



# SCHEDULE A: AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF THE HARRY GWALA DISTRICT MUNICIPALITY

BUDGET & TREASURY

***2018/19 MTREF***

***DRAFT BUDGET***

ANNUAL BUDGET OF  
**HARRY GWALA**  
**DISTRICT**  
**MUNICIPALITY**

2018/19 TO 2020/21  
MEDIUM TERM REVENUE AND EXPENDITURE  
FRAMEWORK BUDGET

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Annexure B: SDBIP Summary

## Abbreviations and Acronyms

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



# 1 Part 1 – Annual Budget

## 1.1 MAYOR’S REPORT

### PURPOSE

To table to Council the 2018/19 Medium Term Revenue and Expenditure Framework draft budget for noting.

### BACKGROUND

In terms of section 16 (1) of the Municipal Finance Management Act the Council of a Municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.

### DISCUSSION:

In order for a Municipality to comply with section (i) section 16 (2) prescribes that the Mayor of the Municipality must table the annual Budget at a Council meeting at least 90 days before the start of the budget year.

### In terms of section 17 of the MFMA;

*An annual budget of a Municipality must set out realistically anticipated revenue for the budget year and appropriate expenditure for the budget year under the different votes of the Municipality.*

### BUDGET SUMMARY:

The 2018/2019 Total Revenue is R 751m broken down as follows;

• Government Grants and Subsidies – Capital	R 346, 9m
• Government Grants and Subsidies – Operational	R 323, 8m
• Own Revenue	R 80, 3m

Allocated as follows;

• Operational budget	R 433, 7m
• Capital budget	R 349, 2m

2018/2019 Consolidated Total Revenue is R 751m broken down as follows;

• Government Grants and Subsidies – Capital	R 346, 9m
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- Government Grants and Subsidies – Operational R 323, 8m
- Own Revenue R 80, 4m

Allocated as follows;

- Operational budget R 433m
- Capital budget R 349m

The staff salaries budget has been budgeted at R160, 3m, representing 37% of the operational budget. Councilor's allowances have been budgeted at R6, 8m. The staff salaries budget for the consolidated has been budgeted at R160, 3million.

### Local government equitable share

The equitable share for 2018/2019 financial year as gazetted from the Division of Revenue Bill is as follows:

- ✓ Equitable share R 318 074 000

For 2018/19 Final Budget capital projects amounting to R 349 292 000 have been planned under the following categories;

PROJECT TYPE	AMOUNT
Water	R 264 516 000
Sanitation	R 77 466 000
Other Assets	R 7 310 000
<b>TOTAL</b>	<b>R 349 292 000</b>

The municipality has prepared its infrastructure budget with the guidance of MIG formula for allocating this funding to local municipalities

### Budget or breakdown allocation per local Municipality is as follows:

<b>Umzimkhulu</b>	R	58 101 994	17%	Has a huge Backlogs and high population
<b>NDZ</b>	R	147 951 006	42%	Huge Backlogs, Merger & Bulwer Dam
<b>Ubuhlebezwe</b>	R	76 629 000	22%	Backlogs has been reduced
<b>Kokstad</b>	R	59 300 000	17%	Few Backlogs
<b>Internal</b>	R	7 310 000	2%	No Backlogs

Doctor Nkosazana Dlamini Zuma municipality infrastructure budget allocation includes an amount of R70million for the construction of the Bulwer Dam under the Regional Bulk Infrastructure Grant.

### **Local Economic Development and Tourism**

The Harry Gwala District Municipality has developed a number of local development related strategies and plans that seek to enhance its economic growth. These plans and strategies were circulated to all councilors. The Harry Gwala District Municipality has allocated R 15m towards LED projects in 2018/19 and a total of R27million in the MTREF in line with this National priority. We are hopeful that our partners, the first and second sphere of Government, in economic development will support in this Endeavour. We also intend to attract private sector investment to our district through the strengthening of our Harry Gwala Development Agency (HGDA). The Board of directors is now in place. To further strengthen the administrative capacity of the Agency, the HGDM LED unit was seconded to be part of the SDA. We are also engage through the Mayoral forum to drive towards having one LED vehicle for the district including LMs being the SDA.

### **Promoting efficient revenue and expenditure management in local government**

The minister said municipalities, just like national and provincial governments, needed to closely examine their budgets to ensure they are using their available resources to maximize service delivery and this was centered on both; Cost-effective spending, and Revenue collection.

Looking at this budget it will be noticed that we were very conservative on the expenditure but we will also explore all possible means to recover as much potential revenue as we could collect.

While we have to focus on our mandate and uplifting skills related to our mandate but we cannot overlook the development of youth towards scarce skills in our area as they have a negative impact on the quality of life for our people. Without supporting and building of these skills like health and education, we cannot fully claim to have contributed to sustainable communities.

Harry Gwala Municipality is committed in developing community and youth residing within the District in the above mentioned skills. A number of projects have been budgeted for in the special programmes unit to ensure that the special groups existing in the Harry Gwala community are sufficiently catered for.

See breakdown on the next page

DESCRIPTION	2018/19	2019/20	2020/21
<b>SPORT DEVELOPMENT</b>	R 3 000 000	R 3 162 000	R 3 335 910
<b>RURAL HORSE RIDING - GAMES (SUMMER CUP)</b>	R 600 000	R 632 400	R 667 182
<b>DISABLED PROGRAMMES</b>	R 100 000	R 105 400	R 111 197
<b>YOUTH DEV PROGRAMMES</b>	R 300 000	R 316 200	R 333 591
<b>BURSARIES-COMMUNITY</b>	R 200 000	R 210 800	R 222 394
<b>MEDICAL BURSARIES</b>	R 200 000	R 210 800	R 222 394
<b>WOMENS EMPOWERMENT PROGRAMME</b>	R 200 000	R 210 800	R 222 394
<b>MENS FORUM AND CAPACITY BUILDING</b>	R 50 000	R 52 700	R 55 599
<b>SENIOR CITIZENS PROGRAMMES</b>	R 150 000	R 158 100	R 166 796
<b>FINANCIAL ASSISTANCE &amp; SCHOOL CAMPAIGN</b>	R 200 000	R 210 800	R 222 394
<b>TO ATTEND UMKHOSI WOMHLANGA</b>	R 50 000	R 52 700	R 55 599
<b>HARRY GWALA DISTRICT MARATHON</b>	R 1 000 000	R 1 054 000	R 1 111 970
<b>RELIGIOUS FORUMS</b>	R100 000	R105 400	R111 197
<b>TOTAL</b>	<b>R 6 150 000</b>	<b>R 6 482 100</b>	<b>R 6 838 617</b>

In relation to the above stated points, the Local Government Budgets and Expenditure Review, published by the National Treasury in September 2011, highlights 5 important considerations:

**Revenue management** – To ensure the collection of revenues, the municipality should maintain accurate billing systems; timeously send out accounts to residents and strive to collect as much revenues owed as we can.

**Collecting outstanding debts** – This requires political commitment, sufficient administrative capacity, and pricing policies that ensure that bills are accurate and affordable, especially for poor households. In

this regard, Harry Gwala Municipality has recently completed a data cleansing exercise and is reviewing its Indigent Policy.

**Pricing services correctly** – The full cost of services should be reflected in the price charged to residents who can afford to pay. Many municipalities offer overly generous subsidies and rebates that result in services being run at a loss, resulting in funds being diverted away from other priorities. This is a major area in which should pull our socks. Running services at a loss affects the extension of services to other areas and impact negatively on operations and maintenance.

**Under spending on repairs and maintenance** – Often seen as a way to reduce spending in the short-term, under spending on maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. This lack of Operations and maintenance also causes uprising by communities due to inadequate supply of services and the questing of democracy.

**Spending on non-priorities** – Many municipalities spend significant amounts on non-priority items including unnecessary travel, luxury furnishings, excessive catering and unwarranted public relations projects. Consultants are often used to perform routine tasks. Major attempts would be made to reduce use of consultants. A number of capacity building programmes have been undertaken to improve the capacity which has to result to improved quality of work

**Funding local government** -The functions performed by local government rely largely on self-financing. The minister noted that Substantial progress has been made in overcoming the service disparities of the past through transfers from the national fiscus, but large backlogs remain. The major need is to provide municipal infrastructure to poor households and, increasingly, to pay for the institutional and governance needs of poor municipalities. This situation requires us to put more emphasis on job creation and economic development in order to create more opportunities for self-income.

Other strategies documents to be linked with the budget are:

- Integrated Development Plan ( IDP)
- Budget
- Strategic Development Budget Implementation Plan ( SDBIP)
- Performance Management System ( PMS)
- Policies and By-Laws

## 1.2 COUNCIL RESOLUTIONS

On 27 March 2018 the Council of Harry Gwala District Municipality met in the Council Chambers of Harry Gwala District Municipality council chamber to consider the draft budget of the municipality for the financial year 2018/19. The Council notes the following resolutions:

1. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes:

1.1. The draft budget of the municipality for the financial year 2018/19 and the multi-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

1.1.4. Multi-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

1.1.5. Consolidated budget schedules A1 to A10.

1.1.6 Noting the budget of the Harry Gwala Development Agency (Municipal Entity) as presented in Supporting in Table 31.

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

1.2.1. Budgeted Financial Position as contained in Table A6;

1.2.2. Budgeted Cash Flows as contained in Table A7;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

1.2.4. Asset management as contained in Table A9; and

1.2.5. Basic service delivery measurement as contained in Table A10.

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

2.1. The tariffs for the supply of water – Refer to the tariffs policy in Annexure B

2.2. The tariffs for sanitation services – refer to the tariffs policy in Annexure B

3. The Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services, as set out in tariffs policy.
4. The council, acting in terms of section 24 of the Municipal Finance Management Act, notes with effect from 29 March 2018 the draft budget related policies as discussed above.
5. To give proper effect to the municipality's annual budget, the Council notes:
  - 5.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from water and sanitation to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 5.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the budget.

### **1.3 EXECUTIVE SUMMARY**

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

District business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and stern control measures expenditures such as telephone, internet usage, printing, workshops, accommodation, and catering.

The District has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the District has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54, 58, 59, 66, 70, 72, 74, 75, 79, 80,85 and 86 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

- The increased cost of bulk water (due to tariff increases from Umngeni and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable. However, with this in mind the municipality has planned to engage on an extensive costing exercise with a view to review.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2018/19 MTREF process; and

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

- The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and the operational cost of District expense for the water pumps. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

**Table 1 Overview of the 2018/19 MTREF – Parent Municipality**

<b>R thousand</b>	<b>Adjustments Budget 2017/18</b>	<b>Budget Year 2018/19</b>	<b>Budget Year + 1 2019/20</b>	<b>Budget Year +2 2020/21</b>
<b>Total Operating Revenue</b>	R 432 901 523	R 401 884 778	R 447 601 339	R 467 107 984
<b>Total Operating Expenditure</b>	R 455 567 223	R 433 708 441	R 441 716 670	R 477 232 369
<b>(Surplus)/ Deficit for the year</b>	<b>R - 22 665 700</b>	<b>R 0</b>	<b>R + 5 884 668</b>	<b>R – 10 124 385</b>
<b>Total Capital Expenditure</b>	R 351 050 141	R 349 292 000	R 346 562 740	R 381 557 481



Total operating revenue for the Parent municipality has been decreased by 7% per cent or R31million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 11 % and 4 % per cent respectively, equating to a total revenue growth of R65, 2m over the MTREF when compared to the 2018/19 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R401, 8million. When compared to the 2017/18 Adjustments Budget, operational expenditure has decreased by 12% per cent in the 2018/19 budget. The operating deficit for the 2018/19 decreased by R 22, 6m which means there is no deficit in 2018/2019 financial year then shows a surplus in 2019/2020 of R5, 8m and then deficit in 2020/2021 of R 10m. These deficit in 2020/21 financial year is caused by non-cash items which are depreciation and bad debts and the amount for depreciation in 2020/21 financial year is at R46, 2m and provision for bad debts is at R40, 7million.

The capital budget of R349, 2 million for 2018/19 is 1% per cent less when compared to the 2017/18 Adjustment Budget. The decrease is due to various grants gazzetted or received for the 2018/19 financial year and it is going to cause poor service delivery or increase backlog of water and sanitation within the district. The capital programme decreases to R346, 5million in the 2019/20 financial year and R381,5 million in 2020/21 financial year. The capital budget is largely funded from the Government Grants and Subsidies in the MTREF.

Table 2 below presents a consolidated overview of the 2018/19 budget.

**Table 2 Consolidated Overview of the 2018/19 MTREF**

<b>R thousand</b>	<b>Adjustments Budget 201/18</b>	<b>Budget Year 2018/19</b>	<b>Budget Year + 1 2018/19</b>	<b>Budget Year +2 2019/20</b>
<b>Total Operating Revenue</b>	R 440 896 000	R 409 502 000	R 439 349 000	R 474 851 000
<b>Total Operating Expenditure</b>	R 454 729 000	R 401 696 000	R 449 039 000	R 472 377 000
<b>(Surplus)/ Deficit for the year</b>	<b>R - 13 4833 000</b>	<b>R +7 807 000</b>	<b>R - 9 690 000</b>	<b>R - 2 474 000</b>
<b>Total Capital Expenditure</b>	R 351 350 000	R 349 788 602	R 348 443 790	R 385 930 683

The trends depicted by the table above follow a similar trend to that outlined above in the parent municipality analysis.

## 1.4 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for water and sanitation service charges in the MTREF;
- Achievement in the long term of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district.

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

**Table 3 Summary of revenue classified by main revenue source**

DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>										
Service charges - water revenue	40 534	29 017	27 557	39 269	47 671	47 671	47 671	41 410	44 226	47 233
Service charges - sanitation revenue	14 028	12 878	11 895	16 122	19 723	19 723	19 723	17 747	18 954	20 243
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-
Service charges - other	839	1 032	199							
Interest earned - external investments	3 669	3 364	6 067	6 230	8 716	8 716	8 716	6 946	7 428	7 937
Interest earned - outstanding debtors	7 446	8 664	16 395	9 000	12 606	12 606	12 606	9 540	10 112	10 719
Transfers and subsidies	312 656	296 087	296 485	303 218	347 365	347 365	347 365	328 823	353 324	383 130
Other revenue	1 401	2 230	2 170	3 155	4 815	4 815	4 815	5 036	5 305	5 589
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>380 572</b>	<b>353 272</b>	<b>360 768</b>	<b>376 993</b>	<b>440 896</b>	<b>440 896</b>	<b>440 896</b>	<b>409 502</b>	<b>439 349</b>	<b>474 851</b>

**Table 4 Percentage growth in revenue by main revenue source****DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description	Current Year		2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
<b>R thousand</b>								
<b>Revenue By Source</b>								
Service charges - water revenue	47 671	11%	41 410	10%	44 226	10%	47 233	10%
Service charges - sanitation revenue	19 723	4%	17 747	4%	18 954	4%	20 243	4%
Interest earned - external investments	8 716	2%	6 946	2%	7 428	2%	7 937	2%
Interest earned - outstanding debtors	12 606	3%	9 540	2%	10 112	2%	10 719	2%
Transfers and subsidies	347 365	79%	328 823	80%	353 324	80%	383 130	81%
Other revenue	4 815	1%	5 036	1%	5 305	1%	5 589	1%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>100%</b>	<b>409 502</b>	<b>100%</b>	<b>439 349</b>	<b>100%</b>	<b>474 851</b>	<b>100%</b>
Total Revenue from Rates and Service Charges	67 394	15%	59 157	14%	63 180	14%	67 476	14%

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

Revenue generated from services charges forms a small percentage of the revenue basket for the District. Service charges revenue comprises a mere 14% of the total revenue mix. In the 2017/18 financial year, revenue from service charges totaled R 67, 3m or 15% per cent. This decreases to R59, 1m, then increase to R63, 1m, R67, 4m in the respective financial years of the MTREF. A notable trend is the constant pattern in the total percentage revenue generated from services charges which averaging 15% in the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1

Other revenue for 2018/2019 financial year totaling to R5million and 2018/2019 increased by 5 per cent R268 535k in monetary and increase to R282 874k in the outer years.

Operating grants and transfers totals R346, 7m in the 2018/19 financial year and decreases to R346, 2m 2019/20 and increases to R380, 9m in 2020/21. Note that the year-on-year growth on the operational grants for the 2018/19 financial year is 16% per cent and then flattens out to 1 % and 10 % per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 5 Operating Transfers and Grant Receipts

## DC43 Harry Gwala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Operating transfers and grants:</b>									
<b>National Government:</b>									
Balance unspent at beginning of the year									
Current year receipts	311 906	294 987	324 383	303 218	347 365	347 365	328 823	352 824	382 730
<b>Conditions met - transferred to revenue</b>	<b>311 906</b>	<b>294 987</b>	<b>324 383</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>352 824</b>	<b>382 730</b>
<b>Provincial Government:</b>									
Current year receipts	750	1 100	-	-	-	-	-	500	400
<b>Conditions met - transferred to revenue</b>	<b>750</b>	<b>1 100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>400</b>
Conditions still to be met - transferred to liabilities									
<b>Total operating transfers and grants revenue</b>	<b>312 656</b>	<b>296 087</b>	<b>324 383</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>353 324</b>	<b>383 130</b>
<b>Total operating transfers and grants - CTBM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital transfers and grants:</b>									
<b>National Government:</b>									
Current year receipts	236 008	241 744	299 101	387 544	343 397	387 544	341 982	343 859	378 480
<b>Conditions met - transferred to revenue</b>	<b>236 008</b>	<b>241 744</b>	<b>299 101</b>	<b>387 544</b>	<b>343 397</b>	<b>387 544</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
Conditions still to be met - transferred to liabilities									
<b>Provincial Government:</b>									
Current year receipts	-	-	10 000	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>	<b>-</b>	<b>-</b>	<b>10 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital transfers and grants revenue</b>	<b>236 008</b>	<b>241 744</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>387 544</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
<b>Total capital transfers and grants - CTBM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>	<b>548 664</b>	<b>537 831</b>	<b>633 484</b>	<b>690 762</b>	<b>690 762</b>	<b>734 909</b>	<b>670 805</b>	<b>697 183</b>	<b>761 610</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. However, excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Umngeni Water bulk tariffs at 6, 8% are more than the mentioned inflation target of 5, 3%. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's rates and in these tariffs are largely outside the control of the District. Discounting the impact of these price increases in lower consumer tariffs will erode the District future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals etc. The current challenge facing the District is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the District has undertaken the tariff setting process relating to service charges as follows.

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

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

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

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2018.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2018, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A tariff increase of 6,8 per cent from 1 July 2018 for water is proposed. This is based on input cost of 6, 83% increase in the cost of bulk water (Umngeni Water), the cost of other inputs increasing by 6 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

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

- Sale of Water and Impact of Tariff Increases

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

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

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2017.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2018, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

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

Table 6 Proposed Water Tariffs

### Residential

Consumption in KL	2017/18		2018/19		Increase	
0-6	R	7.59	R	8.11	<b>R</b>	<b>0.52</b>
14 - 20	R	12.65	R	13.51	<b>R</b>	<b>0.86</b>
21-40	R	14.74	R	15.74	<b>R</b>	<b>1.00</b>
41-100	R	24.44	R	26.10	<b>R</b>	<b>1.66</b>
101-200	R	27.81	R	29.70	<b>R</b>	<b>1.89</b>
201+	R	29.50	R	32.04	<b>R</b>	<b>2.54</b>
Unmetered flat rate per month		<b>R 74.45</b>		<b>R 79.51</b>		<b>R 5.06</b>

### Commercial & Industrial

Commercial & Industrial						
Consumption Increments in R per KL	2017/18		2018/19		Increase	
0-100	R	10.96	R	11.71	<b>R</b>	<b>0.74</b>
101-200	R	14.74	R	15.74	<b>R</b>	<b>1.00</b>
201-300	R	24.44	R	26.10	<b>R</b>	<b>1.66</b>
301-400	R	26.13	R	27.91	<b>R</b>	<b>1.78</b>
401-500	R	27.81	R	29.70	<b>R</b>	<b>1.89</b>
500+	R	29.50	R	31.51	<b>R</b>	<b>2.01</b>

	Public Service & Government Institutions			Educational Institutions			Agricultural			Geriatric Institutions, Religious organisations, NPO & recreational facilities.		
Consumption Increments in R per KL	2017/18	2018/19	Increase	2017/18	2018/19	Increase	2017/18	2018/19	Increase	2017/18	2018/19	Increase
0-6	R 10.96	R 11.71	<b>R 0.75</b>	R 10.34	R 11.74	<b>R 1.40</b>	R 10.96	R 11.71	<b>R 0.75</b>	R 10.96	R 11.71	<b>R 0.75</b>
7-100	R 10.96	R 11.71	<b>R 0.75</b>	R 10.34	R 11.74	<b>R 1.40</b>	R 10.96	R 11.71	<b>R 0.75</b>	R 10.96	R 11.71	<b>R 0.75</b>
101-200	R 14.74	R 15.74	<b>R 1.00</b>	R 13.91	R 15.74	<b>R 1.83</b>	R 14.74	R 15.74	<b>R 1.00</b>	R 14.74	R 15.74	<b>R 1.00</b>
201-300	R 24.44	R 26.10	<b>R 1.66</b>				R 24.44	R 26.10	<b>R 1.66</b>	R 24.44	R 26.10	<b>R 1.66</b>
301-400	R 26.13	R 27.91	<b>R 1.78</b>				R 26.13	R 27.91	<b>R 1.78</b>	R 26.13	R 27.91	<b>R 1.78</b>
401-500	R 27.81	R 29.70	<b>R 1.89</b>				R 27.81	R 29.70	<b>R 1.89</b>	R 27.81	R 29.70	<b>R 1.89</b>
500+	R 29.50	R 31.51	<b>R 2.01</b>				R 29.50	R 31.51	<b>R 2.01</b>	R 29.50	R 31.51	<b>R 2.01</b>

Road tanker Delivery				Static tank hire per day		
Road Tanker Delivery of Water	2017/18	2018/19	Increase	2017/18	2018/19	Increase
<b>2500 l</b>	R1,854.35	R1,980.45	R126.10	R168.58	R180.04	R11.46
<b>5000 l</b>	R2,528.67	R2,700.62	R171.95	R421.44	R450.10	R26.66
<b>7500 l</b>	R2,950.11	R3,150.72	R200.61	R590.02	R630.14	R40.12
<b>10 000 l</b>	R3,540.14	R3,780.87	R240.73	R842.89	R900.21	R457.32
<b>Del. Charge</b>	R337.15	R360.08	R22.93	R337.15	R360.08	R22.93

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

<b>Deposit per meter</b>				<b>New water meter</b>			<b>Disconnection and Reconnection</b>		
<b>Misc. water related tariffs given in pipe diameter</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Increase</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Increase</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Increase</b>
15 mm	R1, 011.47	R1, 080.25	R68.78	R1 011.47	R1 080.25	R68.78	R505.73	R540.12	R34.39
20 mm	R1,264.33	R1,350.30	R85.97	R1,432.91	R1,530.35	R97.44	R674.31	R720.16	R45.85
50 mm	R1,685.78	R1,800.41	R114.63	R1,770.06	R1,890.42	R120.36	R1,264.33	R1,350.30	R85.97
100 mm	R2,528.67	R2,700.62	R171.95	R2,950.11	R3,150.72	R200.61	R1,685.78	R1,800.41	R114.63
110 mm +	R3,371.55	R3,600.62	R229.07	R4,214.45	R4,501.03	R286.58	R2, 107.23	R2, 250.21	R142.98



Table 7 Comparison between current water charges and increases (Domestic)

<b>Domestic (Metered)</b>						
<b>Consumption Increments in R per Kl</b>	2017/18		2018/19		<b>Increase</b>	
<b>0-6</b>	R	7.59	R	8.11	<b>R</b>	<b>0.52</b>
<b>7-20</b>	R	12.65	R	13.51	<b>R</b>	<b>0.86</b>
<b>21-40</b>	R	14.74	R	15.74	<b>R</b>	<b>1.00</b>
<b>41-100</b>	R	24.44	R	26.10	<b>R</b>	<b>1.66</b>
<b>101-200</b>	R	27.81	R	29.70	<b>R</b>	<b>1.89</b>
<b>201 +</b>	R	29.50	R	32.04	<b>R</b>	<b>2.54</b>
		<b>R 74.45</b>		<b>R 79.51</b>		<b>R 5.06</b>

The tariff structure of the 2018/19 financial year has been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R32.04 per kilolitre for consumption in excess of 201kl per 30 day period. In 208/19 financial year not all domestic consumers will benefit the free 6kl, only the indigent domestic consumers will receive free basic services. Demand notice fee to consumers, borehole flat rate of R150.00 and raw water flat rate of R3.61 have been added on the tariff structure.

### **Sanitation and Impact of Tariff Increases**

A tariff increase of 6.8 per cent for sanitation from 1 July 18 is proposed. This is based on the input cost assumptions related to water. It should be noted that District costs contributes approximately 20 per cent of waste water treatment input costs, therefore the CPI increase of 6.4 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;

The total revenue expected to be generated from rendering this service amounts to R59million for the 2018/19 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

Conservancy tank clearance on site				Septic tank clearance on site			Disposal into municipal reticulation system		
Static sanitation system given per load	2017/18	2018/19	Increase	2017/18	2018/19	Increase	2017/18	2018/19	Increase
<b>Per load</b>	R352.04	R378.09	26.05	R1095.76	R1170.27	R74.50	R352.04	R378.09	R26.05
<b>Transport per km</b>	R10.96	R11.71	R0.75	R10.34	R11.71	R1.37			

New connections

Disconnect/Reconnection IRO credit control

Misc. sanitation related tariffs given in service pipe diameter	2017/18	2018/19	Increase	2017/18	2018/19	Increase
Up to 600 mm	R 3,371.55	R 3,600.82	<b>R 229.27</b>	R 842.89	R 900.21	<b>R 57.32</b>
600 mm -1200 mm	R 4,214.45	R 4,501.03	<b>R 286.58</b>	R 1 264.33	R 1 350.30	<b>R 85.97</b>
1200 mm +	R 5,900.22	R 6,301.43	<b>R 401.21</b>	R 1 685.78	R 1 800.41	<b>R 114.63</b>

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 9 Comparison between current sanitation charges and increases, single dwelling- houses

Misc. sanitation related tariffs given in service pipe diameter	2017/18	2018/19	Increase
<b>New Connections</b>			
Up to 600 mm	R 3,371.55	R 3,600.82	<b>R 229.27</b>
Up to 1 200 mm	R 4,214.45	R 4,501.03	<b>R 286.58</b>
1 201 mm +	R 5,900.22	R 6,301.43	<b>R 401.21</b>
<b>Disconnect / Connect</b>			
Up to 600 mm	R 842.89	R 900.21	<b>R 57.32</b>
Up to 1 200 mm	R 1 264.33	R 1 350.30	<b>R 85.97</b>
1 200 mm +	R 1 685.78	R 1 800.41	<b>R 114.63</b>

Sanitation costs given in terms of water consumption	2017/18	2018/19	Increase
Water borne systems			
0-200 KI	R5.90	R6.30	R0.4
201 KI +	R7.59	R8.11	R0.52
Shayamoya, Bhongweni and Fairview			
0-200 KI			
200 KI +			
Unmetered / flat rate per month	R57.91	R64.28	R6.37

Overall impact of tariff increases on households

Property development costs, I.R.O water and sanitation delivery reticulation given in number of sub-divisions Per Sub-Division Clearance Certificate	2017/18	2018/19	Increase
1 Site	R9,777.51	R10,442.38	R664.87
2-5 Sites	R5,900.22	R6,301.43	R401.21
6-10 Sites	R3,371.55	R3,600.82	R229.27
11-20 + Sites	R2,022.55	R2,160.49	R137.94
Clearance certificate	R156.09	R166.70	R10.61

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at an average of 6.8 per cent, with the same increase for indigent households.

**Table 10 MBRR Table SA14 – Household bills****DC43 Harry Gwala - Supporting Table SA14 Household bills**

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Rand/cent</b>										
<b>Monthly Account for Household - 'Middle Income Range'</b>										
<b>Rates and services charges:</b>										
Water: Basic levy	2,95	2,95	3,45	4,02	4,02	4,02	6,8%	4,29	4,58	4,90
Water: Consumption	236,30	236,30	275,62	321,48	321,48	321,48	6,8%	343,34	366,69	391,62
Sanitation	106,16	106,16	123,82	144,43	144,43	144,43	6,8%	154,25	164,74	175,94
Other										
<b>sub-total</b>	<b>345,41</b>	<b>345,41</b>	<b>402,89</b>	<b>469,93</b>	<b>469,93</b>	<b>469,93</b>	<b>6,8%</b>	<b>501,88</b>	<b>536,01</b>	<b>572,46</b>
VAT on Services										
<b>Total large household bill:</b>	<b>345,41</b>	<b>345,41</b>	<b>402,89</b>	<b>469,93</b>	<b>469,93</b>	<b>469,93</b>	<b>6,8%</b>	<b>501,88</b>	<b>536,01</b>	<b>572,46</b>
<b>% increase/-decrease</b>		-	16,6%	16,6%	-	-		6,8%	6,8%	6,8%
<b>Monthly Account for Household - 'Affordable Range'</b>										
<b>Rates and services charges:</b>										
Water: Basic levy	2,96	2,96	3,45	4,02	4,02	4,02	6,8%	4,30	4,59	4,90
Water: Consumption	196,92	196,92	229,68	267,90	267,90	267,90	6,8%	286,12	305,58	326,35
Sanitation	88,46	88,46	103,18	120,34	120,34	120,34	6,8%	128,53	137,27	146,60
Other										
<b>sub-total</b>	<b>288,33</b>	<b>288,33</b>	<b>336,31</b>	<b>392,27</b>	<b>392,27</b>	<b>392,27</b>	<b>6,8%</b>	<b>418,94</b>	<b>447,43</b>	<b>477,86</b>
VAT on Services										
<b>Total small household bill:</b>	<b>288,33</b>	<b>288,33</b>	<b>336,31</b>	<b>392,27</b>	<b>392,27</b>	<b>392,27</b>	<b>6,8%</b>	<b>418,94</b>	<b>447,43</b>	<b>477,86</b>
<b>% increase/-decrease</b>		-	16,6%	16,6%	-	-		6,8%	6,8%	6,8%
			-	-	-1,00	-				

**1.5 OPERATING EXPENDITURE FRAMEWORK**

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

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

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

Table 11 Summary of operating expenditure by standard classification item

DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>										
Employee related costs	116 664	131 525	143 703	160 716	161 904	161 904	161 904	166 778	179 780	193 955
Remuneration of councillors	5 688	6 038	5 452	8 539	6 340	6 340	6 340	6 848	7 396	7 987
Debt impairment	11 653	25 567	34 877	27 843	34 098	34 098	34 098	25 266	38 136	40 729
Depreciation & asset impairment	41 558	46 315	49 961	34 996	50 650	50 650	50 650	41 944	45 447	47 918
Finance charges	3 714	2 890	4 320	2 009	1 605	1 605	1 605	1 509	1 590	1 678
Bulk purchases	8 947	8 866	8 335	13 688	16 225	16 225	16 225	15 000	15 810	16 680
Contracted services	55 335	69 226	55 510	20 298	24 505	24 505	24 505	34 510	46 914	49 494
Other expenditure	166 723	190 662	145 310	119 024	159 403	159 403	159 403	109 840	113 968	113 937
Loss on disposal of PPE	13 205	1 529	59							
<b>Total Expenditure</b>	<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>

The budgeted allocation for employee related costs for the 2018/19 financial year totals R161, 9m, which equals 37% per cent of the total operating expenditure, consolidated employee related costs for the 2018/2019 financial year totals to R166, 7million. Based on the MFMA circular 91 three year collective agreement has come to an end, Harry Gwala District Municipality have been factored an increase of 8% until the municipality receive a new wage increase or agreement of finalization of the salary and wage collective agreement. An annual increase of 8 per cent has been included in the next 2018/19 MTREF. Harry Gwala District Municipality budgeted at 8% salary increase for 2018/2019 financial year as. As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of the critical and strategically important vacancies as well as the inclusion of the staff to be transferred to the Municipality by the Provincial Health Department. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

1. **The cost associated with the remuneration of councilors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.
2. **The provision of debt impairment** was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R25, 2m and R40, 7m for 2020/21. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
3. **Provision for depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R41m for the 2018/19 financial and equates to 10% per cent of the total operating expenditure. Depreciation for the budget year represents an increase from the 2017/18 original budgets due to a number of projects or assets that are still on work in progress.
4. **Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% per cent of operating expenditure. As previously noted, the District has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing. In 2013/14 the municipality paid off the Greater Kokstad infrastructure upgrade DBSA loan. The other loans from DBSA was settled in June 2016 and Absa in 2020/21 financial years respectively.
5. **Bulk purchases** are directly informed by the purchase of water from Umngeni Water in the Ubuhlebezwe area. The annual price increases of 6, 83% have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

6. **Contracted services** have been identified as a cost saving area for the Municipality. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure totals R34, 5million showing an increase of 2 % from 2017/18, clearly demonstrate that the municipality still need to maintain cost constraint measures. For the two outer years growth has been limited to 2% per cent of total operating expenditure. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2018/19 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1.
  
7. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been decreased by 31% per cent from the adjusted budget for 2017/18 and curbed 1% per cent increases for the two outer years, indicating that significant cost savings or containment measures have been already realised. Further details relating to contracted services and other expenditure can be seen in Table MBRR SA1.

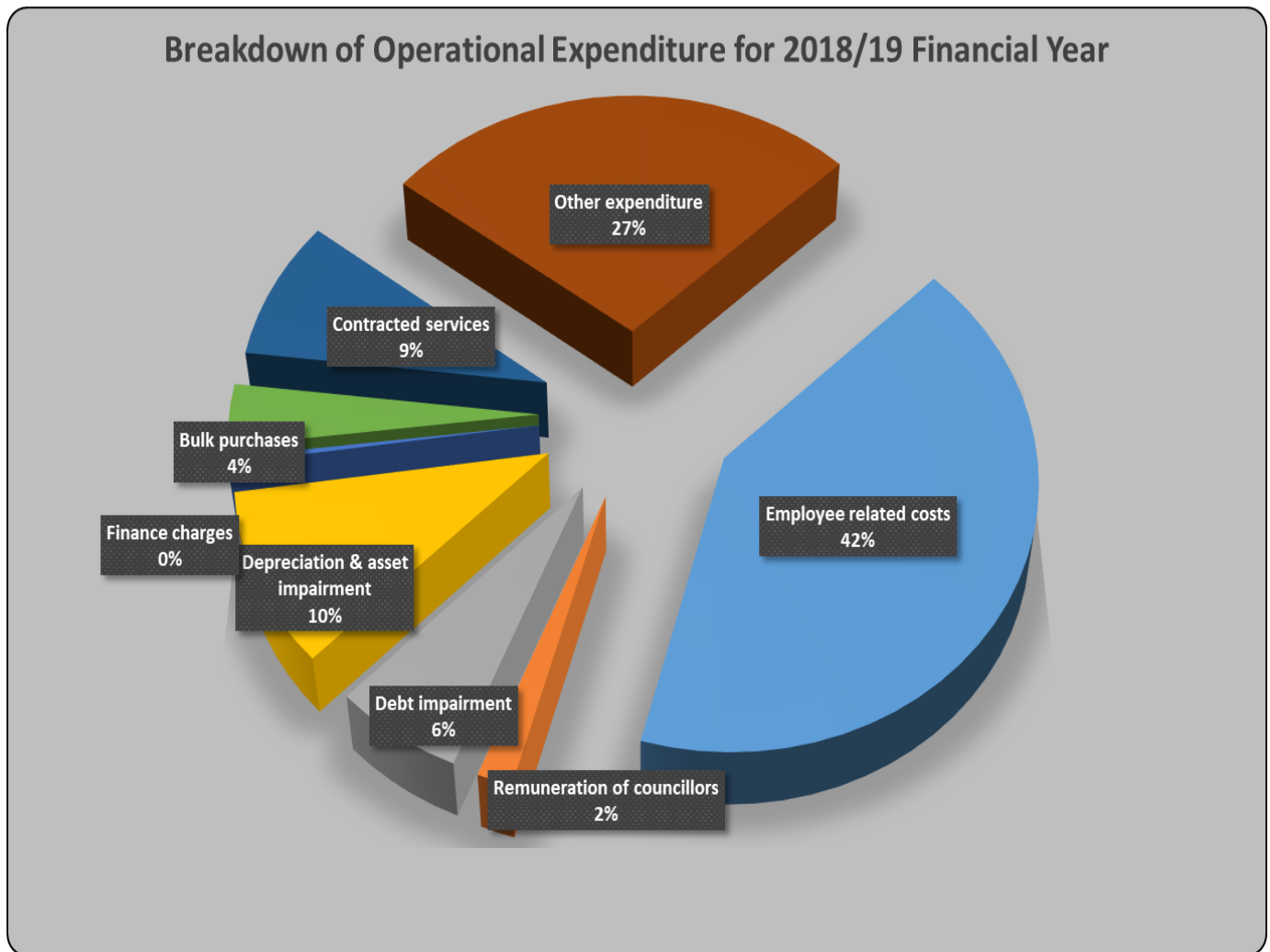


Figure 1 Main operational expenditure categories for the 2018/19 financial year

**Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the district’s current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the district. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:



**Table 12 Operational repairs and maintenance****DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>Repairs and Maintenance by Expenditure Item</b>										
Employee related costs	35 127	37 937	45 597	51 894	51 894	51 894	51 894	35 807	38 672	41 766
Other materials	24 589	17 064	20 510	33 116	33 116	33 116	33 116	16 700	17 602	18 570
Contracted Services	7 025	15 150	18 209	200	200	200	200	27 500	28 985	30 579
Other Expenditure	3 513	3 723	4 475	2 353	2 353	2 353	2 353	7 500	7 905	8 340
<b>Total Repairs and Maintenance Expenditure</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the district infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially decreased by 1 per cent in the 2018/19 financial year, from R87, 5 million to R99, 2 million. During the 2017 Adjustment Budget this allocation was not adjusted it was still the same as original amounted to R87, 5 million taking into account the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2018/19 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2018/19 equates to R87, 5 million showing a reduction of 1 per cent in relation to the Adjustment Budget and grows at 6% in the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 7 per cent for the respective financial years of the MTREF.

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

Table 13 Repairs and maintenance per asset class

DC43 Harry Gwala - Table A9 Asset Management

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>EXPENDITURE OTHER ITEMS</b>									
<u>Depreciation</u>	37 050	39 754	40 583	31 874	42 534	42 534	42 534	34 286	36 882
<u>Repairs and Maintenance by Asset Class</u>	<b>64 817</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>88 791</b>	<b>88 791</b>	<b>88 791</b>	<b>87 562</b>	<b>93 809</b>
<i>Water Supply Infrastructure</i>	38 412	40 716	48 590	58 400	58 400	58 400	58 400	57 592	61 701
<i>Sanitation Infrastructure</i>	26 405	27 990	21 600	25 961	26 202	26 382	26 202	25 839	27 682
<b>Infrastructure</b>	<b>64 817</b>	<b>68 706</b>	<b>70 190</b>	<b>84 362</b>	<b>84 602</b>	<b>84 782</b>	<b>84 602</b>	<b>83 431</b>	<b>89 383</b>
Operational Buildings	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Other Assets	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Computer Equipment	-	357	150	180	180	-	180	178	190
Transport Assets	-	596	200	240	1 000	1 000	1 000	986	1 057
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>101 867</b>	<b>110 008</b>	<b>114 458</b>	<b>120 666</b>	<b>131 325</b>	<b>131 325</b>	<b>131 325</b>	<b>121 848</b>	<b>130 691</b>

For the 2018/19 financial year, R88million of total repairs and maintenance will be spent on infrastructure assets. This signifies the implementation of the municipality's plans of maintaining its infrastructure levels high to ensure uninterrupted service delivery.

Table A9 reveals a decreasing trend in the percentage of Repairs & Maintenance as a percentage of Property, Plant & Equipment. This is due to a higher rate of monetary increase in the PPE balances as compared to the monetary increases in the Repairs & Maintenance budget.

The challenge noted above of a higher increase in the capital budget than the repairs & maintenance budget is mainly attributable to a higher grant funded infrastructural spending than the increase in own revenue sources that fund the repairs and maintenance budget.

### Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the district Indigent Policy. The target is to register 27 000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

## 1.6 CAPITAL EXPENDITURE

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

Table 14 2018/19 Medium-term capital budget per vote

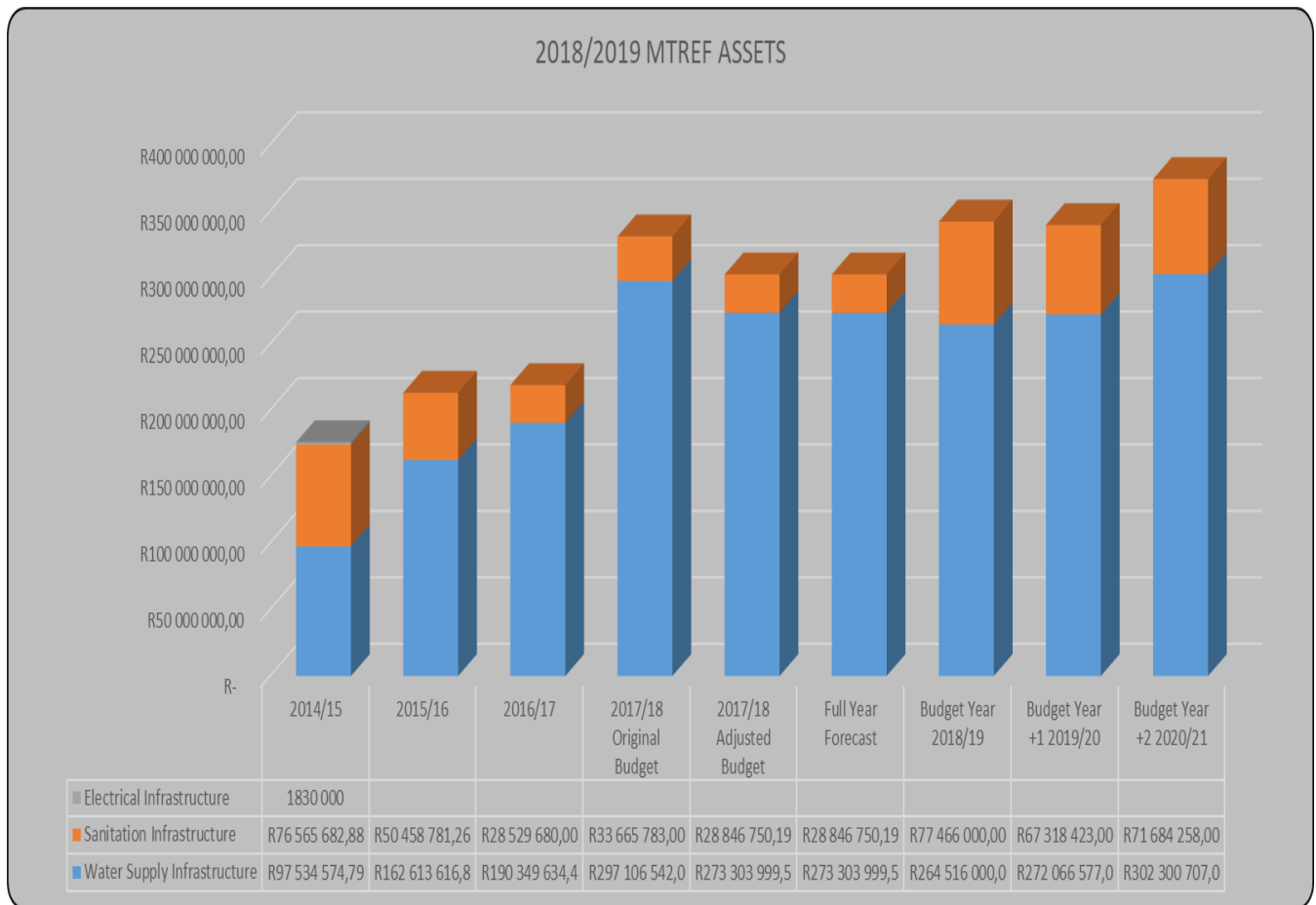
DC43 Harry Gwala - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure, to be appropriated</b>										
Vote 4 - Corporate Services	3 394	536	6 956	5 110	6 153	6 153	6 153	3 760	3 963	4 181
Vote 5 - Social & Development Planning	1 200	-	1 511	500	300	300	300	497	540	605
Vote 6 - Infrastructure Services	231 868	241 744	177 304	330 444	349 297	349 297	349 297	342 482	339 385	373 985
Vote 7 - Water Services	2 483	538	10 000	63 000	(4 400)	(4 400)	(4 400)	2 500	2 635	2 780
<b>Capital multi-year expenditure sub-total</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>

For 2018/19 an amount of R349, 7million has been appropriated for the development of infrastructure which represents 97% of the total capital budget. In the outer years this amount totals R347million, 98% and R382million, 98% respectively for each of the financial years.

Total new assets represent 97 per cent or R349million of the total capital budget while asset renewal equates to 1% per cent or R6million. Further detail relating to asset classes and proposed capital expenditure is contained in Table MBRR A9 (Asset Management). In addition to the MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Refer to table MBRR SA36 for the detailed listing of the capital projects.

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



**Future operational cost of new infrastructure**

The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35. This table shows that future operational costs associated with the capital programme totals R28 million in 2017/18 and escalates to R77, 4million by 2020/21. This concomitant operational expenditure is expected to escalate to R37, 8 million by 2018/19. It needs to be noted that as part of the 2018/19 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## 1.7 ANNUAL BUDGET TABLES – CONSOLIDATED BUDGET

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

DC43 Harry Gwala - Table A1 Consolidated Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	55 400	42 927	39 651	55 390	67 394	67 394	67 394	59 157	63 180	67 476
Investment revenue	3 669	3 364	6 067	6 230	8 716	8 716	8 716	6 946	7 428	7 937
Transfers recognised - operational	312 656	296 087	296 485	303 218	347 365	347 365	347 365	328 823	353 324	383 130
Other own revenue	8 847	10 894	18 565	12 155	17 421	17 421	17 421	14 576	15 418	16 308
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>380 572</b>	<b>353 272</b>	<b>360 768</b>	<b>376 993</b>	<b>440 896</b>	<b>440 896</b>	<b>440 896</b>	<b>409 502</b>	<b>439 349</b>	<b>474 851</b>
Employee costs	116 664	131 525	143 703	160 716	161 904	161 904	161 904	166 778	179 780	193 955
Remuneration of councillors	5 688	6 038	5 452	8 539	6 340	6 340	6 340	6 848	7 396	7 987
Depreciation & asset impairment	41 558	46 315	49 961	34 996	50 650	50 650	50 650	41 944	45 447	47 918
Finance charges	3 714	2 890	4 320	2 009	1 605	1 605	1 605	1 509	1 590	1 678
Materials and bulk purchases	8 947	8 866	8 335	13 688	16 225	16 225	16 225	15 000	15 810	16 680
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	246 916	286 984	235 756	167 164	218 006	218 006	218 006	169 616	199 017	204 159
<b>Total Expenditure</b>	<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit)</b>	<b>(42 916)</b>	<b>(129 346)</b>	<b>(86 759)</b>	<b>(10 119)</b>	<b>(13 833)</b>	<b>(13 833)</b>	<b>(13 833)</b>	<b>7 807</b>	<b>(9 690)</b>	<b>2 474</b>
Transfers and subsidies - capital (monetary allocations)	218 421	250 992	267 683	387 544	343 397	343 397	343 397	341 982	343 859	378 480
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
Transfers recognised - capital	236 008	241 744	187 304	387 544	343 397	343 397	343 397	341 982	338 858	373 429
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	2 937	1 073	8 467	11 510	7 953	7 953	7 953	7 807	8 245	8 734
<b>Total sources of capital funds</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Financial position</b>										
Total current assets	70 315	69 183	95 152	52 126	57 295	57 295	57 295	102 517	75 397	106 785
Total non current assets	1 498 186	1 688 643	1 828 847	2 236 509	2 173 141	2 173 141	2 173 141	2 124 148	2 240 951	2 598 125
Total current liabilities	160 102	234 630	209 910	59 988	168 393	168 393	168 393	89 201	43 581	38 448
Total non current liabilities	39 173	37 193	47 162	41 270	41 270	41 270	41 270	31 723	26 883	21 886
Community wealth/Equity	1 369 227	1 486 003	1 666 927	2 187 377	2 020 773	2 020 773	2 020 773	2 105 741	2 245 884	2 644 577

DC43 Harry Gwala - Table A1 Consolidated Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash flows</b>										
Net cash from (used) operating	250 849	230 220	206 387	405 784	337 801	337 801	337 801	377 733	382 999	408 052
Net cash from (used) investing	(241 896)	(243 026)	(177 595)	(399 054)	(351 550)	(351 550)	(351 550)	(351 521)	(380 221)	(379 298)
Net cash from (used) financing	(6 849)	(3 819)	(5 259)	(3 130)	(3 130)	(3 130)	(3 130)	(5 424)	(3 000)	(5 404)
<b>Cash/cash equivalents at the year end</b>	<b>36 114</b>	<b>19 490</b>	<b>43 023</b>	<b>8 601</b>	<b>7 394</b>	<b>7 394</b>	<b>7 394</b>	<b>28 182</b>	<b>27 960</b>	<b>51 311</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	36 114	19 490	43 023	8 601	12 394	12 394	12 394	28 182	27 960	51 311
Application of cash and investments	144 682	226 496	169 409	6 295	111 043	111 043	111 043	27 564	1 343	(23 236)
<b>Balance - surplus (shortfall)</b>	<b>(108 568)</b>	<b>(207 006)</b>	<b>(126 386)</b>	<b>2 305</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>618</b>	<b>26 617</b>	<b>74 547</b>
<b>Asset management</b>										
Asset register summary (WDV)	1 498 186	1 688 643	1 828 847	2 236 509	2 173 141	2 173 141		2 173 141	2 124 148	2 240 951
Depreciation	41 558	46 315	49 961	34 996	50 650	50 650		41 944	45 447	47 918
Renewal of Existing Assets	4 580	12 656	2 850	5 000	5 000	5 000		22 704	22 136	23 907
Repairs and Maintenance	70 254	73 875	88 791	87 562	87 562	87 562		87 507	93 164	99 254
<b>Free services</b>										
Cost of Free Basic Services provided	5 806	4 384	5 083	5 625	5 625	5 625	6 075	6 075	6 561	7 085
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	32	32	33	32	32	32	30	30	29	31
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

### Explanatory notes to MBRR Table A1 - Budget Summary

Table A1 is a budget summary and provides a concise overview of the Harry Gwala district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

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

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital expenditure is balanced by capital funding sources, of which transfers recognised is reflected on the Financial Performance Budget;
2. Internally generated funds are financed from a combination of the current operating surplus and VAT refunds on Conditional Grants. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations

are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.

But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2018/19 financial year.

Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2018/19 the water backlog will have been very nearly eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC43 Harry Gwala - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>									
<i>Governance and administration</i>	234 631	292 227	317 863	301 751	307 943	307 943	330 749	357 861	388 342
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	234 631	292 227	317 863	301 751	307 943	307 943	330 749	357 861	388 342
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	46 856	240	240	405	341	341	308	838	769
Planning and development	46 856	240	240	405	341	341	308	838	769
<i>Trading services</i>	317 506	311 797	310 348	462 381	476 008	476 008	420 428	424 509	464 220
Energy sources	-	-	-	-	-	-	-	-	-
Water management	52 600	32 372	27 756	57 897	71 524	71 524	68 697	73 292	78 195
Waste water management	264 906	279 425	282 592	404 484	404 484	404 484	351 731	351 217	386 025
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>598 993</b>	<b>604 264</b>	<b>628 451</b>	<b>764 537</b>	<b>784 293</b>	<b>784 293</b>	<b>751 484</b>	<b>783 208</b>	<b>853 331</b>
<b>Expenditure - Functional</b>									
<i>Governance and administration</i>	122 941	174 125	174 759	141 710	152 958	152 958	144 981	176 856	188 603
Executive and council	23 099	25 100	26 916	27 496	21 783	21 783	29 498	31 536	33 733
Finance and administration	99 842	149 025	147 842	114 213	131 175	131 175	115 484	145 320	154 870
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	97 756	32 117	34 483	59 294	41 777	41 777	51 538	61 043	58 746
Planning and development	97 756	32 117	34 483	59 294	41 777	41 777	51 538	61 043	58 746
<i>Trading services</i>	202 790	276 376	238 285	186 108	259 994	259 994	205 177	211 140	225 028
Energy sources	-	-	-	-	-	-	-	-	-
Water management	153 070	189 660	146 689	147 917	174 092	174 092	173 388	185 230	197 300
Waste water management	49 720	86 716	91 596	38 191	85 902	85 902	31 789	25 911	27 728
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit) for the year</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>

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

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

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for District, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Other functions show a deficit between revenue and expenditure are being financed from equitable share and other revenue sources reflected under the Budget and Treasury vote.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC43 Harry Gwala - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>Revenue by Vote</b>									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	234 631	292 227	317 863	301 751	307 943	307 943	330 749	357 861	388 342
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-
Vote 5 - Social & Development Planning	46 856	240	240	405	341	341	308	838	769
Vote 6 - Infrastructure Services	264 906	279 425	282 592	404 484	404 484	404 484	351 731	351 217	386 025
Vote 7 - Water Services	52 600	32 372	27 756	57 897	71 524	71 524	68 697	73 292	78 195
<b>Total Revenue by Vote</b>	<b>598 993</b>	<b>604 264</b>	<b>628 451</b>	<b>764 537</b>	<b>784 293</b>	<b>784 293</b>	<b>751 484</b>	<b>783 208</b>	<b>853 331</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Council	10 517	10 909	11 698	12 346	9 184	9 184	15 620	16 641	17 742
Vote 2 - Municipal Manager	12 582	14 191	15 218	15 150	12 599	12 599	13 878	14 895	15 991
Vote 3 - Budget & Treasury Office	58 499	73 711	86 272	63 901	70 508	70 508	62 357	77 709	82 977
Vote 4 - Corporate Services	41 343	75 314	61 571	50 312	60 668	60 668	53 127	67 611	71 893
Vote 5 - Social & Development Planning	97 756	32 117	34 483	59 294	41 777	41 777	51 538	61 043	58 746
Vote 6 - Infrastructure Services	49 720	86 716	91 596	38 191	85 902	85 902	31 789	25 911	27 728
Vote 7 - Water Services	153 070	189 660	146 689	147 917	174 092	174 092	173 388	185 230	197 300
<b>Total Expenditure by Vote</b>	<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit) for the year</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>



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

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

Table 18 Surplus/ (Deficit) calculations for the trading services

DC43 Harry Gwala - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>									
Vote 7 - Water Services	52 600	32 372	27 756	57 897	71 524	71 524	68 697	73 292	78 195
Vote 7 - Water Services	153 070	189 660	146 689	147 917	174 092	174 092	173 388	185 230	197 300
<b>Surplus/(Deficit) for the year</b>	<b>(100 471)</b>	<b>(157 288)</b>	<b>(118 933)</b>	<b>(90 020)</b>	<b>(102 568)</b>	<b>(102 568)</b>	<b>(104 691)</b>	<b>(111 938)</b>	<b>(119 105)</b>

The municipality currently operates on a deficit in its trading services. This is largely attributable to higher percentage increase in the input cost as compared to the increase in tariffs. The municipality is currently reviewing the costing of the tariff structure with a view to recovering the cost of providing these services and also ensuring financial sustainability.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

## DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>										
Service charges - water revenue	40 534	29 017	27 557	39 269	47 671	47 671	47 671	41 410	44 226	47 233
Service charges - sanitation revenue	14 028	12 878	11 895	16 122	19 723	19 723	19 723	17 747	18 954	20 243
Service charges - other	839	1 032	199							
Interest earned - external investments	3 669	3 364	6 067	6 230	8 716	8 716	8 716	6 946	7 428	7 937
Interest earned - outstanding debtors	7 446	8 664	16 395	9 000	12 606	12 606	12 606	9 540	10 112	10 719
Transfers and subsidies	312 656	296 087	296 485	303 218	347 365	347 365	347 365	328 823	353 324	383 130
Other revenue	1 401	2 230	2 170	3 155	4 815	4 815	4 815	5 036	5 305	5 589
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>380 572</b>	<b>353 272</b>	<b>360 768</b>	<b>376 993</b>	<b>440 896</b>	<b>440 896</b>	<b>440 896</b>	<b>409 502</b>	<b>439 349</b>	<b>474 851</b>
<b>Expenditure By Type</b>										
Employee related costs	116 664	131 525	143 703	160 716	161 904	161 904	161 904	166 778	179 780	193 955
Remuneration of councillors	5 688	6 038	5 452	8 539	6 340	6 340	6 340	6 848	7 396	7 987
Debt impairment	11 653	25 567	34 877	27 843	34 098	34 098	34 098	25 266	38 136	40 729
Depreciation & asset impairment	41 558	46 315	49 961	34 996	50 650	50 650	50 650	41 944	45 447	47 918
Finance charges	3 714	2 890	4 320	2 009	1 605	1 605	1 605	1 509	1 590	1 678
Bulk purchases	8 947	8 866	8 335	13 688	16 225	16 225	16 225	15 000	15 810	16 680
Contracted services	55 335	69 226	55 510	20 298	24 505	24 505	24 505	34 510	46 914	49 494
Other expenditure	166 723	190 662	145 310	119 024	159 403	159 403	159 403	109 840	113 968	113 937
Loss on disposal of PPE	13 205	1 529	59							
<b>Total Expenditure</b>	<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit)</b>	<b>(42 916)</b>	<b>(129 346)</b>	<b>(86 759)</b>	<b>(10 119)</b>	<b>(13 833)</b>	<b>(13 833)</b>	<b>(13 833)</b>	<b>7 807</b>	<b>(9 690)</b>	<b>2 474</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	218 421	250 992	267 683	387 544	343 397	343 397	343 397	341 982	343 859	378 480
Transfers and subsidies - capital (in-kind - all)										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/(Deficit) for the year</b>	<b>175 505</b>	<b>121 646</b>	<b>180 924</b>	<b>377 425</b>	<b>329 564</b>	<b>329 564</b>	<b>329 564</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>

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

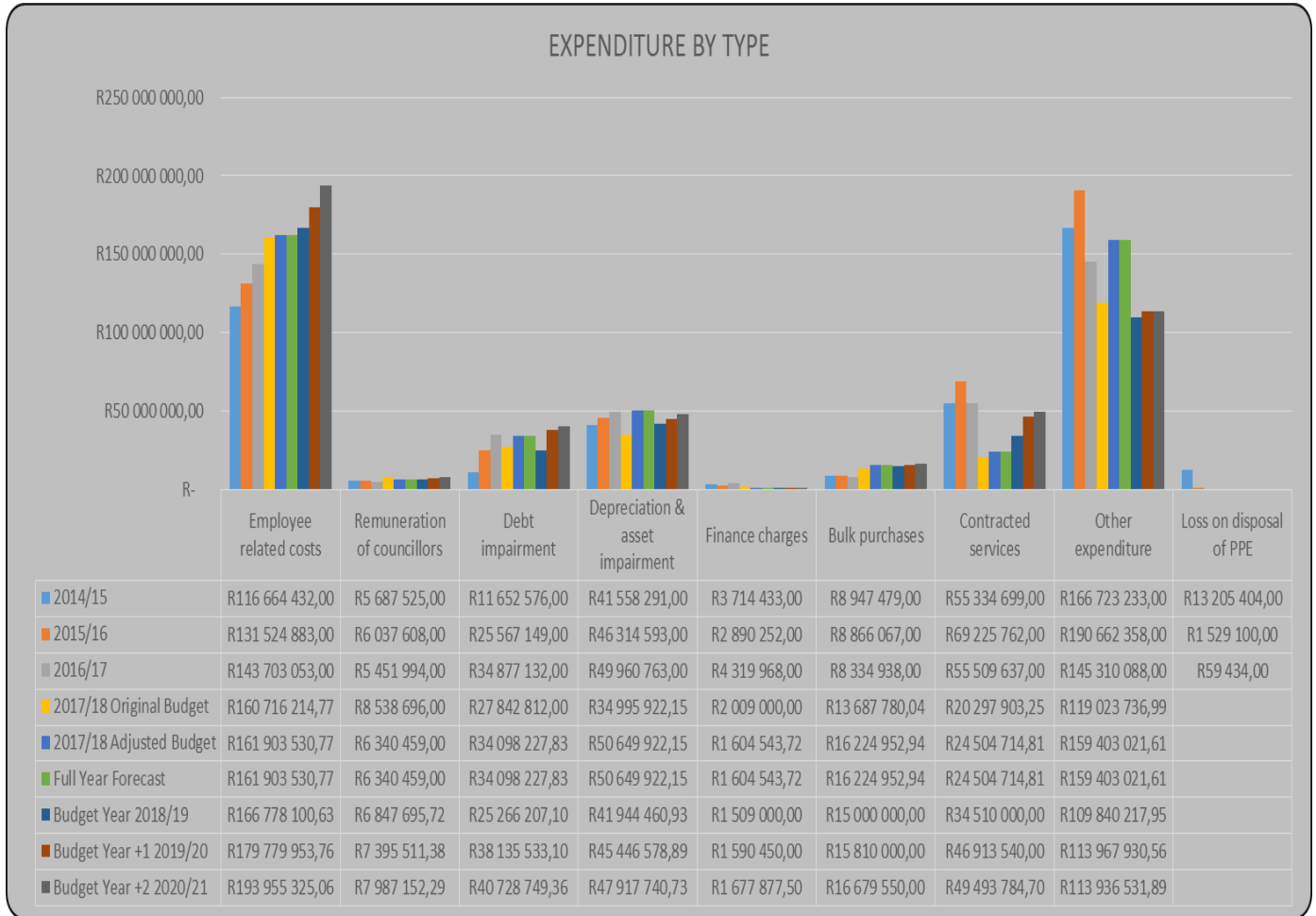
Total operating revenue is R409 million in 2018/19 and escalates to R474 million by 2020/21. This represents an increase of 7 per cent for the 2018/19 financial year and an increase of 7 per cent for the 2018/19 and 8 % in 2019/20 financial year.

Services charges relating to water and sanitation constitutes the biggest component of the own revenue basket of the district totaling R59million for the 2018/19 financial year and increasing to R67 million by 2020/21. For the 2018/19 financial year services charges amount to 13% of the total revenue and 13 per cent in 2018/2019 then 12 percentage in 2020/2021 financial year.

Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government decreased by 5% in 2018/2019 and grow rapidly by 7 per cent in 2019/2020 and 8 per cent in the 2020/2021 financial year.

The following graph illustrates the major expenditure items per type.

Figure 2 Expenditure by major type



Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

## DC43 Harry Gwala - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure - to be appropriated</b>										
Vote 1 - Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	-	-	-	-	-	-	550	580	612
Vote 4 - Corporate Services	3 394	536	6 956	5 110	6 153	6 153	6 153	3 760	3 963	4 181
Vote 5 - Social & Development Planning	1 200	-	1 511	500	300	300	300	497	540	605
Vote 6 - Infrastructure Services	231 868	241 744	177 304	330 444	349 297	349 297	349 297	342 482	339 385	373 985
Vote 7 - Water Services	2 483	538	10 000	63 000	(4 400)	(4 400)	(4 400)	2 500	2 635	2 780
<b>Capital multi-year expenditure sub-total</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Total Capital Expenditure - Vote</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	<b>3 394</b>	<b>536</b>	<b>6 956</b>	<b>5 110</b>	<b>6 153</b>	<b>6 153</b>	<b>6 153</b>	<b>4 310</b>	<b>4 543</b>	<b>4 793</b>
Executive and council	-	-	-	-	-	-	-	-	-	-
Finance and administration	3 394	536	6 956	5 110	6 153	6 153	6 153	4 310	4 543	4 793
Internal audit	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1 200</b>	<b>-</b>	<b>1 511</b>	<b>500</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>497</b>	<b>540</b>	<b>605</b>
Planning and development	1 200	-	1 511	500	300	300	300	497	540	605
<b>Trading services</b>	<b>234 351</b>	<b>242 282</b>	<b>187 304</b>	<b>387 544</b>	<b>343 397</b>	<b>343 397</b>	<b>343 397</b>	<b>342 482</b>	<b>339 385</b>	<b>373 985</b>
Energy sources	-	-	-	-	-	-	-	-	-	-
Water management	2 483	538	10 000	324 544	343 397	343 397	343 397	342 482	339 385	373 985
Waste water management	231 868	241 744	177 304	63 000	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-
<b>Other</b>				<b>5 900</b>	<b>1 500</b>	<b>1 500</b>	<b>1 500</b>	<b>2 500</b>	<b>2 635</b>	<b>2 780</b>
<b>Total Capital Expenditure - Functional</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Funded by:</b>										
National Government	236 008	241 744	187 304	387 544	343 397	343 397	343 397	341 982	338 858	373 429
Transfers recognised - capital	236 008	241 744	187 304	387 544	343 397	343 397	343 397	341 982	338 858	373 429
Internally generated funds	2 937	1 073	8 467	11 510	7 953	7 953	7 953	7 807	8 245	8 734
<b>Total Capital Funding</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</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 (multi-year appropriation); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2018/19 R349, 7million has been allocated of the total R349, a 7million infrastructural budget, which totals 93 per cent. This capital budget drop to R347 million in 2019/20 and then increase to R382 million in 2020/21.

Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

The capital programme is funded mainly from national and provincial grants and subsidies. For 2018/19 capital transfers totals R349 million and R347 million by 2019/20 and then in 2020/2021 increase to R382million. No borrowing applications are expected to result in the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 21 MBRR Table A6 - Budgeted Financial Position

## DC43 Harry Gwala - Table A6 Consolidated Budgeted Financial Position

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	36 114	19 490	43 023	8 601	12 394	12 394	12 394	28 182	27 960	51 311
Consumer debtors	25 704	25 219	28 643	36 156	37 532	37 532	37 532	68 981	42 635	50 478
Other debtors	8 203	24 282	23 306	7 107	7 107	7 107	7 107	5 174	4 610	4 785
Current portion of long-term receivables	31	-	-	-	-	-	-	-	-	-
Inventory	263	192	180	263	263	263	263	180	192	212
<b>Total current assets</b>	<b>70 315</b>	<b>69 183</b>	<b>95 152</b>	<b>52 126</b>	<b>57 295</b>	<b>57 295</b>	<b>57 295</b>	<b>102 517</b>	<b>75 397</b>	<b>106 785</b>
<b>Non current assets</b>										
Property, plant and equipment	1 497 088	1 687 521	1 826 817	2 236 142	2 172 774	2 172 774	2 172 774	2 122 799	2 239 714	2 597 116
Intangible	1 099	1 122	2 030	366	366	366	366	1 349	1 237	1 009
Other non-current assets										
<b>Total non current assets</b>	<b>1 498 186</b>	<b>1 688 643</b>	<b>1 828 847</b>	<b>2 236 509</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 124 148</b>	<b>2 240 951</b>	<b>2 598 125</b>
<b>TOTAL ASSETS</b>	<b>1 568 501</b>	<b>1 757 825</b>	<b>1 923 999</b>	<b>2 288 635</b>	<b>2 230 436</b>	<b>2 230 436</b>	<b>2 230 436</b>	<b>2 226 665</b>	<b>2 316 348</b>	<b>2 704 911</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft										
Borrowing	5 896	7 580	11 887	3 758	3 758	3 758	3 758	3 330	3 697	4 102
Consumer deposits	1 257	1 346	1 441	1 794	1 794	1 794	1 794	1 524	1 774	2 044
Trade and other payables	152 589	225 104	196 015	53 417	161 822	161 822	161 822	82 913	36 790	31 000
Provisions	360	599	568	1 019	1 019	1 019	1 019	1 433	1 321	1 302
<b>Total current liabilities</b>	<b>160 102</b>	<b>234 630</b>	<b>209 910</b>	<b>59 988</b>	<b>168 393</b>	<b>168 393</b>	<b>168 393</b>	<b>89 201</b>	<b>43 581</b>	<b>38 448</b>
<b>Non current liabilities</b>										
Borrowing	22 501	17 255	26 214	12 379	12 379	12 379	12 379	8 657	4 555	2 338
Provisions	16 672	19 938	20 947	28 891	28 891	28 891	28 891	23 066	22 328	19 548
<b>Total non current liabilities</b>	<b>39 173</b>	<b>37 193</b>	<b>47 162</b>	<b>41 270</b>	<b>41 270</b>	<b>41 270</b>	<b>41 270</b>	<b>31 723</b>	<b>26 883</b>	<b>21 886</b>
<b>TOTAL LIABILITIES</b>	<b>199 275</b>	<b>271 823</b>	<b>257 072</b>	<b>101 258</b>	<b>209 663</b>	<b>209 663</b>	<b>209 663</b>	<b>120 923</b>	<b>70 464</b>	<b>60 334</b>
<b>NET ASSETS</b>	<b>1 369 227</b>	<b>1 486 003</b>	<b>1 666 927</b>	<b>2 187 377</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 105 741</b>	<b>2 245 884</b>	<b>2 644 577</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)	1 369 227	1 486 003	1 666 927	2 187 377	2 020 773	2 020 773	2 020 773	2 105 741	2 245 884	2 644 577
Reserves	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 369 227</b>	<b>1 486 003</b>	<b>1 666 927</b>	<b>2 187 377</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 105 741</b>	<b>2 245 884</b>	<b>2 644 577</b>

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

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

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

1. Call investments deposits;
2. Consumer debtors;
3. Property, plant and equipment;
4. Trade and other payables;
5. Provisions non-current;
6. Changes in net assets; and
7. Reserves

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

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

## DC43 Harry Gwala - Table A7 Consolidated Budgeted Cash Flows

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	25 156	13 767	21 730	29 911	42 411	42 411	42 411	31 945	34 117	36 437
Other revenue	3 645	305	1 703	3 155	4 779	4 779	4 779	2 522	2 729	2 799
Government - operating	294 730	287 976	292 282	303 218	301 213	301 213	301 213	328 823	353 324	383 130
Government - capital	239 956	280 503	335 185	387 544	343 397	343 397	343 397	341 982	343 859	378 480
Interest	3 669	3 364	6 067	6 230	8 816	8 816	8 816	6 946	7 428	7 937
<b>Payments</b>										
Suppliers and employees	(312 593)	(352 804)	(446 260)	(322 264)	(361 210)	(361 210)	(361 210)	(332 976)	(356 867)	(399 052)
Finance charges	(3 714)	(2 890)	(4 320)	(2 009)	(1 605)	(1 605)	(1 605)	(1 509)	(1 590)	(1 678)
Transfers and Grants	–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>250 849</b>	<b>230 220</b>	<b>206 387</b>	<b>405 784</b>	<b>337 801</b>	<b>337 801</b>	<b>337 801</b>	<b>377 733</b>	<b>382 999</b>	<b>408 052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	(242)	(436)	1 534					–	–	–
<b>Payments</b>										
Capital assets	(241 654)	(242 590)	(179 128)	(399 054)	(351 550)	(351 550)	(351 550)	(351 521)	(380 221)	(379 298)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(241 896)</b>	<b>(243 026)</b>	<b>(177 595)</b>	<b>(399 054)</b>	<b>(351 550)</b>	<b>(351 550)</b>	<b>(351 550)</b>	<b>(351 521)</b>	<b>(380 221)</b>	<b>(379 298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Increase (decrease) in consumer deposits	–	–	–	200	200	200	200	200	226	254
<b>Payments</b>										
Repayment of borrowing	(6 849)	(3 819)	(5 259)	(3 330)	(3 330)	(3 330)	(3 330)	(5 624)	(3 226)	(5 658)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 849)</b>	<b>(3 819)</b>	<b>(5 259)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(5 424)</b>	<b>(3 000)</b>	<b>(5 404)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 104</b>	<b>(16 624)</b>	<b>23 533</b>	<b>3 601</b>	<b>(16 879)</b>	<b>(16 879)</b>	<b>(16 879)</b>	<b>20 788</b>	<b>(222)</b>	<b>23 351</b>
Cash/cash equivalents at the year begin:	34 010	36 114	19 490	5 000	24 273	24 273	24 273	7 394	28 182	27 960
Cash/cash equivalents at the year end:	36 114	19 490	43 023	8 601	7 394	7 394	7 394	28 182	27 960	51 311

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

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. It can be seen that the cash levels of Harry Gwala fell significantly over the 2017/18 original and adjusted period owing directly to an increase in cash for the 2018/19 financial year.

As part of the 2017/18 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalisation of spending priorities.

The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Cash and cash equivalents totals R28 million as at the end of the 2018/19 financial year and escalates to R51, 3million by 2020/21.

Repayment of borrowings totals R3million in the 2018/2019 budget year. The municipality is left with one loan in 2018/2019 financial year which is ABSA loan as we settled or fully recovered DBSA loan.



Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

## DC43 Harry Gwala - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	36 114	19 490	43 023	8 601	7 394	7 394	7 394	28 182	27 960	51 311
Other current investments > 90 days	-	-	-	-	5 000	5 000	5 000	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>36 114</b>	<b>19 490</b>	<b>43 023</b>	<b>8 601</b>	<b>12 394</b>	<b>12 394</b>	<b>12 394</b>	<b>28 182</b>	<b>27 960</b>	<b>51 311</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	7 797	14 577	61 417	14 577	18 454	18 454	18 454	53 522	6 790	6 000
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	(9 500)	(42 834)	(42 834)	(42 834)	(42 834)	(20 685)	(13 299)	(28 356)
Other working capital requirements	129 592	197 584	113 687	17 661	118 532	118 532	118 532	(5 272)	7 852	(880)
Other provisions	7 293	14 334	3 804	16 891	16 891	16 891	16 891	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>144 682</b>	<b>226 496</b>	<b>169 409</b>	<b>6 295</b>	<b>111 043</b>	<b>111 043</b>	<b>111 043</b>	<b>27 564</b>	<b>1 343</b>	<b>(23 236)</b>
<b>Surplus(shortfall)</b>	<b>(108 568)</b>	<b>(207 006)</b>	<b>(126 386)</b>	<b>2 305</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>618</b>	<b>26 617</b>	<b>74 547</b>

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

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

From the table it can be seen that for the period 2018/19 the budget is sitting on a surplus then 2019/20 there is also a surplus of R26million and escalate to R 74million in 2020/21.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2017/18 Adjusted Budget MTREF was not funded owing to the significant deficit.

As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

According to this schedule, The 2018/19 final budget is funded.

Table 24 MBRR Table A9 - Asset Management

DC43 Harry Gwala - Table A9 Consolidated Asset Management

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	234 365	230 161	192 921	394 054	346 350	346 350	328 646	327 654	323 196
<i>Electrical Infrastructure</i>	1 830	—	—	—	—	—	—	—	—
<i>Water Supply Infrastructure</i>	162 614	190 611	157 242	324 701	280 553	280 553	259 293	263 521	253 315
<i>Sanitation Infrastructure</i>	50 459	28 500	28 847	62 543	58 143	58 143	62 543	57 517	64 500
<b>Infrastructure</b>	<b>214 902</b>	<b>219 111</b>	<b>186 088</b>	<b>387 244</b>	<b>338 697</b>	<b>338 697</b>	<b>321 836</b>	<b>321 039</b>	<b>317 815</b>
Operational Buildings	8 578	3 900	1 500	200	—	—	200	210	221
<b>Other Assets</b>	<b>8 578</b>	<b>3 900</b>	<b>1 500</b>	<b>200</b>	<b>—</b>	<b>—</b>	<b>200</b>	<b>210</b>	<b>221</b>
Licences and Rights	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Intangible Assets	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Computer Equipment	1 380	—	—	—	—	—	—	—	—
Furniture and Office Equipment	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
Machinery and Equipment	6 025	4 600	2 600	2 000	3 043	3 043	2 000	4 000	4 000
Transport Assets	1 100	—	1 000	1 300	1 300	1 300	1 300	1 000	—
<b>Total Renewal of Existing Assets</b>	<b>4 580</b>	<b>12 656</b>	<b>2 850</b>	<b>5 000</b>	<b>5 000</b>	<b>5 000</b>	<b>22 704</b>	<b>22 136</b>	<b>23 907</b>
<i>Water Supply Infrastructure</i>	4 580	12 656	2 850	5 000	5 000	5 000	22 704	22 136	23 907
<b>Infrastructure</b>	<b>4 580</b>	<b>12 656</b>	<b>2 850</b>	<b>5 000</b>	<b>5 000</b>	<b>5 000</b>	<b>22 704</b>	<b>22 136</b>	<b>23 907</b>
<b>Total Capital Expenditure</b>									
<i>Electrical Infrastructure</i>	1 830	—	—	—	—	—	—	—	—
<i>Water Supply Infrastructure</i>	167 194	203 267	160 092	329 701	285 553	285 553	281 997	285 657	277 222
<i>Sanitation Infrastructure</i>	50 459	28 500	28 847	62 543	58 143	58 143	62 543	57 517	64 500
<b>Infrastructure</b>	<b>219 482</b>	<b>231 767</b>	<b>188 938</b>	<b>392 244</b>	<b>343 697</b>	<b>343 697</b>	<b>344 540</b>	<b>343 174</b>	<b>341 722</b>
Investment properties	—	—	—	—	—	—	—	—	—
Operational Buildings	8 578	3 900	1 500	200	—	—	200	210	221
<b>Other Assets</b>	<b>8 578</b>	<b>3 900</b>	<b>1 500</b>	<b>200</b>	<b>—</b>	<b>—</b>	<b>200</b>	<b>210</b>	<b>221</b>
Licences and Rights	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Intangible Assets	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Computer Equipment	1 380	—	—	—	—	—	—	—	—
Furniture and Office Equipment	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
Machinery and Equipment	6 025	4 600	2 600	2 000	3 043	3 043	2 000	4 000	4 000
Transport Assets	1 100	—	1 000	1 300	1 300	1 300	1 300	1 000	—
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Roads Infrastructure</i>									
<i>Storm water Infrastructure</i>									
<i>Electrical Infrastructure</i>									
<i>Water Supply Infrastructure</i>	983 878	1 117 786	1 209 379	1 507 541	1 444 173	1 444 173	1 559 707	1 684 484	1 819 242
<i>Sanitation Infrastructure</i>	447 931	508 886	549 879	646 089	646 089	646 089	523 925	342 995	343 951
<b>Infrastructure</b>	<b>1 431 809</b>	<b>1 626 673</b>	<b>1 759 258</b>	<b>2 153 630</b>	<b>2 090 262</b>	<b>2 090 262</b>	<b>2 083 632</b>	<b>2 027 478</b>	<b>2 163 193</b>
Community Facilities	3 811	3 686	4 139	4 930	4 930	4 930	5 324	5 750	6 210
Sport and Recreation Facilities									
<b>Community Assets</b>	<b>3 811</b>	<b>3 686</b>	<b>4 139</b>	<b>4 930</b>	<b>4 930</b>	<b>4 930</b>	<b>5 324</b>	<b>5 750</b>	<b>6 210</b>
Heritage Assets									
Non-revenue Generating	17 081	17 081	19 181	22 844	22 844	22 844	24 671	26 645	2 132
Investment properties	17 081	17 081	19 181	22 844	22 844	22 844	24 671	26 645	2 132
Operational Buildings	28 584	26 885	30 190	35 956	35 956	35 956	38 832	41 939	45 294
Housing									
<b>Other Assets</b>	<b>28 584</b>	<b>26 885</b>	<b>30 190</b>	<b>35 956</b>	<b>35 956</b>	<b>35 956</b>	<b>38 832</b>	<b>41 939</b>	<b>45 294</b>
Computer Equipment									
Furniture and Office Equipment	1 385	1 382	1 552	1 848	1 848	1 848	1 996	2 155	2 328
Machinery and Equipment	2 173	7 174	8 056	9 594	9 594	9 594	10 362	11 191	12 086
Transport Assets	13 344	5 763	6 471	7 707	7 707	7 707	8 324	8 990	9 709
Libraries									
Zoo's, Marine and Non-biological Animals									
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>1 498 186</b>	<b>1 688 643</b>	<b>1 828 847</b>	<b>2 236 509</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 124 148</b>	<b>2 240 951</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation</b>	<b>41 558</b>	<b>46 315</b>	<b>49 961</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Repairs and Maintenance by Asset Class</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>
<i>Water Supply Infrastructure</i>	40 716	48 590	58 400	57 171	57 171	57 171	57 116	63 193	67 146
<i>Sanitation Infrastructure</i>	27 990	21 600	26 202	26 202	26 202	26 202	26 202	25 839	27 682
<b>Infrastructure</b>	<b>68 706</b>	<b>70 190</b>	<b>84 602</b>	<b>83 373</b>	<b>83 373</b>	<b>83 373</b>	<b>83 318</b>	<b>89 032</b>	<b>94 828</b>
Operational Buildings	596	3 336	3 009	3 009	3 009	3 009	3 009	2 967	3 179
<b>Other Assets</b>	<b>596</b>	<b>3 336</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>2 967</b>	<b>3 179</b>
Intangible Assets	—	—	—	—	—	—	—	—	—
Computer Equipment	357	150	180	180	180	180	180	178	190
Transport Assets	596	200	1 000	1 000	1 000	1 000	1 000	986	1 057
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>111 813</b>	<b>120 190</b>	<b>138 752</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	1,9%	5,2%	1,5%	1,3%	1,4%	1,4%	6,5%	6,3%	6,9%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	11,0%	27,3%	5,7%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<i>R&amp;M as a % of PPE</i>	4,7%	4,4%	4,9%	3,9%	4,0%	4,0%	4,1%	4,2%	3,8%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	5,0%	5,0%	5,0%	4,0%	4,0%	4,0%	5,0%	5,0%	5,0%

**Explanatory notes to Table A9 - Asset Management**

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Due to the extremely high infrastructure backlogs that exists in our district a huge allocation of the conditional funding arising from prior years multi- year capital budget appropriations has been committed towards new water and sanitation infrastructure. However the revised infrastructure plan will see a shift of more funds being allocated towards the refurbishment of assets as advised by National Treasury.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the district strategy to address the maintenance backlog.

Figure 3 Depreciation in relation to repairs and maintenance over the MTREF

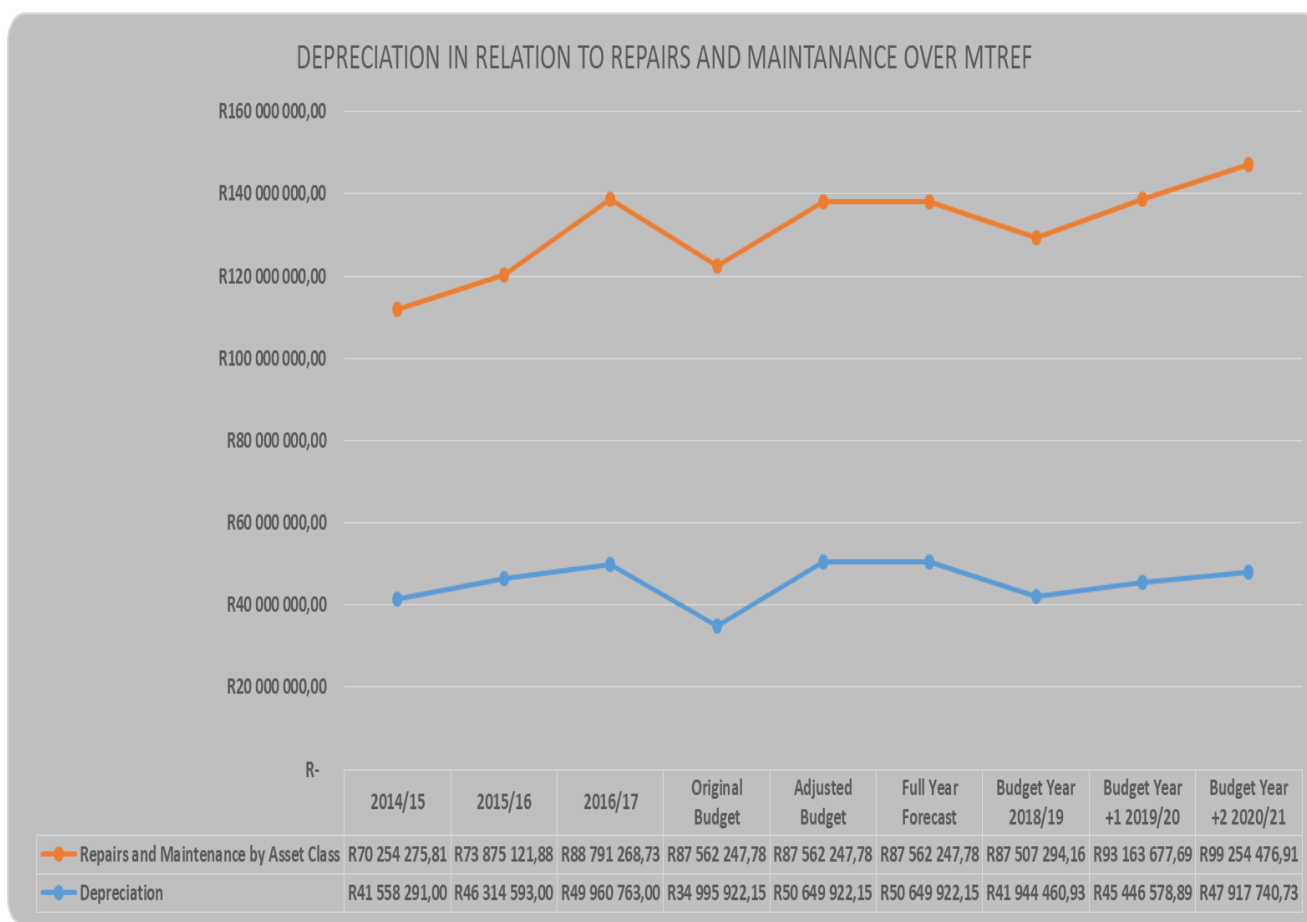


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

## DC43 Harry Gwala - Table A10 Consolidated basic service delivery measurement

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Household service targets</b>									
<b>Water:</b>									
Piped water inside dwelling	41 985	44 069	46 273	48 247	48 247	48 247	48 642	48 419	52 292
Piped water inside yard (but not in dwelling)	19 227	19 323	20 290	20 087	20 087	20 087	19 886	19 687	21 262
Using public tap (at least min.service level)	22 880	22 606	23 736	26 110	26 110	26 110	30 026	34 530	37 292
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	84 093	85 998	90 298	94 443	94 443	94 443	98 554	102 636	110 846
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	31 725	31 819	33 410	31 740	31 740	31 740	30 153	28 645	30 937
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	31 725	31 819	33 410	31 740	31 740	31 740	30 153	28 645	30 937
<b>Total number of households</b>	<b>115 818</b>	<b>117 818</b>	<b>123 709</b>	<b>126 183</b>	<b>126 183</b>	<b>126 183</b>	<b>128 707</b>	<b>131 281</b>	<b>141 783</b>
<b>Sanitation/sewerage:</b>									
Flush toilet (connected to sewerage)	56 568	57 545	60 422	65 558	65 558	65 558	70 616	75 602	81 650
Flush toilet (with septic tank)	11 761	11 964	12 562	12 436	12 436	12 436	12 312	12 189	13 164
Chemical toilet	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	47 489	48 309	50 725	48 188	48 188	48 188	45 779	43 490	46 969
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	115 818	117 818	123 709	126 183	126 183	126 183	128 707	131 281	141 783
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>115 818</b>	<b>117 818</b>	<b>123 709</b>	<b>126 183</b>	<b>126 183</b>	<b>126 183</b>	<b>128 707</b>	<b>131 281</b>	<b>141 783</b>
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>									
Water (6 kilolitres per indigent household per month)	5 806	4 384	5 083	5 625	5 625	5 625	6 075	6 561	7 085
<b>Total cost of FBS provided</b>	<b>5 806</b>	<b>4 384</b>	<b>5 083</b>	<b>5 625</b>	<b>5 625</b>	<b>5 625</b>	<b>6 075</b>	<b>6 561</b>	<b>7 085</b>
<b>Highest level of free service provided per household</b>									
Property rates (R value threshold)	-	-	-	-	-	-	-	-	-
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6

**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.

The district continues to make good progress with the eradication of backlogs:

**Water services** – The table shows an increase in the number of household accessing water in the MTREF. These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.

**Sanitation services** – backlog will be reduced greatly in the MTREF. The budget provides for 12800 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services.

It is anticipated that these Free Basic Services will cost the municipality R6million in the MTREF. This is covered by the municipality’s equitable share allocation from national government.

## 1.8 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY

DC43 Harry Gwala - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>									
<b>Governance and administration</b>	252 538	271 054	284 037	301 751	307 943	307 943	330 749	357 861	388 342
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	252 538	271 054	284 037	301 751	307 943	307 943	330 749	357 861	388 342
Internal audit	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	750	1 100	-	-	-	-	-	500	400
Planning and development	750	1 100	-	-	-	-	-	500	400
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	315 034	316 829	343 583	462 381	476 008	476 008	420 428	424 509	464 220
Energy sources	-	-	-	-	-	-	-	-	-
Water management	262 434	260 290	281 332	404 484	404 484	404 484	68 697	73 292	78 195
Waste water management	52 600	56 539	62 251	57 897	71 524	71 524	351 731	351 217	386 025
Waste management	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>568 322</b>	<b>588 983</b>	<b>627 620</b>	<b>764 132</b>	<b>783 952</b>	<b>783 952</b>	<b>751 177</b>	<b>782 870</b>	<b>852 962</b>
<b>Expenditure - Functional</b>									
<b>Governance and administration</b>	135 463	154 978	137 169	141 710	152 958	152 958	144 981	176 856	188 603
Executive and council	23 099	28 832	22 463	27 496	21 783	21 783	29 498	31 536	33 733
Finance and administration	112 364	126 147	114 706	114 213	131 175	131 175	115 484	145 320	154 870
Internal audit	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	52 368	61 739	50 845	59 189	42 615	42 615	51 727	55 586	59 750
Planning and development	52 368	61 739	50 845	59 189	42 615	42 615	51 727	55 586	59 750
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	207 270	251 836	262 010	186 108	259 994	259 994	205 177	211 140	225 028
Energy sources	-	-	-	-	-	-	-	-	-
Water management	157 332	187 401	182 845	147 917	174 092	174 092	173 388	185 230	197 300
Waste water management	49 938	64 435	79 165	38 191	85 902	85 902	31 789	25 911	27 728
Waste management	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>395 102</b>	<b>468 553</b>	<b>450 024</b>	<b>387 008</b>	<b>455 567</b>	<b>455 567</b>	<b>401 885</b>	<b>443 583</b>	<b>473 381</b>
<b>Surplus/(Deficit) for the year</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	252 538	271 054	284 037	301 751	307 943	307 943	330 749	357 861	388 342
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-
Vote 5 - Social & Development Planning	750	1 100	-	-	-	-	-	500	400
Vote 6 - Infrastructure Services	262 434	260 290	281 332	404 484	404 484	404 484	351 731	351 217	386 025
Vote 7 - Water Services	52 600	56 539	62 251	57 897	71 524	71 524	68 697	73 292	78 195
<b>Total Revenue by Vote</b>	<b>568 322</b>	<b>588 983</b>	<b>627 620</b>	<b>764 132</b>	<b>783 952</b>	<b>783 952</b>	<b>751 177</b>	<b>782 870</b>	<b>852 962</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Council	10 517	14 159	9 763	12 346	9 184	9 184	15 620	16 641	17 742
Vote 2 - Municipal Manager	12 582	14 673	12 700	15 150	12 599	12 599	13 878	14 895	15 991
Vote 3 - Budget & Treasury Office	63 999	74 711	59 112	63 901	70 508	70 508	62 357	77 709	82 977
Vote 4 - Corporate Services	48 365	51 436	55 594	50 312	60 668	60 668	53 127	67 611	71 893
Vote 5 - Social & Development Planning	52 368	61 739	50 845	59 189	42 615	42 615	51 727	55 586	59 750
Vote 6 - Infrastructure Services	49 938	51 662	66 705	38 191	85 902	85 902	31 789	25 911	27 728
Vote 7 - Water Services	157 332	200 173	195 305	147 917	174 092	174 092	173 388	185 230	197 300
<b>Total Expenditure by Vote</b>	<b>395 102</b>	<b>468 553</b>	<b>450 024</b>	<b>387 008</b>	<b>455 567</b>	<b>455 567</b>	<b>401 885</b>	<b>443 583</b>	<b>473 381</b>
<b>Surplus/(Deficit) for the year</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	38 780	30 049	35 488	39 269	47 671	47 671	47 671	41 410	44 226	47 233
Service charges - sanitation revenue	16 620	12 878	15 209	16 122	19 723	19 723	19 723	17 747	18 954	20 243
Interest earned - external investments	3 476	3 071	5 281	5 830	8 416	8 416	8 416	6 646	7 098	7 577
Interest earned - outstanding debtors	7 446	8 664	16 395	9 000	12 606	12 606	12 606	9 540	10 112	10 719
Transfers and subsidies	282 197	281 141	244 016	303 218	347 365	347 365	347 365	328 823	353 324	383 130
Other revenue	1 382	2 189	2 130	3 150	4 774	4 774	4 774	5 029	5 297	5 580
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>349 901</b>	<b>337 991</b>	<b>318 519</b>	<b>376 588</b>	<b>440 555</b>	<b>440 555</b>	<b>440 555</b>	<b>409 195</b>	<b>439 011</b>	<b>474 482</b>
<b>Expenditure By Type</b>										
Employee related costs	110 210	125 030	136 170	144 502	148 502	148 502	148 502	160 382	173 212	187 069
Remuneration of councillors	5 688	6 038	5 452	8 539	6 340	6 340	6 340	6 848	7 396	7 987
Debt impairment	11 653	25 567	34 877	27 843	34 098	34 098	34 098	25 266	38 136	40 729
Depreciation & asset impairment	40 452	45 142	48 479	34 286	50 150	50 150	50 150	41 144	44 567	47 018
Finance charges	3 711	2 884	4 313	2 000	1 596	1 596	1 596	1 500	1 581	1 668
Bulk purchases	8 947	8 866	10 709	13 688	16 225	16 225	16 225	15 000	15 810	16 680
Contracted services	51 144	66 541	54 664	20 298	24 505	24 505	24 505	34 510	46 914	49 494
Transfers and subsidies	16 501	16 096	17 333	20 000	8 000	8 000	8 000	15 000	17 000	20 000
Other expenditure	136 842	170 859	137 985	115 853	166 152	166 152	166 152	102 235	98 968	102 737
Loss on disposal of PPE	9 953	1 529	41							
<b>Total Expenditure</b>	<b>395 102</b>	<b>468 553</b>	<b>450 024</b>	<b>387 008</b>	<b>455 567</b>	<b>455 567</b>	<b>455 567</b>	<b>401 885</b>	<b>443 583</b>	<b>473 381</b>
<b>Surplus/(Deficit)</b>	<b>(45 201)</b>	<b>(130 562)</b>	<b>(131 505)</b>	<b>(10 419)</b>	<b>(15 012)</b>	<b>(15 012)</b>	<b>(15 012)</b>	<b>7 310</b>	<b>(4 571)</b>	<b>1 101</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	218 421	250 992	309 101	387 544	343 397	343 397	343 397	341 982	343 859	378 480
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/(Deficit) for the year</b>	<b>173 220</b>	<b>120 430</b>	<b>177 596</b>	<b>377 125</b>	<b>328 384</b>	<b>328 384</b>	<b>328 384</b>	<b>349 292</b>	<b>339 288</b>	<b>379 581</b>

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure to be appropriated</b>										
Vote 1 - Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	2 626	412	2 732	5 110	6 153	6 153	6 153	5 110	1 900	650
Vote 5 - Social & Development Planning	800	400	-	200	-	-	300	200	-	-
Vote 6 - Infrastructure Services	231 868	238 611	299 101	324 544	343 397	343 397	349 297	324 544	420 310	420 891
Vote 7 - Water Services	3 651	3 163	10 000	68 900	1 500	1 500	(4 400)	68 900	4 400	4 400
<b>Capital multi-year expenditure sub-total</b>	<b>238 945</b>	<b>242 585</b>	<b>311 833</b>	<b>398 754</b>	<b>351 050</b>	<b>351 050</b>	<b>351 350</b>	<b>398 754</b>	<b>426 610</b>	<b>425 941</b>
<b>Total Capital Expenditure - Vote</b>	<b>238 945</b>	<b>242 585</b>	<b>311 833</b>	<b>398 754</b>	<b>351 050</b>	<b>351 050</b>	<b>351 350</b>	<b>398 754</b>	<b>426 610</b>	<b>425 941</b>
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	<b>2 626</b>	<b>412</b>	<b>2 732</b>	<b>5 110</b>	<b>6 153</b>	<b>6 153</b>	<b>6 153</b>	<b>4 310</b>	<b>4 543</b>	<b>4 793</b>
Executive and council										
Finance and administration	2 626	412	2 732	5 110	6 153	6 153	6 153	4 310	4 543	4 793
Internal audit										
<b>Economic and environmental services</b>	<b>800</b>	<b>400</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>497</b>	<b>540</b>	<b>605</b>
Planning and development	800	400	-	200	-	-	-	497	540	605
<b>Trading services</b>	<b>231 868</b>	<b>238 611</b>	<b>299 101</b>	<b>387 544</b>	<b>343 397</b>	<b>343 397</b>	<b>343 397</b>	<b>342 482</b>	<b>339 385</b>	<b>373 985</b>
Energy sources										
Water management	162 307	167 037	209 371	324 544	343 397	343 397	343 397	342 482	339 385	373 985
Waste water management	69 560	71 574	89 730	63 000	-	-	-			
Waste management										
<b>Other</b>	<b>3 651</b>	<b>3 163</b>	<b>10 000</b>	<b>5 900</b>	<b>1 500</b>	<b>1 500</b>	<b>1 500</b>	<b>2 500</b>	<b>2 635</b>	<b>2 780</b>
<b>Total Capital Expenditure - Functional</b>	<b>238 945</b>	<b>242 585</b>	<b>311 833</b>	<b>398 754</b>	<b>351 050</b>	<b>351 050</b>	<b>351 050</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Funded by:</b>										
National Government	231 336	238 611	309 101	387 544	343 397	343 397	343 397	341 982	338 858	373 429
Provincial Government	800	400								
<b>Transfers recognised - capital</b>	<b>232 136</b>	<b>239 011</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>343 397</b>	<b>343 397</b>	<b>341 982</b>	<b>338 858</b>	<b>373 429</b>
<b>Internally generated funds</b>	<b>6 809</b>	<b>3 575</b>	<b>2 732</b>	<b>11 210</b>	<b>7 653</b>	<b>7 653</b>	<b>7 653</b>	<b>7 807</b>	<b>8 245</b>	<b>8 734</b>
<b>Total Capital Funding</b>	<b>238 945</b>	<b>242 585</b>	<b>311 833</b>	<b>398 754</b>	<b>351 050</b>	<b>351 050</b>	<b>351 050</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>



DC43 Harry Gwala - Table A6 Budgeted Financial Position

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	25 871	5 819	24 273	7 890	11 684	11 684	11 684	22 282	19 297	39 535
Call investment deposits	-	-	-	-	-	-	-	-	-	-
Consumer debtors	25 704	25 219	-	225 978	404 028	404 028	404 028	68 981	42 635	50 478
Other debtors	6 499	21 500	21 676	7 107	7 107	7 107	7 107	5 174	4 610	4 785
Current portion of long-term receivables		-	28 643		-	-	-			
Inventory	263	192	180	263	263	263	263	180	192	212
<b>Total current assets</b>	<b>58 337</b>	<b>52 730</b>	<b>74 771</b>	<b>241 237</b>	<b>423 081</b>	<b>423 081</b>	<b>423 081</b>	<b>96 618</b>	<b>66 734</b>	<b>95 010</b>
<b>Non current assets</b>										
Property, plant and equipment	1 471 580	1 662 908	1 802 821	2 236 142	2 172 774	2 172 774	2 172 774	2 122 799	2 239 714	2 597 116
Intangible	1 010	643	1 349	366	366	366	366	1 349	1 237	1 009
Other non-current assets										
<b>Total non current assets</b>	<b>1 472 590</b>	<b>1 663 551</b>	<b>1 804 170</b>	<b>2 236 509</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 124 148</b>	<b>2 240 951</b>	<b>2 598 125</b>
<b>TOTAL ASSETS</b>	<b>1 530 927</b>	<b>1 716 281</b>	<b>1 878 941</b>	<b>2 477 746</b>	<b>2 596 222</b>	<b>2 596 222</b>	<b>2 596 222</b>	<b>2 220 766</b>	<b>2 307 685</b>	<b>2 693 135</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft										
Borrowing	5 847	7 525	11 853	3 697	3 697	3 697	3 758	3 330	3 697	4 102
Consumer deposits	1 257	1 346	1 441	1 794	1 794	1 794	1 794	1 524	1 774	2 044
Trade and other payables	146 494	216 264	186 951	36 645	159 850	159 850	161 822	82 913	36 790	31 000
Provisions	360	599	568	1 019	1 019	1 019	1 019	1 433	1 321	1 302
<b>Total current liabilities</b>	<b>153 958</b>	<b>225 734</b>	<b>200 813</b>	<b>43 154</b>	<b>166 360</b>	<b>166 360</b>	<b>168 393</b>	<b>89 201</b>	<b>43 581</b>	<b>38 448</b>
<b>Non current liabilities</b>										
Borrowing	22 481	17 231	26 207	12 379	12 379	12 379	12 379	8 657	4 555	2 338
Provisions	16 672	19 938	20 947	28 891	28 891	28 891	28 891	23 066	22 328	19 548
<b>Total non current liabilities</b>	<b>39 153</b>	<b>37 169</b>	<b>47 155</b>	<b>41 270</b>	<b>41 270</b>	<b>41 270</b>	<b>41 270</b>	<b>31 723</b>	<b>26 883</b>	<b>21 886</b>
<b>TOTAL LIABILITIES</b>	<b>193 111</b>	<b>262 904</b>	<b>247 968</b>	<b>84 425</b>	<b>207 630</b>	<b>207 630</b>	<b>209 663</b>	<b>120 923</b>	<b>70 464</b>	<b>60 334</b>
<b>NET ASSETS</b>	<b>1 337 817</b>	<b>1 453 377</b>	<b>1 630 973</b>	<b>2 203 901</b>	<b>2 022 497</b>	<b>2 022 497</b>	<b>2 022 497</b>	<b>2 099 842</b>	<b>2 237 221</b>	<b>2 632 801</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)	1 337 817	1 453 377	1 630 973	2 203 901	2 022 497	2 022 497	2 022 497	2 099 842	2 237 221	2 632 801
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 337 817</b>	<b>1 453 377</b>	<b>1 630 973</b>	<b>2 203 901</b>	<b>2 022 497</b>	<b>2 022 497</b>	<b>2 022 497</b>	<b>2 099 842</b>	<b>2 237 221</b>	<b>2 632 801</b>

DC43 Harry Gwala - Table A7 Budgeted Cash Flows

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates				-	-	-	-	-	-	-
Service charges	25 156	13 767	21 730	29 911	42 411	42 411	42 411	31 945	34 117	36 437
Other revenue	-	-	-	3 150	4 774	4 774	4 774	2 514	2 649	2 790
Government - operating	250 668	280 538	300 948	303 439	301 434	301 434	301 434	328 823	353 324	383 130
Government - capital	238 878	250 992	309 186	387 323	343 176	343 176	343 176	341 982	343 859	378 480
Interest	3 476	3 071	5 281	5 830	8 416	8 416	8 416	6 646	7 098	7 577
<b>Payments</b>										
Suppliers and employees	(257 290)	(319 409)	(432 649)	(302 879)	(353 824)	(353 824)	(353 824)	(333 974)	(359 299)	(403 966)
Finance charges	(16 501)	(2 884)	(4 313)	(2 000)	(1 596)	(1 596)	(1 596)	(1 500)	(1 581)	(1 668)
Transfers and Grants	(3 711)	-	-	(20 000)	(8 000)	(8 000)	(8 000)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>240 677</b>	<b>226 076</b>	<b>200 184</b>	<b>404 774</b>	<b>336 791</b>	<b>336 791</b>	<b>336 791</b>	<b>376 436</b>	<b>380 166</b>	<b>402 779</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	2 032					-	-	-
Decrease (Increase) in non-current debtors								-	-	-
<b>Payments</b>										
Capital assets	(237 448)	(242 358)	(178 541)	(398 754)	(351 250)	(351 250)	(351 250)	(351 024)	(379 681)	(378 693)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(237 448)</b>	<b>(242 358)</b>	<b>(176 509)</b>	<b>(398 754)</b>	<b>(351 250)</b>	<b>(351 250)</b>	<b>(351 250)</b>	<b>(351 024)</b>	<b>(379 681)</b>	<b>(378 693)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Increase (decrease) in consumer deposits			-	200	200	200	200	200	226	254
<b>Payments</b>										
Repayment of borrowing	(6 833)	(3 770)	(5 221)	(3 330)	(3 330)	(3 330)	(3 330)	(3 330)	(3 697)	(4 102)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 833)</b>	<b>(3 770)</b>	<b>(5 221)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 471)</b>	<b>(3 848)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(3 603)</b>	<b>(20 052)</b>	<b>18 454</b>	<b>2 890</b>	<b>(17 589)</b>	<b>(17 589)</b>	<b>(17 589)</b>	<b>22 282</b>	<b>(2 986)</b>	<b>20 239</b>
Cash/cash equivalents at the year begin:	25 871	5 819	5 819	5 000	29 273	29 273	29 273	-	22 282	19 297
Cash/cash equivalents at the year end:	(3 603)	5 819	24 273	7 890	11 684	11 684	11 684	22 282	19 297	39 535

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	(3 603)	5 819	24 273	7 890	11 684	11 684	11 684	22 282	19 297	39 535
Other current investments > 90 days	29 474	0	(0)	-	-	-	-	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>25 871</b>	<b>5 819</b>	<b>24 273</b>	<b>7 890</b>	<b>11 684</b>	<b>11 684</b>	<b>11 684</b>	<b>22 282</b>	<b>19 297</b>	<b>39 535</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	7 280	6 677	53 522	6 645	10 522	10 522	10 522	53 522	6 790	6 000
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(12 038)		(9 500)	(42 834)	(42 834)	(42 834)	(42 834)			
Other working capital requirements	126 601	197 627	126 624	8 823	124 483	124 483	124 483	(5 268)	7 898	(877)
Other provisions	7 293		3 804	16 891	-	-	-			
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments										
<b>Total Application of cash and investments:</b>	<b>129 136</b>	<b>204 304</b>	<b>174 450</b>	<b>(10 476)</b>	<b>92 171</b>	<b>92 171</b>	<b>92 171</b>	<b>48 253</b>	<b>14 688</b>	<b>5 123</b>
<b>Surplus(shortfall)</b>	<b>(103 264)</b>	<b>(198 485)</b>	<b>(150 178)</b>	<b>18 366</b>	<b>(80 487)</b>	<b>(80 487)</b>	<b>(80 487)</b>	<b>(25 971)</b>	<b>4 609</b>	<b>34 412</b>

DC43 Harry Gwala - Table A9 Asset Management

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	234 365	229 929	308 983	387 497	387 497	387 497	328 646	327 654	323 196
<i>Electrical Infrastructure</i>	1 830	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	162 614	190 350	273 304	317 380	317 380	317 380	259 293	263 521	253 315
<i>Sanitation Infrastructure</i>	50 459	28 530	28 847	58 907	58 907	58 907	62 543	57 517	64 500
<b>Infrastructure</b>	<b>214 902</b>	<b>218 879</b>	<b>302 151</b>	<b>376 287</b>	<b>376 287</b>	<b>376 287</b>	<b>321 836</b>	<b>321 039</b>	<b>317 815</b>
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Operational Buildings	8 578	3 900	1 500	1 000	1 000	1 000	200	210	221
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>8 578</b>	<b>3 900</b>	<b>1 500</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>200</b>	<b>210</b>	<b>221</b>
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Licences and Rights	200	1 100	950	2 000	2 000	2 000	2 100	105	110
<b>Intangible Assets</b>	<b>200</b>	<b>1 100</b>	<b>950</b>	<b>2 000</b>	<b>2 000</b>	<b>2 000</b>	<b>2 100</b>	<b>105</b>	<b>110</b>
Computer Equipment	1 380	-	-	-	-	-	-	-	-
Furniture and Office Equipment	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
Machinery and Equipment	6 025	4 600	2 600	2 200	2 200	2 200	2 000	4 000	4 000
Transport Assets	1 100	-	1 000	4 800	4 800	4 800	1 300	1 000	-
<b>Total Renewal of Existing Assets</b>	<b>4 580</b>	<b>12 656</b>	<b>2 850</b>	<b>11 257</b>	<b>11 257</b>	<b>11 257</b>	<b>22 704</b>	<b>22 136</b>	<b>23 907</b>
<i>Water Supply Infrastructure</i>	4 580	12 656	2 850	11 257	11 257	11 257	22 704	22 136	23 907
<b>Infrastructure</b>	<b>4 580</b>	<b>12 656</b>	<b>2 850</b>	<b>11 257</b>	<b>11 257</b>	<b>11 257</b>	<b>22 704</b>	<b>22 136</b>	<b>23 907</b>
<b>Total Capital Expenditure</b>									
<i>Electrical Infrastructure</i>	1 830	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	167 194	203 006	276 154	328 637	328 637	328 637	281 997	285 657	277 222
<i>Sanitation Infrastructure</i>	50 459	28 530	28 847	58 907	58 907	58 907	62 543	57 517	64 500
<b>Infrastructure</b>	<b>219 482</b>	<b>231 535</b>	<b>305 001</b>	<b>387 544</b>	<b>387 544</b>	<b>387 544</b>	<b>344 540</b>	<b>343 174</b>	<b>341 722</b>
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	8 578	3 900	1 500	1 000	1 000	1 000	200	210	221
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>8 578</b>	<b>3 900</b>	<b>1 500</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>200</b>	<b>210</b>	<b>221</b>
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Licences and Rights	200	1 100	950	2 000	2 000	2 000	2 100	105	110
<b>Intangible Assets</b>	<b>200</b>	<b>1 100</b>	<b>950</b>	<b>2 000</b>	<b>2 000</b>	<b>2 000</b>	<b>2 100</b>	<b>105</b>	<b>110</b>
Computer Equipment	1 380	-	-	-	-	-	-	-	-
Furniture and Office Equipment	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
Machinery and Equipment	6 025	4 600	2 600	2 200	2 200	2 200	2 000	4 000	4 000
Transport Assets	1 100	-	1 000	4 800	4 800	4 800	1 300	1 000	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>238 945</b>	<b>242 585</b>	<b>311 833</b>	<b>398 754</b>	<b>398 754</b>	<b>398 754</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>

DC43 Harry Gwala - Table A9 Asset Management

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
<i>Water Supply Infrastructure</i>	984 551	1 118 489	1 192 090	1 507 541	1 507 541	1 507 541	1 559 707	1 684 484	1 819 242
<i>Sanitation Infrastructure</i>	421 662	483 092	542 490	646 089	646 089	646 089	523 925	342 995	343 951
<i>Solid Waste Infrastructure</i>									
<b>Infrastructure</b>	<b>1 406 213</b>	<b>1 601 581</b>	<b>1 734 581</b>	<b>2 153 630</b>	<b>2 153 630</b>	<b>2 153 630</b>	<b>2 083 632</b>	<b>2 027 478</b>	<b>2 163 193</b>
Community Facilities	3 811	3 686	4 139	4 930	4 930	4 930	5 324	5 750	6 210
Sport and Recreation Facilities									
<b>Community Assets</b>	<b>3 811</b>	<b>3 686</b>	<b>4 139</b>	<b>4 930</b>	<b>4 930</b>	<b>4 930</b>	<b>5 324</b>	<b>5 750</b>	<b>6 210</b>
<b>Heritage Assets</b>									
Revenue Generating									
Non-revenue Generating	17 081	17 081	19 181	22 844	22 844	22 844	24 671	26 645	2 132
<b>Investment properties</b>	<b>17 081</b>	<b>17 081</b>	<b>19 181</b>	<b>22 844</b>	<b>22 844</b>	<b>22 844</b>	<b>24 671</b>	<b>26 645</b>	<b>2 132</b>
Operational Buildings	28 584	26 885	30 190	35 956	35 956	35 956	38 832	41 939	45 294
Housing									
<b>Other Assets</b>	<b>28 584</b>	<b>26 885</b>	<b>30 190</b>	<b>35 956</b>	<b>35 956</b>	<b>35 956</b>	<b>38 832</b>	<b>41 939</b>	<b>45 294</b>
<b>Computer Equipment</b>									
Furniture and Office Equipment	1 385	1 382	1 552	1 848	1 848	1 848	1 996	2 155	2 328
Machinery and Equipment	2 173	7 174	8 056	9 594	9 594	9 594	10 362	11 191	12 086
Transport Assets	13 344	5 763	6 471	7 707	7 707	7 707	8 324	8 990	9 709
Libraries									
Zoo's, Marine and Non-biological Animals									
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>1 472 590</b>	<b>1 663 551</b>	<b>1 804 170</b>	<b>2 236 509</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 173 141</b>	<b>2 124 148</b>	<b>2 240 951</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation</b>	40 452	40 583	42 534	37 680	37 680	37 680	-	-	-
<b>Repairs and Maintenance by Asset Class</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>
<i>Water Supply Infrastructure</i>	40 716	48 590	58 400	58 400	58 400	58 400	57 116	63 193	67 146
<i>Sanitation Infrastructure</i>	27 990	21 600	26 202	24 973	24 973	24 973	26 202	25 839	27 682
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>68 706</b>	<b>70 190</b>	<b>84 602</b>	<b>83 373</b>	<b>83 373</b>	<b>83 373</b>	<b>83 318</b>	<b>89 032</b>	<b>94 828</b>
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	596	3 336	3 009	3 009	3 009	3 009	3 009	2 967	3 179
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>596</b>	<b>3 336</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>2 967</b>	<b>3 179</b>
<b>Computer Equipment</b>	<b>357</b>	<b>150</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>178</b>	<b>190</b>
<b>Transport Assets</b>	<b>596</b>	<b>200</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>986</b>	<b>1 057</b>
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>110 707</b>	<b>114 458</b>	<b>131 325</b>	<b>125 242</b>	<b>125 242</b>	<b>125 242</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>
<b>Renewal and upgrading of Existing Assets as % of total capex</b>	1,9%	5,2%	0,9%	2,8%	2,8%	2,8%	6,5%	6,3%	6,9%
<b>Renewal and upgrading of Existing Assets as % of deprecn</b>	11,3%	31,2%	6,7%	29,9%	29,9%	29,9%	0,0%	0,0%	0,0%
<b>R&amp;M as a % of PPE</b>	4,8%	4,4%	4,9%	3,9%	4,0%	4,0%	4,1%	4,2%	3,8%
<b>Renewal and upgrading and R&amp;M as a % of PPE</b>	5,0%	5,0%	5,0%	4,0%	5,0%	5,0%	5,0%	5,0%	5,0%

DC43 Harry Gwala - Table A10 Consolidated basic service delivery measurement

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Household service targets</b>									
<b>Water:</b>									
Piped water inside dwelling	41 985	44 069	46 273	48 247	48 247	48 247	48 642	48 419	52 292
Piped water inside yard (but not in dwelling)	19 227	19 323	20 290	20 087	20 087	20 087	19 886	19 687	21 252
Using public tap (at least min.service level)	22 880	22 606	23 736	26 110	26 110	26 110	30 026	34 530	37 292
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	84 093	85 998	90 298	94 443	94 443	94 443	98 554	102 636	110 846
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	31 725	31 819	33 410	31 740	31 740	31 740	30 153	28 645	30 937
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	31 725	31 819	33 410	31 740	31 740	31 740	30 153	28 645	30 937
<b>Total number of households</b>	<b>115 818</b>	<b>117 818</b>	<b>123 708</b>	<b>126 183</b>	<b>126 183</b>	<b>126 183</b>	<b>128 707</b>	<b>131 281</b>	<b>141 783</b>
<b>Sanitation/sewerage:</b>									
Flush toilet (connected to sewerage)	56 568	57 545	60 422	65 558	65 558	65 558	70 616	75 602	81 650
Flush toilet (with septic tank)	11 761	11 964	12 562	12 436	12 436	12 436	12 312	12 189	13 164
Chemical toilet	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	47 489	48 309	50 725	48 188	48 188	48 188	45 779	43 490	46 969
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	115 818	117 818	123 708	126 183	126 183	126 183	128 707	131 281	141 783
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>115 818</b>	<b>117 818</b>	<b>123 708</b>	<b>126 183</b>	<b>126 183</b>	<b>126 183</b>	<b>128 707</b>	<b>131 281</b>	<b>141 783</b>
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>									
Water (6 kilolites per indigent household per month)	5 806	4 384	5 083	5 625	5 625	5 625	6 075	6 561	7 085
<b>Total cost of FBS provided</b>	<b>5 806</b>	<b>4 384</b>	<b>5 083</b>	<b>5 625</b>	<b>5 625</b>	<b>5 625</b>	<b>6 075</b>	<b>6 561</b>	<b>7 085</b>
<b>Highest level of free service provided per household</b>									
Property rates (R value threshold)									
Water (kilolites per household per month)	6	6	6	6	6	6	6	6	6

## Part 2 – Supporting Documentation

### 1.8 OVERVIEW OF THE ANNUAL BUDGET PROCESS

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

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

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

#### Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2017. Key dates applicable to the process were:

- a) **August 2017** – Joint strategic planning session of the Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2018/19 MTREF;

- b) **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- c) **January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- d) **January 2018** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- e) **January 2018** - Council considers the 2017/18 Mid-year Review and Adjustments Budget;
- f) **February 2018** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2018/19 MTREF is revised accordingly;
- g) **30 March 2018** - Tabling in Council of the draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- h) **3 to 30 April 2017** – Public consultation;
- i) **7 May 2017** - Closing date for written comments;
- j) **8 to 30 May 2017** – finalization of the 2018/19 IDP and 2018/19 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- k) **31 May 2017** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council IDP and Service Delivery and Budget Implementation Plan.

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

1. Registration of community needs;
2. Compilation of departmental business plans including key performance indicators and targets;
3. Financial planning and budgeting process;
4. Public participation process;

5. Compilation of the SDBIP, and
6. The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **Financial Modeling and Key Planning Drivers**

Part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure the affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

1. District growth
2. Policy priorities and strategic objectives
3. Asset maintenance
4. Economic climate and trends (i.e. inflation, household debt, migration patterns)
5. Performance trends
6. The approved 2016/17 adjustments budget and performance against the SDBIP
7. Cash Flow Management Strategy
8. Debtor payment levels
9. Loan and investment possibilities
10. The need for tariff increases versus the ability of the community to pay for services;
11. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.



## Community Consultation

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation was published on the municipality's website, and hard copies were made available at satellite offices, municipal notice boards and various libraries. In addition E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Harry Gwala district municipality's website, and the district call centre was engaged in collecting inputs via e-mail, fax and SMS.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 03 to 30 April 2018, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and local municipalities a notice board on average attendance of 300 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and izimbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- a) Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The district is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- b) Several complaints were received regarding poor service delivery, especially poor condition of water (drinking water) and the state of road infrastructure;
- c) Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- d) The affordability of tariff increases was raised on numerous occasions. This concern was also raised by organised business as an obstacle to economic growth;

- e) Pensioners cannot afford the tariff increases due to low annual pension increases; and
- f) During the community consultation process large sections of the community made it clear that they are not in favor of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

## **1.9 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

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

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

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

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

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

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

- a) Green Paper on National Strategic Planning of 2009;
- b) Government Programme of Action;
- c) Development Facilitation Act of 1995;
- d) Provincial Growth and Development Strategy (GGDS);
- e) National and Provincial spatial development perspectives;
- f) Relevant sector plans such as transportation, legislation and policy;
- g) National Key Performance Indicators (NKPIs);
- h) Accelerated and Shared Growth Initiative (ASGISA);
- i) National 2014 Vision;
- j) National Spatial Development Perspective (NSDP) and
- k) The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 26 IDP Strategic Objectives

2017/18 Financial Year	2018/19 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Harry Gwala district principles through a caring, accessible and accountable service	4. Foster participatory democracy and Harry Gwala district principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

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

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

Provision of quality basic services and infrastructure which includes, amongst others:

- a) Provide water;
- b) Provide sanitation;
- c) Provide housing;
- d) Provide district planning services; and
- e) Maintaining the infrastructure of the district.

Economic growth and development that leads to sustainable job creation by:

- a) Ensuring there is a clear structural plan for the district;
- b) Ensuring planning processes function in accordance with set timeframes;
- c) Facilitating the use of labor intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- a) Effective implementation of the Indigent Policy;
- b) Ensuring all waste water treatment works are operating optimally;
- c) Working with strategic partners such as SAPS to address crime;
- d) Ensuring safe working environments by effective enforcement of building and health regulations;
- e) Promote viable, sustainable communities through proper zoning; and
- f) Promote environmental sustainability by protecting wetlands and key open spaces.

### **Integrated Social Services for empowered and sustainable communities**

Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- a) Optimising effective community participation in the ward committee system; and
- b) Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- a) Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- b) Reviewing the use of contracted services

- c) Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- d) Optimal institutional transformation to ensure capacity to achieve set objectives
- e) Review of the organizational structure to optimize the use of personnel;

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

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

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

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

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

- a) Strengthening the analysis and strategic planning processes of the District;
- b) Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- c) Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and

- d) Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

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

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

DC43 Harry Gwala - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
Good Governance	Effective & Efficient Admin & IT Support Service Provision	–	–							
Good Governance	Efficient Fleet Management Service	–	–							
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	3 210	3 327	3 878	4 316	4 316	4 861	4 691	4 861	4 861
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	259 111	268 531	317 863	301 751	307 943	307 943	330 749	357 861	388 342
Muni Trans & Instt Dev	Meet Basic Service & address Backlogs	1 169	1 211	1 211	1 412	1 408	1 408	1 571	1 707	1 770
Muni Trans & Instt Dev	Efficient Fleet Management Service	–	–	–	–	–	–	–	–	–
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	3 043	3 154	240	405	341	341	308	838	769
Infrastructure & Services	Infrastructure Services	300 357	294 771	278 715	400 168	400 168	399 623	347 040	346 356	381 164
Water Services	Meet Basic Service & address Backlogs	32 103	33 270	26 545	56 485	70 116	70 116	67 126	71 584	76 425
<b>Allocations to other priorities</b>										
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>598 993</b>	<b>604 264</b>	<b>628 451</b>	<b>764 537</b>	<b>784 293</b>	<b>784 293</b>	<b>751 484</b>	<b>783 208</b>	<b>853 331</b>

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

## DC43 Harry Gwala - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 268	–	201 967	27 496	21 783	21 783	29 498	31 536	33 733
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	183 030	175 256	900	114 213	131 175	131 175	115 484	145 320	154 870
Muni Trans & Instt Dev	Meet Basic Service & address Backlogs	825	–	2 343	59 294	41 777	41 777	51 538	61 043	58 746
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 150	520	–						
Socio Economic Development	To create the disaster management unit that seeks to prevent; mitigate; preparedness; response; recovery and rehabilitation to disasters	–	–	207 638	–					
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	33 116	59 130	24 717	–					
Infrastructure & Services	Infrastructure Services	179 423	211 208		147 917	174 092	174 092	173 388	185 230	197 300
Water Services	Meet Basic Service & address Backlogs	22 677	36 503	9 963	38 191	85 902	85 902	31 789	25 911	27 728
Allocations to other priorities										
<b>Total Expenditure</b>		<b>423 488</b>	<b>482 618</b>	<b>447 527</b>	<b>387 112</b>	<b>454 729</b>	<b>454 729</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>



Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

## DC43 Harry Gwala - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Good Governance	Promote the Support of Activities of Sport & Recreation, Youth Development, Elderly, Women & Physically-Challenged	8 854	9 476	11 735	14 820	14 820	14 820	16 034	15 998	612
Good Governance	Ensure Accessibility & Promote Governance	10 993	11 764	14 568	18 399	18 399	18 399	19 906	19 861	4 181
Good Governance	To Create an Efficient & Accountable Administration	9 842	10 533	13 044	16 474	16 474	16 474	17 823	17 783	605
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	35 410	37 895	46 928	59 268	59 268	59 268	64 121	63 977	73 250
Muni Trans & Insitt Dev	HR Dev.(Including Healthy & Productive Employees) & Organisational dev.	7 988	8 548	10 586	13 370	13 370	13 370	14 464	14 432	2 780
Muni Trans & Insitt Dev	Effective & Efficient Admin & IT Support Service Provision	13 509	14 457	17 904	22 612	22 612	22 612	24 463	24 408	25 320
Muni Trans & Insitt Dev	Efficient Fleet Management Service	3 537	3 785	4 687	5 920	5 920	5 920	6 405	6 390	6 632
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	10 270	10 991	13 611	17 190	17 190	17 190	18 597	18 555	19 562
Socio Economic Development	To create the disaster management unit that seeks to prevent, mitigate, preparedness, response, recovery and rehabilitation to disasters	826	884	1 095	1 383	1 383	1 383	1 496	1 493	1 560
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	4 672	5 000	6 191	7 820	7 820	7 820	8 460	8 441	8 620
Infrastructure & Services	Infrastructure Services	30 080	32 191	39 864	50 347	50 347	50 347	54 469	54 347	5 560
Water Services	Meet Basic Service & address Backlogs	102 964	97 294	15 558	171 452	123 748	123 748	103 552	101 418	233 481
Allocations to other priorities										
<b>Total Capital Expenditure</b>		<b>238 945</b>	<b>242 817</b>	<b>195 771</b>	<b>399 054</b>	<b>351 350</b>	<b>351 350</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>

### 1.10 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

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

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

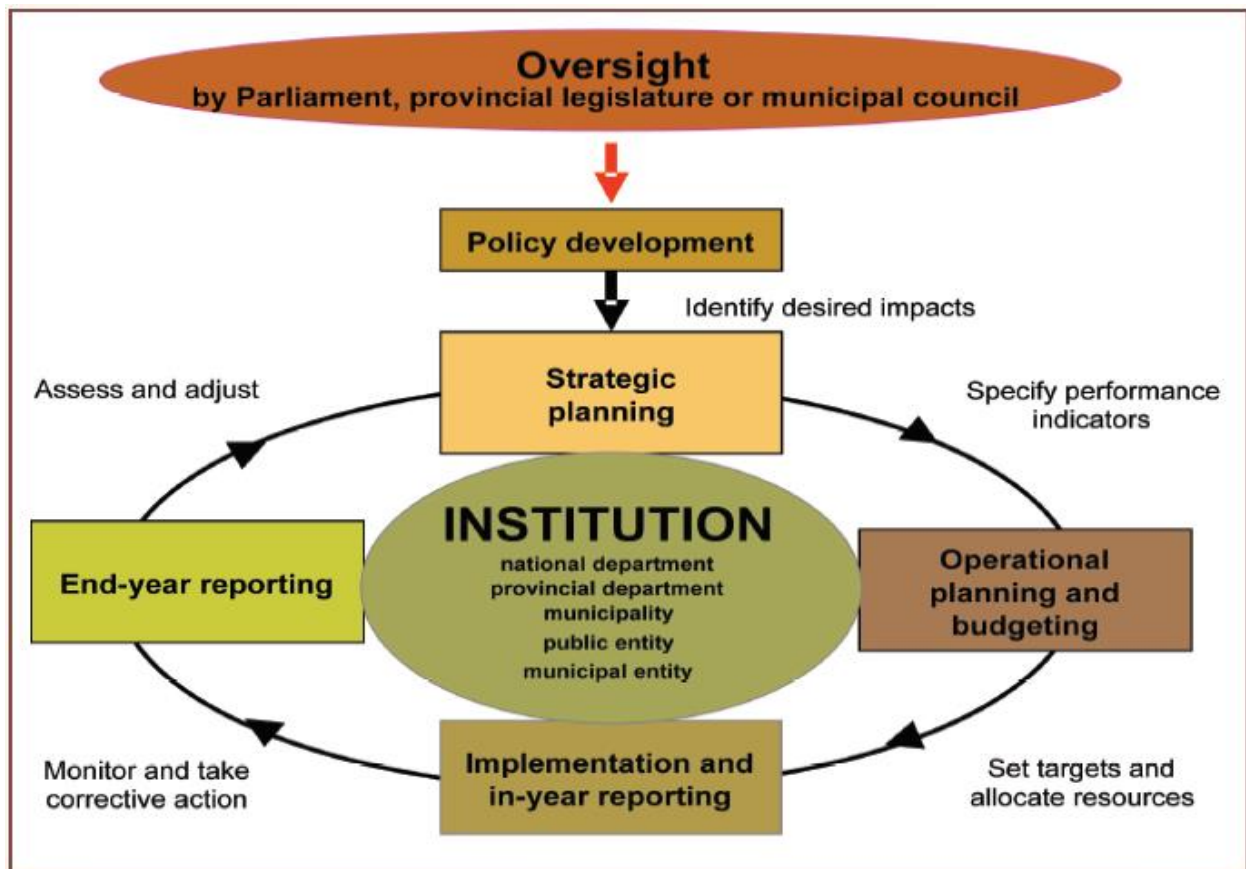


Figure 4 Planning, budgeting and reporting cycle

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

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

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

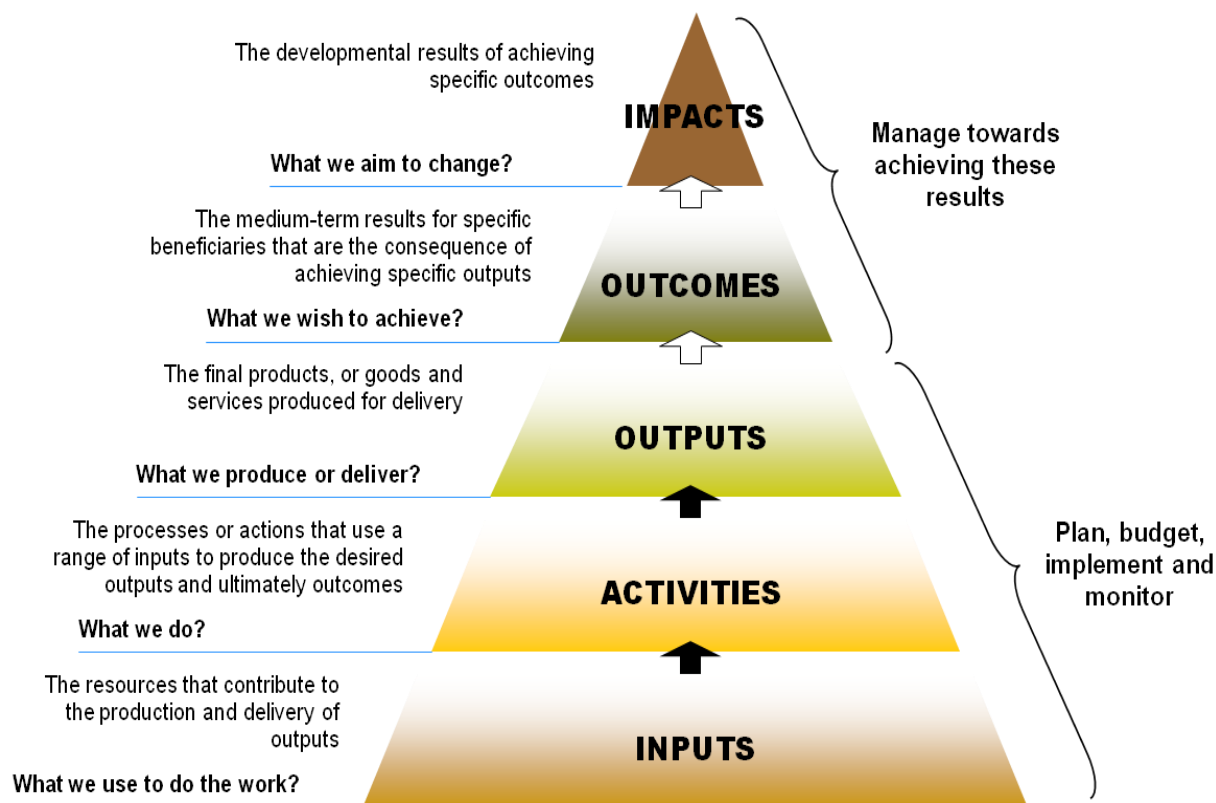


Figure 5 Definition of performance information concepts

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

Table 30 MBRR Table SA7- Measurable Performance Objectives

The following table sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF

Table 31 MBRR Table SA8- Performance indicators and benchmarks

DC43 Harry Gwala - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2,5%	1,4%	2,1%	1,4%	1,1%	1,1%	1,1%	1,8%	1,1%	1,6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	15,6%	11,7%	14,9%	7,2%	5,3%	5,3%	5,3%	8,8%	5,6%	8,0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	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%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	0,4	0,3	0,5	0,9	0,3	0,3	0,3	1,1	1,7	2,8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,4	0,3	0,5	0,9	0,3	0,3	0,3	1,1	1,7	2,8
Liquidity Ratio	Monetary Assets/Current Liabilities	0,2	0,1	0,2	0,1	0,1	0,1	0,1	0,3	0,6	1,3
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		45,4%	32,1%	54,8%	54,0%	62,9%	62,9%	62,9%	54,0%	54,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		45,4%	32,1%	54,8%	54,0%	62,9%	62,9%	62,9%	54,0%	54,0%	54,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	8,9%	14,0%	14,4%	11,5%	10,1%	10,1%	10,1%	18,1%	10,8%	11,6%
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))										
Creditors to Cash and Investments		400,9%	1080,2%	312,8%	451,6%	1939,0%	1939,0%	1939,0%	104,3%	107,3%	48,7%
<b>Other Indicators</b>											
Employee costs	Employee costs/(Total Revenue - capital revenue)	30,7%	37,2%	39,8%	42,6%	36,7%	36,7%	36,7%	40,7%	40,9%	40,8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	36,1%	39,5%	41,7%	44,9%	38,2%	38,2%		42,5%	42,7%	42,6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	18,5%	20,9%	24,6%	23,2%	19,9%	19,9%		21,4%	21,2%	20,9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11,9%	13,9%	15,0%	9,8%	11,9%	11,9%	11,9%	10,6%	10,7%	10,4%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	9,5	5,0	6,7	6,1	6,1	6,1	7,4	7,6	6,3	6,7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	61,3%	115,3%	131,0%	78,1%	66,2%	66,2%	66,2%	125,4%	74,8%	81,9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1,7	0,7	1,7	0,4	0,3	0,3	0,3	1,2	1,0	1,8

The following table sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.

## PERFORMANCE INDICATORS AND BENCHMARKS

### Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Harry Gwala's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

*Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 1.0 per cent to nothing in 2018/19, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

*No projects are funded from Borrowing in the MTREF*

In summary, various financial risks could have a negative impact on the future borrowing District of the municipality. In particular, the continued ability of the district to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2018/19 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Liquidity (reference SA8)

*Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1.5, hence at no point in time should this ratio be less than 1. For the 2018/19 MTREF the current ratio is 1.1 in the 2018/19 financial year and 1.7, 2.8 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

*The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2018/19 financial year the ratio was 0.3 and it has been increased to 1.3 in the 2020/21 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the District. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

### Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

### **Creditors Management**

The district has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality will seek to ensure an improvement a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on suppliers' perceptions of risk of doing business with the district, which is expected to benefit the district in the form of more competitive pricing of tenders, as suppliers compete for the district business.

### **Other Indicators**

The water distribution losses have been increased from 32 per cent in 2017/18 to 40 per cent in 2018/19. This has been achieved with the introduction of a water leakage report and action centre. The intention is to further rollout additional depots within the District to further leverage from the efficiency that the centre offers. It is planned to reduce distribution losses from 40 per cent in 2017/18 to at least 30 per cent by 2018/19.

Employee costs as a percentage of operating revenue continues to increase from 37 per cent in 2018/19 and 37 per cent for the outer year. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of Harry Gala's strategy to ensure the management of its asset base.

### **Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the District.

For the 2018/19 financial year all households in the district have been budgeted for the 6 free kilo litres. Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

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

### **Providing clean water and managing waste water**

Harry Gwala district is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Only in the Ubuhlebezwe local municipal area is

a districts bulk water needs provided by Umngeni water and Ugu District municipality while the remaining supplier is generated from the district own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the district:

1. The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
2. Shortage of skilled personnel makes proper operations and maintenance difficult;
3. Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
4. There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

1. Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
2. The filling of vacancies has commenced and there is training that embark on an in-house, especially for operational personnel and plumbers;
3. The District Division is to install dedicated power supply lines to the plants; and
4. The Division is working in consultation with the Department of Water Affairs to address catchment management.

## **1.11 OVERVIEW OF BUDGET RELATED-POLICIES**

The district budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **Review of credit control and debt collection procedures/policies**

As the most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the district's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

### **Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the district revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the district continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.



### **Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in May 2017. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

### **Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the district system of delegations. The Budget and Virement Policy was approved by Council after having been amended accordingly.

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

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

### **Tariff Policies**

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

### **Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2017/18 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

1. Approved 2017/18 Adjustments Budget;
2. Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
3. Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
4. Loan and investment possibilities;
5. Performance trends;
6. Tariff Increases;
7. The ability of the community to pay for services (affordability);

8. Policy priorities;
9. Improved and sustainable service delivery; and
10. Debtor payment levels.

All the above policies are available on the district website, as well as the following budget related policies:

- a) Funding and Reserves Policy;
- b) Borrowing Policy;
- c) Budget Policy; and
- d) Basic Social Services Package (Indigent Policy).
- e) Appointment of Consultants
- f) Loss Control Policy

The proposed amendments to the budget policies have been included as Annexure C.

## 1.12 OVERVIEW OF BUDGET ASSUMPTIONS

### External factors

The economy is still recovering from the recession it has had in the past 2 years. Owing to the economic slowdown and the high unemployment levels, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the district's finances.

### General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

1. National Government macro-economic targets;
2. The general inflationary outlook and the impact on district's residents and businesses;
3. The impact of municipal cost drivers;
4. The increase in the price of bulk water; and other input costs like District and fuel,
5. The increase in the cost of remuneration. Employee related costs comprise 35 per cent of total operating expenditure in the 2018/19 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
6. Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

**Growth or decline in tax base of the municipality**

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

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

**Salary increases**

The collective agreement regarding salaries/wages for the period 01 July 2015 to 31 June 2018 has come to an end, therefore the municipality projected 8% increase as the process is still under consultation until we receive the communication or until South African Local Government Bargaining Council finalised the wage agreement.

**Impact of national, provincial and local policies**

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

1. Creating jobs;
2. Enhancing education and skill development;
3. Improving Health services;
4. Rural development and agriculture; and
5. Fighting crime and corruption.

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

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

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2018/19 MTREF of which performance has been factored into the cash flow budget.

## 1.13 OVERVIEW OF BUDGET FUNDING

Medium-term outlook: operating revenue

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

Table 30 Breakdown of the operating revenue over the medium-term

DC43 Harry Gwala - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	2018/19 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
<b>Revenue By Source</b>								
Service charges - water revenue	47 671	11%	41 410	10%	44 226	10%	47 233	10%
Service charges - sanitation revenue	19 723	4%	17 747	4%	18 954	4%	20 243	4%
Interest earned - external investments	8 716	2%	6 946	2%	7 428	2%	7 937	2%
Interest earned - outstanding debtors	12 606	3%	9 540	2%	10 112	2%	10 719	2%
Transfers and subsidies	347 365	79%	328 823	80%	353 324	80%	383 130	81%
Other revenue	4 815	1%	5 036	1%	5 305	1%	5 589	1%
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>89%</b>	<b>409 502</b>	<b>100%</b>	<b>439 349</b>	<b>100%</b>	<b>474 851</b>	<b>100%</b>
<b>Total Operating Expenditure</b>	<b>454 729</b>		<b>401 696</b>		<b>449 039</b>		<b>472 377</b>	
<b>Surplus/(Deficit)</b>	<b>(13 833)</b>		<b>7 807</b>		<b>(9 690)</b>		<b>2 474</b>	

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

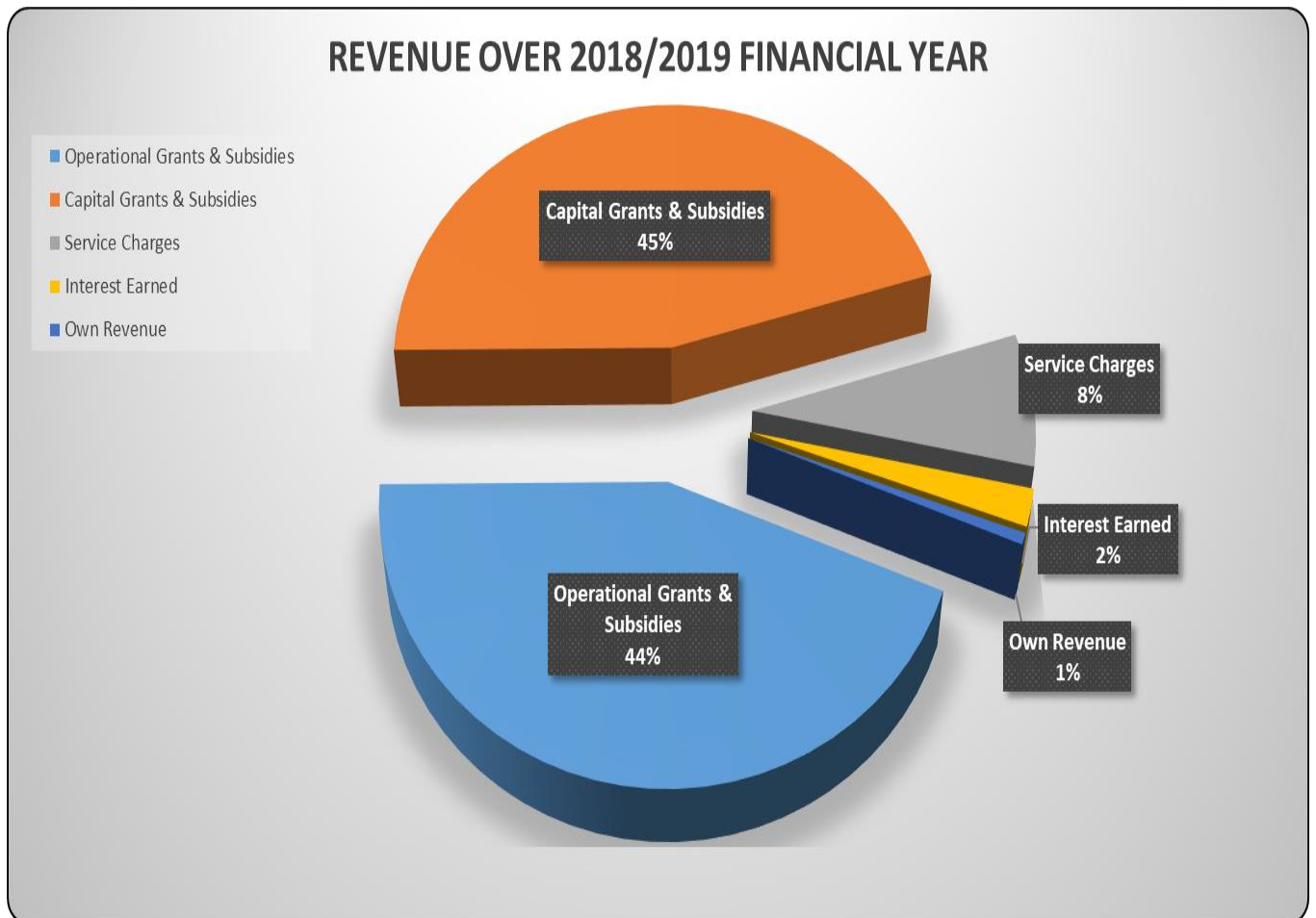


Figure 6 Breakdown of operating revenue over the 2018/19 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The district derives most of its operational revenue from the provision of goods and services such as water and sanitation.

The revenue strategy is a function of key components such as:

1. Growth in the District and economic development;
2. Revenue management and enhancement;
3. Achievement of a 70 per cent annual collection rate for consumer revenue;
4. National Treasury guidelines;

5. District tariff increases within the National District Regulator of South Africa (NERSA) approval;
6. Achievement of full cost recovery of specific user charges;
7. Determining tariff escalation rate by establishing/calculating revenue requirements;
8. And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2018/19 MTREF on the different revenue categories are:

Table 31 Proposed tariff increases over the medium-term

**DC43 Harry Gwala - Supporting Table SA14 Household bills**

Description	2018/19	2019/20	2020/21	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	Proposed Tariff Increase	Proposed Tariff Increase	Proposed Tariff Increase	Additional Revenue for 1% increase	Additional Revenue for 1% increase	Additional Revenue for 1% increase
<b>Rand/cent</b>						
Service Charges-Water	6,8%	6,8%	6,8%	343 341	366 688	391 238
Service Charges-Sanitation	6,8%	6,8%	6,8%	154 246	164 355	175 937
<b>TOTAL</b>				<b>497 587</b>	<b>531 043</b>	<b>567 175</b>

Services charges relating to water and sanitation constitute the biggest component of the revenue basket of the district totaling R497 million for the 2018/19 financial year and increasing to R531 million by 2019/20. For the 2018/19 financial year services charges amount to 10 per cent of the total revenue base and increase by 2 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water.

Operational grants and subsidies amount to R328 million, R352 million and R382 million for each of the respective financial years of the MTREF, or 5%, 7% and 8 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF but in 2018/19 it decreases by 5 per cent and increase by 7 per cent for 2019/20, 8 per cent for the 2019/20. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the District with a budget allocation of R6, 9 million, R7, 4million and R7, 9million for the respective three financial years of the 2018/19 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 32 MBRR SA15 – Detail Investment Information

Harry Gwala District Municipality does not have investments which are greater than 90 days..



Table 33 MBRR SA16 – Investment particulars by maturity

## DC43 Harry Gwala - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.
	Yrs/Months				
<b>Parent municipality</b>					
FIRST NATIONAL BANK	n/a	MONEY MARKET	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
INVESTEC	n/a	FIXED DEPOSIT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a
<b>TOTAL INVESTMENTS AND INTEREST</b>					

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R7, 8 million, deficit of R9, 6million in 2019/20 and again surplus of R2, 4 million in 2020/21 financial year. Non-cash items resulting in deficit in 2019/20 that is confined within the total and do not affect cash backing of the budget.

**Medium-term outlook: capital revenue**

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

Table 34 Sources of capital revenue over the MTREF

## DC43 Harry Gwala - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Current Year		2018/19 Medium Term Revenue & Expenditure Framework					
	2017/18 Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
<b>Funded by:</b>								
National Government	343 397		341 982		338 858		373 429	
Transfers recognised - capital	343 397	98%	341 982	98%	338 858	98%	373 429	98%
Internally generated funds	7 953	2%	7 807	2%	8 245	2%	8 734	2%
<b>Total Capital Funding</b>	<b>351 350</b>	<b>100%</b>	<b>349 789</b>	<b>100%</b>	<b>347 103</b>	<b>100%</b>	<b>382 162</b>	<b>100%</b>

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

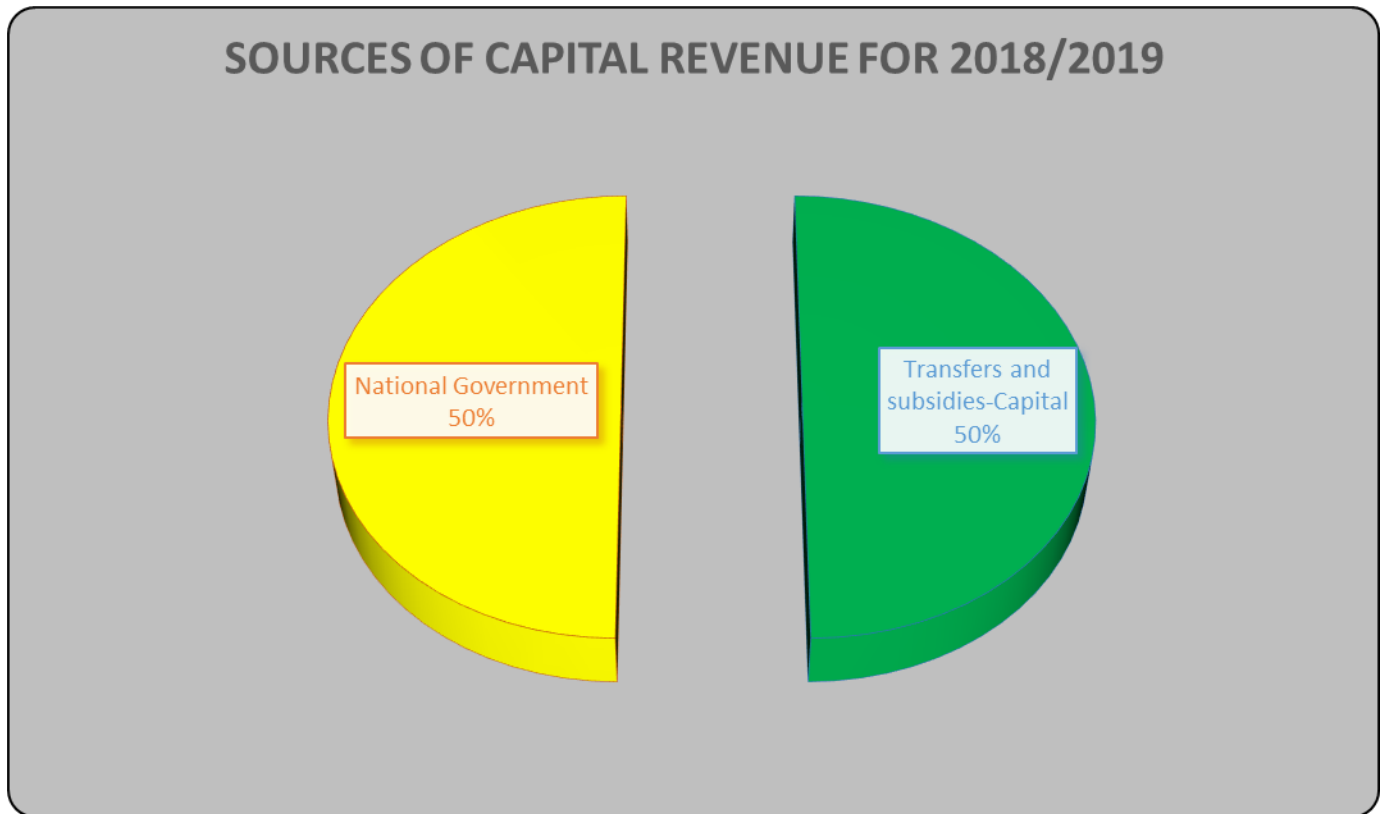


Figure 7 Sources of capital revenue for the 2018/19 financial year

Capital grants and receipts equates to 100 per cent of the total funding source which represents R341, 9 million for the 2018/19 financial year and steadily increase to R338, 8million and increase to R373, 4million for 2020/21. Growth relating to an average receipts of 25 per cent over the medium-term.

The following table is a detailed analysis of the District’s borrowing liability.

Table 35 MBRR Table SA 17 - Detail of borrowings

**DC43 Harry Gwala - Supporting Table SA17 Borrowing**

Borrowing - Categorised by type R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Parent municipality</b>									
Annuity and Bullet Loans									
Long-Term Loans (non-annuity)	22 481	17 231	12 353	12 379	12 379	12 379	8 657	4 555	2 338
<b>Municipality sub-total</b>	<b>22 481</b>	<b>17 231</b>	<b>12 353</b>	<b>12 379</b>	<b>12 379</b>	<b>12 379</b>	<b>8 657</b>	<b>4 555</b>	<b>2 338</b>
<b>Entities</b>									
Annuity and Bullet Loans	-	-	-						
Long-Term Loans (non-annuity)	20	23	-						
Local registered stock	-	-	-						
<b>Entities sub-total</b>	<b>20</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Borrowing</b>	<b>22 501</b>	<b>17 255</b>	<b>12 353</b>	<b>12 379</b>	<b>12 379</b>	<b>12 379</b>	<b>8 657</b>	<b>4 555</b>	<b>2 338</b>

The following graph illustrates the growth in outstanding borrowing for the 2014/15 to 2020/21 period.

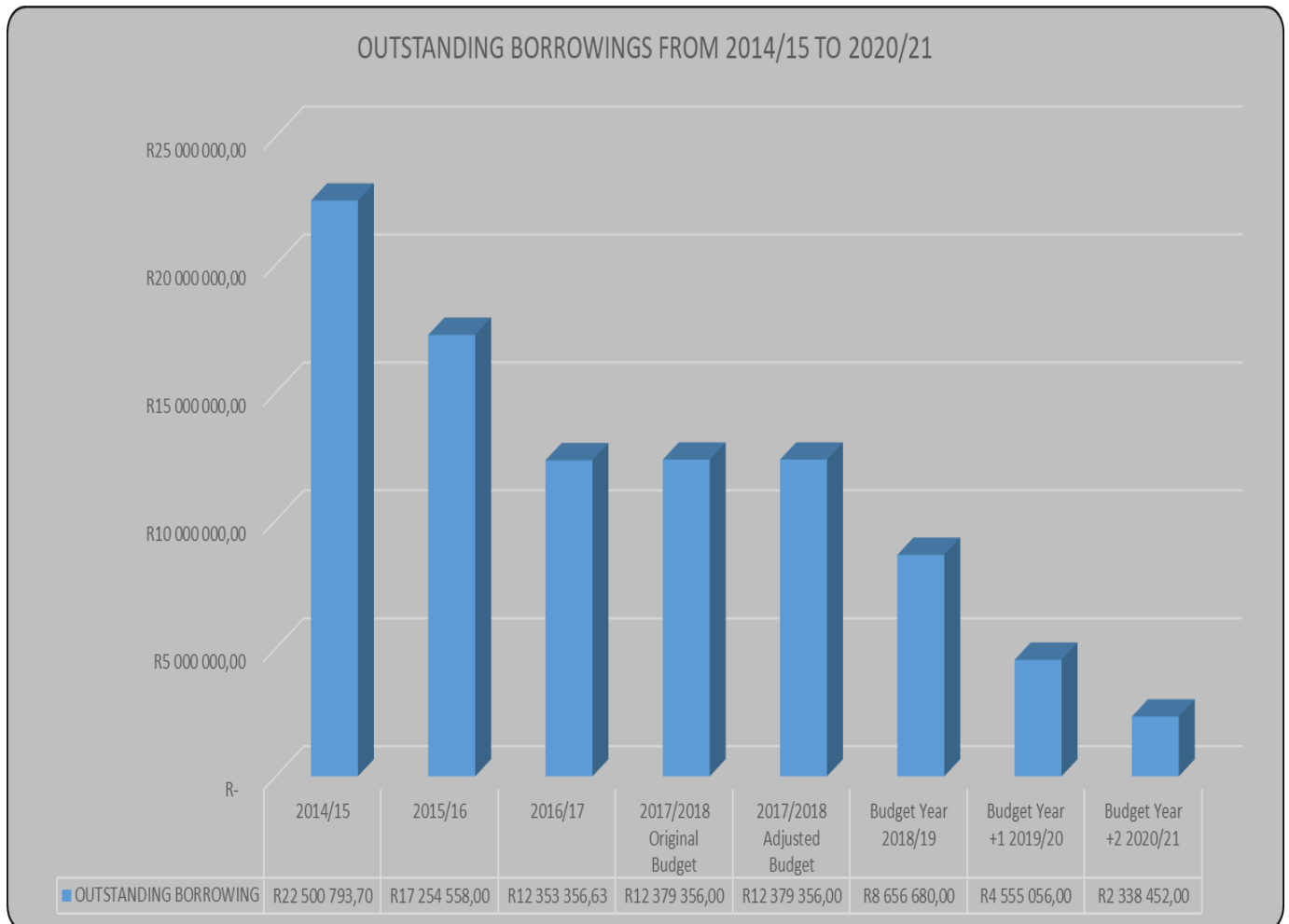


Figure 8 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 36 MBRR Table SA 18 - Capital transfers and grant receipts

## DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	243 265	252 263	300 862	303 218	347 365	347 365	328 823	352 824	382 730
Local Government Equitable Share	230 622	241 033	260 069	285 028	285 028	285 028	318 074	344 466	374 185
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 000	1 000	1 000
Municipal Systems Improvement	934	940	-	-	-	-	-	-	-
Municipal Infrastructure Grant (PMU)	-	-	16 084	5 001	49 148	49 148	5 005	5 001	5 051
Energy Efficiency And Demand Side Management Grant	8 415	7 000	8 000	8 000	8 000	8 000	-	-	-
Water Services Operating Subsidy	-	-	10 000	-	-	-	-	-	-
Rural Roads Asset Management Grant	2 044	2 040	2 095	2 221	2 221	2 221	2 226	2 357	2 494
Expanded public works programme incentive grant	-	-	3 364	1 718	1 718	1 718	2 518	-	-
Other transfers/grants [insert description]				-	-	-	-	-	-
<b>Provincial Government:</b>	30 254	24 602	-	-	-	-	-	500	400
Infrastructure Sport Facilities	-	-	-	-	-	-	-	-	-
LG Seta	27	172	-	-	-	-	-	-	-
DBSA	5 757	1 477	-	-	-	-	-	-	-
Developent of Economic Development grant	500	-	-	-	-	-	-	-	-
Accredited Councillors Training	-	-	-	-	-	-	-	-	-
Development Planning Shared Services	250	2 100	-	-	-	-	-	500	400
Tourism route	-	-	-	-	-	-	-	-	-
DHET (GRANT)	23 721	20 852	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	273 519	276 865	300 862	303 218	347 365	347 365	328 823	353 324	383 130
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	247 274	266 400	309 101	387 544	343 397	387 544	341 982	343 859	378 480
Municipal Infrastructure Grant (MIG)	187 028	199 784	174 983	199 544	155 397	199 544	191 582	195 859	207 630
Regional Bulk Infrastructure	30 217	15 150	48 000	90 000	90 000	90 000	70 000	50 000	67 460
Municipal Water Infrastructure Grant	22 800	43 500	76 118	-	-	-	-	-	-
Expanded public works programme incentive grant	2 729	3 466	-	-	-	-	-	-	-
Rural Household Infrastructure Grant	4 500	4 500	-	98 000	98 000	98 000	80 400	98 000	103 390
Drought Relief	-	-	10 000	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	247 274	266 400	309 101	387 544	343 397	387 544	341 982	343 859	378 480
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	520 794	543 265	609 963	690 762	690 762	734 909	670 805	697 183	761 610

## Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

1. Clear separation of receipts and payments within each cash flow category;
2. Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
3. Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 37 MBRR Table A7 - Budget cash flow statement

DC43 Harry Gwala - Table A7 Consolidated Budgeted Cash Flows

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	25 156	13 767	21 730	29 911	42 411	42 411	42 411	31 945	34 117	36 437
Other revenue	3 645	305	1 703	3 155	4 779	4 779	4 779	2 522	2 729	2 799
Government - operating	294 730	287 976	292 282	303 218	301 213	301 213	301 213	328 823	353 324	383 130
Government - capital	239 956	280 503	335 185	387 544	343 397	343 397	343 397	341 982	343 859	378 480
Interest	3 669	3 364	6 067	6 230	8 816	8 816	8 816	6 946	7 428	7 937
<b>Payments</b>										
Suppliers and employees	(312 593)	(352 804)	(446 260)	(322 264)	(361 210)	(361 210)	(361 210)	(332 976)	(356 867)	(399 052)
Finance charges	(3 714)	(2 890)	(4 320)	(2 009)	(1 605)	(1 605)	(1 605)	(1 509)	(1 590)	(1 678)
Transfers and Grants	–	–	–	–	–	–	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>250 849</b>	<b>230 220</b>	<b>206 387</b>	<b>405 784</b>	<b>337 801</b>	<b>337 801</b>	<b>337 801</b>	<b>377 733</b>	<b>382 999</b>	<b>408 052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	(242)	(436)	1 534					–	–	–
Decrease (Increase) in non-current debtors								–	–	–
<b>Payments</b>										
Capital assets	(241 654)	(242 590)	(179 128)	(399 054)	(351 550)	(351 550)	(351 550)	(351 521)	(380 221)	(379 298)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(241 896)</b>	<b>(243 026)</b>	<b>(177 595)</b>	<b>(399 054)</b>	<b>(351 550)</b>	<b>(351 550)</b>	<b>(351 550)</b>	<b>(351 521)</b>	<b>(380 221)</b>	<b>(379 298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Increase (decrease) in consumer deposits	–	–	–	200	200	200	200	200	226	254
<b>Payments</b>										
Repayment of borrowing	(6 849)	(3 819)	(5 259)	(3 330)	(3 330)	(3 330)	(3 330)	(5 624)	(3 226)	(5 658)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 849)</b>	<b>(3 819)</b>	<b>(5 259)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>(5 424)</b>	<b>(3 000)</b>	<b>(5 404)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 104</b>	<b>(16 624)</b>	<b>23 533</b>	<b>3 601</b>	<b>(16 879)</b>	<b>(16 879)</b>	<b>(16 879)</b>	<b>20 788</b>	<b>(222)</b>	<b>23 351</b>
Cash/cash equivalents at the year begin:	34 010	36 114	19 490	5 000	24 273	24 273	24 273	7 394	28 182	27 960
Cash/cash equivalents at the year end:	36 114	19 490	43 023	8 601	7 394	7 394	7 394	28 182	27 960	51 311

The above table shows that cash and cash equivalents of the District were largely increasing between the 2014/15 and 2016/17 financial year moving from a cash balance of R36, 1m to R43 million then decrease in 2017/18 then start improving again from 2018/19 MTREF. With the 2017/18 adjustments budget various cost efficiencies and savings had to be realised to ensure the District could meet its operational expenditure commitments. In addition the District undertook an extensive debt collection process but it was not that successful. These interventions have translated into a deficit for the District and it is projected that cash and cash equivalents on hand showed a surplus of R98 million by the financial year end. For the 2018/19 MTREF the budget has been prepared to continue ensuring high levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R28 million by 2018/19 and steadily increasing to R51 million by 2020/21.

### **Cash Backed Reserves/Accumulated Surplus Reconciliation**

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

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected).

It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 38 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

## DC43 Harry Gwala - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	36 114	19 490	43 023	8 601	7 394	7 394	7 394	28 182	27 960	51 311
Other current investments > 90 days	-	-	-	-	5 000	5 000	5 000	-	-	-
<b>Cash and investments available:</b>	<b>36 114</b>	<b>19 490</b>	<b>43 023</b>	<b>8 601</b>	<b>12 394</b>	<b>12 394</b>	<b>12 394</b>	<b>28 182</b>	<b>27 960</b>	<b>51 311</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	7 797	14 577	61 417	14 577	18 454	18 454	18 454	53 522	6 790	6 000
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	(9 500)	(42 834)	(42 834)	(42 834)	(42 834)	(20 685)	(13 299)	(28 356)
Other working capital requirements	129 592	197 584	113 687	17 661	118 532	118 532	118 532	(5 272)	7 852	(880)
Other provisions	7 293	14 334	3 804	16 891	16 891	16 891	16 891	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>144 682</b>	<b>226 496</b>	<b>169 409</b>	<b>6 295</b>	<b>111 043</b>	<b>111 043</b>	<b>111 043</b>	<b>27 564</b>	<b>1 343</b>	<b>(23 236)</b>
<b>Surplus(shortfall)</b>	<b>(108 568)</b>	<b>(207 006)</b>	<b>(126 386)</b>	<b>2 305</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>(98 649)</b>	<b>618</b>	<b>26 617</b>	<b>74 547</b>

From the above table it can be seen that the cash and investments available total R28 million in the 2018/19 financial year and progressively increase to R51million by 2020/21, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the District to meet its creditor obligations.

The 2018/19 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the District will be to ensure that the underlying

planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

Figure 9 Cash and cash equivalents / Cash backed reserves and accumulated funds

## 2.6.5 Funding compliance measurement

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

Table 39 MBRR SA10 – Funding compliance measurement

DC43 Harry Gwala Supporting Table SA10 Funding measurement

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Funding measures</b>										
Cash/cash equivalents at the year end - R'000	36 114	19 490	43 023	8 601	7 394	7 394	7 394	28 182	27 960	51 311
Cash + investments at the yr end less applications - R'000	(108 568)	(207 006)	(126 386)	2 305	(98 649)	(98 649)	(98 649)	618	26 617	74 547
Cash year end/monthly employee/supplier payments	1,7	0,7	1,7	0,4	0,3	0,3	0,3	1,2	1,0	1,8
Surplus/(Deficit) excluding depreciation offsets: R'000	175 505	121 646	180 924	377 425	329 564	329 564	329 564	349 789	334 169	380 954
Service charge rev % change - macro CPIX target exclusive	N.A.	(28,5%)	(13,6%)	33,7%	15,7%	(6,0%)	(6,0%)	(18,2%)	0,8%	0,8%
Cash receipts % of Ratepayer & Other revenue	44,8%	26,1%	40,3%	49,0%	55,6%	55,6%	55,6%	46,7%	46,9%	46,8%
Debt impairment expense as a % of total billable revenue	21,0%	59,6%	88,0%	50,3%	50,6%	50,6%	50,6%	42,7%	60,4%	60,4%
Capital payments % of capital expenditure	101,1%	99,9%	91,5%	100,0%	100,1%	100,1%	100,1%	100,5%	109,5%	99,3%
Borrowing receipts % of capital expenditure (excl. transfers)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	N.A.	45,9%	4,9%	(16,7%)	3,2%	0,0%	0,0%	66,1%	(36,3%)	17,0%
Long term receivables % change - incr(decr)	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	4,7%	4,4%	4,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Asset renewal % of capital budget	1,9%	5,2%	1,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

## Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of



the financial year. The forecasted cash and cash equivalents for the 2017/18 MTREF show R28 million, R27 million and R51 million for each respective financial year.

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

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

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

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection. Notably, the ratio has been falling significantly for the period 2013/14 to 2016/17, moving from 1.5 to 0.3 this ratio improved from 1.2 to 5.2 in the 2018/19 MTREF.

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

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2018/19 MTREF the indicative outcome is a surplus of R618k, R26, 6 million and R74, 5 million.

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

### **Service charge revenue as a percentage increase less macro inflation target**

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 0 per cent for the respective financial year of the 2018/19 MTREF. Considering tariff increase in relation to revenue generated from rates and services charges is 6 per cent.

However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

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

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 60.2 for the each of the respective financial years. Given that the assumed collection rate was based on a 70 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

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

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 32.9 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

### **Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

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

**Consumer debtors change (Current and Non-current)**

The purpose of this measure is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the District's policy of settling debtor's accounts within 30 days.

**Repairs and maintenance expenditure level**

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C.

**Asset renewal/rehabilitation expenditure level**

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

## 1.14 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 40 MBRR SA19 - Expenditure on transfers and grant programmes

DC43 Harry Gwala - Supporting Table SA19 Expenditure on transfers and grant programme

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>EXPENDITURE:</b>									
<b>Operating expenditure of Transfers and Grants</b>									
<b>National Government:</b>	<b>243 265</b>	<b>252 263</b>	<b>300 862</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>352 824</b>	<b>382 730</b>
Local Government Equitable Share	230 622	241 033	260 069	285 028	285 028	285 028	318 074	344 466	374 185
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 000	1 000	1 000
Municipal Systems Improvement	934	940	-	-	-	-	-	-	-
Municipal Infrastructure Grant (PMU)	-	-	16 084	5 001	49 148	49 148	5 005	5 001	5 051
Energy Efficiency And Demand Side Management Grant	8 415	7 000	8 000	8 000	8 000	8 000	-	-	-
Water Services Operating Subsidy	-	-	10 000	-	-	-	-	-	-
Rural Roads Asset Management Grant	2 044	2 040	2 095	2 221	2 221	2 221	2 226	2 357	2 494
Expanded public works programme incentive grant	-	-	3 364	1 718	1 718	1 718	2 518	-	-
Other transfers/grants [insert description]									
<b>Provincial Government:</b>	<b>30 254</b>	<b>24 602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>400</b>
LG Seta	27	172	-	-	-	-	-	-	-
DBSA	5 757	1 477	-	-	-	-	-	-	-
Developent of Economic Development grant	500	-	-	-	-	-	-	-	-
Development Planning Shared Services	250	2 100	-	-	-	-	-	500	400
Tourism route	-	-	-	-	-	-	-	-	-
DHET (GRANT)	23 721	20 852	-	-	-	-	-	-	-
Infrastructure Sport Facilities									
<b>Total operating expenditure of Transfers and Grants:</b>	<b>273 519</b>	<b>276 865</b>	<b>300 862</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>353 324</b>	<b>383 130</b>
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>	<b>247 274</b>	<b>266 400</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>343 397</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
Municipal Infrastructure Grant (MIG)	187 028	199 784	174 983	199 544	155 397	155 397	191 582	195 859	207 630
Regional Bulk Infrastructure	30 217	15 150	48 000	90 000	90 000	90 000	70 000	50 000	67 460
Municipal Water Infrastructure Grant	22 800	43 500	76 118	98 000	98 000	98 000	80 400	98 000	103 390
Expanded public works programme incentive grant	2 729	3 466	-	-	-	-	-	-	-
Rural Household Infrastructure Grant	4 500	4 500	-	-	-	-	-	-	-
Drought Relief	-	-	10 000	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>	<b>247 274</b>	<b>266 400</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>343 397</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>520 794</b>	<b>543 265</b>	<b>609 963</b>	<b>690 762</b>	<b>690 762</b>	<b>690 762</b>	<b>670 805</b>	<b>697 183</b>	<b>761 610</b>

Table 41 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

## DC43 Harry Gwala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>Operating transfers and grants:</b>									
<b>National Government:</b>									
Balance unspent at beginning of the year									
Current year receipts	311 906	294 987	324 383	303 218	347 365	347 365	328 823	352 824	382 730
<b>Conditions met - transferred to revenue</b>	<b>311 906</b>	<b>294 987</b>	<b>324 383</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>352 824</b>	<b>382 730</b>
Current year receipts	750	1 100	-	-	-	-	-	500	400
<b>Conditions met - transferred to revenue</b>	<b>750</b>	<b>1 100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>400</b>
<b>Total operating transfers and grants revenue</b>	<b>312 656</b>	<b>296 087</b>	<b>324 383</b>	<b>303 218</b>	<b>347 365</b>	<b>347 365</b>	<b>328 823</b>	<b>353 324</b>	<b>383 130</b>
<b>Capital transfers and grants:</b>									
<b>National Government:</b>									
Balance unspent at beginning of the year									
Current year receipts	236 008	241 744	299 101	387 544	343 397	387 544	341 982	343 859	378 480
<b>Conditions met - transferred to revenue</b>	<b>236 008</b>	<b>241 744</b>	<b>299 101</b>	<b>387 544</b>	<b>343 397</b>	<b>387 544</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
Conditions still to be met - transferred to liabilities									
Current year receipts	-	-	10 000	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>	<b>-</b>	<b>-</b>	<b>10 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities									
<b>Total capital transfers and grants revenue</b>	<b>236 008</b>	<b>241 744</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>387 544</b>	<b>341 982</b>	<b>343 859</b>	<b>378 480</b>
<b>Total capital transfers and grants - CTBM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>	<b>548 664</b>	<b>537 831</b>	<b>633 484</b>	<b>690 762</b>	<b>690 762</b>	<b>734 909</b>	<b>670 805</b>	<b>697 183</b>	<b>761 610</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Councilor and Employee benefits

Table 44 MBRR SA22-Summary of councilor and staff benefits

## DC43 Harry Gwala - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	3 227	1 207	5 361	5 790	3 795	3 795	4 098	4 426	4 780
Pension and UIF Contributions	441	311	399	431	399	399	431	465	503
Medical Aid Contributions	104	771	94	101	94	94	101	110	118
Motor Vehicle Allowance	1 301	621	1 178	1 272	1 178	1 178	1 272	1 374	1 484
Cellphone Allowance	286	2 636	259	279	259	259	279	302	326
Housing Allowances	-	1 618	-	-	-	-	-	-	-
Other benefits and allowances	680	742	616	665	616	616	665	719	776
<b>Sub Total - Councillors</b>	<b>6 038</b>	<b>7 906</b>	<b>7 906</b>	<b>8 539</b>	<b>6 340</b>	<b>6 340</b>	<b>6 847</b>	<b>7 395</b>	<b>7 987</b>
% increase		30,9%	-	8,0%	(25,7%)	-	8,0%	8,0%	8,0%
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	5 981	5 995	6 391	4 509	4 509	4 509	4 870	5 260	5 680
Pension and UIF Contributions	3	3	3	4	4	4	4	4	5
Medical Aid Contributions	6	6	6	6	6	6	7	8	8
Motor Vehicle Allowance	3 285	3 293	3 511	3 797	3 797	3 797	4 101	4 429	4 783
Cellphone Allowance	154	154	164	178	178	178	192	207	224
Other benefits and allowances	5	5	5	5	5	5	6	6	7
<b>Sub Total - Senior Managers of Municipality</b>	<b>9 434</b>	<b>9 455</b>	<b>10 080</b>	<b>8 500</b>	<b>8 500</b>	<b>8 500</b>	<b>9 180</b>	<b>9 914</b>	<b>10 707</b>
% increase		0,2%	6,6%	(15,7%)	-	-	8,0%	8,0%	8,0%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	83 504	83 693	89 226	98 912	101 821	101 821	102 213	110 050	118 647
Pension and UIF Contributions	14 119	14 151	15 087	16 318	16 798	16 798	18 142	19 593	21 160
Medical Aid Contributions	1 951	1 955	2 085	2 255	2 321	2 321	2 507	2 707	2 924
Overtime	1 743	1 747	1 863	2 015	2 074	2 074	2 240	2 419	2 613
Performance Bonus	7 737	7 755	8 267	8 942	9 205	9 205	9 942	10 737	11 596
Motor Vehicle Allowance	3 556	3 564	3 800	4 110	4 231	4 231	4 570	4 935	5 330
Cellphone Allowance	607	608	648	701	722	722	780	842	909
Housing Allowances	53	53	56	61	63	63	68	73	79
Other benefits and allowances	2 326	2 331	2 485	2 688	2 767	2 767	2 988	3 228	3 486
<b>Sub Total - Other Municipal Staff</b>	<b>115 597</b>	<b>115 858</b>	<b>123 518</b>	<b>136 002</b>	<b>140 002</b>	<b>140 002</b>	<b>143 449</b>	<b>154 584</b>	<b>166 744</b>
% increase		0,2%	6,6%	10,1%	2,9%	-	2,5%	7,8%	7,9%
<b>Total Parent Municipality</b>	<b>131 068</b>	<b>133 219</b>	<b>141 504</b>	<b>153 040</b>	<b>154 842</b>	<b>154 842</b>	<b>159 475</b>	<b>171 893</b>	<b>185 437</b>
		1,6%	6,2%	8,2%	1,2%	-	3,0%	7,8%	7,9%
<b>Board Members of Entities</b>									
Other benefits and allowances				100	100	100			
Board Fees	545	250	360	250	200	200	350	378	408
<b>Sub Total - Board Members of Entities</b>	<b>545</b>	<b>250</b>	<b>360</b>	<b>350</b>	<b>300</b>	<b>300</b>	<b>350</b>	<b>378</b>	<b>408</b>
% increase		(54,1%)	44,0%	(2,8%)	(14,3%)	-	16,7%	8,0%	8,0%
<b>Senior Managers of Entities</b>									
Basic Salaries and Wages	2 464	1 926	1 018	2 006	2 006	2 006	2 166	2 340	2 527
Motor Vehicle Allowance	1 093	1 191	1 299	288	288	288	311	336	363
Cellphone Allowance	43	47	57	55	55	55	59	64	69
Other benefits and allowances	42	46	50	55	55	55	59	64	69
<b>Sub Total - Senior Managers of Entities</b>	<b>3 642</b>	<b>3 210</b>	<b>2 424</b>	<b>2 404</b>	<b>2 404</b>	<b>2 404</b>	<b>2 597</b>	<b>2 804</b>	<b>3 029</b>
% increase		(11,9%)	(24,5%)	(0,8%)	-	-	8,0%	8,0%	8,0%
<b>Other Staff of Entities</b>									
Basic Salaries and Wages	1 738	2 528	5 715	12 923	10 160	10 160	10 973	11 851	12 799
Motor Vehicle Allowance	136	148	161	175	175	175	189	204	220
Other benefits and allowances	279	304	332	362	362	362	391	422	456
<b>Sub Total - Other Staff of Entities</b>	<b>2 153</b>	<b>2 980</b>	<b>6 208</b>	<b>13 460</b>	<b>10 697</b>	<b>10 697</b>	<b>11 553</b>	<b>12 477</b>	<b>13 476</b>
% increase		38,4%	108,3%	116,8%	(20,5%)	-	8,0%	8,0%	8,0%
<b>Total Municipal Entities</b>	<b>6 340</b>	<b>6 440</b>	<b>8 992</b>	<b>16 214</b>	<b>13 402</b>	<b>13 402</b>	<b>14 500</b>	<b>15 660</b>	<b>16 913</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>137 408</b>	<b>139 659</b>	<b>150 496</b>	<b>169 255</b>	<b>168 244</b>	<b>168 244</b>	<b>173 975</b>	<b>187 553</b>	<b>202 350</b>
% increase		1,6%	7,8%	12,5%	(0,6%)	-	3,4%	7,8%	7,9%
<b>TOTAL MANAGERS AND STAFF</b>	<b>130 825</b>	<b>131 503</b>	<b>142 230</b>	<b>160 366</b>	<b>161 604</b>	<b>161 604</b>	<b>166 778</b>	<b>179 780</b>	<b>193 955</b>

Table 45 MBRR SA23- Salaries, allowances and benefits (Political Office Bearers/ Councillors/ Senior Managers)

**DC43 Harry Gwala - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
<b>Rand per annum</b>		<b>1.</b>				<b>2.</b>
<b><u>Councillors</u></b>						
Speaker	387 128					387 128
Chief Whip	920 445					920 445
Executive Mayor	1 142 231					1 142 231
Deputy Executive Mayor	920 445					920 445
Executive Committee	1 729 898					1 729 898
Total for all other councillors	1 747 054					1 747 054
<b>Total Councillors</b>	<b>6 847 200</b>	<b>-</b>	<b>-</b>			<b>6 847 200</b>
<b><u>Senior Managers of the Municipality</u></b>						
Municipal Manager (MM)	1 699 206					1 699 206
Chief Finance Officer	1 615 413					1 615 413
Head: Corporate Service	1 466 244					1 466 244
Head: Social Services	1 466 244					1 466 244
Head: Infrastructure	1 466 244					1 466 244
Head: Water Services	1 466 244					1 466 244
						-
<b>Total Senior Managers of the Municipality</b>	<b>9 179 594</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>9 179 594</b>
<b><u>A Heading for Each Entity</u></b>						
List each member of board by designation						
Dr I B MKHIZE	156 000					156 000
Mr Z DUMA	97 000					97 000
Mr V Made	97 000					97 000
						-
<b>Total for municipal entities</b>	<b>350 000</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>350 000</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>16 376 794</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>16 376 794</b>

Table 46 MBRR SA24- Summary of personnel numbers

## DC43 Harry Gwala - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	2016/17			Current Year 2017/18			Budget Year 2018/19		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>									
Councillors (Political Office Bearers plus Other Councillors)	26	-	26	26	-	26	26	-	26
Board Members of municipal entities	-	-	-	3	-	3	3	-	3
<b>Municipal employees</b>									
Municipal Manager and Senior Managers	6	-	6	8	-	8	8	-	8
Other Managers	16	16	-	19	15	3	19	15	3
Professionals	49	44	-	53	53	4	63	57	4
<i>Finance</i>	3	3	-	7	3	4	7	3	4
<i>Spatial/town planning</i>	1	1	-	1	1	-	1	1	-
<i>Information Technology</i>	2	2	-	2	3	-	2	3	-
<i>Roads</i>	1	1	-	1	1	-	1	1	-
<i>Electricity</i>	1	1	-	1	1	-	1	1	-
<i>Water</i>	8	8	-	8	8	-	8	8	-
<i>Sanitation</i>	2	2	-	2	2	-	2	2	-
<i>Refuse</i>	1	1	-	1	1	-	1	1	-
<i>Other</i>	30	25	-	30	33	-	40	37	-
Technicians	36	36	-	36	35	-	36	35	-
<i>Finance</i>	7	7	-	7	7	-	7	7	-
<i>Spatial/town planning</i>	4	4	-	4	4	-	4	4	-
<i>Information Technology</i>	1	1	-	1	-	-	1	-	-
<i>Roads</i>	1	1	-	1	1	-	1	1	-
<i>Electricity</i>	1	1	-	1	1	-	1	1	-
<i>Water</i>	4	4	-	4	4	-	4	4	-
<i>Sanitation</i>	3	3	-	3	3	-	3	3	-
<i>Refuse</i>	1	1	-	1	1	-	1	1	-
<i>Other</i>	13	13	-	13	13	-	13	13	-
Clerks (Clerical and administrative)	74	74	-	76	74	2	76	74	2
Service and sales workers	1	1	-	1	1	-	1	1	-
Skilled agricultural and fishery workers	1	1	-	1	1	-	1	1	-
Craft and related trades	1	1	-	1	1	-	1	1	-
Plant and Machine Operators	95	95	-	95	106	-	95	106	-
Elementary Occupations	45	39	-	48	47	3	48	47	3
<b>TOTAL PERSONNEL NUMBERS</b>	<b>350</b>	<b>308</b>	<b>32</b>	<b>367</b>	<b>333</b>	<b>49</b>	<b>377</b>	<b>337</b>	<b>49</b>
% increase				4,9%	8,4%	53,1%	2,7%	1,2%	-
<b>Total municipal employees headcount</b>	<b>357</b>	<b>311</b>	<b>62</b>	<b>357</b>	<b>311</b>	<b>62</b>	<b>357</b>	<b>311</b>	<b>62</b>
Finance personnel headcount	46	46	-	46	46	-	46	46	-
Human Resources personnel headcount	10	10	10	10	10	10	10	10	10



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

Table 47 MBRR SA25-Budgeted monthly revenue and expenditure

DC43 Harry Gwala - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>															
Property rates													-	-	-
Service charges - electricity revenue													-	-	-
Service charges - water revenue	3 142	3 534	3 534	3 142	2 749	3 142	3 927	3 534	3 927	2 749	3 142	4 890	41 410	44 226	47 233
Service charges - sanitation revenue	1 290	1 129	1 451	1 451	1 451	1 451	1 290	1 290	1 290	1 129	1 290	3 238	17 747	18 954	20 243
Interest earned - external investments	556	417	417	556	553	903	553	553	553	903	553	429	6 946	7 428	7 937
Interest earned - outstanding debtors	763	763	763	1 240	763	763	763	763	763	763	763	668	9 540	10 112	10 719
Transfers and subsidies	146 760	-	-	-	100 135	-	-	-	81 928	-	-	-	328 823	353 324	383 130
Other revenue	466	403	302	353	504	604	453	655	353	302	302	340	5 036	5 305	5 589
Gains on disposal of PPE													-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>152 976</b>	<b>6 246</b>	<b>6 467</b>	<b>6 741</b>	<b>106 155</b>	<b>6 863</b>	<b>6 986</b>	<b>6 795</b>	<b>88 614</b>	<b>5 846</b>	<b>6 050</b>	<b>9 565</b>	<b>409 502</b>	<b>439 349</b>	<b>474 651</b>
<b>Expenditure By Type</b>															
Employee related costs	13 898	13 898	13 898	13 898	13 898	13 898	13 898	13 898	13 898	13 898	13 898	13 898	166 778	179 780	193 955
Remuneration of councillors	571	571	571	571	571	571	571	571	571	571	571	571	6 848	7 396	7 987
Debt impairment	2 106	2 106	2 106	2 106	2 106	2 106	2 106	2 106	2 106	2 106	2 106	2 106	25 266	38 136	40 729
Depreciation & asset impairment	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	41 944	45 447	47 918
Finance charges	-	-	-	-	-	1 200	-	-	-	-	-	309	1 509	1 590	1 678
Bulk purchases	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	15 000	15 810	16 680
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	2 876	2 876	2 876	2 876	2 876	2 876	2 876	2 876	2 876	2 876	2 876	2 876	34 510	46 914	49 494
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	9 153	9 153	9 153	9 153	9 153	9 153	9 153	9 153	9 153	9 153	9 153	9 153	109 840	113 968	113 937
Loss on disposal of PPE													-	-	-
<b>Total Expenditure</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>34 549</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>33 349</b>	<b>33 658</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit)</b>	<b>119 627</b>	<b>(27 103)</b>	<b>(26 882)</b>	<b>(26 608)</b>	<b>72 806</b>	<b>(27 686)</b>	<b>(26 363)</b>	<b>(26 554)</b>	<b>55 465</b>	<b>(27 503)</b>	<b>(27 299)</b>	<b>(24 093)</b>	<b>7 807</b>	<b>(9 690)</b>	<b>2 474</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	28 499	28 499	28 499	28 499	28 499	28 499	28 499	28 499	28 499	28 499	28 499	28 499	341 982	343 859	378 480
Transfers and subsidies - capital (in-kind - all)													-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>148 125</b>	<b>1 395</b>	<b>1 617</b>	<b>1 890</b>	<b>101 304</b>	<b>813</b>	<b>2 136</b>	<b>1 945</b>	<b>83 964</b>	<b>995</b>	<b>1 199</b>	<b>4 405</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
<b>Surplus/(Deficit)</b>	<b>148 125</b>	<b>1 395</b>	<b>1 617</b>	<b>1 890</b>	<b>101 304</b>	<b>813</b>	<b>2 136</b>	<b>1 945</b>	<b>83 964</b>	<b>995</b>	<b>1 199</b>	<b>4 405</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>

Table 48 MBRR SA26- Budgeted monthly revenue and expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>															
Vote 1 - Council													-	-	-
Vote 2 - Municipal Manager													-	-	-
Vote 3 - Budget & Treasury Office	109 490	-	-	-	91 553	-	-	-	72 966	-	-	56 740	330 749	357 861	388 342
Vote 4 - Corporate Services													-	-	-
Vote 5 - Social & Development Planning	26	26	26	26	26	26	26	26	26	26	26	26	308	838	769
Vote 6 - Infrastructure Services	113 886	23 571	-	18 770	97 555	-	15 477	4 383	64 874	-	-	13 215	351 731	351 217	386 025
Vote 7 - Water Services	4 860	5 211	5 199	5 494	5 682	4 935	5 580	6 016	5 331	5 751	2 935	11 702	68 697	73 292	78 195
<b>Total Revenue by Vote</b>	<b>228 261</b>	<b>28 808</b>	<b>5 225</b>	<b>24 290</b>	<b>194 816</b>	<b>4 961</b>	<b>21 083</b>	<b>10 425</b>	<b>143 197</b>	<b>5 776</b>	<b>2 960</b>	<b>81 683</b>	<b>751 484</b>	<b>783 208</b>	<b>853 331</b>
<b>Expenditure by Vote to be appropriated</b>															
Vote 1 - Council	1 000	1 500	1 800	1 800	1 242	1 000	1 000	1 500	1 269	1 200	1 343	966	15 620	16 641	17 742
Vote 2 - Municipal Manager	724	787	1 278	1 300	1 690	1 344	1 277	1 265	1 000	1 000	1 000	1 214	13 878	14 895	15 991
Vote 3 - Budget & Treasury Office	3 771	4 015	4 896	4 978	6 471	5 148	4 891	4 846	6 611	4 888	6 997	4 845	62 357	77 709	82 977
Vote 4 - Corporate Services	3 164	3 354	3 822	3 886	5 052	4 019	3 818	3 783	5 161	3 816	5 463	7 787	53 127	67 611	71 893
Vote 5 - Social & Development Planning	4 532	4 755	4 473	2 000	5 912	4 704	4 469	4 427	6 040	4 466	3 500	2 260	51 538	61 043	58 746
Vote 6 - Infrastructure Services	2 311	2 413	3 199	2 000	2 500	3 305	2 100	3 178	3 917	3 196	2 500	1 171	31 789	25 911	27 728
Vote 7 - Water Services	11 932	12 454	11 489	11 665	14 867	12 029	11 478	11 381	15 166	11 472	15 995	33 459	173 388	185 230	197 300
<b>Total Expenditure by Vote</b>	<b>27 433</b>	<b>29 277</b>	<b>30 957</b>	<b>27 629</b>	<b>37 735</b>	<b>31 549</b>	<b>29 033</b>	<b>30 381</b>	<b>39 164</b>	<b>30 038</b>	<b>36 799</b>	<b>51 701</b>	<b>401 696</b>	<b>449 039</b>	<b>472 377</b>
<b>Surplus/(Deficit) before assoc.</b>	<b>200 828</b>	<b>(470)</b>	<b>(25 733)</b>	<b>(3 339)</b>	<b>157 081</b>	<b>(26 588)</b>	<b>(7 950)</b>	<b>(19 956)</b>	<b>104 033</b>	<b>(24 261)</b>	<b>(33 839)</b>	<b>29 982</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>
<b>Surplus/(Deficit)</b>	<b>200 828</b>	<b>(470)</b>	<b>(25 733)</b>	<b>(3 339)</b>	<b>157 081</b>	<b>(26 588)</b>	<b>(7 950)</b>	<b>(19 956)</b>	<b>104 033</b>	<b>(24 261)</b>	<b>(33 839)</b>	<b>29 982</b>	<b>349 789</b>	<b>334 169</b>	<b>380 954</b>

Table 49 MBRRSA27-Budgeted monthly revenue and expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (functional classification)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue - Functional</b>															
<b>Governance and administration</b>	109 490	-	-	-	91 553	-	-	-	72 966	-	-	56 740	330 749	357 861	388 342
Executive and council															
Finance and administration	109 490	-	-	-	91 553	-	-	-	72 966	-	-	56 740	330 749	357 861	388 342
Internal audit															
<b>Economic and environmental services</b>	26	26	26	26	26	26	26	26	26	26	26	26	308	838	769
Planning and development	26	26	26	26	26	26	26	26	26	26	26	26	308	838	769
Road transport															
Environmental protection															
<b>Trading services</b>	118 746	28 782	5 199	24 265	103 237	4 935	21 057	10 399	70 205	5 751	2 935	24 917	420 428	424 509	464 220
Energy sources															
Water management	4 860	5 211	5 199	5 494	5 682	4 935	5 580	6 016	5 331	5 751	2 935	11 702	68 697	73 292	78 195
Waste water management	113 886	23 571	-	18 770	97 555	-	15 477	4 383	64 874	-	-	13 215	351 731	351 217	386 025
Waste management															
<b>Other</b>															
<b>Total Revenue - Functional</b>	228 261	28 808	5 225	24 290	194 816	4 961	21 083	10 425	143 197	5 776	2 960	81 683	751 484	783 208	853 331
		28 833	5 250	24 316	194 842	4 987	21 108	10 450	143 222	5 802	2 986				
<b>Expenditure - Functional</b>															
<b>Governance and administration</b>	8 659	9 656	11 796	11 964	14 455	11 511	10 986	11 394	14 041	10 904	14 803	14 811	144 981	176 856	188 603
Executive and council	1 724	2 287	3 078	3 100	2 932	2 344	2 277	2 765	2 269	2 200	2 343	2 179	29 498	31 536	33 733
Finance and administration	6 935	7 369	8 718	8 864	11 523	9 167	8 709	8 629	11 772	8 704	12 460	12 632	115 484	145 320	154 870
Internal audit															
<b>Economic and environmental services</b>	4 532	4 755	4 473	2 000	5 912	4 704	4 469	4 427	6 040	4 466	3 500	2 260	51 538	61 043	58 746
Planning and development	4 532	4 755	4 473	2 000	5 912	4 704	4 469	4 427	6 040	4 466	3 500	2 260	51 538	61 043	58 746
Road transport															
Environmental protection															
<b>Trading services</b>	14 243	14 867	14 688	13 665	17 367	15 334	13 578	14 559	19 083	14 668	18 495	34 629	205 177	211 140	225 028
Energy sources															
Water management	11 932	12 454	11 489	11 665	14 867	12 029	11 478	11 381	15 166	11 472	15 995	33 459	173 388	185 230	197 300
Waste water management	2 311	2 413	3 199	2 000	2 500	3 305	2 100	3 178	3 917	3 196	2 500	1 171	31 789	25 911	27 728
<b>Total Expenditure - Functional</b>	27 433	29 277	30 957	27 629	37 735	31 549	29 033	30 381	39 164	30 038	36 799	51 701	401 696	449 039	472 377
<b>Surplus/(Deficit) before assoc.</b>	200 828	(470)	(25 733)	(3 339)	157 081	(26 588)	(7 950)	(19 956)	104 033	(24 261)	(33 839)	29 982	349 789	334 169	380 954
<b>Surplus/(Deficit)</b>	200 828	(470)	(25 733)	(3 339)	157 081	(26 588)	(7 950)	(19 956)	104 033	(24 261)	(33 839)	29 982	349 789	334 169	380 954

Table 50 MBRR SA28-Budgeted monthly capital expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>															
<b>Multi-year expenditure to be appropriated</b>															
Vote 1 - Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	550	-	-	-	-	-	-	-	-	-	-	550	580	612
Vote 4 - Corporate Services	-	1 500	500	-	-	1 000	-	-	760	-	-	-	3 760	3 963	4 181
Vote 5 - Social & Development Planning			300								197		497	540	605
Vote 6 - Infrastructure Services	29 834	26 137	31 205	26 645	34 637	20 000	36 179	25 937	20 000	26 163	37 453	28 290	342 482	339 385	373 985
Vote 7 - Water Services	-	1 000	-	-	-	1 500	-	-	-	-	-	-	2 500	2 635	2 780
<b>Capital multi-year expenditure sub-total</b>	<b>29 834</b>	<b>29 187</b>	<b>32 005</b>	<b>26 645</b>	<b>34 637</b>	<b>22 500</b>	<b>36 179</b>	<b>25 937</b>	<b>20 760</b>	<b>26 163</b>	<b>37 453</b>	<b>28 488</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Total Capital Expenditure</b>	<b>29 834</b>	<b>29 187</b>	<b>32 005</b>	<b>26 645</b>	<b>34 637</b>	<b>22 500</b>	<b>36 179</b>	<b>25 937</b>	<b>20 760</b>	<b>26 163</b>	<b>37 453</b>	<b>28 488</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>

Table 51 MBRR SA29- Budgeted monthly capital expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA29 Consolidated budgeted monthly capital expenditure (functional classification)

Description	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>															
<i>Governance and administration</i>	-	2 050	500	-	-	1 000	-	-	760	-	-	-	4 310	4 543	4 793
Executive and council													-	-	-
Finance and administration	-	2 050	500	-	-	1 000	-	-	760	-	-	-	4 310	4 543	4 793
Internal audit													-	-	-
<i>Economic and environmental services</i>	-	-	300	-	-	-	-	-	-	-	-	197	497	540	605
Planning and development			300									197	497	540	605
Road transport													-	-	-
Environmental protection													-	-	-
<i>Trading services</i>	29 834	26 137	31 205	26 645	34 637	20 000	36 179	25 937	20 000	26 163	37 453	28 290	342 482	339 385	373 985
Energy sources													-	-	-
Water management	29 834	26 137	31 205	26 645	34 637	20 000	36 179	25 937	20 000	26 163	37 453	28 290	342 482	339 385	373 985
Waste water management													-	-	-
Waste management													-	-	-
<i>Other</i>	-	1 000	-	-	-	1 500	-	-	-	-	-	-	2 500	2 635	2 780
<b>Total Capital Expenditure - Functional</b>	<b>29 834</b>	<b>29 187</b>	<b>32 005</b>	<b>26 645</b>	<b>34 637</b>	<b>22 500</b>	<b>36 179</b>	<b>25 937</b>	<b>20 760</b>	<b>26 163</b>	<b>37 453</b>	<b>28 488</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Funded by:</b>															
National Government	16 256	19 563	22 563	25 269	29 056	33 460	37 896	41 852	31 059	26 249	21 000	37 758	341 982	338 858	373 429
Transfers recognised - capital	16 256	19 563	22 563	25 269	29 056	33 460	37 896	41 852	31 059	26 249	21 000	37 758	341 982	338 858	373 429
Public contributions & donations													-	-	-
Borrowing													-	-	-
Internally generated funds	659	950	764	948	1 027	730	531	431	500	360	496	411	7 807	8 245	8 734
<b>Total Capital Funding</b>	<b>16 915</b>	<b>20 513</b>	<b>23 327</b>	<b>26 217</b>	<b>30 083</b>	<b>34 190</b>	<b>38 427</b>	<b>42 283</b>	<b>31 559</b>	<b>26 609</b>	<b>21 496</b>	<b>38 169</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>

Table 52 MBRR SA30- Budgeted monthly cash flow

DC43 Harry Gwala - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20
<b>Cash Receipts By Source</b>													1		
Property rates	-	-	-	-	-	-	-	-	-	-	-	-	-		
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	-		
Service charges - water revenue	2 200	1 800	2 243	2 000	1 643	2 500	1 639	1 631	1 677	1 465	1 668	1 896	22 361	23 882	25 506
Service charges - sanitation revenue	900	800	693	681	1 200	689	648	807	789	680	774	922	9 583	10 235	10 931
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-		
Interest earned - external investments	452	447	458	422	437	419	950	948	475	418	983	538	6 946	7 428	7 937
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-		
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-		
Transfer receipts - operational	126 694	15 843	-	2 980	56 498	-	-	506	126 198	-	103	-	328 823	353 324	383 130
Other revenue	110	190	142	376	73	186	146	69	393	262	424	150	2 522	2 729	2 799
<b>Cash Receipts by Source</b>	<b>130 356</b>	<b>19 080</b>	<b>3 536</b>	<b>6 459</b>	<b>59 852</b>	<b>3 794</b>	<b>3 383</b>	<b>3 960</b>	<b>129 532</b>	<b>2 826</b>	<b>3 952</b>	<b>3 506</b>	<b>370 236</b>	<b>397 598</b>	<b>430 303</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	90 000	8 737	7 547	29 726	57 071	15 188	58 260	13 720	61 733	-	-	-	341 982	343 859	378 480
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	20	26	19	12	61	6	4	10	5	13	7	18	200	226	254
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>220 376</b>	<b>27 844</b>	<b>11 102</b>	<b>36 197</b>	<b>116 984</b>	<b>18 988</b>	<b>61 647</b>	<b>17 690</b>	<b>191 270</b>	<b>2 839</b>	<b>3 959</b>	<b>3 523</b>	<b>712 418</b>	<b>741 682</b>	<b>809 037</b>
<b>Cash Payments by Type</b>															
Employee related costs	12 772	12 736	12 304	19 076	13 477	12 577	12 776	14 567	11 066	13 218	13 086	19 123	166 778	179 780	193 955
Remuneration of councillors	577	579	579	579	577	577	577	577	577	577	577	491	6 848	7 396	7 987
Finance charges	-	-	-	-	-	617	-	-	-	-	-	892	1 509	1 590	1 678
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Water & Sewer	1 055	1 153	1 150	-	2 232	1 132	1 163	1 136	1 103	1 193	1 152	2 532	15 000	15 810	16 680
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	2 500	2 592	3 591	3 000	3 164	4 317	3 500	3 069	1 856	1 701	1 869	3 350	34 510	46 914	49 494
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	13 155	7 668	5 999	1 370	9 500	10 000	4 996	4 427	34 461	4 527	5 631	8 106	109 840	106 968	130 937
<b>Cash Payments by Type</b>	<b>30 060</b>	<b>24 729</b>	<b>23 624</b>	<b>24 025</b>	<b>28 950</b>	<b>29 220</b>	<b>23 012</b>	<b>23 776</b>	<b>49 063</b>	<b>21 216</b>	<b>22 316</b>	<b>34 495</b>	<b>334 485</b>	<b>358 457</b>	<b>400 730</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	15 000	10 000	22 957	19 513	20 744	45 000	25 000	28 000	22 258	43 653	45 000	54 396	351 521	380 221	379 298
Repayment of borrowing	-	-	-	-	-	2 615	-	-	-	-	-	3 009	5 624	3 226	5 658
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>45 060</b>	<b>34 729</b>	<b>46 581</b>	<b>43 539</b>	<b>49 694</b>	<b>76 835</b>	<b>48 012</b>	<b>51 776</b>	<b>71 321</b>	<b>64 869</b>	<b>67 316</b>	<b>91 899</b>	<b>691 630</b>	<b>741 904</b>	<b>785 686</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>175 316</b>	<b>(6 885)</b>	<b>(35 479)</b>	<b>(7 341)</b>	<b>67 290</b>	<b>(57 847)</b>	<b>13 634</b>	<b>(34 086)</b>	<b>119 949</b>	<b>(62 031)</b>	<b>(63 357)</b>	<b>(88 376)</b>	<b>20 788</b>	<b>(222)</b>	<b>23 351</b>
Cash/cash equivalents at the month/year begin:	7 394	182 710	175 825	140 346	133 005	200 295	142 448	156 083	121 997	241 946	179 915	116 558	7 394	28 182	27 960
Cash/cash equivalents at the month/year end:	182 710	175 825	140 346	133 005	200 295	142 448	156 083	121 997	241 946	179 915	116 558	28 182	28 182	27 960	51 311

## 1.15 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

### Water Services Department – Vote 14

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 42 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

#### DC43 Harry Gwala - Supporting Table SA2 Consolidated Matrix Financial Performance Budget (re

Description	Vote 6 - Infrastructure Services	Vote 7 - Water Services
<b>R thousand</b>		
<b>Revenue By Source</b>		
Property rates		
Service charges - electricity revenue		
Service charges - water revenue		41 410
Service charges - sanitation revenue		17 747
Agency services		
Other revenue		
Transfers and subsidies	341 982	
Gains on disposal of PPE		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>341 982</b>	<b>59 157</b>
<b>Expenditure By Type</b>		
Employee related costs	14 248	69 716
Depreciation & asset impairment		41 944
Finance charges		
Bulk purchases		15 000
Contracted services		16 690
Transfers and subsidies		
Other expenditure	9 522	41 395
Loss on disposal of PPE		
<b>Total Expenditure</b>	<b>23 770</b>	<b>184 745</b>
<b>Surplus/(Deficit)</b>	<b>318 212</b>	<b>(125 588)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	341 982	
Transfers and subsidies - capital (in-kind - all)		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>660 194</b>	<b>(125 588)</b>

Table 43 Water Services Department – Performance objectives and indicators



There are 4 unfilled positions in the top management structure of the Water Services Department, Executive Director Water Services and 3 Area Managers that are still awaiting for short listing. The top management structure consists of 2 Executive Director (Water and Infrastructure services), three directors and 7 professional engineers. In Infrastructure the Director: PMU post is still on advert. As part of the performance objectives for the 2018/19 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R87 million, R93 million and R99 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water and charges for sanitation of which budget appropriation for the 2018/19 financial year is R59 million and increases to R63 million by 2019/20 the 67 by 2020/21 and has been informed by a collection rate of 70 per cent and distribution losses of 40 per cent in the outer years.

The reduction of distribution losses is considered a priority and hence the departmental objectives. There has been a huge concerted effort in the 2018/19 in trying to minimize the water losses with initiatives such as the water meter and infrastructure audits. The enhancement of the ongoing Water Demand Management & Conservation initiatives are expected to also have a positive impact in minimizing water losses in the medium to long term.

**Note: Municipalities would be required to undertake the aforementioned for each department/vote within the municipality.**

## **1.16 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

In terms of the District's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.



### 3.11 CAPITAL EXPENDITURE DETAILS

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

Table55 MBRR SA34A- Capital expenditure on new assets by asset class

DC43 Harry Gwala - Supporting Table SA34a Consolidated capital expenditure on new assets by asset class

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	214 902	219 111	186 088	387 244	338 697	338 697	321 836	321 039	317 815
Roads Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	1 830	-	-	-	-	-	-	-	-
Power Plants									
HV Transmission Conductors	1 830	-	-	-	-	-	-	-	-
Water Supply Infrastructure	162 614	190 611	157 242	324 701	280 553	280 553	259 293	263 521	253 315
Dams and Weirs									
Water Treatment Works	162 614	190 611	157 242	324 701	280 553	280 553	259 293	263 521	253 315
Bulk Mains									
Sanitation Infrastructure	50 459	28 500	28 847	62 543	58 143	58 143	62 543	57 517	64 500
Waste Water Treatment Works	50 459	28 500	28 847	62 543	58 143	58 143	62 543	57 517	64 500
Outfall Sewers									
<b>Other assets</b>	8 578	3 900	1 500	200	-	-	200	210	221
Operational Buildings	8 578	3 900	1 500	200	-	-	200	210	221
Municipal Offices				200			200	210	221
Pay/Enquiry Points									
Building Plan Offices	8 578	600	-	-					
Stores	-	3 300	1 500	-					
Laboratories									
<b>Intangible Assets</b>	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Servitudes									
Licences and Rights	200	1 100	950	2 100	2 100	2 100	2 100	105	110
Water Rights									
Computer Software and Applications	200	1 100	950	2 100	2 100	2 100	2 100	105	110
<b>Computer Equipment</b>	1 380	-	-	-	-	-	-	-	-
Computer Equipment	1 380	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
Furniture and Office Equipment	2 179	1 450	783	1 210	1 210	1 210	1 210	1 300	1 050
<b>Machinery and Equipment</b>	6 025	4 600	2 600	2 000	3 043	3 043	2 000	4 000	4 000
Machinery and Equipment	6 025	4 600	2 600	2 000	3 043	3 043	2 000	4 000	4 000
<b>Transport Assets</b>	1 100	-	1 000	1 300	1 300	1 300	1 300	1 000	-
Transport Assets	1 100	-	1 000	1 300	1 300	1 300	1 300	1 000	-
<b>Total Capital Expenditure on new assets</b>	<b>234 365</b>	<b>230 161</b>	<b>192 921</b>	<b>394 054</b>	<b>346 350</b>	<b>346 350</b>	<b>328 646</b>	<b>327 654</b>	<b>323 196</b>

Table 56 MBRR SA34b- Capital expenditure on the renewal of existing assets by asset class

## DC43 Harry Gwala - Supporting Table SA34b Consolidated capital expenditure on the renewal of existing assets by asset class

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	4 580	12 656	2 850	5 000	5 000	5 000	22 704	22 136	23 907
Roads Infrastructure	-	-	-	-	-	-	-	-	-
<i>Roads</i>									
<i>Capital Spares</i>									
Water Supply Infrastructure	4 580	12 656	2 850	5 000	5 000	5 000	22 704	22 136	23 907
<i>Dams and Weirs</i>									
<i>Water Treatment Works</i>	4 580	12 656	2 850	5 000	5 000	5 000	22 704	22 136	23 907
<i>Bulk Mains</i>									
Zoo's, Marine and Non-biological Animals									
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>4 580</b>	<b>12 656</b>	<b>2 850</b>	<b>5 000</b>	<b>5 000</b>	<b>5 000</b>	<b>22 704</b>	<b>22 136</b>	<b>23 907</b>
<b>Renewal of Existing Assets as % of total capex</b>	0,0%	5,2%	1,5%	1,3%	1,4%	1,4%	6,5%	6,3%	6,9%
<b>Renewal of Existing Assets as % of deprecn"</b>	11,0%	27,3%	5,7%	14,3%	9,9%	9,9%	54,1%	48,7%	49,9%

Table 57 MBRR SA34c-Repairs and maintenance expenditure by asset class

## DC43 Harry Gwala - Supporting Table SA34c Consolidated repairs and maintenance by asset class

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	<b>68 706</b>	<b>70 190</b>	<b>84 602</b>	<b>83 373</b>	<b>83 373</b>	<b>83 373</b>	<b>83 318</b>	<b>89 032</b>	<b>94 828</b>
Roads Infrastructure	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure	40 716	48 590	58 400	57 171	57 171	57 171	57 116	63 193	67 146
Dams and Weirs	-	-	-	-	-	-	-	-	-
Water Treatment Works	40 716	48 590	58 400	57 171	57 171	57 171	57 116	63 193	67 146
Bulk Mains	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	27 990	21 600	26 202	26 202	26 202	26 202	26 202	25 839	27 682
Pump Station	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-
Waste Water Treatment Works	27 990	21 600	26 202	26 202	26 202	26 202	26 202	25 839	27 682
Outfall Sewers	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	<b>596</b>	<b>3 336</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>3 009</b>	<b>2 967</b>	<b>3 179</b>
Operational Buildings	596	3 336	3 009	3 009	3 009	3 009	3 009	2 967	3 179
Municipal Offices	-	-	-	-	-	-	-	-	-
Pay/Enquiry Points	-	-	-	-	-	-	-	-	-
Building Plan Offices	596	3 336	3 009	3 009	3 009	3 009	3 009	2 967	3 179
Workshops	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	<b>357</b>	<b>150</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>178</b>	<b>190</b>
Computer Equipment	357	150	180	180	180	180	180	178	190
<b>Furniture and Office Equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Machinery and Equipment	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	<b>596</b>	<b>200</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>986</b>	<b>1 057</b>
Transport Assets	596	200	1 000	1 000	1 000	1 000	1 000	986	1 057
<b>Total Repairs and Maintenance Expenditure</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>
<b>R&amp;M as a % of PPE</b>	<b>4,7%</b>	<b>4,4%</b>	<b>4,9%</b>	<b>3,9%</b>	<b>4,0%</b>	<b>4,0%</b>	<b>4,0%</b>	<b>4,4%</b>	<b>4,4%</b>
<b>R&amp;M as % Operating Expenditure</b>	<b>16,6%</b>	<b>15,3%</b>	<b>19,8%</b>	<b>22,6%</b>	<b>19,3%</b>	<b>19,3%</b>	<b>19,2%</b>	<b>23,2%</b>	<b>22,1%</b>

Table 58 MBRR SA35- Future financial implications of the capital budget

**DC43 Harry Gwala - Supporting Table SA35 Consolidated future financial implications of the capital budget**

Vote Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>			
<b>Capital expenditure</b>			
Vote 1 - Council	–	–	–
Vote 2 - Municipal Manager	–	–	–
Vote 3 - Budget & Treasury Office	550	580	612
Vote 4 - Corporate Services	3 760	3 963	4 181
Vote 5 - Social & Development Planning	497	540	605
Vote 6 - Infrastructure Services	342 482	339 385	373 985
Vote 7 - Water Services	2 500	2 635	2 780
<i>List entity summary if applicable</i>			
<b>Total Capital Expenditure</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>
<b>Total future revenue</b>	–	–	–
<b>Net Financial Implications</b>	<b>349 789</b>	<b>347 103</b>	<b>382 162</b>



Table 59 MBRR SA36- Detailed capital budget per municipal vote

DC43 Harry Gwala - Supporting Table SA36 Consolidated detailed capital budget

Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Total Project Estimate	Prior year outcomes		2018/19 Medium Term Revenue & Expenditure Framework			Project information	
					Audited Outcome 2016/17	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Ward location	New or renewal
<b>Parent municipality:</b>											
<i>List all capital projects grouped by Municipal Vote</i>											
INFRASTRUCTURE SERVICES	Bulwer Nkelabantwana & Nkumba Water Supply	Yes	Infrastructure - Water		22 000	20 555	20 115	20 116	20 116		New
INFRASTRUCTURE SERVICES	Greater Khilimoni (Ward 1)	Yes	Infrastructure - Water		11 245	14 479	14 012	15 036	15 036		New
INFRASTRUCTURE SERVICES	Khukhulela Water_(Sdm)	Yes	Infrastructure - Water		18 515	20 312	17 210	16 590	16 590		New
INFRASTRUCTURE SERVICES	Kwanomandlovu Water Project_(Sdm)	Yes	Infrastructure - Water		10 589	10 554	13 115	33 138	30 451		New
INFRASTRUCTURE SERVICES	Mangwaneni Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Mbululweni Water Supply	Yes	Infrastructure - Water		10 178	36 873	29 963	29 991	29 991		New
INFRASTRUCTURE SERVICES	Ingwe Household Sanitation Project	Yes	Infrastructure - Sanitation		10 178	34 346	24 963	27 250	27 250		New
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Eradication Of Water Backlogs In Kokstad	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Horseshoe Sanitation Project-New	Yes	Infrastructure - Sanitation		10 178	36 873	39 963	19 991	19 991		New
INFRASTRUCTURE SERVICES	Makhoba Housing Project (W&S)	Yes	Infrastructure - Sanitation		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Pakkies Water Ext Ph2	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Enhlanheleni Water Project	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Underberg Bulk Water Supply Upgrade Phase 2	Yes	Infrastructure - Water		10 577	20 429	22 141	20 157	20 157		New
INFRASTRUCTURE SERVICES	Chibini Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ixopo Marialthal Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ncakubana Water Project	Yes	Infrastructure - Water		5 421	16 440	17 818	17 831	17 831		New
INFRASTRUCTURE SERVICES	Thubalethu Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ufala Water Supply	Yes	Infrastructure - Water		10 369	29 532	32 007	30 717	30 717		New
INFRASTRUCTURE SERVICES	Umkhunya Water Projects	Yes	Infrastructure - Water		12 896	16 297	17 662	17 675	17 675		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In Ubuhebezwe	Yes	Infrastructure - Sanitation		5 666	7 160	7 760	7 765	7 765		New
INFRASTRUCTURE SERVICES	Urmzimkhulu Sewer Emergency Intervention	Yes	Infrastructure - Sanitation		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Mnqumeni Water Supply	Yes	Infrastructure - Water		5 000	25 275	27 392	27 412	27 412		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation		5 000	6 319	6 848	6 853	6 853		New
INFRASTRUCTURE SERVICES	Greater Summerfield	Yes	Infrastructure - Water		12 029	15 201	16 475	16 486	16 486		New
INFRASTRUCTURE SERVICES	Urmzimkhulu Bulk Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Kwatshaka (Machumini Ext) Water Supply	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	KwaMeyi / Teerkloof	Yes	Infrastructure - Water		10 490	13 162	14 268	14 378	14 378		New
INFRASTRUCTURE SERVICES	Paninkukhu Water	Yes	Infrastructure - Water		4 050	5 118	5 547	5 551	5 551		New
INFRASTRUCTURE SERVICES	Mqatsheeni Slepmore Water Project	Yes	Infrastructure - Water		10 000	12 637	13 696	13 706	13 706		New
INFRASTRUCTURE SERVICES	Rudimentary Programme	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	CONSTRUCTION OF DISASTER CENTRE	Yes	Infrastructure - Other		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	CAMERAS & OTHER ACCESSORIES	Yes	Other Assets		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	DIESEL STANDBY GENERATOR	Yes	Other Assets		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Franklin Bulk Water & Sewerage Upgrade	Yes	Infrastructure - Sanitation		-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Highfats Town Bulk Water Supply Scheme	Yes	Infrastructure - Water		2 990	3 779	4 095	4 098	4 098		New
INFRASTRUCTURE SERVICES	DONNYBROOK BULK SEWER UPGRADE				-	-	-	-	-		New

DC43 Harry Gwala - Supporting Table SA36 Consolidated detailed capital budget

Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Total Project Estimate	Prior year outcomes		2018/19 Medium Term Revenue & Expenditure Framework			Project information	
					Audited Outcome 2016/17	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Ward location	New or renewal
<b>Parent municipality:</b>											
<i>List all capital projects grouped by Municipal Vote</i>											
COPORATE SERVICES	Computers		Computers - software & programming		1 000	400	400	300	300		New
COPORATE SERVICES	New Furniture		Furniture and other office equipment		500	200	300	200	200		New
COPORATE SERVICES	NEW PROJECTOR & MICROPHONES		Other		-	10	-	-	-		New
COPORATE SERVICES	Office Equipment		Furniture and other office equipment		1 644	200	200	150	150		New
COPORATE SERVICES	VEHICLE (Mayor)		General vehicles		-	1 300	1 000	-	-		New
COPORATE SERVICES	SERVER & DESKTOP BACKUP		Computers - hardware/equipment		2 500	2 000	-	-	-		New
COPORATE SERVICES	DEVELOPMENT OF STAFF COMPOUNDS		Buildings		1 000	-	-	-	-		New
COPORATE SERVICES	CASH SAFE		Other		-	-	-	-	-		New
COPORATE SERVICES	PROCUREMENT OF ADDITIONAL DMICS EQUIPMENT		Furniture and other office equipment		317	-	-	-	-		New
COPORATE SERVICES	Office Alterations		Other		-	-	-	-	-		New
SOCIAL ECONOMIC DEVELOPMENT PLANNING SERVICE	FURNITURE FOR THE DISASTER CENTER		Furniture and other office equipment		-	-	-	-	-		New
SOCIAL ECONOMIC DEVELOPMENT PLANNING SERVICE	PROCUREMENT OF ADDITIONAL DMICS EQUIPMEN				-	-	-	-	-		
WATER SERVICES	INSTALLATION OF CALL CENTRE SYSTEM		Other		-	-	-	-	-		New
WATER SERVICES	INSTALLATION OF BULK WATER METERS		Other		-	1 500	3 000	3 000	3 000		New
WATER SERVICES	INSTALLATION OF STANDBY GENERATORS		Other		-	-	1 000	1 000	1 000		New
WATER SERVICES	WATER QUALITY TESTING EQUIPMENT		Other		1 440	400	400	400	400		New

Table 60 MBRR SA37-Projects delayed from previous financial year

DC43 Harry Gwala - Supporting Table SA37 Consolidated projects delayed from previous financial year/s

Municipal Vote/Capital project	Project name	Asset Class 3	Asset Sub-Class 3	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
				Original Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>								
<b>Parent municipality:</b>								
<i>List all capital projects grouped by Municipal Vote</i>								
		<i>Examples</i>	<i>Examples</i>					
<b>Infrastructure</b>	Greater Khilimoni (Ward 1)	<i>Infrastructure - Water</i>	<i>Reticalation</i>	30 554	30 554	33 115	33 138	35 789
<b>Infrastructure</b>	Kwanomandlovu Water Project_(Sdm)	<i>Infrastructure - Water</i>	<i>Reticalation</i>	30 554	30 554	33 115	33 138	35 789
<b>INFRASTRUCTURE SERVICES</b>	Mbululweni Water Supply	<i>Infrastructure - Water</i>	<i>Reticalation</i>	36 873	36 873	39 963	39 991	43 190
<b>INFRASTRUCTURE SERVICES</b>	Greater Summerfeld	<i>Infrastructure - Water</i>	<i>Reticalation</i>	15 201	15 201	16 475	16 486	17 805
<b>INFRASTRUCTURE SERVICES</b>	Bulwer Nkelabantwana & Nkumba Water Supply	<i>Infrastructure - Water</i>	<i>Reticalation</i>	30 554	30 554	33 115	33 138	35 789



## **1.17 LEGISLATION COMPLIANCE STATUS**

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

### **In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the district's website.

### **Internship programme**

The district is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department and internal auditing. Their contracts started on the 01 August 2016 and their contract ends in September 2019 as required by National Treasury. Since the introduction of the Internship programme the district has successfully employed and trained 13 interns through this programme and a majority of them were appointed either in the district or other Institutions.

### **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **Audit Committee**

An Audit Committee has been established and is fully functional.

### **Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned and informed by the 2018/19 MTREF.

### **Annual Report**

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

### **MFMA Training**

The MFMA training module in electronic format is presented at the district and training is ongoing.

### **Policies**

The review of all budget related policies has taken place in terms of Regulation 7 of the MBRR.

## 1.18 OTHER SUPPORTING DOCUMENTS

Table 44 MBRR Table SA1 - Supporting detail to budgeted financial performance

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>REVENUE ITEMS:</b>										
<u>Property rates</u>										
<u>Service charges - water revenue</u>										
Total Service charges - water revenue	46 340	33 401	32 640	44 893	53 296	53 296	53 296	47 484	50 786	54 318
less Cost of Free Basis Services (6 kilolitres per indigent household per month)	5 806	4 384	5 083	5 625	5 625	5 625	5 625	6 075	6 561	7 085
<b>Net Service charges - water revenue</b>	<b>40 534</b>	<b>29 017</b>	<b>27 556 593,20</b>	<b>39 269</b>	<b>47 671</b>	<b>47 671</b>	<b>47 671</b>	<b>41 410</b>	<b>44 226</b>	<b>47 233</b>
<u>Service charges - sanitation revenue</u>										
Total Service charges - sanitation revenue	14 028	12 878	11 895	16 122	19 723	19 723	19 723	17 747	18 954	20 243
less Revenue Foregone (in excess of free sanitation service to indigent households)										
<b>Net Service charges - sanitation revenue</b>	<b>14 028</b>	<b>12 878</b>	<b>11 895 289,80</b>	<b>16 122</b>	<b>19 723</b>	<b>19 723</b>	<b>19 723</b>	<b>17 747</b>	<b>18 954</b>	<b>20 243</b>
<u>Other Revenue by source</u>										
Other revenue	1 401	378	2 170	-	36	36	36	45	48	51
SEWER CONNECTION (NEW)	-	-	-	561	850	850	850	887	935	985
Revenue Generated by the SDA - Sale of Tender Documents	-	20	-	-	-	-	-	-	-	-
VACUUM TANK - HONEYSUCKER	-	-	-	451	683	683	683	714	752	792
WATER CONNECTION FEES	-	-	-	848	1 285	1 285	1 285	1 342	1 413	1 489
CLEARANCE CERTIFICATES	-	8	-	9	11	11	11	11	12	12
WATER SALES - TANKERS	-	-	-	287	435	435	435	455	479	504
TENDER DOCUMENTS	-	1 145	-	640	969	969	969	1 012	1 067	1 124
CONSERVANCY TANKS	-	679	-	360	546	546	546	570	600	632
<b>Total 'Other' Revenue</b>	<b>1 401</b>	<b>2 230</b>	<b>2 170</b>	<b>3 155</b>	<b>4 815</b>	<b>4 815</b>	<b>4 815</b>	<b>5 036</b>	<b>5 305</b>	<b>5 589</b>

Table 45 MBRR Table SA1 - Supporting detail to budgeted financial performance (Continued)

## DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>EXPENDITURE ITEMS:</b>										
<b>Employee related costs</b>										
Basic Salaries and Wages	88 230	99 953	107 702	121 288	122 137	122 137	122 137	123 017	132 518	142 912
Pension and UIF Contributions	9 413	10 451	11 382	12 551	12 567	12 567	12 567	13 931	15 045	16 249
Medical Aid Contributions	3 728	4 140	4 828	4 985	5 077	5 077	5 077	5 533	5 975	6 453
Overtime	8 353	9 275	10 491	12 937	13 254	13 254	13 254	14 359	15 508	16 748
Performance Bonus	-	-	-	-	(182)	(182)	(182)	-	-	-
Motor Vehicle Allowance	4 704	5 224	7 155	7 354	7 474	7 474	7 474	8 162	8 815	9 520
Cellphone Allowance	1 661	1 844	586	599	602	602	602	665	718	776
Housing Allowances	197	219	846	967	993	993	993	1 073	1 159	1 252
Other benefits and allowances	377	419	712	35	(19)	(19)	(19)	39	42	45
<b>sub-total</b>	<b>116 664</b>	<b>131 525</b>	<b>143 703</b>	<b>160 716</b>	<b>161 904</b>	<b>161 904</b>	<b>161 904</b>	<b>166 778</b>	<b>179 780</b>	<b>193 955</b>
<i>Less: Employees costs capitalised to PPE</i>										
<b>Total Employee related costs</b>	<b>116 664</b>	<b>131 525</b>	<b>143 703</b>	<b>160 716</b>	<b>161 904</b>	<b>161 904</b>	<b>161 904</b>	<b>166 778</b>	<b>179 780</b>	<b>193 955</b>
<b>Depreciation &amp; asset impairment</b>										
Depreciation of Property, Plant & Equipment	41 558	46 315	49 961	34 996	50 650	50 650	50 650	41 944	45 447	47 918
<b>Total Depreciation &amp; asset impairment</b>	<b>41 558</b>	<b>46 315</b>	<b>49 961</b>	<b>34 996</b>	<b>50 650</b>	<b>50 650</b>	<b>50 650</b>	<b>41 944</b>	<b>45 447</b>	<b>47 918</b>
<b>Bulk purchases</b>										
Water Bulk Purchases	8 947	8 866	8 335	13 688	16 225	16 225	16 225	15 000	15 810	16 680
<b>Total bulk purchases</b>	<b>8 947</b>	<b>8 866</b>	<b>8 335</b>	<b>13 688</b>	<b>16 225</b>	<b>16 225</b>	<b>16 225</b>	<b>15 000</b>	<b>15 810</b>	<b>16 680</b>
<b>Contracted services</b>										
Garding Services	600	80	132	150	150	150	150	211	287	303
Cleaning services	200	300	198	-	-	-	-	-	-	-
Security Services	1 200	12 960	5 713	9 530	9 530	9 530	9 530	13 421	18 245	19 248
EXTERNAL WATER QUALITY MONITORING	2 000	-	-	-	-	-	-	-	-	-
Municipal Finance Support	-	201	-	-	-	-	-	-	-	-
VAT Consultant	2 000	1 500	625	-	-	-	-	-	-	-
Water conservation	-	-	-	4 000	6 207	6 207	6 207	8 741	11 883	12 536
PM Umzimkhulu pits	-	-	-	1 500	1 500	1 500	1 500	2 112	2 872	3 030
RENTAL OF OFFICE EQUIPMENT	500	600	396	750	750	750	750	1 056	1 436	1 515
Water Resource Strategies & Planning	-	-	-	-	-	-	-	-	-	-
LEGAL SERVICES	-	887	625	-	-	-	-	-	-	-
AUDIT COMMITTEE	400	-	375	500	500	500	500	704	957	1 010
ANNUAL FINANCIAL STATEMENTS (AFS)(ACCOUNTING SERVICES)	1 300	3 264	1 978	3 000	5 000	5 000	5 000	7 042	9 572	10 099
PMS/SDBIP REVIEW	600	800	187	500	500	500	500	704	957	1 010
Other	-	7 327	6 562	-	-	-	-	-	-	-
Eradication of Sanitation Backlog in Ubuhebezwe	-	2 150	1 418	368	368	368	368	518	704	743
Systems and Admin support	-	4 816	-	-	-	-	-	-	-	-
Refurbishment Projects	46 535	34 341	37 301	-	-	-	-	-	-	-
<b>sub-total</b>	<b>55 335</b>	<b>69 226</b>	<b>55 510</b>	<b>20 298</b>	<b>24 505</b>	<b>24 505</b>	<b>24 505</b>	<b>34 510</b>	<b>46 914</b>	<b>49 494</b>
<b>Total contracted services</b>	<b>55 335</b>	<b>69 226</b>	<b>55 510</b>	<b>20 298</b>	<b>24 505</b>	<b>24 505</b>	<b>24 505</b>	<b>34 510</b>	<b>46 914</b>	<b>49 494</b>

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
<b>EXPENDITURE ITEMS:</b>										
<b>Other Expenditure By Type</b>										
Collection costs	1 919	600	749	809	809	809	809	469	456	483
Contributions to 'other' provisions	463	1 398	1 747	1 464	1 999	1 999	1 999	1 159	1 126	1 193
Consultant fees	-	3 800	4 746	5 126	5 126	5 126	5 126	2 971	2 887	3 058
Audit fees	2 155	2 000	2 498	2 000	2 732	2 732	2 732	1 583	1 539	1 630
General expenses	27 750	38 889	18 303	17 641	18 647	18 647	18 647	18 413	18 503	19 326
CONFERENCES AND SEMINARS	4 270	4 570	16 041	6 558	8 958	8 958	8 958	5 192	5 045	5 345
DISASTER MANAGEMENT	659	832	1 039	750	1 024	1 024	1 024	594	577	611
ELECTRICITY	47	800	999	500	683	683	683	396	385	408
FINANCE RELATED COSTS	1 887	800	999	4 560	6 228	6 228	6 228	3 610	3 508	3 716
HUMAN RESOURCE RELATED COSTS	2 284	20 659	874	9 883	13 500	13 500	13 500	7 824	7 603	8 055
IT RELATED COSTS	1 934	7 786	9 724	12 871	17 581	17 581	17 581	10 190	9 902	10 490
OPERATIONS & MAINTENANCE	513	3 552	4 437	365	499	499	499	289	281	297
PRINTING & STATIONARY	10 617	1 000	1 249	14 500	19 807	19 807	19 807	11 480	11 156	11 818
PROJECT PLANNING	874	990	1 237	600	820	820	820	475	462	489
PUBLIC RELATIONS	688	850	1 062	-	-	-	-	-	-	-
RURAL ROADS ASSETS INFRASTRUCTURE	2 468	850	1 062	-	-	-	-	-	-	-
SOCIAL & SPORTS	1 223	1 700	2 123	2 221	2 221	2 221	2 221	1 287	1 251	1 325
SUBSISTANCE & TRAVELLING	7 707	1 000	1 249	4 000	5 464	5 464	5 464	3 167	3 077	3 260
TELEPHONE & FAXES	788	1 500	1 874	809	1 105	1 105	1 105	640	622	659
WATER CONSERVATION & DEMAND MANAGEMENT	2 059	2 000	2 498	2 000	2 732	2 732	2 732	1 583	1 539	1 630
Impairment costs	1 051	600	749	800	1 093	1 093	1 093	633	615	652
Rain water Haversting	13 533	500	625	-	-	-	-	-	-	-
Department of Higher Education Grant Expenditure	-	4 000	4 996	3 000	3 000	3 000	3 000	1 739	1 690	1 790
Water Services Operational Costs	-	-	10 427	-	-	-	-	-	-	-
Repairs & Maintenance	-	18 793	15 062	-	-	-	-	24 845	26 187	27 627
Expenditure on Grants	81 834	71 193	38 941	28 568	45 376	45 376	45 376	11 300	15 557	10 074
<b>Total 'Other' Expenditure</b>	<b>166 723</b>	<b>190 662</b>	<b>145 310</b>	<b>119 024</b>	<b>159 403</b>	<b>159 403</b>	<b>159 403</b>	<b>109 840</b>	<b>113 968</b>	<b>113 937</b>
<b>Repairs and Maintenance by Expenditure Item</b>										
Employee related costs	35 127	37 937	45 597	51 894	51 894	51 894	51 894	35 807	38 672	41 766
Other materials	24 589	17 064	20 510	33 116	33 116	33 116	33 116	16 700	17 602	18 570
Contracted Services	7 025	15 150	18 209	200	200	200	200	27 500	28 985	30 579
Other Expenditure	3 513	3 723	4 475	2 353	2 353	2 353	2 353	7 500	7 905	8 340
<b>Total Repairs and Maintenance Expenditure</b>	<b>70 254</b>	<b>73 875</b>	<b>88 791</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 562</b>	<b>87 507</b>	<b>93 164</b>	<b>99 254</b>

Table 63 MBRR Table SA2- Matrix financial performance budget (revenue source/expenditure type and department)

## DC43 Harry Gwala - Supporting Table SA2 Consolidated Matrix Financial Performance Budget (revenue source/expenditure type &amp; dept.)

Description	Vote 1 - Council	Vote 2 - Municipal Manager	Vote 3 - Budget & Treasury Office	Vote 4 - Corporate Services	Vote 5 - Social & Development	Vote 6 - Infrastructure Services	Vote 7 - Water Services	Total
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates								-
Service charges - electricity revenue								-
Service charges - water revenue							41 410	41 410
Service charges - sanitation revenue							17 747	17 747
Interest earned - external investments			6 646		300			6 946
Interest earned - outstanding debtors			9 540					9 540
Agency services								-
Other revenue			5 029		8			5 036
Transfers and subsidies			328 823					328 823
Gains on disposal of PPE								-
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	-	350 038	-	308	-	59 157	409 502
<b>Expenditure By Type</b>								
Employee related costs		10 283	19 288	20 852	32 392	14 248	69 716	166 778
Remuneration of councillors	6 848							6 848
Debt impairment			25 266					25 266
Depreciation & asset impairment							41 944	41 944
Finance charges			1 509					1 509
Bulk purchases							15 000	15 000
Contracted services		1 320	1 500	12 000	3 000		16 690	34 510
Transfers and subsidies								-
Other expenditure	3 020	3 261	12 560	21 562	18 520	9 522	41 395	109 840
Loss on disposal of PPE								-
<b>Total Expenditure</b>	9 868	14 864	60 123	54 414	53 912	23 770	184 745	401 696
<b>Surplus/(Deficit)</b>	(9 868)	(14 864)	289 914	(54 414)	(53 605)	(23 770)	(125 588)	7 806
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)						341 982		341 982
Transfers and subsidies - capital (in-kind - all)								-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(9 868)	(14 864)	289 914	(54 414)	(53 605)	318 212	(125 588)	349 788

Table 46 MBRR Table SA3 – Supporting detail to Statement of Financial Position

DC43 Harry Gwala - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>										
<b>ASSETS</b>										
<b>Consumer debtors</b>										
Consumer debtors	25 704	25 219	28 643	225 978	220 780	220 780	220 780	223 530	229 638	271 881
Less: Provision for debt impairment				(189 821)	(183 248)	(183 248)	(183 248)	(154 549)	(187 002)	(221 403)
<b>Total Consumer debtors</b>	<b>25 704</b>	<b>25 219</b>	<b>28 643</b>	<b>36 156</b>	<b>37 532</b>	<b>37 532</b>	<b>37 532</b>	<b>68 981</b>	<b>42 635</b>	<b>50 478</b>
<b>Debt impairment provision</b>										
Balance at the beginning of the year			122 739	133 133	133 133	133 133	133 133	148 403	172 751	198 961
Contributions to the provision		71 748	25 394	27 843	21 270	21 270	21 270	25 266	38 136	40 729
Bad debts written off		18 369	(15 000)	(6 000)	(6 000)	(6 000)	(6 000)	(8 000)	(8 000)	(8 000)
<b>Balance at end of year</b>	<b>-</b>	<b>90 118</b>	<b>133 133</b>	<b>154 976</b>	<b>148 403</b>	<b>148 403</b>	<b>148 403</b>	<b>165 669</b>	<b>202 887</b>	<b>231 690</b>
<b>Property, plant and equipment (PPE)</b>										
PPE at cost/valuation (excl. finance leases)	1 497 088	1 687 521	1 826 817	2 502 148	2 454 644	2 454 644	2 454 644	2 373 131	2 586 277	2 978 674
Less: Accumulated depreciation				266 006	281 870	281 870	281 870	250 332	346 563	381 557
<b>Total Property, plant and equipment (PPE)</b>	<b>1 497 088</b>	<b>1 687 521</b>	<b>1 826 817</b>	<b>2 236 142</b>	<b>2 172 774</b>	<b>2 172 774</b>	<b>2 172 774</b>	<b>2 122 799</b>	<b>2 239 714</b>	<b>2 597 116</b>
<b>LIABILITIES</b>										
<b>Current liabilities - Borrowing</b>										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities	5 896	7 580	11 887	3 758	3 758	3 758	3 758	3 330	3 697	4 102
<b>Total Current liabilities - Borrowing</b>	<b>5 896</b>	<b>7 580</b>	<b>11 887</b>	<b>3 758</b>	<b>3 758</b>	<b>3 758</b>	<b>3 758</b>	<b>3 330</b>	<b>3 697</b>	<b>4 102</b>
<b>Trade and other payables</b>										
Trade and other creditors	144 792	210 527	134 597	38 840	143 368	143 368	143 368	29 392	30 000	25 000
Unspent conditional transfers	7 797	14 577	61 417	14 577	18 454	18 454	18 454	53 522	6 790	6 000
<b>Total Trade and other payables</b>	<b>152 589</b>	<b>225 104</b>	<b>196 015</b>	<b>53 417</b>	<b>161 822</b>	<b>161 822</b>	<b>161 822</b>	<b>82 913</b>	<b>36 790</b>	<b>31 000</b>
<b>Non current liabilities - Borrowing</b>										
Borrowing	18 683	15 683	12 353	12 379	12 379	12 379	12 379	8 657	4 555	2 338
Finance leases (including PPP asset element)	3 817	1 571	13 861							
<b>Total Non current liabilities - Borrowing</b>	<b>22 501</b>	<b>17 255</b>	<b>26 214</b>	<b>12 379</b>	<b>12 379</b>	<b>12 379</b>	<b>12 379</b>	<b>8 657</b>	<b>4 555</b>	<b>2 338</b>
<b>Provisions - non-current</b>										
Retirement benefits	14 235	19 938	20 947	26 454	26 454	26 454	26 454	20 947	19 938	16 684
Other	2 437	-	-	2 437	2 437	2 437	2 437	2 119	2 390	2 863
<b>Total Provisions - non-current</b>	<b>16 672</b>	<b>19 938</b>	<b>20 947</b>	<b>28 891</b>	<b>28 891</b>	<b>28 891</b>	<b>28 891</b>	<b>23 066</b>	<b>22 328</b>	<b>19 548</b>
<b>CHANGES IN NET ASSETS</b>										
<b>Accumulated Surplus/(Deficit)</b>										
Accumulated Surplus/(Deficit) - opening balance	1 161 247	1 204 522	1 864 891	2 187 377	2 187 377	2 187 377	2 187 377	1 849 789	2 153 278	2 479 979
Restated balance	1 161 247	1 204 522	1 864 891	2 187 377	2 187 377	2 187 377	2 187 377	1 849 789	2 153 278	2 479 979
Surplus/(Deficit)	175 505	121 646	180 924	377 425	329 564	329 564	329 564	349 789	334 169	380 954
Other adjustments	32 474	164 704	(435 428)	(377 425)	(496 167)	(496 167)	(496 167)	(93 836)	(241 563)	(216 357)
<b>Accumulated Surplus/(Deficit)</b>	<b>1 369 227</b>	<b>1 490 872</b>	<b>1 610 387</b>	<b>2 187 377</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 105 741</b>	<b>2 245 884</b>	<b>2 644 577</b>
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 369 227</b>	<b>1 490 872</b>	<b>1 610 387</b>	<b>2 187 377</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 020 773</b>	<b>2 105 741</b>	<b>2 245 884</b>	<b>2 644 577</b>

Table 654 MBRR Table SA9- Social, economic and demographic statistics and assumptions

Table 66 MBRR SA32- List of external mechanisms

## DC43 Harry Gwala - Supporting Table SA32 List of external mechanisms

External mechanism Name of organisation	Yrs/ Mths	Period of agreement 1. Number	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2. R thousand
Dwala Services	Ongoing	Ongoing	Bulk Water Supply	Ongoing	11 352
Isidingo			Cleaning services	Ongoing	317
Umnotho			Security Services	Ongoing	12 000
Francis			ANNUAL FINANCIAL STATEMENTS (AFS)(ACCOUNTI	Ongoing	3 165
			Legal Services	Ongoing	1 000


## 1.1 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I **Adelaide Nomnandi Dlamini**, Municipal Manager of Harry Gwala District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Adelaide Nomnandi Dlamini

Municipal Manager of Harry Gwala District Municipality (DC43)

Signature

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Date 2018/03/29