public perception and residents receive a better product.

### 1.3.8.3 FINANCE MANAGEMENT CAPACITY MATURITY MODEL (FMCMM)

Municipalities are required to implement and maintain effective and thorough financial management practices for the long-term sustainability and improvement in service delivery. The Finance Management Capacity Maturity Model (FMCMM) is an assessment tool developed by National Treasury to diagnose various components of financial management in municipalities for the purpose of improving service delivery, capacity, maturity and financial stability. The model includes 32 financial ratios which are designed to support municipalities in monitoring their financial management capability. This tool will also assist in identifying area of weakness with a view of improving the financial position and overall sustainability of municipalities.

### 1.3.9 MUNICIPAL ENTITIES

#### **INkosi Albert Luthuli International Convention Centre (ICC)**

The Durban International Convention Centre continues to perform well financially, growing its profits and producing significant contributions to the local and national economies. The 2017 fiscal year also saw Durban ICC host a number of important events critical to Durban's on-going development as a modern, global city.

Despite increasingly difficult trading conditions, the Durban ICC produced an outstanding year of financial results. Revenue grew in a year where severe cutbacks were experienced from both the corporate and government sectors. Despite the various costs pressures, the overall financial performance was pleasing with net profit increasing. The Durban ICC has remained profitable for the past seven consecutive financial years. There has been a significant year-on-year increase in the number of events which the Centre hosted, including a number of high-profile international conferences which produced important outcomes for the long-term success of the City. Considerable socio-economic contributions made by the Centre had a massive direct impact on the Province of KwaZulu-Natal.

The Durban ICC has done the city proud once again and was again voted Africa's leading Meeting and Conference Centre at the world Travel Awards. The centre also received a clean, unqualified audit from the Auditor-General of South Africa for the third consecutive year affirming the Centre's sound financial management and compliance with good governance and statutory requirements.

The Durban ICC aims to be more than merely a venue for events. It strives to be a setting which catalyses progress, an environment for advancement, and a place where significant conversations happen with far-reaching ramifications for thousands of people around the world. The team at the Durban ICC strives to provide this kind of atmosphere for meaningful development in its own uniquely warm, African way.

### **Durban Marine Theme Park (uShaka Marine World)**

uShaka was conceptualized some 13 years ago as the catalyst for the Point Development and to be a tourism enabler for the Point Area, the City of Durban and the Province at large. Covering 16 hectares, uShaka Marine World is the largest marine theme park in Africa and consists of six distinct divisions. It has created a number of jobs, economic opportunities and has opened up new learning enhancement through the operations of the Sea World Education Centre. There has been a considerable "multiplier effect" in terms of factors such as tourism attraction to Durban and a rise in adjacent property values (and related rates income for the city).

Last year was the second year of implementation, with many facelift projects being completed. This trend will continue into the new year with upgrades being considered for the Kids Pool area and Sea World amongst others. This plan gets re-prioritized into a three year Capex plan year on year. Other areas of development are focused on sustainability and will include improvement projects to reduce electricity and water consumption. The park has entered the next phase in its life cycle, whereby footfall is expected to steadily increase (albeit at a slower pace than over the last three years), whilst aging infrastructure will need to be maintained. In the short term a consolidation approach has been adopted with an emphasis on utilizing scarce funds for priority maintenance projects, as well as quick revenue enhancing opportunities. The medium term will move towards the re-capitalization phase with more significant upgrades required to ensure the longevity of the park and continued footfall growth. uShaka is entering an exciting next phase of its life cycle with an opportunity to introduce an iconic new attraction or two for Durban. This idea will form a key part of the strategy going forward together with the city and various options will be explored in terms of enhancing uShaka as a major draw card for Durban which may include public/private initiatives.

uShaka Marine World continues to play a vital role in elevating Durban to a sought after tourist destination and one that is becoming increasingly popular with local tourists. The growth in footfall has continued and uShaka remains a key destination within KZN and Durban for both tourists and locals alike. The 2016/17 actual total admissions performance shows a 13% growth for the year. uShaka has received its fifth clean audit from the Auditor General of South Africa. This track record of which uShaka Marine World management is justifiably proud and confirms that uShaka Marine World continues to set the highest standards. uShaka Marine World has always set out to entertain and delight the public - both young and old, international and local. The marketing strategy coupled with superb entertainment will drive the new tag line of "UNLIMITED FUN". Furthermore, the education and conservation work of SAAMBR forms an integral part of the overall philosophy that makes for a successful, fun-filled offering to a diverse range of guests.

uShaka is a key component of the Point Development within it is located and therefore with new developments arising this is an ideal opportunity to integrate with both the Point and Inner City Development projects. A formalized approach is envisaged where the re-development of uShaka is embedded within both the development projects of the City. A detailed Master plan is being developed by the special board task team and will be presented to the shareholder for consideration.

*In compliance with the Municipal Finance Management Act, both the municipal entities have submitted their budgets and business plans for consideration by the Municipality.*

## 1.4 OPERATING REVENUE FRAMEWORK

### 1.4.1 SOURCES OF FUNDING

#### REVENUE

The City's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants, borrowings, cash reserves and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality. In addition to the obvious need to grow the city's revenue by increasing its tax base, other means for securing funding for council projects must be explored in a variety of ways. The city faces invidious choices in attempting to finance the projected levels of investment in infrastructure. Sources of capital finance are already stretched with limited scope for further borrowing, consumer pressure to restrict tariff and tax increases, and little likelihood of a structural upward adjustment in grant allocations.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariff 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 city. In the case of eThekweni, a basket of differential tariff increases determines the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities and national legislation, regulations and policy guidelines. Revenue generated from rates and services charges form a significant portion of the revenue basket for the city comprising 70.5 % of the total revenue. Electricity charges are the largest revenue source totalling 33.9 % or R 13.1 billion and are projected to increase to R 15.3 billion by 2019/20. Operating grants and transfers total R 5.8 billion in the 2018/19 year and increase to R 6.2 billion by 2020/21.

The sources of funding for the 2018/19 financial year are as follows:

INCOME	R'm	%
Assessment Rates	7 497.3	19.4
Service Charges	19 758.9	51.1
Fines, Licences and permits	111.5	0.3
Grant and Subsidies	5 788.9	14.9
Rental of Facilities and Equipment	951.2	2.5
Interest on Investments	455.6	1.2
Fuel Levy	2 338.7	6.0
Other Income	1 788.1	4.6
<b>TOTAL</b>	<b>38 690.2</b>	<b>100.0</b>

70.5% of the Operating Budget is funded from assessment rates and services charges (tariffs)

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The City's expenditure for the 2018/19 MTREF is informed by:

- Relevant (budget and other) legislative imperatives,
- Expenditure limits set by realistic and realizable revenue levels,
- Modelling of feasible and sustainable budgets over the medium term,
- Cognisance of international, national and local economic and fiscal conditions,
- The City's asset renewal strategy and its medium- to long term asset repairs and maintenance goals, Operational gains and efficiencies directed to fund areas of strategic priority and known commitments.

MAJOR ITEMS OF OPERATING EXPENDITURE ARE:

DETAILS	2018/19 R'm	% OF TOTAL BUDGET
Bulk Purchases	10 657.9	28.7
Salaries and Allowances	9 824.0	26.4
Contracted Services	4 830.2	13.0
Depreciation	2 080.9	5.6
Interest on Loans	1 466.3	3.9

Bulk purchases are largely informed by the purchase of electricity and water from suppliers and take up 28.7 % of the operating budget. Given projected increases in the bulk prices of both electricity and water, expenditure on this item is likely to grow more rapidly. Expenditure on contracted services including repairs and maintenance amounts to R 5.1 billion for the 2018/19 year, representing 13.0 1% of the total operating budget. This includes substantial spend on asset replacement and bringing assets to a good state of repair. The rehabilitation programme as part of the municipality's proactive maintenance ensures that assets are in good condition throughout their lifespan with periodic maintenance.

The municipality acknowledges its obligation to optimally preserve its extended asset base as under spending in maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs and cause deterioration in the reliability of services. In line with the approach of recent years, 2018/19 appropriations again provide for above CPI level increases for this cost component. Personnel costs account for a large component of operating expenditure, comprising 27.1 % of the operating budget. 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 City's budget

*Tables SA 22 AND SA23 provides further details of councillors and employee benefits.*

Budget appropriations for depreciation amount to R 2.6 billion, comprising 6.6 % of the operating budget. Finance charges consist primarily of the repayment of interest on long-term borrowings (cost of capital) and equate to 3.9% of the operating expenditure.

*TABLE A4 provides a view of the budgeted financial performance in relation to revenue by source and expenditure by type. Further details of revenue and expenditure are explained in the sections that follow.*

## 1.6 CAPITAL EXPENDITURE

### 1.6.1 CAPITAL BUDGET

Investment in urban infrastructure is important for the development of the local economy, combating poverty and the provision of universal access to municipal services. Rapid inward population migration, declining household sizes and greater economic activity places pressure on existing municipal infrastructure and require larger investments in the periods ahead. In addition to the rollout of service delivery infrastructure, the municipality's capital expenditure is also directed towards economic stimulus and job creation.

The capital budget is directly informed by the needs submitted by the community through the IDP process. In view of borrowings being maximised and the present economic climate, the high levels of capital expenditure cannot be sustained.

The ability of the Municipality (Parent) to deliver on progress depends a lot on its funding sources which are summarised as follows:

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>
Total Capital Budget	7, 029	7, 623	7, 747
<u>Funded as follows:</u>			
Grant Funding	3, 571	3, 744	4, 022
Internal Funding	2, 458	2, 879	2, 725
External Funding	1, 000	1, 000	1, 000
	7, 029	7, 623	7, 747

Government grants are budgeted to continue to fund the bulk of capital expenditure over the next three years, covering almos 51 % of the cumulative expenditure.

#### BORROWINGS ( EXTERNAL FUNDING )

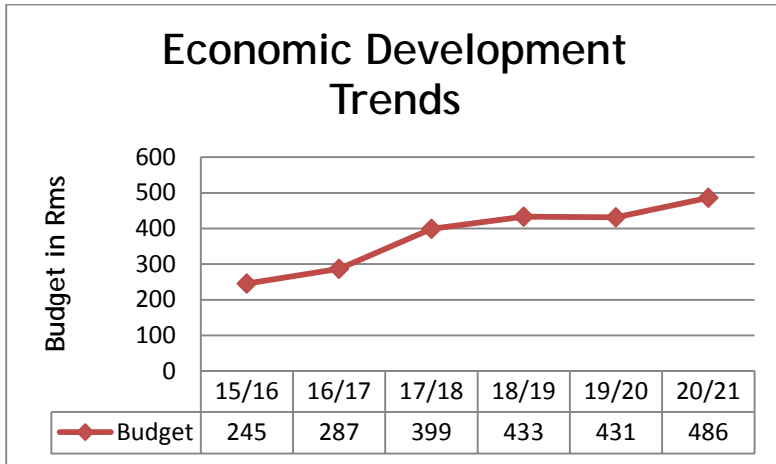
Capex Funding Mix (Actual)					
	2012/13 R'000	2013/14 R'000	2014/15 R'000	2015/16 R'000	2016/17 R'000
Capital Expenditure	3,494,716	4,201,622	4,716,504	4,858,553	5,434,061
<u>Fund Sources</u>					
Grants	1,631,745	2,041,010	2,779,110	3,331,031	2,968,039
Borrowings	-	1,500,000	1,000,000	-	171,914
Internal Funds	1,862,971	660,612	937,394	1,527,522	2,294,108
	3,494,716	4,201,622	4,716,504	4,858,553	5,434,061

An analysis of funding and borrowings per the table above , indicate an increasing trend of internal reserves funding the capex as compared to the borrowings. While this has resulted in long term borrowing decreasing, this has had an impact on the cash reserve of the municipality. In view of the foregoing and the effect of the IRPTN and rollout of the catalytic project, they will be further need to increase borrowings in the future. However, the borrowing will be done on a prudent basis, taking into account the following: -

- Affordability of rate and taxes
- Affordability of loan repayments
- Return on investment
- Ratio analysis

1.6.2 INFRASTRUCTURE EXPENDITURE TRENDS

CAPITAL

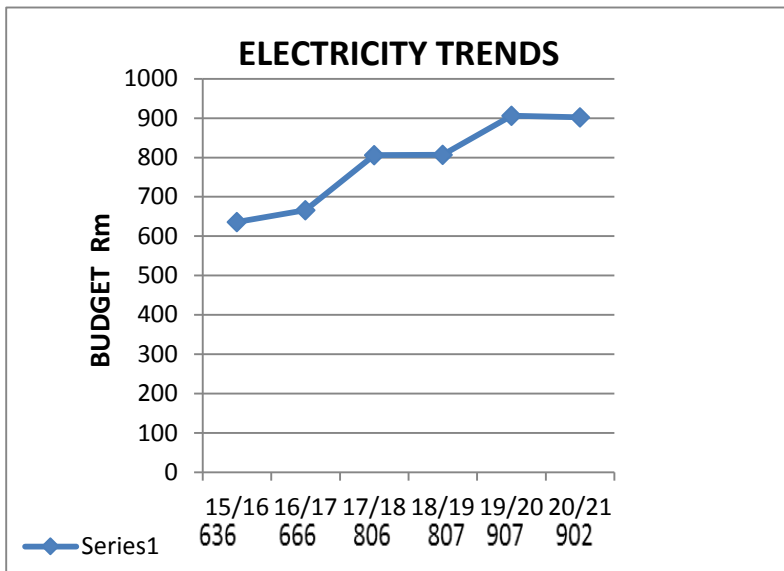


Neighbourhood Development Partnership Grant used to create economic infrastructure in undeveloped areas that attracts private sector investment

Focus on strategic township development, town centre renewals, Industrial renewals, upgrading of tourism nodes and corridors, sector support programmes and LED projects such as ICT, Renewal Energy technologies.

OPERATING

Economic Development Programmes:	R 40.2m
Durban Film Office:	R 4.7 m
Reforestation Projects :	R 10.1 m
Business Support Projects:	R 35.8 m
Travel and Tourism Trade Show :	R 16.0 m
Durban Business Fair & Regional Fairs:	R 34.2 m
Bid Support & Presentations :	R 4.9 m
Durban Tourism Events :	R 44.6 m
Durban Tourism Brand Advertising & Domestic Marketing :	R 10.0 m
Convention Support :	R 3.0 m



Maintenance budget increased to:	R 1 161 m
Provision of new staff:	R 112.8 m
Loss in distribution:	8 %
Collection rate:	97.5 %

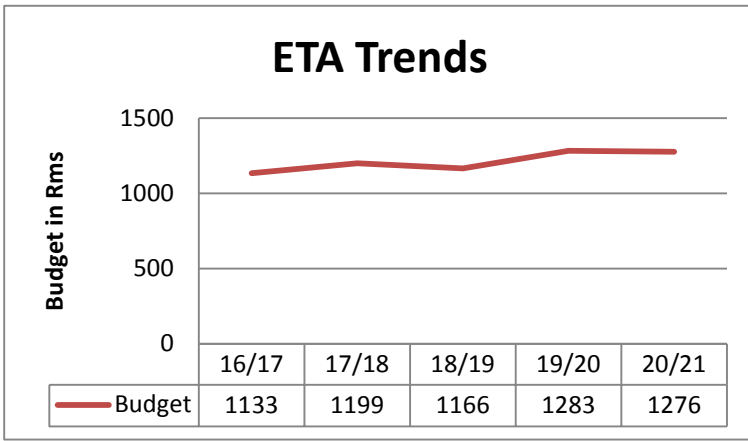
Capital budget of R 3.4 bn over next 3 years

Ongoing extension and reinforcements of existing networks

In excess of 10 major new substations to be commissioned or refurbished

**CAPITAL**

**OPERATING**



People Mover:	R 44.8 m
Public Conveniences:	R 10.8 m
Durban Transport:	R 208 m
Transport for disabled:	R 11.5 m
Traffic Signals:	R 13.2 m

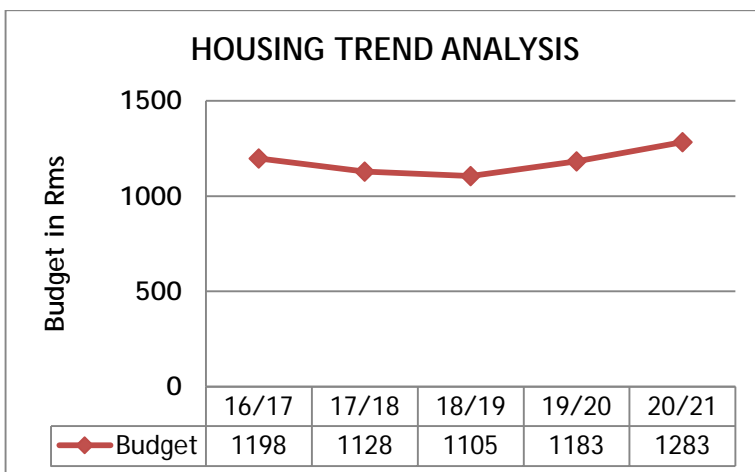
Capital budget: R 1.2 bn

Major projects include:

- Cornubia Boulevard
- IRPTN -Corridor C3/C9
- Bridge City terminal
- Harry Gwala Rd upgrade
- Newlands Expressway extension
- Go Durban: Purchase of Buses

**CAPITAL**

**OPERATING**



New Development budget increased to R 582 m	
Hostels budget:	R 413.3 m
Upgrading of housing rental stock:	R 60 m

Reduction of the housing delivery program in view of reduced subsidies and the economic climate

3 140 new housing units 2018/19 year.

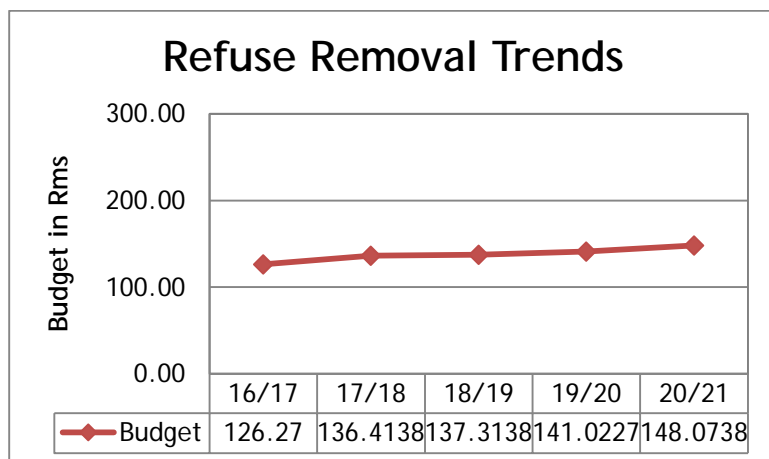
The construction of houses is dependent on National / Provincial subsidy allocation

Interim services rollout to prioritized informal settlement dwellings



**CAPITAL**

**OPERATING**



Nearly 100% coverage in the municipal areas by utilising community based contractors to provide refuse removal services to all the informal areas: R 388.9 m

Provision for refuse bags: R 108.7 m

Fuel; R 64.1 m

Maintenance of Equipment R 50.1 m

Replacement of ageing Solid Waste fleet : R 45m

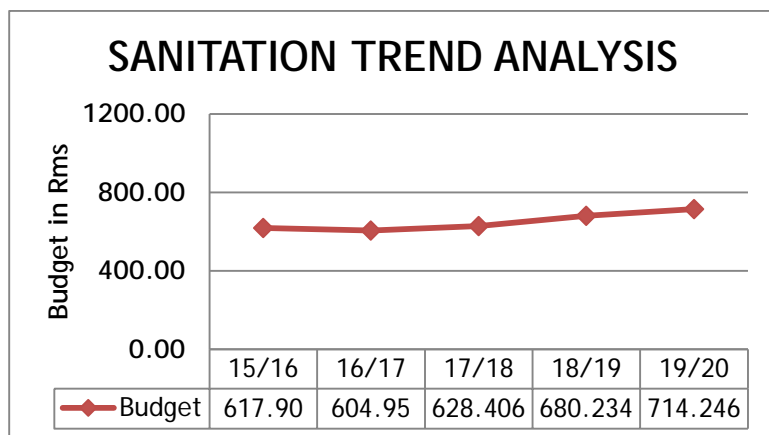
Shongweni landfill cell construction : R 12 m

Buffelsdraai landfill Gas Cleaning : R 30 m

Lovu Landfill Cell Phases : R 11 m

**CAPITAL**

**OPERATING**



Maintenance of Buildings and Facilities: 169 m

External Security : 60.3 m

Sludge disposal initiatives : 56.6 m

Hygiene Services | VIP Emptying 46.3 m

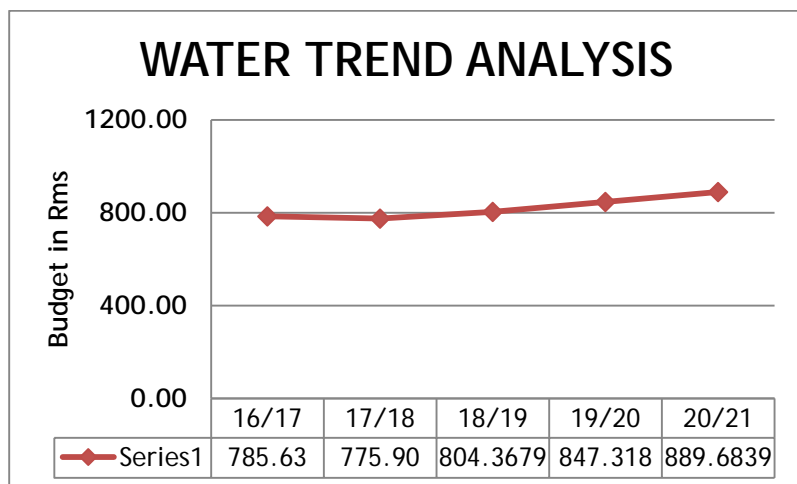
Provision of Ablution Blocks: Informal settlements : R 282.7 m

Southern Waste Water Treatment Works Digester: R 45 m

Rural Sanitation : R 30 m

**CAPITAL**

**OPERATING**



Security to safeguard infrastructure : R 74.9 m

Maintenance of infrastructure : R 455.5 m

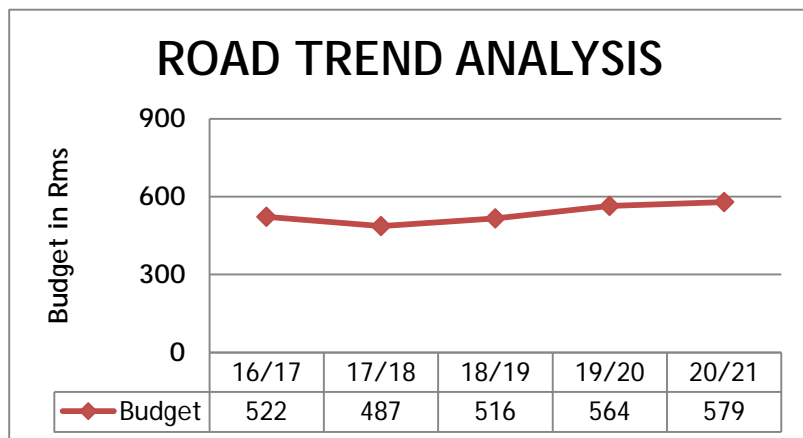
Water loss in distribution budgeted at 36 %

Upward trend due to investment in infrastructure and Addressing of backlogs.

Northern Aqueduct project : R 180.3 m  
 Replacement of water pipes: R 47.5 m  
 PRV Installation project : R 28.0 m  
 Relays and extension : R 32.0 m

**CAPITAL**

**OPERATING**



Roads & Streets maintenance : R 238.0 m

Zimbabwe Poverty Alleviation : R 95.2 m

Public realm & priority zone Maintenance : R 33.5 m

Gravel maintenance : R 86.5 m

Drains cleaning and maintenance : R 33.9 m

Sihlanzimvelo Project-Rivers and Streams maintenance : R 38.0 m

Capital budget: R 516 m

Focus on design and implementation of Capital Roads Projects, Road Rehabilitation projects, civil engineering structures, road upgrades, gravel to surface and maintenance of existing road Networks

- Major projects include:
- Solomon Mahlangu Drive Rehabilitation
  - Vusi Mzimela Road Upgrade
  - Angola Bus Route
  - Road A637 Upgrade gravel to surface
  - Road Rehabilitation
  - Northern Areas Road upgrade

### 1.6.3 MAJOR ITEMS OF EXPENDITURE

ITEM / DESCRIPTION	R' m
<b>1.6.3.1 HUMAN SETTLEMENTS, ENGINEERING, TRANSPORT AND INFRASTRUCTURE</b>	
• Shongweni landfill site infrastructure	43.0
• Southern waste water treatment works: digester online	60.0
• Rural water & sanitation	45.0
• PRV installation project	26.8
• Western Aqueduct and Northern Aqueduct projects	187.0
• Water loss management project	53.3
• Provision / maintenance of ablution facilities	498.0
• Zibambeke poverty alleviation project: roads/verge maintenance	95.2
• Housing delivery programme: 3 140 units	480.0
• Rehabilitation and upgrading of housing rental stock	20.0
• Upgrading and conversion of hostels into family units	85.0
• Roads and streets maintenance	238.0
• Gravel roads maintenance	86.5
• Electricity network maintenance	662.8
• Drains cleaning and maintenance	33.9
• Maintenance of priority routes	33.5
• Stormwater Infrastructure	45.5
• Structural maintenance: bridges etc.	12.9
• People mover	44.8
• Durban Transport bus service	208.0
• Rivers and streams maintenance	38.0
• Lines and signs maintenance	26.2
• Traffic signals	13.2
• Transport for disabled ( Dial- a - Ride)	11.5
<b>1.6.3.2 CORPORATE AND HUMAN RESOURCES</b>	
• Continual roll out of employee wellness interventions	3.9
• Talent Management Framework and strategy implementation	1.8
• Medical Surveillance: detection and management of occupational diseases	2.8
• Work Skills Plan Training	15.7
• Learnerships/Skills/Apprenticeships Programmes: Learnerships will be implemented/ continued	6.6
• Bursaries for high achieving matriculants	69.6

### 1.6.3.3 SUSTAINABLE DEVELOPMENT AND CITY ENTERPRISES

• Economic programmes, improve and grow the economic base of the city	40.2
• Durban Film Office Programmes	4.7
• Town centre Renewal	102.6
• Neighbourhood Development Programme	25.2
• Tourism Development	9.2
• Beachfront Landscaping : Maintenance and Development	26.6
• Event Promoters	15.8
• External Security	9.7
• SEDA eThekwini	5.0
• SEDA Construction	4.3
• KZN Sharks	7.0
• Corporate Municipal Activities, Advertising, Publicity and Marketing	40.5
• Reforestation projects : Buffeldraai, Inanda and Paradise Valley	10.1
• Removal of Illegal Signage and Billboards	4.7
• Energy Efficiency Demand Side Management System	14.0
• Invasive Alien Plant (IAP) Control	25.7

### 1.6.3.4 GOVERNANCE

• Food Aid Programme: 54 soup kitchens	82.0
• Senior Citizens Programme: special events recognising our senior citizens	24.0
• Printing and distribution of Municipal Gazette: eZasegagasini	15.8
• Ward Committees Stipend	12.6
• Repairs & maintenance - buildings : Sizakala Centres & City Hall	8.4
• Extended public works programme	75.3
• Mayoral Imbizo	5.5
• Security services for councillor's offices	15.6
• Youth development programmes	18.9
• Grant in Aid - non-profit organisations	5.5
• Vulnerable Groups	10.5
• SALGA Subscriptions	12.5
• Advertising	18.5
• EPWP integrated Grant Income	75.3

### 1.6.3.5 OFFICE OF THE CITY MANAGER

• Legal Fees: Litigation	23.7
• Sale of broadband: Income	28.0
• Maintenance, management and monitoring of the municipality's IT network	42.2
• Programming: Applications and systems software	27.7
• IT Consultants and Professional services	47.7
• Licensing Fees: Software	16.9
• ABM operational projects	10.3

### 1.6.3.6 COMMUNITY AND EMERGENCY SERVICES

• Fleet maintenance for Fire & Emergency unit	5.4
• Specialised fire fighting support vehicles	25.3
• Verulam Fire Station	20.9
• Illovo training facility	3.0
• Disaster management operations	3.6
• CCTV camera repairs	4.9
• Installation and maintenance of the Emergency Services System	2.8
• Implementation of Safer Cities Plan	2.7
• External security for safeguarding of council assets	705.4
• Providing 16 cyber zones for libraries	4.8
• Grass cutting and weed control: contractors	77.3
• Provision of pool chemicals at swimming pools: water quality	5.4
• Essence festival: Durban	14.9
• Library services at shopping centres	25.1
• Air pollution monitoring within EMA	2.4
• Provision for HIV/AIDS services	2.7
• Medical requisites for clinics	2.2
• Improvements to clinics	6.5
	17.5

### 1.6.3.7 FINANCE

• vehicle and bus licencing and registration	24.3
• Land and property rights acquisitions	4.0
• Vehicle & bus fleet replacement programme	115.9
• Maintenance of vehicle and bus fleet	241.3
• Depot upgrade and expansions	81.0

## 1.7 ANNUAL BUDGET TABLES

The ten primary budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations follow. These tables set out the municipality's 2017/18 budget and MTREF. Each table is accompanied by explanatory notes on the facing page.

ETH eThekweni - Table A1 Consolidated Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18			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
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	5,747,115	6,219,986	6,570,118	6,907,500	7,013,367	7,013,367	7,497,289	8,014,602	8,567,610
Service charges	14,284,476	15,597,272	16,571,802	18,265,088	18,423,317	18,119,181	19,758,471	21,631,838	23,639,351
Investment revenue	380,544	540,599	664,334	1,296,055	462,324	478,280	455,655	428,189	417,066
Transfers recognised - operational	2,657,499	2,439,256	2,716,460	3,087,889	5,355,545	5,386,525	5,788,941	6,181,434	6,728,188
Other own revenue	3,803,192	4,245,626	4,048,459	3,828,123	1,513,155	1,689,692	1,724,946	1,829,794	1,945,530
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>26,872,826</b>	<b>29,042,739</b>	<b>30,571,173</b>	<b>33,384,655</b>	<b>32,767,708</b>	<b>32,687,046</b>	<b>35,225,303</b>	<b>38,085,857</b>	<b>41,297,746</b>
Employee costs	7,157,526	8,251,752	8,860,255	9,824,018	9,780,760	9,453,809	10,473,318	11,286,498	12,085,228
Remuneration of councillors	100,795	105,334	110,934	107,947	107,947	114,164	132,014	141,245	149,993
Depreciation & asset impairment	1,938,879	1,972,414	2,188,667	2,080,881	2,050,099	2,378,924	2,554,436	2,706,729	2,948,471
Finance charges	950,565	968,805	897,959	1,466,337	841,444	714,178	857,779	982,616	963,738
Materials and bulk purchases	8,436,186	9,515,943	10,232,765	10,840,262	11,541,230	11,383,173	12,500,556	13,698,451	15,024,520
Transfers and grants	179,772	208,921	282,815	226,275	454,203	427,615	481,898	518,079	556,307
Other expenditure	7,935,139	7,090,380	8,768,169	8,151,551	7,479,849	7,772,805	8,249,223	8,602,810	9,051,626
<b>Total Expenditure</b>	<b>26,698,863</b>	<b>28,113,549</b>	<b>31,341,563</b>	<b>32,697,270</b>	<b>32,255,532</b>	<b>32,244,669</b>	<b>35,249,224</b>	<b>37,936,428</b>	<b>40,779,883</b>
<b>Surplus/(Deficit)</b>	<b>173,964</b>	<b>929,191</b>	<b>(770,391)</b>	<b>687,385</b>	<b>512,175</b>	<b>442,377</b>	<b>(23,921)</b>	<b>149,430</b>	<b>517,863</b>
Transfers and subsidies - capital (monetary allocated)	2,779,110	3,331,032	2,968,039	3,807,036	3,771,387	3,801,796	3,441,476	3,568,927	3,844,749
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,953,074</b>	<b>4,260,222</b>	<b>2,197,648</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>
Share of surplus/ (deficit) of associate	4,969	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>2,958,043</b>	<b>4,260,222</b>	<b>2,197,648</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,795</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>
Transfers recognised - capital	2,779,110	3,331,031	2,960,914	3,807,036	3,771,387	3,796,784	3,445,096	3,578,048	3,848,370
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	1,000,000	-	171,914	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Internally generated funds	937,394	1,571,893	2,333,600	2,533,048	2,564,246	2,174,011	2,665,065	3,110,295	2,926,511
<b>Total sources of capital funds</b>	<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,795</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>
<b>Financial position</b>									
Total current assets	12,818,086	15,059,946	14,315,463	16,466,103	16,210,882	14,853,832	15,035,207	15,042,405	15,462,876
Total non current assets	42,577,437	45,079,185	48,301,228	54,530,664	54,500,474	53,504,040	58,147,515	63,120,510	68,002,561
Total current liabilities	10,594,766	11,448,109	11,300,859	11,347,684	11,348,891	11,018,706	11,511,359	11,734,184	12,119,532
Total non current liabilities	12,403,651	11,990,573	12,197,749	12,474,404	12,247,814	12,618,606	12,721,319	12,868,007	13,087,343
Community wealth/Equity	32,397,106	36,700,449	39,118,083	47,174,679	47,114,652	44,720,560	48,950,044	53,560,724	58,258,562
<b>Cash flows</b>									
Net cash from (used) operating	4,024,457	7,037,273	5,119,974	6,016,702	6,463,309	6,167,313	5,461,488	6,018,854	6,773,557
Net cash from (used) investing	(4,709,909)	(4,891,549)	(5,338,579)	(7,317,652)	(7,313,200)	(6,899,570)	(7,116,034)	(7,640,132)	(7,764,255)
Net cash from (used) financing	(7,396)	(1,096,160)	(400,374)	345,255	339,314	291,370	268,979	94,555	228,307
<b>Cash/cash equivalents at the year end</b>	<b>6,166,809</b>	<b>7,216,329</b>	<b>6,597,350</b>	<b>5,380,626</b>	<b>5,825,744</b>	<b>6,156,463</b>	<b>4,770,896</b>	<b>3,244,173</b>	<b>2,481,783</b>
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	6,166,809	7,216,329	6,597,350	7,982,745	5,825,745	6,639,974	6,373,258	5,845,732	5,608,926
Application of cash and investments	5,335,712	5,800,154	5,936,331	3,422,441	1,633,762	3,247,702	3,237,518	1,853,799	757,817
<b>Balance - surplus (shortfall)</b>	<b>831,097</b>	<b>1,416,175</b>	<b>661,019</b>	<b>4,560,304</b>	<b>4,191,983</b>	<b>3,392,273</b>	<b>3,135,740</b>	<b>3,991,934</b>	<b>4,851,110</b>
<b>Asset management</b>									
Asset register summary (WDV)	45,007,719	48,191,025	54,406,805	54,370,645	52,457,776	52,457,776	57,060,781	61,993,064	66,834,645
Depreciation	1,938,879	1,972,414	2,188,667	2,080,881	2,050,099	2,378,924	2,554,436	2,706,729	2,948,471
Renewal of Existing Assets	1,457,116	1,506,606	3,604,921	1,027,257	1,173,831	1,119,556	480,276	527,481	461,519
Repairs and Maintenance	3,010,050	2,892,428	2,487,235	3,949,554	3,974,341	4,236,795	4,399,670	4,650,414	5,031,136
<b>Free services</b>									
Cost of Free Basic Services provided	1,305,077	1,494,154	1,721,398	1,857,706	1,951,723	1,844,623	1,526,495	1,679,101	1,850,518
Revenue cost of free services provided	2,795,723	2,984,954	1,935,904	2,826,230	2,826,230	2,789,357	3,221,752	3,378,738	3,673,199
<b>Households below minimum service level</b>									
Water:	73	125	128	126	126	-	127	125	122
Sanitation/sewerage:	172	275	189	172	172	-	143	136	140
Energy:	368	394	399	405	405	447	410	415	410
Refuse:	-	-	-	-	-	-	-	-	-

## EXPLANATORY NOTES TO MBRR TABLE A1 - BUDGET SUMMARY

Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved for operating performance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
- b. Capital expenditure is balanced by capital funding sources, of which
  - i. Transfers recognized is reflected on the Financial Performance Budget;
  - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
  - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.

Even though the Council places great emphasis on the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make good progress in addressing service delivery backlogs.

ETH eThekweni - 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			Medium Term Revenue & Expenditure Fra		
		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										
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		9,038,504	9,691,303	10,985,779	11,657,923	11,336,543	11,517,089	12,496,884	13,237,065	14,216,552
Executive and council		1,377	1,406	104,448	253,292	271,414	271,582	335,800	202,083	212,187
Finance and administration		9,037,086	9,689,897	10,881,331	11,404,632	11,065,129	11,245,507	12,161,083	13,034,982	14,004,365
Internal audit		41	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1,223,658	1,256,445	1,397,010	1,949,417	2,517,622	2,572,392	2,430,436	2,567,520	2,786,390
Community and social services		78,805	106,921	75,354	129,205	315,112	316,178	363,525	418,231	481,650
Sport and recreation		77,727	75,286	141,081	101,843	398,993	377,485	441,192	466,512	498,992
Public safety		294,861	611,050	13,211	78,506	63,016	84,946	89,940	80,209	88,604
Housing		636,740	313,444	1,078,835	1,444,471	1,541,310	1,502,656	1,303,028	1,355,169	1,451,298
Health		135,524	149,744	88,529	195,391	199,191	291,126	232,750	247,400	265,845
<i>Economic and environmental services</i>		1,664,010	2,447,345	1,825,557	1,851,797	1,630,860	1,625,333	1,740,954	1,759,013	1,626,601
Planning and development		191,871	202,304	307,421	321,962	234,977	222,593	249,100	278,726	294,774
Road transport		1,466,316	2,241,930	1,516,855	1,529,435	1,395,483	1,402,341	1,491,430	1,479,837	1,331,350
Environmental protection		5,824	3,110	1,281	400	400	400	424	449	476
<i>Trading services</i>		17,208,744	18,385,065	18,742,673	21,044,896	20,916,829	20,645,253	21,793,772	23,921,631	26,339,738
Energy sources		10,784,979	12,235,174	12,125,435	13,245,823	13,026,563	12,730,370	13,352,913	14,445,854	15,654,345
Water management		3,899,886	3,871,042	3,857,027	5,154,123	5,167,501	5,150,276	5,632,501	6,358,537	7,159,910
Waste water management		1,633,514	1,305,870	1,847,533	1,539,230	1,573,471	1,617,500	1,648,750	1,880,250	2,213,079
Waste management		890,366	972,979	912,678	1,105,720	1,149,295	1,147,107	1,159,608	1,236,990	1,312,405
<i>Other</i>	4	517,019	593,613	588,192	687,658	137,240	128,774	204,733	169,555	173,215
<b>Total Revenue - Functional</b>	2	<b>29,651,936</b>	<b>32,373,771</b>	<b>33,539,211</b>	<b>37,191,691</b>	<b>36,539,094</b>	<b>36,488,841</b>	<b>38,666,778</b>	<b>41,654,785</b>	<b>45,142,495</b>
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		3,289,741	3,057,448	5,653,557	4,126,989	5,255,890	5,383,529	5,931,117	6,151,341	6,414,329
Executive and council		369,210	326,764	386,725	467,365	895,096	915,114	927,870	922,018	998,867
Finance and administration		2,847,812	2,641,273	5,180,695	3,503,706	4,264,366	4,381,324	4,900,772	5,119,580	5,298,120
Internal audit		72,719	89,411	86,137	155,918	96,428	87,091	102,474	109,743	117,342
<i>Community and public safety</i>		5,045,415	4,878,902	3,511,665	5,398,488	5,251,358	5,357,732	5,681,550	6,053,985	6,415,284
Community and social services		734,835	788,940	880,260	1,044,324	798,902	776,729	907,450	973,981	1,047,221
Sport and recreation		1,046,440	1,131,043	1,191,899	1,364,437	1,728,252	1,707,610	1,849,835	1,974,241	2,069,464
Public safety		1,372,711	1,804,944	310,995	1,760,567	1,683,624	1,784,384	1,721,307	1,813,431	1,932,251
Housing		1,508,123	754,796	689,547	679,806	477,525	582,481	613,906	657,933	683,932
Health		383,305	399,180	438,964	549,354	563,055	506,529	589,052	634,400	682,416
<i>Economic and environmental services</i>		2,584,296	2,901,006	4,302,622	3,298,100	3,048,780	2,973,984	3,403,988	3,613,945	3,861,524
Planning and development		668,860	818,562	1,003,185	896,117	755,050	720,247	807,123	838,370	904,944
Road transport		1,765,120	1,958,138	3,159,805	2,124,337	2,123,625	2,116,601	2,422,900	2,590,692	2,758,813
Environmental protection		150,315	124,306	139,632	277,646	170,104	137,136	173,966	184,882	197,767
<i>Trading services</i>		15,163,682	16,586,025	17,099,302	19,025,101	18,403,418	18,220,871	19,913,293	21,775,672	23,727,203
Energy sources		9,445,827	10,146,160	10,696,591	11,789,188	11,465,201	11,371,320	12,334,506	13,285,396	14,264,328
Water management		3,718,111	4,179,827	4,027,082	4,922,326	4,465,708	4,280,005	4,838,140	5,556,864	6,322,818
Waste water management		1,071,338	1,382,015	1,219,740	1,316,640	1,354,110	1,442,746	1,539,090	1,656,263	1,769,193
Waste management		928,406	878,023	1,155,889	996,947	1,118,399	1,126,800	1,201,556	1,277,150	1,370,864
<i>Other</i>	4	615,730	693,999	774,418	848,591	296,087	308,553	319,276	341,484	361,543
<b>Total Expenditure - Functional</b>	3	<b>26,698,863</b>	<b>28,117,379</b>	<b>31,341,564</b>	<b>32,697,270</b>	<b>32,255,533</b>	<b>32,244,668</b>	<b>35,249,224</b>	<b>37,936,428</b>	<b>40,779,883</b>
<b>Surplus/(Deficit) for the year</b>		<b>2,953,074</b>	<b>4,256,392</b>	<b>2,197,647</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>

**EXPLANATORY NOTES TO MBRR TABLE A2 - BUDGET PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable National Treasury to compile 'whole of government' reports.

As a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.



ETH eThekweni - 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
<b>Revenue by Vote</b>	1									
Vote 1 - Office of the City Manager		34,547	28,297	133,959	278,740	231,135	231,188	288,330	231,336	242,900
Vote 2 - City Manager's Operations		297,438	663,782	154,397	158,042	90,148	102,871	109,842	115,453	121,226
Vote 3 - Finance		8,996,173	9,486,785	10,805,914	11,355,583	11,011,111	11,195,674	12,106,490	12,976,852	13,941,677
Vote 4 - Office of the Strategic Management		2,819	1,653	327	2,655	2,655	-	5,601	4,001	1,635
Vote 5 - Governance		4,201	3,209	3,397	3,075	69,867	69,128	78,586	3,471	3,645
Vote 6 - Corporate and Human Resources		12,134	11,419	10,658	15,107	15,107	15,893	19,203	20,701	22,315
Vote 7 - Economic Development & Planning		224,996	254,265	315,210	299,661	256,816	241,378	336,670	327,650	345,208
Vote 8 - Community and Emergency Services		271,076	386,279	266,445	454,218	438,525	512,181	543,735	588,592	665,469
Vote 9 - Human Settlements and Infrastructure		1,729,062	2,525,661	2,472,721	2,865,329	2,821,267	2,812,275	2,684,721	2,718,717	2,659,882
Vote 10 - Trading Services		17,675,867	18,540,604	18,914,269	21,234,414	21,108,501	20,813,108	21,970,076	24,107,220	26,534,764
Vote 11 - Durban ICC		190,920	204,212	189,131	233,535	205,365	206,548	219,674	236,585	255,770
Vote 12 - USHAKA MARINE		212,705	267,605	272,782	291,332	288,598	288,598	303,851	324,207	348,004
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>29,651,936</b>	<b>32,373,771</b>	<b>33,539,212</b>	<b>37,191,691</b>	<b>36,539,094</b>	<b>36,488,841</b>	<b>38,666,778</b>	<b>41,654,785</b>	<b>45,142,495</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Office of the City Manager		486,140	463,760	511,381	594,268	611,124	617,042	661,050	692,722	769,675
Vote 2 - City Manager's Operations		1,024,139	1,076,059	1,526,381	1,358,437	1,338,014	1,488,074	1,393,504	1,460,435	1,554,764
Vote 3 - Finance		1,850,182	3,031,732	4,219,976	2,606,013	2,181,291	2,257,856	2,560,712	2,656,691	2,674,767
Vote 4 - Office of the Strategic Management		24,360	31,165	29,823	45,223	45,223	35,829	62,119	62,577	61,945
Vote 5 - Governance		574,604	618,867	658,642	722,418	852,442	840,069	885,087	847,425	885,923
Vote 6 - Corporate and Human Resources		353,811	391,201	428,927	537,011	537,118	515,236	591,436	634,780	680,951
Vote 7 - Economic Development & Planning		828,795	746,701	898,432	953,099	996,098	1,019,791	1,055,067	1,101,686	1,183,196
Vote 8 - Community and Emergency Services		2,421,787	2,494,355	2,767,259	3,447,530	3,624,984	3,497,705	3,898,792	4,166,244	4,449,032
Vote 9 - Human Settlements and Infrastructure		3,371,462	2,044,948	2,492,252	2,845,987	2,668,676	2,853,235	3,216,961	3,467,785	3,696,114
Vote 10 - Trading Services		15,405,147	16,762,888	17,293,861	19,061,709	18,901,055	18,619,324	20,388,966	22,254,226	24,209,919
Vote 11 - Durban ICC		152,082	166,572	205,293	205,828	175,831	176,831	187,879	204,708	222,084
Vote 12 - USHAKA MARINE		206,352	289,130	309,338	319,747	323,676	323,677	347,652	387,149	391,512
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>26,698,863</b>	<b>28,117,379</b>	<b>31,341,563</b>	<b>32,697,270</b>	<b>32,255,533</b>	<b>32,244,668</b>	<b>35,249,224</b>	<b>37,936,428</b>	<b>40,779,883</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>2,953,074</b>	<b>4,256,392</b>	<b>2,197,648</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>

**EXPLANATORY NOTES TO MBRR TABLE A3 - BUDGETED FINANCIAL PERFORMANCE ( REVENUE AND EXPENDITURE BY MUNICIPAL VOTE )**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the City.

ETH eThekweni - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			Medium Term Revenue & Expenditure Fra		
		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
<b>Revenue By Source</b>										
Property rates	2	5,747,115	6,219,986	6,570,118	6,907,500	7,013,367	7,013,367	7,497,289	8,014,602	8,567,610
Service charges - electricity revenue	2	10,188,864	11,295,514	12,109,097	12,787,852	12,558,540	12,284,253	13,124,496	14,174,455	15,308,412
Service charges - water revenue	2	2,622,959	2,759,678	3,130,213	3,825,905	3,819,819	3,803,606	4,409,604	5,025,179	5,676,301
Service charges - sanitation revenue	2	800,027	805,590	736,116	890,031	959,746	977,147	1,075,290	1,183,395	1,302,483
Service charges - refuse revenue	2	524,136	556,239	559,478	624,509	667,374	664,234	727,158	796,066	871,526
Service charges - other		148,490	180,251	36,898	136,791	417,838	389,941	421,923	452,743	480,629
Rental of facilities and equipment		560,625	538,047	578,745	486,015	816,391	894,855	951,181	1,018,368	1,092,053
Interest earned - external investments		380,544	540,599	664,334	1,296,055	462,324	478,280	455,655	428,189	417,066
Interest earned - outstanding debtors		337,141	359,569	276,982	287,332	278,330	377,862	342,903	359,678	380,951
Dividends received			-			-				
Fines, penalties and forfeits		262,262	591,392	389,454	61,300	61,567	76,820	70,791	74,138	77,668
Licences and permits		30,228	40,912	47,340	38,189	38,189	32,303	40,688	42,714	44,592
Agency services		10,233	10,186	10,931	11,185	11,185	11,625	15,532	16,427	17,248
Transfers and subsidies		2,657,499	2,439,256	2,716,460	3,087,889	5,355,545	5,386,525	5,788,941	6,181,434	6,728,188
Other revenue	2	2,553,417	2,696,395	2,745,006	2,903,333	266,724	285,436	281,935	296,416	311,186
Gains on disposal of PPE		49,286	9,125		40,768	40,768	10,792	21,916	22,053	21,832
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>26,872,826</b>	<b>29,042,739</b>	<b>30,571,173</b>	<b>33,384,655</b>	<b>32,767,708</b>	<b>32,687,046</b>	<b>35,225,303</b>	<b>38,085,857</b>	<b>41,297,746</b>
<b>Expenditure By Type</b>										
Employee related costs	2	7,157,526	8,251,752	8,860,255	9,824,018	9,780,760	9,453,809	10,473,318	11,286,498	12,085,228
Remuneration of councillors		100,795	105,334	110,934	107,947	107,947	114,164	132,014	141,245	149,993
Debt impairment	3	2,079,360	1,391,264	2,059,099	649,219	649,760	818,656	933,200	988,624	982,334
Depreciation & asset impairment	2	1,938,879	1,972,414	2,188,667	2,080,881	2,050,099	2,378,924	2,554,436	2,706,729	2,948,471
Finance charges		950,565	968,805	897,959	1,466,337	841,444	714,178	857,779	982,616	963,738
Bulk purchases	2	8,378,618	9,464,736	10,099,008	10,657,978	10,529,510	10,212,119	11,290,762	12,419,901	13,634,001
Other materials	8	57,568	51,207	133,757	182,284	1,011,720	1,171,055	1,209,794	1,278,549	1,390,518
Contracted services		3,775,765	3,652,432	4,024,831	4,841,709	4,846,149	4,963,609	5,081,975	5,334,375	5,725,005
Transfers and subsidies		179,772	208,921	282,815	226,275	454,203	427,615	481,898	518,079	556,307
Other expenditure	4, 5	2,079,346	2,044,226	2,683,959	2,659,875	1,983,190	1,989,577	2,233,109	2,278,853	2,343,387
Loss on disposal of PPE		668	2,458	280	749	749	963	939	958	901
<b>Total Expenditure</b>		<b>26,698,863</b>	<b>28,113,549</b>	<b>31,341,563</b>	<b>32,697,270</b>	<b>32,255,532</b>	<b>32,244,669</b>	<b>35,249,224</b>	<b>37,936,428</b>	<b>40,779,883</b>
<b>Surplus/(Deficit)</b>		<b>173,964</b>	<b>929,191</b>	<b>(770,391)</b>	<b>687,385</b>	<b>512,175</b>	<b>442,377</b>	<b>(23,921)</b>	<b>149,430</b>	<b>517,863</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		2,779,110	3,331,032	2,968,039	3,807,036	3,771,387	3,801,796	3,441,476	3,568,927	3,844,749
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>2,953,074</b>	<b>4,260,222</b>	<b>2,197,648</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>
Taxation			3,830	3,216						
<b>Surplus/(Deficit) after taxation</b>		<b>2,953,074</b>	<b>4,256,392</b>	<b>2,194,432</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>		<b>2,953,074</b>	<b>4,256,392</b>	<b>2,194,432</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>
Share of surplus/ (deficit) of associate	7	4,969								
<b>Surplus/(Deficit) for the year</b>		<b>2,958,043</b>	<b>4,256,392</b>	<b>2,194,432</b>	<b>4,494,421</b>	<b>4,283,562</b>	<b>4,244,173</b>	<b>3,417,555</b>	<b>3,718,357</b>	<b>4,362,612</b>

Section 1.4 provides explanatory details on the operating revenue framework.

ETH eThekweni - 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			Medium Term Revenue & Expenditure Fra		
		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
<b>R thousand</b>										
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure to be appropriated</b>	2									
Vote 1 - Office of the City Manager		111,347	-	168,686	435,199	479,279	455,315	420,999	455,915	474,534
Vote 2 - City Manager's Operations		3,031	-	3,658	-	-	-	13,120	33,550	42,160
Vote 3 - Finance		90,975	67,600	75,557	257,708	177,661	168,778	185,589	186,848	230,907
Vote 4 - Office of the Strategic Management		-	-	137	-	-	-	-	-	-
Vote 5 - Governance		6,476	-	16,276	12,508	12,508	11,883	19,464	18,574	47,800
Vote 6 - Corporate and Human Resources		3,126	-	-	1,355	250	237	2,300	2,485	8,132
Vote 7 - Economic Development & Planning		77,665	193,232	242,556	370,751	354,382	334,953	415,287	413,587	472,363
Vote 8 - Community and Emergency Services		193,303	197,957	202,072	433,327	434,960	413,212	525,658	558,467	570,966
Vote 9 - Human Settlements and Infrastructure		2,101,946	2,403,343	2,428,928	3,193,491	2,993,697	2,844,012	3,040,297	3,299,297	3,346,034
Vote 10 - Trading Services		1,968,345	1,736,471	2,142,625	2,148,770	2,063,325	1,960,158	2,232,956	2,471,546	2,360,037
Vote 11 - Durban ICC		-	-	-	-	-	-	-	-	-
Vote 12 - USHAKA MARINE		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	<b>4,556,214</b>	<b>4,598,604</b>	<b>5,280,494</b>	<b>6,853,108</b>	<b>6,516,061</b>	<b>6,188,548</b>	<b>6,855,670</b>	<b>7,440,269</b>	<b>7,552,933</b>
<b>Single-year expenditure to be appropriated</b>	2									
Vote 1 - Office of the City Manager		8,595	159,212	-	6,458	12,658	12,025	5,197	9,070	10,605
Vote 2 - City Manager's Operations		509	8,537	-	497	1,221	1,160	994	14,537	3,045
Vote 3 - Finance		29,453	48,938	66,895	84,391	115,909	109,429	6,505	23,978	38,647
Vote 4 - Office of the Strategic Management		-	-	-	86	86	82	-	69	518
Vote 5 - Governance		10,458	9,953	7,540	7,697	23,366	22,198	5,128	8,846	22,004
Vote 6 - Corporate and Human Resources		5,640	8,957	1,839	2,946	8,866	8,423	2,000	2,031	20,301
Vote 7 - Economic Development & Planning		37,425	2,515	168	729	18,078	17,174	1,578	1,065	2,083
Vote 8 - Community and Emergency Services		816	6,973	168	120,727	129,412	122,941	53,862	47,622	30,920
Vote 9 - Human Settlements and Infrastructure		4,782	3,943	1,967	8,243	16,904	16,059	6,708	6,005	4,704
Vote 10 - Trading Services		41,662	14,812	60,759	162,401	404,721	384,485	91,688	69,424	61,241
Vote 11 - Durban ICC		9,856	17,789	23,906	77,932	73,481	73,481	56,301	53,015	14,020
Vote 12 - USHAKA MARINE		11,094	22,692	22,692	14,869	14,869	14,869	24,530	12,412	13,860
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>160,290</b>	<b>304,319</b>	<b>185,935</b>	<b>486,976</b>	<b>819,572</b>	<b>782,326</b>	<b>254,491</b>	<b>248,074</b>	<b>221,948</b>
<b>Total Capital Expenditure - Vote</b>		<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,874</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>		<b>267,231</b>	<b>304,978</b>	<b>269,696</b>	<b>478,576</b>	<b>1,067,842</b>	<b>1,014,450</b>	<b>639,557</b>	<b>694,912</b>	<b>758,562</b>
Executive and council		16,934	9,953	196,297	20,205	297,391	282,522	354,454	356,625	396,229
Finance and administration		247,790	295,025	72,888	458,022	770,364	731,846	284,896	338,121	361,181
Internal audit		2,508	-	511	348	86	82	207	166	1,152
<b>Community and public safety</b>		<b>558,090</b>	<b>525,586</b>	<b>783,540</b>	<b>1,843,699</b>	<b>1,942,829</b>	<b>1,847,631</b>	<b>1,788,776</b>	<b>1,917,403</b>	<b>1,962,774</b>
Community and social services		92,420	103,827	158,803	364,496	347,477	346,172	268,644	251,280	213,276
Sport and recreation		11,329	14,794	25,558	99,323	233,073	207,294	301,440	320,460	304,640
Public safety		70,567	74,328	31,407	76,416	57,165	54,307	87,853	121,613	111,017
Housing		361,592	312,438	558,467	1,289,375	1,287,375	1,223,006	1,107,235	1,194,395	1,289,571
Health		22,182	20,199	9,304	14,089	17,739	16,852	23,604	29,655	44,270
<b>Economic and environmental services</b>		<b>1,862,326</b>	<b>2,193,855</b>	<b>2,120,158</b>	<b>2,572,452</b>	<b>1,835,079</b>	<b>1,743,325</b>	<b>2,133,399</b>	<b>2,210,228</b>	<b>2,487,915</b>
Planning and development		125,122	200,576	249,698	360,608	359,469	341,495	306,606	270,966	438,650
Road transport		1,737,204	1,993,279	1,870,460	2,211,845	1,463,097	1,389,942	1,825,293	1,937,262	2,047,265
Environmental protection		-	-	-	12,513	11,887	11,887	1,500	2,000	2,000
<b>Trading services</b>		<b>2,006,622</b>	<b>1,831,497</b>	<b>2,161,670</b>	<b>2,323,255</b>	<b>2,452,332</b>	<b>2,329,715</b>	<b>2,421,029</b>	<b>2,792,470</b>	<b>2,515,616</b>
Energy sources		541,797	601,678	719,020	806,000	762,114	724,008	802,601	911,415	909,811
Water management		815,638	561,852	670,678	775,896	68,850	65,408	804,368	852,318	704,684
Waste water management		583,041	592,347	718,169	604,945	844,652	802,420	714,586	902,414	729,483
Waste management		66,146	75,620	53,803	136,414	776,716	737,880	99,474	126,323	171,638
<b>Other</b>		<b>22,235</b>	<b>47,008</b>	<b>131,365</b>	<b>122,103</b>	<b>37,552</b>	<b>35,674</b>	<b>127,400</b>	<b>73,330</b>	<b>50,014</b>
<b>Total Capital Expenditure - Functional</b>	3	<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,795</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>
<b>Funded by:</b>										
National Government		2,659,804	3,259,205	2,872,575	2,944,747	2,899,345	2,922,763	2,847,976	2,963,684	3,170,348
Provincial Government		105,188	55,220	61,224	862,289	862,289	833,235	593,500	610,743	674,401
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		14,118	16,606	27,115	-	9,753	40,785	3,620	3,620	3,620
<b>Transfers recognised - capital</b>	4	<b>2,779,110</b>	<b>3,331,031</b>	<b>2,960,914</b>	<b>3,807,036</b>	<b>3,771,387</b>	<b>3,796,784</b>	<b>3,445,096</b>	<b>3,578,048</b>	<b>3,848,370</b>
<b>Public contributions &amp; donations</b>	5									
Borrowing	6	1,000,000	-	171,914	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Internally generated funds		937,394	1,571,893	2,333,600	2,533,048	2,564,246	2,174,011	2,665,065	3,110,295	2,926,511
<b>Total Capital Funding</b>	7	<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,795</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>

**EXPLANATORY NOTES TO TABLE A5 - BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING SOURCE**

Table A5 reflects the city's capital programme in relation to capital expenditure by municipal vote (multi-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. Budget appropriations for the two outer years are indicative allocations based on departmental plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives of the city. The capital programme is funded mainly from grants and transfers, borrowings and internally generated funds.

ETH eThekweni - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			Medium Term Revenue & Expenditure Fra		
		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
<b>ASSETS</b>										
<b>Current assets</b>										
Cash		883,192	1,020,118	554,363	1,304,287	1,326,287	1,028,008	1,003,531	972,203	986,369
Call investment deposits	1	5,471,113	7,026,220	6,412,543	7,500,000	5,321,000	6,000,000	5,750,000	5,250,000	5,000,000
Consumer debtors	1	3,077,172	2,767,695	4,022,047	3,693,090	5,581,428	4,468,008	4,884,818	5,384,053	5,997,052
Other debtors		2,954,724	3,699,636	2,685,043	3,356,266	3,368,314	2,691,102	2,716,898	2,746,132	2,775,771
Current portion of long-term receivables		10,966	41,595	42,844	246,153	246,153	196,923	200,861	204,878	208,976
Inventory	2	420,919	504,682	598,623	366,306	367,700	469,791	479,099	485,138	494,707
<b>Total current assets</b>		<b>12,818,086</b>	<b>15,059,946</b>	<b>14,315,463</b>	<b>16,466,103</b>	<b>16,210,882</b>	<b>14,853,832</b>	<b>15,035,207</b>	<b>15,042,405</b>	<b>15,462,876</b>
<b>Non current assets</b>										
Long-term receivables		84,497	41,817	84,749	47,643	52,518	94,790	116,230	137,532	158,203
Investments		500,000				-				
Investment property		314,901	305,276	292,120	356,064	356,064	286,411	353,209	346,247	343,315
Investment in Associate										
Property, plant and equipment	3	40,817,004	43,804,248	46,908,288	53,140,616	53,106,949	51,175,669	55,706,113	60,640,519	65,480,219
Agricultural										
Biological										
Intangible		855,475	898,195	990,617	909,030	907,632	995,695	1,001,459	1,006,298	1,011,112
Other non-current assets		5,560	29,649	25,454	77,311	77,311	951,474	970,504	989,914	1,009,712
<b>Total non current assets</b>		<b>42,577,437</b>	<b>45,079,185</b>	<b>48,301,228</b>	<b>54,530,664</b>	<b>54,500,474</b>	<b>53,504,040</b>	<b>58,147,515</b>	<b>63,120,510</b>	<b>68,002,561</b>
<b>TOTAL ASSETS</b>		<b>55,395,523</b>	<b>60,139,131</b>	<b>62,616,691</b>	<b>70,996,767</b>	<b>70,711,357</b>	<b>68,357,872</b>	<b>73,182,722</b>	<b>78,162,915</b>	<b>83,465,437</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft	1	687,496	830,009	369,556	821,543	821,543	388,034	380,273	376,470	377,443
Borrowing	4	1,082,774	1,065,702	793,528	829,745	829,745	786,086	961,886	829,545	859,172
Consumer deposits		1,712,690	1,945,529	2,173,402	2,026,549	2,027,677	2,230,049	2,285,133	2,341,574	2,376,926
Trade and other payables	4	6,385,768	6,950,455	7,364,065	7,042,904	7,040,862	6,535,627	6,826,634	7,150,208	7,490,229
Provisions		726,038	656,414	600,308	626,944	629,065	1,078,910	1,057,434	1,036,388	1,015,763
<b>Total current liabilities</b>		<b>10,594,766</b>	<b>11,448,109</b>	<b>11,300,859</b>	<b>11,347,684</b>	<b>11,348,891</b>	<b>11,018,706</b>	<b>11,511,359</b>	<b>11,734,184</b>	<b>12,119,532</b>
<b>Non current liabilities</b>										
Borrowing		9,249,745	8,170,657	8,042,457	8,529,259	8,302,669	8,399,503	8,431,613	8,508,591	8,655,176
Provisions		3,153,906	3,819,916	4,155,292	3,945,145	3,945,145	4,219,103	4,289,706	4,359,416	4,432,166
<b>Total non current liabilities</b>		<b>12,403,651</b>	<b>11,990,573</b>	<b>12,197,749</b>	<b>12,474,404</b>	<b>12,247,814</b>	<b>12,618,606</b>	<b>12,721,319</b>	<b>12,868,007</b>	<b>13,087,343</b>
<b>TOTAL LIABILITIES</b>		<b>22,998,417</b>	<b>23,438,682</b>	<b>23,498,608</b>	<b>23,822,088</b>	<b>23,596,705</b>	<b>23,637,312</b>	<b>24,232,678</b>	<b>24,602,191</b>	<b>25,206,875</b>
<b>NET ASSETS</b>	5	<b>32,397,106</b>	<b>36,700,449</b>	<b>39,118,083</b>	<b>47,174,679</b>	<b>47,114,652</b>	<b>44,720,560</b>	<b>48,950,044</b>	<b>53,560,724</b>	<b>58,258,562</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)	4	19,747,573	24,017,140	33,239,856	38,468,192	38,051,310	37,985,814	42,289,592	46,950,479	52,311,167
Reserves	4	12,649,533	12,683,309	5,878,227	8,706,487	9,063,341	6,734,745	6,660,452	6,610,245	5,947,395
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>32,397,106</b>	<b>36,700,449</b>	<b>39,118,083</b>	<b>47,174,679</b>	<b>47,114,652</b>	<b>44,720,560</b>	<b>48,950,044</b>	<b>53,560,724</b>	<b>58,258,562</b>

**EXPLANATORY NOTES TO TABLE A6 - BUDGETED FINANCIAL POSITION**

Table A6 is a consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet). This format presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table A6 is supported by an extensive table of notes ( *Supporting Table SA3* ) providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt.

These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

ETH eThekweni - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			Medium Term Revenue & Expenditure Fra		
		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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates		5,909,114	6,332,869	6,570,118	6,562,125	6,662,699	6,662,699	7,122,425	7,613,872	8,139,229
Service charges		14,284,476	15,597,272	16,571,802	17,479,397	17,405,738	16,982,476	18,792,151	20,573,424	22,481,991
Other revenue		813,817	1,915,893	1,981,766	3,479,044	1,438,006	1,071,343	1,282,646	1,366,532	1,457,177
Government - operating	1	2,657,499	2,439,256	2,783,075	3,087,889	5,426,759	5,381,515	5,788,941	6,181,434	6,728,188
Government - capital	1	2,779,110	3,331,031	2,968,039	3,807,036	3,771,385	3,801,796	3,441,476	3,568,927	3,844,749
Interest		555,686	787,285	799,791	1,562,712	740,654	838,593	798,558	787,867	798,017
Dividends								-	-	-
<b>Payments</b>										
Suppliers and employees		(21,844,908)	(22,188,607)	(25,373,843)	(28,268,890)	(27,686,345)	(27,433,287)	(30,425,032)	(32,572,507)	(35,155,750)
Finance charges		(950,565)	(968,805)	(897,959)	(1,466,337)	(841,444)	(714,178)	(857,779)	(982,615)	(963,737)
Transfers and Grants	1	(179,772)	(208,921)	(282,815)	(226,275)	(454,143)	(423,643)	(481,898)	(518,079)	(556,307)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>4,024,457</b>	<b>7,037,273</b>	<b>5,119,974</b>	<b>6,016,702</b>	<b>6,463,309</b>	<b>6,167,313</b>	<b>5,461,488</b>	<b>6,018,854</b>	<b>6,773,557</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		57,734	14,543	11,960	40,768	40,768	10,792	21,916	22,053	21,832
Decrease (Increase) in non-current debtors		2,063	10,318		(1,516)	(1,516)	(10,041)	(21,440)	(21,302)	(20,671)
Decrease (increase) other non-current receivables				(44,181)	(818)	(818)	(18,656)	(19,030)	(19,410)	(19,798)
Decrease (increase) in non-current investments					(16,002)	(16,002)	859	(68,150)	1,443	1,383
<b>Payments</b>										
Capital assets		(4,769,706)	(4,916,410)	(5,306,358)	(7,340,084)	(7,335,633)	(6,882,524)	(7,029,330)	(7,622,916)	(7,747,001)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(4,709,909)</b>	<b>(4,891,549)</b>	<b>(5,338,579)</b>	<b>(7,317,652)</b>	<b>(7,313,200)</b>	<b>(6,899,570)</b>	<b>(7,116,034)</b>	<b>(7,640,132)</b>	<b>(7,764,255)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans					-	-		-	-	-
Borrowing long term/refinancing		1,000,000	-	700,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Increase (decrease) in consumer deposits					48,804	42,863	53,721	55,065	56,441	57,852
<b>Payments</b>										
Repayment of borrowing		(1,007,396)	(1,096,160)	(1,100,374)	(703,549)	(703,549)	(762,351)	(786,086)	(961,886)	(829,545)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(7,396)</b>	<b>(1,096,160)</b>	<b>(400,374)</b>	<b>345,255</b>	<b>339,314</b>	<b>291,370</b>	<b>268,979</b>	<b>94,555</b>	<b>228,307</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(692,848)</b>	<b>1,049,564</b>	<b>(618,979)</b>	<b>(955,695)</b>	<b>(510,577)</b>	<b>(440,887)</b>	<b>(1,385,567)</b>	<b>(1,526,722)</b>	<b>(762,391)</b>
Cash/cash equivalents at the year begin:	2	6,859,657	6,166,765	7,216,329	6,336,321	6,336,321	6,597,350	6,156,463	4,770,896	3,244,173
Cash/cash equivalents at the year end:	2	6,166,809	7,216,329	6,597,350	5,380,626	5,825,744	6,156,463	4,770,896	3,244,173	2,481,783

TABLE A7 - BUDGETED CASH FLOW STATEMENT

The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term. Cash and cash equivalents totals R 6.2 billion as at the end of the 2017/18 financial year and is projected to decrease to R 2.5 billion by 2020/2021.

ETH eThekweni - 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	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	1	6,166,809	7,216,329	6,597,350	5,380,626	5,825,744	6,156,463	4,770,896	3,244,173	2,481,783
Other current investments > 90 days		(500,000)	-	-	2,602,119	1	483,512	1,602,362	2,601,559	3,127,144
Non current assets - Investments	1	500,000	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>6,166,809</b>	<b>7,216,329</b>	<b>6,597,350</b>	<b>7,982,745</b>	<b>5,825,745</b>	<b>6,639,974</b>	<b>6,373,258</b>	<b>5,845,732</b>	<b>5,608,926</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers		1,125,784	749,320	867,988	275,000	275,000	250,000	225,000	220,000	215,000
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2									
Other working capital requirements	3	(142,029)	184,814	220,474	23,642	(1,767,158)	(401,485)	(646,828)	(838,002)	(1,118,779)
Other provisions		726,038	656,414	600,308	626,944	629,065	1,078,910	1,057,434	1,036,388	1,015,763
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	3,625,919	4,209,606	4,247,561	2,496,856	2,496,856	2,320,277	2,601,912	1,435,413	645,833
<b>Total Application of cash and investments:</b>		<b>5,335,712</b>	<b>5,800,154</b>	<b>5,936,331</b>	<b>3,422,441</b>	<b>1,633,762</b>	<b>3,247,702</b>	<b>3,237,518</b>	<b>1,853,799</b>	<b>757,817</b>
<b>Surplus(shortfall)</b>		<b>831,097</b>	<b>1,416,175</b>	<b>661,019</b>	<b>4,560,304</b>	<b>4,191,983</b>	<b>3,392,273</b>	<b>3,135,740</b>	<b>3,991,934</b>	<b>4,851,110</b>

TABLE A8 - CASH BACKED RESERVES/ACCUMULATED SURPLUS RECONCILIATION

The table is aligned to the requirements of the MFMA Circular 42.

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise indicates a surplus. This shows that the cash and investments available exceed the applications indicating compliance with the MFMA requirements that the municipality's budget is "funded". As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF, the end objective of the medium-term framework was to ensure the budget is funded & aligned to section 18 of the MFMA.



ETH eThekweni - Table A9 Consolidated Asset Management

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	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	<b>2,986,172</b>	<b>3,135,125</b>	<b>1,861,507</b>	<b>4,023,079</b>	<b>4,611,928</b>	<b>4,378,938</b>	<b>4,736,954</b>	<b>4,802,195</b>	<b>5,041,349</b>
<i>Roads Infrastructure</i>	76,463	137,218	294,544	137,084	69,071	65,617	1,015,930	995,280	1,158,595
<i>Storm water Infrastructure</i>	-	59,321	75,462	50,000	195,023	185,272	123,781	83,500	7,013
<i>Electrical Infrastructure</i>	196,261	404,509	155,251	613,126	518,506	492,581	442,667	488,197	479,265
<i>Water Supply Infrastructure</i>	637,208	397,143	170,360	589,605	605,231	574,970	605,978	666,885	463,940
<i>Sanitation Infrastructure</i>	565,240	481,299	328,241	455,854	166,537	158,210	327,857	303,836	335,000
<i>Solid Waste Infrastructure</i>	38,403	22,795	2,814	43,000	91,020	86,469	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	30,793	16,000	14,987
<i>Information and Communication Infra</i>	-	-	-	-	-	-	10,000	10,000	10,000
<b>Infrastructure</b>	<b>1,513,575</b>	<b>1,502,285</b>	<b>1,026,672</b>	<b>1,888,669</b>	<b>1,645,388</b>	<b>1,563,119</b>	<b>2,557,006</b>	<b>2,563,698</b>	<b>2,468,800</b>
Community Facilities	901,403	1,341,257	287,049	287,074	885,853	834,416	211,466	264,107	287,727
Sport and Recreation Facilities	7,941	2,956	248,014	35,264	22,750	26,363	128,693	110,757	91,390
<b>Community Assets</b>	<b>909,344</b>	<b>1,344,213</b>	<b>535,063</b>	<b>322,338</b>	<b>908,603</b>	<b>860,779</b>	<b>340,159</b>	<b>374,864</b>	<b>379,117</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>1,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,657</b>	<b>19,900</b>	<b>16,800</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	174,063	107,337	-	22,918	49,991	47,491	354,573	293,863	365,623
Housing	262,505	10,950	-	1,223,775	1,216,775	1,155,936	978,509	1,099,109	1,263,403
<b>Other Assets</b>	<b>436,568</b>	<b>118,287</b>	<b>-</b>	<b>1,246,693</b>	<b>1,266,766</b>	<b>1,203,428</b>	<b>1,333,082</b>	<b>1,392,972</b>	<b>1,629,026</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	1,350	29,499	28,024	-	-	-
Licences and Rights	3,457	3,848	-	51,435	97,242	92,380	11,965	18,759	19,825
<b>Intangible Assets</b>	<b>3,457</b>	<b>3,848</b>	<b>-</b>	<b>52,785</b>	<b>126,742</b>	<b>120,405</b>	<b>11,965</b>	<b>18,759</b>	<b>19,825</b>
Computer Equipment	18,013	38,777	42,330	103,422	105,562	100,284	19,546	31,302	42,805
Furniture and Office Equipment	56,062	-	33,501	102,182	136,436	129,614	49,309	35,284	37,700
Machinery and Equipment	-	58,915	103,972	76,001	78,792	74,852	106,444	100,324	80,414
Transport Assets	49,153	68,801	118,874	230,989	343,639	326,457	288,786	265,092	366,862
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological A	-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	<b>1,457,116</b>	<b>1,506,606</b>	<b>3,604,921</b>	<b>1,027,257</b>	<b>1,173,831</b>	<b>1,119,556</b>	<b>480,276</b>	<b>527,481</b>	<b>461,519</b>
<i>Roads Infrastructure</i>	293,248	290,795	1,787,088	606,694	229,199	217,739	191,269	287,457	143,551
<i>Storm water Infrastructure</i>	9,828	20,777	76,095	-	21,314	20,248	-	-	-
<i>Electrical Infrastructure</i>	144,177	72,169	702,891	40,860	58,820	55,879	160,845	128,100	225,150
<i>Water Supply Infrastructure</i>	116,049	108,435	580,616	-	87,605	83,225	8,184	8,700	9,094
<i>Sanitation Infrastructure</i>	14,659	14,765	384,524	-	10,506	9,981	-	-	-
<i>Solid Waste Infrastructure</i>	429	437	9,354	26,210	20,180	19,171	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	69,528	69,528	66,052	-	-	-
<i>Information and Communication Infra</i>	-	-	25,622	-	-	-	-	-	-
<b>Infrastructure</b>	<b>578,390</b>	<b>507,377</b>	<b>3,566,190</b>	<b>743,292</b>	<b>497,152</b>	<b>472,294</b>	<b>360,298</b>	<b>424,257</b>	<b>377,795</b>
Community Facilities	135,189	212,528	-	75,598	352,074	407,951	79,301	76,590	61,656
Sport and Recreation Facilities	4,003	14,689	-	-	3,200	17,909	24,542	12,425	13,874
<b>Community Assets</b>	<b>139,192</b>	<b>227,217</b>	<b>-</b>	<b>75,598</b>	<b>355,274</b>	<b>425,860</b>	<b>103,843</b>	<b>89,015</b>	<b>75,530</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	276,201	463,453	32,368	191,501	297,938	199,108	2,198	7,586	1,094
Housing	426,744	286,496	-	3,600	10,200	9,690	9,893	2,893	3,500
<b>Other Assets</b>	<b>702,945</b>	<b>749,948</b>	<b>32,368</b>	<b>195,101</b>	<b>308,138</b>	<b>208,798</b>	<b>12,091</b>	<b>10,479</b>	<b>4,594</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	36,588	22,064	-	13,267	13,267	12,604	-	-	-
<b>Intangible Assets</b>	<b>36,588</b>	<b>22,064</b>		<b>13,267</b>	<b>13,267</b>	<b>12,604</b>			
Computer Equipment	-	-	-	-	-	-	450	117	500
Furniture and Office Equipment	-	-	-	-	-	-	94	113	100
Machinery and Equipment	-	-	-	-	-	-	3,500	3,500	3,000
Transport Assets	-	-	6,364	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Assets	-	-	-	-	-	-	-	-	-
<b>Total Upgrading of Existing Assets</b>	<b>273,216</b>	<b>261,193</b>	<b>-</b>	<b>2,289,747</b>	<b>1,549,874</b>	<b>1,472,381</b>	<b>1,892,931</b>	<b>2,358,667</b>	<b>2,272,013</b>
<i>Roads Infrastructure</i>	125,678	124,626	-	258,935	131,776	125,187	681,012	824,843	852,500
<i>Storm water Infrastructure</i>	4,212	8,904	-	80,310	55,372	52,603	50,512	130,220	101,110
<i>Electrical Infrastructure</i>	61,790	30,930	-	89,915	144,035	136,833	126,046	259,657	180,210
<i>Water Supply Infrastructure</i>	49,735	35,813	-	115,755	83,060	78,907	124,256	79,943	111,850
<i>Sanitation Infrastructure</i>	1	6,328	-	142,791	426,503	405,178	229,443	327,478	285,300
<i>Solid Waste Infrastructure</i>	184	187	-	11,764	25,214	23,953	91,389	129,050	174,503
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	3,600	8,500	9,000
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	40,800	53,888	26,732
<b>Infrastructure</b>	<b>241,599</b>	<b>206,788</b>	<b>-</b>	<b>699,469</b>	<b>865,959</b>	<b>822,661</b>	<b>1,347,058</b>	<b>1,813,579</b>	<b>1,741,205</b>
Community Facilities	15,937	44,948	-	1,412,456	494,142	469,435	114,505	128,174	169,378
Sport and Recreation Facilities	-	-	-	64,059	40,450	38,427	52,497	62,420	55,500
<b>Community Assets</b>	<b>15,937</b>	<b>44,948</b>	<b>-</b>	<b>1,476,515</b>	<b>534,592</b>	<b>507,862</b>	<b>167,002</b>	<b>190,594</b>	<b>224,878</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,000</b>	<b>17,000</b>	<b>16,150</b>	<b>4,975</b>	<b>8,400</b>	<b>12,400</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	-	-	-	13,415	13,415	12,744	257,247	221,461	170,849
Housing	-	-	-	62,000	62,000	58,900	42,000	21,000	11,000
<b>Other Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,415</b>	<b>75,415</b>	<b>71,644</b>	<b>299,247</b>	<b>242,461</b>	<b>181,849</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	15,681	9,456	-	21,349	56,909	54,063	36,174	56,445	56,458
<b>Intangible Assets</b>	<b>15,681</b>	<b>9,456</b>	<b>-</b>	<b>21,349</b>	<b>56,909</b>	<b>54,063</b>	<b>36,174</b>	<b>56,445</b>	<b>56,458</b>
Computer Equipment	-	-	-	-	-	-	17,105	22,050	23,521
Furniture and Office Equipment	-	-	-	-	-	-	481	754	771
Machinery and Equipment	-	-	-	-	-	-	20,189	24,384	30,931
Transport Assets	-	-	-	-	-	-	700	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Assets	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Roads Infrastructure</i>	495,388	552,639	2,081,632	1,002,713	430,046	408,543	1,888,211	2,107,580	2,154,646
<i>Storm water Infrastructure</i>	14,040	89,003	151,557	130,310	271,709	258,124	174,293	213,720	108,123
<i>Electrical Infrastructure</i>	402,228	507,608	858,142	743,901	721,361	685,292	729,558	875,954	884,625
<i>Water Supply Infrastructure</i>	802,992	541,391	750,976	705,360	775,896	737,102	738,418	755,528	584,884
<i>Sanitation Infrastructure</i>	579,900	502,391	712,765	598,645	603,546	573,369	557,300	631,314	620,300
<i>Solid Waste Infrastructure</i>	39,016	23,419	12,168	80,974	136,414	129,593	91,389	129,050	174,503
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	69,528	69,528	66,052	34,393	24,500	23,987
<i>Information and Communication Infrastructure</i>	-	-	25,622	-	-	-	50,800	63,888	36,732
<b>Infrastructure</b>	<b>2,333,564</b>	<b>2,216,450</b>	<b>4,592,862</b>	<b>3,331,430</b>	<b>3,008,500</b>	<b>2,858,075</b>	<b>4,264,362</b>	<b>4,801,534</b>	<b>4,587,800</b>
Community Facilities	1,052,529	1,598,733	287,049	1,775,128	1,732,068	1,711,802	405,272	468,871	518,761
Sport and Recreation Facilities	11,944	17,645	248,014	99,323	66,400	82,699	205,732	185,602	160,764
<b>Community Assets</b>	<b>1,064,473</b>	<b>1,616,378</b>	<b>535,063</b>	<b>1,874,450</b>	<b>1,798,468</b>	<b>1,794,501</b>	<b>611,004</b>	<b>654,473</b>	<b>679,525</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>1,095</b>	<b>17,000</b>	<b>17,000</b>	<b>16,150</b>	<b>35,632</b>	<b>28,300</b>	<b>29,200</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	450,264	570,789	32,368	227,833	361,343	259,344	614,018	522,910	537,566
Housing	689,249	297,446	-	1,289,375	1,288,975	1,224,526	1,030,402	1,123,002	1,277,903
<b>Other Assets</b>	<b>1,139,513</b>	<b>868,235</b>	<b>32,368</b>	<b>1,517,208</b>	<b>1,650,318</b>	<b>1,483,870</b>	<b>1,644,420</b>	<b>1,645,912</b>	<b>1,815,469</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	1,350	29,499	28,024	-	-	-
Licences and Rights	55,726	35,368	-	86,051	167,418	159,047	48,139	75,204	76,283
<b>Intangible Assets</b>	<b>55,726</b>	<b>35,368</b>	<b>-</b>	<b>87,401</b>	<b>196,917</b>	<b>187,072</b>	<b>48,139</b>	<b>75,204</b>	<b>76,283</b>
Computer Equipment	18,013	38,777	42,330	103,422	105,562	100,284	37,101	53,469	66,826
Furniture and Office Equipment	56,062	-	33,501	102,182	136,436	129,614	49,884	36,151	38,571
Machinery and Equipment	-	58,915	103,972	76,001	78,792	74,852	130,133	128,208	114,345
Transport Assets	49,153	68,801	125,238	230,989	343,639	326,457	289,486	265,092	366,862
<b>TOTAL CAPITAL EXPENDITURE - Asset</b>	<b>4,716,504</b>	<b>4,902,924</b>	<b>5,466,428</b>	<b>7,340,084</b>	<b>7,335,633</b>	<b>6,970,875</b>	<b>7,110,161</b>	<b>7,688,343</b>	<b>7,774,881</b>

ASSET REGISTER SUMMARY - PPE (WDV)									
Roads Infrastructure	18,730,242	4,553,442	6,635,074	5,782,984	5,210,317	5,493,835	7,671,195	9,778,775	11,933,421
Storm water Infrastructure			151,557	176,296	317,695	167,481	350,589	564,309	672,432
Electrical Infrastructure	4,731,870	6,805,348	7,663,490	8,287,142	8,264,602	7,872,785	9,016,700	9,892,654	10,777,279
Water Supply Infrastructure	1,907,032	8,525,708	9,276,684	9,894,049	9,964,585	9,399,347	10,632,467	11,387,995	11,972,879
Sanitation Infrastructure	1,856,993	5,162,285	5,875,050	6,243,302	6,248,203	5,931,137	6,800,602	7,431,916	8,052,216
Solid Waste Infrastructure	283,170	5,134,114	5,146,282	5,342,688	5,398,128	5,075,554	5,434,077	5,563,127	5,737,630
Rail Infrastructure			-	-	-	-	-	-	-
Coastal Infrastructure			-	510,778	510,778	485,239	545,171	569,671	593,658
Information and Communication Infrastructure			25,622	-	-	-	50,800	114,688	151,420
<b>Infrastructure</b>	<b>27,509,307</b>	<b>30,180,897</b>	<b>34,773,759</b>	<b>36,237,239</b>	<b>35,914,308</b>	<b>34,425,377</b>	<b>40,501,601</b>	<b>45,303,135</b>	<b>49,890,935</b>
Community Facilities	3,949,504	4,123,915	4,410,964	7,930,908	7,887,848	7,534,362	8,279,879	8,695,735	9,200,476
Sport and Recreation Facilities	13,486	11,258	259,272	141,925	109,002	134,828	323,127	496,317	643,221
<b>Community Assets</b>	<b>3,962,990</b>	<b>4,135,174</b>	<b>4,670,237</b>	<b>8,072,832</b>	<b>7,996,850</b>	<b>7,669,191</b>	<b>8,603,005</b>	<b>9,192,051</b>	<b>9,843,696</b>
<b>Heritage Assets</b>			1,095						
Revenue Generating			-						
Non-revenue Generating			-						
<b>Investment properties</b>									
Operational Buildings	3,270,166	3,430,635	5,230,234	1,171,767	918,199	2,590,430	1,785,785	2,308,695	2,846,261
Housing			-						
<b>Other Assets</b>	<b>3,270,166</b>	<b>3,430,635</b>	<b>5,230,234</b>	<b>1,171,767</b>	<b>918,199</b>	<b>2,590,430</b>	<b>1,785,785</b>	<b>2,308,695</b>	<b>2,846,261</b>
<b>Biological or Cultivated Assets</b>									
Servitudes			-		28,149				
Licences and Rights	853,820	858,089	858,089	965,785	1,047,152	917,496	1,013,924	1,089,128	1,165,411
<b>Intangible Assets</b>	<b>853,820</b>	<b>858,089</b>	<b>858,089</b>	<b>965,785</b>	<b>1,075,301</b>	<b>917,496</b>	<b>1,013,924</b>	<b>1,089,128</b>	<b>1,165,411</b>
Computer Equipment			42,330		2,140				
Furniture and Office Equipment			33,501		34,254				
Machinery and Equipment	9,411,436	9,586,231	8,672,323	7,923,022	6,404,073	6,855,284	5,156,466	4,100,055	3,088,342
Transport Assets			125,238		112,650				
Libraries			-		-				
Zoo's, Marine and Non-biological Animals			-		-				
<b>TOTAL ASSET REGISTER SUMMARY - PPE</b>	<b>45,007,719</b>	<b>48,191,025</b>	<b>54,406,805</b>	<b>54,370,645</b>	<b>52,457,776</b>	<b>52,457,776</b>	<b>57,060,781</b>	<b>61,993,064</b>	<b>66,834,645</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation</b>	1,938,879	1,972,414	2,188,667	2,080,881	2,050,099	2,378,924	2,554,436	2,706,729	2,948,471
<b>Repairs and Maintenance by Asset Class</b>	3,010,050	2,892,428	2,487,235	3,949,554	3,974,341	4,236,795	4,399,670	4,650,414	5,031,136
Roads Infrastructure	445,504	420,527	357,300	567,368	567,368	564,552	563,910	594,734	627,354
Storm water Infrastructure	26,635	39,664	30,351	48,195	48,195	82,585	77,430	81,466	91,640
Electrical Infrastructure	673,327	683,945	718,184	1,140,426	1,000,583	1,099,016	1,125,557	1,197,301	1,263,161
Water Supply Infrastructure	594,530	677,487	517,566	821,858	821,858	895,677	953,277	1,008,249	1,079,946
Sanitation Infrastructure	256,838	300,140	214,290	340,277	362,277	361,427	386,084	402,383	359,262
Solid Waste Infrastructure	9,634	4,063	8,147	12,937	12,359	20,773	23,294	24,774	26,348
Rail Infrastructure			-						
Coastal Infrastructure			-						
Information and Communication Infrastructure			-						
<b>Infrastructure</b>	<b>2,006,468</b>	<b>2,125,825</b>	<b>1,845,837</b>	<b>2,931,060</b>	<b>2,812,639</b>	<b>3,024,029</b>	<b>3,129,552</b>	<b>3,308,906</b>	<b>3,447,711</b>
Community Facilities	27,768	19,806	23,452	37,240	46,744	58,744	58,561	61,514	63,602
Sport and Recreation Facilities	9,337	23,293	22,068	35,042	35,042	24,497	26,573	28,127	28,959
<b>Community Assets</b>	<b>37,105</b>	<b>43,099</b>	<b>45,520</b>	<b>72,282</b>	<b>81,786</b>	<b>83,241</b>	<b>85,135</b>	<b>89,641</b>	<b>92,561</b>
<b>Heritage Assets</b>									
Revenue Generating			-						
Non-revenue Generating			-						
<b>Investment properties</b>									
Operational Buildings	321,315	333,233	366,960	582,707	687,016	766,906	800,074	847,165	1,069,792
Housing	391,060	83,739	39,086	62,066	62,033	31,752	37,499	39,921	38,051
<b>Other Assets</b>	<b>712,375</b>	<b>416,972</b>	<b>406,046</b>	<b>644,772</b>	<b>749,049</b>	<b>798,658</b>	<b>837,573</b>	<b>887,086</b>	<b>1,107,844</b>
<b>Biological or Cultivated Assets</b>									
Servitudes			-						
Licences and Rights	6,535	20,420	7,454	11,837	11,837	11,837	12,428	13,050	13,702
<b>Intangible Assets</b>	<b>6,535</b>	<b>20,420</b>	<b>7,454</b>	<b>11,837</b>	<b>11,837</b>	<b>11,837</b>	<b>12,428</b>	<b>13,050</b>	<b>13,702</b>
Computer Equipment	39,076	42,574	26,516	42,106	44,601	44,601	46,831	49,173	51,632
Furniture and Office Equipment			5,240	8,321	9,282	9,282	9,746	10,233	10,745
Machinery and Equipment	16,278	18,662	20,938	33,247	37,982	37,982	39,881	41,875	43,969
Transport Assets	192,213	224,876	129,685	205,930	227,165	227,165	238,524	250,450	262,972
Libraries			-						
Zoo's, Marine and Non-biological Animals			-						
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>4,948,929</b>	<b>4,864,842</b>	<b>4,675,902</b>	<b>6,030,435</b>	<b>6,024,440</b>	<b>6,615,719</b>	<b>6,954,106</b>	<b>7,357,144</b>	<b>7,979,607</b>
<i>Renewal and upgrading of Existing Assets</i>	36.7%	36.1%	65.9%	45.2%	37.1%	37.2%	33.4%	37.5%	35.2%
<i>Renewal and upgrading of Existing Assets as a % of PPE</i>	89.2%	89.6%	164.7%	159.4%	132.9%	109.0%	92.9%	106.6%	92.7%
<i>R&amp;M as a % of PPE</i>	7.4%	6.6%	5.3%	7.4%	7.5%	8.3%	7.9%	7.7%	7.7%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	11.0%	10.0%	11.0%	13.0%	13.0%	13.0%	12.0%	12.0%	12.0%

## EXPLANATORY NOTES A9 - ASSETS MANAGEMENT

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

ETH eThekweni - 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
<b>Household service targets</b>										
<b>Water:</b>										
Piped water inside dwelling	1	653,548	613,548	650,000	662,000	662,000	651,037	670,000	684,000	714,000
Piped water inside yard (but not in dwelling)		78,073	50,038	50,738	51,438	51,438	53,091	52,038	57,038	57,000
Using public tap (at least min.service level)	2	235,932	272,107	252,407	262,000	262,000	288,148	272,000	275,000	265,000
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		967,553	935,693	953,145	975,438	975,438	992,276	994,038	1,016,038	1,036,000
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	73,447	125,307	127,855	125,562	125,562	-	126,962	124,962	122,000
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		73,447	125,307	127,855	125,562	125,562	-	126,962	124,962	122,000
<b>Total number of households</b>	5	<b>1,041,000</b>	<b>1,061,000</b>	<b>1,081,000</b>	<b>1,101,000</b>	<b>1,101,000</b>	<b>992,276</b>	<b>1,121,000</b>	<b>1,141,000</b>	<b>1,158,000</b>
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		519,661	449,661	540,000	555,000	555,000	557,186	570,000	580,000	586,000
Flush toilet (with septic tank)		125,525	107,525	112,000	122,000	122,000	122,000	145,000	160,000	163,000
Chemical toilet		-	-	-	-	-	35,000	-	-	-
Pit toilet (ventilated)		118,027	35,000	30,000	25,000	25,000	250,079	20,000	15,000	15,000
Other toilet provisions (> min.service level)		105,943	194,141	210,341	226,541	226,541	-	242,741	250,000	254,000
<i>Minimum Service Level and Above sub-total</i>		869,156	786,327	892,341	928,541	928,541	964,265	977,741	1,005,000	1,018,000
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		171,844	274,673	188,659	172,459	172,459	-	143,259	136,000	140,000
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		171,844	274,673	188,659	172,459	172,459	-	143,259	136,000	140,000
<b>Total number of households</b>	5	<b>1,041,000</b>	<b>1,061,000</b>	<b>1,081,000</b>	<b>1,101,000</b>	<b>1,101,000</b>	<b>964,265</b>	<b>1,121,000</b>	<b>1,141,000</b>	<b>1,158,000</b>
<b>Energy:</b>										
Electricity (at least min.service level)		355,000	340,000	354,000	364,000	364,000	364,000	381,000	388,000	398,000
Electricity - prepaid (min.service level)		318,000	327,000	328,000	332,000	332,000	332,000	340,000	338,000	350,000
<i>Minimum Service Level and Above sub-total</i>		673,000	667,000	682,000	696,000	696,000	696,000	721,000	726,000	748,000
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		368,000	394,000	399,000	405,000	405,000	447,000	410,000	415,000	410,000
<i>Below Minimum Service Level sub-total</i>		368,000	394,000	399,000	405,000	405,000	447,000	410,000	415,000	410,000
<b>Total number of households</b>	5	<b>1,041,000</b>	<b>1,061,000</b>	<b>1,081,000</b>	<b>1,101,000</b>	<b>1,101,000</b>	<b>1,143,000</b>	<b>1,131,000</b>	<b>1,141,000</b>	<b>1,158,000</b>
<b>Refuse:</b>										
Removed at least once a week		1,041,000	1,061,000	824,603	1,101,000	1,101,000	1,143,000	1,131,000	1,141,000	1,158,000
<i>Minimum Service Level and Above sub-total</i>		1,041,000	1,061,000	824,603	1,101,000	1,101,000	1,143,000	1,131,000	1,141,000	1,158,000
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	<b>1,041,000</b>	<b>1,061,000</b>	<b>824,603</b>	<b>1,101,000</b>	<b>1,101,000</b>	<b>1,143,000</b>	<b>1,131,000</b>	<b>1,141,000</b>	<b>1,158,000</b>
<b>Households receiving Free Basic Service</b>										
Water (6 kilolitres per household per month)	7	520,074	521,374	168,243	523,343	523,343	190,178	168,999	169,337	184,577
Sanitation (free minimum level service)		370,872	386,872	181,765	375,657	375,657	171,677	192,345	197,345	203,265
Electricity/other energy (50kwh per household per month)		107,586	119,190	12,370	134,000	134,000	13,390	13,450	13,583	13,683
Refuse (removed at least once a week)		559,560	559,560	312,104	613,486	613,486	315,089	320,240	345,240	384,943
<b>Cost of Free Basic Services provided - Formal § 8</b>										
Water (6 kilolitres per indigent household per month)		181,888	205,177	256,019	280,340	280,340	316,179	306,973	333,606	363,630
Sanitation (free sanitation service to indigent household)		93,884	131,301	139,304	142,939	142,939	-	147,256	151,843	156,398
Electricity/other energy (50kwh per indigent household)		9,297	11,539	12,421	13,415	13,415	13,415	14,487	16,520	17,925
Refuse (removed once a week for indigent household)		191,161	202,612	215,788	245,123	245,123	245,123	72,393	83,704	73,521
<b>Cost of Free Basic Services provided - Informal For</b>		<b>828,847</b>	<b>943,525</b>	<b>1,097,866</b>	<b>1,175,889</b>	<b>1,269,906</b>	<b>1,269,906</b>	<b>985,386</b>	<b>1,093,428</b>	<b>1,239,044</b>
<b>Total cost of FBS provided</b>		<b>1,305,077</b>	<b>1,494,154</b>	<b>1,721,398</b>	<b>1,857,706</b>	<b>1,951,723</b>	<b>1,844,623</b>	<b>1,526,495</b>	<b>1,679,101</b>	<b>1,850,518</b>
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		120,000	120,000	120,000	120,000	120,000		120,000	120,000	120,000
Water (kilolitres per household per month)	9	9	9	9	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	9	9	9	9	6	6	6	6	6	6
Sanitation (Rand per household per month)	51	55	55	55	55	18	18	55	55	55
Electricity (kwh per household per month)	50/65kWh	50/65kWh	50/65kWh	50/65kWh	50/65kWh	50/65kWh		50/65kWh	50/65kWh	50/65kWh
Refuse (average litres per week)	N/a	N/a	N/a	N/a	N/a	N/a		N/a	N/a	N/a
<b>Revenue cost of subsidised services provided</b>										
Property rates exemptions, reductions and rebates and impermissible values in excess	9	1,804,000	1,939,000	680,662	1,728,000	1,728,000	1,728,000	1,857,000	1,868,000	1,997,000
Water (in excess of 6 kilolitres per indigent household)		625,094	705,558	880,396	610,477	610,477	631,392	726,101	835,016	960,269
Sanitation (in excess of free sanitation service to indigent household)		98,660	76,454	84,863	151,580	151,580	84,578	240,565	255,369	271,175
Electricity/other energy (in excess of 50 kwh per indigent household)		83,670	103,851	79,776	113,126	113,126	101,116	107,878	115,634	124,801
Refuse (in excess of one removal a week for indigent household)		184,298	160,091	210,208	223,046	223,046	244,272	290,208	304,719	319,954
Other		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>		<b>2,795,723</b>	<b>2,984,954</b>	<b>1,935,904</b>	<b>2,826,230</b>	<b>2,826,230</b>	<b>2,789,357</b>	<b>3,221,752</b>	<b>3,378,738</b>	<b>3,673,199</b>

EXPLANATORY NOTES TABLE A10 - BASIC SERVICE DELIVERY MEASUREMENT

Table A10 provides an overview of service delivery levels, including backlogs for each of the main services. The City continues to make good progress with the eradication of backlogs.

It is anticipated that these Free Basic Services will cost the municipality R 3.4 billion in 2018/19. This is partially covered by the municipality's equitable share allocation of R 2.9 billion from national government.

The total number of households in the municipal area is generally per census data. However, every two years the municipality does a count through the use of aerial photography. This is done using a digital backdrop of the latest aerial photography where the different types of households - informal, traditional, formal and other are noted and recorded. In respect of level of services of households for Water, Refuse removal and Sanitation these are obtained via Engineering Consultants who base it on aerial photography. With regards to electricity service, the levels are determined from the following:

- Electricity (at least minimum service level) - Credit Connections registered on the revenue system
- Electricity - prepaid (minimum service level) - Prepayment Connections registered on the CONTOUR system

The Cost of FBS is determined by multiplying the number of households receiving these services, by the tariff for the respective service / consumption level for the period. The Free Basic Electricity rate is determined by the Department Of Energy and provided by NERSA with the approval of the rates on an annual basis which is applied to the number of households consuming at these levels for the respective period.

## **PART 2 - SUPPORTING DOCUMENTATION**

## 2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

### 2.1.1 OVERVIEW

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the city would follow in order to meet legislative stipulations. The budget process enables the city to optimally involve residents and other stakeholders in the budgeting process. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities.

The budget preparation process is guided by the following legislative requirements:

- Municipal Finance Management Act
- Municipal Budget and Reporting Regulations
- Municipal Systems Act and
- Municipal Structures Act

The adoption of the 2017/18 Medium Term Budget for the eThekweni Municipality on 31 May 2017 laid the foundation by which strategic functions within the municipality could apply sound financial planning and management over the medium to long term. It facilitated the critical alignment of planning, budgeting and sustainable service delivery in line with eThekweni's vision of being Africa's most caring and liveable city.

Section 21 of the MFMA requires that a time schedule setting out the process to draft the IDP and prepare the budget be tabled ten months before the financial year. In compliance with this requirement the IDP and budget time schedule was tabled before council in August 2016. The main aim of the timetable is to ensure integration between the Integrated Development Plan, the budget and allied process towards tabling a balanced budget.

The purpose of the 2018/19 Medium Term Budget is to comply with the Municipal Finance Management Act (No. 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which is informed by the five year programme and community/stakeholder inputs. This tabled budget is the start of a journey towards the final budget for approval. It will include many processes both politically and administratively, amongst others, consultations with communities in the municipal area. In September 2017 budget instructions (broad expenditure parameters) were issued to departments by the Budget Office. Staff budget requirements were also reviewed for budgetary purposes with an intense scrutiny of human resources needs and assessment of all vacancies. A circular providing guidelines relating to the capital budget process was issued to Heads of department and provided assistance in categorising capital projects.

A budget workshop was held during October 2017 which focused on a year to date capital and operating budget performance, budget adjustments and the 2017/18 MTREF. Broad Strategic responses to the state of the national economy were discussed. The workshop dealt with past performance trends of the operating and capital budget, identified budget realities going forward and set the criteria and basis to be used in the appropriation of financial resources amongst city functions during the budget cycle. Budget meetings were also held with various clusters. At these meetings, budget strategy, budget policies and the alignment of the operating budget with the IDP were discussed. The IDP's strategic focus areas informed the development of the budget, in addition to assessing the relative capacity to implement the budget, taking affordability considerations into account.

Further deliberations were held on the budget with a view to assessing the budget and reducing the deficit in order to ensure that the increases in rates and tariffs to balance the budget were restricted to an acceptable level. In order to address the initial budget deficit and ensure reasonable levels of tariffs and also to conform to National Treasury cost containment guidelines, Austerity Measures have been applied to the 2018/19 medium term budget. In January 2018 budget presentations were held with the city manager and cluster managers.

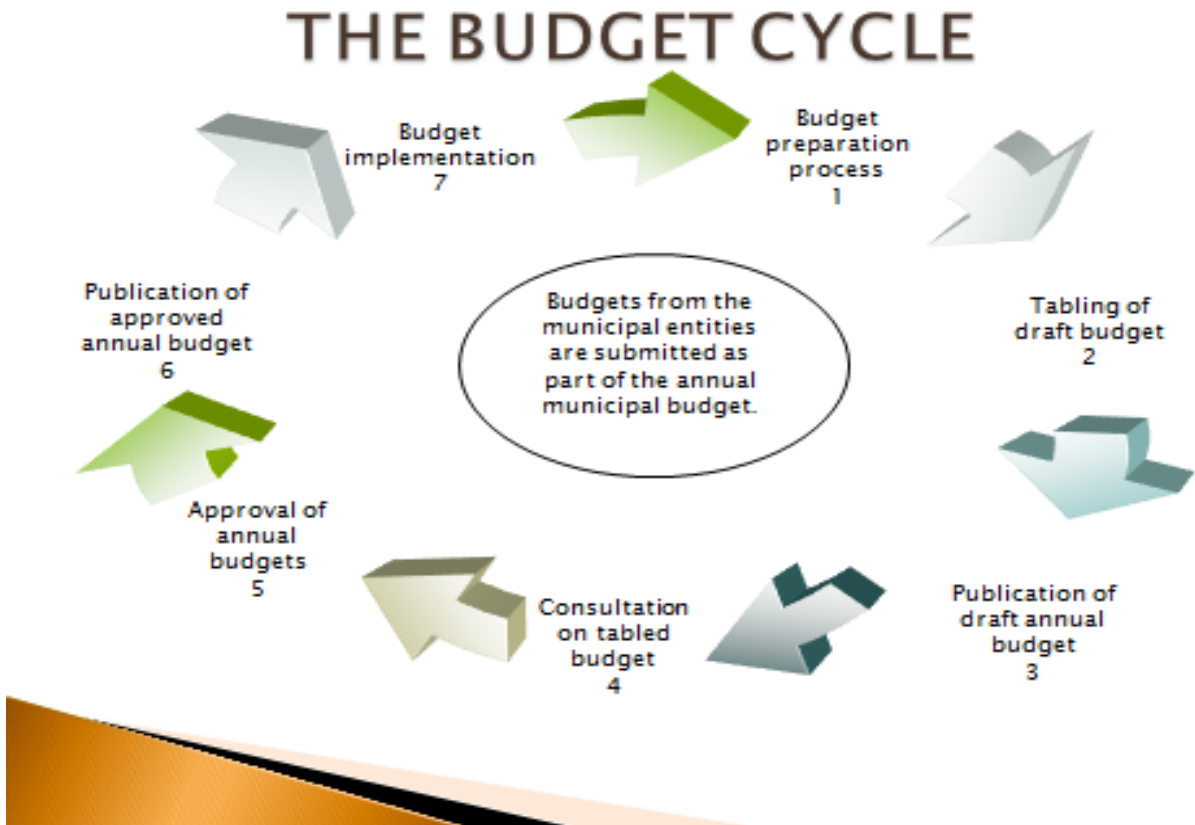
The mechanism through which the needs of the municipality are identified and priorities set is the Integrated Development Plan (IDP). The capital budget is then accordingly allocated to cover the higher priority projects in the IDP. A series of meetings were held to ensure that the budget is prioritized, balanced and aligned to Councils IDP. A review of the capital borrowings and capital spending took place as the trend in borrowings is not

sustainable in view of the increased financial charges and the impacts on tariffs. Capital budget allocations are often made at a project level through a prioritization process. In dealing with capital finance allocations, the city aimed to maintain a strategic balance between (1) the social objective of eradicating service backlogs and providing infrastructure to the poor, (2) the economic growth objective of providing infrastructure to support economic growth and increased municipal revenue, and (3) the objective of providing for rehabilitation and/or replacement of existing assets that had reached the end of their useful lives.

The 2018/19 and 2019/20 Capital budgets as approved per the 2017/18 MTREF was used as a base for prioritization. Projects with contractual commitments were given priority with funding being allocated to committed projects in the first instance. The impacts of projects expected to be rolled over from the 2017/18 year was also considered.

The city used National Treasury financial modeling techniques, based on the MSFM, to assist with prioritization and to assess the capital budget allocation. This was done by first running the MSFM on an unconstrained base scenario, projecting the ideal capital allocation to meet all the city's backlog, growth and rehabilitation needs. The line departments had to specify how the capital projects in their individual budgets were split among the five key focus areas i.e. social, economic, rehabilitation, environmental and administration. While the overall capital required was significantly more than the capital funding available, it was useful to analyze the difference in allocation between these categories.

During the prioritization process of the capital budget, the impact of capital projects on future operating budgets was assessed and considered prior to these projects being approved. Both the operating and capital budgets have been evaluated through a prioritisation mechanism that ensures alignment to the development strategy of the municipality.



**2.1.2 POLITICAL OVERSIGHT OF THE BUDGET PROCESS**



The key to strengthening the link between priorities and spending plans lies in enhancing political oversight of the budget process. Strengthening the link between Government’s priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all people within the City. The Strategic Management Team has a significant role to play in the financial planning process.

Section 53(1) (a) of the MFMA, states that, the mayor of a municipality must provide political guidance over the budget process and the priorities that must guide the preparation of the budget. The Strategic Management Team and the Executive Committee advise Council accordingly. Political oversight of the budget process allows Government, and in particular, the municipality to manage the tension between competing policy priorities and fiscal realities

### 2.1.3 PROCESS FOR CONSULTATIONS WITH EACH GROUP OF STAKEHOLDERS AND OUTCOMES

Local government policy and legislation put great emphasis on municipalities developing a culture of community participation and the creation of appropriate and relevant community participation mechanisms, processes and procedures. The municipality prides itself of enjoying the reputation of actively engaging as many of its citizens as possible in its planning, budgeting, implementation and monitoring processes. In order to strengthen public participation, the municipality has been rolling out its outreach programme to all regions in the municipal area, during the year.

Accordingly, the tabling of the draft Budget in council on the 22 March 2018 will be followed by extensive publication of the budget documentation in the council’s newspaper, Metro eZasegagasini. Copies of the tabled budget in both electronic and printed formats will be submitted to National Treasury as well as the Kwazulu-Natal Provincial Treasury and the Provincial Department of Co-operative Governance and Traditional Affairs. The tabled budget will also be published on the council’s website.

In terms of the Municipal Systems Act and in conjunction with the Municipal Finance Management Act, ward based hearings on the budgets were held during April & May 2018 in all wards of the eThekweni area. The ward based hearings culminated to regional hearings which took place in six regions of eThekweni. In addition, the budget will also be presented to traditional leadership, cultural and religious sector, as well as the business sector.

### 2.1.4 SCHEDULE OF KEY DEADLINES RELATING TO THE BUDGET PROCESS

The budget time schedule for the compilation of the 2018/19 budget cycle was approved in August 2017, well before the start of the budget year and in compliance with the MFMA.

The table below provides an extract of the key deadlines relating to the budget process.

DETAILS	DATE
Tabling of Annual Budget: Council	28 March 2018
Regional Hearings on the Budget	April 2018
Approval of Final Budget	31 May 2018
Approval of SDBIP by the Mayor	26 June 2018
Submission of Approved budget to National Treasury/ DPLG/Provincial Treasury	June 2018

## 2.2 OVERVIEW OF ALIGNMENT OF BUDGET WITH IDP

The City’s Integrated Development Plan (IDP) is its principal strategic planning instrument, which guides and informs its on-going planning, management and development actions. The IDP represents the city

administration's commitment to exercise its executive authority (except in cases where it is in conflict with national or provincial legislation, in which case such legislation prevails), and is effectively the local government's blueprint by which it strives to realise its vision for EThekweni in the short, medium and long term.

However, while the IDP represents the strategic intent of the City, it is also compiled with the understanding that a number of challenges will need to be overcome in order to achieve the strategic objectives it sets out. Some of these challenges are known, while others are as yet unknown and may arise at any time due to any number of national and international economic, political or social events.

### 2.2.1 KEY INTERNATIONAL, NATIONAL AND PROVINCIAL GUIDING DOCUMENTS

To ensure that the municipality is a more responsive, efficient, effective and accountable local government, we will outline, precisely how we intend to translate our Long Term 2030 Municipality Vision into an effective plan that aligns the municipal budgets, monitoring and evaluating mechanisms as well as timeframes for delivery. The municipality has taken the strategic direction to achieve closer alignment between the Long Term Development objectives and the IDP (in context of International, National, Provincial and Local development policies). The development of the strategic approach for the Municipality is guided by - but not limited to - the following;

#### *Sustainable Development Goals (SDG's)*

The intention of the SDG's is to be a universally shared common, globally accepted vision to progress to a just, safe and sustainable space for all inhabitants. It is based on the moral principle of the Millennium Development Goals that no one or one country should be left behind and that each country has a common responsibility in delivering on the global vision. In the development of the SDG's each of the goals are conceived as both ambitions and challenges to countries and more so cities. It is further noted that each of the SDG targets and goals are applicable to both developed and developing countries alike. The universality of the targets and goals represent differing degrees of challenges and ambitions for different countries depending on their current developmental trajectory and circumstances. The goals are also flexible enough to allow for differentiated approach through all levels of government.

One of the departure points in developing the SDG's was that countries would need to ensure that there is a balance between the economic, political, social and environmental effort required to ensure that these goals are achieved. The municipality is currently working with its international partners in the development of the Sustainable Development Goals and indicators. The SDG's allow for a whole holistic development of cities with a wider range of development programs. The municipality would continue to address these issues in a holistic and integrated manner.

The new Urban Agenda was officially adopted in 2016 and provides a 20 year "roadmap" to guide sustainable urban development globally. The 2030 agenda is built around a series of Sustainable Development Goals (SDGs). Most relevant to the New Urban Agenda is SDG 11, which aims to "make cities and human settlement inclusive, safe, resilient and sustainable". Unlike their predecessors, the Millennium Development Goals, the SDGs apply to all UN members states equally. Much of the New Urban Agenda focused on the application of new technologies and the harvesting of big data, particularly in established urban centres and cities. Under the umbrella of Smart Cities, using open data networks for better urban planning provides an optimistic, technology-based future for cities. Also included in the New Urban Agenda are renewed efforts to help developing countries urbanise. These build on earlier work under the Millennium Development Goals and Habitat II. Related commitments focus on emerging concepts, such as urban resilience and inclusive public spaces.

#### *National Development Plan (Vision 2030)*

The intention of this plan is to improve service delivery for citizens of South Africa, whilst integrating national, provincial and local policies and programmes into a single, target orientated and long term based plan. In this plan a collective approach of improving the lives of the citizens is applied, and communities themselves have a role to play in this regard. The Spatial component of the NDP which is the Integrated Urban Development Framework provides a macro spatial context for urban development at a national level. These will also include the SIP projects. Projects identified as catalytic restructuring projects that would change spatial form of the cities have been budgeted for in the MTREF, such projects include the freight route, IRTPN networks.

#### *Delivery Agreement Outcome 9*

The aim of Delivery Agreement: Outcome 9 is to ensure a responsive, accountable, effective and efficient local government system so as to restore the confidence of citizens in the local government sphere. As such municipalities need to ensure that the basic needs of communities are met; build clean, effective, efficient, responsive and accountable local government; improve performance and professionalism and strengthen partnerships between local government, communities and civil society. Whilst primarily there is a reporting line to Outcome 9, the municipality also reports on Outcome 8 which concentrates on human settlements.

*National Priorities: State of the Nations Address 2018 (SONA)*

<b>SUMMARY OF ACTIONS / COMMITMENTS FROM SONA 2018</b>	
<b>Economic Policy</b>	<ul style="list-style-type: none"> <li>• <i>Appoint a Presidential Economic Advisory Council.</i> It will draw on the expertise and capabilities that reside in labour, business, civil society and academia.</li> </ul>
<b>Jobs, especially for youth</b>	<ul style="list-style-type: none"> <li>• <i>Jobs Summit, Investment Conference</i> and launch <i>Youth Employment Service Initiative</i> - to place unemployed youth in paid internships in companies across the economy and</li> <li>• Create a millions such internships in the next three years.</li> <li>• Establish <i>Youth Working Group.</i></li> </ul>
<b>Re-industrialise/ stimulate manufacturing</b>	<ul style="list-style-type: none"> <li>• Strategic use of <i>incentives</i> and other measures</li> <li>• <i>Localisation</i> programme for products designated for local manufacturing - public procurement interventions.</li> </ul>
<b>Transformation</b>	<ul style="list-style-type: none"> <li>• <i>Support black industrialist</i> -to build new generation of black and women producers that are able to build enterprises of significant scale and capability</li> <li>• Use competition policy to open markets to new black entrants.</li> <li>• Invest in the development of township and rural enterprises</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>• Assemble team to speed up implementation of new projects, particularly water projects, health facilities and road maintenance.</li> </ul>
<b>Mining</b>	<ul style="list-style-type: none"> <li>• Intensify engagements with all stakeholders on the Mining Charter.</li> <li>• Finalise the MPRDA Amendment Bill</li> <li>• Stakeholder engagement to deal with mining fatalities.</li> </ul>
<b>Small business, co-ops, township enterprises</b>	<ul style="list-style-type: none"> <li>• Welcome SME Fund initiative by corporate sector; Invest in SME incubation and Honour 30% of procurement allocation to these enterprises</li> </ul>
<b>Land and agriculture</b>	<ul style="list-style-type: none"> <li>• Accelerate land redistribution programme AND make more land available</li> <li>• Expropriate land without compensation - taking into account food security, agricultural production and growth of the sector.</li> </ul>
<b>Health and NHI</b>	<ul style="list-style-type: none"> <li>• Scale up testing and treatment campaign by initiating an additional two million people on antiretroviral treatment by December 2020.</li> <li>• The <i>NHI Bill</i> is now ready to be processed</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• From this year free higher education and training will be available to first year students from households with a gross combined annual income of up to R350,000.</li> <li>• All public schools have begun offering an African language.</li> <li>• First National Senior Certificate examination on South African Sign Language, which will be offered to deaf learners at the end of 2018.</li> </ul>
<b>State/governance</b>	<ul style="list-style-type: none"> <li>• Reduce the number and size of departments</li> <li>• Review the funding model of SOEs and other measures.</li> </ul>
<b>Corruption/state capture</b>	<ul style="list-style-type: none"> <li>• The commission of inquiry into state capture to commence its work - Urged professional bodies and regulatory authorities to take action against members who are found to have acted improperly and unethically.</li> <li>• Appoint a Commission of Inquiry into Tax Administration and Governance of SARS,</li> <li>• Visit every national department to engage with the senior leadership to ensure that the work of government is effectively aligned.</li> </ul>

*Towards an Integrated Urban Development Framework*

A key objective of government is to facilitate economic growth, job creation and reduce poverty and income inequality. The framework for integrated urban development is a key governmental initiative to realise this objective because it leverages the potential of our cities and towns, which are South Africa's engines of growth and job creation. Urban areas offer the advantages of economic concentration, connectivity to global markets, the availability of new technologies and the reality of knowledge economies. Given the challenges that urban areas face, there is a need to forge a sustainable growth vision for our urban and rural spaces that will guide our development priorities and choices. As such the framework begins to identify key levers, such as the City Support Programme, which can provide lessons of shaping fiscal incentives and capacity-building for spatial integration in metropolitan municipalities as well as raising awareness of green city practices for protecting the environment and managing the impact of climate change.

### *Provincial Priorities (State of the Province Address)*

The theme for the 2017 KwaZulu-Natal State of the province Address was "Through Unity in Action, we can move KZN to a prosperous future". The provincial address confirmed the priorities of the province as outlined in the recently reviewed and adopted, Provincial Growth and Development Strategy. Whilst the PDGS remains the strategic driver of development in the Province, the Premier raised a few intervention areas that would require specific attention. These areas are summarized as follows:

1. Actively address attempts to destabilise and derail legitimate processes aimed at improving the quality of lives of our people and promoting the greater public good,
2. Social cohesion and moral regeneration as imperatives for Nation Building,
3. Reducing crime and corruption
4. Addressing the issue of Land and Land Reform
5. Building capacity and ability of the State
6. Radical Economic Transformation through:
  - Radical Agrarian Social Economic Transformation (RASET)
  - Targeting of Priority Sectors
  - Developing Partnerships to grow the economy
  - Participating in and advocating for the advancement of vulnerable groups
7. Improving the Health of the KZN Population

The above priorities as well as the Strategic Priority areas of the PDGS provide a framework for development within the province. The Premier also highlighted the alignment and reconfirmed the commitment of the KZN PGDS to achieve the aims and objectives of the National Development Plan

### *Provincial Growth and Development Strategy*

The Provincial Growth and Development Strategy (PGDS) is a vehicle to address the legacies of the apartheid space economy, to promote sustainable development and to ensure poverty eradication and employment creation. The PGDS offers a tool through which national government can direct and articulate its strategy and similarly for local government to reflect the necessary human, financial and fiscal support it needs to achieve these outcomes. It facilitates proper coordination between different spheres of government and aims to prevent provincial departments from acting out of concert with local municipalities. It enables intergovernmental alignment and guides activities of various role players and agencies (provincial sector departments, parastatals, district and municipalities). The PGDS will enhance service delivery.

It is a framework for public and private sector investment, indicating areas of opportunities and development priorities. It addresses key issues of implementation blockages whilst providing strategic direction. The PGDS on the one hand involves preparing policies, strategies and guidelines and on the other hand, it involves preparing mechanisms to align and facilitate the implementation, monitoring and evaluation of key growth and development priorities. Attention is also given to the provision of infrastructure and services, restoring the natural resources, public sector leadership, delivery and accountability, ensuring that these changes are responded to with resilience, innovation and adaptability. EThekweni Municipality's IDP is developed within the framework of the PGDS and is fully aligned with the provincial development goals.

The PGDS identifies 7 strategic goals and 31 strategic objectives designed to move the KwaZulu-Natal Province progressively towards the attainment of the 2035 development vision. It is important to note that the Provincial vision has shifted from 2030 to 2035 following the 2016 PGDS review process.

## SPATIAL DEVELOPMENT FRAMEWORK

The Municipality has revised its Spatial Development Framework (SDF) in line with Section 26 on the Municipal Systems Act of 2000 and Chapter 4 PART E of the Spatial Planning and Land Use Management ( Act 16 2013). The SDF is a spatial representation of the Integrated Development Framework (IDP). It is also the primary spatial response to the development context, needs and development of the Municipality. The revised 2018/19 SDF report has been circulated to all Municipal Libraries and Sizakala Centres for viewing and comment until 23 April 2018.

### 2.2.2 DEVELOPMENT CHALLENGES

Significant strides have been made to address the key development challenges in the municipality. While significant progress has been made in all areas, there is still some distance to go towards addressing the following challenges:

- High rates of unemployment and low economic growth;
- Limited access to basic household and community services
- Low levels of skills development and literacy;
- High levels of poverty;
- Increased incidents of HIV/AIDS and communicable diseases;
- Loss of natural capital;
- Unsustainable developmental practices;
- High levels of crime and risk;
- Ensuring adequate water and energy supply;
- Ensuring food security;
- Infrastructure degradation;
- Climate change;
- Ensuring financial sustainability;
- Ineffectiveness and inefficiency of inward-looking local government still prevalent in the municipality.

The essence of our IDP is to achieve a balance between meeting basic needs, strengthening the economy and developing people skills and a technology base for the future. In an effort to achieve our 2030 vision to be Africa's most caring and liveable city, the municipality has identified six priority areas of intervention for the next five years which need to be balanced and integrated. Given the strategic framework that has been outlined it is clear that the city's budget must be a pro-growth budget that meets basic needs and builds on existing skills and technology. The municipality's delivery plan is organised into eight separate but related plans. The Municipality's 2030 vision is also aligned to the Vision 2063 for the African Union.

They are interrelated because:

- All the programmes and projects are filtered through the common set of filters described above.
- The plans, programmes and projects are supportive of each other, to ensure greater impact in delivery.
- Where contradictions or overlaps are found to exist, these will duly be brought into alignment.

The eight plans are:

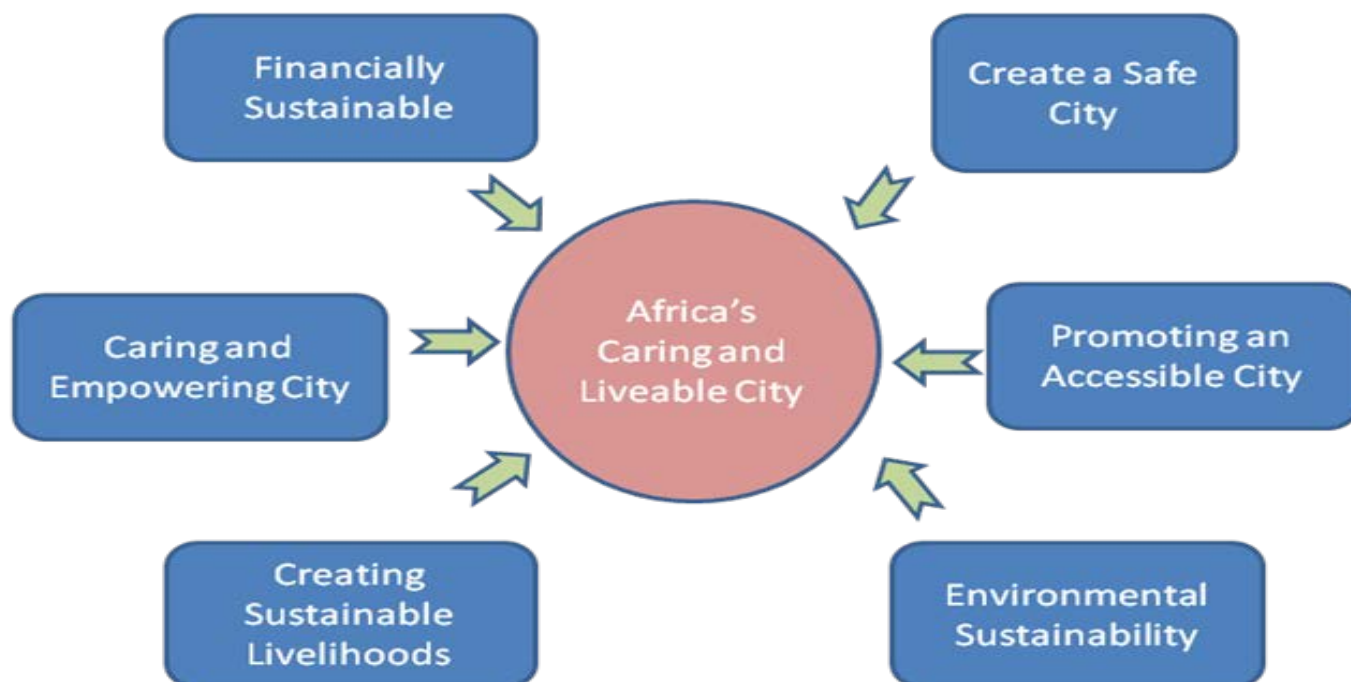
- Develop and Sustain our Spatial, Natural and Built Environment.
- Developing the Prosperous, Diverse Economy and Employment creation
- Supporting organisation design, human capital development and management
- A vibrant and creative city - the foundation for sustainability and social cohesion
- Creating a Quality Living Environment.
- Embracing our cultural diversity, arts and heritage.
- Good Governance and Responsive Local Government.
- Financially Accountable and Sustainable City.

The delivery of these plans should ensure that the people of eThekweni are able to:

- Live in harmony
- Be proud of the municipality
- Feel protected
- Feel that the basic needs are being met

### 2.2.3 MUNICIPAL STRATEGIC PRIORITY AREAS

In order to achieve our vision and to address the development challenges, there are a number of key strategic priority areas which need to be taken into consideration. These priorities lead to the creation of structures which support, house and associate other actions and activities - the building blocks around which actions and prioritisation take place. It also acts as a point of leverage for creating a sustainable municipality that is caring and liveable.



### 2.2.4 POLITICAL PRIORITIES AND LINKAGES TO THE IDP

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the area. All operating and capital programs in the 2018/19 medium-term budget have been assessed through a prioritisation mechanism that was developed to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities.

### 2.2.5 IDP OVERVIEW AND KEY AMENDMENTS

The Municipal Systems Act requires that each municipality prepare an Integrated Development Plan to serve as a tool for transforming local governments towards facilitation and management of development within their areas of jurisdiction. The IDP is a five year plan whose principal purpose is to ensure the development of the local community in an integrated manner which involves strategic business units within the municipality, relevant strategic stakeholders and the community. In the five year review, the Eight Point Plan of action will continue to guide the municipality, but has once again been refined and refocused to our strategic programmes, so as to respond more effectively to the key challenges.

### 2.2.6 IDP REVIEW PROCESS AND STAKEHOLDER PARTICIPATION

The IDP is reviewed yearly to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to addressing the needs of the people and values the inputs from communities and stakeholders. The IDP draft process plan for 2018/2019 was noted by council in July 2017 and advertised for comment and input during August 2017. The plan specified timeframes, actions and procedures and appropriate mechanisms for public participation and alignment. The final draft was adopted by council in September 2017.

The fourth generation of eThekweni's Integrated Development Plan (IDP) focuses on translating our Municipal Vision into action. As set out in the Municipal Systems Act (2000), in the review of the five year IDP, a stakeholder consultation process is necessary. Of critical importance is for the municipality to ensure that there is thorough consultation with the community and strategic stakeholders. The review of the five year plan in 2018/19 would provide further opportunity for the citizens to actively participate in the development of the IDP.

### **2.2.7 LINK BETWEEN THE IDP AND THE BUDGET**

In compliance with the Municipal Structures Act (1998) and Municipal Financial Management Act (2003), our municipal budget is informed and aligned to the IDP objectives. The IDP determines and prioritises the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that our IDP outcomes are achieved but also to ensure that our municipality's 2030 vision is realised.

*The 2018/19 MTREF has therefore, been directly informed by the IDP revision process and TABLES SA4, SA5 and SA6 provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.*

Based on such models as the Multi Criteria Dimension Model (MCDM) and Capital Investment Management System (CIMS), the city is able to link its budget with its programmes, and is able to adequately spread its capital budget geographically as well in accordance with the IDP eight-point plan. In terms of the operating budget we have made excellent progress but are now more committed than ever to ensure that critical operating budget resources are prioritised in terms of stated IDP outcomes. More importantly, the Performance Management System (PMS) allows the municipality an opportunity to monitor and evaluate individual and organisational performance in meeting our IDP outcomes and vision. As with previous year's, our IDP remains the strategic driver of both our budget and performance management system.

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



TABLE SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

### 2.3.1 KEY FINANCIAL RATIOS / INDICATORS

The benchmarks reflected in the table below are based on actual audited results in the 2016/17 financial year:

Financial Benchmarks	Basis of Calculation	2016/2017
Debt to Asset Ratio	Total Debt / Total Assets	0.23:1
Debt to Revenue	Total Debt / Annual Income	0.70:1
Average Interest Paid on Debt	Interest Paid / Total Interest Bearing Debt	0.10:1
Capital Charges to Operating Expenditure	Interest and Principal Paid / Operating Expenditure	0.06:1
Interest as a % of Operating Expenditure	Interest Paid / Operating Expenditure	2.83%
Credit Rating	Calculated by Global Credit Rating Company	Short term: A1+ Long term: AA
Current Ratio	Current Assets / Current Liabilities	1.3:1
Creditors System Efficiency	% of Creditors paid within terms	84.96%
Electricity Distribution Losses	Total units purchased less total units sold / Total units purchased	7.58%
Water Distribution Losses	Total units purchased less total units sold / Total units purchased	35.5%

The financial benchmarks reflected in the table above indicate that the municipality continues to maintain its financially healthy status.

#### ***Debt to Asset Ratio:***

Total debt to total assets is a leverage ratio that defines the total amount of debt relative to assets.

#### ***Debt to Revenue:***

The ratio indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities.

#### ***Capital Charges to Operating Expenditure:***

Capital charges to operating expenditure (the measure of the cost of borrowing in relation to the operating expenditure) compares favourably to the acceptable norm of around 10%.

This ratio is within the the norm of 6% to 8%. This improved ratio is attributable to three loans fully repaid during 2016/17, which has resulted in decreased capital charges. There was no loan taken in the 2015/16 financial year,

which has also resulted in a reduction in capital charges. Further the gearing ratio improved from prior year (2017-22.6%; 2016-25.1%) and is also below the norm of 45%. Due to the relatively low financial risk, the city has added capacity to raise more loan finance when the need arises.

***Debt to Asset Ratio:***

Total debt to total assets is a leverage ratio that defines the total amount of debt relative to assets.

***Debt to Revenue:***

The ratio indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities.

***Current Ratio:***

The ratio measures the short term liquidity, that is, the extent to which the current liabilities can be paid from current assets. The higher the ratio, the healthier is the situation. Whilst the ratio of 1.3:1 is below the norm of 1.5 to 2.1 normally set for municipalities, there is sufficient cash to meet creditor obligations.

***Credit Rating***

Despite the current economic climate, the municipality has upgrade its investment grade credit rating to AA in the long term and maintained the short term rating of A1+ with a positive outlook. The long term rating indicates that the municipality has very high credit quality, very strong protection factors. The short-term rating means that the municipality has the highest certainty of timely payment, short term liquidity and risk factors are extremely low. This is the highest rating in the municipal sector.

***TABLE SA8 sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.***

**2.3.2 FREE AND SUBSIDISED BASIC SERVICES**

One of the objectives of a local authority is to ensure the provision of services to communities in a sustainable manner. The constitution stipulates that a municipality must structure and manage its administration, budgeting and planning to give priority to the basic needs of the community and to promote their social and economic development. To cater for the indigent, the municipality as part of its welfare package provides a basket of free basic services in accordance with a defined level of service. The basic social package is an affirmation of the municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities.

***Details relating to free basic services are contained in TABLE A10.***

In reviewing the levels of free basic services for the 2018/19 year, the following factors were taken into consideration:

- Sustainability
- Impact of new housing
- Impact on non-indigent ratepayers/consumers

The estimated cost of the social package (i.e. income foregone) amounts to approximately R 3.4 billion for the 2018/19 budget year. Details of the initiatives proposed to be carried out by the council in this regard are detailed below.

SERVICE	SOCIAL PACKAGE	APPROX. COST R'M	EST.NO. OF HOUSEHOLDS
Assessment Rates	Residential Properties valued up to R 230 000 will be exempt from paying rates. All other properties valued above R 230 000, the first R 120 000 no rates charged.		118 405
	Pensioners, child-headed households, disability grantees and the medically boarded are exempt from paying rates , with the maximum rebate not exceeding R 4 364.		61 809
	No rates levied on the first R 30 000 value of vacant land	1 857.0	180 214
Water	The first 6kl of water is free to households with property values under R 250 000.	726.1	541 317
Electricity	The first 50kwh of electricity is free to residents using less than 150kwh per month in Eskom reticulated areas	2.3	5 240
	The first 65kwh of electricity is free to residents using less than 150kwh per month in eThekwini reticulated areas	122.4	158 000
Refuse Removal	Residential property valued up to R 250 000 exempt from domestic refuse removal tariff. In addition, a free basic refuse removal service is also available to indigent consumer units living in rural, informal settlements and non-kerbside residents.	290.2	676 259
Sewerage/ Sanitation	The first 6kl of effluent disposal is exempt for all properties with values under R 250 000. In addition, a free basic service is also available to indigent consumer units with VIP's, urine diversion toilets and in informal settlements serviced by means of a toilet/ablution block within 200m.	387.8	396 855
<b>Total</b>		<b>3 385.8</b>	

The assistance to the qualifying households are regulated by council's budget related policies which are reviewed annually based on modelling the impacts of the tariffs on all residential properties. The cost of this social package is partially funded from the equitable share of R 2.9 billion provided by National Government.

### 2.3.3 DRINKING WATER QUALITY AND WASTE WATER MANAGEMENT

EThekwini Water Services performs the role of the water service authority whilst Umgeni Water is the water service provider for the municipal area. EThekwini Water and Sanitation Unit is committed to providing safe drinking water of the highest quality as well as treating waste water responsibility so that it does not negatively impact on human health or our environment.

## BLUE DROP CERTIFICATION

The Blue drop programme provides a holistic approach to drinking water quality management and a systematic, transparent approach to the consistent provision of safe water with a clear focus on public health. EThekwini Metro and Umgeni Water worked well to maintain the illustrious Blue Drop status for the eThekwini main system. At the last round of Blue Drop awards, eThekwini Municipality was awarded a Blue Drop for the fourth consecutive year and was placed fourth in the country and first in KwaZulu-Natal. The municipality continues to manage drinking water within its area of jurisdiction with distinction.

## GREEN DROP RATINGS

The Green Drop Regulation Programme aims to certify the wastewater systems of all municipalities and water service providers in South Africa. The green drop rewards excellence in the management of wastewater during its journey from source, conveyance in sewer networks, its treatment at wastewater works and its final discharge to the receiving environment. Waste water treatment works operated by the City are authorised to discharge treatment effluent to rivers and the marine environment. The municipality is a leading Green Drop Metropolitan Municipality. The Green Drop regulation programme was established by the Department of Water Affairs to certify the waste water systems of all municipalities and water service providers.

Budgetary provision for the upgrades and maintenance of water reticulation and sewerage treatment works is made in the MTREF to ensure that systems are capacitated to deliver at acceptable standards.

## 2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Municipal Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, to be updated on an annual basis. The main purpose of budget related policies is to govern and guide the budget process and inform the projections of the medium term.

The following are budget related policies which have been approved by Council, or have been reviewed /amended and / or are currently being reviewed / amended in line with National Guidelines and other legislation.

### 2.4.1 ASSESSMENT RATES POLICY

As required in terms of section 5 of the MPRA, the Rates Policy has been reviewed for the 2018/19 financial year and the amended policy was adopted in principle by Council on 2017-12-07 for public comment, with a closing date of 31 January 2018. The revised policy is to be adopted with the 2018/19 budget.

*The applicable assessment rate randages are reflected in the Resolutions to Council on the budget.*

### 2.4.2 CREDIT CONTROL AND DEBT COLLECTION POLICY

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the credit control and debt collection policy for the 2017/18 financial year has been reviewed and amended and is to be adopted with the current budget.

### 2.4.3 TARIFF POLICY

The Municipal Systems Act requires a Municipality to have a Tariff Policy on the levying of fees for Municipal services provided by the municipality itself or by way of service delivery agreement, and which complies with the provisions of that Act, the Municipal Finance Management Act and other applicable legislation. The tariff policy was reviewed comprehensively in the last financial period, after the municipality having not had an approved tariff policy in place for years. Accordingly, the Tariff Policy was adopted by Council on 2017-05-31 and remains unchanged for the 2018/19 financial year.

### 2.4.4 WATER POLICY

The initial water policy was approved by council on 2005-06-22 which has subsequently been amended and provides for amongst others things: level of services, provision of water services, payment for services etc.

The Council's tariffs are affected by the following factors:

- Bulk purchase cost: Umgeni Water
- Unaccounted for water
- Debtors collection rate
- Cost of free basic water
- Capital Unit Charge for bulk DWA projects.

### 2.4.5 SUPPLY CHAIN MANAGEMENT POLICIES

The policy reflects and represents the context of a specific government policy that finds expressions within the provisions of the Municipal Finance Management Act 56 of 2003. The principal objectives of the policy are to provide, promote, and implement theoretical guidelines, governing processes and procedures within supply chain management. The initial SCM Policy was adopted by council on 2005-09-22 for implementation. In alignment with regulations and National Treasury Circulars, the policy has been revised and adopted by council on 2013-10-30.

This revised policy includes stringent monitoring measures and a new Blacklisting Committee. Highlights of the policy include a contracts register which ensures that procurement plans are in place before any work is given out. In addition, service providers will be monitored and contract managers will have to produce close out reports after each contract has been undertaken. The revised policy also includes the new electronic quotation management system and suppliers self-service. It also specifies the requirement for the prospective suppliers to register on the National Treasury Central Supplier Data Base (CSD) in order to be able to trade with all spheres of government and public entities. This policy is used in conjunction with the Targeted Procurement Policy, and the new Preferential Procurement Regulations. There will be constant review of the SCM policy through its implementation.

Further revisions to the SCM Policy have been incorporated in a review document in 2015. These include expansion on certain sections, and in particular Section 36, which requires additional accountability on the part of Unit Heads to reduce the risk of poor planning and thereby reduce irregular expenditure. A further updated policy has been submitted to council for approval that includes, inter alia, the revised Preferential Procurement Regulations 2017, logistics management and performance management of service providers.

The Supply Chain Management Policy is currently under review is to be adopted with the final budget.

### 2.4.6 INVESTMENT / CASH MANAGEMENT AND BORROWING POLICIES

As required by the Municipal Finance Management Act, and in conformity with the Municipal Cash Management Regulations, the Investment Framework policy and Guidelines has been reviewed and the revised policy adopted by Council on 2017-06-28.

The main objectives of the Investment Framework Policy and Guidelines are:-

- To establish a framework and guidelines for the investment of funds.
- To undertake the investment of funds not immediately required in a prudent manner.
- To ensure the safety of principal, whilst managing liquidity requirements to meet cash flow needs.
- To provide the highest investment returns at minimum risk, within the parameters of authorised instruments.
- To ensure diversification of permitted investments.
- To ensure compliance with all legislation governing the investment of funds.

The borrowing Framework Policy and Guideline has also been reviewed and the revised policy adopted by Council on 2017-06-28.

The main objectives of the Borrowing Policy and are to:

- To establish a framework and guidelines for the borrowing of funds.
- To ensure compliance with statutory requirements and National Treasury borrowing regulations.
- To ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorised borrowings.
- To outline the appropriate actions of a prudent person standard in the context of managing overall debt.
- To maintain debt within specified limits and ensure adequate provision for the repayment of debt and debt repayment to be sustainable.

#### **2.4.7 VIREMENTS BUDGET POLICY**

In order to give departmental heads greater flexibility in managing their budgets, Virements budget procedures are in place for the revision of budgets (within votes - i.e. Output Unit) via a Virements budget. These procedures provide guidance to managers of when they may shift funds within votes.

To ensure compliance with Section 28 of the MFMA, and the Municipal Budget and Reporting Regulations, procedures were formulated with regards to the transfer of funds and the adjustment budget reporting.

#### **2.4.8 INFRASTRUCTURE ASSET MANAGEMENT POLICY**

The goal of infrastructure asset management is to meet a required level of service in the most cost effective manner, which is achieved through the management of assets' life cycle, for present and future generations. National Government has legislated (MFMA), the need for local government to formulate active asset management programmes. An infrastructure asset management plan technically analyses the life cycle of an asset, and predicts when maintenance needs to be done to the asset before it deteriorates to such an extent that it no longer meets the community's needs.

Infrastructure assets support the fabric of modern society and represent a huge societal investment in eThekweni Municipality which has been built up over the years. These infrastructure assets are used to provide municipal services to the communities they serve. Infrastructure assets typically have long useful lives and often provide municipal services well beyond their design lives due to regular refurbishment and maintenance. Infrastructure Asset Management is the application of practices and systems to deliver the required levels of services to communities, in the most efficient and effective manner. EThekweni Municipality strives to apply these practices and systems in an integrated manner to enhance sustainability of service delivery.

The purpose of this policy is to:

- Guide the provision of infrastructure assets to deliver municipal services in accordance with legal requirements, ( MFMA, MFMA circulars ) and relevant standards
- Ensure that life cycle management methods are applied to improve the sustainability of service delivery using infrastructure assets and
- Institutionalize an infrastructure assets management system that demonstrates management accountability by supporting the achievement of triple bottom line goals.
- Integrate and standardise decision making and reporting on infrastructure assets.

The policy was approved in June 2017

#### **2.4.9 ACCOUNTING POLICY**

In order to ensure that the financial statements are compliant with GRAP Standards, the accounting policies were realigned and approved by council on 2006-06-29. The latest amendments to the accounting policies were approved by council on 2017-06-29.

#### **2.4.10 FUNDING AND RESERVES POLICY**

A funding and reserves policy has been formulated and was approved by the council at its meeting on 2010-05-03. The policy is aimed at ensuring that the Municipality procures sufficient and cost effective funding in order to achieve its capital expenditure objectives in an optimum manner.

#### **2.4.11 BUDGET POLICY**

There were no amendments to the Budget Policy which was approved by council on 23 February 2011.

### **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

#### **2.5.1 KEY FINANCIAL ASSUMPTIONS**

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The assumptions and principles applied in the development of this budget are mainly based upon guidelines from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), Umgeni Water and other major service providers.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury determines the ceiling of year-on-year increases in the total operating budget, whilst the National Electricity Regulator (NER) regulates electricity tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following key assumptions underpinned the preparation of the medium-term budget:

Description	2018/19	2019/20	2020/21
	%	%	%
CPI-Inflation	5	5	5
Remuneration Increase	7.5	7.5	7.2
Telephones	6	6	6
Fuel and Oil	2	3	3
Postage & Revenue Stamps	5	5	5
Printing & Stationery	6	6	6

### 2.5.2 CREDIT RATING OUTLOOK

A credit rating is an independent opinion on the ability of an entity to pay its financial obligations, in full and on time. The Global Credit Rating Company (GCR) reviewed the credit ratings for eThekweni Municipality, following a detailed analysis of the municipality's 2015/16 financial statements and medium-term expenditure budgets and have accorded the following:

- Long term: The rating has been upgraded from AA- to AA. The rating is defined as having a very high credit quality.
- Short term: The rating has been maintained at A1+. The rating is defined as having a very high certainty of timely payment. Risk factors are minor.

These are both rated as High Grade and the short term category constitutes the highest certainty of timely payment, short term liquidity, access to alternative funding is high and risk factors are extremely low. It also indicates that the credit outlook is stable. The rating panel were of the opinion that eThekweni continues to reflect a strong stand-alone financial profile with robust solvency and a lowly geared balance sheet which results in a very strong credit risk profile. A rating of this nature is crucial for borrowings undertaken and extremely important for the capital expenditure programme. The credit rating upgrade is a good indicator for the municipality in terms of healthy performance in the current economic climate where the country is facing credit rating challenges.

### 2.5.3 BORROWING AND INVESTMENT OF FUNDS

#### BORROWINGS

The Municipal Finance Management Act No. 56 of 2003 permits long term borrowing by municipalities only to finance capital expenditure, property, plant and equipment.

The eThekweni Municipality's Infrastructure Financing Strategy is to:

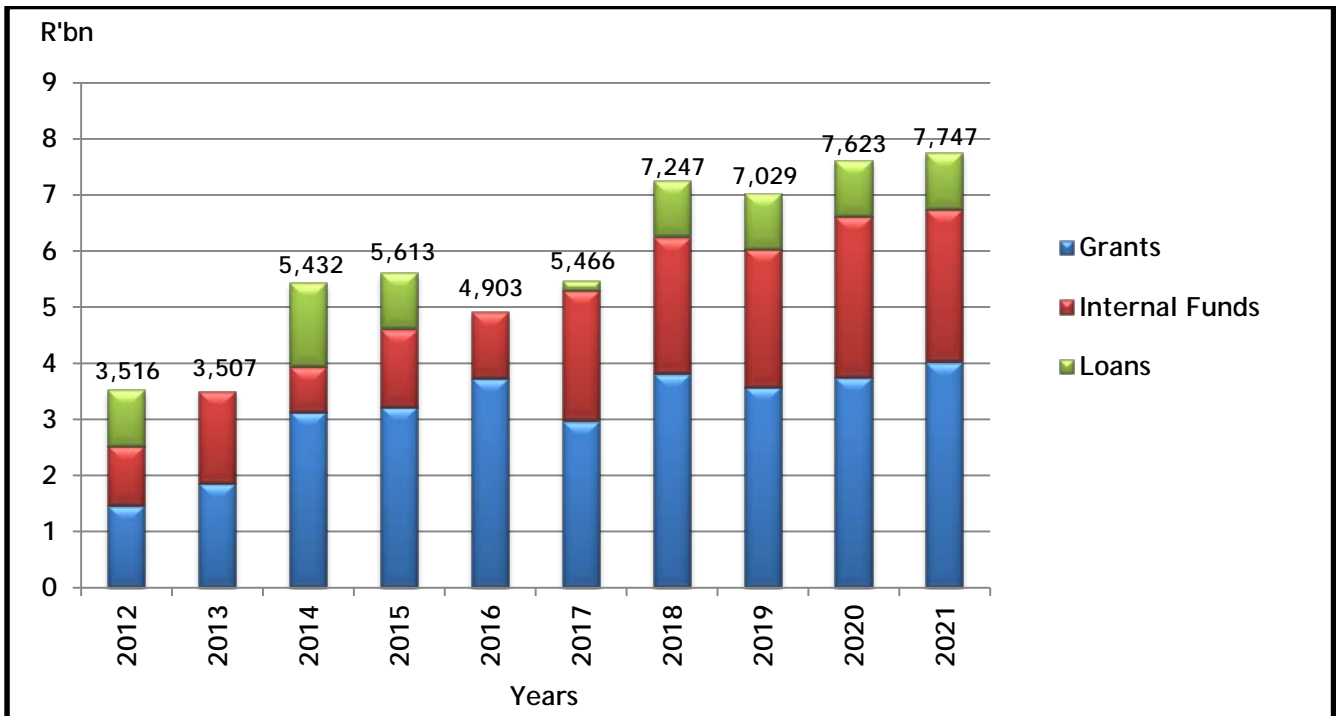
- Maximise internally generated funds and national transfers from other spheres of government.
- Minimize borrowings.
- Pursue alternate funding sources e.g. Development charges, and public private partnerships.



## CAPITAL EXPENDITURE

The capital expenditure of the parent municipality has been funded from a mix of government transfers, internally generated funds and external loans. The 2018/19 Capital Budget of R 7.0 billion is being financed by R 3.6 billion from government grants, R 2.4 billion of internally generated funds and R 1,0 billion in external loans. The graph below shows the Total Capital Budget since 2012 and indicates its funding sources. The figures in the 10 bars are in billions.

### Funding of Capex 2012 - 2021



Loans comprise, on average, only 15 % of the funding mix, 2011 - 2017 being actuals and 2018 to 2021 forecasts.

## BASIC SERVICE DELIVERY

The table below indicates the Capital spend on 'Basic Service Delivery' items over the past three years. The bulk of the Capital is spent on 'Basic Service Delivery' infrastructure. This pattern of expenditure is expected to be maintained for the foreseeable future.

### Capital utilised for Infrastructure

	2015		2016		2017	
	R'000	%	R'000	%	R'000	%
Human Settlements & Infrastructure	361,592		312,438		413,101	
Housing & Hostels	862,771		645,714		872,445	
Roads & Storm water (Engineering)	875,203		1,437,839		1,008,715	
Transport (ETA)	583,041		503,344		718,169	
Sanitation	66,146		75,203		53,803	
Solid Waste	815,638		561,852		670,678	
Water	541,797		565,781		744,713	
Electricity Services	4,106,188	88	4,102,171	100	4,481,624	100
Total Capital Expenditure	4,686,556		4,102,171		4,491,242	

The table below indicates the actual borrowings and the future loans to be taken to continue the service delivery programme.

	Actual	Forecast		
	2017 R'm	2018 R'm	2019 R'm	2020 R'm
Long Term Debt *	8,836.0	9,185,6	9,393,5	9,338.1
Loans Raised	700.0	1,000.0	1,000.0	1,000.0

Over the MTREF period gearing reduces to 24% at 2019/20 Financial Year.

\* - Total debt is reflected after loans raised and repayment of loans maturing.

## LONG TERM BORROWING

### APPROACH

Long term borrowings in eThekweni have been mainly in the form of annuity loans, with a significant proportion borrowed from the Development Bank of South Africa and other Development Financial Institutions (DFI's) as well as other Financial Institutions. The dominance of annuity loans within eThekweni's borrowing portfolio is largely due to the ability of the City to source competitive interest rates from financial institutions.

The eThekweni Municipality is in the process of appointing a Lead Arranger for the establishment of a Domestic Medium Term Note (DMTN) Programme. The Lead Arranger will assist the Municipality to establish the Programme and then issue the inaugural bond under the new Programme.

Whilst the Municipality's budgeted loan requirement for 2016/17 was R 1.0 billion, R 700.0 million was secured through IIPSA funding in October 2016. The funding included a grant funding of R 93 million and a loan of R 700m provided by the two IIPSA participating Development Finance Institutions (DFI's) being Agence Francaise de Development (AFD) and the Development Bank of South Africa (DBSA). Each of the two DFI's provided debt of R 350 million, resulting in a total new loan of R 700.0 million

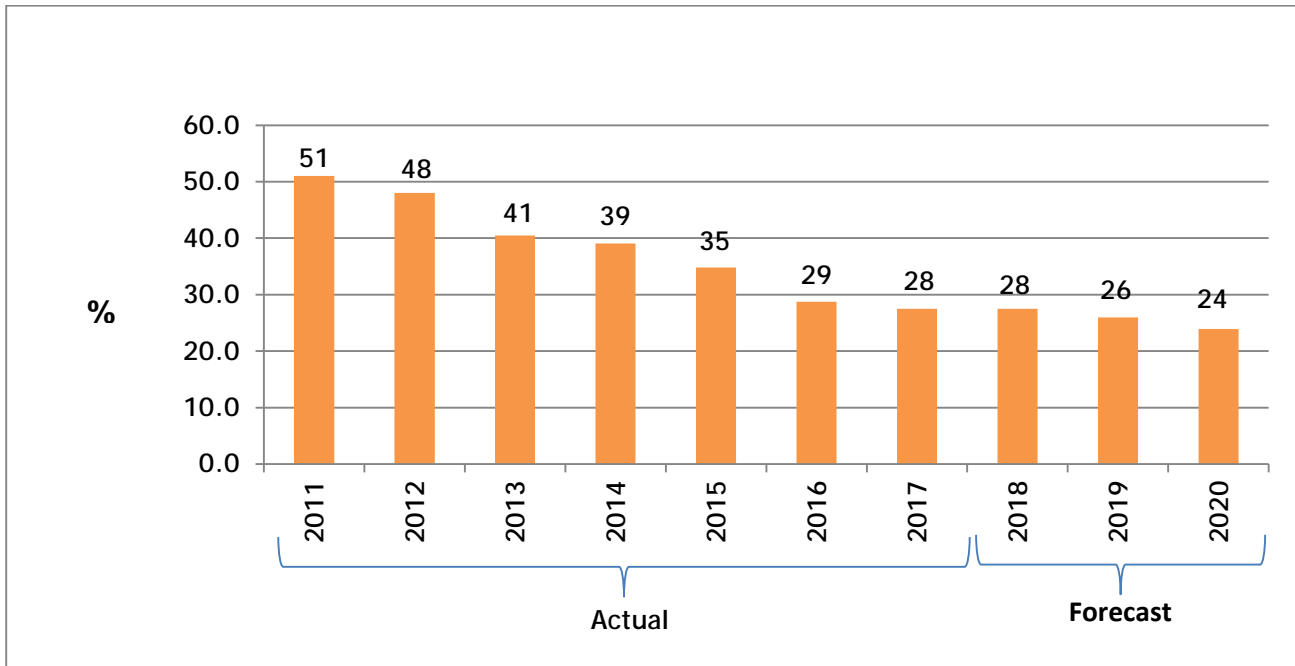
### DEBT CAPACITY INDICATORS

The City tracks a number of key debt capacity indicators, with the prudential limits for each of these ratios being summarised below:

- Gearing should preferably be maintained at 45 per cent of total revenues.
- Debt service costs should not exceed 8 per cent of total operating revenues.

The tables below indicate the status of the indicators mentioned above:

### Gearing Ratio 2011 - 2020



Gearing Ratio = Total Debt as a % of Total Operating Income

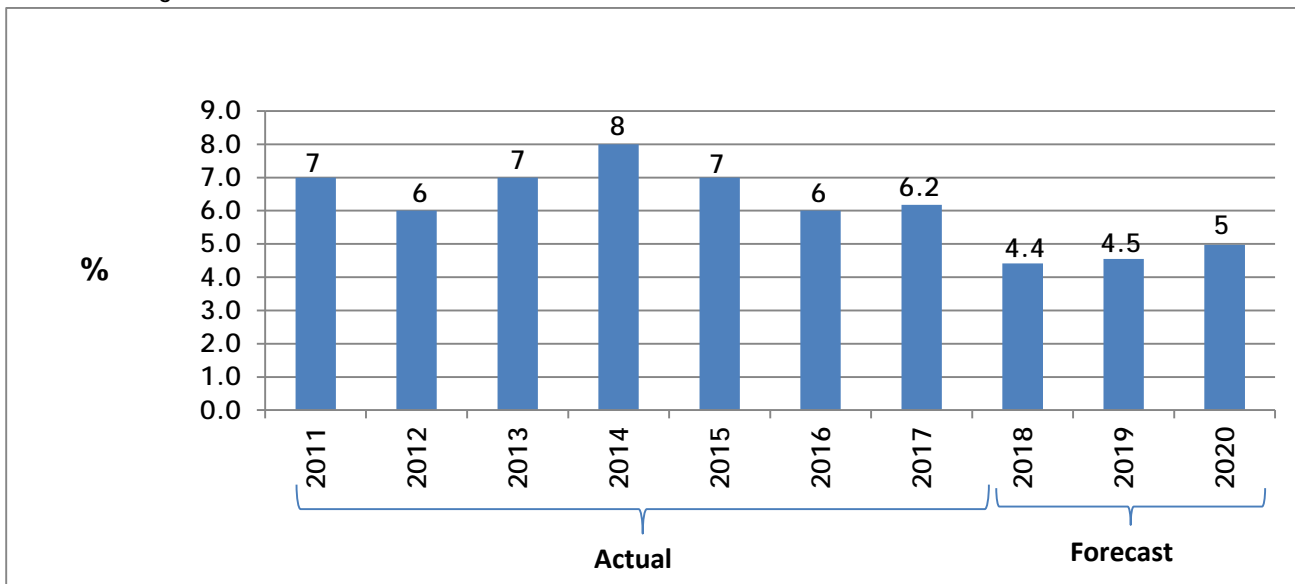
Norm = 45%

2011 - 2017 = Actual

2018 - 2020 = Forecast

This graph indicates the Municipality's ability to afford Debt. The gearing ratio would have reduced to a healthy 24% by 2020

### Debt Coverage Ratio 2011 - 2020



Debt Coverage Ratio = Debt Services Cost as a % of Total Operating Income

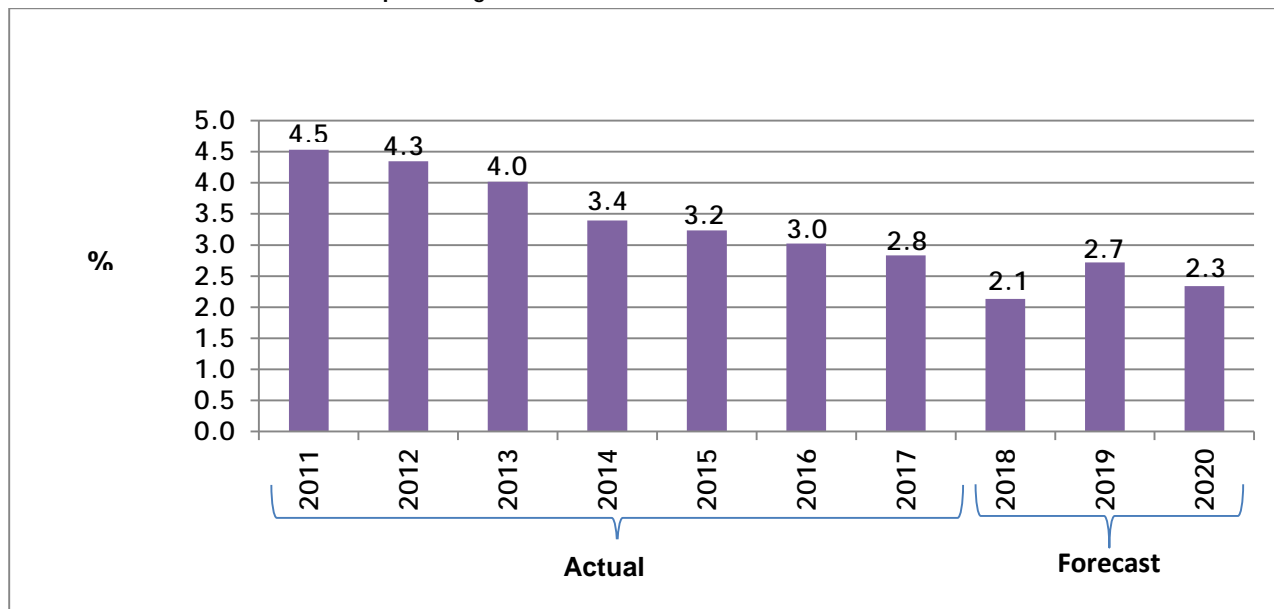
Norm = 6% - 8%

2011 - 2017 = Actual

2018 - 2020 = Forecast

This graph indicates affordability of interest on loans plus capital redemption. The ratio is well within the norm of 6% to 8%

## Interest Paid as a % of Total Operating Income



Interest Paid Ratio = Finance Charges as a % of Total Operating Income

2011 - 2017 = Actual

2018 - 2020 = Forecast

This graph represents the affordability of finance charges. By 2020 the finance costs will be at 2.3%, which is indeed sustainable and a fairly healthy situation. The graphs indicate that the City will not breach any of the prudential ratios over the MTREF period. The borrowings are therefore sustainable and affordable.

## FUTURE TREND

Government grants are budgeted to fund the bulk of capex spend annually (2018: 53%; 2019: 52%; 2020: 51%), underpinned by the Urban Settlement Development Grant. The City is expected to source around R 3.0 billion in new loans annually from 2018 to 2020. *TABLE SA17 provides a detailed analysis of the City's borrowing liability.*

The gearing is forecast to remain at 28% in 2018, and drop to 26% in 2019 and further to 24% in 2020. Furthermore, liquidity metrics are expected to remain sound, with day's cash on hand forecast to be maintained about 50 days over the next 3 years.

Forecast Balance Sheet (Rm)	Actual	Forecast		
	2017	2018	2019	2020
Short term debt	793.5	761.1	785.5	888.7
Long term debt	8,042.5	8,424.5	8,608.0	8,449.4
<b>Total debt</b>	<b>8,836.0</b>	<b>9,185.6</b>	<b>9,393.5</b>	<b>9,338.1</b>
Cash & cash investments*	6,230	5,997	4,683	3,583
<b>Key ratios</b>				
Total debt: income (%)	28.0	28.0	26.0	24.0
Cash cover S/T debt (x)	7.9	7.9	6.0	4.0
Cash on hand (days)*	67	63	48	34

\* Includes GIF and unspent conditional grants

## INVESTMENTS

Investments made with the various financial institutions are strictly in compliance with Municipal Finance Management Act and the Investment Regulations.

The investment returns achieved and projections are as follows: -

	<u>30 June 2016</u>	<u>30 June 2017</u>
	<u>%</u>	<u>%</u>
Average rate of return on investments	7.41	7.90

Cash which is surplus to immediate requirements is invested in short term money market instruments in terms of a stringent investment policy.

*TABLES SA15 & SA16 provide details of investments and investments particular by maturity.*

However, it must be remembered that this entire amount does not represent 'unrestricted' cash. The following amounts are ring fenced, viz. Self-Insurance Fund of R 1.3 billion and Unspent Conditional Grants of R 750.0 million. A cash holding of R 6.9 billion at 30 June 2016 represents 91 Days Cash on Hand which is in line with the National Treasury norm of 1 - 3 months.

## RISKS ASSOCIATED WITH AGGRESSIVE CAPITAL BUDGET

The following risks need to be acknowledged before any consideration can be given to increasing the utilisation of internally generated funds for the financing of the Capital Budget, viz:

- Whilst the City presently enjoys a healthy debtor's collection rate, sustained high tariff increases being passed onto consumers may present a challenge in terms of sustaining these levels in the future.
- Depreciation provisions every year have to be 'cash backed', after providing for the National Treasury norm for Days Cash on Hand of 90 days. This places a significant higher demand on maintaining cash resources.

### 2.5.4 PRICE MOVEMENTS ON SPECIFICS

The tariff for 2018/2019 bulk water purchases from Umgeni Water is R 7.79 per kl. Umgeni Water has advised that there will be a 15 % average increase. The increase is above the current inflation rate to fund future infrastructure development projects. A provision of R . billion has been made in respect of bulk purchases of water.

Purchase of bulk electricity from Eskom amounts to R 8.91 billion. This budget provision includes an estimated 7.32 % increase in the Eskom price of bulk electricity supplied to municipalities as approved by NERSA.

### 2.5.5 TIMING OF REVENUE COLLECTION

Consumers are billed monthly in respect of services in the form of a consolidated bill. All annual residential and commercial ratepayers have been converted to monthly ratepayers. However, government departments and companies with more than 150 accounts are allowed to pay annually (by October).

### 2.5.6 AVERAGE SALARY INCREASES

The budgeted salary increase is 7.5 % for the fiscal year. The multi-year Salary and Wage collective agreement for the period 1 July 2018 to 30 June 2021 is still under negotiation. Provision has been made for actual positions and vacancies together with notch increases.

### 2.5.7 CHANGING DEMAND CHARACTERISTICS (DEMAND FOR SERVICES)

South African cities have grown rapidly because of the obvious economic opportunities and prospects, but also because people view cities as places where livelihoods can be improved and access to services is better. Over the past few years, cities and towns have experienced the biggest increase in population, this urbanisation trend is likely to continue. Municipalities face growing pressures from both the rising cost of bulk services and rapidly growing numbers of households. Infrastructure and service delivery functions need to interact effectively to promote efficiency, employment and integrated development. The current pace of urban population growth is outstripping economic growth, presenting major challenges to municipalities. eThekweni finds itself in a difficult situation since its good track record of service delivery is attracting further in-migration. Being the economic hub of the province, the water requirements of the city are growing rapidly. This is as a result of economic growth, urbanization of the population and associated expansion of residential and other developments being implemented. This trend is expected to continue over the medium term as reflected in planned new urban developments.

### 2.5.8 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMS

Capital expenditure has gained momentum over recent years, as improved capacity and better planning have begun to gain traction. Improved levels of capital expenditure have followed better planning, procurement and monitoring, with the top 150 projects monitored on a weekly basis and remedial action instituted where necessary. In this regard the 2017/18 capital project spending is estimated to progress to a rate of 99 % of the capital budget. Procurement scheduling has been introduced to ensure that the procurement processes are initiated early enough to ensure that all procurement activities for major projects are finalised timeously to achieve 100 % capital spend for the year. The municipality has demonstrated over a number of years that it has the ability to spend and deliver on its programmes in its area of jurisdiction. In respect of the operating budget indications are that there might be a slight under spending on employee related costs due to delays in filling of vacancies.

### CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework of three years unless section 33 process of the MFMA has been complied with. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department. *Further details are reflected in Supporting Table SA33.*

### 2.5.9 COST OF SERVICE DELIVERY VS AFFORDABILITY

Over the past few years the functions the eThekweni Municipality has been expected to perform increased according to the needs of the community. Poverty and unemployment is also prevalent in the municipal area. In order to provide assistance to the poorest of the poor the municipality has developed a social welfare package to assist those residents who cannot afford to pay for Services (*Refer to Section 2.3.2 for details*).

## 2.6 OVERVIEW OF BUDGET FUNDING

### FISCAL OVERVIEW

The Municipality continues to display a sound financial profile and high liquidity levels, which is mainly attributable to:

- Balanced budgets being funded from current financial year's revenue. Prior year's surpluses have not been used to support the operating budget.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.

In compliance with relevant statutory requirements, the Financial Plan (Medium Term Revenue and Expenditure Framework-MTREF) is reviewed and updated annually.

### FUNDING OF CAPITAL BUDGET

The Capital budget is funded by the allocations made to the city by National and Provincial Government in the form of grants, as well as public contributions and donations, borrowings and internally generated funds.

#### 2.6.1 LOAN DEBT AND INVESTMENTS

In terms of funding the capital budget, the municipality is in a fortunate position to undertake much needed service delivery programmes from both internally generated reserves and long term external funding. In the latter case, the municipality with its sound financial credentials has financing options available that are in line with the MFMA and the Municipal Borrowing Framework. Section 45 of the MFMA guides short term borrowing in the city. In line with the anticipated budget performance, and taking into account the National and Provincial grant allocations, the municipality will continue to fund each financial year's operating budget from current revenues.

Investments for the municipality are done in accordance and adherence with the Municipal Investment Regulation of the MFMA, Councils Investment Policy and other relevant legislation. Cash flow forecasts and cash needs by the city provide guidance for the type of investments employed.

The investments are made with primary regard to the risk profile, liquidity needs of the city and the return on investments. In so far as the investment and borrowing activities are concerned, all the requirements of the MFMA have been complied with.

#### Funding of Operating Budget

Funding is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, and refuse collection, property rates, grants and subsidies received from National and Provincial governments.

## 2.6.2 SOURCES OF FUNDING

In the case of eThekweni, a basket of differential tariff increases determines the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities and national legislation, regulations and policy guidelines.

The City's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants, borrowings, cash reserves and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality.

In addition to the obvious need to grow the city's revenue by increasing its tax base, other means for securing funding for council projects must be explored in a variety of ways. The city faces invidious choices in attempting to finance the projected levels of investment in infrastructure. Sources of capital finance are already stretched with limited scope for further borrowing, consumer pressure to restrict tariff and tax increases, and little likelihood of a structural upward adjustment in grant allocations.

Further, efficiencies in the borrowing programme will continue to be sought to lock in lower cost and longer term borrowing, plus the introduction of new revenue sources such as development charges.

## 2.6.3 SAVINGS AND EFFICIENCIES

### 2.6.3.1 Costs Savings, Productivity and Business Process Improvement Initiatives:

A number of projects have been embarked upon by the Special Projects & Cost Savings, Internal Control, Energy Office, Organizational Development and Management Services Departments, in conjunction with the relevant operational departments to improve efficiencies and reduce costs Council wide.

Contracts Register - Controlling Procurement Contracts:

EThekweni Council in 15/16 had 100% signoff by the Departmental Unit heads and 16/17 the register is 98% signed off, thus creating a comprehensive list of all contracts that were award above R200 000 for these respective financial years. The Council wide contracts register is a control document to monitor that contracts that are expiring and may need renewal so that the procurement process can start well in advance (9-12 months) so that goods or services can be procured in time for the relevant financial year of operation.

The first phase of automating the contracts register has been completed, in that the contracts register now resides in the JDE-E1 accounting system and the Contracts Register for 2017/18 being produced the JDE-Lite System with Unit Heads verifying the information quarterly. The second phase of the contracts register which addresses all contracts below R 200 000 has commenced.

With the implementation JDE-E1 ERP system and the added module to track budgeted expenditure against actual spend, allows managers to prevent over spending on the budget and contract values. The tracking of the tender process is currently being rolled out via the e-procurement system which links national treasury's Central Supplier Database (CSD) to the e-Procurement System which will integrate with the ERP JDE-E1 financial system creating a seamless electronic transaction trail in the vetting and compliance of Suppliers; tracking the award of tenders and creation of contract records in the ERP JDE-E1 system. Creating a better control and compliance environment, to reduce costs, creating greater efficiency and preventing unnecessary irregular expenditure.

Salaries and Overtime:

Projects on employee verification and tighter controls on the processing of salaries will be undertaken to ensure employee costs are accurate. Managers will also carry out monthly verification of active employees to certify that employees processed on the payroll have indeed been on duty and to ensure that terminated employees are timeously and correctly processed on the payroll. Projects within the Electricity and Water Units have been undertaken to limit overtime worked to 40 hours as required by the Basic Conditions of Employment Act, unless in the case emergencies or natural disasters, where the Unit Head will approved overtime exceeding 40 hours per week. A post implementation review will be conducted on overtime in both these Units.



## Revenue Projects:

### Valuation Roll Fluctuations:

With the implementation of the new market value valuation after the required 5 year period, which was effective 1 July 2017, a project to identify and investigate unusually low or high valuations and exempt properties on the rates base has commenced to ensure that the property values have been correctly assessed and the revenue for rates is correctly levied on a property in terms of the actual use..

### Review of Council owned properties with buildings that are leased:

The review of all Council owned residential property is being undertaken to assess if there is still a need for staff to occupy these properties e.g. emergency staff required to stay in close proximity of a fire station and whether the costs to maintain these residential units and the rental is cost effective and market related and option to sell these properties or rezone them to business commercial is being explored to effectively increase revenue from the rates base.

### Tariff Changes based on actual property Use:

The Revenue Projects for matching of property use for rates to services for water and electricity has been implemented to ensure that the correct service tariffs are being charged to the property owner and recovering any revenue understated. The additional revenue effected on properties changing residential tariffs to Business/Commercial will filter through in the coming financial year's revenues. This comparison of property tax and service tariffs will be an annual review to ensure alignment of the correct charges levied based on actual property use after a physical inspection is carried out. It is estimated the correction of the service tariffs from residential will bring in at least R 10 million additional revenue per year going forward.

### Data and Telephone Costs:

During the 16/17 and this financial year Special Projects reduced the Telkom bill by further R 300,000 per month by cancelling unused infrastructural (PRA Connections) rentals. The Municipality is currently negotiating with Telkom to reduce telecommunications costs even further by entering into a Master Service Agreement (MSA) in order to have all services under a single agreement to negotiate competitive pricing and higher discounts with the intention to go out to public tender in the next two years for Voice, Wifi, data and infrastructure rentals. The Telephone Usage policy is currently being drafted for Council to consider for approval and implementation in 2018/19. The policy intends to control staff telephone usage and reduce costs of outgoing calls. Data and internet use is also being reviewed to reducing costs and limit unproductive time on the internet and telephone.

### Non-Revenue Water

The objective is to reduce the water loss percentage to within the industry norm. A number of sub projects have been identified to reduce non-revenue water and water losses. Review of the efficiency of the contracted plumbers attending to leaks; recovery of revenue, via a fixed tariff from companies damaging pipes and pump equipment whilst digging up the side of the roads; reviewing the quality of materials used in plumbing low cost housing units; identification of illegal connections program and integrating systems to ensure off services on a property are billed at the correct tariff.

## Internal Control Project Strategies:

The Internal Control Unit has continued to strive towards contributing to a culture of corporate governance by ensuring that line department's processes and procedures are aligned and inclusive of reliable and adequate controls to ensure that the assets of the City are safeguarded. In summary, the Unit has planned to deliver on new and on-going projects during the 2017/18 period of reporting as follows:

### NEW

- Revenue Processes - Review of all Revenue Management Processes with the objective being to embed reliable touch point Controls within the existing SOP's or develop SOP's where they are non-existent;
- RMS Final Migration to COINS - Support Finance with ensuring that Debtor accounts and balances transferred to RMS reconcile correctly;
- Taxi Incentive Programme - Documenting of Processes and Developing of Controls into this new City venture run by GO! Durban;
- MMS transfer of staff to eThekweni - perform a full verification of all staff transferred for accuracy based on Salary values, leave balances and physical verification of staff;
- Contract Management - Review all 3yr and month to month contracts to address the Auditor General's repeat finding;
- E-Procurement System - Review all controls in the Rollout of the e-Procurement System;
- Executive Acquisitions Committee (EAC) - provide a compliance verification support service to the EAC with regards to Contract awards above R10 million;
- Benchmarking - Research with other Metro's the cost of hiring vs purchasing of VIP portable toilets;
- Human Settlements - Continuous improvement of financial controls relating to all aspects of housing delivery v.i.z. facilitating the completeness and accuracy of Housing Units for disclosure in the annual financial statements;
- ETA - Review and documentation of SOP's for all embedded processes within ETA;
- Fire and Emergency Services - Review and documentation of SOP's for all embedded processes within Fire Department; and
- Architecture - Revisit the scope of business processes to be reviewed and / or documented at Architecture.

### On-Going

- Senior Citizens Project (Adhoc) - The Vendors and deliverables are to be verified in line with the agreed specifications (Once a year);
- Commitments Project (Adhoc) - Verify the disclosure of all commitments on Contracts in the Annual Financial Statements for accuracy and completeness (at Year-end);
- Risk Management - provide ongoing support for the Cluster and Units risk management portfolio's;
- Irregular Expenditure - verification of all reports for onward submission to Bid Adjudication Committee;
- Internal Audit and Auditor General Logs - continuous monitoring and unpacking of findings to assist Line Departments in implementing controls to address the root causes which gave rise to the audit finding;
- Trending of repeat offenders in respect of irregular expenditure; and
- Ensuring that the daily EFT/ Cheque Payment Service runs efficiently.

### 2.6.3.2 Energy Office - Addressing the Climate Change Issues and Energy Efficiencies

The Energy Office in collaboration with the Environmental Planning and Climate Protection Department (EPCPD) jointly developed the Durban Climate Change Strategy (DCCS), via a participatory and consultative approach. In essence the DCCS recognises the harmful impact on human activities on the environment and seeks to reduce further anthropogenic greenhouse gas emissions through various mitigation interventions and protect against the potentially disastrous effects for climate change (climate change adaptation).

The Energy Office is responsible for climate change mitigation with the eThekweni Municipal Area. In conjunction with the DCCS, the eThekweni Energy Strategy of 2008 sets targets for the reduction of greenhouse gas gases at 27.6% by 2020. While eThekweni Municipality is generally viewed as a climate change mitigation champion and leader, the discipline is new for local government. As a result a phased and carefully planned and tested approach is needed to embedding mitigation throughout traditional municipal functions.

Some of the key projects being undertaken by the Energy Office include:

- METIS: This is the largest research project that is currently being spearheaded by the Energy Office and will culminate in a plan that will guide the eThekweni Municipality to a sustainable energy future.
- Durban Solar Map: This is a nifty, interactive tool that allows residents to calculate the amount of electricity that they can generate from a photovoltaic (PV) installation on their roof. The tool is based on GIS technology and incorporates latest solar irradiation data, financial model and some technical details.
- EOS: This is a pilot project that will see the eThekweni Municipality install 500kWp of PV on municipal owned buildings.
- Energy Efficiency Demand Side Management Programme: the eThekweni Municipality participates in the National EEDSM programme, managed by the Department of Energy. This programme aims to retrofit existing technologies (lights, pumps, etc.) with more energy efficient alternatives.

#### 2.6.3.3 Management Services - focussing on Productivity, Business Processes and Waste Elimination:

- Productivity Assessments: Productivity assessments have been undertaken at the Trading Services, Community and Emergency Services, Economic Development and Planning, Corporate and Human Resources Clusters. This will continue in other Clusters in 2018/19. The productivity intervention will benefit the organization in that management will be able to assess the functioning of their operations more accurately, excessive costs with regards to labour requirements can be minimized and controlled by having a proper system in place to determine staffing levels, and will also assist in the budgetary system where proper staffing levels can be applied. To this end, a comprehensive Productivity Management Framework has been developed and is in the process of being consulted with all stakeholders.
- Business Process Management: Thus far during this financial year BPM was undertaken at the Real Estate, SCM and Engineering Units. Furthermore, ODCM has done a massive intervention of undertaking Business Processes with a view to integrate all Customer Services within the Municipality under one roof. This will ensure that customers get assisted in one point.
- Wastage Elimination: In this regard, continuous overtime reduction interventions are being undertaken at various units including Water and Sanitation and Parks, Recreation and Culture Units. Furthermore, in 2018/19 ODCM will be undertaking reduction in the utilization of consultants at Economic Development and Planning Cluster.
- ISO 9001 (Quality Management System) Standards: In 2017/18 the ISO 9001 (Quality Management System) strategy was developed and a gap analysis undertaken in 43 UNITS within the Municipality. In 2018/19, ODCM will be implementing the Quality Management Strategy in the four (4) prioritised units which were identified during the gap analysis.
- Institutional Review: The Organizational Development and Change Management Unit has completed the Institutional Review in all Units within the Municipality except four (4) that are still finalizing their business cases. The completed structures are now at consultation stage with the Local Labour Forums. In 2018/19, ODCM will be driving the finalization of consultation process through all structures of approval.

#### 1.6.4 INVESTMENTS - CASH BACKED

Adequate provision has been made by way of external investments to ensure that cash is available on the maturity of investments. Investment income is utilized to fund the budget. The permissible reserves are cash backed in terms of the MFMA.

### 1.6.5 COLLECTION RATES FOR EACH REVENUE SOURCE

In accordance with relevant legislation and national directives, the municipality's projected revenue collection rates are based on realistic and sustainable trends. The rate of revenue collection is the cash collected from consumers expressed as a percentage of the amount billed.

The average monthly collection rate and projections for the year are as follows:

REVENUE SOURCE	Average 2016/17	Average 2017/18
Rates	91.2	88.1
Electricity	95.2	103.2
Water	94.1	83.8

The collection rate has dropped due to the slowdown in the economy and the migration to a new revenue system as minimal disconnections have been carried out. The total average collection rate is projected at 95 % and is based on a combination of actual collection rates achieved to date, and the estimated outcomes for the current financial period. The collection rates achieved for the 2016.17 year have contributed to the positive credit rating that the municipality has received.

#### Electricity

The disconnection policy is being applied for non-payment and the largest debts are being targeted.

#### Water

The programme put in place to encourage customers to pay their current accounts in return for a reduction in the debt they have incurred should yield an improvement in the collection rate.

### DEBTORS

Debtors Age Analysis as at 31 December 2017: Parent Municipality

	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	R' 000	%	R' 000	%	R' 000	%	R' 000	%	R' 000
Debtors at 31.12.2017	1,338,615	14.09	888,210	9.35	448,576	4.72	6,827,161	71.85	9,502,562
Debtors at 31.12.2016	819,426	9.65	801,174	9.44	527,714	6.22	6,339,571	74.69	8,487,885
Movement	519,189		87,036		-79,138		487,590		1,014,677
<b>% Increase/(decrease) year on year</b>		<b>63.36</b>		<b>10.86</b>		<b>-15.00</b>		<b>7.69</b>	<b>11.95</b>

*The total debtors figure is stated prior to adjustments in respect of Provision for Bad Debts.*

The total debtors outstanding of R 9.5 billion represent an increase of R1 billion, which is about 11.95% compared to December 2016. The increase is also due to increases in tariffs for services and rates. The unemployment rate has increased resulting in a number of customers defaulting on their payments.

## Collectable debt over 90 days – Categorised

DETAILS	TOTAL (R'000)
TOTAL GROSS CONSUMER DEBTORS	9,502,562
PROVISION FOR BAD DEBTS	4,373,079
<b>NET CONSUMER DEBTORS</b>	<b>5,129,483</b>
CURRENT (0 – 90 DAYS)	2,675,401
<b>COLLECTABLE DEBT MORE THAN 90 DAYS</b>	<b>2,454,082</b>
<b>BREAKDOWN OF COLLECTABLE DEBT OF MORE THAN 90 DAYS:</b>	
GOVERNMENT ( <i>Refer details below</i> )	348,181
BUSINESS	579,720
RESIDENTIAL	1,526,631
<b>TOTAL</b>	<b>2,454,082</b>

### Analysis of Total Debtors

R4.3 billion (about 46%) amounts to doubtful debts which have been included in the provision for bad debts. Although provision is made for Bad Debts amounting to R4.3 billion, this debt will not necessarily be written off. It will still be pursued until it is not feasible to recover.

Part of this provision is made up of Debt Relief Programme, Ingonyama Trust, Bodies Corporate and Deregistered Companies and interdicts against the Municipality. The categories mentioned except DRP have proven to be difficult to collect from. The debt collection processes, including the legal processes, will continue.

These doubtful debts form part of the total debts over 90 Days. R2.6 billion debt is considered current because it aged between current and 90 days. The balance of about R2.4 billion (23% of the Total Debtors) is recoverable.

Business debt of R579 million is subjected to litigation and has been handed over to the Council's panel of attorneys.

### Debt from Residential Properties includes:

- Rates & Services consumed in households with a property value of less than R250 000 which would qualify for the Debt Relief Program.
- Rates & Services consumed in properties owned by “private” individuals in the Ingonyama Trust area. These do not form part of the Ingonyama Trust Debt as listed on the Government Schedule below, but rather a separate matter.
- Deceased and Insolvent estates.

## Outstanding Government Debt

- **Section 21 Schools** - The Department of Education was previously responsible for payment for these schools. In a meeting held with the Department they pronounced that they do not have budget for payment for Section 21 schools anymore and the schools were now responsible for their municipal bills. A meeting was held with Electricity to look into installing prepaid meters for these schools to reduce the burden of the debt. However, Electricity identified that out of the 800 schools only 45 schools qualify for prepaid meters as they are one-phase meters. The balance of 755 schools use three-phase meters, hence do not qualify for prepaid meters. We are engaging the schools and the Provincial Department of Education with payment arrangements.
- **Department of Housing** – These properties were developed by the Municipality on land donated by Provincial Housing. The Department is refusing to pay for the debt and advised that the land no longer belongs to them since there were Land Availability Agreements (LAA) signed between the Department and the Municipality. A meeting was held on 3 October 2017 with Real Estate and Human Settlement to discuss how to proceed with this matter and Real Estate advised they require signed LAA's in order to exempt these properties. Real Estate requested to obtain a legal opinion on the matter since the agreements were not signed, before continuing with the exemption process. A meeting has been scheduled for feedback from Real Estate.
- **Department of Water affairs** – Negotiations between Public Works and Water affairs are ongoing regarding payment. This debt is for dams that were only rated when MPRA was implemented and were never rated before.
- **Public Works Department (National)** - These are R293 properties that are in the name of Public Works waiting to be transferred to the Municipality. The State Attorney is working on the transfers.
- **Public Works Department (Province)** - There are ongoing discussions to reconcile the accounts before payment is made by the Department. We also have Section 78 queries which have not been resolved, payment will be received once the queries have been finalised.
- **Ingonyama Trust** – The report of intergovernmental dispute resolution process was approved by Council. Legal to report on the progress. There is a deadlock in the agreement of appointing an arbitrator and a report will be submitted to council in this regard.

Total Government Debt equates to R468 million, of which R348 million is outstanding for more than 90 Days. Properties owned by the Ingonyama Trust make up about 30% of the debt over 90 days. The Legal Department will submit a report on the progress of intergovernmental dispute resolution process.

## Debt Collection Activities

In December 2017 the following activities we undertaken:

- Monthly staff deductions of not more than 25% of the Net Pay are made from staff salaries.
- There were 13,491 Electricity disconnections and 24,570 Water Disconnections for the month of December 2017.
- The collection Rate for the month of December 2017 is 91.18% and the cumulative percentage from July 2017 to December 2017 is 88.23% when you compare billing with collections.
- The Magistrates' Court Act has been amended; going forward an affordability check of customers has to be determined before the credit agreement is signed. The municipality is still negotiations with the Chief Magistrate to determine the exact documents required to obtain judgments on the customers who default on their credit agreements.

## REVENUE MANAGEMENT

The new Revenue Management System (RMS) has gone live and has been stabilized. Data migration has been the major issue. We are currently in the process of the final data migration. All accounts will be migrated onto the new system by year end. The key feature of the system is that all properties are linked to our GIS system, and all services are also linked to properties. Accordingly, the data had to be cleansed. Our internal and external auditors have looked into the system and produced reports confirming the functionality of the system. All recommendations relating to issues they have raised have been implemented.

Consumers have been encouraged to use the e-billing facilities. Consumers can obtain accounts via email. Consumers can also check their accounts online and submit their meter readings online ( iro electricity service consumption ) . We also encourage all consumers to pay their accounts via debit orders or EFT payments to make it easier for them. We are currently in the process of automating all applications to ease the frustration of our consumers.

As regards our call centres, we are currently rolling out our customer relations management (CRM) project whereby we will be consolidating all our call centres with a single number. Another key issue for our consumers have been meter readings, especially the electricity reading being undertaken on a quarterly basis, and in some instances even longer where meter readers have not been able to gain access to the property. Plans are in progress to move to monthly readings for electricity. In addition, all electricity meters will be changed to smart meters by 2026. Water are also exploring moving onto the electricity smart meters. Accordingly, within 8 years all meters will be smart meters which will enhance our ability to manage readings and accounts far more effectively.

All valuation objections lodged will be completed within 6 months. Following the objections, an appeal process will be undertaken. Every effort is being made to expedite the objection process. Where there is any refund due to any reduced value, the reduction will be backdated and interest will be paid on the difference.

### 2.6.6 LEVELS OF RATES, SERVICE CHARGES AND OTHER FEES AND CHARGES

The City's revenue quantum is determined by setting a package of tariffs which are not only affordable to the rate payers and the users of its services but deemed to be at fair and realistic levels when viewed in context of its programmes to assist those who do not have the means to pay. To maintain an effective, efficient and well-run city, tariff increases are inevitable.

Tariff- setting is a pivotal and strategic part of the compilation of the city's budget. The setting of tariffs for the 2018/19 financial year continues to be guided by a tariff policy, which provides a framework within which the eThekweni municipality can implement fair, transparent and affordable charges for the provision of services. The tariff level setting process was largely influenced by the considerable increase on bulk electricity purchases and the disproportionate increase above CPI levels. This has distorted the city's average tariff and charges increases. The adverse impact of the current economic climate coupled with unfavourable external financial pressures on services makes tariff increases higher than CPI levels inevitable. In determining the increase in rates tariffs and other charges these are reflective of the appropriate balance between the interest of poor households, other customers and also ensuring the financial sustainability of the municipality.

The following principles and guidelines have been considered in the 2018/19 MTREF:

- Realistic revenue estimates through a conservative, objective and analytical process.
- Identification and pursuance of grants from national, provincial and other agencies.
- The impact of inflation and other cost drivers.
- Credible collection rates.
- Local economic conditions.
- The impact of cross subsidisation
- The ability of the community to pay for services rendered.

As in the past, the above principles dictate the annual increase in the tariffs charged to the consumers and the ratepayers.

## RATES

Property tax represents the second most substantial tax revenue for the municipality. It is a well-founded tax with a long and sustained history. This source of revenue is a relative stable source as it is not substantially affected by economic cycles, as is the case with other tariffs. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. Rates will be levied based on The General Valuation Roll 2017 and relative supplementary valuation rolls. The implementation date for the General Valuation Roll 2017 is 1 July 2017. The levying of rates in terms of the Municipal Property Rates Act whereby properties are valued based on market value as at the date of valuation, is being applied for this Medium Term Budget.

## VALUATION ROLL

In accordance with the provisions of the Municipal Property Rates Act (MPRA), the eThekweni Municipality has undertaken a general valuation of all properties across the Metro. A general valuation is required to be undertaken at least once every four years in terms of the Municipal Property Rates Act. Previous rolls were released in 2008 and 2012. The third General Valuation (GV2017) came into effect from 1 July 2017 to 30 June 2021. The date of valuation has been determined as 2 July 2016 and the general valuation reflects the market value of all properties in accordance with property market conditions that applied at that date.

## ELECTRICITY AND WATER

The increase in water and electricity tariffs is consistent with National Policy on the provision of free basic services, Council's Indigent relief measures and tariff policies. The tariff increases are necessary due to the increase in the cost of bulk purchases, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the services. In the review of the tariffs for water and electricity, the municipality ensures that the level of tariffs are cost - reflective including the cost of maintenance and renewal of networks and the cost associated with reticulation expansion and that the associated structure of the tariffs encourage efficient and sustainable consumption.

With regard to water service, a flat service charge rate is to be investigated for formal properties valued below R 230 000 and as well as those informal settlements where water and ablution facilities have been provided.

## REFUSE REMOVAL

The increase in the domestic refuse removal tariff for the 2018/19 year is mainly due to salary increases, conversion of agency staff to permanent and the increased cost of the purchase of refuse bags.

## SEWERAGE

With effect from the 2011/12 year, a volume based sewage disposal charge system was introduced based on the percentage of water consumption. A flat tariff is charged to Non-Domestic Consumers and a stepped tariff to Domestic Consumers in line with the consumption bands for water. The progressive nature of the existing domestic stepped tariff structure for the both water and sanitation allows for the needs of the indigent. It is also designed to discourage high water consumption levels which have an impact in on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption level to ensure availability.



## 2.7 GRANT ALLOCATIONS

Municipalities play a critical role in furthering government's objective of providing services to all. Cities are also driving South Africa's growth and development. However to play these roles, cities need to be supported and funded. Local Government conditional grants are being reformed to provide targeted support to different types of municipalities. The following projected grant allocations to the municipality in terms of the 2018 Division of Revenue Bill have been included in this medium term budget.

GRANT	2018/19 R m	2019/20 R m	2020/21 R m
Energy efficiency and Demand Side Management Grant	14.0	15.0	15.0
Financial Management Grant	1.0	1.0	1.0
Public Transport Infrastructure Grant	883.9	840.5	886.8
Equitable Share	2 893.0	3 160.6	3 473.2
Urban Settlements Development Grant	1 966.9	2 066.8	2 180.6
General Fuel Levy	2 338.7	2 518.7	2 735.5
Infrastructure Skills Development Grant	30.5	31.0	32.0
Neighbourhood Development Partnership Grant	25.2	64.7	109.7
Integrated National Electrification Programme Grant	27.0	45.0	50.0
Integrated City Development Grant	45.6	52.4	55.3

## 2.8 LEGISLATION COMPLIANCE STATUS

### DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

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

#### BUDGET

This annual budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations, and National Treasury requirements into account. Budgets are being tabled and approved within the required legislative timeframes.

#### IDP

The 2016/17 review process is underway, with community consultation already undertaken as required by legislation.

#### ANNUAL REPORT

The 2016/17 Annual Report has been developed taking into account the MFMA and National Treasury requirements. The draft report was noted by council at its meeting held on 31 January 2017 and thereafter entered the public participation phase for comments until 31 March 2017.

#### IN-YEAR REPORTING

100 % compliance with regards to monthly, quarterly and annual reports to Council, Provincial and National treasury

#### BUDGET AND TREASURY OFFICES

A Budget and Treasury Office has been established in accordance with the MFMA and National Treasury requirements

#### AUDIT COMMITTEE

The Audit Committee, an independent external committee established since 1 July 2005, provides an oversight function over the financial and risk management and performance of the municipality.

#### MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

This committee ensures that the administration, municipal agencies and entities are held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilisation of council resources.

#### ETHICS COMMITTEE

Council established the Ethics Committee to ensure compliance with the Code of Conduct and to investigate and make a finding in any alleged breach.

## 2.9 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. The SDBIP provides a credible information management plan to ensure service delivery targets and other performance management indicators are achieved. It is the mechanism that ensures that the IDP and Budget are aligned. The focus of the SDBIP is the creation of both financial and non-financial measurable performance objectives in the form of service delivery targets.

The SDBIP of eThekweni Municipality is developed according to the eight point plan as set out in the Municipal IDP. It contains the Strategic Focus Areas which is then drilled down into Programmes, projects and sub-projects. It reflects the quarterly and annual targets and the actual achievements/ non achievement of these targets is monitored on a quarterly basis. The ultimate aim of this monitoring is to ensure that the Municipality achieves its objectives. Where targets are not achieved, reasons for non-achievement and corrective action to be implemented are required. The City's strategic planning documents i.e. the IDP, Budget, organisational scorecard and the SDBIP are all linked.

### STATISTICAL INFORMATION

#### COMMUNITY AND EMERGENCY SERVICES

#### HEALTH

##### Environmental Health:

Number of air pollution monitoring stations	33
Number of industries with scheduled trade permits	159
Number of Environmental Impact assessments commented on	75
Number of building plans commented on	792
Number of Major Hazard installations inspected	217

##### Clinical Services:

Number of clinics	59
Number of mobile clinic services and health posts	41
Number of children under 1 year fully immunized	35 178
Number of patients screened and treated for chronic medical conditions	742 365
Number of women screened for cervical cancer	29 785
Number of vaccinations undertaken	223 740

## PARKS, RECREATION AND CULTURE

Number of Swimming Pools	52
Number of Soccer Fields	336
Number of Cricket Wickets	66
Number of Hockey Fields	5
Number of Rugby Fields	9
Number of Bowling Greens	5
Number of Netball Courts	53
Number of Volley Ball Courts/Combi-Courts	75
Number of Stadia	11
Number of Community Halls	163
Number of Golf Courses	2
Number of Cemeteries	65
Number of Crematoria	2
Number of Developed Horticultural Parks	150
Number of Nurseries (ha)	9
Number of Developed Playground sites	627
Number of burials (excluding paupers)	7 085
Number of cremations	1 719
Number of graveyards maintained	65
Number of Public Conveniences	52
Number of Natural Resource Areas maintained	75
Number of libraries	94
Number of library membership	300 373
Number of books issued	2 714 848
Number of museums	18
Number of museum visitors - Durban Art Gallery	106 255
Number of museum visitors - Natural Science Museums	94 490
Number of museum visitors - Local History Museums	104 682
Area of Developed Horticulture Parks	5 969
Area of verges maintained (ha)	642 579
Number of Beaches	17
Number of Kickabout fields	332

## EMERGENCY SERVICES

### Fire:

Number of fire stations	21
Number of staff	735
Number of vehicles	161
Number of fires attended to	5 647
Number of special services attended to	2 829

Emergency Management and Control Centre:

Number of staff	186
Number of vehicles	27
Number of calls attended to annually	60 596

**OFFICE OF THE CITY MANAGER**

**INFORMATION TECHNOLOGY**

Number of bills printed per month	850 000
Number of payslips for staff	26 000
Number of letters and notices	3 000
Number of fines processed per month	70 000
Number of online mainframe transactions	900 000

**LEGAL SERVICES**

Number of prosecutions	59 703
Number of pages translated	4 773
Number of meetings where translation service was provided	793
Number of trade licences issued	1 046
Number of premises inspected	8 634

**INTERNAL AUDIT**

General Audits	338
Systems Review	43
Special Investigations	-

**OMBUDSPERSON AND HEAD:INVESTIGATIONS**

Investigative Services:

Metro Police Cases	5
Investigation Cases	151
Ombudsman Cases	-

## METRO POLICE

Number of police stations	28
Number of satellite stations	5
Number of staff	2 397
Number of motor vehicles	507
Number of motor bikes	56
Number of firearms	3 250
Number of fines prosecuted - annually	514 826

## ECONOMIC DEVELOPMENT AND PLANNING

### BUSINESS SUPPORT AND MARKETS

#### Business Support:

Number of permit holders	42 300
SMMEs showcasing at Main Fair	900

Visitors to SMME Fairs	85 000
Number of traders at container parks	210

#### Retail Markets:

Number of Retail Markets Managed	16
Number of Flea Markets Managed	3
Number of traders at Central Market	221

#### Durban National Fresh Produce Market (Bulk Markets):

Projected turnover (R'm)	1 520
National market share (%)	10
Number of buyers	3 000
Number of suppliers	2 000
Number of Transactions (R'm)	1.3
Ripening Rooms capacity (pallets)	810
Cold Rooms capacity (pallets)	804

## DURBAN TOURISM

### Events:

Direct Financial Impact (R'm)	545
Number of part-time jobs created - days worked	9 838
Number of permanent jobs created	1 852
Direct socio-economic impact (R'bn)	1
Media Exposure value (R'm)	188
New Event Co-ordinators trained	3

### Tourism :

Number of domestic visitors (million)	3
Number of International Visitors	340 000

### Visitors to the Durban Tourism offices:

Walk -in	80 325
Telephone	209 225

### Indaba :

Number of Exhibitors	4 500
Number of visitors	10 500
Socio - economic impact (R'm)	89

## ECONOMIC DEVELOPMENT

### Sector Support:

Number of Strategic Township Development Projects	8
Number of Town Centre Renewal Projects	5
Number of Upgrade of Tourism Nodes and Corridors Projects	2

### Durban Film Office:

Commercials	20
Feature Films	57
Documentaries	30
Stills	26
Music Videos	26
TV Series	35
Number of Development Workshops	4
Number of Workshop attendees	200
Number of Filmmaker Supported	7
Number of Interns Employed	2

## **DURBAN INVESTMENT PROMOTION:**

Durban Investment Dashboard Value (R' bn)	720
Number of Foreign Direct Investors in facilitation	12
Rand amount of Foreign Direct Investment Pipeline (R' m)	18
Number of Existing Investors in facilitation	7
Rand amount of Existing Investment Pipeline (R' m)	134
Number of Bus. Retention & Expansion Action Teams	2
Number of Dbn Inv Promo & Marketing events/missions, etc.	11

## **DEVELOPMENT PLANNING, ENVIRONMENT & MANAGEMENT**

Number of building applications approved	3 524
Number of summonses served	1 197
Estimated value of approved applications (R'bn)	12

## **ENGINEERING AND TRANSPORT**

### **ENGINEERING**

Length of surface roads and streets (km's)	6 900
Length of maintained unsurfaced roads and streets (km's)	1 470
Number of Stormwater complaints attended to	5 118

### **ETHEKWINI TRANSPORT AUTHORITY**

Length of dedicated cycle lanes (Km's)	5
Number of traffic signals to be installed in the current year	7
Number of new traffic signals to be installed in 2015/2016	10
Number of bus shelters	152
Number of taxi ranks	69
Number of bus ranks	11

## **TRADING SERVICES AND HUMAN SETTLEMENTS**

### **WATER**

Total length of pipelines (km)	12 696
Number of Consumers	919 313
Units purchased/purified (ml/d)	878
Storage Facilities	363
Pump Stations	133
Purification Works	6



## SANITATION

Number of wastewater treatment works	27
Number of Wastewater Pump Station	247
Number of UD Toilets installed	91 463
Effluent flows into the Treatment Works (kl/d)	471 153
Total Length of Sewer Pipelines (km's)	8 383
Number of Ablution Facilities	1 425
Number of VIP's	26 045

## SOLID WASTE

Number of depots	31
Number of fleet workshop	3
Number of community based contractors	367
Job creation through community based contractors	1 101
Number of skips (business, permanent and casual)	2 292
Number of landfill sites	4
Number of transfer stations	7
Number of garden refuse sites	14
Vehicle fleet complement	581
Number of recycling drop off centres	15
Number of recycling buy-back centres	7
Number of tons removed & disposed	1 405 800
Number of houses serviced	1 046 307
Number of refuse bags distributed (black) (million)	103
Street litter bags (million)	6
Orange bags - recycling (million)	14

## ELECTRICITY

Number of customer base	768 005
Number of reticulation faults attended to	223 000
Number of FBE beneficiaries	149 870
Number of major substations	143

## HUMAN SETTLEMENTS

Housing stock (Rental / Selling):	240
Hostels	10
Rental Stock	6 810
Rental Stock (Social Housing)	275
New houses to be constructed	3 140

## CORPORATE HUMAN RESOURCES

### OCCUPATIONAL HEALTH

Number of Clinics	7
IOD management at clinic	1 350
Attendance at clinics	23 800
Primary medical care	9 005
Medical surveillance employees	11 500
Wellness	8 500
Sick leave management	2 500

### SKILLS DEVELOPMENT UNIT

Training interventions on WSP	19 015
Management Development Programmes	418
Staff Adult Education and Training	114
Community Adult Education and Training	50
Access to Occupational directed programmes	390
· In-service Trainee /Interns/Work Experience Learners	1 000
· 5 Learnerships Programmes	
o Early childhood Development	10
o Professional Driver	25
o Payroll Administration	20
o Disaster Management	12
o Female Fire Fighters	30
o Internal Audit	20

### MANAGEMENT SERVICES

#### Summary of Projects

Productivity Interventions	45
Business Process Re-engineering	18
Wastage Elimination	1
Undertake Organisational Development and change interventions	4
Improve and Monitor Productivity	3
Organisational Transformation and Efficiency Projects including Institutional Review	3
Undertake office automation projects	28

## HUMAN RESOURCES UNIT

### Labour Relations:

· No. of arbitration awards	24
· No. of Arbitration Matters referred to Labour Court	52

### Recruitment Turnover

· Labour Turnover	601
· Labour Turnover (TK09-TK25)	398
· No. of Appointments	2 274
· EThekwini Employees	25 007

## GOVERNANCE

### CITY HALL

Number of City Hall bookings for the year	350
Number of Printing jobs and duplicating jobs	12 000
Number of Council meetings	14
Number of Events and Special Programmes	7

### COMMUNITY PARTICIPATION

Number of soup kitchens	73
Number of indigent people fed per month	756 000
Number of grant-in-aid beneficiaries	125

### REGIONAL CENTRES

Number of Customers Accessing One Stop Shops	2 444 228
Number of Buildings maintained	51

### COMMUNICATIONS

Number of copies of eZasegagasini printed and distributed fortnightly	600 000
Number of copies of the Workplace printed and distributed monthly	10 000
Number of alternative reading material of the eZasegagasini Metro - per issue	500

## INTERNATIONAL GOVERNANCE

Unit specific, special and adhoc events	25
Sister City agreements through 45 active projects.	80
Inter-municipal co-operation projects	65
Incoming international delegates	1 800

## FINANCE

### REAL ESTATE

Number of leases/ tenancies administered (annually)	5 057
Value of leases/ tenancies (R'm)	96
Number of properties sold	36
Value of properties sold (R'm)	16
Number of properties on valuation roll	560 426
Value of properties on valuation roll (R'bn)	517

### EXPENDITURE

Number of billed monthly customers	731 467
Average number of queries handled by counter staff in a month	87 314
Average revenue clearance certificates issued per month	2 069
Average number of calls received per month - Call Centre	59 257
Average number of correspondence received per month -letters	17 214

### CITY FLEET

Average age of light vehicles	9
Number of City Fleet depots	7
Vehicle availability (%)	92
Fleet Count:	3 759
Trucks	785
Plants	264
Light Vehicles	2 596
Trailers	114

## DURBAN TRANSPORT

Fleet Count:	566
Acqualine	490
Mynah Bus	14
People Mover Bus	22
Airport Shuttle Bus	10
Metro Police Bus	1
Rikshaw Bus	2
Bus Ticketing Muvo Van	14
Bus Availability (%)	93
Total Replacement Value of buses (R'bn)	2 500
Number of depots	4
Number of kiosks	30
Approximate average trips per day	21 640

## SUPPLY CHAIN MANAGEMENT

Total number of tenders awarded	877
Value of tenders awarded (R'bn)	5
Number of tenders awarded to PBE's	248
Number of tenders awarded to BBE's	488
Number of tenders awarded to WBE's	179
Number of tenders awarded to unregistered companies/suppliers	67
Value of tenders awarded to unregistered companies/ suppliers (R'm)	63 412