

# KOUGA LOCAL MUNICIPALITY



**2018/19 – 2020/21**

**DRAFT**

**ANNUAL BUDGET**

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## **PART 1 – ANNUAL BUDGET**

### **1.1 EXECUTIVE MAYOR'S REPORT**

*To be inserted upon the final submission of the Budget.*

## 1.2 **COUNCIL RESOLUTIONS**

(a) The Executive Mayor recommends that the Council resolves that:

1. The draft annual budget of the Kouga Municipality for the financial year 2018/19 and the indicative allocations for the projected outer years 2019/20 and 2020/21; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 16 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in the following tables:

- 1.1 Consolidated Budget Summary [Page 20];
- 1.2 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 22]
- 1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 24]
- 1.4 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 25]
- 1.5 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 28]

2. The budgeted financial position, budgeted cash flows, cash-backed reserves/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:

- 2.1 Budgeted Financial Position; [Page 30]
- 2.2 Budgeted Cash Flows; [Page 32]
- 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 33]
- 2.4 Asset management; [Page 34]
- 2.5 Basic service delivery measurement. [Page 37]

3. The tariffs be increased as follows, with effect from 1 July 2018:

Property rates	7.5%
Water	11.5%
Sanitation	9%
Refuse	8%
Electricity (average increase in electricity income)	6.84%
Environmental Management Fee	6%

4. The indicative tariffs for 2019/20 and 2020/21 be increased as follows:

	<u>2019/20</u>	<u>2020/21</u>
Property rates	7.5%	7.5%
Water	11.5%	11.5%
Sanitation	9%	9%
Refuse	8%	8%
Electricity (average increase in electricity income)	6.84%	6.84%
Environmental Management Fee	6%	6%

5. That the Director: Infrastructure and Engineering reports on the implementation of a strategy by 20 April 2018 to the Office of the Municipal Manager, to reduce non-technical electricity losses.
6. That the Director: Infrastructure and Engineering reports on the implementation of a strategy by 20 April 2018 to the Office of the Municipal Manager, to reduce water losses.
7. That the Director: Community Services reports on the implementation of a strategy by 20 April 2018 to the Office of the Municipal Manager, to collect outstanding traffic fines.
8. That the Director: Corporate Services reports on the implementation of a strategy by 20 April 2018 to the Office of the Municipal Manager, to contain personnel expenditure.
9. That the relevant Directors submit their respective Maintenance Plans, in support of the 2018/19 – 2020/21 Draft Annual Budget to the Office of the Municipal Manager, by not later than 20 April 2018.
10. That the relevant Directors submit their respective Procurement Plans, in support of the 2018/19 – 2020/21 Draft Annual Budget to the Office of the Municipal Manager, by not later than 4 May 2018.
11. That the 2018/19 – 2020/21 Draft Annual Budget be referred to the Budget Steering Committee for further deliberations on 10 April 2018 and 24 April 2018 respectively, whereafter the Draft Budget be referred to a Special Mayoral Committee Meeting.

### **1.3 EXECUTIVE SUMMARY**

The key service delivery priorities, as reflected in the IDP, informed the development of the Draft Budget, including the need to maintain and improve the Municipality's financial sustainability.

It is also to be noted, that cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75,78,79,85,86, 88, 89 and 91 (refer to Annexures "A" and "B") were used to guide the compilation of the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2018/19 MTREF:

- Maintaining an acceptable employee related costs ratio;
- Increased costs associated with bulk water purchases, placing upward pressure on municipal tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining electricity and water losses at acceptable levels;
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio;

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

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

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

**Table 1 (Overview of the 2018/19 MTREF)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2018/19	% Increase	Budget Year 2019/20	% Increase	Budget Year 2020/21	% Increase
R thousand							
Total Operating Revenue	689 026	732 962	6.38%	789 761	7.75%	853 686	8.09%
Total Operating Expenditure	755 421	786 146	4.07%	828 572	5.40%	874 056	5.49%
Surplus/(Deficit)	(66 395)	(53 184)	-19.90%	(38 811)	-27.02%	(20 370)	-47.52%
Capital Expenditure	69 434	71 595	3.11%	75 461	5.40%	79 611	5.50%

Total operating revenue has increased by 6.38% or R 43,936 million for the 2018/19 financial year, compared to the 2017/18 Adjustments Budget.

For the two outer years, operational revenue increases by 7.75% and 8.09% respectively, resulting in a total revenue growth of R 164,659 million over the MTREF, when compared to the 2017/18 financial year.

Total operating expenditure for the 2018/19 financial year amounts to R 786,146 million, resulting in a budgeted deficit of R 53,184 million. Compared to the 2017/18 Adjustments Budget, operational expenditure increased by 4.07% in the 2018/19 Budget.

For the two outer years, operational expenditure increases by 5.40% and 5.49% respectively. The 2019/20 and 2020/21 budgets reflect operating deficits of R 38,811 million and R 20,370 million respectively.

The major operating expenditure items for 2018/19 are employee related costs (34.64%), other expenditure (8.17%), bulk electricity purchases (25.56%), and depreciation (9.59%).



Funding for the 2018/19 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (54.45%), property rates (23.55%), grants and subsidies received from National and Provincial Governments (16.80%).

In order to fund the 2018/19 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2018:

Property rates	-	7.5%
Water	-	11.5%
Sanitation	-	9%
Refuse	-	8%
Electricity (average increase in income)	-	6.84%
Environmental Management Fee	-	6%

The capital budget of R 71,595 million for 2018/19 is R 2,161 million or 3.11% more than the 2017/18 Adjustments Budget. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

#### **1.4 OPERATING REVENUE FRAMEWORK**

The continued provision and expansion of municipal services, is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of vital importance in ensuring the ongoing financial sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

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

- National Treasury's guidelines in this regard;
- Tariff Policies;
- Property Rates Policy;
- Indigent Policy and provision of free basic services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 93% annual collection rate for property rates and service charges.

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

**Table 2 (Summary of main revenue sources)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	R thousand Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Revenue By Source</b>				
Property rates	160 565	172 607	185 553	199 469
Service charges - electricity revenue	230 405	246 165	263 003	280 992
Service charges - water revenue	58 871	67 702	75 488	84 169
Service charges - sanitation revenue	40 622	41 658	45 407	49 494
Service charges - refuse revenue	40 195	43 571	46 785	50 241
Service charges - other		–	–	–
Rental of facilities and equipment	1 774	1 881	1 982	2 091
Interest earned - external investments	7 405	7 561	7 969	8 408
Interest earned - outstanding debtors	8 939	7 574	7 983	8 422
Dividends received		–	–	–
Fines, penalties and forfeits	3 962	4 230	4 458	4 704
Licences and permits	12 276	8 923	9 404	9 922
Agency services	–	–	–	–
Transfers and subsidies	113 664	123 173	133 383	146 971
Other revenue	10 347	7 917	8 345	8 804
Gains on disposal of PPE		–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>689 026</b>	<b>732 962</b>	<b>789 761</b>	<b>853 686</b>

The following table illustrates the mix of main revenue sources, supporting the 2018/19 MTREF:

**Table 3 (Mix of main revenue sources)**

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year 2019/20	%	Budget Year 2020/21	%
<b>Revenue By Source</b>									
Property rates	160 565	23.30%	172 607	23.55%	185 553	23.49%	199 469	23.37%	
Service charges - electricity revenue	230 405	33.44%	246 165	33.58%	263 003	33.30%	280 992	32.92%	
Service charges - water revenue	58 871	8.54%	67 702	9.24%	75 488	9.56%	84 169	9.86%	
Service charges - sanitation revenue	40 622	5.90%	41 658	5.68%	45 407	5.75%	49 494	5.80%	
Service charges - refuse revenue	40 195	5.83%	43 571	5.94%	46 785	5.92%	50 241	5.89%	
Service charges - other									
Rental of facilities and equipment	1 774	0.26%	1 881	0.26%	1 982	0.25%	2 091	0.24%	
Interest earned - external investments	7 405	1.07%	7 561	1.03%	7 969	1.01%	8 408	0.98%	
Interest earned - outstanding debtors	8 939	1.30%	7 574	1.03%	7 983	1.01%	8 422	0.99%	
Dividends received									
Fines, penalties and forfeits	3 962	0.58%	4 230	0.58%	4 458	0.56%	4 704	0.55%	
Licences and permits	12 276	1.78%	8 923	1.22%	9 404	1.19%	9 922	1.16%	
Agency services									
Transfers and subsidies	113 664	16.50%	123 173	16.80%	133 383	16.89%	146 971	17.22%	
Other revenue	10 347	1.50%	7 917	1.08%	8 345	1.06%	8 804	1.03%	
Gains on disposal of PPE									
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>689 026</b>	<b>100.00%</b>	<b>732 962</b>	<b>100.00%</b>	<b>789 761</b>	<b>100.00%</b>	<b>853 686</b>	<b>100.00%</b>	
Total Revenue from Property Rates and Service Charges	530 659	77.02%	571 704	78.00%	616 236	78.03%	664 365	77.82%	

In the 2017/18 financial year, rates and service charges amounted to R 530,659 million. This increases to R 571,704 million, R 616,236 million and R 664,365 million in the 2018/19, 2019/20 and 2020/21 financial years, respectively.

The major operating revenue sources for 2018/19 are electricity (33.58%), property rates (23.55%), operating grants & subsidies (16.80%), water (9.24%) and refuse (5.94%).

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

**Table 4 (Operating Transfers and Grant Receipts)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
R thousand				
<b>RECEIPTS:</b>				
<b>Operating Transfers and Grants</b>				
<b>National Government:</b>	<b>106 951</b>	<b>117 493</b>	<b>127 703</b>	<b>141 291</b>
Local Government Equitable Share	102 637	113 151	124 344	137 852
Finance Management	1 700	1 770	1 770	1 770
MIG - Administration Fees	1 614	1 559	1 589	1 669
EPWP Incentive	1 000	1 013		
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sport and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>2 798</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
Local Economic Development	445	-		
Environmental Health Subsidy	2 353	1 765	1 765	1 765
<b>Other grant providers:</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>
Fire Subsidy	1 865	1 865	1 865	1 865
<b>Total Operating Transfers and Grants</b>	<b>113 664</b>	<b>123 173</b>	<b>133 383</b>	<b>146 971</b>

The Municipality is faced with the significant challenge of providing services with its limited financial resources. Against this background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows:

#### 1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as fire, library and roads and stormwater services.

The following provisions in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- An additional R85 000 rebate will be granted to registered indigents in terms of the Indigent Policy.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.

A property rates increase of 7.5% is proposed as from 1 July 2018.

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

- Employee related costs increased by 9.35%;
- Providing for debt impairment.

### 1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89 and 91, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with bulk water purchases, the maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2018/19 MTREF.

A tariff increase of 11.5% is proposed as from 1 July 2018. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 9.35%;
- The cost of bulk water purchases increased by 9.5%;
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of water consumption are progressively charged at a higher rate.

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 7.32% as from 1 July 2018. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 6.84% on average to offset the additional electricity bulk purchase costs as from 1 July 2018.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 9.35%;
- The cost of bulk electricity purchases increased by 7.32%;
- Repairs and maintenance of electricity infrastructure;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

The proposed electricity tariff increases, still require approval by NERSA.

### 1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55, 58, 66, 70, 74, 85, 88, 89 and 91, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;

- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2018/19 MTREF.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 9% is proposed as from 1 July 2018. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 9.35%;
- Providing for debt impairment.

#### **1.4.5 Refuse Collection and Impact of Tariff Increases**

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2018/19 MTREF.

A tariff increase of 8% is proposed for refuse collection, as from 1 July 2018.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 9.35%;
- Providing for debt impairment

#### **1.4.6 Environmental Management Fees and Impact of Tariff increases**

A tariff increase of 6% is proposed for the environmental management fee, as from 1 July 2018.

- Employee related costs increased by 9.35%;
- Providing for debt impairment.

### **1.5 OPERATING EXPENDITURE FRAMEWORK**

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

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- A balanced budget approach by limiting operating expenditure to the operating revenue;

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

**Table 5 (Summary of operating expenditure by standard classification item)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Expenditure By Type</b>				
Employee related costs	249 044	272 342	287 049	302 837
Remuneration of councillors	12 111	12 784	13 474	14 215
Debt impairment	49 997	40 019	43 137	46 506
Depreciation & asset impairment	83 730	75 357	79 426	83 795
Finance charges	3 768	3 021	2 201	1 238
Bulk purchases	225 623	242 976	256 096	270 182
Other materials	27 405	29 598	31 196	32 912
Contracted services	42 971	45 853	48 329	50 988
Transfers and subsidies	30	–	–	–
Other expenditure	60 742	64 196	67 663	71 384
Loss on disposal of PPE	–	–	–	–
<b>Total Expenditure</b>	<b>755 421</b>	<b>786 146</b>	<b>828 572</b>	<b>874 056</b>

The total operating expenditure increased by R 30,725 million (4.07%) from R 755,421 million in 2017/18 to R 786,146 million in 2018/19. Below is a discussion of the main expenditure components.

### Employee related costs

The 2018/19 budget provides for a general increase of 6%, in absence of an approved Salary and Wage Collective Agreement.

The total budget provision of R 272,342 million represents an increase of 9.35% over the 2018/19 budget. Employee related costs in the 2018/19 Budget, represent 34.64% of the total operating expenditure.

### Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs, in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 6% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

## **Debt Impairment**

The provision for debt impairment was determined based on a targeted annual collection rate of 93%. For the 2018/19 financial year this amounted to R 40,019 million and increases to R 46,506 million in 2020/21. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

## **Depreciation and Asset Impairment**

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 75,357 million for the 2018/19 financial and equates to 9.59% of the total operating expenditure.

## **Finance Charges**

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 0.38% (R 3,021 million) of total operating expenditure for 2018/19.

## **Bulk Electricity Purchases**

The bulk purchases of electricity increased by R 13,706 million (7.32%), from R 187,239 million in 2017/18 to R 200,945 million in 2018/19.

NERSA has approved a 7.32% increase in the Eskom bulk tariff for the 2018/19 financial year. The 2018/19 budget accordingly allows for a 7.32% increase for bulk electricity purchases from Eskom. Bulk electricity purchases constitute 25.56% of total operating expenditure for 2018/19.

## **Bulk Water Purchases**

The bulk purchases of water increased by R 3,646 million (9.50%) from R 38,384 million in 2017/18 to R 42,030 million in 2018/19. Bulk water purchases constitute 5.35% of total operating expenditure for 2018/19.

## **Other Materials**

Other materials relate to the inventory items, such as material and supplies, consumables, printing and stationery, fuel and oil etc., initially budgeted under general expenses, being transferred to other materials. This is in line with the mSCOA requirements. The budget for 2018/19 amounts to R 29,598 million and equates to 3.76% of the total operating expenditure (refer to Table A9 for full disclosure of repairs and maintenance).

## **Contracted Services**

In the 2018/19 financial year, the budget provision amounts to R 45,853 million and equates to 5.83% of the total operating expenditure.

## **Other Expenditure**

Other expenditure comprises of various line items relating to the daily operations of the municipality. In the 2018/19 financial year, the budget provision amounts to R 64,196 million and equates to 8.17% of the total operating expenditure.



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

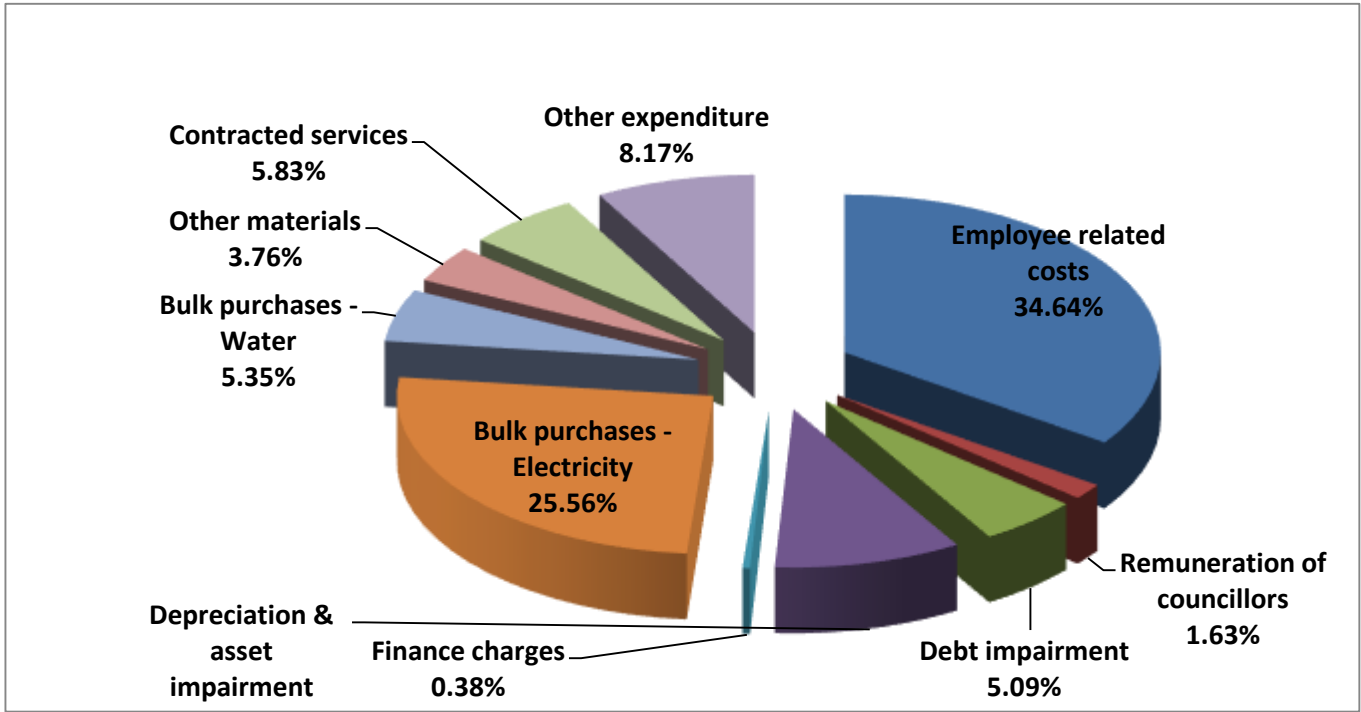


Figure 1 Main operational expenditure categories for the 2018/19 financial year

### 1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2018/19 financial year, increased by R 4,520 million or 14.22%, compared to the 2017/18 Adjustments Budget.

It is to be noted that repairs and maintenance, constitutes 4.62% of the total operating expenditure, for the 2018/19, 2019/20 and 2020/21 financial years, respectively.

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

**Table 6 (Repairs and maintenance per asset class)**

Description	Adjusted Budget	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Repairs and Maintenance by Asset Class</b>	<b>31 796</b>	<b>36 316</b>	<b>38 277</b>	<b>40 382</b>
<i>Roads Infrastructure</i>	4 889	9 815	10 345	10 914
<i>Storm water Infrastructure</i>	1 930	830	875	923
<i>Electrical Infrastructure</i>	6 443	5 795	6 108	6 444
<i>Water Supply Infrastructure</i>	4 062	3 714	3 915	4 130
<i>Sanitation Infrastructure</i>	3 117	3 956	4 170	4 399
<i>Solid Waste Infrastructure</i>	–	750	791	834
<b>Infrastructure</b>	<b>20 441</b>	<b>24 860</b>	<b>26 203</b>	<b>27 644</b>
Community Facilities	1 378	1 385	1 459	1 540
Sport and Recreation Facilities	200	200	211	222
<b>Community Assets</b>	<b>1 578</b>	<b>1 585</b>	<b>1 670</b>	<b>1 762</b>
<b>Investment properties</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Operational Buildings	842	1 834	1 933	2 040
<b>Other Assets</b>	<b>842</b>	<b>1 834</b>	<b>1 933</b>	<b>2 040</b>
<b>Biological or Cultivated Assets</b>	<b>335</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Machinery and Equipment</b>	<b>–</b>	<b>403</b>	<b>425</b>	<b>448</b>
<b>Transport Assets</b>	<b>8 600</b>	<b>7 634</b>	<b>8 046</b>	<b>8 488</b>
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>31 796</b>	<b>36 316</b>	<b>38 277</b>	<b>40 382</b>

For the 2017/18 financial year an amount of R 24,860 million (68.45%) of total repairs and maintenance, will be spent on infrastructure assets.

### 1.5.1 Free Basic Services: Indigent Support

The indigent support assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services, the households are required to register in terms of the Municipality's Indigent Policy, whilst the monthly household income may not exceed two state pensions. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

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

## 1.6 CAPITAL EXPENDITURE

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

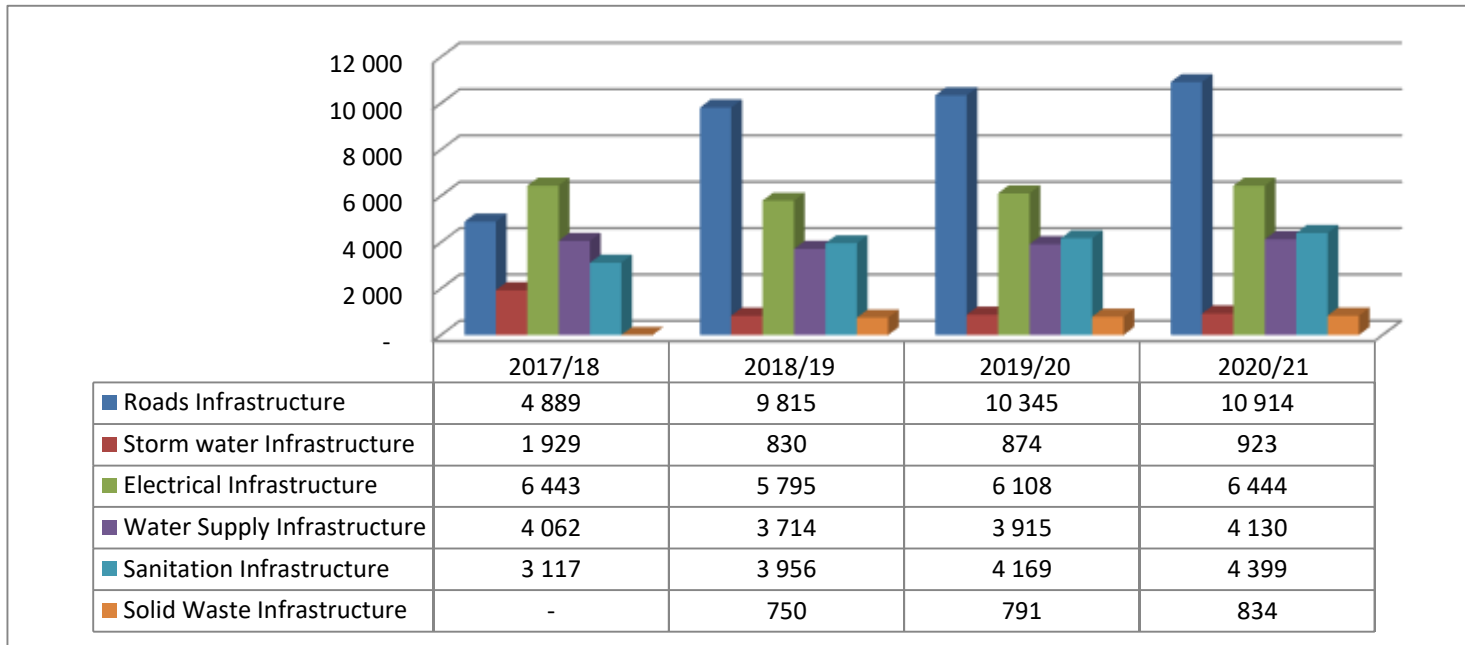
**Table 7 (2018/19 Medium-term capital budget per vote)**

Vote Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year 2019/20	%	Budget Year 2020/21	%
<b>Single-year expenditure to be appropriated</b>									
Vote 1 - Executive & Council	2 781	4.01%	2 220	3.10%	2 340	3.10%	2 469	3.10%	
Vote 2 - Financial Services	2 790	4.02%	2 407	3.36%	2 537	3.36%	2 676	3.36%	
Vote 3 - Corporate Services	2 384	3.43%	959	1.34%	1 011	1.34%	1 066	1.34%	
Vote 4 – Planning, Development & Tourism	2 027	2.92%	5 079	7.09%	5 353	7.11%	5 648	7.09%	
Vote 5 - Infrastructure and Engineering	41 287	59.46%	49 127	68.62%	51 779	68.62%	54 627	68.62%	
Vote 6 - Community Services	18 165	26.16%	11 803	16.49%	12 440	16.48%	13 125	16.49%	
<b>Total Capital Expenditure - Vote</b>	<b>69 434</b>	<b>100.00%</b>	<b>71 595</b>	<b>100.00%</b>	<b>75 461</b>	<b>100.00%</b>	<b>79 611</b>	<b>100.00%</b>	

Infrastructure and Engineering receives the highest allocation of R 49,127 million in 2018/19, which equates to 68.62%, followed by Community Services at R 11,803 million (16.49%), Planning, Development and Tourism at R 5,079 million (7.09%), Financial Services at R 2,407 million (3.36%), Executive & Council at R 2,220 million (3.10%) and Corporate Services at R 0,959 million (1.34%).

**Annexure “C”** provides a summary of the capital projects included in the Capital budget.

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



**Figure 2 Capital Infrastructure Programme rounded to the nearest R1000**

## 1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2018/19 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousands</b>				
<b>Financial Performance</b>				
Property rates	160 565	172 607	185 553	199 469
Service charges	370 094	399 096	430 683	464 895
Investment revenue	7 405	7 561	7 969	8 408
Transfers recognised - operational	113 664	123 173	133 383	146 971
Other own revenue	37 299	30 524	32 173	33 942
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>689 026</b>	<b>732 962</b>	<b>789 761</b>	<b>853 686</b>
Employee costs	249 044	272 342	287 049	302 837
Remuneration of councillors	12 111	12 784	13 474	14 215
Depreciation & asset impairment	83 730	75 357	79 426	83 795
Finance charges	3 768	3 021	2 201	1 238
Materials and bulk purchases	253 028	272 573	287 292	303 093
Transfers and grants	30	-	-	-
Other expenditure	153 710	150 069	159 129	168 877
<b>Total Expenditure</b>	<b>755 421</b>	<b>786 146</b>	<b>828 572</b>	<b>874 056</b>
<b>Surplus/(Deficit)</b>	<b>(66 395)</b>	<b>(53 184)</b>	<b>(38 811)</b>	<b>(20 370)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35 660	39 827	36 582	38 117
Contributions recognised - capital & contributed assets	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(30 735)</b>	<b>(13 357)</b>	<b>(2 229)</b>	<b>17 747</b>
Share of surplus/ (deficit) of associate	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(30 735)</b>	<b>(13 357)</b>	<b>(2 229)</b>	<b>17 747</b>
<b>Capital expenditure &amp; funds sources</b>				
<b>Capital expenditure</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>
Transfers recognised - capital	36 456	39 827	36 582	38 117
Public contributions & donations	-	-	-	-
Borrowing	-	-	-	-
Internally generated funds	32 977	31 768	38 878	41 494
<b>Total sources of capital funds</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousands</b>				
<b>Financial position</b>				
Total current assets	148 539	129 567	127 982	145 982
Total non current assets	2 656 940	2 442 954	2 450 890	2 459 409
Total current liabilities	163 348	128 386	132 888	137 098
Total non current liabilities	148 939	183 244	180 445	176 706
Community wealth/Equity	2 493 192	2 260 892	2 265 539	2 291 587
<b>Cash flows</b>				
Net cash from (used) operating	49 752	62 000	77 198	101 542
Net cash from (used) investing	(67 834)	(71 595)	(75 461)	(79 611)
Net cash from (used) financing	(6 443)	(7 179)	(7 999)	(8 952)
<b>Cash/cash equivalents at the year end</b>	59 729	42 955	36 693	49 672
<b>Cash backing/surplus reconciliation</b>				
Cash and investments available	59 729	42 955	36 693	49 672
Application of cash and investments	34 038	13 920	12 112	10 149
<b>Balance - surplus (shortfall)</b>	25 691	29 035	24 582	39 523
<b>Asset management</b>				
Asset register summary (WDV)	2 656 790	2 442 890	2 450 825	2 459 344
Depreciation	83 730	75 357	79 426	83 795
Renewal of Existing Assets	30 446	3 750	3 953	4 170
Repairs and Maintenance	31 796	36 316	38 277	40 382
<b>Free services</b>				
Cost of Free Basic Services provided	-	49 473	52 857	56 472
Revenue cost of free services provided	47 293	66 922	72 859	79 381
<b>Households below minimum service level</b>				
Water:	-	-	-	-
Sanitation/sewerage:	-	-	-	-
Energy:	-	-	-	-
Refuse:	-	-	-	-

### Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

**Table 9 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))**

Functional Classification Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	R thousand	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
	Adjusted Budget			
<b>Revenue - Functional</b>				
<b>Governance and administration</b>	<b>466 104</b>	<b>503 809</b>	<b>539 627</b>	<b>579 589</b>
Executive and council	15	26	27	29
Finance and administration	466 089	503 783	539 599	579 560
Internal audit	-	-	-	-
<b>Community and public safety</b>	<b>18 580</b>	<b>15 404</b>	<b>15 930</b>	<b>16 493</b>
Community and social services	2 515	2 458	2 480	2 503
Sport and recreation	11 638	9 151	9 645	10 175
Public safety	1 875	1 869	1 869	1 869
Housing	-	-	-	-
Health	2 552	1 927	1 936	1 945
<b>Economic and environmental services</b>	<b>30 077</b>	<b>23 203</b>	<b>23 415</b>	<b>24 768</b>
Planning and development	8 246	6 312	6 598	6 954
Road transport	7 426	2 266	1 320	1 393
Environmental protection	14 405	14 625	15 496	16 421
<b>Trading services</b>	<b>209 927</b>	<b>230 373</b>	<b>247 372</b>	<b>270 952</b>
Energy sources	57 106	61 597	64 117	70 815
Water management	59 871	67 702	75 488	84 169
Waste water management	65 521	71 078	75 371	80 980
Waste management	27 429	29 996	32 396	34 988
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Functional</b>	<b>724 687</b>	<b>772 789</b>	<b>826 343</b>	<b>891 802</b>
<b>Expenditure - Functional</b>				
<b>Governance and administration</b>	<b>172 034</b>	<b>181 881</b>	<b>191 957</b>	<b>202 774</b>
Executive and council	47 505	51 500	54 282	57 267
Finance and administration	124 529	130 381	137 675	145 507
Internal audit	-	-	-	-

Functional Classification Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b><i>Community and public safety</i></b>	<b>85 944</b>	<b>87 008</b>	<b>90 724</b>	<b>94 630</b>
Community and social services	9 353	9 513	10 026	10 578
Sport and recreation	48 321	46 928	48 480	50 062
Public safety	19 773	21 140	22 281	23 507
Housing	3 812	3 531	3 721	3 926
Health	4 685	5 897	6 215	6 557
<b><i>Economic and environmental services</i></b>	<b>104 133</b>	<b>108 637</b>	<b>114 503</b>	<b>120 801</b>
Planning and development	30 503	33 509	35 318	37 261
Road transport	67 464	67 770	71 430	75 358
Environmental protection	6 167	7 358	7 755	8 182
<b><i>Trading services</i></b>	<b>390 041</b>	<b>405 678</b>	<b>428 287</b>	<b>452 579</b>
Energy sources	235 025	245 534	259 041	273 535
Water management	80 726	82 504	87 248	92 364
Waste water management	40 804	41 745	44 104	46 641
Waste management	33 486	35 895	37 894	40 040
<b><i>Other</i></b>	<b>3 268</b>	<b>2 942</b>	<b>3 101</b>	<b>3 272</b>
<b>Total Expenditure - Functional</b>	<b>755 421</b>	<b>786 146</b>	<b>828 572</b>	<b>874 056</b>
<b>Surplus/(Deficit) for the year</b>	<b>(30 734)</b>	<b>(13 357)</b>	<b>(2 229)</b>	<b>17 747</b>

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

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities. It should be noted that the revenue by vote as reflected in this table, includes revenue attributable to capital grants.



**Table 10 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))**

Vote Description		2018/19 Medium Term Revenue & Expenditure Framework		
		R thousand	Adjusted Budget	Budget Year 2018/19
<b>Revenue by Vote</b>				
Vote 1 - Executive & Council	-	-	-	-
Vote 2 - Financial Services	279 731	305 227	330 321	358 772
Vote 3 - Corporate Services	733	26	27	29
Vote 4 - Planning & Development Tourism	4 854	2 871	3 026	3 192
Vote 5 - Infrastructure and Engineering	368 991	399 842	424 091	456 574
Vote 6 - Community Services	70 377	64 823	68 878	73 236
<b>Total Revenue by Vote</b>	<b>724 687</b>	<b>772 789</b>	<b>826 343</b>	<b>891 802</b>
<b>Expenditure by Vote to be appropriated</b>				
Vote 1 - Executive & Council	35 302	32 504	34 260	36 144
Vote 2 - Financial Services	72 852	71 731	75 859	80 291
Vote 3 - Corporate Services	39 300	50 136	52 843	55 750
Vote 4 - Planning & Development Tourism	22 607	20 772	21 894	23 098
Vote 5 - Infrastructure and Engineering	437 391	455 001	480 213	507 299
Vote 6 - Community Services	147 970	156 002	163 503	171 474
<b>Total Expenditure by Vote</b>	<b>755 421</b>	<b>786 146</b>	<b>828 572</b>	<b>874 056</b>
<b>Surplus/(Deficit) for the year</b>	<b>(30 735)</b>	<b>(13 357)</b>	<b>(2 229)</b>	<b>17 747</b>

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

1. The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned. Operating revenue and expenditure is thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

**Table 11 (Table A4 - Budgeted Financial Performance (revenue and expenditure))**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousand</b>				
<b>Revenue By Source</b>				
Property rates	160 565	172 607	185 553	199 469
Service charges - electricity revenue	230 405	246 165	263 003	280 992
Service charges - water revenue	58 871	67 702	75 488	84 169
Service charges - sanitation revenue	40 622	41 658	45 407	49 494
Service charges - refuse revenue	40 195	43 571	46 785	50 241
Service charges - other		-	-	-
Rental of facilities and equipment	1 774	1 881	1 982	2 091
Interest earned - external investments	7 405	7 561	7 969	8 408
Interest earned - outstanding debtors	8 939	7 574	7 983	8 422
Dividends received		-	-	-
Fines, penalties and forfeits	3 962	4 230	4 458	4 704
Licences and permits	12 276	8 923	9 404	9 922
Agency services	-	-	-	-
Transfers and subsidies	113 664	123 173	133 383	146 971
Other revenue	10 347	7 917	8 345	8 804
Gains on disposal of PPE		-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>689 026</b>	<b>732 962</b>	<b>789 761</b>	<b>853 686</b>
<b>Expenditure By Type</b>				
Employee related costs	249 044	272 342	287 049	302 837
Remuneration of councillors	12 111	12 784	13 474	14 215
Debt impairment	49 997	40 019	43 137	46 506
Depreciation & asset impairment	83 730	75 357	79 426	83 795
Finance charges	3 768	3 021	2 201	1 238
Bulk purchases	225 623	242 976	256 096	270 182
Other materials	27 405	29 598	31 196	32 912
Contracted services	42 971	45 853	48 329	50 988
Transfers and subsidies	30	-	-	-
Other expenditure	60 742	64 196	67 663	71 384
Loss on disposal of PPE		-	-	-
<b>Total Expenditure</b>	<b>755 421</b>	<b>786 146</b>	<b>828 572</b>	<b>874 056</b>

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	R thousand	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Surplus/(Deficit)</b>	(66 395)	(53 184)	(38 811)	(20 370)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35 660	39 827	36 582	38 117
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-
Transfers and subsidies - capital (in-kind - all)				
	(30 735)	(13 357)	(2 229)	17 747
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>				
Taxation				
<b>Surplus/(Deficit) after taxation</b>	(30 735)	(13 357)	(2 229)	17 747
Attributable to minorities				
	(30 735)	(13 357)	(2 229)	17 747
<b>Surplus/(Deficit) attributable to municipality</b>				
Share of surplus/ (deficit) of associate				
<b>Surplus/(Deficit) for the year</b>	(30 735)	(13 357)	(2 229)	17 747

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

### Revenue

- The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.
- Total revenue amounts to R 732,962 million in 2018/19 and increases to R 853,686 million in 2020/21. This represents a year-on-year increase of 6.38% for the 2018/19 financial year and increases of 7.75% for the 2019/20 financial year and 8.09% for the 2020/21 financial year, respectively.
- Revenue from property rates amounts to R 172,607 million in the 2018/19 financial year and increases to R 191,934 million in 2020/21, which amounts to 23.55% of the total operating revenue base of the Municipality.
- Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 399,096 million for the 2018/19 financial year and increasing to R 464,895 million in 2020/21. For the 2018/19 financial year services charges amount to 54.45% of the total revenue base.
- Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 8.37% for 2018/19, 8.29% for 2019/20 and increased by 10.19% for 2020/21, compared to the 2017/18 Adjustments Budget.

Below a breakdown of property rates and service charges for 2018/19:

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework	
	R thousand	Adjusted Budget	Budget Year 2018/19
<b>Revenue By Source</b>			
Property rates	160 565	172 607	7.50%
Service charges - electricity revenue	230 405	246 165	6.84%
Service charges - water revenue	58 871	67 702	15%
Service charges - sanitation revenue	40 622	41 658	3%
Service charges - refuse revenue	27 412	29 996	9%
Service charges - environmental management fees	12 782	13 575	6%

**Table 12 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)**

Vote Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Single-year expenditure to be appropriated</b>					
Vote 1 - Executive & Council	2 781	2 220	2 340	2 469	
Vote 2 - Financial Services	2 790	2 407	2 537	2 676	
Vote 3 - Corporate Services	2 384	959	1 011	1 066	
Vote 4 - Planning & Development Tourism	2 027	5 079	5 353	5 648	
Vote 5 - Infrastructure and Engineering	41 287	49 127	51 779	54 627	
Vote 6 - Community Services	18 165	11 803	12 440	13 125	
<b>Capital single-year expenditure sub-total</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>	
<b>Total Capital Expenditure - Vote</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>	
<b>Capital Expenditure - Functional</b>					
<b>Governance and administration</b>	<b>8 231</b>	<b>6 456</b>	<b>6 805</b>	<b>7 179</b>	
Executive and council	2 757	2 345	2 472	2 608	
Finance and administration	5 474	4 111	4 333	4 571	
Internal audit	-	-	-	-	
<b>Community and public safety</b>	<b>10 415</b>	<b>6 968</b>	<b>7 344</b>	<b>7 748</b>	
Community and social services	849	699	737	777	
Sport and recreation	7 041	6 069	6 397	6 749	
Public safety	2 150	200	211	222	
Housing	-	-	-	-	
Health	375	-	-	-	
<b>Economic and environmental services</b>	<b>5 660</b>	<b>9 717</b>	<b>10 242</b>	<b>10 805</b>	
Planning and development	2 672	5 377	5 667	5 979	
Road transport	1 688	2 790	2 941	3 102	
Environmental protection	1 300	1 550	1 634	1 724	

Vote Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>Trading services</b>	45 128	48 454	51 070	53 879
Energy sources	4 940	14 235	15 004	15 829
Water management	8 013	1 715	1 808	1 907
Waste water management	26 538	30 229	31 861	33 613
Waste management	5 636	2 275	2 398	2 530
<b>Other</b>	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>
<b>Funded by:</b>				
National Government	35 311	39 827	36 582	38 117
Provincial Government	-	-	-	-
District Municipality	1 145	-	-	-
Other transfers and grants	-	-	-	-
<b>Transfers recognised - capital</b>	<b>36 456</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
<b>Public contributions &amp; donations</b>		-	-	-
<b>Borrowing</b>		-	-	-
<b>Internally generated funds</b>	<b>32 977</b>	<b>31 768</b>	<b>38 878</b>	<b>41 494</b>
<b>Total Capital Funding</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>

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

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The capital programme is funded from national grants and internally generated funds. For 2018/19, capital transfers totals R 39,827 million (55.63%) and amounts to R 38,117 million for 2020/21 (47.88%). Internally generated funding amounts to R 31,768 million, R 38,878 million and R 41,494 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	5 973	4 296	3 669	4 967
Call investment deposits	53 757	38 660	33 024	44 705
Consumer debtors	55 213	49 340	52 004	54 864
Other debtors	28 902	32 756	34 525	36 424
Current portion of long-term receivables	3	3	3	3
Inventory	4 691	4 513	4 757	5 019
<b>Total current assets</b>	<b>148 539</b>	<b>129 567</b>	<b>127 982</b>	<b>145 982</b>
<b>Non current assets</b>				
Long-term receivables	150	65	65	65
Investments	–			
Investment property	84 431	285 199	285 199	285 199
Investment in Associate	–			
Property, plant and equipment	2 572 286	2 157 628	2 165 564	2 174 082
Agricultural				
Biological				
Intangible	73	62	62	62
Other non-current assets				
<b>Total non current assets</b>	<b>2 656 940</b>	<b>2 442 954</b>	<b>2 450 890</b>	<b>2 459 409</b>
<b>TOTAL ASSETS</b>	<b>2 805 479</b>	<b>2 572 522</b>	<b>2 578 872</b>	<b>2 605 391</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft				
Borrowing	6 443	7 999	8 952	9 444
Consumer deposits	19 073	10 479	11 044	11 652
Trade and other payables	106 811	86 811	88 548	90 319
Provisions	31 021	23 097	24 344	25 683
<b>Total current liabilities</b>	<b>163 348</b>	<b>128 386</b>	<b>132 888</b>	<b>137 098</b>
<b>Non current liabilities</b>				
Borrowing	30 269	23 112	15 090	6 128
Provisions	118 670	160 132	165 355	170 577
<b>Total non current liabilities</b>	<b>148 939</b>	<b>183 244</b>	<b>180 445</b>	<b>176 706</b>
<b>TOTAL LIABILITIES</b>	<b>312 287</b>	<b>311 630</b>	<b>313 334</b>	<b>313 804</b>
<b>NET ASSETS</b>	<b>2 493 192</b>	<b>2 260 892</b>	<b>2 265 539</b>	<b>2 291 587</b>
<b>COMMUNITY WEALTH/EQUITY</b>				
Accumulated Surplus/(Deficit)	2 493 192	2 260 892	2 265 539	2 291 587
Reserves	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2 493 192</b>	<b>2 260 892</b>	<b>2 265 539</b>	<b>2 291 587</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
2. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is directly informed by forecasting the statement of financial position



**Table 14 (Table A7 - Budgeted cash flow statement)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates	144 894	160 525	172 564	185 506
Service charges	334 125	371 160	400 535	432 353
Other revenue	26 760	22 950	24 189	25 520
Government - operating	113 664	123 173	133 383	146 971
Government - capital	35 660	39 827	36 582	38 117
Interest	16 344	15 135	15 952	16 830
Dividends		-	-	-
<b>Payments</b>				
Suppliers and employees	(617 897)	(667 749)	(703 808)	(742 517)
Finance charges	(3 768)	(3 021)	(2 201)	(1 238)
Transfers and Grants	(30)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>49 752</b>	<b>62 000</b>	<b>77 198</b>	<b>101 542</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	1 600	-	-	-
Decrease (Increase) in non-current debtors		-	-	-
Decrease (increase) other non-current receivables		-	-	-
Decrease (increase) in non-current investments		-	-	-
<b>Payments</b>				
Capital assets	(69 434)	(71 595)	(75 461)	(79 611)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(67 834)</b>	<b>(71 595)</b>	<b>(75 461)</b>	<b>(79 611)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans		-	-	-
Borrowing long term/refinancing		-	-	-
Increase (decrease) in consumer deposits		-	-	-
<b>Payments</b>				
Repayment of borrowing	(6 443)	(7 179)	(7 999)	(8 952)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 443)</b>	<b>(7 179)</b>	<b>(7 999)</b>	<b>(8 952)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(24 524)</b>	<b>(16 774)</b>	<b>(6 262)</b>	<b>12 979</b>
Cash/cash equivalents at the year begin:	84 254	59 729	42 955	36 693
Cash/cash equivalents at the year end:	59 729	42 955	36 693	49 672

### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
2. It reflects the expected cash in-flows versus cash outflows that are likely to result from the implementation of the budget.
3. The cash position of the Municipality decreases over the 2017/18 to 2020/21 period, from R59,729 million to R 49,672 million.
4. Cash and cash equivalents amounts to R 42,955 million as at the end of the 2018/19 financial year and increases to R 49,672 million in 2020/21.

**Table 15 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Cash and investments available</b>				
Cash/cash equivalents at the year end	59 729	42 955	36 693	49 672
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
<b>Cash and investments available:</b>	<b>59 729</b>	<b>42 955</b>	<b>36 693</b>	<b>49 672</b>
<b>Application of cash and investments</b>				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements				
Other working capital requirements	31 770	11 144	8 781	6 152
Other provisions	2 268	2 776	3 331	3 997
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments				
<b>Total Application of cash and investments:</b>	<b>34 038</b>	<b>13 920</b>	<b>12 112</b>	<b>10 149</b>
<b>Surplus(shortfall)</b>	<b>25 691</b>	<b>29 035</b>	<b>24 582</b>	<b>39 523</b>

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 29,035 million in 2018/19 to a funding surplus of R 39,523 million in 2020/21.

**Table 16 (Table A9 - Asset Management)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>CAPITAL EXPENDITURE</b>				
<b>Total New Assets</b>	<b>39 096</b>	<b>28 266</b>	<b>29 792</b>	<b>31 431</b>
<i>Electrical Infrastructure</i>	2 400	4 000	4 216	4 448
<i>Water Supply Infrastructure</i>	7 021	1 500	1 581	1 668
<i>Sanitation Infrastructure</i>	24 310	450	474	500
<i>Solid Waste Infrastructure</i>	-	850	896	945
<b>Infrastructure</b>	<b>33 731</b>	<b>6 800</b>	<b>7 167</b>	<b>7 561</b>
Community Facilities	1 734	2 050	2 161	2 280
Sport and Recreation Facilities	(1 440)	200	211	222
<b>Community Assets</b>	<b>293</b>	<b>2 250</b>	<b>2 372</b>	<b>2 502</b>
Non-revenue Generating	258	-	-	-
<b>Investment properties</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	330	474	500	527
<b>Other Assets</b>	<b>330</b>	<b>474</b>	<b>500</b>	<b>527</b>
<b>Biological or Cultivated Assets</b>	<b>1 440</b>	<b>2 804</b>	<b>2 956</b>	<b>3 118</b>
Licences and Rights	951	1 000	1 054	1 112
<b>Intangible Assets</b>	<b>951</b>	<b>1 000</b>	<b>1 054</b>	<b>1 112</b>
<b>Computer Equipment</b>	<b>1 310</b>	<b>2 583</b>	<b>2 723</b>	<b>2 872</b>
<b>Furniture and Office Equipment</b>	<b>1 920</b>	<b>5 855</b>	<b>6 171</b>	<b>6 510</b>
<b>Machinery and Equipment</b>	<b>4 597</b>	<b>2 500</b>	<b>2 635</b>	<b>2 780</b>
<b>Transport Assets</b>	<b>(5 735)</b>	<b>4 000</b>	<b>4 216</b>	<b>4 448</b>
<b>Total Renewal of Existing Assets</b>	<b>30 446</b>	<b>3 750</b>	<b>3 953</b>	<b>4 170</b>
<i>Roads Infrastructure</i>	450	2 500	2 635	2 780
<i>Electrical Infrastructure</i>	5 700	-	-	-
<i>Water Supply Infrastructure</i>	150	-	-	-
<i>Sanitation Infrastructure</i>	100	-	-	-
<b>Infrastructure</b>	<b>6 400</b>	<b>2 500</b>	<b>2 635</b>	<b>2 780</b>
Community Facilities	200	200	211	222
Sport and Recreation Facilities	5 299	1 000	1 054	1 112
<b>Community Assets</b>	<b>5 499</b>	<b>1 200</b>	<b>1 265</b>	<b>1 334</b>
Non-revenue Generating	9 940	-	-	-
<b>Investment properties</b>	<b>9 940</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	(70)	50	53	56
<b>Other Assets</b>	<b>(70)</b>	<b>50</b>	<b>53</b>	<b>56</b>
<b>Transport Assets</b>	<b>8 677</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Upgrading of Existing Assets</b>	<b>-</b>	<b>39 579</b>	<b>41 716</b>	<b>44 010</b>
<i>Electrical Infrastructure</i>	-	10 200	10 751	11 342
<i>Sanitation Infrastructure</i>	-	27 779	29 279	30 889
<b>Infrastructure</b>	<b>-</b>	<b>37 979</b>	<b>40 029</b>	<b>42 231</b>
Community Facilities	-	1 600	1 686	1 779
<b>Community Assets</b>	<b>-</b>	<b>1 600</b>	<b>1 686</b>	<b>1 779</b>
<b>Total Capital Expenditure</b>				
<i>Roads Infrastructure</i>	450	2 500	2 635	2 780
<i>Electrical Infrastructure</i>	8 100	14 200	14 967	15 790
<i>Water Supply Infrastructure</i>	7 171	1 500	1 581	1 668
<i>Sanitation Infrastructure</i>	24 410	28 229	29 753	31 389
<i>Solid Waste Infrastructure</i>	-	850	896	945

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousand</b>				
<b>Infrastructure</b>	<b>40 131</b>	<b>47 279</b>	<b>49 832</b>	<b>52 572</b>
Community Facilities	1 934	3 850	4 058	4 281
Sport and Recreation Facilities	3 859	1 200	1 265	1 334
<b>Community Assets</b>	<b>5 792</b>	<b>5 050</b>	<b>5 323</b>	<b>5 615</b>
Non-revenue Generating	10 198	–	–	–
<b>Investment properties</b>	<b>10 198</b>	<b>–</b>	<b>–</b>	<b>–</b>
Operational Buildings	260	524	552	583
<b>Other Assets</b>	<b>260</b>	<b>524</b>	<b>552</b>	<b>583</b>
<b>Biological or Cultivated Assets</b>	<b>1 440</b>	<b>2 804</b>	<b>2 956</b>	<b>3 118</b>
Licences and Rights	951	1 000	1 054	1 112
<b>Intangible Assets</b>	<b>951</b>	<b>1 000</b>	<b>1 054</b>	<b>1 112</b>
Computer Equipment	1 310	2 583	2 723	2 872
Furniture and Office Equipment	1 920	5 855	6 171	6 510
Machinery and Equipment	4 597	2 500	2 635	2 780
Transport Assets	2 942	4 000	4 216	4 448
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>69 542</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>				
<i>Roads Infrastructure</i>	1 142 165	859 170	861 805	864 585
<i>Electrical Infrastructure</i>	158 881	173 081	188 047	203 837
<i>Water Supply Infrastructure</i>	298 542	300 042	301 623	303 291
<i>Sanitation Infrastructure</i>	428 461	456 689	418 917	379 214
<i>Solid Waste Infrastructure</i>	150	1 000	1 896	2 841
<i>Information and Communication Infrastructure</i>	1 000	1 000	1 000	1 000
<b>Infrastructure</b>	<b>2 029 197</b>	<b>1 790 981</b>	<b>1 773 288</b>	<b>1 754 768</b>
Community Facilities	64 533	68 383	72 441	76 722
Sport and Recreation Facilities	50	1 250	2 515	3 849
<b>Community Assets</b>	<b>64 583</b>	<b>69 633</b>	<b>74 956</b>	<b>80 572</b>
Revenue Generating	84 431	84 431	84 431	84 431
<b>Investment properties</b>	<b>84 431</b>	<b>84 431</b>	<b>84 431</b>	<b>84 431</b>
Operational Buildings	453 114	453 638	454 190	454 773
<b>Other Assets</b>	<b>453 114</b>	<b>453 638</b>	<b>454 190</b>	<b>454 773</b>
<b>Biological or Cultivated Assets</b>		<b>2 804</b>	<b>5 760</b>	<b>8 878</b>
Licences and Rights	24	1 024	2 078	3 190
<b>Intangible Assets</b>	<b>24</b>	<b>1 024</b>	<b>2 078</b>	<b>3 190</b>
Computer Equipment	716	3 300	6 022	8 895
Furniture and Office Equipment	4 952	10 807	16 978	23 488
Machinery and Equipment	9 800	12 300	14 935	17 715
Transport Assets	9 971	13 971	18 187	22 635
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>2 656 790</b>	<b>2 442 890</b>	<b>2 450 825</b>	<b>2 459 344</b>

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>EXPENDITURE OTHER ITEMS</b>				
<b>Depreciation</b>	83 730	75 357	79 426	83 795
<b>Repairs and Maintenance by Asset Class</b>	<b>31 796</b>	<b>36 316</b>	<b>38 277</b>	<b>40 382</b>
<i>Roads Infrastructure</i>	4 889	9 815	10 345	10 914
<i>Storm water Infrastructure</i>	1 930	830	875	923
<i>Electrical Infrastructure</i>	6 443	5 795	6 108	6 444
<i>Water Supply Infrastructure</i>	4 062	3 714	3 915	4 130
<i>Sanitation Infrastructure</i>	3 117	3 956	4 170	4 399
<i>Solid Waste Infrastructure</i>	–	750	791	834
<b>Infrastructure</b>	<b>20 441</b>	<b>24 860</b>	<b>26 203</b>	<b>27 644</b>
Community Facilities	1 378	1 385	1 459	1 540
Sport and Recreation Facilities	200	200	211	222
<b>Community Assets</b>	<b>1 578</b>	<b>1 585</b>	<b>1 670</b>	<b>1 762</b>
Operational Buildings	842	1 834	1 933	2 040
<b>Other Assets</b>	<b>842</b>	<b>1 834</b>	<b>1 933</b>	<b>2 040</b>
Biological or Cultivated Assets	335	–	–	–
Machinery and Equipment	–	403	425	448
Transport Assets	8 600	7 634	8 046	8 488
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>115 526</b>	<b>111 673</b>	<b>117 703</b>	<b>124 177</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	43.8%	60.5%	60.5%	60.5%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	36.4%	57.5%	57.5%	57.5%
<i>R&amp;M as a % of PPE</i>	1.2%	1.7%	1.8%	1.9%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	2.0%	3.0%	3.0%	4.0%

### Explanatory notes to Table A9 - Asset Management

1. The table provides a summarised version of the capital programme divided into new assets and renewal of existing assets; and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation are also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 60.5% of the capital budget, whilst repairs and maintenance constitute 1.7% of PPE.

**Table 17 (Table A10 - Basic Service Delivery Measurement)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Household service targets</b>				
<b><u>Water:</u></b>				
Piped water inside dwelling	-	-	-	-
Piped water inside yard (but not in dwelling)	-	-	-	-
Using public tap (at least min.service level)	-	-	-	-
Other water supply (at least min.service level)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Using public tap (< min.service level)	-	-	-	-
Other water supply (< min.service level)	-	-	-	-
No water supply	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
<b>Total number of households</b>	-	-	-	-
<b><u>Sanitation/sewerage:</u></b>				
Flush toilet (connected to sewerage)	-	-	-	-
Flush toilet (with septic tank)	-	-	-	-
Chemical toilet	-	-	-	-
Pit toilet (ventilated)	-	-	-	-
Other toilet provisions (> min.service level)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Bucket toilet	-	-	-	-
Other toilet provisions (< min.service level)	-	-	-	-
No toilet provisions	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
<b>Total number of households</b>	-	-	-	-
<b><u>Energy:</u></b>				
Electricity (at least min.service level)	8 613	9 202	9 832	10 504
Electricity - prepaid (min.service level)	13 169	14 070	15 032	16 060
<i>Minimum Service Level and Above sub-total</i>	21 782	23 272	24 864	26 564
Electricity (< min.service level)	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-
Other energy sources	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Total number of households</b>	<b>21 782</b>	<b>23 272</b>	<b>24 864</b>	<b>26 564</b>
<b><u>Refuse:</u></b>				
Removed at least once a week	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-
Removed less frequently than once a week	-	-	-	-
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	-
<b>Total number of households</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Households receiving Free Basic Service</u></b>				
Water (6 kilolitres per household per month)	8 000	8 000	8 000	8 000
Sanitation (free minimum level service)	8 000	8 000	8 000	8 000
Electricity/other energy (50kwh per household per month)	8 000	8 000	8 000	8 000
Refuse (removed at least once a week)	8 000	8 000	8 000	8 000
<b><u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u></b>				
Water (6 kilolitres per <b>indigent</b> household per month)	15 221	17 504	18 701	19 980
Sanitation (free sanitation service to <b>indigent households</b> )	8 049	8 773	9 373	10 014
Electricity/other energy (50kwh per <b>indigent</b> household per month)	4 585	4 898	5 233	5 591
Refuse (removed once a week for <b>indigent households</b> )	17 101	18 298	19 550	20 887
<b><u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u></b>		-	-	-
<b>Total cost of FBS provided</b>	<b>44 955</b>	<b>49 473</b>	<b>52 857</b>	<b>56 472</b>
<b><u>Highest level of free service provided per household</u></b>				
Property rates (R value threshold)	1 443	1 443	1 443	1 443
Water (kilolitres per household per month)	12	12	12	12
Sanitation (kilolitres per household per month)	12	12	12	12
Sanitation (Rand per household per month)	105	105	105	105
Electricity (kwh per household per month)	50	50	50	50
Refuse (average litres per week)	371	371	371	371

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Revenue cost of subsidised services provided (R'000)</b>				
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)	-			
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	2 339	30 007	32 257	34 676
Water (in excess of 6 kilolitres per indigent household per month)	-	12 351	14 204	16 335
Sanitation (in excess of free sanitation service to indigent households)	-	6 102	6 651	7 250
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	4 898	5 233	5 591
Refuse (in excess of one removal a week for indigent households)	-	13 564	14 513	15 529
Municipal Housing - rental rebates	-			
Housing - top structure subsidies	-			
Other	-			
<b>Total revenue cost of subsidised services provided</b>	<b>2 339</b>	<b>66 922</b>	<b>72 859</b>	<b>79 381</b>

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2017 after the approval of a timetable to guide the preparation of the 2018/19 to 2020/21 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April 2018. The main aim of the timetable was to ensure that a draft IDP and a balanced Budget are tabled in March 2018. The Budget will be tabled by the Executive Mayor at a Council meeting scheduled for 29 March 2018. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process will take the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and her Mayoral Committee. The inputs of the aforementioned consultations will be taken into account, whilst the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2018.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.



### 2.1.1 IDP & Budget Timetable 2018/19 to 2020/21

The preparation of the 2018/19 to 2020/21 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 31 August 2017.

Activity	Date
IDP/Budget Schedule approved by Council	31 August 2017
Tabling of draft IDP and Budget in Council	29 March 2018
Public Participation	During April 2018
Final adoption of IDP and Budget by Council	31 May 2018
Approval of SDBIP by Executive Mayor	28 June 2018

## 2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP, in accordance with the Municipal Systems Act, was guided and informed by the following principles:

- Achievement of the five strategic priorities of the municipality.
- Focusing on service delivery backlogs and the maintenance of infrastructure.
- Addressing community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2018/19 to 2020/21 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The budget consultation process will take the form of a series of meetings to be held throughout the municipal area with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Borrowing Management</b>					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.4%	1.3%	1.2%	1.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.8%	1.7%	1.6%	1.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>					
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>					
Current Ratio	Current assets/current liabilities	0.9	1.0	1.0	1.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.9	1.0	1.0	1.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.3	0.3	0.4

Description of financial indicator	Basis of calculation	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Revenue Management</b>					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	90.0%	93.0%	93.0%	93.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		90.0%	93.0%	93.0%	93.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	12.2%	11.2%	11.0%	10.7%
<b>Creditors Management</b>					
Creditors to Cash and Investments		178.8%	202.1%	241.3%	181.8%
<b>Other Indicators</b>					
Employee costs	Employee costs/(Total Revenue - capital revenue)	36.1%	37.2%	36.3%	35.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.6%	5.0%	4.8%	4.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12.7%	10.7%	10.3%	10.0%
<b>IDP regulation financial viability indicators</b>					
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	25.0	25.5	25.5	27.4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	15.8%	14.3%	14.0%	13.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.1	0.7	0.6	0.8

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing amounts to 1.3% of total operating expenditure in 2018/19.

#### 2.3.1.2 Liquidity

- The *current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2018/19 MTREF, the current ratio is 1:0 in the 2018/19 and increases to 1.1:1 over the MTREF period.
- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2018/19 MTREF, the liquidity ratio increases from 0.3:1 in 2018/19 to 0.4:1 in 2020/21. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

### 2.3.2 Drinking Water Quality

The Municipality achieved a scoring of 51.83% (2014) in relation to its Blue Drop status for the supply of water, compared to the scoring of 60.69% (2012) achieved in the previous assessment. The decline is attributable to a lack of an annual process audit. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on the monitoring and recordkeeping of analyses results and the training and appointment of process controllers.

### 2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R'000	Est. No. of Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	3,015	28 464
	An additional R85 000 credit on property rates for indigent consumers.	2,191	8 000
Water	The first 12kl of water per month provided free to indigent consumers	16,971	8 000
Electricity	The first 50kwh of electricity provided free to indigent consumers	4,899	8 000
Refuse removal	Full credit for the monthly charge.	14,739	8 000
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	8,773	8 000
EMF	Full credit for the monthly charge.	3,660	8 000
<b>Total Operating Costs</b>		<b>54,248</b>	

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

### **2.4.1 Financial Management Policies**

The policies were adopted by the Council in May 2014. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc.

### **2.4.2 Review of credit control and debt collection policies**

The Credit Control and Debt Collection Policy was reviewed and approved by Council in May 2014.

The 2018/19 MTREF has been prepared on the basis of achieving an average revenue collection rate of 93% of current billings.

### **2.4.3 Supply Chain Management Policy**

A revised Supply Chain Management Policy was adopted by Council in May 2014.

### **2.4.4 Property Rates Policy**

A revised Property Rates Policy was adopted by Council in May 2014.

### **2.4.5 Funding and Reserves Policy**

The Funding and Reserves Policy was adopted by Council in May 2016.

#### **2.4.6 Cost Containment Policy**

The Cost Containment Policy was adopted by Council in May 2016.

#### **2.4.7 Cash Management and Investment Policy**

The Cash Management and Investment Policy was adopted by Council in May 2016.

#### **2.4.8 Borrowing Policy**

The Borrowing Policy was adopted by Council in May 2016.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Indigent Policy;
- Budget virement Policy.

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

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets, relating to the key strategic focus areas, as outlined in the IDP.
- The need to enhance the municipality's revenue base.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2018/19 – 2020/21 Budget:

- Maintaining an acceptable employee related costs ratio;
- Increased costs associated with bulk water purchases, placing upward pressure on municipal tariff increases;
- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;

- Maintaining electricity and water losses at acceptable levels;
- Maintaining revenue collection rates at the targeted levels; and
- Maintaining an acceptable cost coverage ratio;

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

	2018/19	2019/20	2020/21
<b>Income</b>	%	%	%
Tariff Increases for water	11.5	11.5	11.5
Tariff Increases for sanitation	9	9	9
Tariff Increases for refuse	8	8	8
Property rates increase	7.5	7.5	7.5
Electricity tariff increase (on average)	6.84	6.84	6.84
Environmental Management Fee increase	6	6	6
Revenue collection rates	93	93	93
<b>Expenditure increases allowed</b>	6	6	6
Salary increase	6	6	6
Increase in bulk purchase of electricity costs	7.32	7.32	7.32
Increase in bulk purchase of water costs	9.5	9.5	9.5

## 2.6 OVERVIEW OF BUDGET FUNDING

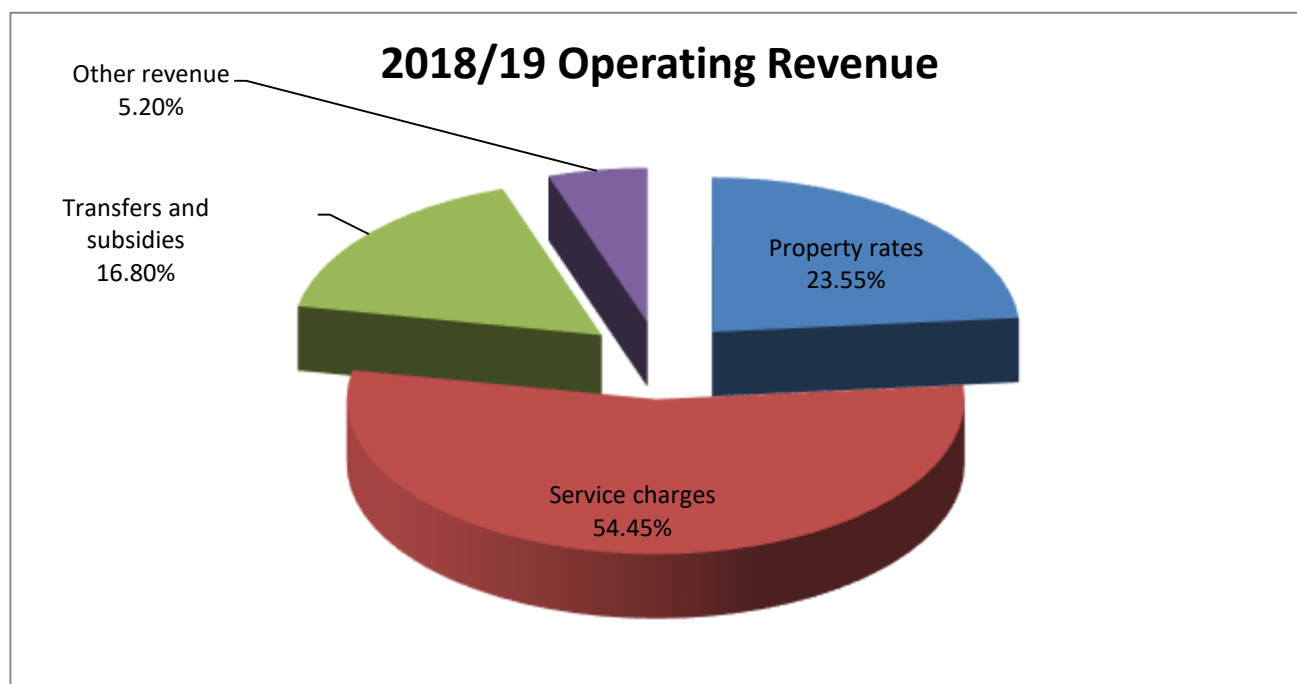
### 2.6.1 Medium-term outlook: operating revenue

The following table provides a breakdown of operating revenue over the medium-term:

**Table 18 (Breakdown of the operating revenue over the medium-term)**

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year 2019/20	%	Budget Year 2020/21	%
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	160 565	23.30%	172 607	23.55%	185 553	23.49%	199 469	23.37%
Service charges	370 094	53.71%	399 096	54.45%	430 683	54.53%	464 895	54.46%
Transfers and subsidies	113 664	16.50%	123 173	16.80%	133 383	16.89%	146 971	17.22%
Other revenue	44 704	6.49%	38 085	5.20%	40 142	5.08%	42 350	4.96%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>689 026</b>	<b>100.00%</b>	<b>732 962</b>	<b>100.00%</b>	<b>789 761</b>	<b>100.00%</b>	<b>853 686</b>	<b>100.00%</b>

The following graph is a breakdown of the operational revenue per main category for the 2018/19 financial year.



**Figure 3 Breakdown of operating revenue over the 2017/18 MTREF**

Tariff determination is important in ensuring appropriate levels of revenue, in order to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- The Property Rates Policy;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 93% annual collection rate for property rates and service charges.
- Growth in the revenue base.

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

Property rates amounts to R172,607 million in the 2018/19 financial year and increases to R 199,469 million in 2020/21, representing 23.55% of the total operating revenue for the 2018/19 budget.



Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 399,096 million in the 2018/19 financial year and increasing to R 464,895 million in 2020/21. For the 2018/19 financial year, services charges amount to 54.45% of the total revenue base.

Operational grants and subsidies amount to R 123,173 million, R 133,383 million and R 146,971 million for each of the respective financial years of the MTREF, or 16.80% of total operating revenue for 2018/19.

The table below provides investment particulars by type.

**Table 19 (SA15 – Detail Investment Information)**

Investment type	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Parent municipality</b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	53 757	38 660	33 024	44 705
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
<b>Municipality sub-total</b>	<b>53 757</b>	<b>38 660</b>	<b>33 024</b>	<b>44 705</b>
<b>Entities</b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>	<b>53 757</b>	<b>38 660</b>	<b>33 024</b>	<b>44 705</b>

Investments are anticipated to increase from R 38,660 million in 2018/19 to R 44,705 million in 2020/21.

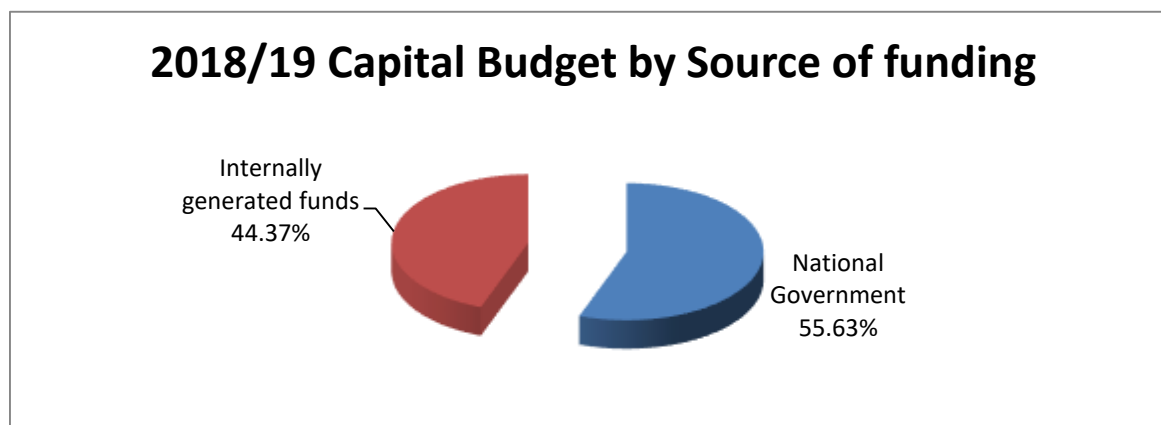
## 2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2018/19 medium-term capital programme:

**Table 20 (Sources of capital revenue over the MTREF)**

Vote Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousand</b>				
<b>Funded by:</b>				
National Government	35 311	39 827	36 582	38 117
Provincial Government	–	–	–	–
District Municipality	1 145	–	–	–
Other transfers and grants	–	–	–	–
<b>Transfers recognised - capital</b>	<b>36 456</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
<b>Public contributions &amp; donations</b>		–	–	–
<b>Borrowing</b>		–	–	–
<b>Internally generated funds</b>	<b>32 977</b>	<b>31 768</b>	<b>38 878</b>	<b>41 494</b>
<b>Total Capital Funding</b>	<b>69 434</b>	<b>71 595</b>	<b>75 461</b>	<b>79 611</b>

The above table is graphically represented as follows for the 2018/19 financial year.



**Figure 4 Sources of Capital Revenue for the 2018/19 financial year**

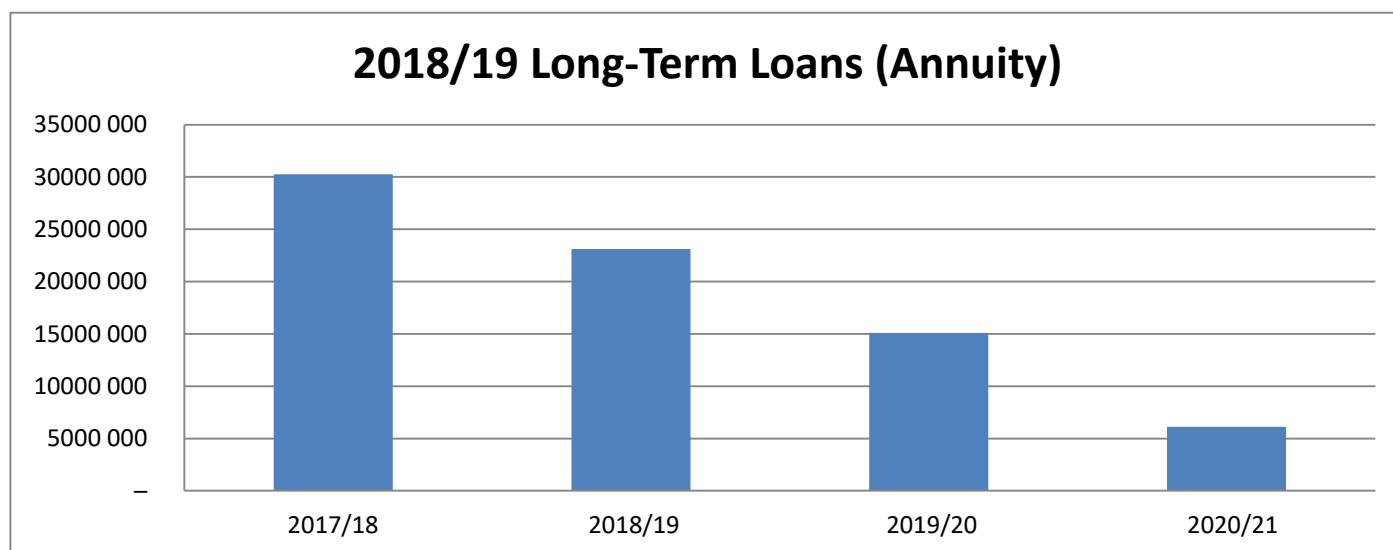
Capital Grants constitute 55.63% of the total funding sources, amounting to R 39,827 million for the 2018/19 financial year and amounting to R 38,117 million or 47.88% in the 2020/21 financial year. It is to be noted that no borrowing is planned for the 2018/19 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

**Table 21 (Table SA 17 - Detail of borrowings)**

Borrowing - Categorised by type	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Parent municipality</b>				
Annuity and Bullet Loans	30 269	23 112	15 090	6 128
<b>Total Borrowing</b>	<b>30 269</b>	<b>23 112</b>	<b>15 090</b>	<b>6 128</b>

The following graph illustrates the outstanding borrowing for the 2018/19 to 2020/21 period:



**Figure 5 Growth in outstanding borrowing (long-term liabilities)**

The following table indicates the capital transfers and grant receipts:

Table 22 (Table SA 18 - Transfers and grant receipts)

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousand</b>				
<b>RECEIPTS:</b>				
<b>Operating Transfers and Grants</b>				
<b>National Government:</b>	<b>106 951</b>	<b>117 493</b>	<b>127 703</b>	<b>141 291</b>
Local Government Equitable Share	102 637	113 151	124 344	137 852
Finance Management	1 700	1 770	1 770	1 770
MIG - Administration Fees	1 614	1 559	1 589	1 669
EPWP Incentive	1 000	1 013		
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sport and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>2 798</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
<i>Local Economic Development</i>	445	-		
<i>Environmental Health Subsidy</i>	2 353	1 765	1 765	1 765
<b>Other grant providers:</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>
<i>Fire Subsidy</i>	1 865	1 865	1 865	1 865
<b>Total Operating Transfers and Grants</b>	<b>113 664</b>	<b>123 173</b>	<b>133 383</b>	<b>146 971</b>
<b>Capital Transfers and Grants</b>				
<b>National Government:</b>	<b>34 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
Municipal Infrastructure Grant (MIG)	30 660	29 627	30 182	31 717
Integrated National Electrification Programme	4 000	10 200	6 400	6 400
<b>District Municipality:</b>	<b>1 000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Water Boreholes</i>	1 000			
<b>Total Capital Transfers and Grants</b>	<b>35 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>149 324</b>	<b>163 000</b>	<b>169 965</b>	<b>185 088</b>

### **2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government; and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 23 (Table A7 - Budgeted cash flow statement)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Property rates	144 894	160 525	172 564	185 506
Service charges	334 125	371 160	400 535	432 353
Other revenue	26 760	22 950	24 189	25 520
Government - operating	113 664	123 173	133 383	146 971
Government - capital	35 660	39 827	36 582	38 117
Interest	16 344	15 135	15 952	16 830
Dividends		-	-	-
<b>Payments</b>				
Suppliers and employees	(617 897)	(667 749)	(703 808)	(742 517)
Finance charges	(3 768)	(3 021)	(2 201)	(1 238)
Transfers and Grants	(30)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>49 752</b>	<b>62 000</b>	<b>77 198</b>	<b>101 542</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	1 600	-	-	-
Decrease (Increase) in non-current debtors		-	-	-
Decrease (increase) other non-current receivables		-	-	-
Decrease (increase) in non-current investments		-	-	-
<b>Payments</b>				
Capital assets	(69 434)	(71 595)	(75 461)	(79 611)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(67 834)</b>	<b>(71 595)</b>	<b>(75 461)</b>	<b>(79 611)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans		-	-	-
Borrowing long term/refinancing		-	-	-
Increase (decrease) in consumer deposits		-	-	-
<b>Payments</b>				
Repayment of borrowing	(6 443)	(7 179)	(7 999)	(8 952)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 443)</b>	<b>(7 179)</b>	<b>(7 999)</b>	<b>(8 952)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(24 524)</b>	<b>(16 774)</b>	<b>(6 262)</b>	<b>12 979</b>
Cash/cash equivalents at the year begin:	84 254	59 729	42 955	36 693
Cash/cash equivalents at the year end:	59 729	42 955	36 693	49 672

For the 2018/19 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 42,955 million in 2018/19 million to R 49,672 million in 2020/21.

**Table 24 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)**

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year2019/20	Budget Year 2020/21
<b>R thousand</b>				
<b>Cash and investments available</b>				
Cash/cash equivalents at the year end	59 729	42 955	36 693	49 672
Other current investments > 90 days	-	-	-	-
Non current assets - Investments	-	-	-	-
<b>Cash and investments available:</b>	<b>59 729</b>	<b>42 955</b>	<b>36 693</b>	<b>49 672</b>
<b>Application of cash and investments</b>				
Unspent conditional transfers	-	-	-	-
Unspent borrowing	-	-	-	-
Statutory requirements				
Other working capital requirements	31 770	11 144	8 781	6 152
Other provisions	2 268	2 776	3 331	3 997
Long term investments committed	-	-	-	-
Reserves to be backed by cash/investments				
<b>Total Application of cash and investments:</b>	<b>34 038</b>	<b>13 920</b>	<b>12 112</b>	<b>10 149</b>
<b>Surplus(shortfall)</b>	<b>25 691</b>	<b>29 035</b>	<b>24 582</b>	<b>39 523</b>

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R 29,035 million in the 2018/19 financial year and increases to R 39,523 million in 2020/21. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2018/19 MTREF.
- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.
- Current provisions relating to post-retirement medical aid benefits and ex-gratia pensions have been provided for.

It is concluded that the Municipality's cash backed, and accumulated surpluses reconciliation reflects surpluses of R 29,035 million, R 24,582 million and R 39,523 million for the 2018/19, 2019/20 and 2020/21 financial years, respectively.

It is to be noted that the 2018/19 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 0.7 months, 0.6 months and 0.8 months for the 2018/19, 2019/20 and 2020/21 financial years, respectively.

## 2.6.5 Funding Compliance Measurement

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

Description	MFMA section	Ref	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Funding measures</b>						
Cash/cash equivalents at the year end - R'000	18(1)b	1	59 729	42 955	36 693	49 672
Cash + investments at the yr end less applications - R'000	18(1)b	2	25 691	29 035	24 582	39 523
Cash year end/monthly employee/supplier payments	18(1)b	3	1.1	0.7	0.6	0.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(30 735)	(13 357)	(2 229)	17 747
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(6.0%)	1.7%	1.8%	1.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	89.1%	92.1%	92.1%	92.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	9.4%	7.0%	7.0%	7.0%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10		100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	4.0%	(2.4%)	5.4%	5.5%
Long term receivables % change - incr(decr)	18(1)a	12	0.0%	(56.9%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.2%	1.7%	1.8%	1.9%
Asset renewal % of capital budget	20(1)(vi)	14	43.8%	5.2%	5.2%	5.2%



Below is a discussion of the different measures.

#### **2.6.5.1 Cash/cash equivalent position**

The forecasted cash and cash equivalents for the 2018/19 MTREF amounts to R 42,955 million, R 36,693 million and R 49,672 million for the respective financial years.

#### **2.6.5.2 Cash plus investments less application of funds**

For the 2018/19, 2019/20 and 2020/21 budgets, the available cash and investments exceed the application of funds by an amount of R 29,035 million, R 24,582 million and R 39,523 million respectively.

#### **2.6.5.3 Monthly average payments covered by cash or cash equivalents**

As part of the 2018/19 MTREF, the projected cash position causes the ratio to decrease from 0.7 months to 0.8 months.

#### **2.6.5.4 Surplus/deficit excluding depreciation offsets**

For the 2018/19 MTREF the indicative outcome is a deficit of R 13,357 million, R 2,229 million and surplus of R 17,747 million. This is made up as follows:

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
R thousand				
Operating Budget Deficit	(66 395)	(53 184)	(38 811)	(20 370)
Transfers and subsidies - capital	35 660	39 827	36 582	38 117
<b>Total</b>	<b>(30 735)</b>	<b>(13 357)</b>	<b>(2 229)</b>	<b>17 747</b>

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective, and therefore the first two measures in the table are critical.

#### **2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target**

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 5.3 %), so as to determine the real increase in revenue. The percentage growth totals 1.7%, 1.8% and 1.8% for the respective financial years of the 2018/19 MTREF. The real increases in revenue are below the inflation target figures.

#### **2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue**

The outcome is approximately 92.1% for each of the respective financial years of the 2018/19 MTREF.

#### **2.6.5.7 Debt impairment expense as a percentage of billable revenue**

The provision has been set at 7% over the MTREF, in line with the revenue collection trends.

**2.6.5.8 Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

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

No borrowing has been planned for the 2018/19 MTREF.

**2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. All transfers are included in the budget.

**2.6.5.11 Repairs and maintenance expenditure level**

The expenditure constitutes 1.7%, 1.8% and 1.9% of Property, Plant and Equipment respectively, over the 2018/19 MTREF, whilst National Treasury has suggested an 8% level.

## 2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

### GRANTS RECEIVED

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>R thousand</b>				
<b>RECEIPTS:</b>				
<b>Operating Transfers and Grants</b>				
<b>National Government:</b>	<b>106 951</b>	<b>117 493</b>	<b>127 703</b>	<b>141 291</b>
Local Government Equitable Share	102 637	113 151	124 344	137 852
Finance Management	1 700	1 770	1 770	1 770
MIG - Administration Fees	1 614	1 559	1 589	1 669
EPWP Incentive	1 000	1 013		
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sport and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>2 798</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
Local Economic Development	445	-		
Environmental Health Subsidy	2 353	1 765	1 765	1 765
<b>Other grant providers:</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>
Fire Subsidy	1 865	1 865	1 865	1 865
<b>Total Operating Transfers and Grants</b>	<b>113 664</b>	<b>123 173</b>	<b>133 383</b>	<b>146 971</b>
<b>Capital Transfers and Grants</b>				
<b>National Government:</b>	<b>34 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
Municipal Infrastructure Grant (MIG)	30 660	29 627	30 182	31 717
Integrated National Electrification Programme	4 000	10 200	6 400	6 400
<b>District Municipality:</b>	<b>1 000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Water Boreholes	1 000			
<b>Total Capital Transfers and Grants</b>	<b>35 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>149 324</b>	<b>163 000</b>	<b>169 965</b>	<b>185 088</b>

## GRANTS EXPENDITURE

## GRANTS RECONCILIATION

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
R thousand	Adjusted Budget			
<b>EXPENDITURE:</b>				
<b>Operating expenditure of Transfers and Grants</b>				
<b>National Government:</b>	<b>106 951</b>	<b>117 493</b>	<b>127 703</b>	<b>141 291</b>
Local Government Equitable Share	102 637	113 151	124 344	137 852
Finance Management	1 700	1 770	1 770	1 770
MIG - Administration Fees	1 614	1 559	1 589	1 669
EPWP Incentive	1 000	1 013		
<b>Provincial Government:</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Sport and Recreation	2 050	2 050	2 050	2 050
<b>District Municipality:</b>	<b>2 798</b>	<b>1 765</b>	<b>1 765</b>	<b>1 765</b>
Local Economic Development	445	-		
Environmental Health Subsidy	2 353	1 765	1 765	1 765
<b>Other grant providers:</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>	<b>1 865</b>
Fire Subsidy	1 865	1 865	1 865	1 865
<b>Total operating expenditure of Transfers and Grants:</b>	<b>113 664</b>	<b>123 173</b>	<b>133 383</b>	<b>146 971</b>
<b>Capital expenditure of Transfers and Grants</b>				
<b>National Government:</b>	<b>34 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
Municipal Infrastructure Grant (MIG)	30 660	29 627	30 182	31 717
Integrated National Electrification Programme	4 000	10 200	6 400	6 400
<b>District Municipality:</b>	<b>1 000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Water Boreholes	1 000			
<b>Total capital expenditure of Transfers and Grants</b>	<b>35 660</b>	<b>39 827</b>	<b>36 582</b>	<b>38 117</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>149 324</b>	<b>163 000</b>	<b>169 965</b>	<b>185 088</b>

## 2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

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

### ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
R thousand				
<b><u>Cash Transfers to Entities/Other External Mechanisms</u></b>				
<i>MOA with Arts Council</i>	155	55	58	61
<i>MOA with Sports Council</i>	-	85	90	95
<i>MOA KLTO</i>	2,210	2,210	2,329	2,457
<b>Total Cash Transfers To Entities/Ems'</b>	<b>2,365</b>	<b>2,350</b>	<b>2,477</b>	<b>2,613</b>
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	<b>2,365</b>	<b>2,350</b>	<b>2,477</b>	<b>2,613</b>
<b>TOTAL TRANSFERS AND GRANTS</b>	<b>2,365</b>	<b>2,350</b>	<b>2,477</b>	<b>2,613</b>

## 2.9 COUNCILLORS AND EMPLOYEE BENEFITS

### DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration	R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2018/19	Budget Year 2019/20
<b>Councillors (Political Office Bearers plus Other)</b>				
Basic Salaries and Wages	8 097	8 545	9 007	9 502
Medical Aid Contributions	650	686	724	763
Motor Vehicle Allowance	2 602	2 747	2 896	3 055
Cellphone Allowance	762	805	848	895
<b>Sub Total - Councillors</b>	<b>12 111</b>	<b>12 784</b>	<b>13 474</b>	<b>14 215</b>
<b>% increase</b>	<b>-</b>	<b>-</b>	<b>5.4%</b>	<b>5.5%</b>
<b>Senior Managers of the Municipality</b>				
Basic Salaries and Wages		4 640	4 890	5 159
Other benefits and allowances		3 093	3 260	3 439
<b>Sub Total - Senior Managers of Municipality</b>	<b>-</b>	<b>7 733</b>	<b>8 150</b>	<b>8 599</b>
<b>% increase</b>	<b>-</b>	<b>-</b>	<b>5.4%</b>	<b>5.5%</b>
<b>Other Municipal Staff</b>				
Basic Salaries and Wages	153 915	160 586	169 258	178 567
Pension and UIF Contributions	24 723	27 035	28 495	30 062
Medical Aid Contributions	15 143	16 559	17 453	18 413
Overtime	10 375	11 345	11 958	12 615
Performance Bonus	14 739	16 117	16 987	17 921
Motor Vehicle Allowance	7 957	8 701	9 170	9 675
Housing Allowances	2 301	2 516	2 652	2 797
Other benefits and allowances	19 080	20 864	21 991	23 200
Long service awards	812	888	935	987
<b>Sub Total - Other Municipal Staff</b>	<b>249 044</b>	<b>264 610</b>	<b>278 899</b>	<b>294 238</b>
<b>% increase</b>	<b>-</b>	<b>-</b>	<b>5.4%</b>	<b>5.5%</b>
<b>Total Parent Municipality</b>	<b>261 155</b>	<b>285 126</b>	<b>300 523</b>	<b>317 052</b>
	<b>-</b>	<b>-</b>	<b>5.4%</b>	<b>5.5%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>261 155</b>	<b>285 126</b>	<b>300 523</b>	<b>317 052</b>
<b>% increase</b>	<b>-</b>	<b>-</b>	<b>5.4%</b>	<b>5.5%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>249 044</b>	<b>272 342</b>	<b>287 049</b>	<b>302 837</b>

## DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits	Salary	Allowances	Total Package
<b>Rand per annum</b>			
<b>Councillors</b>			
Speaker	501 067	246 794	747 861
Chief Whip			–
Executive Mayor	618 452	304 611	923 063
Deputy Executive Mayor	–	–	–
Executive Committee	2 830 336	1 394 046	4 224 382
Total for all other councillors	4 615 313	2 273 214	6 888 527
<b>Total Councillors</b>	<b>8 565 168</b>	<b>4 218 665</b>	<b>12 783 832</b>
<b>Senior Managers of the Municipality</b>			
Municipal Manager (MM)	887 398	591 599	1 478 997
Chief Finance Officer	837 890	558 593	1 396 483
Director Infrastructure and Engineering	728 600	485 734	1 214 334
Director Corporate Services	728 600	485 734	1 214 334
Director Community Services	728 600	485 734	1 214 334
Director Planning, Development and Tourism	728 600	485 734	1 214 334
<b>Total Senior Managers of the Municipality</b>	<b>4 639 689</b>	<b>3 093 126</b>	<b>7 732 816</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>13 204 857</b>	<b>7 311 791</b>	<b>20 516 648</b>

## 2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2018/19													
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19
<b>Cash Receipts By Source</b>														
Property rates	11 365	18 664	16 609	14 295	12 777	13 408	12 591	12 360	13 590	10 462	12 303	12 099	160 525	
Service charges - electricity revenue	16 208	26 618	23 688	20 387	18 222	19 122	17 957	17 628	19 382	14 920	17 546	17 255	228 933	
Service charges - water revenue	4 458	7 321	6 515	5 607	5 012	5 259	4 939	4 848	5 330	4 103	4 826	4 746	62 963	
Service charges - sanitation revenue	2 743	4 505	4 009	3 450	3 084	3 236	3 039	2 983	3 280	2 525	2 969	2 920	38 742	
Service charges - refuse revenue	2 869	4 711	4 193	3 608	3 225	3 385	3 178	3 120	3 431	2 641	3 106	3 054	40 521	
Service charges - other												-		
Rental of facilities and equipment	133	219	195	167	150	157	148	145	159	123	144	142	1 881	
Interest earned - external investments	535	879	782	673	602	632	593	582	640	493	579	570	7 561	
Interest earned - outstanding debtors	536	881	784	674	603	633	594	583	641	494	580	571	7 574	
Dividends received												-		
Fines, penalties and forfeits	299	492	438	377	337	353	332	326	358	276	324	319	4 230	
Licences and permits	632	1 037	923	795	710	745	700	687	755	581	684	673	8 923	
Agency services												-		
Transfer receipts - operational	38 039	2 913	130	5 810	37 594	130	130	130	38 039	130	130	-	123 173	
Other revenue	561	921	819	705	630	661	621	610	670	516	607	597	7 917	
<b>Cash Receipts by Source</b>	<b>78 378</b>	<b>69 161</b>	<b>59 084</b>	<b>56 549</b>	<b>82 946</b>	<b>47 722</b>	<b>44 822</b>	<b>44 002</b>	<b>86 276</b>	<b>37 263</b>	<b>43 798</b>	<b>42 945</b>	<b>692 943</b>	



MONTHLY CASH FLOWS	Budget Year 2018/19													
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19
<b>Other Cash Flows by Source</b>														
Transfer receipts - capital			9 876			10 200	9 876			9 876			-	39 827
<b>Total Cash Receipts by Source</b>	<b>78 378</b>	<b>79 036</b>	<b>59 084</b>	<b>56 549</b>	<b>93 146</b>	<b>57 597</b>	<b>44 822</b>	<b>44 002</b>	<b>96 151</b>	<b>37 263</b>	<b>43 798</b>	<b>42 945</b>	<b>732 770</b>	
<b>Cash Payments by Type</b>														
Employee related costs	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	22 695	272 342
Remuneration of councillors	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	12 784
Finance charges	252	252	252	252	252	252	252	252	252	252	252	252	252	3 021
Bulk purchases - Electricity	20 242	20 775	27 268	13 362	14 509	14 416	15 345	16 466	14 798	13 485	14 776	15 502	200 945	
Bulk purchases - Water & Sewer	5 567	3 281	3 799	2 817	3 089	3 097	3 788	3 985	4 003	2 948	2 426	3 231	42 030	
Other materials	1 892	2 621	2 951	220	4 755	2 178	1 375	3 323	2 205	994	2 135	4 949	29 598	
Contracted services	2 931	4 061	4 572	341	7 367	3 374	2 130	5 148	3 416	1 539	3 308	7 667	45 853	
Other expenditure	4 103	5 685	6 400	477	10 314	4 723	2 983	7 208	4 783	2 155	4 631	10 734	64 196	
<b>Cash Payments by Type</b>	<b>58 747</b>	<b>60 436</b>	<b>69 002</b>	<b>41 230</b>	<b>64 046</b>	<b>51 800</b>	<b>49 632</b>	<b>60 141</b>	<b>53 219</b>	<b>45 134</b>	<b>51 288</b>	<b>66 094</b>	<b>670 770</b>	
<b>Other Cash Flows/Payments by Type</b>														
Capital assets	5 621	2 200	4 496	6 781	2 174	3 504	620	3 872	4 399	2 886	5 363	29 678	71 595	
Repayment of borrowing	598	598	598	598	598	598	598	598	598	598	598	598	7 179	
<b>Total Cash Payments by Type</b>	<b>64 967</b>	<b>63 235</b>	<b>74 096</b>	<b>48 610</b>	<b>66 818</b>	<b>55 902</b>	<b>50 851</b>	<b>64 611</b>	<b>58 216</b>	<b>48 619</b>	<b>57 249</b>	<b>96 370</b>	<b>749 544</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>13 411</b>	<b>15 801</b>	<b>(15 013)</b>	<b>7 939</b>	<b>26 327</b>	<b>1 695</b>	<b>(6 029)</b>	<b>(20 609)</b>	<b>37 936</b>	<b>(11 356)</b>	<b>(13 452)</b>	<b>(53 425)</b>	<b>(16 774)</b>	
Cash/cash equivalents at the month/year begin:	59 729	73 141	88 942	73 929	81 868	108 196	109 891	103 862	83 253	121 188	109 832	96 380	59 729	
Cash/cash equivalents at the month/year end:	73 141	88 942	73 929	81 868	108 196	109 891	103 862	83 253	121 188	109 832	96 380	42 955	42 955	

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework			
	R thousand	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
<b>Cash Receipts By Source</b>				
Property rates		160 525	172 564	185 506
Service charges - electricity revenue		228 933	244 592	261 322
Service charges - water revenue		62 963	70 204	78 277
Service charges - sanitation revenue		38 742	42 229	46 029
Service charges - refuse revenue		40 521	43 510	46 724
Service charges - other				
Rental of facilities and equipment		1 881	1 982	2 091
Interest earned - external investments		7 561	7 969	8 408
Interest earned - outstanding debtors		7 574	7 983	8 422
Dividends received				
Fines, penalties and forfeits		4 230	4 458	4 704
Licences and permits		8 923	9 404	9 922
Agency services				
Transfer receipts - operational		123 173	133 383	146 971
Other revenue		7 917	8 345	8 804
<b>Cash Receipts by Source</b>		<b>692 943</b>	<b>746 624</b>	<b>807 180</b>

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
R thousand			
<b>Other Cash Flows by Source</b>			
Transfer receipts - capital	39 827	36 582	38 117
<b>Total Cash Receipts by Source</b>	<b>732 770</b>	<b>783 206</b>	<b>845 297</b>
<b>Cash Payments by Type</b>			
Employee related costs	272 342	287 049	302 837
Remuneration of councillors	12 784	13 474	14 215
Finance charges	3 021	2 201	1 238
Bulk purchases - Electricity	200 945	211 796	223 445
Bulk purchases - Water & Sewer	42 030	44 300	46 737
Other materials	29 598	31 196	32 912
Contracted services	45 853	48 329	50 988
Other expenditure	64 196	67 663	71 384
<b>Cash Payments by Type</b>	<b>670 770</b>	<b>706 009</b>	<b>743 755</b>
<b>Other Cash Flows/Payments by Type</b>			
Capital assets	71 595	75 461	79 611
Repayment of borrowing	7 179	7 999	8 952
<b>Total Cash Payments by Type</b>	<b>749 544</b>	<b>789 468</b>	<b>832 318</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(16 774)</b>	<b>(6 262)</b>	<b>12 979</b>
Cash/cash equivalents at the month/year begin:	59 729	42 955	36 693
Cash/cash equivalents at the month/year end:	42 955	36 693	49 672

## **2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES**

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

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

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

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

The SDBIP relating to the 2018/19 financial year will be approved by the Executive Mayor during June 2018, following the approval of the Budget.

## **2.12 LEGISLATION COMPLIANCE STATUS**

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

### IDP

A revised 2018/19 IDP has been developed, which will be considered at a Council meeting to be held on 29 March 2018. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2018/19 IDP will be considered at a Council meeting scheduled for 31 May 2018.

### Budget

The draft annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

### Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2016/17 Annual Report was tabled in January 2018.

### Oversight Report

The Municipal Public Accounts Committee has considered the 2016/17 Annual report. Its Oversight Report was approved at a Council meeting held on 23 March 2018.

### In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

### Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

### Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

### Internal Audit Function

The Municipality's Internal Audit Function is performed by KMPG and reports to the Municipal Manager and is operating in accordance with an audit plan.

In relation to the 2018/19 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining its unqualified audit status.
- The Municipality is considering the establishment of an internal audit section and phasing out the outsourcing of this service.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

### Internship Programme

The municipality has a total of three Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. The municipality is in the process of recruiting another four Interns.

### Municipal Standard Chart of Accounts (mSCOA)

The Municipality has approved a Project Plan for the implementation of mSCOA. The governance structures are in place in terms of a Project Steering Committee and a Project Implementation Team. A term of reference has been developed, outlining the roles and responsibilities of each committee, in order to hold the members accountable for the implementation thereof.

## 2.13 CAPITAL EXPENDITURE DETAILS

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

### 2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

#### Quality Certificate

I, Mr. C DU PLESSIS, Municipal Manager of Kouga Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name : CHARL DU PLESSIS

MUNICIPAL MANAGER OF KOUGA MUNICIPALITY (EC108)

Signature : 

Date : 26 MARCH 2018