

“Annexure B”

**ANNUAL BUDGET OF
BUFFALO CITY METROPOLITAN
MUNICIPALITY**



**2019/2020 TO 2021/22
DRAFT MEDIUM TERM REVENUE AND
EXPENDITURE FRAMEWORK (MTREF)
BUDGET**

27 MARCH 2019

Table of Contents

LIST OF TABLES.....	III
LIST OF FIGURES.....	IV
ABBREVIATIONS AND ACRONYMS	V
PART 1 – ANNUAL BUDGET.....	1
1.1 EXECUTIVE MAYOR’S REPORT	1
1.2 COUNCIL RESOLUTIONS	11
1.3 EXECUTIVE SUMMARY.....	14
1.4 OPERATING REVENUE FRAMEWORK	43
1.5 OPERATING EXPENDITURE FRAMEWORK	60
1.6 CAPITAL EXPENDITURE FRAMEWORK.....	67
1.7 ANNUAL BUDGET TABLES	72
PART 2 – SUPPORTING DOCUMENTATION.....	100
2.1 OVERVIEW OF ANNUAL BUDGET PROCESS	100
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	111
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	118
2.4 OVERVIEW OF BUDGET-RELATED POLICIES.....	128
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	131
2.6 OVERVIEW OF BUDGET FUNDING	140
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS.....	151
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	155
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	158
2.10 ANNUAL BUDGET AND SDBIP’S – INTERNAL DEPARTMENTS.....	165
2.11 ANNUAL BUDGET AND SDBIPS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS	165
2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	165
2.13 CAPITAL EXPENDITURE DETAILS	168
2.14 LEGISLATION COMPLIANCE STATUS	176
2.15 CITY MANAGER’S QUALITY CERTIFICATE	188
ANNEXURES:	189

LIST OF TABLES

Table 1: Consolidated Overview of the draft 2019/20 MTREF Budget.....	25
Table 2: 2019/20 – 2021/22 Capital Budget Per Service	27
Table 3: Average Tariff increases for 2018/19 to 2021/22	29
Table 4: Summary revenue classified by revenue source.....	44
Table 5: Table A4 %age growth in revenue by main revenue source.....	46
Table 6: Table SA18 - Operating Transfers and Grant Receipts	48
Table 7: Comparison of proposed tariff to be levied for the 2019/20 financial year	51
Table 8: Water Tariffs	53
Table 9: Comparison between current water charges and increases (Domestic)	54
Table 10: Comparison between current electricity charges and increases (Domestic)	55
Table 11: Comparison between current sanitation charges and increases, single dwelling- residence (per annum)	56
Table 12: Comparison between current refuse removal fees and increases	57
Table 13: SA14 – Household bills	59
Table 14: Table A4 - Summary of operating expenditure classification by type	60
Table 15: Table SA34c – Repairs and Maintenance expenditure by asset type	64
Table 16: Basic social services package per indigent household	66
Table 17: Table A5 2019/20 Medium-term capital budget per vote, standard classification and funding	67
Table 18: List of Key Projects Per Service	69
Table 19: MBRR Table A1 – Budget Summary	73
Table 20: MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by function classification).....	77
Table 21: MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote).....	79
Table 22: MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure by source and type).....	80
Table 23: MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	84
Table 24: MBRR Table A6 - Budgeted Financial Position	86
Table 25: MBRR Table A7 - Budgeted Cash Flow Statement	88
Table 26: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation	90
Table 27: MBRR Table A9 – Asset Management.....	92
Table 28: MBRR Table A10 – Basic Service Delivery Measurement	98
Table 29: Key activities in the review of the 2018/19 IDP and MTREF Budget	103
Table 30: IDP’S Five Strategic Objectives	111
Table 31: Alignment of BCMM Strategic Objectives with National and Provincial Priorities	112
Table 32: MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue	115
Table 33: MBRR Table SA5 - Reconciliation between the IDP Strategic Objectives and budgeted operating expenditure	116
Table 34: MBRR Table SA6 – Reconciliation between the IDP Strategic Objectives and budgeted Capital Expenditure.....	117
Table 35: MBRR Table SA7 - Measurable performance objectives.....	119
Table 36: MBRR Table SA8 - Performance indicators and benchmarks.....	121
Table 37: 2018/2019 to 2019/2020 Budget Assumptions	135
Table 38: Indigent Subsidy Package.....	136
Table 39: Tariff increases over the medium-term	136
Table 40: Credit rating outlook	137
Table 41: Tariff increases 2018/19 to 2021/22	140
Table 42: MBRR Table SA15 – Detail Investment Information	141
Table 43: MBRR Table SA16 – Investment particulars by maturity	142

Table 44: MBRR Table A5 - Sources of capital revenue over the MTREF	143
Table 45: MBRR Table SA17 - Details of borrowings	144
Table 46: MBRR Table SA 18 - Capital transfers and grant receipts	145
Table 47: MBRR Table A7 – Budgeted cash flow	146
Table 48: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation	147
Table 49: MBRR Table SA10 – Funding compliance measurement	148
Table 50: MBRR Table SA19 - Expenditure on transfers and grant programmes.....	151
Table 51: MBRR Table SA20 - Reconciliation between of transfers, grant receipts and unspent funds	153
Table 52: MBRR Table SA22 - Summary of councillor and staff benefits	155
Table 53: MBRR Table SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)	156
Table 54: MBRR Table SA24 – summary of personnel numbers	157
Table 55: MBRR Table SA25 - Budgeted Monthly Revenue and expenditure (Source and Type).....	158
Table 56: MBRR Table SA26 - Budgeted Monthly Revenue and expenditure (Municipal Vote)	159
Table 57: MBRR Table SA27 - Budgeted Monthly Revenue and expenditure (Functional Classification)	160
Table 58: MBRR Table SA28 - Budgeted monthly capital expenditure (municipal vote)	161
Table 59: MBRR Table SA29 - Budgeted monthly capital expenditure (Functional classification).....	162
Table 60: MBRR Table SA30 - Budgeted monthly cash flow.....	163
Table 61: MBRR Table SA33 – Contracts having future budgetary implications	166
Table 62: MBRR Table SA35 – Future financial implications of the capital budget	167
Table 63: MBRR Table SA34a – Capital expenditure on new assets by asset class ...	169
Table 64: MBRR Table SA34a – Capital expenditure on new assets by asset class ...	170
Table 65: MBRR Table SA34a – Capital expenditure on new assets by asset class ...	171
Table 66: MBRR Table SA34b – Capital expenditure on renewal of existing assets by asset class	172
Table 67: MBRR Table SA34e – Capital expenditure on the upgrading of existing assets by asset class.....	173
Table 68: MBRR Table SA34c – Repairs and maintenance expenditure by asset class	174
Table 69: MBRR Table SA34d – Depreciation by Asset Class	175
Table 70: MBRR Table SA1 – Supporting detail to budgeted financial performance ..	178
Table 71: MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	179
Table 72: MBRR Table SA3 – Supporting detail to Statement of Financial Position ...	180
Table 73: MBRR Table SA9 – Social, Economic and Demographic Statistics and Assumptions	182

LIST OF FIGURES

Figure 1: Cycle of Metro Growth and Development Strategy	14
Figure 2: Strategic Framework.....	15
Figure 3: 2019/20 Capital Budget Per Service	28
Figure 4: Asset deficit per major	36
Figure 5: Council 10-Point Plan	40
Figure 6: IDP Building Blocks	41
Figure 7: Main Operating Revenue categories for the 2019/20 financial year	45
Figure 8: Main operational expenditure categories for the 2019/20 financial year	61

ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	Km	Kilometre
ASGISA	Accelerated and Shared Growth Initiative South Africa	KPA	Key Performance Area
BCMM	Buffalo City Metropolitan Municipality	KPI	Key Performance Indicator
BCDA	Buffalo City Development Agency	kWh	Kilowatt hour
BSC	Budget Steering Committee	ℓ	Litre
CBD	Central Business District	LED	Local Economic Development
CFO	Chief Financial Officer	MBRR	Municipal Budgeting and Reporting Regulations
CM	City Manager	MDGS	Metro Growth and Development Strategy
CoGTA	Cooperative Government & Traditional Affairs	MEC	Member of the Executive Committee
CPI	Consumer Price Index	MFMA	Municipal Finance Management Act
CRRF	Capital Replacement Reserve Fund	MIG	Municipal Infrastructure Grant
DBSA	Development Bank South Africa	MMC	Member of Mayoral Committee
DoRA	Division of Revenue Act	MPRA	Municipal Property Rates Act
DWA	Department of Water Affairs	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	MTREF	Medium-term Revenue and Expenditure Framework
EM	Executive Mayor	NDPG	Neighbourhood Development Partnership Grant
EPWP	Expanded Public Works Programme	NERSA	National Electricity Regulator South Africa
FBS	Free Basic Services	NGO	Non-Governmental Organisations
FMG	Finance Management Grant	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross Domestic Product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property, Plant and Equipment
GRAP	Generally Recognized Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSDG	Human Settlement Development Grant	SALGA	South African Local Government Association
HSRC	Human Science Research Council	SDBIP	Service Delivery Budget Implementation Plan

IDP	Integrated Development Plan	SMME	Small Micro and Medium Enterprises
ELIDZ	East London Industrial Development Zone	USDG	Urban Settlement Development Grant
INEP	Integrated National Electrification Programme	VAT	Value Added Tax
IT	Information Technology	WSA	Waster Services Authority
kℓ	Kilolitre	WSDP	Water Services Development Plan

PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

In delivering his Medium-Term Budget Policy Statement (MTBPS), the Honourable Minister of Finance stated that “We are at a crossroads. This Policy Statement highlights the difficult economic and fiscal choices confronting us over the medium term. We must choose a path that takes us to faster and more inclusive economic growth and strengthens private and public-sector investment. We must choose a path that stabilises and reduces the national debt. We cannot continue to borrow at this rate. We must choose to reduce the structural deficit, especially the consistently high growth in the real public-sector wage bill.” This was an indication of a need to change route and take the road that requires the highest level of economic and fiscal discipline. A detour away from living beyond means through borrowings and deficit but take a route that seek to address structural deficit and persistent high growth in public sector bill. This reality is not just applicable to the National sphere of government but equally applicable to BCMM.

In his budget speech of 20 February 2019, the Honourable Minister stated that, “I said that we were at a crossroads, and that we could go either to heaven, or the other way. Then, we expected economic growth of 0.7 per cent in 2018. This is still our estimate. But, many of the risks that we warned about have materialised. We now expect a slower but still steady recovery after the 2018 technical recession. It is expected that real GDP growth in 2019 will rise to 1.5 per cent, and then strengthen moderately to 2.1 per cent in 2021. South Africa is a small open economy and we are impacted by events in the global economy world growth is now expected to slow, constraining South Africa’s export growth forecast. These macroeconomic conditions have led to a weaker economic outlook”. The Honourable Minister stated this referring to the dependency of our country’s economy on the performance of the global economy and the fact that the world economic growth and that of South Africa remains slow.

In concurrence with the above, the Honourable MEC for Finance in our province, when tabling his provincial budget speech on 05 March 2019 stated that, “our country is part of a global economy and by implication negative developments in the global economy will also affect our national and provincial economy. We must work together to shield our economy from any possible aftershocks from the current geo-political impasse between the US and China, the EU and UK. With these developments in mind, National Treasury projects a GDP growth rate of 1.5 percent in 2019 which will grow to 1.7 percent in 2020 and slightly improve to 2.1 percent in 2021. This slow growth rate means a tighter fiscal envelop for our country and a shrinking equitable share for our province. We must work smart with the limited resources at our disposal all other things being equal for us to Grow the Eastern Cape Province”. The call to work smarter with the limited resources at hand is a call that we must also accept as BCMM. As a City we need to join forces with our brothers and sisters in the National and Provincial government in improving the economic and fiscal outlook of the country by compliance and adherence to the set budgetary prescripts.

The Honourable Minister of Finance stated that the South African budget of 2019 is built on six fundamental prescripts:

- i. Achieving a higher rate of economic growth
- ii. Increasing tax collection
- iii. Reasonable, affordable expenditure
- iv. Stabilising and reducing debt
- v. Reconfiguring state-owned enterprises
- vi. Managing the public-sector wage bill

The Honourable MEC for Finance in our province when presenting his 2019 budget speech stated that, the provincial budget is founded on two principles:

- i. Firstly, it directs us to prioritize the poor and the vulnerable, and
- ii. Secondly, it sets a new paradigm to grow an all-inclusive economy.

The prescripts and principle set by the Minister and the MEC are equally applicable to our City:

- i. The City remains committed in being the engine of economic growth in its jurisdiction through proper planning and infrastructural development. This is evident in this budget by the spreading of funding across social and economic infrastructure. The spread intends to ensure that the poor and the vulnerable remain a priority whilst there is also a focus in stimulating economic growth.
- ii. The City continues to be committed in implementing its revenue management responsibility:
 - a. There is further investment in the billing and indigent management system to strengthen internal controls that ensure completeness and accuracy of billing.
 - b. This also seeks to improve turnaround time in processing indigent applications and accounts query resolution whilst also improving the credibility of our indigent register.
 - c. The credit control policy of the municipality must be implemented without fear or favour to achieve and surpass the set revenue collection rate. In the 2019/20 MTREF, a target of 92.5% revenue collection rate has been set.
 - d. Implement measures to increase the City's stagnant revenue base, inter alia:
 1. Relook on the use of the City's investment properties,
 2. Introduction of new revenue streams, e.g. ICT tariffs,
 3. Centralisation and automation of cash collection measures,
 4. Renewable energy,
 5. Waste management recycling, etc.
 6. Finalisation of investment strategy that will assist in improving the City's revenue base.
- iii. The City continues to manage its expenditure budget to keep it at reasonable and affordable level.

- a. The decline of the amount appropriated to Capital budget from own funding attests to this.
- b. Further, the decrease applied to general expenses is an affirmation of the City's commitment to cost containment measures.
- c. The following cost containment measures are also implemented, inter alia:
 1. Review of organogram, governance structure and service delivery model in line with the City's objective and funding affordability to improve efficiency on employee related costs.
 2. Enforce approved measures to reduce overtime.
 3. Stringent internal controls to be enforced on subsistence & travel allowance.
 4. Improve inter-governmental relations with the intention of reducing the deficit that is currently incurred on unfunded mandate (e.g. Human Settlements, Libraries, etc.).
 5. The exercise of scrutinising cost drivers within our value chain to identify areas for efficiency improvement is still on-going.
- iv. The City's borrowing remains way below the ceiling that is set by National Treasury of 45% (debt as a percentage of revenue). The City's Debt as a percentage of revenue is projected to be 23.2% in 2019/20, 23.3% in 2020/21 and 24.9% 2021/22.
- v. The structural review that is underway seeks to assess whether BCMM is correctly and well configured for the delivery of its mandate.
- vi. The recent past trend of the City's salary bill which is above the average increase is a cause for concern. The structural review process should among other things seek to improve productivity and in the medium to long term contribute in stabilising the salary bill. There needs to be measures put in place to avoid employee demands that are raised outside the normal SALGA / national bargaining forum.

The Buffalo City Metropolitan Municipality comprehends that it is not unsusceptible to the slow global economic growth which has directly negatively impacted the economic growth of South Africa and most closely, the province of the Eastern Cape. Therefore, BCMM has taken a more conservative approach in compiling this MTREF budget. This approach includes giving consideration in the budget to the cost containment measures suggested by National Treasury. Further, measures have been put in place to improve the stagnant revenue base of the City. These measures are being implemented to ensure the future viability of the institution and to focus on reducing the negative impact on the residents of BCMM.

Allow me to announce that our total consolidated budget (operating and capital) for the MTREF period is growing from R8.71 billion in the 2019/20 to R9.45 billion in the 2020/21 financial year, it further grows to R10.15 billion in the 2021/22 financial year of which consistently over R1 billion per annum has been allocated for infrastructure investment.

Our commitment to respond to our people's legitimate demand for a better life is reflected in a budget in which the **key priorities are Water and Sanitation, Roads and Storm water, Human Settlements development, Transport Planning, Electricity** and related **critical infrastructure and maintenance**. In a continued effort to create jobs for the communities of Buffalo City and to encourage private sector investment, the capital budget is being focused on a mix of social and economic infrastructure investments. This is our contribution in trying to turn the corner from the economic hardships that our country experienced in the past few years since the global recession. As part of the City's long-term plan on human capital development, the City has allocated funding for internship programmes, especially in the areas of finance and infrastructure as well as the EPWP Programme. The City further continues to allocate funding for bursaries to its employees as well as communities of BCMM. This is in line with and reflects our commitment to the priorities of the National Development Plan and Provincial Development Plan while of course reflecting our own Constitutional role as a local actor on the national stage. The budget allocation is based on the priorities that have been identified through the

City's IDP review process. It also seeks to work towards achieving the goals that are set in the Metro Growth and Development Strategy.

In total, the budget for our **capital and operating projects** amounts to about **R7.01 billion over the MTREF period** (2019/20: R2.12 billion, 2020/21: R2.35 billion and 2021/22: R2.54 billion). The municipality has recognised the economic adversities that is currently being experienced by its citizens and to relieve the growing poverty it has taken a decision to strive to keep its tariff increases at the most minimal feasible levels. This has resulted in the Metro increasing its tariffs by a single digit percentage on all the services.

On Property Rates, an increase of 9% is projected for 2019/20 financial year, an increase of 8% is set for 2020/21 financial year and it is then reduced to 5.4% in the 2021/22 financial year. Refuse Removal has been projected to increase by 9.35% for 2019/20 and slightly decreases to 8% in 2020/21 financial year, the projected increase continues decreasing in 2021/22 financial year decreasing to 5.4%. For the Water Service, the tariff increases are projected at 9.4% in 2019/20 financial year, slightly decreases to 8% in 2020/21 and increases to 9.85% in 2021/22 financial year.

On Electricity, the tariff will increase by 8.39% every year over the 2019/20 MTREF period. The City has used the NERSA Guideline formula to determine the proposed increase. The Sewerage tariff increase has also been kept below double-digit percentage increase; it is projected to increase to 9.4% for the 2019/20 and reduce to 8% in the 2020/21 financial year, the projected increase is reduced further to 5.4% in 2021/22 financial year.

In a continued effort to ensure future financial viability of the City continuous review of the operational cost base is being undertaken to identify inefficiencies. This has yielded positive results hence the institution has been able project single digit tariff increases. The institution will continue focusing on the operational budget in the 2019/20 financial year to further reduce any inefficiency and thereby reducing the impact on Buffalo City Metropolitan Municipality residents. The City strives to ensure

that the tariffs are cost reflective of the services that have been provided. It is however important to mention the fact that the City's revenue base is not at the required levels due to high rural areas that are part of the Metro. This requires creative and innovative ways of ensuring efficiency in whatever activities that are undertaken. The City shall continue to strive for equal service levels for all its communities.

The municipality has been mindful that inflation leads to more pain for the poor than any other group. I am happy therefore to propose **9.17% increase** of the basic welfare package for households that qualify in terms of our policy, which means that the indigents of Buffalo City will continue to have a **safety net of free basic services**, translating in the new year to a basket of services to the value of **R671.28 per household per month**.

In support of our local economy, the Directorate of **Economic Development & Agencies** is running programmes to reduce unemployment and indigent rate in our Metro. The Directorate has been allocated a capital budget of R368.49 million which includes the allocation to be transferred to BCMMDA (R86.19 million, R126.3 million and R156 million) over the MTREF period.

In the coming year our engineers will continue with the process of eradicating backlogs in **water supply infrastructure whilst also attending to aging infrastructure**. We will continue to meet our pressing **sanitation challenges** in rural areas and informal settlements, as well as expanding the capacity of infrastructure **in our urban area to accommodate and open opportunities for further developments**.

Our **Water Services** benefit to a total capital budget of **R432.23 million over the MTREF** period (2019/20: R85.5 million, 2020/21: R149.6 million and 2021/22: R197.13 million) to expand our water infrastructure, to augment water treatment capacity and to eradicate backlogs in access to potable water supply. This includes an amount of R90.5 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the

MTREF. It also includes an amount of R80.86 million to be utilised on Umzonyana Dam Upgrade project.

For **Wastewater Treatment infrastructure**, a total capital budget of **R647.99 million over the MTREF period** has been allocated to this trading service (2019/20: R225.76 million, 2020/21: R218.58 million and 2021/22: R203.64 million). This includes an amount of R106.34 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF period. It also includes an amount of R435.8 million from borrowings to be utilised over the MTREF period to fund the Sewer Diversion Tunnel project.

An amount of **R1.11 billion** (2019/20: R306.52 million, 2020/21: R382.91 million and 2021/22: R424.82 million) has been set aside over the next three (3) years for the construction and refurbishment of **Roads and Storm Water infrastructure** across the City. The City is also continuing with the process of fleet renewal and procuring its own specialized vehicles for the maintenance and construction of rural roads as well as compactor trucks for solid waste management. A total allocation of **R20.32 million** has been provided for this over the MTREF.

Electricity Trading Service has been allocated **R298 million over the MTREF period** (2019/20: R112 million, 2020/21: R92 million and 2021/22: R94 million) for **bulk infrastructure, electrification and upgrading of informal areas**. This includes an amount of R208 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the urban core that has been provided in the MTREF. BCMM is still proceeding with investigating potential alternative sources of energy to ensure a more sustainable energy mix by 2030. The BCM State of Energy Report (2008) highlighted some issues and opportunities associated with sustainable energy in BCMM. These are outlined here below: -

- i. Energy not necessarily used efficiently or sustainably - Energy demand is increasing, the focus has been on increasing supply, rather than managing demand;
- ii. Lack of incentive to use energy efficiently;

- iii. There are number of renewable energy, energy efficiency and carbon trading opportunities in BCMM;
- iv. Several sustainable energy initiatives have been planned for implementation by the municipality. Energy-efficient municipal operations provide a way to cut running costs while reducing negative impact on the natural capital.

Our Municipal Services Directorate is scheduled to spend a capital budget amounting to **R316.59 million** (2019/20: R128.12 million, 2020/21: R86.77 million and 2021/22 R101.7 million) in the forthcoming MTREF period.

From the **Health, Public Safety and Emergency Services perspective**, an amount of R91.43 million (2019/20: R24.65 million, 2020/21: R29.78 million and 2021/22 R37 million) has been allocated over the MTREF period.

Transport Planning continues to be a focus area for the institution considering the higher traffic volumes on our roads. To ensure that we are alleviating congestion and protecting our inhabitants an amount of **R1.01 billion** (2019/20: R290.17 million, 2020/21: R325.82 million and 2021/22: R398.4 million) has been allocated in the MTREF period for the implementation of integrated transport plan. This includes the establishment and refurbishment of transport facilities.

On **Spatial Planning and Development**, the City will be spending **R24.88 million** over the MTREF period towards achieving spatial transformation and integration.

On **Human Settlements**, the City will be spending **R906.67 million** (2019/20: R252.28 million, 2020/21: R355.21 million and 2021/22 R299.17 million) over the MTREF period towards achieving its goals of providing descent houses for those that do not have housing accommodation.

The municipality's only entity, Buffalo City Metro Development Agency (BCMDA) whose mandate is to drive Buffalo City Metropolitan Municipality's development has

started to operate. Appointment of Board members and administrative staff was done, and the Agency has started with the implementation of some developmental projects within the City in line with its mandate. This is an attempt to grow the local economy through encouraging private sector investment. To allow the agency to realise its mandate, the City has set aside an amount of (inclusive of vat) R45.25 million for 2019/20 financial year, R47.43 million in 2020/21 and R49.04 million in 2021/22 financial year as an operational grant to the agency. The City will also transfer an amount of (inclusive of vat) R63 million and R50 million in each of the two-outer years for capital projects that will be implemented by the entity. Due to the fact that BCMDA is still at the forming stage, it anticipates receiving funding mainly from the parent municipality (BCMM) for its operations.

The presented budget attests that BCMM is a City hard at work and will continue to unite in action of eradicating service delivery backlogs and improvement of the lives of its community in the 2019/2020 MTREF period. There shall be no rest up until the City's vision has been realised.

1.2 COUNCIL RESOLUTIONS

On 27 March 2019 the Council of Buffalo City Metropolitan Municipality convenes to consider the draft 2019/20 Integrated Development Plan (IDP) Review, Medium Term Revenue and Expenditure Framework (MTREF) and Built Environment Performance Plan (BEPP). It is recommended that the Council approves and adopts the following resolutions:

1. The Council of Buffalo City Metropolitan Municipality, acting in terms of Section 34 of the Municipal Systems Act, 32 of 2000 approves and adopts the revised draft 2019/20 Integrated Development Plan (IDP).
2. The Council of Buffalo City Metropolitan Municipality, acting in terms of DoRA, 2019 approves and adopts the draft 2019/20 Built Environment Performance Plan (BEPP)
3. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 3.1. The consolidated draft annual budget of the municipality for the 2019/20 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:
 - 3.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained on **{Table 20}**;
 - 3.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained on **{Error! Reference source not found.}**;
 - 3.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained on **{Table 22}**; and
 - 3.1.4. Multi-year and single-year capital appropriations by municipal vote and function classification and associated funding by source as contained on **{Table 23}**.

- 3.1.5. Budgeted Financial Position as contained on **{Table 24}**;
 - 3.1.6. Budgeted Cash Flows as contained on **{Table 25}**;
 - 3.1.7. Reserves and accumulated surplus reconciliation as contained on **{Table 26}**;
 - 3.1.8. Asset management as contained on **{Table 27}**; and
 - 3.1.9. Basic service delivery measurement as contained on **{Table 28}**.
4. The Council of Buffalo City Metropolitan Municipality Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts draft tariffs (percentage increase contained on **{Table 3}**) effective from 1 July 2019:
 - 4.1. Property rates – as set out in Annexure F
 - 4.2. Electricity charges– as set out in Annexure F
 - 4.3. Water charges – as set out in Annexure F
 - 4.4. Sanitation services – as set out in Annexure F
 - 4.5. Solid waste services – as set out in Annexure F
 - 4.6. Other services as set out in Annexure F
5. To give proper effect to the consolidated draft annual budget, the Council of Buffalo City Metropolitan Municipality approves:
 - 5.1. That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
 - 5.2. That an indigent consumer be given a maximum subsidy on his/her account of R671.28 per month, which includes a maximum of 50kwh for electricity and 6kl for water.
 - 5.3. That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
 - 5.4. That free basic water be granted to a registered indigent of 6Kl per month.
6. The Buffalo City Metropolitan Municipality Council, approves and adopts the revised budget related policy as set out in Annexure K:
 - 6.1. Budget Virement Policy (Revised)

7. That Council note the budget-related policies adopted in the previous financial years and where no amendments have been made after review, as listed in Section 1.3.8.3 of this report and are available on BCMM's website at www.buffalocitymetro.gov.za .
8. That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 **{Table 35}** be approved.
9. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the amendments to the Integrated Development Plan.
10. Council notes that the draft 2019/20 MTREF Budget tabled for adoption is structured in terms of the Buffalo City Metropolitan Municipality votes and functions.
11. MFMA Budget Circular 93 and 94 for the draft 2019/20 MTREF attached as Annexure N to be noted by Council.
12. Council notes that the investment strategy is being finalised which will give effect to business rebates in an effort of lowering cost of doing business in the BCMM jurisdiction, this policy shall be adopted by Council by 31 May 2019 as it will have an impact to the adopted 2019/20 MTREF budget.

X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

1.3 EXECUTIVE SUMMARY

Buffalo City Metropolitan Municipality adopted the Metro Growth and Development Strategy in November 2015. The MGDS serves as the blueprint for social and economic development in the Metro towards the year 2030. The IDPs to be implemented in the next 15 years will be informed by the vision of the MGDS.

1.3.1 Metro Growth and Development Strategy

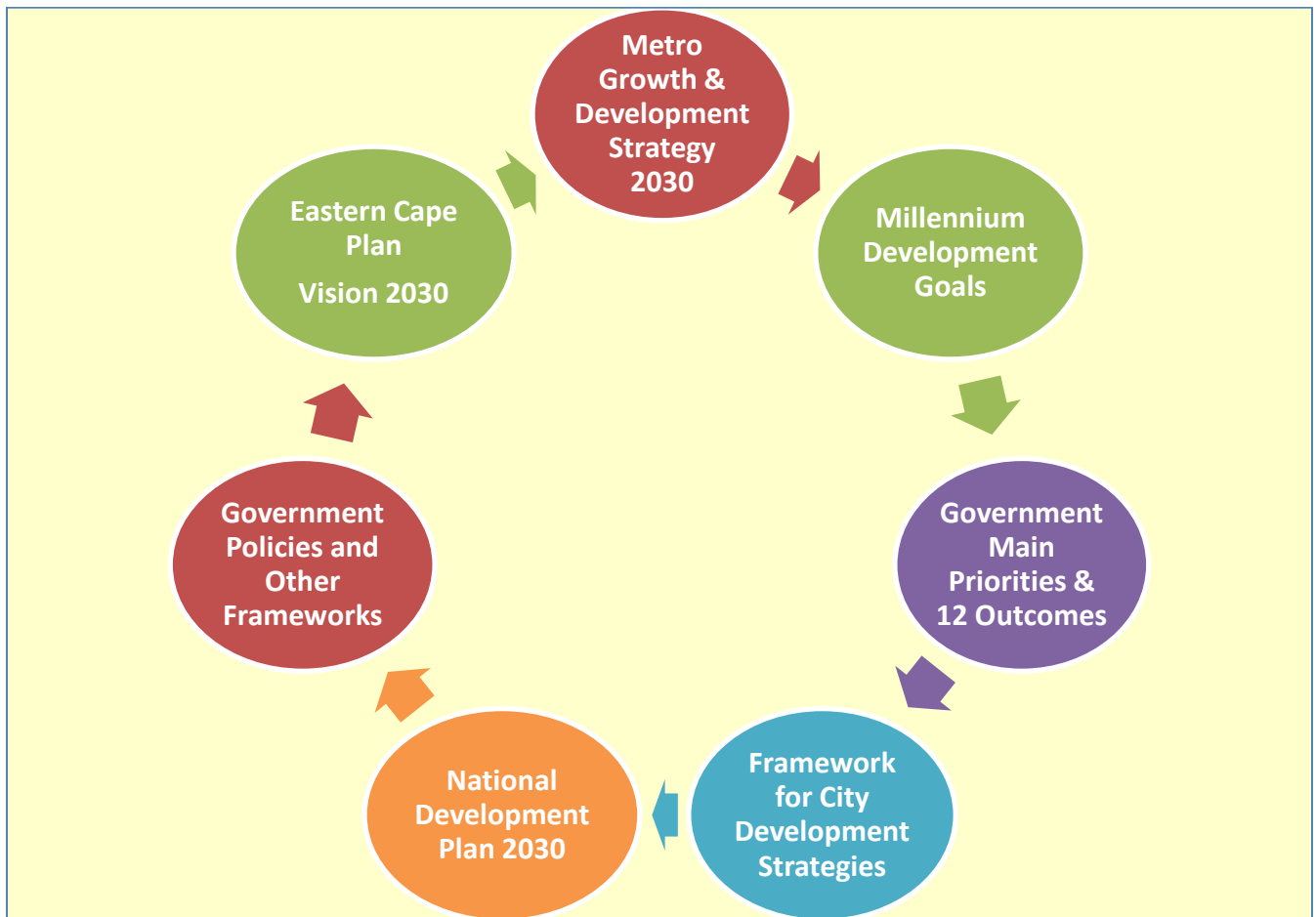


Figure 1: Cycle of Metro Growth and Development Strategy

1.3.1.1 Key Objectives of MDGS

- i. A strategy is a journey towards a common destination;
- ii. Providing a liveable environment for the next generation;
- iii. The Metro need to be competitive and find its **niche** in its region and amongst other secondary cities; and
- iv. The City as a well governed City that is driven by insight and vision; and
- v. A Metro Growth and Development Strategy is a long term vision and goes beyond the IDP as a metro's 2030 vision.

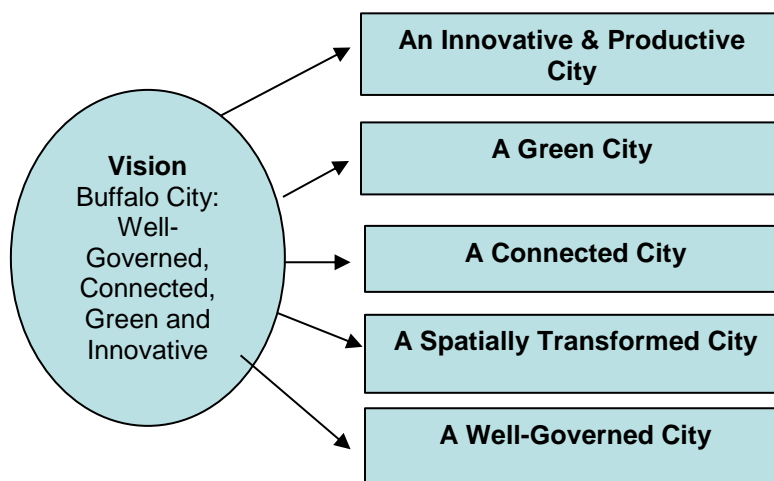


Figure 2: Strategic Framework

1.3.2 Scoping the Landscape

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including the mid-year adjustment budget. This approach includes giving consideration in the budget to the cost containment measures suggested by National Treasury. These measures are being implemented in an attempt to ensure the future viability of the institution and to focus on reducing the impact on the residents within our boundaries.

Electricity losses remain a challenge and in an effort to curb this challenge, the City is progressing with the programme of electrifying informal dwellings and has budgeted R22 million from own funding over the 2019/20 MTREF

period (R2 million for the first year and R10 million for the two outer years) towards this programme. Regarding Water Service, it continues to be of concern that indigent residents continue to utilise water in excess of what is allocated in term of the approved subsidy. This is a cause for concern in that water needs to be considered a scarce resource requiring focused demand and supply management. The demand management needs to be focused surrounding penalising individuals for excessive usage through either punitive tariffs or restricting use through engineering techniques. Supply management requires forward planning and allocating budget to meet and undertake infrastructure expansion to meet demands. The staged tariff is used on water tariff as part of an effort to manage demand. Water losses are still significant and continues to be one of the focus areas for reduction in the MTREF budget whereby an amount of R90.5 million of own funds over the 2019/20 MTREF period has been budgeted for replacement of old infrastructure. A further amount of R80.86 million has been budgeted over the MTREF period for the upgrade of Umzonyana Dam. The upgrade of this dam is crucial as it is envisaged to lower the cost of water to the consumer as the City will have more capacity to produce its own water and have insignificant need if any to procure expensive water from Amatola Water.

The key liquidity metrics are deemed to be currently adequate however to ensure future viability the institution needs to determine creative ways in which it can commence planning to fund the infrastructure replacement which is expected to occur over the medium to long term. This will require the institution to budget surpluses to allow for adequate funding of historical shortfall of depreciation on existing infrastructure assets as well as the creation of own funded new assets.

In the short term the Urban Settlement Development Grant (USDG) will be used to create new infrastructure in the previously disadvantaged areas and to replace existing infrastructure in those areas where infrastructure is

nearing or has exceeded its useful life. This is required to ensure the continued economic growth of the City and to allow for business confidence.

The institution has historically undertaken capital projects with the view of expansion of the City. It is however recognised that capital expansion cannot occur indefinitely without corresponding economic growth or else the cost of replacement of infrastructure through the depreciation will impact the operational budget which will outweigh the affordability of the local economy. It is with this in mind that there needs to be strategic shift of focus towards creating infrastructure with the express purpose of job creation and creating an environment which is conducive to private sector investment in certain key industry points.

1.3.3 The National Development Plan

The National Development Plan which was adopted at the ANC's 53rd National Conference in Mangaung identifies 5 pillars for the economy to grow to a level to which we can create sustainable jobs, these are;

- i. Creating an environment for sustainable employment and economic growth;*
- ii. Promotion of employment in labour-absorbing industries;*
- iii. Promoting exports and competitiveness; strengthening the capacity of government to implement its economic policy, and*
- iv. Demonstrating strategic leadership among the stakeholders to mobilise around the national vision.*

These pillars continue to be the cornerstone of the strategy which the country would like to follow into the future. It would therefore appear appropriate to discuss which infrastructure projects are currently in progress. In the context of the National Development Plan, as Buffalo City Metropolitan Municipality, we see our primary task as developing and maintaining our infrastructure in order to ensure that private sectors partners see the potential to keep

increasing their investment in our City, while creating more jobs for our residents.

1.3.4 Local Economic Development

One of the key objectives of local government in carrying out its developmental mandate is creating a conducive environment for economic development. This relates to a number of areas ranging from a conducive, business-friendly regulatory environment, competitive costs of doing business, ensuring the provision of economic infrastructure, swift and predictable turn-around times for approval processes, etc.

Buffalo City Metropolitan Municipality is faced with a myriad of economic challenges, including amongst others the stubborn levels of high unemployment, especially amongst the youth, poverty, stagnant economic growth, dis-investment followed by job-shedding in certain instances, skills flight, low levels of entrepreneurial activity.

On the contrary, the city is full of potential in areas that require significant levels of public sector investment through infrastructure to leverage private sector participation. This ranges from tourism, agriculture and agro-processing, maritime sector, renewable energy, aquaculture, information and communication technology, to name a few.

In addressing the issues that challenge the prosperity of its citizens and the city's sustainability in terms of its ability to increase its revenue base, Buffalo City has put a number of mechanisms and institutions to stimulate economic growth, accelerate entrepreneurship, facilitate job creation, improved positioning of the city as an investment and tourism destination of choice.

1.3.4.1 Buffalo City Metro Development Agency (BCMDA)

The City has taken huge strides in re-establishing this entity, which, amongst others, will drive tourism infrastructure and real estate investment. This in the backdrop of the somehow strong performance of the tourism sector in the city, its strategic location, rich heritage and cultural assets, scenic beauty and unspoilt beaches.

The Buffalo City Metro Development Agency (BCMDA) is now fully established and at execution stage for a number of its catalytic projects. The Agency has also accelerated its efforts around stakeholder and funding mobilisation.

1.3.4.2 East London Industrial Development Zone (EL IDZ)

The East London IDZ's key mandate is to ensure that jobs are created by attracting foreign direct investment. As a shareholder, BCMM is playing its part to ensure an enabling environment for the IDZ to operate in conditions that allow them to realize their strategic goals by making available 870 hectares of land in the Berlin area. This area, in particular, is an existing industrial area and has been earmarked as the Renewable Energy Hub. It is envisaged that a cluster of activities covering the entire value chain including other complementary industries will be developed in this area. The EL IDZ will tap into its existing Renewable Energy Training Centre for skills.

There is currently a process underway to renegotiate the incentives which would be applicable to the IDZ over the medium term. The next three years will also see the implementation of the various co-operation agreements dealing with matters of mutual interest and broader community benefit such as waste to energy initiatives, aquaculture incubation, research and development as well as innovation through the Science and Technology Park (STP).

1.3.4.3 Invest Buffalo City

The Metro has partnered with organized business and a number of key institutions in endeavour to join forces to intensify and coordinate its investment promotion efforts. There is an Advisory Board which steers and directs the work of Invest Buffalo City. The Metro has made financial contribution towards this cause over the next three years and the partners will provide technical expertise, research, marketing and other in-kind support. A full-time resource has been appointed to coordinate, lobby further support and assess impact of the efforts.

1.3.4.4 Priority Sectors

- ***Automotive Sector***

As a metro we are working hard to ensure that we support our auto sector by developing and maintaining our infrastructure in order for this sector to operate efficiently. We are very keen to maintain our niche in the auto sector by leveraging on the opportunities presented by the planned expansion of the Mercedes Benz South Africa (MBSA) and introduction of new models. We trust that this opportunity will lead to creation of new SMMEs on the supplier development front.

Further to the manufacturing side, the city is also supporting the after-market. The city will continue its support to the Auto Incubator in Mdantsane and subsequently contribute towards reviving the township economy.

- ***Manufacturing Sector***

The manufacturing sector is a vital sector for the city and the prosperity of the services sector is dependent upon a strong manufacturing base. Currently the non-automotive sector has experienced challenges which have led to de-industrialisation and job losses. BCMM is determined to play a positive role to assist the non-automotive sector to be a thriving economic role player and major employer. BCMM will also look at implementing

incentives for the non-automotive sector as a stimulus package, working closely with the department of trade and industry (*the dti*). BCMM is fully determined to play its role in an effort to reindustrialise the City and create sustainable jobs. BCMM has also commissioned a Needs Assessment Study to ascertain the needs of businesses operating across all industrial areas in the City. This will ensure that the City's interventions are well directed and impactful.

- ***Marine Sector***

Some scoping and investigations are currently being undertaken with DEDEAT, EL IDZ, BCMM, Transnet and other key players to package opportunities for ship building and repairs. There are also several ocean economy opportunities that are being investigated to ensure the city optimises its coastal location and enable investment, skills and job creation.

- ***Tourism Sector***

The City has reviewed its tourism strategy and amongst others will re-inforce the heritage, arts, culture, infrastructure and events pillars. Significant efforts will also be redirected towards marketing which will be done domestically and internationally in conjunction with key players such as South African Tourism (SAT), Eastern Cape Parks and Tourism and Agencies (ECPTA) and tourism industry. The City will execute Tourism Development jointly with the Buffalo City Metro Development Agency.

- ***Township Economy***

The Township Economy has been identified as a major development priority. Businesses in the township are marginalised from the mainstream economy. BCMM is fully committed to revive the township economy by focusing on SMME development. The City will partner with the Department of Small Business Development and DTI to turn township from mainly areas of consumption to areas of productivity. This will best be achieved by intervention in the value chain of

production to ensure products are produced and sold in the townships, infrastructure development will act as an enable to reviving the township economy

- ***Central Business District Revitalization***

It is recognised that the metro needs to create an environment which is conducive for private business investment. This environment needs to have stability in terms of various transport options as well as quick decision making capabilities.

A potential “game changer” which has occurred in the 2014/15 financial year is the successful completion of a property transaction for the purchase of land called “The Sleeper Site” which is situated in the centre of the central business district. This land was purchased from Transnet at a market related value. The institution is currently requesting interested parties to undertake a planning exercise to assess the most appropriate design for the land to assist in the economic growth of the city as well as encouraging development, which will assist in the revitalization of the CBD.

1.3.4.5 Revitalization of Industrial Areas

The institution has identified a further 5 specific existing areas which it considers as business development nodes and, as such, areas which it considers as having huge benefits to potential investors. These areas are:

- 1) West Bank
- 2) Wilsonia
- 3) Fort Jackson
- 4) Berlin
- 5) Dimbaza

All these areas have existing infrastructure which, with minimal investment, could yield significant benefits for the local economy and contribute to the GDP of the country. It further needs to be recognised that these are effectively

business nodes which could be developed to be closer to areas of labour resulting in reduced travelling costs for the labour force.

A fully-fledged business case has been developed for Dimbaza championed by the Eastern Cape Development Corporation (ECDC) as the landlord, supported by the DTI, Department of Rural Development and Land Reform (DRDLR). BCMM has pledged its support for this initiative, which is envisaged to be executed over a 10-year period.

To date *the dti* has already provided R50m funding towards the revitalization of the Dimbaza Industrial area and specifically towards security upgrade. This has been followed by a further R12m from the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). The ECDC is also putting a concrete plan for revitalization of the Fort Jackson Industrial area.

1.3.4.6 Skills Development, Employment Readiness and Research Collaboration

The focus needs to be on more permanent job creation, reducing dependence on social grants in the form of indigent subsidies. This will allow individuals to pay for the services they are receiving and allow for the reallocation of funds to other areas of focus.

This intervention will be coupled by institutions of higher learning partnering with the City in conducting research to find new value adding industries. Over the next three years, the City will refocus its public employment programmes to ensure that those involved acquire new skills and are able to graduate into entrepreneurs or improve chances of employability.

Buffalo City has entered into a partnership with Services SETA which has committed R31,6m towards learning intervention targeted at 687 youth in

Buffalo City Metro. These include bursaries, Learnerships, Internships and Apprenticeships.

1.3.4.7 Improving turnaround times

The city has put some Reform Action Plans to improve its turnaround times for business applications. In the main, the Reform Action are looking at reducing the number of procedures and the number of days it takes to approve different applications. The ultimate goal is to migrate from manual to automation or digital processes. These will be further re-enforced by the establishment of an Investment Centre in collaboration with the dti and provincial government

1.3.5 Charting the Way Forward

Funding for the draft 2019/20 MTREF infrastructure projects has been allocated in an attempt to ensure projects which are currently underway are completed and implemented for the benefits of the community to which they relate. The current capital work in progress continues to be a focus area to ensure the infrastructure assets are completed and brought into use.

The institution has taken a further strategic decision to invest funding to replace existing infrastructure. The investment is to be focused on the urban core which will allow for the upgrading of infrastructure to enable a regeneration of the central business area thereby encouraging private sector investment and job creation. The City is working on improving public transport network for easy accessibility and traffic flow within the CBD. This is a further effort to encourage private sector investment into the urban core.

The City has a healthy financial position and this is confirmed by the low gearing ratio coupled with “A” Long Term Rating (Global Credit Rating) thus allowing the City to obtain additional long term borrowings. A strategic decision has been taken to acquire borrowings, these funds would be utilized on assets that are expected to generate a return. However, the City

continues to be cautious in accessing these borrowing facilities in an effort to ensure that they are kept at affordable level due to insufficient operating surpluses allowing for capital repayments. Projects need to be assessed in terms of additional revenue that can be generated for the City in order to determine the potential ability of the institution to repay the loan.

MFMA Budget Circular 93 and 94 were taken into consideration in the preparation of the draft 2019/20 MTREF Budget. The BCMM draft budget for the 2019/20 MTREF period is R8.71 billion (2019/20), R9.45 billion (2020/21) and R10.15 billion (2021/22) with the table below summarising the consolidated overview of the draft 2019/20 MTREF Budget.

Table 1: Consolidated Overview of the draft 2019/20 MTREF Budget

OPERATING AND CAPITAL BUDGET EXPENDITURE	2018/2019 ADOPTED BUDGET	2018/2019 MID-YEAR ADJ. BUDGET	2019/2020 DRAFT BUDGET	2020/2021 DRAFT BUDGET	2021/2022 DRAFT BUDGET
Total Revenue	6,517,222,263	6,550,819,170	6,972,007,779	7,549,114,759	8,129,533,270
Total Operating Expenditure Excluding Operating Projects	6,200,209,545	6,210,848,646	6,584,617,080	7,105,473,848	7,614,571,628
Operating Projects	313,088,277	336,012,798	386,598,389	442,769,371	514,002,948
Total Operating Expenditure Including Operating Projects	6,513,297,822	6,546,861,444	6,971,215,469	7,548,243,219	8,128,574,576
<u>(Surplus) / Deficit</u>	3,924,441	3,957,726	792,310	871,540	958,694
<u>Total Capital Expenditure</u>	1,753,141,990	1,912,299,994	1,736,480,865	1,903,673,555	2,024,447,572
Total incl.Opex and Capex Budget	8,266,439,812	8,459,161,438	8,707,696,334	9,451,916,774	10,153,022,148

The City's operating revenue has increased by 6% whilst the operating expenditure increase is also 6% from 2018/19 revised budget to the draft 2019/20 budget. The operating revenue increase is mainly attributable to tariff increase. The operating expenditure increase is mainly attributable to employee costs, which has taken into account implementation of job evaluation and absorption of temporary employees.

1.3.5.1 Revenue & Expenditure Strategy

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

- i. Efficient revenue management, which aims to ensure not less than 92.5% annual collection rate over the medium term for property rates and other key service charges.
- ii. Achievement of full cost recovery of specific user charges especially in relation to trading services.
- iii. The City is striving to ensure that all its trading services are financially self-sustainable.
- iv. Implementation of an automated billing system as opposed to a manual meter reading process.
- v. Creating a conducive environment to attract potential investors.
- vi. Review of the Spatial Development Framework to allow for human capital resources to be closer to economic and job opportunities.

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

- i. Ensuring that capital expenditure is incurred in line with the requirements detailed in the Spatial Development Framework to ensure maximum return to the municipality.
- ii. Re-prioritisation of expenditure to ensure any inefficiencies are eliminated in an effort to contain costs, inter alia:
 - a. Vacant funded posts have been frozen with the exception of few critical funded posts.
- iii. Additional funding allocation made for depreciation for the capitalisation of major infrastructure projects completed and the recently revalued assets.
- iv. Funding of own funded operating projects is depressed, encouraging in-house implementation of projects through normal operating budget.

- v. The capital expenditure of the municipality is guided by community priorities as contained in the IDP. The asset management plans are also informing the asset renewal programme that is funded through capital budget. The City is also striving to have a good balance between social and economic infrastructure investment. The table below reflects the Capital Budget for services for the draft 2019/20 MTREF period.

Table 2: 2019/20 – 2021/22 Capital Budget Per Service

SERVICE	2019/2020 DRAFT CAPITAL BUDGET	2020/2021 DRAFT CAPITAL BUDGET	2021/2022 DRAFT CAPITAL BUDGET
AMENITIES	42,832,762	52,650,000	73,950,000
ELECTRICITY	112,000,000	92,000,000	94,000,000
HUMAN SETTLEMENTS	252,281,590	355,210,530	299,173,000
LED	86,187,799	126,300,000	156,000,000
OTHER	10,320,000	5,000,000	5,000,000
PUBLIC SAFETY	24,150,000	29,280,000	37,000,000
ROADS	306,524,372	382,906,105	424,823,545
SPATIAL PLANNING	18,182,100	6,700,000	0
SUPPORT SERVICES	197,482,387	125,700,000	107,784,020
TRANSPORT PLANNING	290,169,041	325,820,000	398,399,000
WASTE MANANGEMENT	85,088,696	33,922,727	27,548,340
WASTE WATER	225,762,118	218,582,408	203,642,428
WATER	85,500,000	149,601,785	197,127,239
TOTAL CAPITAL BUDGET PER SERVICE	1,736,480,865	1,903,673,555	2,024,447,572

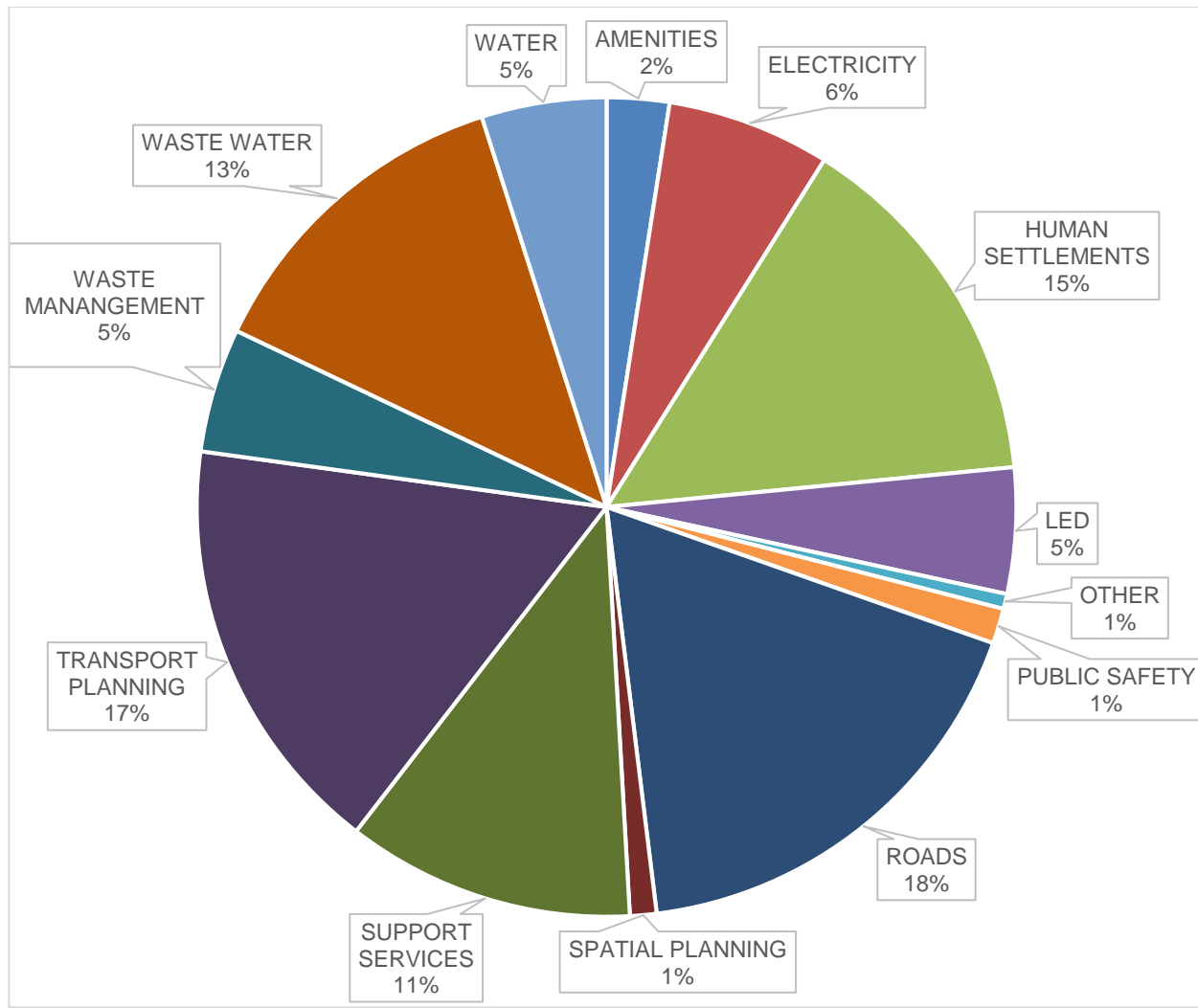


Figure 3: 2019/20 Capital Budget Per Service

A major portion of the capital budget in the draft 2019/20 MTREF period has been allocated to the major infrastructure services (Roads and Storm Water: 18%, Transport Planning: 17%, Human Settlements: 15% and Waste Water: 13%). Although these services are not all revenue generating the budget expenditure is in terms of the City's socio-economic development mandate. They are also crucial in unlocking the economic growth of the City. There is however a drive to channel more funding towards economic infrastructure in order to stimulate economic growth in the Metro.

1.3.6 Summary of Rates and Service Charge Tariff implications to the 2019/20 MTREF Budget

Table 3: Average Tariff increases for 2018/19 to 2021/22

Description	2018/2019	2019/2020	2020/2021	2021/2022
Rates	0.00%	9.00%	8.00%	5.40%
Refuse	9.20%	9.35%	8.00%	5.40%
Sewerage	8.80%	9.40%	8.00%	5.40%
Electricity	6.84%	8.39%	8.39%	8.39%
Water	9.00%	9.40%	8.00%	9.85%
Fire Levy	9.00%	9.30%	7.90%	5.40%
Sundry Income	9.00%	9.30%	7.90%	5.40%

1.3.6.1 Overall Summary of Year-on-Year Increases

On average, tariff associated revenue are expected to increase year on year in 2019/20 by approximately 9%. The City strives to project increases that are not above the CPI, the proposed increases are however slightly above CPI due to a combination of increases in input costs associated with providing the service as well as an ongoing attempt to ensure each service produces revenue sufficient to cover the costs of providing the service.

There is an ongoing focus area in the MTREF budget to ensure that work-in-progress which is detailed in the Annual Financial Statements reaches completion stage and is implemented in various areas to improve the perception of service delivery. The impact of this which needs to be considered is that once implemented these projects will require additional operating budget through maintenance budget as well as depreciation funding to allow for the estimated useful life to be achieved and to allow for the replacement of the infrastructure assets in the future.

The ongoing expansion of the City through budget infrastructure spending without the corresponding economic growth is placing additional pressure on the BCMM local consumer to fund the replacement of the assets which is

impacting on the operational budget through the increasing depreciation charge. Furthermore, there is an additional impact on the consumer debt book.

1.3.6.2 Rates

The rates tariffs are projected to increase by 9% in the 2019/20 financial year and tariffs increases of 8% and 5.4% in 2020/21 and 2021/22 respectively have been planned.

1.3.6.3 Electricity

In terms of the guidelines provided by the National Energy Regulator of South Africa (NERSA), they have published that they expect the cost of bulk electricity purchases to municipality to increase by 9.4% in 2019/20 financial year. Following due consideration being given to the NERSA guidelines a decision has been made to increase electricity tariffs by 8.39% in 2019/20 (8.39% in 2020/21 and 8.39% in 2021/22) in line with the recommended NERSA calculation guideline. There continues to be ongoing concern with electricity in that:

- i. The diminishing gross profit generated by electricity over the prior financial years is a concern. This is associated with illegal connections and material distribution losses. The City is however working on reducing these losses and the electrification of informal settlements is one of the efforts that is being undertaken.
- ii. The ongoing high increases in electricity bulk purchases that have been experienced in the past few years has resulted in decrease in demand as some consumers have moved to alternative sources of energy.

The following corrective action is being undertaken to minimize the above concerns:

- i. An allocation of capital funding amounting to R298 million over the MTREF period (2019/20: R112 million, 2020/21: R92 million and 2021/22: R94 million) has been allocated to the electricity service

department for electricity infrastructure investment. This includes an amount of R208 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the urban core that has been provided in the MTREF (2019/20: R64 million, 2020/21: R72 million and 2021/22: R72 million).

- ii. The City has embarked on a programme to electrify informal dwellings and has budgeted R22 million over the 2019/20 MTREF period. This is intended to reduce the risk of illegal connections.
- iii. The revenue protection unit is in place and it continuously identifies and rectifies the disconnection and reconnection of illegal electricity connections across the City, amongst its activities.

1.3.6.4 Water

Water tariffs have been increased by 9.4% in the 2019/20 financial year. In line with guidance which was received from National Treasury regarding each service delivery being able to generate revenue that is at least equal to the cost of the service, an analysis was undertaken to determine what tariff requirements would be needed to achieve a break even position. The affordability of consumers' needs to further be taken into consideration in order to limit a significant annual impact. This analysis suggests an impact of 9.4% in 2019/20 financial year, 8% in 2020/21 and 9.85% in 2021/22 financial year will reduce the deficit being experienced in water. It needs to further be recognised that the institution purchases untreated water from the Amatola Water Board. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

There continues to be ongoing concern with water in that:

- i. Water losses continue to be high. The reason for this is because of aging infrastructure, areas of flat-rated charges, financially challenged

consumers using water in excess of that allowed for in the indigent policy.

- ii. An analysis of the Amatola Water Board costs suggest the majority are salary related which the Municipality is funding in duplicate through direct costs of individuals employed by the City and then through the tariff paid by consumers. This is considered inefficient and the impact on our consumers could be reduced should the Municipality be allowed to manage its own water resources. It should further be noted that Buffalo City Metropolitan Municipality is the only Metro that does not manage its own water resources which in itself causes concern from a planning and development perspective.
- iii. The fact that BCMM is having a high number of rural areas is having a negative impact to the water service as no revenue is generated on water supplied to rural areas.

The following corrective action is being undertaken to minimize the above concerns:

- i. A total capital budget allocation of R432.23 million has been made over the MTREF period (2019/20: R85.5 million; 2020/21: R149.6 million and 2021/22: R197.13 million) to expand the Municipality's water infrastructure, to augment water treatment capacity and to eradicate backlogs in access to potable water supply.
- ii. This includes an amount of R90.5 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF.
- iii. As part of the above programme the City will replace standpipes and non-metered areas with new meters. This will reduce the risk of water losses.
- iv. It also includes an amount of R80.86 million that is allocated for Umzonyana Dam upgrade which is meant to reduce the level procuring expensive water from Amatola Water.

- v. The demand management needs to be focused surrounding penalising individuals for excessive usage through either punitive tariffs or restricting use through engineering techniques.
- vi. Consider managing our own water resources to allow for adequate future supply planning as well as reducing costs by eliminating duplicated functions.

1.3.6.5 Sanitation

The proposed sanitation tariff increase is 9.4% in the 2019/20 financial year; 8% and 5.4% in the outer years respectively. There continues to be ongoing concern surrounding the ageing sanitation infrastructure and the impact this has on the operational budget through increasing maintenance costs as well as ensuring the financial sustainability of the service in line with guidance provided by National Treasury.

The impact of the ageing infrastructure is expected to have additional impact on the amount of maintenance expenditure required. It should further be noted that the input costs associated with salaries are expected to increase by 6.7% in line with CPI plus 1.5% as per National Treasury Circular 94. A total capital budget allocation of R647.99 million has been allocated to the City's sanitation programme over the MTREF period (2019/20: R225.76 million; 2020/21: R218.58 million and 2021/22: R203.64 million). This includes an allocation of capital budget amounting to R106.34 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF period (2019/20: R50.33 million, 2020/21: R29.23 million and 2021/22: R26.78 million). It also includes a loan funding of R435.8 million (2019/20: R69.58 million, 2020/21: R189.35 million and 2021/22: R176.87 million) for the Sanitation Tunnel Project that will unlock development in the Amalinda junction, Wilsonia and Reeston areas.

It should be noted that the expansion of the City through continued investment in new infrastructure for future demand places additional pressure on the

existing customer base in order to allow for the replacement of the infrastructure in the future. It is therefore imperative that expansion needs to be adequately planned to allow for maximum connection of new customers and allow for the reduced impacts on tariffs in the long run.

In summary, the tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

1.3.6.6 Refuse

The proposed Solid Waste tariff increase is 9.35% in the 2019/20 financial year, slightly decreases to 8% in 2020/21 and it further decreases to 5.4% in 2021/22 financial year. The Solid Waste tariffs are levied to recover amongst other costs of services provided directly to customers and include refuse collection fees, disposal fees, weighbridge fees and other ad hoc services. In an attempt to improve the refuse collection service, capital budget allocation of R146.56 million over the MTREF has been allocated to the solid waste department to improve waste management and refuse collection (2019/20: R85.09 million; 2020/21: R33.92 million and 2021/22: R27.55 million). The above include own funding of R78.87 million that has been allocated over the MTREF period for the Refurbishment of Existing Waste Cells and Construction of additional new ones in an effort to improve environmental compliance and waste management in the City's Landfill sites.

1.3.7 Summary of Financial Position, Medium Term Revenue and Expenditure Strategy

1.3.7.1 Cash & Cash Equivalents

BCMM is projecting a favourable cash position, which is projected to be R1.74 billion at 30 June 2020 and is projected to be R2 billion at 30 June 2021 (2022: R2.3 billion).

1.3.7.2 Cost Coverage

The projected cost coverage, including conditional grants is projected to be 3.7 months at 30 June 2020 and is projected to be around 4 months over the MTREF period. This is in line with the norm of maintaining a cost coverage that is not less than 3 months.

1.3.7.3 Debt Impairment

Debt Impairment is budgeted at 7.5% over the 2019/20 MTREF period. The projected debt impairment amounts to R366.12 million in 2019/20. The debt impairment percentage is projected to remain at 7.5% for the two outer years which amount to R396.02 million in 2020/21 and R424.54 million in 2021/22. This is based on the average projected collection rate of 92.5% over the MTREF period.

1.3.7.4 Borrowings

In the draft 2019/20 MTREF budget, it is projected that the Sanitation Tunnel project will be funded from borrowings amounting R435.8 million (2019/20: R69.58 million; 2020/21: R189.35 million and 2021/22: R176.87 million). The institution continues its focus on improving the financing mix of the capital investment programme. In this regard an in depth analysis is being undertaken to determine what kind of project can be funded through borrowings and what would be the Return on Investment. The National Treasury Guidance Norms for Capital Cost (Interest Paid and Redemption) as a percentage of total operating expenditure which is between 6 to 8% and the norm for Debt (Total Borrowings) as a percentage of revenue is 45% is not to be surpassed. The City is considering additional projects that would contribute towards increasing its revenue base which it can fund through borrowings.

1.3.7.5 Asset Management

The institution has assessed its infrastructure asset categories and has noted with concern a continuing trend suggesting an infrastructure asset base

showing a declining remaining useful life. Below is a pie chart depicting deficit on asset replacements of the City per category. Electricity infrastructure is currently the worst asset category in deficit. Replacement of old electrical assets is way below what it should be. This can also be matched with the current deficit the City is reporting on sale of electricity. The institution therefore needs to focus the resources into replacing existing infrastructure in order to increase the average remaining useful life of asset categories and, in so doing, improve efficiencies in the system. It is by taking this strategy into consideration that additional resources will be focused on replacing infrastructure in areas by applying a focused approach. This approach focuses funding into areas that have an economic benefit for the city or in areas that have the oldest infrastructure assets in most need of replacement. This approach is expected to yield benefits through reduced water and electricity losses. Funding will be allocated based on submitted and approved business plans.

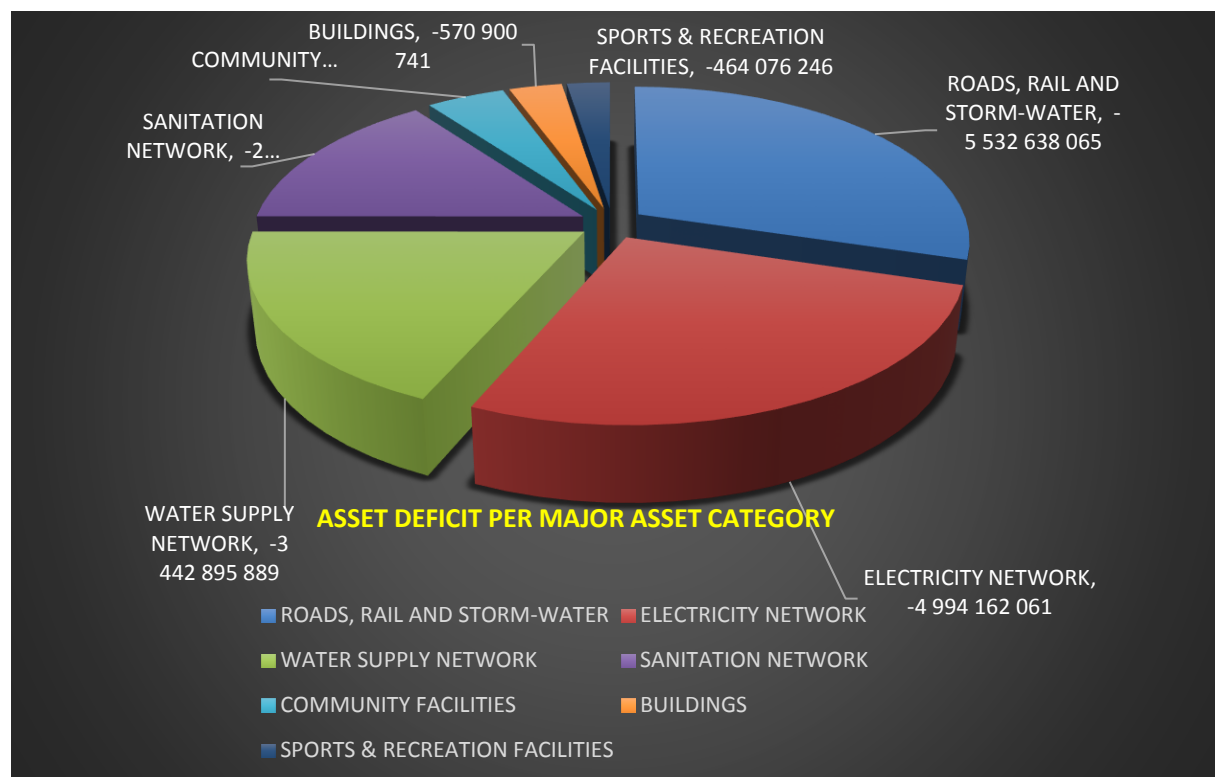


Figure 4:Asset deficit per major

1.3.7.6 Built Environment Performance Plan (BEPP)

The Buffalo City Metropolitan Municipality's draft Built Environment Performance Plan 2019/20 (BEPP), is submitted in accordance of the Division of Revenue Act (DoRA) requirements in respect of the various grants related to the built environment and secondly in partial fulfilment of the requirements of the Integrated City Development Grant (ICDG). The Buffalo City Built Environment Performance Plan (BEPP) is a brief, strategic overview of the built environment aimed at improving the performance of metropolitan built environment. It is a city-level plan formulated and approved by the metro, and it complements existing statutory plans and compliance with legal requirements.

The core objective of the BEPP is that it provides (i) a strategic overview of the built environment; (ii) programmes and targets with an outcomes focus; (iii) basis for infrastructure grant submissions and grant alignment. The BEPP indicates how a metro will apply its capital financing, including grant resources and all other sources of finance, fiscal and regulatory instruments and incentives and what it intends to achieve with these resources and instruments in respect of the local, provincial and national priorities of improving the performance of our built environments and transforming the spatial urban form. (Refer to Annexure L)

1.3.8 BCMM's Priorities and Linkages to the IDP

The draft 2019/2020 Integrated Development Plan review and MTREF Budget as well as BEPP will be tabled at Council on 27 March 2019 and these documents will be tabled as final by 31 May 2019 for Council approval and consideration. Thereafter the final documents will be made available to the community on municipal website, and hard copies will be made available at customer care offices and municipal libraries.

IDP/Budget road shows to present the draft IDP and Budget are to be held from 14 to 26 April 2019. Consultation with the IDP/Budget Representative Forum and Traditional Leaders on the Draft IDP and Budget Review 2019/2020 was also undertaken. A platform will be afforded for all municipal stakeholders to engage the draft IDP/Budget review through a Council Open Day scheduled to be held on 16 May 2019.

During the last Executive Mayoral Imbizo which was held on 18, 19, 21 and 22 October 2018, BCMM's wards identified the following priority issues:

Key issues raised from rural wards:

- i. Rural housing development
- ii. Construction and fencing of dipping tanks
- iii. Fencing of grazing fields
- iv. Fencing of ploughing fields and irrigation systems
- v. Assistance with agricultural implements (Tractors etc.)
- vi. Fencing along the main roads to control stray animals
- vii. Silting and construction of new dams
- viii. Bridges to connect villages
- ix. Support for co-operatives
- x. Rural sanitation programme (toilets)
- xi. Electrification of villages and new extensions
- xii. Regular maintenance of gravel roads
- xiii. Maintenance / upgrading of water reservoirs / boreholes
- xiv. Sports fields and facilities
- xv. Fencing of graveyards
- xvi. Maintenance and construction of community halls
- xvii. Community based income generating projects e.g. removal of alien vegetation
- xviii. Support for local economic development initiatives (e.g. sand and stone mining)

Key issues raised from urban wards:

- i. Provision of RDP housing and rectification of defective houses
- ii. Completion of incomplete housing projects
- iii. Land for housing development
- iv. Title deeds
- v. Requests for clean drinking water
- vi. Requests for toilets
- vii. Maintenance of the sewerage system
- viii. Upgrading of roads
- ix. Patching of potholes
- x. Requests for upgrading and construction of new bridges
- xi. Requests for storm water drainage systems
- xii. Street names and signage
- xiii. Re-gravelling of roads
- xiv. Installation of speed humps
- xv. Maintenance of roads
- xvi. Electrification of informal settlements
- xvii. Requests for high mast and street lights and maintenance of existing ones
- xviii. Installation of solar geysers
- xix. Construction and maintenance of community halls
- xx. New cemeteries and fencing of existing ones
- xxi. New sports fields and maintenance of existing ones
- xxii. Bush clearing and grass cutting
- xxiii. Recreational parks
- xxiv. Roll-out of wheelie bins
- xxv. Regular and consistent refuse removal service
- xxvi. Youth development programmes
- xxvii. Support for co-operatives
- xxviii. Inconsistent meter reading and billing challenges

The BCMM Council Lekgotla held on 9 November 2018 considered and confirmed the outcomes of the Executive Mayoral Lekgotla, and as a result the 10-Point Plan emanating from the Mayoral Lekgotla of 2017 were endorsed. At a Councillors workshop held over two days (15 and 19 March 2019) further amendments were considered and approved impacting on the broad strategic framework of the municipality.



Figure 5: Council 10-Point Plan

1.3.8.1 Key Amendments to the IDP

All processes undertaken above contributed to the IDP/Budget review towards the 2019/20 financial year. During the review process, BCMM's vision, mission and key strategic focus areas were revisited. Consequently, the vision, mission and values encapsulated in the IDP and MGDS remain unchanged for this review, with the exception of one additional value to the Core Values of Council.

Some additions were also made in the form of Key Focus Areas as aligned to the five (5) Strategic Outcomes, five (5) Strategic Objectives and the Ten-point Plan of Council to provide a more logical construction of the building blocks of the IDP so that it makes strategic and operational sense.

A graphic representation of the amended building blocks is depicted as follows:

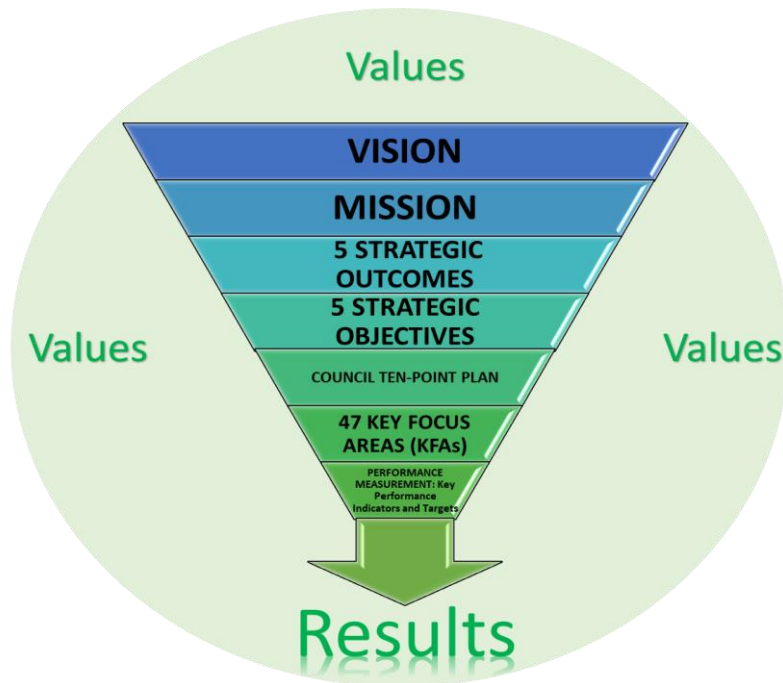


Figure 6: IDP Building Blocks

1.3.8.2 IDP Review Recommendations

In summary, the IDP Review Recommendations to Council are to:

- i. Retain the Vision Statement of the 5-year IDP and Long-term MGDS;
- ii. Retain the Mission Statement of the 5-year IDP and Long-term MGDS;
- iii. Add one more core value to the Core Values, i.e. Financial Self-sufficiency;
- iv. Retain the 5 Strategic Outcomes in the 5-year IDP and Long-term MGDS;

- v. Confirm Council's Ten-point Plan as the political directive for all strategic choices;
- vi. Approve the 47 Key Focus Areas in order to re-structure the IDP, Budget and PMS in closer alignment with the core functions of BCMM;
- vii. Approve the 25 top priorities as arranged in accordance with the respective Strategic Outcomes of the MGDS and IDP, for the Revised IDP for 2019/2020;
- viii. Approve that multi-disciplinary teams be established with the purpose of unpacking the consistent problems listed above into solutions; and
- ix. Approve the proposed projects, programmes and key initiatives be duly considered as priority interventions that must be taken into account during the budgeting process.

1.3.8.3 Key amendments to the budget related policies

No amendments were made to the following existing BCMM budget-related policies on this financial year's annual review:

- i. Tariff Policy
- ii. Rates Policy
- iii. Immovable Asset Management Policy
- iv. Supply Chain Management Policy
- v. Credit Control Policy
- vi. Indigent Policy
- vii. Investment and Cash Management Policy
- viii. Long-Term Borrowing Policy
- ix. Movable Asset Policy
- x. Capital Infrastructure Investment Policy
- xi. Funding and Reserves Policy
- xii. Policy on Long-Term Financial Planning
- xiii. Budget Policy

The following policy has been reviewed and amended accordingly:

- i. Budget Virement Policy

1.3.8.4 Municipal Entity

The parent municipality Buffalo City Metropolitan Municipality has constituted the board members for Buffalo City Metro Development Agency (BCMDA). The administration staff have also been appointed. The agency is expected to start with the implementation of some developmental projects in the MTREF period within the City in line with its mandate. This is an attempt to grow the local economy through encouraging private sector investment. To allow the agency to realise its mandate, the City has set aside an amount of R45.25 million for 2019/20 financial year as an operational grant to the agency. This amount will be escalated to R47.43 million and R49.04 million respectively. The above figures are vat inclusive.

1.4 OPERATING REVENUE FRAMEWORK

For BCMM 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 the City is faced with development backlogs and increasing rate of unemployment. 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 to be collected. The City had to also join the national call of cost containment measures in an effort to achieve operational efficiency and avoid budget deficit.

The following table is a summary of the draft 2019/20 MTREF (classified by main revenue source):

Table 4: Summary revenue classified by revenue source

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	872,354	858,852	972,680	1,421,961	1,417,161	1,417,161	1,417,161	1,552,051	1,676,215	1,766,731
Service charges - electricity revenue	2	1,681,921	1,695,665	1,682,962	1,992,712	1,971,508	1,971,508	1,971,508	2,071,884	2,245,715	2,434,130
Service charges - water revenue	2	494,638	452,690	440,830	563,043	563,043	563,043	563,043	583,149	629,800	691,836
Service charges - sanitation revenue	2	295,347	233,728	304,905	322,143	322,143	322,143	322,143	363,587	392,674	413,878
Service charges - refuse revenue	2	286,783	211,459	249,497	294,388	294,388	294,388	294,388	310,978	335,856	353,992
Rental of facilities and equipment		16,583	16,424	15,882	17,563	17,563	17,563	17,563	19,214	20,732	21,851
Interest earned - external investments		154,706	148,011	126,690	140,961	140,631	140,631	140,631	109,196	113,564	120,378
Interest earned - outstanding debtors		32,661	50,425	49,322	41,807	54,405	54,405	54,405	59,465	64,162	67,627
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		5,594	16,896	23,698	16,591	16,591	16,591	16,591	18,134	19,567	20,624
Licences and permits		12,612	14,225	14,250	14,597	14,597	14,597	14,597	15,955	17,215	18,145
Agency services		-	-	25,683	31,270	30,528	30,528	30,528	33,096	35,711	37,639
Transfers and subsidies		1,334,131	1,304,827	1,359,944	1,471,673	1,508,546	1,508,546	1,508,546	1,654,549	1,802,873	1,977,140
Other revenue	2	274,870	274,544	231,063	188,513	199,716	199,716	199,716	180,751	195,030	205,562
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		5,462,201	5,277,747	5,497,405	6,517,222	6,550,819	6,550,819	6,550,819	6,972,008	7,549,115	8,129,533

The following graph gives a breakdown of the main revenue categories for the 2019/20 financial year:

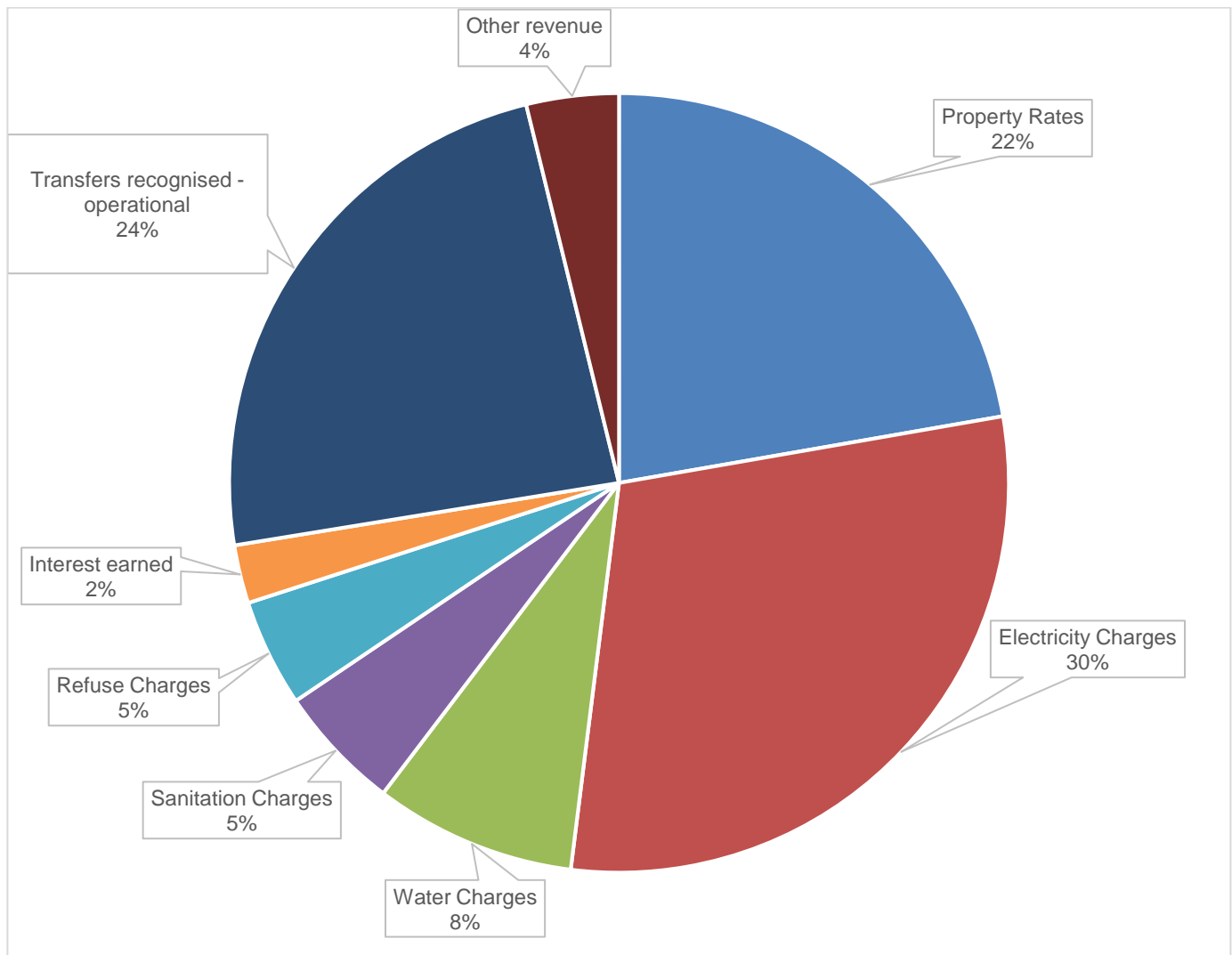


Figure 7: Main Operating Revenue categories for the 2019/20 financial year

The following table is a summary of the 2018/19 MTREF percentage growth in revenue by main revenue source:

Table 5: Table A4 %age growth in revenue by main revenue source

REVENUE AND EXPENDITURE BUDGET FRAMEWORK	2018/19	2018/19	2019/2020	2019/2020	2020/2021	2020/2021	2021/2022	2021/2022
	ADOPTED	MID-YEAR	%		%		%	
	BUDGET	ADJ BUDGET	INCREASE	DRAFT BUDGET	INCREASE	DRAFT BUDGET	INCREASE	DRAFT BUDGET
Revenue Per Source								
Property Rates	1,421,961,287	1,417,161,287	9.00%	1,552,050,927	8.00%	1,676,215,001	5.40%	1,766,730,611
Electricity Charges	1,992,711,666	1,971,508,000	8.39%	2,071,883,521	8.39%	2,245,714,549	8.39%	2,434,129,999
Water Charges	563,042,545	563,042,545	9.40%	583,148,545	8.00%	629,800,428	9.85%	691,835,770
Sanitation Charges	322,142,796	322,142,796	9.40%	363,587,047	8.00%	392,674,011	5.40%	413,878,407
Refuse Charges	294,387,685	294,387,685	9.35%	310,977,934	8.00%	335,856,169	5.40%	353,992,402
Other Service Charges	0	0	9.40%	0	5.40%	0	5.40%	
Rental of facilities and equipment	17,562,732	17,562,732	9.40%	19,213,629	7.90%	20,731,505	5.40%	21,851,007
Interest earned - external investments	140,961,479	140,631,103		109,196,170		113,564,017		120,377,858
Interest earned - outstanding debtors	41,806,583	54,405,063	9.30%	59,464,734	7.90%	64,162,448	5.40%	67,627,220
Dividends received		0	9.30%	0	5.40%			
Fines	16,591,440	16,591,440	9.30%	18,134,444	7.90%	19,567,065	5.40%	20,623,686
Licences and permits	14,597,462	14,597,462	9.30%	15,955,026	7.90%	17,215,473	5.40%	18,145,109
Agency services	31,270,324	30,527,824	9.30%	33,096,394	7.90%	35,711,009	5.40%	37,639,404
Transfers recognised - operational	1,471,672,870	1,508,545,558		1,654,548,681		1,802,873,050		1,977,140,140
Other revenue	188,513,394	199,715,675	9.30%	180,750,727	7.90%	195,030,035	5.40%	205,561,656
Gains on disposal of PPE	0	0						
Total Direct Operating Income	6,517,222,263	6,550,819,170		6,972,007,779		7,549,114,759		8,129,533,270

In 2019/20 the City's own revenue generated property rates and service charges is 70% of the total revenue totalling to R6.97 billion and remain stagnant at 70% over the MTREF at R7.55 billion in 2020/21 and R8.13 billion in the 2021/22 financial year. Electricity service remains the largest contributor to the total revenue mix (inclusive of conditional and unconditional grants) which is 30% in the 2019/20 financial year.

Electricity revenue is increasing from R1.97 billion to R2.07 billion in 2019/20, it further increases to R2.25 billion and R2.43 billion respectively in two outer years of the 2019/20 MTREF period. Property rates are the second largest own revenue source with 22% contribution in the 2019/20 financial year.

The table below reflects Operating Transfers and Grants that the municipality will be receiving in the MTREF period.

Table 6: Table SA18 - Operating Transfers and Grant Receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		1,078,932	1,193,355	1,262,880	1,399,602	1,396,286	1,396,286	1,493,186	1,584,633	1,698,221
Local Government Equitable Share		655,141	678,191	705,277	778,048	778,048	778,048	847,431	910,772	980,854
Municipalities		-	-	-	-	-	-	-	-	-
Municipalities [Schedule 5B]		1,149	1,188	4,952	4,050	4,050	4,050	9,956	-	-
Infrastructure Skills Development Grant [Schedule 5B]		8,400	9,000	10,560	10,700	10,700	10,700	11,300	12,517	12,416
Local Government Financial Management Grant [Schedule 5B]		1,180	1,200	1,300	1,150	1,084	1,084	1,000	1,000	1,000
Public Transport Network Grant [Schedule 5B]		-	5,000	9,869	14,000	5,750	5,750	15,850	-	-
RSC Levy Replacement		370,461	410,031	467,978	513,844	513,844	513,844	547,497	580,042	624,345
Urban Settlement Development Grant		33,348	88,745	62,944	77,810	82,810	82,810	60,152	80,302	79,606
Municipal Human Settlement Capacity Grant		9,253	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		100,414	31,315	105,800	72,071	101,764	101,764	158,992	215,870	276,549
Capacity Building		-	-	-	-	-	-	-	-	-
Housing		90,776	16,315	90,800	56,201	76,850	76,850	143,122	200,000	260,028
Human Settlement Development		-	-	-	-	-	-	-	-	-
Libraries; Archives and Museums		9,638	15,000	15,000	15,870	15,870	15,870	15,870	15,870	16,521
Emergency Housing Grant		-	-	-	-	9,043	9,043	-	-	-
District Municipality:		376	-	-	-	-	-	-	-	-
State Health-Environmental		376	-	-	-	-	-	-	-	-
Other grant providers:		3,026	-	1,683	-	846	846	2,370	2,370	2,370
Local Government Water and Related Service SETA		2,309	-	-	-	-	-	2,370	2,370	2,370
Donor Funding - Leiden		-	-	138	-	-	-	-	-	-
Salauda / Gavle		222	-	1,544	-	-	-	-	-	-
City of Oldenburg		496	-	-	-	-	-	-	-	-
Unspecified		-	-	-	-	846	846	-	-	-
Total Operating Transfers and Grants	5	1,182,748	1,224,670	1,370,362	1,471,673	1,498,896	1,498,896	1,654,549	1,802,873	1,977,140
Capital Transfers and Grants										
National Government:		719,609	704,223	765,340	803,900	807,216	807,216	1,003,899	1,014,322	1,097,581
Energy Efficiency and Demand-side		-	-	-	-	-	-	-	-	-
Energy Efficiency and Demand-side [Schedule 5B]		4,000	-	-	8,000	8,000	8,000	10,000	10,000	12,000
Infrastructure Skills Development Grant [Schedule 5B]		100	-	-	100	100	100	-	500	500
Integrated City Development Grant		5,605	6,080	6,956	10,003	10,003	10,003	10,383	12,134	13,947
Integrated National Electrification Programme		30,000	25,000	7,300	6,200	6,200	6,200	-	-	-
Integrated National Electrification Programme [Schedule 5B]		-	-	-	-	-	-	-	-	-
Local Government Financial Management Grant		120	100	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant		-	-	-	13,250	13,250	13,250	7,500	7,436	15,000
Informal Settlement Upgrading Partnership Grant		-	-	-	-	-	-	-	161,169	236,673
Public Transport Network Grant [Schedule 5B]		-	30,289	45,900	81,165	89,415	89,415	218,616	247,020	265,899
Urban Settlement Development Grant [Schedule 4B]		679,784	642,754	705,184	685,182	680,182	680,182	757,400	576,063	553,562
Local Government Financial Management Grant [Schedule 5B]		-	-	-	-	66	66	-	-	-
Other capital transfers/grants [insert desc]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Human Settlement Development		-	-	-	-	-	-	-	-	-
Road Infrastructure		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
State Health-Environmental		-	-	-	-	-	-	-	-	-
Other grant providers:		41	-	-	-	-	-	-	-	-
Salauda / Gavle		41	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	719,650	704,223	765,340	803,900	807,216	807,216	1,003,899	1,014,322	1,097,581
TOTAL RECEIPTS OF TRANSFERS & GRANTS		1,902,398	1,928,893	2,135,703	2,275,573	2,306,112	2,306,112	2,658,448	2,817,195	3,074,721

1.4.1 Property Rates and Service Charges and Impact of Tariff Increases

The proposed revisions to the tariffs have been formulated in accordance with the BCMM's policies and comply with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

In terms of section 75A of the Local Government Municipal Systems Act, any fees, charges or tariffs which a municipality may wish to levy and recover in respect of any function or service of the municipality, must be approved by a resolution passed by the municipal council with a supporting vote of a majority of its members.

1.4.1.1 Property Rates

Property rates are a major source of revenue income for the City and contribute to cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the BCMM's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the differential rate ratio for public service infrastructure, public benefit organisation and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was effected in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- i. The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- ii. For pensioners, physically and mentally disabled persons including medically boarded persons a rebate of up to 100% will be granted to

owners of rate-able property according to their income levels if the total gross income of the applicant and/or his/her spouse, if any, does not exceed R15 000 per month. In this regard the following stipulations are relevant:

- a. The rateable property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - b. The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, a letter from SASSA confirming that the individual received disability grant, proof also proof of the annual income from a social pension;
 - c. The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - d. The property must be categorized as residential.
- iii. The Municipality may award a 100% rebate on the assessment rates of rateable properties of certain classes of Public benefit organisations and not for gain institutions such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply annually to the Chief Financial Officer in the prescribed format for such a rebate.

The categories of rateable properties for purposes of levying rates and the proposed rates tariffs for the 2019/20 financial year have increased by 9% as indicated by the table below:

Table 7: Comparison of proposed tariff to be levied for the 2019/20 financial year

CATEGORY	Existing tariff	New tariff
	(from 1 July 2018) Cents	(from 1 July 2019) Cents
Residential Property (incl. farms or smallholdings used for Residential purposes)	0.010660	0.011619
Agricultural Property (used for Bona-fide Farming)	0.002665	0.002905
Public Service Infrastructure	0.002665	0.002905
Business, Commercial & Industrial Property (incl. farms used for Game- / Eco Tourism)	0.026649	0.029048
Educational Institutions	0.007462	0.008133
Municipal Owned Property (Rateable, used for Residential purposes)	0.010660	0.011619
Municipal Owned Property (Rateable, used for Non-Residential purposes)	0.026649	0.029048
Municipal Owned Property (Non - Rateable)	0.0000	0.0000
Mining / Quarry Property	0.026649	0.029048
Government Property (Correctional Services Facilities, Offices & Hospitals)	0.026649	0.029048
Vacant Land	0.031979	0.034857
Religious or Places of Worship and Special Property (e.g. Museums, Libraries)	0.0000	0.0000
Public Benefit Organisations	0.002665	0.002905
Rural Communal Land	0.0000	0.0000

There is a projected increase of 9% in the rates tariff in the 2019/20 financial year and an increase of 8% and 5.4% has been planned for the two outer years.

1.4.1.2 Sale of Water and Impact of Tariff Increases

The water tariff structure of the 2019/20 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption at a higher rate, steadily increasing to a rate of R35.8484 per kilolitre for consumption in excess of 30kℓ per 30-day period.

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. The drought that is currently experienced by the country is negatively affecting the cost of providing water service. National Treasury has always been encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- i. 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;
- ii. 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
- iii. 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 fully cost reflective by 2014. Although the institution is attempting to comply with this request, the annual impact on consumers in terms of affordability needs to be considered.

The institution is currently concerned about the high level of water losses which have been historically incurred. The City is implementing the following projects to reduce water losses:

- i. Meter replacement and pipe replacement programme are implemented to reduce water losses that are due to ageing infrastructure, which frequently bursts.
- ii. Installation of bulk water meters on communal standpipes, ablution blocks, reservoir supply zone, flat rated areas to account for all the water that is provided free of charge, non-metering of this water is often construed as physical water losses.
- iii. Installation of pressure reducing valves helps to reduce the number of pipe bursts and the volume of water lost when there is a break down
- iv. Installation of data loggers is used for monitor night flows, which is an indicator of water leaks in a particular supply zone.

- v. Water loss awareness campaigns is done in order to educate communities about water saving and helps to reduce vandalism of water infrastructure.

An amount of R21.5 million has been allocated in the first financial year of the MTREF budget to cater for this plan. A further amount of R35.5 million and R33.5 million per year is budgeted for the two outer years. It is envisaged that this will reduce the water losses being incurred to a level which is comparable to the peers of the institution. Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Amatola Water has indicated that it is increasing its bulk water tariffs by 6.85% from 1 July 2019. The water tariff will increase by 9.4% from 1 July 2019. The 6 kℓ water per 30-day period will again be granted free of charge to all indigent residents.

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

Table 8: Water Tariffs

CATEGORY	CURRENT TARIFFS	NEW TARIFFS
	2018/19 Rand per kℓ	2019/20 Rand per kℓ
RESIDENTIAL		
(i) 0 to 6 kℓ per 30-day period (Indigent)	0.0000	0.0000
(ii) 0 to 6 kℓ per 30-day period (Non-Indigent)	14.2242	15.5613
(iii) 7 to 10 kℓ per 30-day period	14.5031	15.8664
(iv) 11 to 20 kℓ per 30-day period	20.1430	22.0364
(v) 21 to 30 kℓ per 30-day period	26.1112	28.5657
(vi) More than 30 kℓ per 30-day period:	32.7681	35.8484
NON-RESIDENTIAL		
(i) From the 1 st kℓ per 30-day period	22.9352	25.0911

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

Table 9: Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current amount Payable R	New amount payable R	Difference (Increase) R	% change
10	143.36	156.83	13.48	9.40%
20	344.79	377.20	32.41	9.40%
30	605.90	662.85	56.95	9.40%
50	1,261.26	1,379.82	118.56	9.40%
75	2,080.47	2,276.03	195.56	9.40%
100	2,899.67	3,172.24	272.57	9.40%

1.4.1.3 Sale of Electricity and Impact of Tariff Increases

For purposes of the MTREF Budget, the electricity tariff structure has been left unchanged. The City is however still in the process of investigation the inclined block tariffs. The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the City. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1980's with an expected 20-25-year life-expectancy. The upgrading of the City's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

NERSA issued a guideline to all municipalities detailing the expected increase of bulk purchases and proposed tariff increase that the municipalities must apply which is to be effective from 1 July 2019.

The expected increase as communicated in the guidance is 9.4% for bulk purchases. The municipality will increase its tariff by 8.39% over the 2019/20

MTREF period across all categories in order to recover the increased bulk purchase cost as well as capital infrastructure costs for the electrification of informal settlements. The increase is based on NERSA guide calculation using MFMA Circular 94 CPI. It should be noted that given the magnitude of the tariff increases in the recent past, it is expected that the depressed growth in electricity consumption, which is having a negative impact on the municipality's revenue from electricity, will continue for the foreseeable future.

Registered indigents will again be subsidized for the first 50 kWh per 30-day period free of charge, while the discounted Life-Line tariff for the second 50 kWh per 30-day period is available to all registered indigents and pensioners. The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

An allocation of R298 million over the MTREF period has been made to the electricity trading service. This includes an amount of R22 million over the MTREF period that is allocated for electrification of informal settlements. As part of the 2019/20 medium-term capital programme, own funding has been allocated to electricity infrastructure to the tune of R208 million over the MTREF period. This funding level is budgeted within the MTREF period with the express purposes of upgrading existing infrastructure assets with the goal of maintaining consistent supply that is within the control of the Municipality.

Table 10: Comparison between current electricity charges and increases (Domestic)

Monthly Consumption kWh	Current amount Payable R	New amount payable R	Difference (Increase) R	% change
100	180.08	195.19	15.11	8.39%
250	450.20	487.97	37.77	8.39%
500	900.40	975.94	75.54	8.39%
750	1,350.60	1,463.92	113.32	8.39%
1,000	1,800.80	1,951.89	151.09	8.39%
2,000	3,601.60	3,903.77	302.17	8.39%

1.4.1.4 Sanitation and Impact of Tariff Increases

The tariff will increase by 9.4% for sanitation from 1 July 2019. The sanitation charges are calculated according to the relative size of the erf on which the property is located. It is envisaged that future sanitation charges will be based on a percentage of water consumption, but first the large volumes of water losses will have to be brought under control. The following table shows the impact of the proposed increases in annual tariffs on the sanitation charges for a single dwelling residence:

Table 11: Comparison between current sanitation charges and increases, single dwelling- residence (per annum)

Category	Current amount	New amount	Difference	%
	Payable	Payable	(Increase)	Change
	R	R	R	
Erf: 0 – 300m ²	945.22	1,033.91	88.70	9.40%
Erf: 301 – 400m ²	1,500.87	1,641.74	140.87	9.40%
Flat: Complex	2,380.00	2,603.48	223.48	9.40%
Flat: Ordinary	2,629.57	2,876.52	246.96	9.40%
Flat: Semi	2,629.57	2,876.52	246.96	9.40%
Cluster/Town Houses	3,253.91	3,560.00	306.09	9.40%
Erf : 401 – 800m ²	3,909.57	4,277.39	367.83	9.40%
Erf : 801 – 1200m ²	4,219.13	4,615.65	396.52	9.40%
Erf: > 1200m ²	4,597.39	5,029.57	432.17	9.40%

1.4.1.5 Refuse Removal and Impact of Tariff Increases

It is widely accepted that the rendering of this service should at least break even, which continues to prove difficult to achieve considering affordability for the consumers. The City needs to implement the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. Efficiencies of staff performing the function continue to be a

contributing factor as there is an increase in the cost of remuneration however this does not appear to be converting to refuse collection efficiencies. The ongoing increase on repairs and maintenance for refuse trucks and increases in general expenditure such as fuel and hired plant. There will be more added focus by management over the MTREF period in an attempt to improve staff management and create efficiencies in this process. There is further investigation to create a transfer station to reduce the costs of running the transport fleet. The City is in the process of constructing an additional landfill waste site and the rehabilitation of the existing landfill sites and this project is progressing well. An increase of 9.35% in the refuse removal tariff is proposed from 1 July 2019. A further increase of 8% and 5.4% for the two outer years respectively are proposed.

The following table compares current and proposed amounts payable from 1 July 2019:

Table 12: Comparison between current refuse removal fees and increases

Category	Current amount Payable R	New amount Payable R	Difference (Increase) R	% Change
85ℓ Bins – Twice weekly	500.00	546.96	46.96	9.35%
240ℓ Bins – Once weekly	704.35	770.43	66.09	9.35%
240ℓ Bins – Twice weekly	1,407.83	1,539.13	131.30	9.35%
420ℓ Bins – Once weekly	1,231.30	1,346.09	114.78	9.35%
420ℓ Bins – Twice weekly	2,459.13	2,688.70	229.57	9.35%
1.1m ³ Sprico – Once weekly	843.48	922.61	79.13	9.35%
1.1m ³ Sprico – Twice weekly	1,681.74	1,839.13	157.39	9.35%
1.1m ³ Sprico – Three x a week	2,526.96	2,763.48	236.52	9.35%
1.1m ³ Sprico – Four x a week	3,362.61	3,677.39	314.78	9.35%
1.1m ³ Sprico – Five x a week	4,204.35	4,597.39	393.04	9.35%

1.4.2 Overall impact of tariff increases on households

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at an average of about 9% (CPI + 4%). The categories of rateable properties for purposes of levying rates and the proposed rates for the 2019/20 financial year is based on the market value, the impact of increase in market value is contained below:

Table 13: SA14 – Household bills

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20 % incr.	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		527.29	567.37	621.84	621.84	621.84	621.84	9.0%	677.81	732.03	771.56
Electricity: Basic levy		–	–	–	–	–	–	–	–	–	–
Electricity: Consumption		1,113.47	1,198.54	1,221.67	1,305.23	1,305.23	1,305.23	8.4%	1,414.74	1,533.44	1,662.09
Water: Basic levy		–	–	–	–	–	–	–	–	–	–
Water: Consumption		331.04	357.53	391.50	426.74	426.74	426.74	9.4%	466.85	504.20	553.86
Sanitation		273.03	294.33	323.17	352.26	352.26	352.26	9.4%	385.37	416.20	438.67
Refuse removal		170.97	184.31	202.37	220.58	220.58	220.58	9.4%	241.21	260.50	274.57
Other		36.63	39.41	43.04	46.91	46.91	46.91	9.3%	51.28	55.33	58.32
sub-total		2,452.43	2,641.49	2,803.59	2,973.56	2,973.56	2,973.56	8.9%	3,237.25	3,501.69	3,759.07
VAT on Services											
Total large household bill:		2,452.43	2,641.49	2,803.59	2,973.56	2,973.56	2,973.56	8.9%	3,237.25	3,501.69	3,759.07
% increase/-decrease			7.7%	6.1%	6.1%	–	–		8.9%	8.2%	7.4%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		376.64	405.26	444.16	444.16	444.16	444.16	9.0%	484.13	522.87	551.10
Electricity: Basic levy		–	–	–	–	–	–	–	–	–	–
Electricity: Consumption		556.74	599.27	610.84	652.62	652.62	652.62	8.4%	707.38	766.73	831.05
Water: Basic levy		–	–	–	–	–	–	–	–	–	–
Water: Consumption		275.87	297.94	326.24	355.60	355.60	355.60	9.4%	389.03	420.15	461.54
Sanitation		97.17	104.74	115.00	125.35	125.35	125.35	9.4%	137.13	148.10	156.10
Refuse removal		170.97	184.30	202.36	220.57	220.57	220.57	9.4%	241.20	260.49	274.56
Other		36.63	39.41	43.04	46.91	46.91	46.91	9.3%	51.28	55.33	58.32
sub-total		1,514.02	1,630.92	1,741.64	1,845.22	1,845.22	1,845.22	8.9%	2,010.14	2,173.66	2,332.66
VAT on Services											
Total small household bill:		1,514.02	1,630.92	1,741.64	1,845.22	1,845.22	1,845.22	8.9%	2,010.14	2,173.66	2,332.66
% increase/-decrease			7.7%	6.8%	5.9%	–	–		8.9%	8.1%	7.3%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		112.99	121.57	133.24	133.24	133.24	133.24	9.0%	145.23	156.85	165.32
Electricity: Basic levy		–	–	–	–	–	–	–	–	–	–
Electricity: Consumption		55.67	59.92	61.08	65.26	65.26	65.26	8.4%	70.73	76.67	83.10
Water: Basic levy		–	–	–	–	–	–	–	–	–	–
Water: Consumption		66.21	71.50	78.29	85.34	85.34	85.34	9.4%	93.36	100.83	110.76
Sanitation		88.77	95.69	105.07	114.53	114.53	114.53	9.4%	125.29	135.32	142.62
Refuse removal		170.97	184.31	202.37	220.58	220.58	220.58	9.4%	241.21	260.50	274.57
Other		36.63	39.41	43.04	46.91	46.91	46.91	9.3%	51.28	55.33	58.32
sub-total		531.24	572.40	623.09	665.86	665.86	665.86	9.2%	727.10	785.49	834.69
VAT on Services											
Total small household bill:		531.24	572.40	623.09	665.86	665.86	665.86	9.2%	727.10	785.49	834.69
% increase/-decrease			7.7%	8.9%	6.9%	–	–		9.2%	8.0%	6.3%

1.5 OPERATING EXPENDITURE FRAMEWORK

The City's expenditure framework for the draft 2019/20 budget and MTREF is informed by Section 18 and 19 of the MFMA. The following table is a high level summary of the draft 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 14: Table A4 - Summary of operating expenditure classification by type

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Expenditure By Type											
Employee related costs	2	1,411,212	1,627,383	1,838,345	1,961,118	2,008,166	2,008,166	2,008,166	2,235,469	2,384,127	2,542,672
Remuneration of councillors		53,845	55,482	60,373	65,035	64,185	64,185	64,185	68,485	73,040	77,897
Debt impairment	3	210,111	203,883	310,385	343,696	343,336	343,336	343,336	366,124	396,020	424,543
Depreciation & asset impairment	2	857,419	807,459	992,860	896,426	896,290	896,290	896,290	931,709	1,027,428	1,132,582
Finance charges		63,335	49,359	43,960	59,818	39,013	39,013	39,013	41,000	57,000	73,000
Bulk purchases	2	1,426,744	1,558,514	1,552,488	1,698,510	1,694,310	1,694,310	1,694,310	1,847,572	1,996,596	2,110,321
Other materials	8	-	-	83,309	86,376	81,054	81,054	81,054	71,639	75,765	79,894
Contracted services		-	1,036	681,242	857,589	809,265	809,265	809,265	833,397	930,254	1,046,947
Transfers and subsidies		240,922	43,173	41,840	60,526	62,426	62,426	62,426	51,875	54,294	56,896
Other expenditure	4, 5	1,253,861	1,204,962	455,693	484,205	548,816	548,816	548,816	523,946	553,720	583,822
Loss on disposal of PPE		500	36,365	2,499							
Total Expenditure		5,517,949	5,587,617	6,062,994	6,513,298	6,546,861	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575

The following figure gives a breakdown of the main expenditure categories for the 2019/20 financial year:

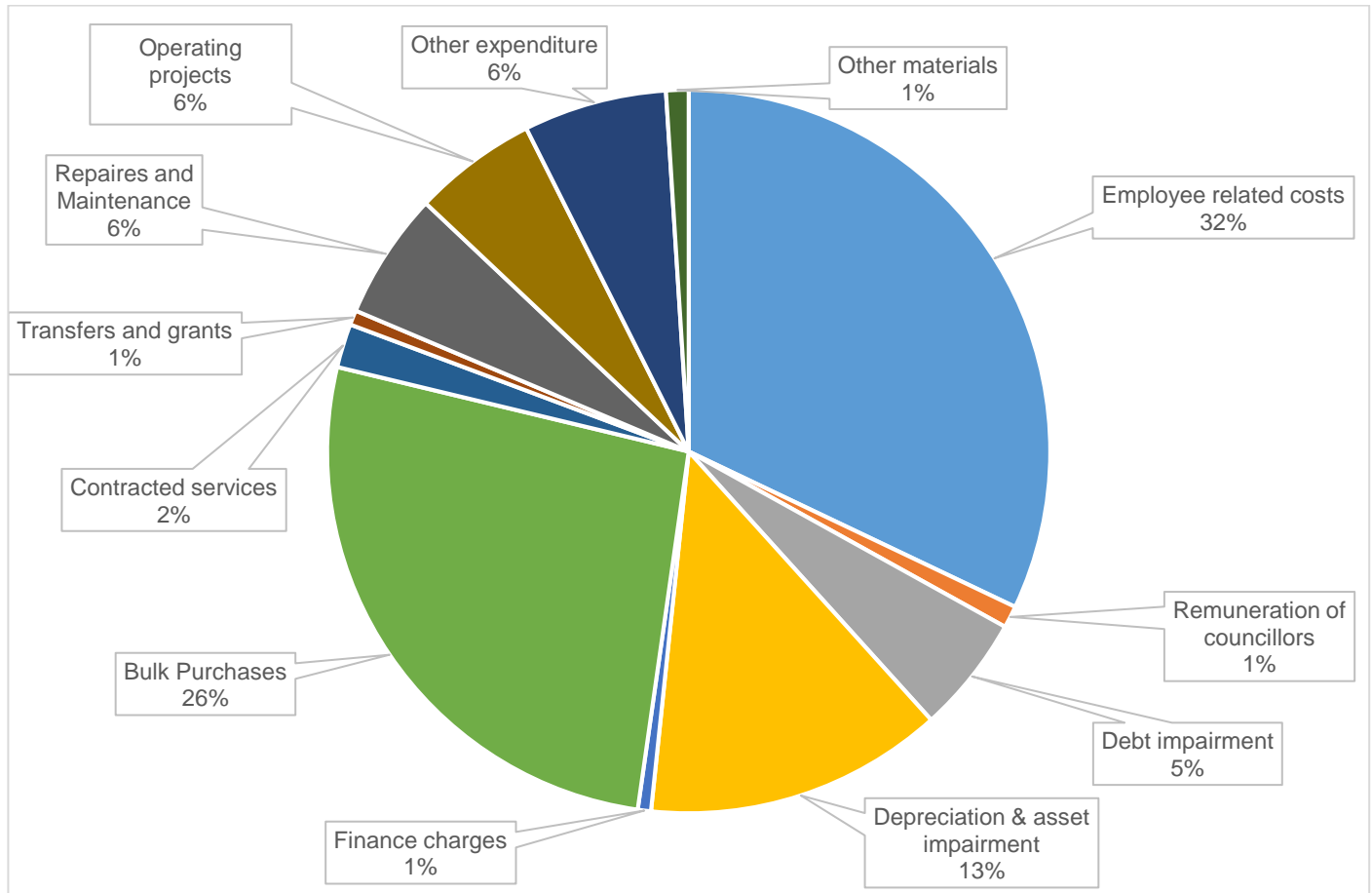


Figure 8: Main operational expenditure categories for the 2019/20 financial year

Employee Costs equates to 32% of the total operating costs. Though this percentage is within the norm of 25% to 40% as per MFMA Circular 71 guideline, the budget allocation to fund unfunded posts has been put on hold up until the City's revenue base can reflect improvement.

Remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget.

The **provision of debt impairment** has been determined based on an annual collection rate of 92.5% over the MTREF. For the 2019/20 financial year this amounts to R366.12 million, it increases to R396.02 million in 2020/21, it further increases to R424.54 million in the 2021/22 financial year. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R931.71 million for the 2019/20 financial year and equates to 13% of the total operating expenditure. Infrastructure assets are by far the most significant value of the Statement of Financial Position of the institution and is where the most significant amount of the institutions resources is expended. As such the institution has made a strategic decision to actively manage its infrastructure assets by ensuring all new infrastructure commitments are made in line with the Metro Growth and Development Strategy.

It needs to be recognised that the institution has adopted the revaluation accounting approach for all infrastructure assets. The main reason for the decision is to ensure the future viability of the institution by allowing for the future replacement of these significant long term assets.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% (R41 million) of operating expenditure excluding annual redemption for 2019/20.

Bulk purchases (equates to 26% of total operating expenditure) are directly informed by the purchase of electricity from Eskom and water from Amatola. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. In order to comply with the provisions of circular 93 and 94 guiding principles as issued by National Treasury, the institution undertook a line by line analysis of expenditure in an attempt to improve efficiencies. As a result, an increase of CPI has been projected for the other operational cost.

1.5.1 Repairs and Maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the draft 2019/20 MTREF provides for extensive growth in the asset maintenance area as informed by the City's asset renewal strategy and repairs & maintenance plan.

Repairs and maintenance budget is currently 6% of the total Operating Expenditure Budget. The City is striving towards a 10% repairs and maintenance of its total operating budget owing to the aging of the City's infrastructure and historic deferred maintenance. The City has embarked on a programme to replace existing infrastructure assets which have almost reached and/or exceeded their useful lives and will be funded from own funds. The institution has identified a historical funding shortfall associated with the replacement of existing infrastructure assets and in an attempt to alleviate the shortfall, some of the USDG funding will be utilized to replace existing infrastructure. Furthermore, the institution will ensure that surplus budgets are prepared beyond the MTREF period to fund both existing infrastructure replacement as well as new infrastructure expansion.

Table 15: Table SA34c – Repairs and Maintenance expenditure by asset type

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		277,791	317,612	146,488	219,341	198,741	198,741	186,816	205,498	226,048
Roads Infrastructure		96,654	95,320	68,674	122,569	115,469	115,469	108,540	119,394	131,334
<i>Roads</i>		96,654	95,320	67,564	117,139	110,039	110,039	103,437	113,780	125,158
<i>Road Structures</i>				1,110	5,430	5,430	5,430	5,104	5,614	6,176
Storm water Infrastructure		8,493	9,116	7,997	11,726	11,726	11,726	11,022	12,124	13,337
<i>Drainage Collection</i>		–	9,116	7,997	11,726	11,726	11,726	11,022	12,124	13,337
<i>Storm water Conveyance</i>		8,493	–					–	–	–
Electrical Infrastructure		86,131	119,755	35,389	41,040	36,040	36,040	33,878	37,265	40,992
<i>Power Plants</i>		86,131	119,755			–	–	–	–	–
<i>HV Transmission Conductors</i>				6,142	7,204	6,704	6,704	6,302	6,932	7,625
<i>MV Substations</i>				10,542	11,099	10,599	10,599	9,963	10,959	12,055
<i>MV Switching Stations</i>						–	–	–	–	–
<i>MV Networks</i>				1,074	1,613	1,613	1,613	1,516	1,667	1,834
<i>LV Networks</i>				17,631	21,124	17,124	17,124	16,097	17,707	19,477
<i>Capital Spares</i>						–	–	–	–	–
Water Supply Infrastructure		41,907	46,388	2,783	3,255	3,509	3,509	3,298	3,628	3,991
<i>Reservoirs</i>				1,327	1,478	1,478	1,478	1,389	1,528	1,681
<i>Pump Stations</i>						–	–	–	–	–
<i>Water Treatment Works</i>		41,907	46,388	–		254	254	238	262	288
<i>Bulk Mains</i>				1,456	1,778	1,778	1,778	1,671	1,838	2,022
Sanitation Infrastructure		27,895	34,022	29,427	33,740	28,487	28,487	26,777	29,455	32,401
<i>Pump Station</i>		–				–	–	–	–	–
<i>Reticulation</i>		–	34,022	29,427	33,740	28,487	28,487	26,777	29,455	32,401
<i>Waste Water Treatment Works</i>		27,895				–	–	–	–	–
Solid Waste Infrastructure		16,710	13,011	2,218	7,011	3,511	3,511	3,301	3,631	3,994
<i>Landfill Sites</i>		16,710	13,011	2,218	7,011	3,511	3,511	3,301	3,631	3,994
Community Assets		7,920	9,883	9,607	9,090	8,031	8,031	7,549	8,304	9,135
Community Facilities		5,091	7,743	6,994	7,257	6,198	6,198	5,827	6,409	7,050
<i>Halls</i>		637	778	3,126	2,315	1,815	1,815	1,706	1,876	2,064
<i>Clinics/Care Centres</i>		–	333			–	–	–	–	–
<i>Fire/Ambulance Stations</i>		1,568	1,840			–	–	–	–	–
<i>Museums</i>		71	46			–	–	–	–	–
<i>Galleries</i>		–				–	–	–	–	–

MBRR Table SA34c – Repairs and maintenance expenditure by asset class (Continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
<i>Theatres</i>		–	–	–	–	–	–	–	–	–
<i>Libraries</i>		–	164	1,069	651	651	651	612	673	740
<i>Cemeteries/Crematoria</i>		405	536	1,138	1,288	1,288	1,288	1,211	1,332	1,465
<i>Police</i>		1,102	1,251	–	–	–	–	–	–	–
<i>Public Open Space</i>		–	–	1,661	3,003	2,444	2,444	2,298	2,528	2,780
<i>Nature Reserves</i>		–	511	–	–	–	–	–	–	–
<i>Markets</i>		771	1,017	–	–	–	–	–	–	–
<i>Taxi Ranks/Bus Terminals</i>		536	1,267	–	–	–	–	–	–	–
<i>Capital Spares</i>		–	–	–	–	–	–	–	–	–
<i>Sport and Recreation Facilities</i>		2,829	2,140	2,613	1,833	1,833	1,833	1,723	1,895	2,085
<i>Indoor Facilities</i>		2,272	1,314	–	–	–	–	–	–	–
<i>Outdoor Facilities</i>		557	826	2,613	1,833	1,833	1,833	1,723	1,895	2,085
<i>Capital Spares</i>		–	–	–	–	–	–	–	–	–
Heritage assets		1	1	1	1	1	1	1	1	1
<i>Other Heritage</i>		–	–	–	10	10	10	9	10	11
Investment properties		–	–	–	–	–	–	–	–	–
<i>Revenue Generating</i>		–	–	–	–	–	–	–	–	–
<i>Improved Property</i>		–	–	–	–	–	–	–	–	–
<i>Unimproved Property</i>		–	–	–	–	–	–	–	–	–
<i>Non-revenue Generating</i>		–	–	–	–	–	–	–	–	–
<i>Improved Property</i>		–	–	–	–	–	–	–	–	–
<i>Unimproved Property</i>		–	–	–	–	–	–	–	–	–
Other assets		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
<i>Operational Buildings</i>		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
<i>Municipal Offices</i>		24,793	18,073	31,262	39,309	25,643	25,643	24,104	26,515	29,166
<i>Pay/Enquiry Points</i>		–	–	5,297	5,947	4,447	4,447	4,180	4,598	5,058
<i>Building Plan Offices</i>		–	–	–	–	–	–	–	–	–
<i>Workshops</i>		–	–	211	275	275	275	259	284	313
<i>Capital Spares</i>		32,388	35,291	–	–	–	–	–	–	–
<i>Housing</i>		–	–	–	–	–	–	–	–	–
<i>Capital Spares</i>		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
<i>Biological or Cultivated Assets</i>		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	1,201	701	701	659	725	797
<i>Servitudes</i>		–	–	–	–	–	–	–	–	–
<i>Licences and Rights</i>		–	–	–	1,201	701	701	659	725	797
<i>Computer Software and Applications</i>		–	–	–	1,201	701	701	659	725	797
Computer Equipment		118	922	2,311	1,771	1,267	1,267	1,191	1,310	1,441
<i>Computer Equipment</i>		118	922	2,311	1,771	1,267	1,267	1,191	1,310	1,441
Furniture and Office Equipment		1	0	5,183	8,146	7,770	7,770	7,304	8,035	8,838
<i>Furniture and Office Equipment</i>		1	0	5,183	8,146	7,770	7,770	7,304	8,035	8,838
Machinery and Equipment		–	–	125,740	177,620	149,635	149,635	140,657	154,722	170,195
<i>Machinery and Equipment</i>		–	–	125,740	177,620	149,635	149,635	140,657	154,722	170,195
Transport Assets		1,008	(2,783)	29,195	30,906	28,624	28,624	22,655	24,921	27,413
<i>Transport Assets</i>		1,008	(2,783)	29,195	30,906	28,624	28,624	22,655	24,921	27,413
Land		219	–	–	–	–	–	–	–	–
<i>Land</i>		219	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
<i>Zoo's, Marine and Non-biological Animals</i>		–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	1	344,238	378,998	355,294	493,616	425,143	425,143	395,383	434,922	478,414
R&M as a % of PPE		2.7%	2.4%	2.0%	2.5%	2.2%	2.2%	2.0%	2.2%	2.3%
R&M as % Operating Expenditure		6.2%	6.8%	5.9%	7.6%	6.5%	6.5%	6.0%	6.2%	6.3%

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the City's Indigent Policy. The target is to register an average of at least 90 522 indigent households by the end of 2019/20 financial year, this process is reviewed annually

It should however be noted that although this is a goal from a social perspective, it is an indicator of the overall strategic direction of the institution not being achieved. The institution is attempting to steer in the direction of economic growth and job creation. This target is contrary to that focus area. 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.

The following table provides a breakdown of the current and proposed total poor relief package per indigent household:

Table 16: Basic social services package per indigent household

	Total Per Household 2018/2019	Total Per Household 2019/2020	Total Per Household 2020/2021	Total Per Household 2021/2022
Rates	159.90	174.29	188.23	198.40
Refuse	175.93	192.38	207.77	218.99
Sewerage	95.42	104.39	112.74	118.83
Fire Levy	46.85	51.21	55.25	58.23
Total Monthly Subsidy	478.10	522.27	564.00	594.45
Electricity - 50kwh p.m	61.94	67.13	72.76	78.87
Water - 6kl p.m.	74.85	81.89	88.44	97.15
Total Poor Relief	614.88	671.28	725.20	770.47

1.6 CAPITAL EXPENDITURE FRAMEWORK

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

Table 17: Table A5 2019/20 Medium-term capital budget per vote, standard classification and funding

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 01 - Directorate - Executive Support Services		777	2,454	2,425	3,500	5,887	5,887	5,887	500	500	500
Vote 02 - Directorate - Municipal Manager		-	54,388	46,578	51,840	113,240	113,240	113,240	6,664	10,500	10,500
Vote 03 - Directorate - Human Settlement		73	176,555	131,608	104,755	159,700	159,700	159,700	252,782	355,711	299,673
Vote 04 - Directorate - Chief Financial Officer		362	16,415	10,963	152,538	56,192	56,192	56,192	141,858	80,500	75,500
Vote 05 - Directorate - Corporate Services		20,975	926	1,414	3,600	781	781	781	45,760	31,500	19,084
Vote 06 - Directorate - Infrastructure Services		1,108,009	864,972	854,588	916,280	1,021,565	1,021,565	1,021,565	740,606	848,590	925,093
Vote 07 - Directorate - Spatial Planning And Development		-	73,678	136,743	263,838	257,273	257,273	257,273	308,851	333,020	398,899
Vote 08 - Directorate - Health / Public Safety & Emergency Services		326	10,753	19,559	14,270	39,232	39,232	39,232	24,650	29,780	37,000
Vote 09 - Directorate - Municipal Services		35,698	48,423	92,198	160,829	182,823	182,823	182,823	128,121	86,773	101,698
Vote 10 - Directorate - Economic Development & Agencies		17,870	32,708	34,171	81,692	75,607	75,607	75,607	86,688	126,800	156,500
Capital multi-year expenditure sub-total	7	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448
Single-year expenditure to be appropriated	2										
Vote 01 - Directorate - Executive Support Services		-	-	-	-	-	-	-	-	-	-
Vote 02 - Directorate - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 03 - Directorate - Human Settlement		-	-	-	-	-	-	-	-	-	-
Vote 04 - Directorate - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 05 - Directorate - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 06 - Directorate - Infrastructure Services		-	-	-	-	-	-	-	-	-	-
Vote 07 - Directorate - Spatial Planning And Development		-	-	-	-	-	-	-	-	-	-
Vote 08 - Directorate - Health / Public Safety & Emergency Services		-	-	-	-	-	-	-	-	-	-
Vote 09 - Directorate - Municipal Services		-	-	-	-	-	-	-	-	-	-
Vote 10 - Directorate - Economic Development & Agencies		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

Table A5 2019/20 Medium-term capital budget per vote, standard classification and funding (Continued)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital Expenditure - Functional											
Governance and administration		4,059	1,050,296	173,055	292,651	279,540	279,540	279,540	223,284	134,700	110,584
Executive and council		910	1,048,173	49,002	55,340	115,927	115,927	115,927	47,424	38,000	24,084
Finance and administration		524	855	124,052	237,311	163,613	163,613	163,613	175,860	96,700	86,500
Internal audit		2,625	1,268	—	—	—	—	—	—	—	—
Community and public safety		43,639	81,103	181,226	193,125	282,383	282,383	282,383	324,264	437,941	410,623
Community and social services		38,652	12,362	3,529	21,820	29,560	29,560	29,560	13,673	14,000	36,200
Sport and recreation		1,750	595	42,306	57,950	75,375	75,375	75,375	34,910	38,650	37,750
Public safety		3,213	67,360	3,523	7,700	15,965	15,965	15,965	21,700	29,580	30,000
Housing		24	429	131,608	104,755	159,700	159,700	159,700	252,782	355,711	299,673
Health		—	357	261	900	1,784	1,784	1,784	1,200	—	7,000
Economic and environmental services		981,636	36,405	388,349	498,719	685,977	685,977	685,977	660,193	759,226	873,723
Planning and development		82	1,604	121,441	202,957	227,735	227,735	227,735	353,669	376,320	448,899
Road transport		981,002	34,772	264,559	291,335	452,746	452,746	452,746	306,524	382,906	424,824
Environmental protection		552	30	2,348	4,427	5,496	5,496	5,496	—	—	—
Trading services		154,755	113,068	553,554	689,248	603,164	603,164	603,164	505,051	495,007	523,018
Energy sources		137,712	111,094	127,663	129,450	140,095	140,095	140,095	112,500	92,500	94,500
Water management		7,618	983	132,049	198,451	199,722	199,722	199,722	86,000	149,602	197,127
Waste water management		9,184	323	249,746	283,394	187,394	187,394	187,394	225,262	218,582	203,642
Waste management		241	668	44,096	77,952	75,952	75,952	75,952	81,289	34,323	27,748
Other		—	400	34,062	79,400	61,235	61,235	61,235	23,688	76,800	106,500
Total Capital Expenditure - Functional	3	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448
Funded by:											
National Government		670,394	669,780	834,431	803,900	807,216	807,216	807,216	1,003,899	1,014,322	1,097,581
Provincial Government		—	—	—	—	9,036	9,036	9,036	—	—	—
District Municipality		—	—	—	—	—	—	—	—	—	—
Other transfers and grants		—	—	—	—	—	—	—	—	—	—
Transfers recognised - capital	4	670,394	669,780	834,431	803,900	816,252	816,252	816,252	1,003,899	1,014,322	1,097,581
Borrowing	6	—	—	—	69,000	—	—	—	69,582	189,352	176,867
Internally generated funds		513,695	611,492	495,814	880,242	1,096,048	1,096,048	1,096,048	663,000	700,000	750,000
Total Capital Funding	7	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

The above table reflects that the budget for capital programme is R1.74 billion in the 2019/20 financial year, R1.9 billion and R2.02 billion in the 2020/21 and 2021/22 financial years respectively.

The City's capital budget has decreased by 9% compared to the 2018/19 mid-year adjustment budget, however, it is showing an increasing trend from 2019/20 to 2021/22 financial year. Further breakdown per service of the capital budget is detailed in the table below. It depicts that for the 2019/20 financial year an amount of R225.76 million has been appropriated for the Waste Water infrastructure, R306.52 million for Roads and Storm Water, R85.5 million for Water, R290.17 million for Transport Planning, R252.28 million for Human Settlements and R112 million for Electricity. These services represent 73% of the total capital budget for the 2019/20 financial year.

Table 18: List of Key Projects Per Service

SERVICE	2019/2020 DRAFT CAPITAL BUDGET	2020/2021 DRAFT CAPITAL BUDGET	2021/2022 DRAFT CAPITAL BUDGET
AMENITIES	42,832,762	52,650,000	73,950,000
ELECTRICITY	112,000,000	92,000,000	94,000,000
HUMAN SETTLEMENTS	252,281,590	355,210,530	299,173,000
LED	86,187,799	126,300,000	156,000,000
OTHER	10,320,000	5,000,000	5,000,000
PUBLIC SAFETY	24,150,000	29,280,000	37,000,000
ROADS	306,524,372	382,906,105	424,823,545
SPATIAL PLANNING	18,182,100	6,700,000	0
SUPPORT SERVICES	197,482,387	125,700,000	107,784,020
TRANSPORT PLANNING	290,169,041	325,820,000	398,399,000
WASTE MANANGEMENT	85,088,696	33,922,727	27,548,340
WASTE WATER	225,762,118	218,582,408	203,642,428
WATER	85,500,000	149,601,785	197,127,239
TOTAL CAPITAL BUDGET PER SERVICE	1,736,480,865	1,903,673,555	2,024,447,572

Renewal of existing assets represent 25.4% (R425.03 million) of the total capital budget while new assets acquisition equates to 74.6% (R1.25 billion) in the 2019/20 financial year. Further detail relating to asset classes and proposed capital expenditure is contained in MBRR Table A9, MBRR Tables SA34a and SA34b provides a detailed breakdown of the capital programme relating to new asset construction and capital asset renewal. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- **Electricity**

Bulk electricity infrastructure upgrade for the entire BCMM area to improve reliability of supply of the BCMM network for both domestic and commercial consumers is one of the priority areas. To contribute towards fulfilment of this priority, an allocation of R208 million over the MTREF period has been made from own funding. This allocation includes R22 million that has been allocated over the MTREF for electrification of informal dwellings whilst the remainder of the funding (R186 million) is allocated for infrastructure upgrade. An amount of R90 million from grants has been allocated over the MTREF period for electrification programme including street lights and high masts within BCMM area of supply.

- **Sanitation / Waste Water**

An allocation of R106.34 million from own funds has been made available over the MTREF period for renewal and upgrading of existing infrastructure, including Eastern Beach Gravity Sewer Upgrade (R61.01 million). The project, Phase 2 of the Bhisho, KWT and Zwelitsha Bulk Regional Sewer is budgeted for R63.85 million over the MTREF period. This plant will provide a centralized regional treatment facility for the Inland Region which will service the domestic and business community from Bhisho, Breidbach, Zwelitsha, Phakamisa, Schornville, Ginsberg, etc. The provision of Sewer Tunnel for diversion of sewer from Central Plant to Reeston Plant is allocated a budget of R435.8 million over the MTREF period funded from borrowings.

- **Water**

The Bulk Water Provision is also progressing and has been allocated R432.23 million over the MTREF period (R85.5 million, R149.6 million and R197.13 million respectively). The project Umzonyana Dam Upgrade is allocated a total of R80.86 million over the MTREF period (R2.5 million, R14.42 million and R63.94 million respectively). This project is crucial as it will increase the City's capacity in supplying its own water and decrease the need for purchase of water from Amatola Water.

- **Roads**

An amount of R180.4 million has been set aside for Rural roads over the MTREF period. An allocation of R69.64 million from own funds has been made available for upgrading various existing roads over the MTREF period. The Quenera Beacon Bay Link Road is also continuing and has been allocated a budget of R46.27 million over the MTREF period. KWT roads upgrade have been allocated R69 million over the MTREF.

- **Transport Planning**

An allocation of R731.53 million has been allocated over the MTREF period for the implementation of Integrated Transport Programme. The above includes Phase 7 of Qumza Highway Upgrading that has been allocated an amount of R547.66 million over the MTREF period.

1.7 ANNUAL BUDGET TABLES

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 BCMM's draft 2019/20 budget and MTREF for approval by the Council.

The municipality's only entity, Buffalo City Metro Development Agency (BCMDA) whose mandate is to drive Buffalo City Metropolitan Municipality's development has started to operate. Appointment of Board members and administrative staff was done and the Agency has started with the implementation of some developmental projects within the City in line with its mandate. This is an attempt to grow the local economy through encouraging private sector investment. To allow the agency to realise its mandate, the City has set aside an amount of (inclusive of vat) R45.25 million for 2019/20 financial year, R47.43 million in 2020/21 and R49.04 million in 2021/22 financial year as an operational grant to the agency. The City will also transfer an amount of (inclusive of vat) R63 million and R50 million in each of the two-outer years for capital projects that will be implemented by the entity. Due to the fact that BCMDA is still at the forming stage, it anticipates receiving funding mainly from the parent municipality (BCMM) for its operations.

Table 19: MBRR Table A1 – Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	872,354	858,852	972,680	1,421,961	1,417,161	1,417,161	1,417,161	1,552,051	1,676,215	1,766,731
Service charges	2,758,689	2,593,542	2,678,193	3,172,285	3,151,081	3,151,081	3,151,081	3,329,597	3,604,045	3,893,837
Investment revenue	154,706	148,011	126,690	140,961	140,631	140,631	140,631	109,196	113,564	120,378
Transfers recognised - operational	1,334,131	1,304,827	1,359,944	1,471,673	1,508,546	1,508,546	1,508,546	1,654,549	1,802,873	1,977,140
Other own revenue	342,320	372,514	359,897	310,342	333,400	333,400	333,400	326,615	352,418	371,448
Total Revenue (excluding capital transfers and contributions)	5,462,201	5,277,747	5,497,405	6,517,222	6,550,819	6,550,819	6,550,819	6,972,008	7,549,115	8,129,533
Employee costs	1,411,212	1,627,383	1,838,345	1,961,118	2,008,166	2,008,166	2,008,166	2,235,469	2,384,127	2,542,672
Remuneration of councillors	53,845	55,482	60,373	65,035	64,185	64,185	64,185	68,485	73,040	77,897
Depreciation & asset impairment	857,419	807,459	992,860	896,426	896,290	896,290	896,290	931,709	1,027,428	1,132,582
Finance charges	63,335	49,359	43,960	59,818	39,013	39,013	39,013	41,000	57,000	73,000
Materials and bulk purchases	1,426,744	1,558,514	1,635,797	1,784,885	1,775,363	1,775,363	1,775,363	1,919,211	2,072,361	2,190,215
Transfers and grants	240,922	43,173	41,840	60,526	62,426	62,426	62,426	51,875	54,294	56,896
Other expenditure	1,464,472	1,446,246	1,449,819	1,685,490	1,701,418	1,701,418	1,701,418	1,723,467	1,879,993	2,055,312
Total Expenditure	5,517,949	5,587,617	6,062,994	6,513,298	6,546,861	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575
Surplus/(Deficit)	(55,748)	(309,870)	(565,590)	3,924	3,958	3,958	3,958	792	872	959
Transfers and subsidies - capital (monetary allocations) (Na	670,394	669,780	930,588	803,900	816,252	816,252	816,252	1,004,399	1,014,322	1,097,581
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
	614,646	359,911	364,998	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Surplus/(Deficit) after capital transfers & contributions										
Share of surplus/ (deficit) of associate	30,383	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	645,030	359,911	364,998	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Capital expenditure & funds sources										
Capital expenditure	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448
Transfers recognised - capital	670,394	669,780	834,431	803,900	816,252	816,252	816,252	1,003,899	1,014,322	1,097,581
Borrowing	-	-	-	69,000	-	-	-	69,582	189,352	176,867
Internally generated funds	513,695	611,492	495,814	880,242	1,096,048	1,096,048	1,096,048	663,000	700,000	750,000
Total sources of capital funds	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

MBRR Table A1 – Budget Summary (Continued)

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial position										
Total current assets	3,665,738	2,995,990	3,242,355	3,590,140	3,498,013	3,498,013	3,498,013	3,557,971	4,081,526	4,678,202
Total non current assets	13,633,832	16,267,774	18,808,564	20,089,293	20,248,587	20,248,587	20,248,587	20,786,878	21,767,337	22,716,166
Total current liabilities	1,588,602	1,310,000	1,649,095	1,394,977	1,393,284	1,393,284	1,393,284	1,824,430	1,816,808	1,984,615
Total non current liabilities	944,139	915,192	872,357	1,153,005	1,085,069	1,085,069	1,085,069	825,708	1,058,946	1,264,496
Community wealth/Equity	14,766,828	17,038,571	19,529,466	21,131,451	21,268,247	21,268,247	21,268,247	21,694,711	22,973,109	24,145,258
Cash flows										
Net cash from (used) operating	1,394,471	591,524	1,499,345	1,683,238	1,696,293	1,696,293	1,696,293	1,916,864	2,021,002	2,208,335
Net cash from (used) investing	(1,169,766)	(1,224,613)	(1,316,308)	(1,753,142)	(1,912,300)	(1,912,300)	(1,912,300)	(1,736,481)	(1,903,674)	(2,024,448)
Net cash from (used) financing	(49,602)	(50,709)	(47,642)	9,333	(57,974)	(57,974)	(57,974)	12,733	138,096	117,844
Cash and investments available	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Application of cash and investments	275,211	(128,776)	163,636	(271,276)	(266,616)	(266,616)	(266,616)	198,229	(41,789)	(182,748)
Balance - surplus (shortfall)	2,098,689	1,818,878	1,661,861	1,914,560	1,818,132	1,818,132	1,818,132	1,546,403	2,041,846	2,484,536
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance by Asset Class	344,238	378,998	355,294	493,616	425,143	425,143	425,143	395,383	434,922	478,414
Renewal and Upgrading of Existing Assets	-	-	179,476	145,200	259,402	259,402	259,402	158,621	190,232	239,192
Repairs and Maintenance	96,654	95,320	68,674	122,569	115,469	115,469	115,469	108,540	119,394	131,334
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	2	1	1	5	5	5	4	4	3	2
Sanitation/sewerage:	26	20	20	43	43	43	40	40	38	36
Energy:	40	39	39	37	37	37	49	49	49	49
Refuse:	2	2	2	2	2	2	41	41	41	41

Explanatory notes to MBRR Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget.
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. 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.
4. The municipality's budget is fully funded and cash-backed and will be generating a surplus in the two outer years of the MTREF period to ensure a more balanced funding mix for capital projects.

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

Table 20: MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by function classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue - Functional										
Governance and administration		2,034,609	2,018,637	2,114,963	2,538,086	2,534,132	2,534,132	2,755,928	2,939,783	3,121,108
Executive and council		23,255	22,632	31,030	26,940	26,940	26,940	34,559	20,172	19,476
Finance and administration		1,944,995	1,985,497	2,083,934	2,511,147	2,507,193	2,507,193	2,721,369	2,919,611	3,101,632
Internal audit		66,360	10,508	–	–	–	–	–	–	–
Community and public safety		331,234	457,855	374,737	293,677	382,518	382,518	569,023	741,292	755,125
Community and social services		20,861	32,873	27,483	29,896	29,896	29,896	31,203	32,414	33,959
Sport and recreation		3,780	7,608	59,331	5,190	5,190	5,190	5,676	6,125	6,455
Public safety		113,972	126,221	72,639	98,778	98,778	98,778	136,623	147,417	155,377
Housing		192,193	290,848	215,250	159,786	248,626	248,626	395,491	555,305	559,300
Health		428	306	35	27	27	27	29	32	33
Economic and environmental services		35,488	243,014	470,294	447,405	451,671	451,671	513,510	564,351	653,317
Planning and development		22,073	33,653	119,042	200,005	242,271	242,271	305,488	324,900	345,149
Road transport		13,251	209,257	350,079	244,101	206,101	206,101	204,417	235,561	304,068
Environmental protection		165	104	1,174	3,299	3,299	3,299	3,605	3,890	4,100
Trading services		3,027,797	3,180,201	3,436,783	4,014,827	3,971,624	3,971,624	4,108,296	4,286,018	4,663,843
Energy sources		1,695,975	1,757,018	1,775,553	2,069,822	2,048,618	2,048,618	2,191,980	2,343,362	2,539,276
Water management		574,378	583,097	633,119	799,770	789,770	789,770	809,126	912,121	1,041,624
Waste water management		380,973	546,998	651,301	680,364	668,364	668,364	584,569	539,217	565,095
Waste management		376,470	293,087	376,809	464,872	464,872	464,872	522,621	491,318	517,849
Other	4	733,850	47,821	31,215	27,126	27,126	27,126	29,650	31,993	33,720
Total Revenue - Functional	2	6,162,978	5,947,527	6,427,992	7,321,123	7,367,071	7,367,071	7,976,407	8,563,437	9,227,114
Expenditure - Functional										
Governance and administration		972,580	1,012,527	1,298,654	1,354,222	1,426,214	1,426,214	1,499,481	1,582,533	1,691,257
Executive and council		259,967	293,355	351,894	394,381	446,858	446,858	429,148	440,724	468,765
Finance and administration		452,579	494,998	937,116	944,722	964,201	964,201	1,055,089	1,125,626	1,205,313
Internal audit		260,033	224,174	9,644	15,119	15,155	15,155	15,244	16,182	17,179
Community and public safety		734,365	693,786	617,898	586,469	621,449	621,449	985,865	1,100,839	1,221,446
Community and social services		131,368	116,398	99,350	98,652	100,428	100,428	103,735	111,132	118,413
Sport and recreation		74,197	70,287	290,313	230,543	228,169	228,169	236,675	252,883	269,601
Public safety		281,242	302,304	86,798	108,256	107,208	107,208	399,753	427,156	457,085
Housing		216,633	171,503	105,092	107,401	143,634	143,634	201,115	261,991	326,315
Health		30,925	33,295	36,346	41,617	42,010	42,010	44,587	47,677	50,032
Economic and environmental services		845,402	968,765	962,249	1,071,729	1,050,302	1,050,302	772,290	827,345	903,072
Planning and development		185,314	303,791	200,575	186,929	176,403	176,403	149,984	144,112	153,460
Road transport		552,458	543,622	738,605	863,159	852,197	852,197	599,544	658,878	723,554
Environmental protection		107,629	121,352	23,069	21,641	21,702	21,702	22,762	24,355	26,057
Trading services		2,949,737	2,897,361	3,103,545	3,394,903	3,343,045	3,343,045	3,570,528	3,886,838	4,154,705
Energy sources		1,584,721	1,666,907	1,854,018	1,989,513	1,972,248	1,972,248	2,165,397	2,343,959	2,487,283
Water management		654,617	601,544	623,453	641,479	605,923	605,923	615,824	667,859	727,343
Waste water management		376,260	326,508	303,305	455,370	450,538	450,538	423,635	482,934	519,288
Waste management		334,139	302,402	322,769	308,541	314,336	314,336	365,672	392,086	420,790
Other	4	15,865	15,816	80,109	105,975	105,851	105,851	143,051	150,689	158,095
Total Expenditure - Functional	3	5,517,949	5,588,255	6,062,456	6,513,298	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575
Surplus/(Deficit) for the year		645,030	359,272	365,536	807,825	820,210	820,210	1,005,191	1,015,193	1,098,540

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 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.
2. Total Revenue on this table includes capital revenues (Transfers recognised – capital).
3. As a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Waste Water Management and 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.

Table 21: MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote	1									
Vote 01 - Directorate - Executive Support Services		383	2,300	1,138	–	846	846	–	–	–
Vote 02 - Directorate - Municipal Manager		22,871	20,261	30,698	26,940	26,940	26,940	34,559	20,172	19,476
Vote 03 - Directorate - Human Settlement		192,193	290,857	215,250	159,786	248,626	248,626	395,491	555,305	559,300
Vote 04 - Directorate - Chief Financial Officer		2,624,429	1,981,746	2,059,790	2,492,463	2,487,663	2,487,663	2,698,445	2,894,289	3,075,908
Vote 05 - Directorate - Corporate Services		6,667	10,478	11,830	10,801	10,801	10,801	14,301	16,018	15,917
Vote 06 - Directorate - Infrastructure Services		2,744,983	3,098,517	3,333,333	3,732,612	3,647,408	3,647,408	3,790,092	4,030,261	4,450,063
Vote 07 - Directorate - Spatial Planning And Development		22,646	47,760	109,077	195,565	204,601	204,601	314,111	334,204	354,956
Vote 08 - Directorate - Health / Public Safety & Emergency Services		126,995	126,408	149,394	160,250	164,250	164,250	136,653	147,448	155,410
Vote 09 - Directorate - Municipal Services		401,893	333,671	464,796	503,257	503,257	503,257	563,105	533,746	562,363
Vote 10 - Directorate - Economic Development & Agencies		19,917	33,460	53,225	39,449	72,679	72,679	29,650	31,993	33,720
Total Revenue by Vote	2	6,162,978	5,945,459	6,428,530	7,321,123	7,367,071	7,367,071	7,976,407	8,563,437	9,227,114
Expenditure by Vote to be appropriated	1									
Vote 01 - Directorate - Executive Support Services		177,703	203,993	229,773	275,413	318,883	318,883	307,892	326,072	348,613
Vote 02 - Directorate - Municipal Manager		72,883	89,362	176,395	191,028	205,908	205,908	202,750	198,433	208,933
Vote 03 - Directorate - Human Settlement		216,633	171,503	105,092	107,401	143,634	143,634	201,115	261,991	326,315
Vote 04 - Directorate - Chief Financial Officer		505,675	593,044	581,080	503,480	528,930	528,930	591,340	631,287	669,037
Vote 05 - Directorate - Corporate Services		137,998	158,063	124,686	157,617	157,841	157,841	167,022	178,529	189,429
Vote 06 - Directorate - Infrastructure Services		3,230,074	3,074,222	3,348,091	3,748,890	3,678,296	3,678,296	3,865,870	4,220,327	4,529,659
Vote 07 - Directorate - Spatial Planning And Development		173,858	281,373	293,906	305,497	286,893	286,893	318,991	325,626	356,515
Vote 08 - Directorate - Health / Public Safety & Emergency Services		297,183	335,599	368,787	420,235	418,791	418,791	450,448	481,400	514,166
Vote 09 - Directorate - Municipal Services		649,970	610,438	731,278	653,407	658,654	658,654	722,735	773,889	827,812
Vote 10 - Directorate - Economic Development & Agencies		55,972	70,226	103,906	150,330	149,032	149,032	143,051	150,689	158,095
Total Expenditure by Vote	2	5,517,949	5,587,822	6,062,994	6,513,298	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575
Surplus/(Deficit) for the year	2	645,030	357,637	365,536	807,825	820,210	820,210	1,005,191	1,015,193	1,098,540

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

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

Table 22: MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure by source and type)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	872,354	858,852	972,680	1,421,961	1,417,161	1,417,161	1,417,161	1,552,051	1,676,215	1,766,731
Service charges - electricity revenue	2	1,681,921	1,695,665	1,682,962	1,992,712	1,971,508	1,971,508	1,971,508	2,071,884	2,245,715	2,434,130
Service charges - water revenue	2	494,638	452,690	440,830	563,043	563,043	563,043	563,043	583,149	629,800	691,836
Service charges - sanitation revenue	2	295,347	233,728	304,905	322,143	322,143	322,143	322,143	363,587	392,674	413,878
Service charges - refuse revenue	2	286,783	211,459	249,497	294,388	294,388	294,388	294,388	310,978	335,856	353,992
Rental of facilities and equipment		16,583	16,424	15,882	17,563	17,563	17,563	17,563	19,214	20,732	21,851
Interest earned - external investments		154,706	148,011	126,690	140,961	140,631	140,631	140,631	109,196	113,564	120,378
Interest earned - outstanding debtors		32,661	50,425	49,322	41,807	54,405	54,405	54,405	59,465	64,162	67,627
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		5,594	16,896	23,698	16,591	16,591	16,591	16,591	18,134	19,567	20,624
Licences and permits		12,612	14,225	14,250	14,597	14,597	14,597	14,597	15,955	17,215	18,145
Agency services		–	–	25,683	31,270	30,528	30,528	30,528	33,096	35,711	37,639
Transfers and subsidies		1,334,131	1,304,827	1,359,944	1,471,673	1,508,546	1,508,546	1,508,546	1,654,549	1,802,873	1,977,140
Other revenue	2	274,870	274,544	231,063	188,513	199,716	199,716	199,716	180,751	195,030	205,562
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		5,462,201	5,277,747	5,497,405	6,517,222	6,550,819	6,550,819	6,550,819	6,972,008	7,549,115	8,129,533

MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure) (Continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Expenditure By Type											
Employee related costs	2	1,411,212	1,627,383	1,838,345	1,961,118	2,008,166	2,008,166	2,008,166	2,235,469	2,384,127	2,542,672
Remuneration of councillors		53,845	55,482	60,373	65,035	64,185	64,185	64,185	68,485	73,040	77,897
Debt impairment	3	210,111	203,883	310,385	343,696	343,336	343,336	343,336	366,124	396,020	424,543
Depreciation & asset impairment	2	857,419	807,459	992,860	896,426	896,290	896,290	896,290	931,709	1,027,428	1,132,582
Finance charges		63,335	49,359	43,960	59,818	39,013	39,013	39,013	41,000	57,000	73,000
Bulk purchases	2	1,426,744	1,558,514	1,552,488	1,698,510	1,694,310	1,694,310	1,694,310	1,847,572	1,996,596	2,110,321
Other materials	8	–	–	83,309	86,376	81,054	81,054	81,054	71,639	75,765	79,894
Contracted services		–	1,036	681,242	857,589	809,265	809,265	809,265	833,397	930,254	1,046,947
Transfers and subsidies		240,922	43,173	41,840	60,526	62,426	62,426	62,426	51,875	54,294	56,896
Other expenditure	4, 5	1,253,861	1,204,962	455,693	484,205	548,816	548,816	548,816	523,946	553,720	583,822
Loss on disposal of PPE		500	36,365	2,499							
Total Expenditure		5,517,949	5,587,617	6,062,994	6,513,298	6,546,861	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575
Surplus/(Deficit)		(55,748)	(309,870)	(565,590)	3,924	3,958	3,958	3,958	792	872	959
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		670,394	669,780	930,588	803,900	816,252	816,252	816,252	1,004,399	1,014,322	1,097,581
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		614,646	359,911	364,998	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Taxation			638	(538)							
Surplus/(Deficit) after taxation		614,646	359,272	365,536	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		614,646	359,272	365,536	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Share of surplus/ (deficit) of associate	7	30,383									
Surplus/(Deficit) for the year		645,030	359,272	365,536	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540

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

1. Total operating revenue is R6.97 billion in 2019/20 and escalates to R7.55 billion and R8.13 billion by 2020/21 and 2021/22 respectively. This represents a year-on-year increase of 6% for 2019/20 financial year, 8% for 2020/21 financial year and remains at 8% for the 2021/22 financial year. A growth of 1% has been taken into account in each year over the 2019/20 MTREF period after considering new developments that will be happening in the City.
2. Revenue to be generated from property rates is R1.55 billion in the 2019/20 financial year and increases to R1.68 billion in 2020/21 and further increase to R1.77 billion in 2021/22. The property rates represent 22% of the operating revenue base of the City and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term. The projected tariff is 9% in 2019/20 financial year, it decreases by 8% and 5.4% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R3.33 billion for the 2019/20 financial year and increasing to R3.89 billion by 2021/22. For the 2019/20 financial year, services charges amount to 48% of the total revenue base and it remains stagnant over the MTREF period. Transfers recognised – operating includes the local government equitable share, fuel levy and other operating grants from national and provincial government. It needs to be noted that the grant receipts increased by 10% from 2018/19 to 2019/20 financial year, it decreases by 9% from 2019/20 to 2020/21 financial year and increases by 10% from 2020/21 to 2021/22 financial year.
4. Bulk Purchases have increased from 2018/19 financial year as a result of annual increase. The amount has also increased over the 2019/20 to 2021/22 period escalating from R1.85 billion to R2.11 billion. The increases of 14% from 2019/20 to 2021/22 can be attributed to the increase in the cost of bulk electricity from Eskom and water from Amatola Water which supplies about 40% of BCMM water.

5. The Employee Related Costs depicts an increase from R2.01 billion in the 2018/19 financial year to R2.24 billion in the 2020/21 financial year due to annual increase projection of CPI plus one.
6. Employee Related Costs and Bulk Purchases are the main cost drivers within the municipality. The institution has attempted to identify operational efficiencies in other expenditure items by undertaking a line by line analysis to determine where budgeted expenditure can be reduced. Ongoing operational gains and efficiencies are continuously identified to lessen the impact of wage and bulk tariff increases in future years.

Table 23: MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital Expenditure - Functional											
<i>Governance and administration</i>		4,059	1,050,296	173,055	292,651	279,540	279,540	279,540	223,284	134,700	110,584
Executive and council		910	1,048,173	49,002	55,340	115,927	115,927	115,927	47,424	38,000	24,084
Finance and administration		524	855	124,052	237,311	163,613	163,613	163,613	175,860	96,700	86,500
Internal audit		2,625	1,268	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		43,639	81,103	181,226	193,125	282,383	282,383	282,383	324,264	437,941	410,623
Community and social services		38,652	12,362	3,529	21,820	29,560	29,560	29,560	13,673	14,000	36,200
Sport and recreation		1,750	595	42,306	57,950	75,375	75,375	75,375	34,910	38,650	37,750
Public safety		3,213	67,360	3,523	7,700	15,965	15,965	15,965	21,700	29,580	30,000
Housing		24	429	131,608	104,755	159,700	159,700	159,700	252,782	355,711	299,673
Health		-	357	261	900	1,784	1,784	1,784	1,200	-	7,000
<i>Economic and environmental services</i>		981,636	36,405	388,349	498,719	685,977	685,977	685,977	660,193	759,226	873,723
Planning and development		82	1,604	121,441	202,957	227,735	227,735	227,735	353,669	376,320	448,899
Road transport		981,002	34,772	264,559	291,335	452,746	452,746	452,746	306,524	382,906	424,824
Environmental protection		552	30	2,348	4,427	5,496	5,496	5,496	-	-	-
<i>Trading services</i>		154,755	113,068	553,554	689,248	603,164	603,164	603,164	505,051	495,007	523,018
Energy sources		137,712	111,094	127,663	129,450	140,095	140,095	140,095	112,500	92,500	94,500
Water management		7,618	983	132,049	198,451	199,722	199,722	199,722	86,000	149,602	197,127
Waste water management		9,184	323	249,746	283,394	187,394	187,394	187,394	225,262	218,582	203,642
Waste management		241	668	44,096	77,952	75,952	75,952	75,952	81,289	34,323	27,748
<i>Other</i>		-	400	34,062	79,400	61,235	61,235	61,235	23,688	76,800	106,500
Total Capital Expenditure - Functional	3	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448
Funded by:											
National Government		670,394	669,780	834,431	803,900	807,216	807,216	807,216	1,003,899	1,014,322	1,097,581
Provincial Government		-	-	-	-	9,036	9,036	9,036	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	670,394	669,780	834,431	803,900	816,252	816,252	816,252	1,003,899	1,014,322	1,097,581
Borrowing	6				69,000	-	-	-	69,582	189,352	176,867
Internally generated funds		513,695	611,492	495,814	880,242	1,096,048	1,096,048	1,096,048	663,000	700,000	750,000
Total Capital Funding	7	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2019/20 R1.74 billion has been allocated. This allocation increases to R1.9 billion in 2020/21 and to R2.02 billion in 2021/22.
3. The capital programme is funded from National and Provincial Grants (Capital Transfers), Internally Generated Funds from prior and current year surpluses and Long-Term-Borrowings. For 2019/20, Capital transfers represent 58% of Capital Expenditure and decreases to 54% by 2021/22.
4. It needs to be noted that the institution has made a strategic decision to utilize own funds to mainly replace existing infrastructure assets in the urban core of the City. The total amount of own funding is R663 million in 2019/20, it increases to R700 million in the 2020/21 financial year and to R750 million in 2021/22 financial year.
5. New long-term-borrowing has been provided for the 2019/20 financial year at R69.58 million, increasing to R189.35 million in 2020/21 and decreasing to R176.87 million in the 2021/22 financial year.

Table 24: MBRR Table A6 - Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		222,736	24,591	165,104	80,155	80,155	80,155	80,155	80,155	80,500	80,700
Call investment deposits	1	2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088
Consumer debtors	1	448,053	456,548	508,985	937,997	937,637	937,637	937,637	798,270	964,895	1,148,181
Other debtors		804,824	810,770	865,083	880,000	880,000	880,000	880,000	968,000	1,064,800	1,171,280
Current portion of long-term receivables		2,930	-	-	19	19	19	19			
Inventory	2	36,030	38,570	42,790	128,841	128,841	128,841	128,841	47,069	51,775	56,953
Total current assets		3,665,738	2,995,990	3,242,355	3,590,140	3,498,013	3,498,013	3,498,013	3,557,971	4,081,526	4,678,202
Non current assets											
Long-term receivables		69,018	-	-	80	80	80	80			
Investments		-	-	-	-	-	-	-			
Investment property		342,030	396,276	427,563	486,233	486,233	486,233	486,233	534,856	588,342	647,176
Investment in Associate		112,292	109,474	121,008	109,020	109,020	109,020	109,020	133,109	146,420	161,062
Property, plant and equipment	3	12,974,903	15,705,107	18,190,726	19,381,893	19,541,187	19,541,187	19,541,187	20,042,719	20,899,683	21,772,750
Biological		-	-	-	-	-	-	-			
Intangible		85,956	7,073	18,884	12,029	12,029	12,029	12,029	20,773	22,850	25,135
Other non-current assets		49,633	49,844	50,382	100,038	100,038	100,038	100,038	55,420	110,042	110,042
Total non current assets		13,633,832	16,267,774	18,808,564	20,089,293	20,248,587	20,248,587	20,248,587	20,786,878	21,767,337	22,716,166
TOTAL ASSETS		17,299,570	19,263,763	22,050,919	23,679,433	23,746,600	23,746,600	23,746,600	24,344,849	25,848,863	27,394,368
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	50,709	47,642	52,572	59,667	57,974	57,974	57,974	56,849	51,256	59,023
Consumer deposits		53,708	57,321	60,013	71,941	71,941	71,941	71,941	79,135	87,048	95,753
Trade and other payables	4	1,292,355	1,018,313	1,313,124	1,060,015	1,060,015	1,060,015	1,060,015	1,443,654	1,409,232	1,533,640
Provisions		191,830	186,724	223,387	203,354	203,354	203,354	203,354	244,792	269,272	296,199
Total current liabilities		1,588,602	1,310,000	1,649,095	1,394,977	1,393,284	1,393,284	1,393,284	1,824,430	1,816,808	1,984,615
Non current liabilities											
Borrowing		445,768	398,126	345,554	355,516	287,581	287,581	287,581	246,225	421,514	563,321
Provisions		498,372	517,066	526,803	797,489	797,489	797,489	797,489	579,483	637,432	701,175
Total non current liabilities		944,139	915,192	872,357	1,153,005	1,085,069	1,085,069	1,085,069	825,708	1,058,946	1,264,496
TOTAL LIABILITIES		2,532,742	2,225,192	2,521,453	2,547,982	2,478,353	2,478,353	2,478,353	2,650,138	2,875,754	3,249,110
NET ASSETS	5	14,766,828	17,038,571	19,529,466	21,131,451	21,268,247	21,268,247	21,268,247	21,694,711	22,973,109	24,145,258
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		10,152,888	10,113,472	10,479,009	17,390,299	17,527,095	17,527,095	17,527,095	11,739,208	12,022,056	12,099,099
Reserves	4	4,613,941	6,925,099	9,050,458	3,741,152	3,741,152	3,741,152	3,741,152	9,955,503	10,951,054	12,046,159
TOTAL COMMUNITY WEALTH/EQUITY	5	14,766,828	17,038,571	19,529,466	21,131,451	21,268,247	21,268,247	21,268,247	21,694,711	22,973,109	24,145,258

Explanatory notes to Table A6 - Budgeted Financial Position

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

Table 25: MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		872,354	858,852	972,680	1,315,314	1,310,874	1,310,874	1,310,874	1,435,647	1,550,499	1,634,226
Service charges		2,758,689	2,593,542	2,678,192	2,934,363	2,914,750	2,914,750	2,914,750	3,079,877	3,333,742	3,601,799
Other revenue		(17,288)	540,205	321,754	248,395	258,070	258,070	258,070	247,114	266,636	281,034
Government - operating	1	963,670	894,796	888,572	1,471,673	1,508,546	1,508,546	1,508,546	1,654,549	1,802,873	1,977,140
Government - capital	1	670,394	669,780	930,588	803,900	816,252	816,252	816,252	1,004,399	1,014,322	1,097,581
Interest		187,368	198,437	176,012	182,768	195,036	195,036	195,036	168,661	177,726	188,005
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(3,736,460)	(5,071,556)	(4,385,163)	(5,152,832)	(5,205,796)	(5,205,796)	(5,205,796)	(5,580,508)	(6,013,502)	(6,441,553)
Finance charges		(63,335)	(49,359)	(43,960)	(59,818)	(39,013)	(39,013)	(39,013)	(41,000)	(57,000)	(73,000)
Transfers and Grants	1	(240,922)	(43,173)	(39,330)	(60,526)	(62,426)	(62,426)	(62,426)	(51,875)	(54,294)	(56,896)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1,394,471	591,524	1,499,345	1,683,238	1,696,293	1,696,293	1,696,293	1,916,864	2,021,002	2,208,335
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		10,928	56,169	14,288	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		27	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(1,180,721)	(1,280,782)	(1,330,596)	(1,753,142)	(1,912,300)	(1,912,300)	(1,912,300)	(1,736,481)	(1,903,674)	(2,024,448)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1,169,766)	(1,224,613)	(1,316,308)	(1,753,142)	(1,912,300)	(1,912,300)	(1,912,300)	(1,736,481)	(1,903,674)	(2,024,448)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	69,000	-	-	-	69,582	189,352	176,867
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(49,602)	(50,709)	(47,642)	(59,667)	(57,974)	(57,974)	(57,974)	(56,849)	(51,256)	(59,023)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(49,602)	(50,709)	(47,642)	9,333	(57,974)	(57,974)	(57,974)	12,733	138,096	117,844
NET INCREASE/ (DECREASE) IN CASH HELD		175,103	(683,798)	135,395	(60,571)	(273,980)	(273,980)	(273,980)	193,116	255,424	301,732
Cash/cash equivalents at the year begin:	2	2,198,797	2,373,900	1,690,102	1,703,855	1,825,497	1,825,497	1,825,497	1,551,516	1,744,632	2,000,056
Cash/cash equivalents at the year end:	2	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The cash and cash equivalents increases from R1.55 billion in the 2018/19 period to R1.74 billion in the 2019/20 financial year and further increases over the MTREF to R2.3 billion by 2021/22 financial year. The slight increase can be attributed to tariff increases over the MTREF period.

Table 26: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Other current investments > 90 days		-	-	-	(0)	-	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Application of cash and investments											
Unspent conditional transfers		211,266	252,319	284,255	150,137	150,137	150,137	150,137	312,670	165,150	165,150
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(121,169)	(557,588)	(332,834)	(757,508)	(752,848)	(752,848)	(752,848)	(484,163)	(611,999)	(752,958)
Other provisions		185,113	176,492	212,216	336,095	336,095	336,095	336,095	369,722	405,059	405,059
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		275,211	(128,776)	163,636	(271,276)	(266,616)	(266,616)	(266,616)	198,229	(41,789)	(182,748)
Surplus(shortfall)		2,098,689	1,818,878	1,661,861	1,914,560	1,818,132	1,818,132	1,818,132	1,546,403	2,041,846	2,484,536

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2019/20 to 2021/22 the surplus improves from R1.55 billion to R2.48 billion.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2019/20 MTREF is funded with a slight surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the draft 2019/20 MTREF the end objective of the medium-term framework was to ensure the budget is funded and aligned to section 18 of the MFMA.

Table 27: MBRR Table A9 – Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	1,184,089	1,281,272	839,196	1,091,129	1,202,102	1,202,102	1,311,454	1,390,518	1,376,252
<i>Roads Infrastructure</i>		110,539	28,877	174,695	318,801	392,311	392,311	407,438	437,484	432,828
<i>Storm water Infrastructure</i>		–	–	25,226	10,156	10,708	10,708	11,121	11,941	11,814
<i>Electrical Infrastructure</i>		137,712	111,094	86,248	164,320	147,541	147,541	153,230	164,529	162,778
<i>Water Supply Infrastructure</i>		7,475	–	61,498	62,835	89,794	89,794	93,257	100,134	99,068
<i>Sanitation Infrastructure</i>		8,975	–	247,657	262,774	209,740	209,740	217,828	233,891	231,402
<i>Solid Waste Infrastructure</i>		29,362	2,157	43,262	53,852	48,852	48,852	50,736	54,477	53,898
<i>Rail Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Coastal Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Information and Communication Infrastructure</i>		787,355	1,035,708	44,481	25,450	62,250	62,250	64,650	69,418	68,679
Infrastructure		1,081,416	1,177,836	683,068	898,188	961,197	961,197	998,260	1,071,874	1,060,467
Community Facilities		38,957	11,356	1,283	17,150	21,624	21,624	22,458	24,114	23,857
Sport and Recreation Facilities		–	1,149	758	2,000	2,606	2,606	2,706	2,906	2,875
Community Assets		38,957	12,505	2,042	19,150	24,230	24,230	25,164	27,020	26,732
Heritage Assets		–	–	736	130	1,183	1,183	1,229	1,320	1,306
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		41,234	1,887	14,687	5,150	14,193	14,193	14,740	15,827	15,658
Housing		–	–	–	–	–	–	–	–	–
Other Assets		41,234	1,887	14,687	5,150	14,193	14,193	14,740	15,827	15,658
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
Intangible Assets		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
Computer Equipment		20,975	23,546	2,948	9,521	6,237	6,237	6,478	6,955	6,881
Furniture and Office Equipment		1,171	10,223	8,925	22,618	23,758	23,758	24,674	26,494	26,212
Machinery and Equipment		326	3,337	12,264	48,443	62,363	62,363	64,768	69,544	68,804
Transport Assets		–	50,142	110,988	35,100	83,084	83,084	149,287	142,650	141,664
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	95,871	158,400	185,205	185,205	131,822	151,216	184,166
<i>Roads Infrastructure</i>		–	–	42,759	53,500	89,687	89,687	63,836	73,228	89,184
<i>Storm water Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Electrical Infrastructure</i>		–	–	82	11,000	16,307	16,307	11,607	13,315	16,216
<i>Water Supply Infrastructure</i>		–	–	45,277	56,500	56,500	56,500	40,215	46,131	56,183

MBRR Table A9 – Asset Management (Continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
CAPITAL EXPENDITURE										
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	88,119	121,000	162,495	162,495	115,658	132,674	161,584
Community Facilities		-	-	-	6,000	14,036	14,036	9,990	11,460	13,957
Sport and Recreation Facilities		-	-	5,288	29,600	4,704	4,704	3,348	3,841	4,678
Community Assets		-	-	5,288	35,600	18,740	18,740	13,339	15,301	18,635
Heritage Assets		-	-	175	600	1,025	1,025	730	837	1,019
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	1,302	-	460	460	327	376	457
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	1,302	-	460	460	327	376	457
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	987	1,200	2,485	2,485	1,769	2,029	2,471
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	395,179	503,613	524,994	524,994	293,205	361,939	464,029
Roads Infrastructure		-	-	136,717	91,700	169,715	169,715	94,784	117,004	150,007
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	38,651	29,000	29,000	29,000	16,196	19,993	25,632
Water Supply Infrastructure		-	-	45,611	94,551	67,950	67,950	37,950	46,846	60,059
Sanitation Infrastructure		-	-	62,823	85,100	70,100	70,100	39,150	48,328	61,960
Solid Waste Infrastructure		-	-	35	5,000	5,000	5,000	2,792	3,447	4,419
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	283,836	305,351	341,765	341,765	190,873	235,618	302,078
Community Facilities		-	-	83,227	116,655	107,763	107,763	60,184	74,293	95,249
Sport and Recreation Facilities		-	-	10,366	19,450	28,431	28,431	15,878	19,601	25,129
Community Assets		-	-	93,593	136,105	136,193	136,193	76,063	93,894	120,378
Heritage Assets		-	-	476	950	950	950	531	655	840
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	14,455	57,800	41,460	41,460	23,155	28,583	36,645
Housing		-	-	1,116	-	-	-	-	-	-

MBRR Table A9 – Asset Management (Continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
Other Assets		–	–	15,572	57,800	41,460	41,460	23,155	28,583	36,645
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	1,702	3,407	4,626	4,626	2,583	3,189	4,088
Total Capital Expenditure	4	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448
Roads Infrastructure		110,539	28,877	354,171	464,001	651,714	651,714	566,059	627,716	672,020
Storm water Infrastructure		–	–	25,226	10,156	10,708	10,708	11,121	11,941	11,814
Electrical Infrastructure		137,712	111,094	124,981	204,320	192,848	192,848	181,033	197,837	204,627
Water Supply Infrastructure		7,475	–	152,386	213,885	214,244	214,244	171,421	193,111	215,311
Sanitation Infrastructure		8,975	–	310,480	347,874	279,840	279,840	256,978	282,219	293,361
Solid Waste Infrastructure		29,362	2,157	43,297	58,852	53,852	53,852	53,529	57,925	58,317
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		787,355	1,035,708	44,481	25,450	62,250	62,250	64,650	69,418	68,679
Infrastructure		1,081,416	1,177,836	1,055,023	1,324,539	1,465,456	1,465,456	1,304,791	1,440,166	1,524,128
Community Facilities		38,957	11,356	84,510	139,805	143,423	143,423	92,633	109,867	133,064
Sport and Recreation Facilities		–	1,149	16,413	51,050	35,740	35,740	21,933	26,347	32,682
Community Assets		38,957	12,505	100,923	190,855	179,163	179,163	114,565	136,214	165,745
Heritage Assets		–	–	1,386	1,680	3,158	3,158	2,489	2,811	3,165
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		41,234	1,887	30,444	62,950	56,112	56,112	38,222	44,785	52,761
Housing		–	–	1,116	–	–	–	–	–	–
Other Assets		41,234	1,887	31,561	62,950	56,112	56,112	38,222	44,785	52,761
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
Intangible Assets		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
Computer Equipment		20,975	23,546	2,948	9,521	6,237	6,237	6,478	6,955	6,881
Furniture and Office Equipment		1,171	10,223	8,925	22,618	23,758	23,758	24,674	26,494	26,212
Machinery and Equipment		326	3,337	12,264	48,443	62,363	62,363	64,768	69,544	68,804
Transport Assets		–	50,142	111,976	36,300	85,568	85,568	151,056	144,679	144,135
Land		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	1,702	3,407	4,626	4,626	2,583	3,189	4,088
TOTAL CAPITAL EXPENDITURE - Asset class		1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

MBRR Table A9 – Asset Management (Continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Infrastructure		277,791	317,612	146,488	219,341	198,741	198,741	186,816	205,498	226,048
Community Facilities		5,091	7,743	6,994	7,257	6,198	6,198	5,827	6,409	7,050
Sport and Recreation Facilities		2,829	2,140	2,613	1,833	1,833	1,833	1,723	1,895	2,085
Community Assets		7,920	9,883	9,607	9,090	8,031	8,031	7,549	8,304	9,135
Heritage Assets		-	-	-	10	10	10	9	10	11
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
Housing		-	-	-	-	-	-	-	-	-
Other Assets		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	1,201	701	701	659	725	797
Intangible Assets		-	-	-	1,201	701	701	659	725	797
Computer Equipment		118	922	2,311	1,771	1,267	1,267	1,191	1,310	1,441
Furniture and Office Equipment		1	0	5,183	8,146	7,770	7,770	7,304	8,035	8,838
Machinery and Equipment		-	-	125,740	177,620	149,635	149,635	140,657	154,722	170,195
Transport Assets		1,008	(2,783)	29,195	30,906	28,624	28,624	22,655	24,921	27,413
Land		219	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		1,201,657	1,186,457	1,348,154	1,390,042	1,321,433	1,321,433	1,291,673	1,366,631	1,505,842
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0.0%	0.0%	36.9%	37.8%	37.1%	37.1%	24.5%	27.0%	32.0%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	0.0%	49.5%	73.9%	79.2%	79.2%	47.4%	55.1%	63.1%
<i>R&M as a % of PPE</i>		2.7%	2.4%	2.0%	2.5%	2.2%	2.2%	2.0%	2.1%	2.2%
<i>Renewal and upgrading and R&M as a % of PPE</i>		3.0%	2.0%	5.0%	6.0%	6.0%	6.0%	4.0%	4.0%	5.0%

Explanatory notes to Table A9 – Asset Management

1. Table A9 provides an overview of municipal capital allocations to acquiring new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. In the 2019/20 financial year BCMM has allocated 24.48% of its capital budget towards asset upgrading and renewal and 2% for Repairs and Maintenance as a percentage of PPE, which is at current replacement.
3. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. It should be borne in mind that Buffalo City Metropolitan Municipality budgets has valued certain of its assets on the revaluation model and therefore the above percentage allocations should be adjusted accordingly to reflect the increase in asset values due to different valuation methodologies.

Table 28: MBRR Table A10 – Basic Service Delivery Measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Household service targets										
Water:										
Piped water inside dwelling	1	118,000	118,000	118,000	121,800	121,800	121,800	122,054	122,308	122,562
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	104,000	105,000	105,000	126,730	126,730	126,730	127,476	128,222	128,968
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		222,000	223,000	223,000	248,530	248,530	248,530	249,530	250,530	251,530
Using public tap (< min.service level)	3	1,000	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		1,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
<i>Below Minimum Service Level sub-total</i>		2,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
Total number of households	5	224,000	224,000	224,000	253,477	253,477	253,477	253,477	253,477	253,477
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		157,011	158,671	158,671	160,671	160,671	160,671	161,171	161,671	162,171
Flush toilet (with septic tank)		5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437
Chemical toilet		3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544
Pit toilet (ventilated)		31,309	36,298	36,298	40,536	40,536	40,536	43,336	44,836	46,336
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		197,301	203,950	203,950	210,188	210,188	210,188	213,488	215,488	217,488
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		21,790	19,754	19,754	19,754	19,754	19,754	19,754	19,754	19,754
No toilet provisions		4,477	-	-	23,535	23,535	23,535	20,235	18,235	16,235
<i>Below Minimum Service Level sub-total</i>		26,267	19,754	19,754	43,289	43,289	43,289	39,989	37,989	35,989
Total number of households	5	223,568	223,704	223,704	253,477	253,477	253,477	253,477	253,477	253,477
Energy:										
Electricity (at least min.service level)		7,298	5,873	5,873	5,903	5,903	5,903	5,918	5,918	5,918
Electricity - prepaid (min.service level)		119,832	118,628	118,628	119,619	119,619	119,619	122,151	122,151	122,151
<i>Minimum Service Level and Above sub-total</i>		127,130	124,501	124,501	125,522	125,522	125,522	128,069	128,069	128,069
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
Total number of households	5	167,371	163,742	163,742	162,363	162,363	162,363	176,949	176,949	176,949

MBRR Table A10 – Basic Service Delivery Measurement – Continue

Refuse:										
Removed at least once a week		126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
	<i>Minimum Service Level and Above sub-total</i>	126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
Removed less frequently than once a week		1,980	1,980	1,980	1,980	1,980	1,980	40,556	40,556	40,556
Using communal refuse dump		2	2	2	2	2	2	2	2	2
Using own refuse dump		1	1	1	1	1	1	1	1	1
Other rubbish disposal		-	-	4	4	4	4	4	4	4
No rubbish disposal		3	3	3	3	3	3	3	3	3
	<i>Below Minimum Service Level sub-total</i>	1,986	1,986	1,990	1,990	1,990	1,990	40,566	40,566	40,566
Total number of households	5	128,030	128,486	129,227	131,990	131,990	131,990	190,117	190,117	190,117
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)	7	65,536	57,252	48,915	125,292	125,292	125,292	127,792	130,292	132,792
Sanitation (free minimum level service)		65,536	57,252	48,915	44,482	44,482	44,482	46,982	49,482	51,982
Electricity/other energy (50kwh per household per month)		73,750	75,540	68,180	77,845	77,845	77,845	80,345	82,845	85,345
Refuse (removed at least once a week)		65,536	57,252	48,915	49,458	49,458	49,458	51,958	54,458	56,958
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)	8	31,348	-	169,134	158,220	158,220	158,220	163,870	176,980	194,412
Sanitation (free sanitation service to indigent households)		76,354	-	-	70,143	70,143	70,143	79,167	85,500	90,117
Electricity/other energy (50kwh per indigent household per month)		8,778	-	(7,281)	59,146	59,146	59,146	62,158	67,373	73,025
Refuse (removed once a week for indigent households)		71,020	-	-	129,077	129,077	129,077	136,352	147,260	155,212
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
		-	-	-	-	-	-	-	-	-
Total cost of FBS provided		187,499	-	161,852	416,587	416,587	416,587	441,547	477,113	512,767
Highest level of free service provided per household										
Property rates (R value threshold)		120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)		89	96	105	114	114	114			
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		170	170	170	170	170	170	170	170	170
Revenue cost of subsidised services provided (R'000)										
Property rates (tariff adjustment) (impermissable values per section 17 of MPRA)	9									
Property rates exemptions, reductions and rebates and impermissable values in excess of section 17 of MPRA		33,739	98,766	33,089	180,375	180,375	180,375	197,543	213,347	224,867
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		33,739	98,766	33,089	180,375	180,375	180,375	197,543	213,347	224,867

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget Steering Committee has been established in terms Section 53 of the MFMA and Municipal Budget Reporting Regulations.

The Budget Steering Committee consists of the City Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance. The Portfolio MMC for Municipal Services, MMC for Infrastructure Services, MMC for Spatial Planning & Development and MMC for Corporate Services are also member of the Budget Steering Committee meetings as appointed by the Executive Mayor.

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

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

2.1.1 IDP/Budget Process Overview

In terms of Section 30 of the Municipal Systems Act no 32 of 2000, *the Executive Mayor of a municipality must in accordance with S29-*

“(c) submit the draft plan to the municipal council for adoption, further

Section 53 of the Municipal Finance Management Act no 56 of 2003 subsection 1 (b) *The Mayor of the Municipality must coordinate the annual revision of the IDP in terms of S34 of the MSA and the preparation of the*

annual budget and determine how the IDP is to be taken into account/ or revised for the purposes of the budget.

The budget process is governed by the Municipal Finance Management Act 56 of 2003 and the Municipal Systems Act 32 of 2000. The objective process is to ensure good governance and accountability and enables the municipality to involve residents and other stakeholders in the budgeting process.

In terms of Section 16 of the Municipal Finance Management Act (MFMA) No 56, 2003:

- (1) "The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year".*
- (2) "In order for a municipality to comply with subsection (1), the mayor of the municipality must table an annual budget at a council meeting at least 90 days before the start of the budget year".*

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 Executive Mayor has established a Budget Steering Committee, which consists of the Portfolio Head for Finance (Chairperson), Portfolio Head for Municipal Services, Portfolio Head for Infrastructure Services, Portfolio Head for Spatial Planning & Development, Portfolio Head for Corporate Services and Senior Managers.

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

Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, adoption and review of its Integrated Development Plan. In compliance with this requirement Buffalo City Metropolitan Municipality adopted the plan on 29 August 2018.

Table 29: Key activities in the review of the 2018/19 IDP and MTREF Budget

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	Advertise and make public Adopted IDP and MTREF for 2018/19	IDP and BTO Departments	11 June 2018
	Submit adopted IDP and MTREF to Local Government and Traditional Affairs department and Treasury Departments	IDP and BTO Departments	13 June 2018
	State of the Metro Address	Executive Mayor's Office	21 June 2018
	Executive mayor approves Final 2018/19 SDBIP	Executive Mayor's Office	27 June 2018
	Tabling of the IDP/Budget/PMS Process Plan for 2019/20 IDP/Budget Review to Top Management	IDP and BTO Departments	10 July 2018
	Tabling of the IDP/Budget/PMS Process Plan for 2019/20 IDP/Budget Review to Potfolio Committee	IDP and BTO Departments	18 July 2018
	Advertise and make public Final SDBIP 2018/19	PMS Department	26 July 2018
PHASE 1: ANALYSIS			
	Advertise to solicit updates of the community and stakeholder register	IDP and BTO Departments	08 Aug 2018
	Update Community and stakeholder register	IDP Unit	15 Aug 2018
	External Stakeholders' engagement on the Draft IDP/Budget Process Plan via IDP/Budget Representative Forum	IDP and BTO Departments	22 Aug 2018
	BCMM Technical IGR Forum	BCMM IGR Secretariat	23 August 2018
	Council Meeting: <ul style="list-style-type: none"> Adoption of the IDP/Budget Process Plan for 2019/20 IDP/Budget Adoption of Approval of 2017/2018 rollover adjustment budget (Excluding Conditional Grant Funded Projects) 	Council	29 Aug 2018
Institutional, Community and stakeholder analysis	Advertise Adopted IDP/Budget Process Plan for 2019/20 IDP/Budget	IDP and BTO Departments	31 Aug 2018
	Consideration of Socio- Economic Priorities	Innovative & Productive City Work-Streams	03 Sept – 04 Oct 2018
	Institutional analysis	Well Governed City Work-Stream	03 Sept – 04 Oct 2018

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	Analysis of Spatial Priorities	Spatial Transformation Work-Stream	03 Sept – 04 Oct 2018
	Physical and virtual analysis	Connected City Work-Stream	Sept – 04 Oct 2018
	Environmental Sustainability analysis	Green City Work-Stream	03 Sept – 04 Oct 2018
	Advertise adopted IDP/Budget/PMS Process Plan	IDP/PMS	07 Sept 2018
	<ul style="list-style-type: none"> Submit to National Treasury and Provincial Treasury Roll-over adjustment budget in terms of National Treasury reporting requirements Publicise Roll-Over Adjustment Budget 	Budget and Treasury	07 Sept 2018
	Executive Mayoral Imbizo <ul style="list-style-type: none"> Executive Mayor interacts with ward communities to listen to needs and concerns Executive Mayor provides feedback on approved programmes and projects 	Executive Mayor's office	9-12 Oct 2018
PHASE 2: STRATEGIES			
	Meeting and Consultation with Ward Councillors on the review of Ward Priorities	Deputy Executive Mayor's Office/ IDP	01-03 October 2018
	Reviewal of ward priorities	Deputy Executive Mayors Office/ IDP	01-03 October 2018
	Mayoral Lekgotla Session: <ul style="list-style-type: none"> Review of strategic objectives for service delivery and development 	Executive Mayor's office	18-20 Oct 2018
	Councillors Session on Outcomes of the Mayoral Lekgotla	IDP/PMS, Office of the Speaker & Office of the Executive Mayor	9-10 November 2018

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	Budget Workshops-With all Directorates	Budget and Treasury	12 - 16 November 2018 (No dates for Budget workshop on the 2018 Calendar)
	Discussion and consideration of Objectives, strategies and development Priorities	IDP/Budget Work-Streams	15 – 21 November 2018
	BCMM Technical IGR Forum	BCMM IGR Secretariat	16 November 2018
	IDP/PMS/Budget External Representative Forum to present Institutional Situational Analysis and Objectives and Strategies	IDP Department	06 Dec 2018
PHASE 3: PROGRAMME AND PROJECTS			
Identifying, prioritising, costing programmes and projects	Top Management Technical Planning Session: <ul style="list-style-type: none"> Confirmation of draft reviewed IDP Objectives, Strategies and Projects 2019/20 MTREF Budget Consideration of 2018/19 mid-year adjustment budget 	IDP/PMS/ BTO	07-22 January 2019
	IDP/Budget steering Committee to Consider <ul style="list-style-type: none"> 2018/19 Mid-year performance and performance assessment adjustment budget 2017/18 Annual Report 	IDP/PMS/ BTO	22-25 January 2019
	Municipal Entity to submit the proposed budget, priorities and objectives to the municipality.	Municipal Entity/ BTO/IDP/PMS	31 January 2019
	Publication of 2018/19 mid-year budget and performance assessment	BTO Department	01 February 2019
	Work Streams to Prioritise Programmes and Projects	IDP/Budget Work streams	5-7February 2019
	CAPEX Programmes and Projects and OPEX Programmes and Projects costing	BTO Department	5-7 February 2019

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	Work Streams to Set project targets and indicators	IDP/Budget Work streams	
PHASE 4: INTEGRATION			
	Consideration and ensuring that MEC Comments are addressed	IDP/Budget Workstreams	February 2019
	Integration and Alignment of Sectoral plans into the IDP		
	Integration and Alignment of Operational plans to the IDP		
	BCMM Technical IGR Forum	BCMM IGR Secretariat	15 February 2019
	Mid-year Budget and Performance Assessment Review by National Treasury	IDP/PMS/BTO/ Compliance Office	11-12 February 2019
	Top Management Meeting: Consideration of draft IDP Review and the 2019/20 to 2021/22 MTREF budget.	IDP/PMS/Budget & Treasury	25 February 2019
	Council considers and approves the 2018/2019 Mid-Year adjustment budget, IDP, BEPP and SDBIP (Conditional grant rollovers included)	IDP/PMS/Budget & Treasury	27 February 2019
	IDP/Budget Rep Forum to Present Mid-year Budget Adjustment and Priority Programmes for 2019/20	IDP/PMS/BTO	28 February 2019
PHASE 5: APPROVAL			
	IDP and Budget Steering Committee <ul style="list-style-type: none"> Consideration of draft IDP/MTREF Budget 2019/20 Review 	IDP and BTO Departments	01 March 2019
	Council Workshop: <ul style="list-style-type: none"> Draft IDP/Budget 2019/20 Review of budget related policies 	IDP and BTO Departments	11-12 March 2019
	<ul style="list-style-type: none"> Submits to National Treasury 2018/2019 Mid-Year Adjustment Budget in terms of the National Treasury Reporting Requirements (Conditional grants rollovers included) Publicise 2018/2019 Mid-Year Adjustment Budget (Conditional grants rollovers included) 	Budget & Treasury	13 March 2019

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	The City to consider the proposed budget of the entity and assess the entity's (BCMDA) priorities and objectives and make recommendations. Board of directors to consider the recommendations and if necessary submit a revised budget.	BCMDA/IDP/PMS/BTO	22 March 2019
	COUNCIL MEETING <ul style="list-style-type: none"> Tabling and Adoption of Draft IDP and MTREF 2019/20 Review 	IDP and BTO Departments	27 March 2019
	Advertise Adopted of Draft IDP and MTREF 2019/20 Review <ul style="list-style-type: none"> Invite comments/inputs to the Draft IDP and MTREF budget Submits to MEC for Local Government and Traditional Affairs, National Treasury and to Provincial Treasury the adopted draft 2018/2019 IDP, SDBIP and draft MTREF Budget 	IDP and BTO Departments	05 Apr 2019
	BCMM Technical IGR Forum	BCMM IGR Secretariat	12 April 2019
	Top Management to discuss proposed consultations with councillors on IDP/Budget roadshows	IDP and BTO Departments	05 April 2019
	Consultation with ward councillors on IDP/Budget Roadshows (Inland, Midland & Coastal wards)	IDP AND BTO	08-12 April 2019
	IDP/Budget RoadShows (All Wards)	IDP and BTO Departments	15 April – 10 May 2019
	Assessment and incorporation of comments and inputs to the Draft IDP and Budget Review	IDP Unit	29 April 2019
	Municipal Budget and Benchmark Engagement by National Treasury	IDP/PMS/BTO/ Compliance Office	6-7 May 2019
	IDP/Budget RoadShows (Business Community and Traditional Leaders)	IDP and BTO Departments	7 - 9 May 2019
	Top Management Meeting: Consideration of final 2018/19 to 2020/21 MTREF budget.	IDP/PMS/Budget & Treasury	15 May 2019
	Council Open Day	Office of the Speaker	16 May 2019
	Budget Steering Committee Meeting: Consideration of final 2018/19 to 2020/21 MTREF budget.	IDP/PMS/Budget & Treasury	17 May 2019

PHASES	ACTIVITIES	RESPONSIBLE	DATES
	Council Workshop on the Final IDP/Budget for Final Adoption	IDP and BTO Departments	13-14 May 2019
	Council Meeting: <ul style="list-style-type: none"> • Approval and Adoption of the 2019/20 IDP and MTREF • Review Approval of BEPP 	IDP and BTO Departments	29 May 2019
	Advertise final adopted 2019/20 IDP/Budget Review and 2019/2020 MTREF Budget (local newspaper, BCMM libraries, BCMM website and notice boards)	IDP and BTO Departments	07 June 2019
	Submit adopted IDP and 2019/20 MTREF budget to Local Government and Traditional Affairs department and Treasury Department (Both Provincial and National Offices – hard and electronic copies)	IDP and BTO Departments	11 June 2018
	Publicise BCMM adopted tariffs <ul style="list-style-type: none"> • BCMM website and newspaper • Make public a copy of the tariff book and resolutions for public inspection at municipal offices 	IDP & BTO	12 June 2019
	Submits to MEC for Co-operative Governance and Traditional Affairs a copy Project implementation in accordance with the SDBIP	All Departments	July 2019 – June 2020

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The review of the 2019/2020 Integrated Development Plan commenced in September 2018 after the adoption of the IDP/Budget Process Plan by Council and the Budget Time Schedule for the 2019/20 MTREF.

The Metro's IDP is the 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 informs the Service Delivery and Budget Implementation Plan.

With the compilation of the 2019/20 MTREF, each function/directorate had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2018/19 Service Delivery and Budget Implementation Plan. Business planning responds to the Metro's priority needs, reviewed strategic objectives and informs the detail operating budget appropriations and three-year capital programme.

The Final Service Delivery and Budget Implementation Plan (SDBIP) with Final Performance Agreements will be submitted to the Executive Mayor after the approval of the IDP and Budget; and the Final SDBIP will be submitted to Council with the Performance Agreements within 28 days after the budget is tabled in Council.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2019/20 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the draft 2019/20 MTREF:

- i. City growth

- ii. Policy priorities and strategic objectives
- iii. Asset maintenance
- iv. Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- v. Performance trends
- vi. The approved 2018/19 adjustments budget and performance against the SDBIP
- vii. Cash Flow Management Strategy
- viii. Debtor payment levels
- ix. Loan and investment possibilities
- x. The need for tariff increases versus the ability of the community to pay for services;
- xi. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 93 and 94 have been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2019/20 Integrated Development Plan review and MTREF Budget as well as BEPP will be tabled at Council on 27 March 2019. Thereafter the draft documents will be made available to the community via the municipality's website, and hard copies will be made available at customer care offices and municipal libraries.

IDP/Budget road shows to present the draft IDP and Budget are to be held from 14 to 26 April 2019. Consultation with the IDP/Budget Representative Forum and Traditional Leaders on the draft 2019/2020 IDP and Budget review was also undertaken. A platform will be afforded all municipal stakeholders to engage the Draft IDP/Budget Review, through a Council Open Day scheduled to be held on 16 May 2019.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The IDP review process was undertaken within the framework of National, Provincial and District policies and legislation. Some of the key informants that guide the review and refinement of IDP objectives and strategies include the following:

- i. National Development Plan;
- ii. Sustainable Development Goals (SDGs);
- iii. 12 Outcomes adopted by National Cabinet in January 2010;
- iv. BCMM Ward priorities;
- v. Priorities from the Mayoral Lekgotla held on 21 –23 October 2016 and annually reviewed thereafter.

The following table highlights the IDP's five strategic outcomes for the 2019/20 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 30: IDP'S Five Strategic Objectives

Strategic Objective 1:	An Innovative and Productive City
Strategic Objective 2:	A Green City
Strategic Objective 3:	A Connected City
Strategic Objective 4:	A Spatially Transformed City
Strategic Objective 5:	A Well-Governed City

The national sphere of government develops and promulgates legislation, policies and strategies which all spheres have to implement. In developing their own plans and policies, other spheres of government, particularly the local government sphere has to ensure that there is alignment with both National and Provincial plans. Key plans and policies include the National Development Plan, Provincial Development Plan –EC Vision 2030, Sustainable Development Goals and the 12 Outcomes of Government. These are aligned below:

Table 31: Alignment of BCMM Strategic Objectives with National and Provincial Priorities

BCMM Strategic Objective	12 Outcomes	Provincial Development Plan	National Development Plan	Sustainable Development Goals	National 10 Point Plan
An innovative and productive city.	<p>Decent employment through inclusive economic growth</p> <p>A skilled and capable workforce to support inclusive growth</p> <p>An efficient, competitive and responsive economic infrastructure network.</p>	<p>A growing, inclusive and equitable economy.</p> <p>Vibrant and equitably enabled communities.</p>	<p>Unemployment rate should fall from 27% in 2011 to 14% by 2020 and to 6% by 2030.</p> <p>Total employment should rise from 13 million to 24 million.</p>	<p>Ensure access to affordable, reliable, sustainable economic growth, full and productive employment and decent work for all.</p>	<p>Unlocking the potential of SMMEs, cooperatives, township and rural enterprises.</p> <p>Operation Phakisa aimed growing the ocean economy and other sectors</p> <p>Encouraging private sector investment.</p>
A green city.	<p>Protection and enhancement of environmental assets and natural resources.</p>	<p>A growing, inclusive and equitable economy.</p>	<p>Achieve the peak, plateau and decline trajectory for greenhouse gas emissions, with the peak being achieved around 2025</p> <p>By 2030, an economy-wide carbon price should be entrenched.</p>	<p>Take urgent action to combat climate change and its impacts.</p>	<p>Resolving the energy challenge.</p> <p>Revitalizing agriculture and the agro-processing value chain</p>
A well-governed city.	<p>Improve the quality of basic education.</p>	<p>An educated, empowered, and innovative citizenry.</p>	<p>All children should have at least two years of pre-school education. This implies about 2 million places</p> <p>About 80% of schools and learners achieve 50% and above in literacy, mathematics and science in grades 3, 6, 9.</p>	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<p>N/A</p>

BCMM Strategic Objective	12 Outcomes	Provincial Development Plan	National Development Plan	Sustainable Development Goals	National 10 Point Plan
			At least 80% of students should complete 12 years of schooling.		
A spatially-integrated city.	<p>Improve health and life expectancy.</p> <p>Sustainable human settlements and improved quality of household life</p>	<p>A healthy population.</p> <p>Vibrant and equitably enabled communities (Universal access to social infrastructure).</p>	<p>By 2030, life expectancy should reach at least 70 for both men and women.</p> <p>Infant mortality rate should decline from 43 to 20 per 1000 live births and the under-five mortality rate should be less than 30 per 1000, from 104 today.</p> <p>The proportion of people with access to electricity should rise from 70% in 2010 to 95% by 2030, with no grid options available for the rest.</p> <p>Ensure that all people have access to clean, potable water and that there is enough water for agriculture and industry.</p>	<p>Ensure healthy lives and promote well-being for all at all ages.</p> <p>Ensure availability and sustainable management of water and sanitation for all.</p>	<p>N/A</p> <p>State reform and boosting the role of state owned companies, ICT infrastructure or broadband roll out, water, sanitation and transport infrastructure as well as.</p>
A well-governed city.	A development-orientated public service and inclusive citizenship.	An educated, empowered and innovative citizenry.	A capable and effective state, able to enhance economic opportunities, support the development of capabilities and intervene to ensure a rising floor of social rights for the poor.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Moderating workplace conflict.

During the development process an effort was made to ensure that the IDP is fully aligned with the Metro Growth and Development Strategy. Over the five-year term, the City will concentrate on the 5 strategic outcomes to be achieved by the year 2030:

- i. **An Innovative and Productive City:** with rapid and inclusive economic growth and falling unemployment.
- ii. **A Green City:** environmentally sustainable with optimal benefits from our natural assets. A clean and healthy City of subtropical gardens.
- iii. **A Connected City:** high-quality (and competitively priced) connections to ICT, electricity and transport networks (inside the City and to the outside world).
- iv. **A Spatially Transformed City:** the spatial divisions and fragmentation of the apartheid past are progressively overcome and township economies have become more productive.
- v. **A Well-Governed City:** a smart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost-effective infrastructure, without maladministration and political disruptions.

The draft 2019/20 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 32: MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Innovative and Productive City	Promote sound financial and administrative capabilities			128,241	146,680	166,096	188,909	189,237	189,237	206,164	221,337	238,491	
	Maintain Inclusive and sustainable economic Growth												
	Enhance land productivity through sustainable agriculture land-use technologies												
A green city	To Promote an environmentally Friendly City			489,654	445,151	452,016	514,098	514,993	514,993	561,058	602,349	649,032	
A connected city	Develop and maintain world class logistics infrastructure			87,267	59,147	28,325	32,215	32,271	32,271	35,158	37,745	40,671	
A spatially Transformed city	To promote an integrated spatial form		✓	2,357,668	2,601,600	2,778,092	3,369,485	3,296,908	3,296,908	3,100,210	3,392,369	3,650,634	
A well governed city	Promote sound financial and administrative capabilities		✓	2,399,371	2,025,169	2,072,875	2,412,515	2,517,409	2,517,409	3,069,418	3,295,314	3,550,705	
Allocations to other priorities			2										
Total Revenue (excluding capital transfers and contributions)				1	5,462,201	5,277,747	5,497,405	6,517,222	6,550,819	6,550,819	6,972,008	7,549,115	8,129,533

Table 33: MBRR Table SA5 - Reconciliation between the IDP Strategic Objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Innovative and Productive City	Promote sound financial and administrative capabilities			441,610	505,424	519,983	558,122	558,122	558,122	598,244	647,762	697,564
A green city	To Promote an environmentally Friendly City			369,279	374,296	323,540	347,271	347,271	347,271	372,235	403,046	434,034
A connected city	Develop and maintain world class logistics infrastructure			876,902	916,569	1,097,819	1,178,341	1,178,341	1,178,341	1,263,050	1,367,596	1,472,741
A spatially Transformed city	To promote an integrated spatial form			3,002,831	2,939,597	3,203,075	3,443,611	3,477,174	3,477,174	3,680,856	3,985,531	4,291,950
A well governed city	Promote sound financial and administrative capabilities			827,327	851,731	918,578	985,953	985,953	985,953	1,056,831	1,144,308	1,232,286
Allocations to other priorities												
Total Expenditure				5,517,949	5,587,617	6,062,994	6,513,298	6,546,861	6,546,861	6,971,215	7,548,243	8,128,575

Table 34: MBRR Table SA6 – Reconciliation between the IDP Strategic Objectives and budgeted Capital Expenditure

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
R thousand													
Innovative and Productive City	Promote sound financial and administrative capabilities	A		–	324,818	98,908	130,177	141,995	141,995	124,262	137,642	146,610	
A green city	To Promote an environmentally Friendly City			29,362	80,465	59,471	78,272	85,378	85,378	74,716	82,761	88,153	
A connected city	Develop and maintain world class logistics infrastructure			300,072	328,137	372,509	490,275	534,784	534,784	467,997	518,389	552,164	
A spatially Transformed city	To promote an integrated spatial form			853,085	381,837	678,066	894,780	976,012	976,012	917,122	996,089	1,057,731	
A well governed city	Promote sound financial and administrative capabilities			1,570	166,015	121,292	159,638	174,131	174,131	152,384	168,792	179,790	
Allocations to other priorities			3										
Total Capital Expenditure				1	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

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

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

Table 35: MBRR Table SA7 - Measurable performance objectives

Description	Unit of measurement	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Vote 1 - Infrastructure Services										
Function 1 - Water and Sanitation										
Sub-function 1 - Water Services										
To ensure that households within BCMM have access to basic level of water	% of households with access to basic level of water supply	99.0%	99.0%	98.0%	99.0%	99.0%	99.0%	99.0%	99.0%	99.0%
Provision of high quality drinking water in BCMM	% Compliance of water treatment works with SANS 241 requirements	N/A	99.0%	>95%	>95%	>95%	>95%	>95%	>95%	>95%
Implement the water demand and conservation projects	Number of kilo-litres reduced (physical water losses in terms of system losses)	41.0%	4 198 MI	1300 MI	600 MI	600 MI	600 MI	600 MI	600 MI	600 MI
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - Energy and electricity										
Sub-function 1 - Electricity										
Address energy backlogs and invest in human capital	% of households with access to a basic level of electricity within BCMM area of supply	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
	Number of informal dwellings provided with a basic electricity service	1768	1002	1000	5000	5000	5000	5000	5000	500000.0%
	Number of new highmast lights installed	0	5	8	10	10	10	10	10	1000.0%
Function 3 - (Roads)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
	Number of bridges rehabilitated	1	3	3	3	3	3	3	3	300.0%
	Km of surfaced roads	25 km	25 km	30km	30km	30km	30km	30km	30km	30km
	Km of gravel roads rehabilitated (regravelled)	100km	120km	80km	80km	80km	80km	80km	80km	80km
	Km of roads maintained	1200km	700km	700km	700km	700km	700km	700km	700km	700km
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 3 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
And so on for the rest of the Votes										

Table 36: MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Borrowing Management											
Credit Rating		A1-/A	A1-/A	A1-/A	A1-/A	A1-/A	A1-/A	A1-/A			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.0%	1.8%	1.5%	1.8%	1.5%	1.5%	1.5%	1.4%	1.4%	1.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.7%	2.5%	2.2%	2.4%	1.9%	1.9%	1.9%	1.8%	1.9%	2.1%
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%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	9.7%	5.7%	3.8%	9.5%	7.7%	7.7%	7.7%	2.5%	3.8%	4.7%
Liquidity											
Current Ratio	Current assets/current liabilities	2.3	2.3	2.0	2.6	2.5	2.5	2.5	2.0	2.2	2.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.3	2.3	1.2	1.3	1.3	1.3	1.3	0.9	1.1	1.2
Liquidity Ratio	Monetary Assets/Current Liabilities	1.5	1.3	1.1	1.2	1.1	1.1	1.1	1.0	1.1	1.2
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		100.0%	100.0%	100.0%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		100.0%	100.0%	100.0%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%	92.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	24.3%	24.0%	25.0%	27.9%	27.7%	27.7%	27.7%	25.3%	26.9%	28.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	21.2%	20.5%	17.9%	525895.7%	525895.7%	525895.7%	525895.7%	15.2%	13.9%	12.8%
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	42.9%	41.2%	39.4%

MBRR Table SA8 - Performance indicators and benchmarks (continued)

Description of financial indicator	Basis of calculation	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	215005296	255384202	262897832	271620525	271620525	271620525	271620525	324627740.9	282802709	253034002
	Total Cost of Losses (Rand '000)	180,455	218,820	236,502	249,891	249,891	249,891	249,891	357,091	339,363	328,944
	% Volume (units purchased and generated less units sold)/units purchased and generated	14.5%	16.1%	17.7%	17.9%	17.9%	17.9%	17.9%	21.8%	19.0%	17.0%
Water Distribution Losses (2)	Total Volume Losses (kℓ)	27,327,983	21,329,702	28,850,421	19,996,000	19,996,000	19,996,000	19,996,000	26,661,334	23,328,667	19,996,000
	Total Cost of Losses (Rand '000)	116720	100799	140,262	85405000	85405000	85405000	85405000	113,873	99,639	85,405
	% Volume (units purchased and generated less units sold)/units purchased and generated	41.0%	34.1%	43.7%	30.0%	30.0%	30.0%	30.0%	40.0%	35.0%	30.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.8%	30.8%	33.4%	30.1%	30.7%	30.7%	30.7%	32.1%	31.6%	31.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	25.9%	31.9%	34.5%	31.1%	31.6%	31.6%		33.0%	32.5%	32.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.3%	7.2%	6.5%	7.6%	6.5%	6.5%		5.7%	5.8%	5.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	16.9%	16.2%	18.9%	14.7%	14.3%	14.3%	14.3%	14.0%	14.4%	14.8%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	16.6	17.8	17.1	19.9	19.9	19.9	22.4	23.2	23.3	24.9
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	34.4%	36.5%	37.5%	39.4%	39.6%	39.6%	39.6%	36.0%	38.3%	40.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	7.8	5.1	4.7	3.8	3.6	3.6	3.6	3.7	3.9	4.2

2.3.1.1 Borrowing management

The City has a credit rating of A1_(za) (Short Term) and A_(za) (Long Term) together with a low gearing ratio thus enabling the City to borrow capital to fund its revenue generating infrastructure. However, the City adopts a conservative approach in its ability to borrow due to repayment constraints associated with operational surpluses.

The following financial performance indicators have formed part of the compilation of the draft 2019/20 MTREF budget:

Capital charges to operating expenditure is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is slightly increasing from 1.4% in 2019/20 to 1.6% in 2021/22 over the MTREF. This increase can be attributed to new loan funding being sourced during 2019/20 MTREF period.

2.3.1.2 Safety of capital

The debt-to-equity ratio over the MTREF period increases from 2.5% in the 2019/20 period to 4.7% in the 2021/22 period. The ratio indicates the taking up of new loan funding.

2.3.1.3 Liquidity

Current ratio for the 2019/20 financial year is 2.0:1 and slightly increase to 2:4: over the MTREF. The City is in a position to repay its current liabilities and thus strives to maintain this ratio above the public sector norm of 1.5:1. Included in the current assets is the City's debt book which has a collection ratio of 92.5% and the recoverability of this is considered to be obtainable.

The liquid ratio for the 2019/20 financial year is 1.0:1 and increases to 1.2:1 in the 2021/22 financial year. The City aims to maintain a consistent stock level over the MTREF period to adequately respond to emergency situations relating to service delivery considerations.

2.3.1.4 Revenue Management

The City has adopted an aggressive Revenue Enhancement Strategy, which includes revenue generation, accuracy of meter reading, regular supplementary valuations, and ensuring all residents receive a correct bill that the City has rendered thereby contributing to the confidence of the consumers. The current collection rate of 85.43% as at 28 February 2019 is expected to improve to 92.5% over the MTREF period.

2.3.1.5 Creditors Management

The City has managed to ensure that creditors are settled within the legislated 30 days of statement, except for those that are under dispute. SMME's are paid bi-monthly. By applying daily cash flow management, the municipality has managed to ensure a 100% compliance.

2.3.1.6 Other Indicators

- i. Employee costs as a percentage of operating revenue is 32% in the 2019/20 financial year and slightly decreases to 31% over the MTREF. Though this rate is still within the norm, the increasing trend is a concern that require close monitoring.
- ii. The Electricity distribution losses is 26% as at 28 February 2019 and through interventions the City anticipates to decrease losses to 17% by 2021/22. This continues to be an area of focus to reduce electricity losses. There is a program that is undertaken by the City to electrify informal dwellings which would also assist in reducing illegal connects.
- iii. The City has established a Revenue Protection Unit, the main aim of this unit is to reduce the losses; however, there is a limit to what can be done with limited resources in the short term and the extent to which losses can be limited.

- iv. The overall average of non-revenue water amounts to 45.1% at 28 February 2019 and the City anticipates to decrease to 30% by 2021/22.
- v. BCMM has developed a Water Conservation and Water Demand Management (WC/WDM) Strategy, which focuses primarily on reducing the level of non-revenue water to enhance both the financial viability of and water supply sustainability to BCMM.
- vi. The goals set in terms of this Strategy, are the following:
 - a. Reduction of non-revenue water:
 - b. Increased billed metered consumption:
 - c. Reduction of raw water treatment losses:
 - d. Ability to undertake detailed water balances:
 - e. Promotion of water use efficiency
- vii. Repairs and maintenance as a percentage of total operating revenue is on average 5.7% over the 2019/20 MTREF period.

2.3.2 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 City. Only registered indigents qualify for the free basic services.

The target is to register an average of at least 90 522 indigent households by the end of 2019/20 financial year, this process is reviewed annually: The City has a total of 85 522 registered indigent households. In terms of the Municipality's indigent policy, registered households are entitled to 6kℓ free water, and 50 kwh of electricity.

Registered indigents are also to receive the following monthly rebates in the 2019/20 financial year:

- i. Property Rates – R174.29 (based on a property value of R120 000)
- ii. Refuse Removal – R192.38

- iii. Sewerage Charges – R104.39
- iv. Fire Levy – R51.21

2.3.3 Providing Clean Water and Managing Waste Water

The BCMM is the Water Services Authority and has the executive authority to provide water services within its area of jurisdiction in terms of the Municipal Structures Act 118 of 1998 or the ministerial authorisations made in terms of this Act. The primary responsibility for Water Services Authority includes:

- i. **Ensuring access:** To ensure the realisation of the right of access to water services, particularly basic water services (subject to available resources) by seeing that appropriate investments in water services infrastructure are made.
- ii. **Planning:** To prepare water services development plans to ensure effective, efficient, affordable, economical and sustainable access to water services that promote sustainable livelihoods and economic development.
- iii. **Regulation:** To regulate water services provision and Water Services Providers within the jurisdiction of the municipality and within the policy and regulatory frameworks set by DWAF through the enactment of by-laws and the regulation of contracts.
- iv. **Provision:** To ensure the provision of effective, efficient and sustainable water services (including water conservation and demand management) either by providing water services themselves or by selecting, procuring and contracting with external Water Services Providers.

BCMM provides approximately 60% of bulk potable water through Umzonyana Water Treatment Works and KWT Water Treatment Works, 40% is provided by Amatola Water as Water Services Provider.

2.3.3.1 Blue Drop Status

Buffalo City Metropolitan Municipality achieved 72.8% on Blue Drop Score as it was audited by Department of Water and Sanitation in 2014. The 2014 audit

represents the last full audit carried out by the Department of Water and Sanitation. Subsequent audits have been in the form of Provisional Assessment Tools (PAT's) for which no scoring is allocated. The BCMM achieved 99% compliance with SANS 241 drinking water quality standards in the second quarter SDBIP reporting for 2018/19.

2.3.3.2 Green Drop Status

The BCMM had 15 of wastewater collector and treatment systems audited. From the 2013 Green Drop Audit BCMM obtained a Green Drop status for the East Bank WWTW and an overall Green Drop Score of 80.94%. The 2013 audit represents the last full audit carried out by the Department of Water and Sanitation. Subsequent audits have been in the form of Provisional Assessment Tools (PAT's) for which no scoring is allocated. The BCMM achieved 85% compliance against legislated final effluent water quality limits in the second quarter SDBIP reporting for 2018/19.

Currently the BCMM is faced with the following water service challenges:

- i. Capacity of the existing treatment works is inadequate to cater for current and future water demands
- ii. Aging water infrastructure
- iii. High rate of non-revenue water, which is approximately 43%
- iv. Additional funding is required to build new Water Treatment Works (Kei Road) and bulk pipe lines to Bhisho and Berlin to meet housing backlogs, new developments and Bhisho Precinct
- v. Alternative water resources required to be investigated to supplement existing water resources (surface water)

2.4 OVERVIEW OF BUDGET-RELATED POLICIES

2.4.1 Tariff Policy

In terms of Section 74(1) of the Municipal Systems Act No 32 of 2000, Council adopted the revised Tariffs Policy on 30 May 2018. No amendments have been made to the policy.

2.4.2 Rates Policy

In terms of Section 3 of the Municipal Property Rates Act No. 6 of 2004, the municipality adopted the revised Rates Policy on 30 May 2018. No amendments have been made to the policy.

2.4.3 Immovable Asset Management policy

The Immovable Asset Management Policy was adopted by Council on 30 May 2018. No amendments have been made to the policy.

2.4.4 Budget Virement Policy

The Budget Virement Policy was adopted by Council on 27 March 2019 and is to effectively and efficiently manage the budget transfers to ensure optimum service delivery. The amended policy is attached as annexure K (amendments are highlighted in the policy for easy reference).

2.4.5 Supply Chain Management Policy

In terms of Section 111 of the Municipal Finance and Management Act No. 56 of 2003 the municipality must adopt a Supply Chain Management policy. The reviewed policy was approved by Council on 30 May 2018. No amendments have been made to the policy.

2.4.6 Credit Control Policy

The reviewed Credit Control and Debt Collection Policy was approved by Council on 26 May 2017. No amendments have been made to the policy.

2.4.7 Indigent Policy

The reviewed Indigent policy was approved by Council on 26 May 2017. No amendments have been made to the policy.

2.4.8 Investment and Cash Management Policy

In terms of Section 13(2) of the Municipal Finance Management Act No. 56 of 2003, the municipality has adopted an investment and cash management policy. The policy was approved by Council on 31 May 2016. No amendments have been made to the policy.

2.4.9 Long-Term Borrowings Policy

A long-term borrowings policy has been developed in compliance with the Municipal Finance and Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations on Debt Disclosure. Council adopted the long-term borrowing policy on 31 May 2016. No amendments have been made to the policy.

2.4.10 Movable Asset Policy

The Movable policy was adopted on 26 May 2017 and no amendments have been made to the policy.

2.4.11 Capital Infrastructure Investment Policy

The Capital Infrastructure Investment Policy was adopted on 29 May 2014 and the objective is the adequate maintenance of assets so as to provide a return on the City's investments. No amendments have been made to the policy.

2.4.12 Funding and Reserves Policy

The Funding and Reserves policy was adopted by Council on 29 May 2013 and is aimed at ensuring that the Municipality has sufficient and cost-effective funding in order to achieve its long term objectives through the implementation of the medium term operating and capital budgets. No amendments have been made to the policy.

2.4.13 Policy on Long-Term Financial Planning

The Policy on Long Term Financial Planning was adopted by Council on 29 May 2013 and encompasses the development, implementation and evaluation of a plan for the provision of basic municipal services and capital assets. No amendments have been made to the policy.

2.4.14 Budget Policy

The Budget was adopted by Council the year 2007 and is to provide the principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget, and adjustment budgets. Council adopted the revised budget policy on 31 May 2016. No amendments have been made to the policy.

All the above policies are available and can be viewed on Buffalo City Metropolitan Municipality's Website: www.buffalocitymetro.gov.za.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

The draft 2019/20 – 2021/22 annual budget and MTREF was prepared using 2017/18 financial year's audit outcome and lessons learned from the 2018/19 budget and adjustment budget as a base. The guidelines and assumptions as outlined in the MFMA Circulars (93 and 94), National and Provincial Government priorities, including making reference to the Municipal Reporting and Budget Regulations.

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

- i. Efficient revenue management, which aims to ensure a 92.5% annual collection rate over the medium term for property rates and other key service charges;
- ii. Achievement of full cost recovery of specific user charges especially in relation to trading services;
- iii. Move from a flat-rate billing system to all consumers billed according to consumption;
- iv. Implementation of an automated billing system as opposed to a manual meter reading process;
- v. Regular Supplementary Valuations performed;
- vi. Implementation of a General Valuation every four years in terms of the Municipal Property Rates Act;
- vii. Creating a conducive environment to attract potential investors; and
- viii. Review of the Spatial Development Framework to allow for human capital resources to be closer to economic and job opportunities.

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

- i. Our expenditure strategy is ensuring that capital expenditure is incurred in line with the requirements detailed in the Spatial Development Framework to ensure maximum return to the municipality.
- ii. Re-prioritisation of expenditure to ensure any inefficiencies are eliminated to allow for own-funded capital programme.

- iii. Additional funding to be allocated to the maintenance of the infrastructure.

2.5.1 Depreciation

Buffalo City Metropolitan Municipality is attempting to comply with the guidelines provided by National Treasury in relation to future financial sustainability and has therefore implemented a revaluation policy relating to all infrastructure assets. It needs to be recognised that the whole reason for depreciation is to adequately allocate the cost of providing services against the revenue being generated. It further needs to be recognised within the Local Government environment that the resources being accumulated are to allow for the replacement of the asset which was originally created. Considering that the replacement of an asset that has reached its useful life will be the responsibility of Government through the various spheres including Local Government or, failing which, will become the responsibility of National Government. The determining factor would be then how much risk is borne by Local Government versus the risk borne by National Government. In order to adequately allow for the replacement of long term assets in the future, and to reduce the risk being placed on National Government to allow for the replacement, Buffalo City Metropolitan Municipality has implemented the revaluation policy for long term infrastructure assets. This does have the effect of increasing the monthly tariff to the local consumer, however it will allow for resources to be available to replace infrastructure assets that have reached the end of their useful lives.

As depreciation is an expenditure item which does not result in an outflow of cash, the effect would be to increase the cash resources that exist at a Local Government level. The main purpose of the increase in the cash resources is to allow for the replacement of infrastructure assets in the future. There is a further risk that a perception could be created with increasing cash resources that these are available for current use. Should these resources be utilised in an attempt to expand the city through the creation of additional infrastructure expansion it could have a severe adverse effect on the operations of the institutions in that any

expansion will result in an additional depreciation charge as part of the budgeting process and, furthermore, there will be no funding available at a local government level to allow for the replacement of infrastructure assets which is currently in operation. This would place further risk on National Government to fund the replacement of these infrastructure assets.

It does need to be recognised that, even with the revaluation policy, to replace the asset will still require grants from National Government, however the grant assistance would be less than the amount required assuming the cost basis.

In the case of Buffalo City Metropolitan Municipality, there is a potential to increase the loan funding available to the institution to allow for the replacement of infrastructure assets as the institution has low gearing. It is recognised that this would be part of a solution to adequately fund the replacement of the infrastructure assets going into the future however this cannot be viewed as the complete solution. It needs to be recognised that there is a cost associated with borrowing funds together with the requirement to repay the capital associated with the loan. If not adequately planned, this could further burden the consumers and also result in asset stripping.

Buffalo City Metropolitan Municipality has recognised the requirement to replace the institutions infrastructure in the future and, together with the guidance being provided by National Treasury to achieve a sustainable institution, is attempting to implement policies which will achieve these goals. The revaluation of long tenure infrastructure assets is an attempt to correctly allocate the use of infrastructure assets against the income being generated thereby allowing for additional resources to be generated at a local government level to be accumulated to prevent the deterioration of services being offered to the consumers. The adverse effect of this policy is that a slightly higher monthly bill is expected to be paid by the consumers in relation to its peers, however this policy is specifically implemented in an attempt to allow for the replacement of infrastructure assets in the future. The institution does recognise that this is not a complete solution to the

problem however through a mix of local government resources, budgeted surpluses, long term funding and grants from National Government, all of which are strategically planned for, the institution can allow for the replacement of existing aging infrastructure assets in the future.

2.5.2 General inflation outlook and its impact on the municipal activities

The following are the key factors that have been taken into consideration in the compilation of the draft 2019/20 MTREF:

- i. National Government macro-economic target for inflation is set to be 5.2% for the 2019/20 financial year.
- ii. Salaries are set to increase by CPI plus 1.5% (6.7% in 2020) as guided by SALGA.
- iii. Water bulk purchases are set to increase by 6.85% as negotiated with Amatola Water Board.
- iv. Electricity bulk purchases are set to increase by 9.4% as per the guidelines received from NERSA.
- v. Repairs and maintenance constitute 6.2% of the total operating expenditure. The City has recognized the target to be reached is 10%, however cognizance should be given to the impact on tariffs in this regard.
- vi. The City approved an Asset Management Policy in the 2012/13 financial year. In developing this policy, it decided that the most appropriate valuation model for the City's roads and storm-water infrastructure as well as municipal properties is adopting the revaluation approach. The reason for this approach being used was specifically to allow for additional funding to be accumulated to replace and/or refurbish these infrastructure assets in the future. It needs to be recognized that if this approach was not followed there would be significant risk to the national fiscal and by implication National Treasury would not be able to allow for significant additional funding for the replacement of these assets in the future. It is further emphasized that this approach is in line with National Treasury guidelines to ensure the institution remains financially viable. The resulting impact of

this policy is a significant increase in depreciation being charged on an annual basis which is placing pressure on our operational budget and by inference our tariffs. An attempt has however been made in the 2019/20 MTREF budget to keep tariff increases at affordable levels.

The table below indicates the budget assumptions that were used in preparing the draft 2019/20 MTREF budget:

Table 37: 2018/2019 to 2019/2020 Budget Assumptions

DESCRIPTION	2018/2019	2019/2020	2020/2021	2021/2022
National Treasury Headline Inflation Forecasts	5.30%	5.20%	5.40%	5.40%
Salaries	6.30%	6.70%	6.65%	6.65%
Electricity Purchases	7.32%	9.40%	8.10%	5.20%
Water Purchases	9.46%	6.85%	7.85%	8.85%
Free Basic Electricity	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.
Free Basic Water	6 kl p.m.	6 kl p.m.	6 kl p.m.	6 kl p.m.
Basic Welfare Package	R 614.88	R 671.28	R 725.20	R 770.47
Equitable Share Allocation	R 778 048 000	R 847,431,000	R 910,772,000	R 980,854,000
Bad Debt Provision	7.50%	7.50%	7.50%	7.50%
Property Rates	0.00%	9.00%	8.00%	5.40%
Refuse Tariff	9.20%	9.35%	8.00%	5.40%
Sewerage Tariff	8.80%	9.40%	8.00%	5.40%
Electricity Tariff	6.84%	8.39%	8.39%	8.39%
Water Tariff	9.00%	9.40%	8.00%	9.85%
Fire Levy	9.00%	9.30%	7.90%	5.40%
Sundry Income	9.00%	9.30%	7.90%	5.40%

The City has continued to offer the indigents the free basic subsidy package as indicated below:

Table 38: Indigent Subsidy Package

	Total Per Household 2018/2019	Total Per Household 2019/2020	Total Per Household 2020/2021	Total Per Household 2021/2022
Rates	159.90	174.29	188.23	198.40
Refuse	175.93	192.38	207.77	218.99
Sewerage	95.42	104.39	112.74	118.83
Fire Levy	46.85	51.21	55.25	58.23
Total Monthly Subsidy	478.10	522.27	564.00	594.45
Electricity - 50kwh p.m	61.94	67.13	72.76	78.87
Water - 6kl p.m.	74.85	81.89	88.44	97.15
Total Poor Relief	614.88	671.28	725.20	770.47

The guidance received from National Treasury in respect of DoRA and fuel levy has been included in the draft 2019/20 MTREF budget.

Table 39: Tariff increases over the medium-term

Description	2018/2019	2019/2020	2020/2021	2021/2022
Rates	0.00%	9.00%	8.00%	5.40%
Refuse	9.20%	9.35%	8.00%	5.40%
Sewerage	8.80%	9.40%	8.00%	5.40%
Electricity	6.84%	8.39%	8.39%	8.39%
Water	9.00%	9.40%	8.00%	9.85%
Fire Levy	9.00%	9.30%	7.90%	5.40%
Sundry Income	9.00%	9.30%	7.90%	5.40%

2.5.3 Credit rating outlook

Table 40: Credit rating outlook

Security class	Currency	Current Rating (2018/19)	Annual rating 2018/19	Previous Rating (2017/18)
Short term	Rand	A1 _(za)	June 2018	A1 _(za)
Long-term	Rand	A _(za)	June 2018	A _(za)
Outlook	Rand	Negative	June 2018	Stable

The rating definitions are:

- Short term: A1: Defined as, very high certainty of timely payment relative to other issuers or obligations in the same country. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.
- Long-term: A: Defined as high credit quality relative to other issuers or obligations in the same country. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.

The Credit Rating for 2018/19 and 2017/18 remained unchanged with the Ratings Outlook regressing to Negative (2018/19) from Stable (2017/18).

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in financing arrangements to minimise its interest rate costs and risk. The average interest rate for borrowings is currently 10.17%. The municipality has budgeted R41 million in the 2019/20 financial year, R57 million and R73 million in the two outer years respectively in respect of its existing long term borrowings and the new loan that is being sought by the City. The City is investing its cash reserves on various investing institution in line with the MFMA. The interest rate is currently 6.5% on primary bank account and 6.5% on investment call accounts. An amount of R109 million has been projected in the 2019/20 financial year, R114 million in the 2020/21 financial year and R120 million in the 2021/22 financial year.

2.5.5 Collection rate for revenue services

The rate of revenue collection is currently at 85.43% (28 February 2019) of annual billings and arrear debt. Stricter control measures of the Credit Control Policy are being enforced, the collection of arrear debt will be utilised as a source of additional cash in-flow for funding future capital infrastructure projects. An amount of R366.12 million contribution towards bad debts has been provided for the 2019/20 financial year and is based on projected average collection ratio of 92.5% set as a target in the 2018/19 SDBIP.

2.5.6 Growth in the tax base of the municipality

Revenue from own sources is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the City, 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.

2.5.7 Salary and Wage increases

The guidance provided on MFMA Circular 94 as well as SALGA guideline has been followed in projecting salary and wage increases of CPI plus 1.5%. This is in line with the existing Salary and Wage Collective Agreement regarding salaries/wages.

2.5.8 Impact of National, Provincial and Local policies

Integration of service delivery between national, provincial and local government is critical to ensure focused 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:

- i. Accelerate Public Infrastructure Investment;
- ii. Support for special economic zones and manufacturing incentives;
- iii. Further expansion of public works programmes
- iv. Investment in renewable energy
- v. Overhaul procurement and supply chain management
- vi. Creating jobs and reduce poverty
- vii. Skill development;
- viii. Rural development and agriculture; and
- ix. Fighting crime and corruption.

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

2.5.9 Ensuring maintenance of existing assets

Repairs and maintenance has been budgeted at 6.2% of the total operating expenditure. The City has recognised the target to be reached is 10%, however cognizance should be given to the impact on tariffs in this regard. Substantial budget allocation has been made for renewal of existing assets as detailed in the capital program section.

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

The establishment of the Enterprise Project Management Office (EPMO) Office has assisted capital spending of the City. It is anticipated that the spending pattern will continue to improve in the MTREF period.

2.6 OVERVIEW OF BUDGET FUNDING

The draft 2019/20 MTREF budget is fully funded utilising receipts from the following funding sources:

- i. Own Funds (Internally Generated Funds)
- ii. Borrowings
- iii. National Government Allocation
- iv. Provincial Government Allocation
- v. Other transfers and grants

2.6.1 Tariff Increases over the Medium-term

Consideration of bad economic climate that is affecting the City's consumers was taken into consideration when determining the tariff increases. Ensuring that tariffs are fully recovering the costs of running the service was also given high consideration in determining the tariff increases.

The table below reflects the proposed tariffs for the 2019/2020 MTREF period.

Table 41: Tariff increases 2018/19 to 2021/22

Description	2018/2019	2019/2020	2020/2021	2021/2022
Rates	0.00%	9.00%	8.00%	5.40%
Refuse	9.20%	9.35%	8.00%	5.40%
Sewerage	8.80%	9.40%	8.00%	5.40%
Electricity	6.84%	8.39%	8.39%	8.39%
Water	9.00%	9.40%	8.00%	9.85%
Fire Levy	9.00%	9.30%	7.90%	5.40%
Sundry Income	9.00%	9.30%	7.90%	5.40%

2.6.2 Detailed Investment

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

Table 42: MBRR Table SA15 – Detail Investment Information

Investment type	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088

Table 43: MBRR Table SA16 – Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate *	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
Parent municipality														
RMB		Various	Short Term / Call	No	Variable	0.063	0	0	Various	367,840	27,299	20,980	-	416,119
Standard Bank		Various	Short Term / Call	No	Variable	0.063	0	0	Various	183,920	13,650	10,490	-	208,060
Stanib		Various	Short Term / Call	No	Variable	0.0729	0	0	Various	183,920	13,650	10,490	-	208,060
ABSA		Various	Short Term / Call	No	Variable	0.063	0	0	Various	367,840	27,299	20,980	-	416,119
Nedbank		Various	Short Term / Call	No	Variable	0.063	0	0	Various	367,840	27,299	20,980	-	416,119
														-
														-
Municipality sub-total										1,471,362		83,920	-	1,664,478
Entities														
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									1,471,362		83,920	-	1,664,478

2.6.3 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2019/20 medium-term capital programme:

Table 44: MBRR Table A5 - Sources of capital revenue over the MTREF

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Funded by:											
National Government		670,394	669,780	834,431	803,900	807,216	807,216	807,216	1,003,899	1,014,322	1,097,581
Provincial Government		-	-	-	-	9,036	9,036	9,036			
District Municipality		-	-	-	-	-	-	-			
Other transfers and grants		-	-	-	-	-	-	-			
Transfers recognised - capital	4	670,394	669,780	834,431	803,900	816,252	816,252	816,252	1,003,899	1,014,322	1,097,581
Borrowing	6			-	69,000	-	-	-	69,582	189,352	176,867
Internally generated funds		513,695	611,492	495,814	880,242	1,096,048	1,096,048	1,096,048	663,000	700,000	750,000
Total Capital Funding	7	1,184,089	1,281,272	1,330,245	1,753,142	1,912,300	1,912,300	1,912,300	1,736,481	1,903,674	2,024,448

2.6.4 Details of Borrowings

The repayment of capital and interest (debt services costs) has substantially increased over the past three years. The City will be acquiring additional loan in the 2019/20 MTREF period amounting to approximately R435.8 million to fund the Sewer Diversion Tunnel Project. This project is critical in unlocking development in the Amalinda Junction, Wilsonia, Fort Jackson and Reeston area. The development would contribute to the revenue base of the City.

The following table is a detailed analysis of the City's borrowing liability.

Table 45: MBRR Table SA17 - Details of borrowings

Borrowing - Categorized by type	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Parent municipality										
Annuity and Bullet Loans										
Long-Term Loans (non-annuity)										
Local registered stock		445,768	398,126	345,554	355,516	229,607	229,607	246,225	421,514	563,321
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	445,768	398,126	345,554	355,516	229,607	229,607	246,225	421,514	563,321
Entities										
Annuity and Bullet Loans										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Borrowing	1	445,768	398,126	345,554	355,516	229,607	229,607	246,225	421,514	563,321

2.6.5 Capital Transfers and Grant Receipts

Table 46: MBRR Table SA 18 - Capital transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		1,078,932	1,193,355	1,262,880	1,399,602	1,396,286	1,396,286	1,492,557	1,584,003	1,697,591
Local Government Equitable Share		655,141	678,191	705,277	778,048	778,048	778,048	847,431	910,772	980,854
Expanded Public Works Programme Integrated Grant for Municipalities		-	-	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities		1,149	1,188	4,952	4,050	4,050	4,050	9,956	-	-
Infrastructure Skills Development Grant [Schedule 5B]		8,400	9,000	10,560	10,700	10,700	10,700	11,300	12,517	12,416
Local Government Financial Management Grant [Schedule 5B]		1,180	1,200	1,300	1,150	1,084	1,084	1,000	1,000	1,000
Public Transport Network Grant [Schedule 5B]		-	5,000	9,869	14,000	5,750	5,750	15,850	-	-
RSC Levy Replacement		370,461	410,031	467,978	513,844	513,844	513,844	547,497	580,042	624,345
Urban Settlement Development Grant		33,348	88,745	62,944	77,810	82,810	82,810	59,523	79,672	78,976
Municipal Human Settlement Capacity Grant		9,253	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		100,414	31,315	105,800	72,071	101,764	101,764	158,992	215,870	276,549
Capacity Building		-	-	-	-	-	-	-	-	-
Housing		90,776	16,315	90,800	56,201	76,850	76,850	143,122	200,000	260,028
Human Settlement Development		-	-	-	-	-	-	-	-	-
Libraries; Archives and Museums		9,638	15,000	15,000	15,870	15,870	15,870	15,870	15,870	16,521
Emergency Housing Grant		-	-	-	-	9,043	9,043	-	-	-
District Municipality:		376	-	-	-	-	-	-	-	-
State Health-Environmental		376	-	-	-	-	-	-	-	-
Other grant providers:		3,026	-	1,683	-	846	846	2,370	2,370	2,370
Local Government Water and Related Service SETA		2,309	-	-	-	-	-	2,370	2,370	2,370
Donor Funding - Leiden		-	-	138	-	-	-	-	-	-
Salaida / Gavle		222	-	1,544	-	-	-	-	-	-
City of Oldenburg		496	-	-	-	-	-	-	-	-
Unspecified		-	-	-	-	846	846	-	-	-
Total Operating Transfers and Grants	5	1,182,748	1,224,670	1,370,362	1,471,673	1,498,896	1,498,896	1,653,919	1,802,243	1,976,510
Capital Transfers and Grants										
National Government:		719,609	704,223	765,340	803,900	807,216	807,216	1,004,399	1,014,322	1,097,581
Energy Efficiency and Demand-side		-	-	-	-	-	-	-	-	-
Energy Efficiency and Demand-side [Schedule 5B]		4,000	-	-	8,000	8,000	8,000	10,000	10,000	12,000
Infrastructure Skills Development Grant [Schedule 5B]		100	-	-	100	100	100	-	500	500
Integrated City Development Grant		5,605	6,080	6,956	10,003	10,003	10,003	10,383	12,134	13,947
Integrated National Electrification Programme		30,000	25,000	7,300	6,200	6,200	6,200	-	-	-
Integrated National Electrification Programme [Schedule 5B]		-	-	-	-	-	-	-	-	-
Local Government Financial Management Grant		120	100	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant		-	-	-	13,250	13,250	13,250	7,500	7,436	15,000
Informal Settlement Upgrading Partnership Grant		-	-	-	-	-	-	-	161,169	236,673
Public Transport Network Grant [Schedule 5B]		-	30,289	45,900	81,165	89,415	89,415	218,616	247,020	265,899
Urban Settlement Development Grant [Schedule 4B]		679,784	642,754	705,184	685,182	680,182	680,182	757,900	576,063	553,562
Local Government Financial Management Grant [Schedule 5B]		-	-	-	-	66	66	-	-	-
Other capital transfers/grants [insert desc]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Human Settlement Development		-	-	-	-	-	-	-	-	-
Road Infrastructure		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
State Health-Environmental		-	-	-	-	-	-	-	-	-
Other grant providers:		41	-	-	-	-	-	-	-	-
Salaida / Gavle		41	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	719,650	704,223	765,340	803,900	807,216	807,216	1,004,399	1,014,322	1,097,581
TOTAL RECEIPTS OF TRANSFERS & GRANTS		1,902,398	1,928,893	2,135,703	2,275,573	2,306,112	2,306,112	2,658,318	2,816,565	3,074,091

2.6.6 Cash Flow Management

BCMM is projecting a favourable cash position of R1.74 billion at 30 June 2020 and it is projected to be R2 billion at 30 June 2021 (2022: R2.3 billion).

Table 47: MBRR Table A7 – Budgeted cash flow

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		872,354	858,852	972,680	1,315,314	1,310,874	1,310,874	1,310,874	1,435,647	1,550,499	1,634,226
Service charges		2,758,689	2,593,542	2,678,192	2,934,363	2,914,750	2,914,750	2,914,750	3,079,877	3,333,742	3,601,799
Other revenue		(17,288)	540,205	321,754	248,395	258,070	258,070	258,070	247,114	266,636	281,034
Government - operating	1	963,670	894,796	888,572	1,471,673	1,508,546	1,508,546	1,508,546	1,654,549	1,802,873	1,977,140
Government - capital	1	670,394	669,780	930,588	803,900	816,252	816,252	816,252	1,004,399	1,014,322	1,097,581
Interest		187,368	198,437	176,012	182,768	195,036	195,036	195,036	168,661	177,726	188,005
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(3,736,460)	(5,071,556)	(4,385,163)	(5,152,832)	(5,205,796)	(5,205,796)	(5,205,796)	(5,580,508)	(6,013,502)	(6,441,553)
Finance charges		(63,335)	(49,359)	(43,960)	(59,818)	(39,013)	(39,013)	(39,013)	(41,000)	(57,000)	(73,000)
Transfers and Grants	1	(240,922)	(43,173)	(39,330)	(60,526)	(62,426)	(62,426)	(62,426)	(51,875)	(54,294)	(56,896)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1,394,471	591,524	1,499,345	1,683,238	1,696,293	1,696,293	1,696,293	1,916,864	2,021,002	2,208,335
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		10,928	56,169	14,288	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		27	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(1,180,721)	(1,280,782)	(1,330,596)	(1,753,142)	(1,912,300)	(1,912,300)	(1,912,300)	(1,736,481)	(1,903,674)	(2,024,448)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1,169,766)	(1,224,613)	(1,316,308)	(1,753,142)	(1,912,300)	(1,912,300)	(1,912,300)	(1,736,481)	(1,903,674)	(2,024,448)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	69,000	-	-	-	69,582	189,352	176,867
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(49,602)	(50,709)	(47,642)	(59,667)	(57,974)	(57,974)	(57,974)	(56,849)	(51,256)	(59,023)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(49,602)	(50,709)	(47,642)	9,333	(57,974)	(57,974)	(57,974)	12,733	138,096	117,844
NET INCREASE/ (DECREASE) IN CASH HELD		175,103	(683,798)	135,395	(60,571)	(273,980)	(273,980)	(273,980)	193,116	255,424	301,732
Cash/cash equivalents at the year begin:	2	2,198,797	2,373,900	1,690,102	1,703,855	1,825,497	1,825,497	1,825,497	1,551,516	1,744,632	2,000,056
Cash/cash equivalents at the year end:	2	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788

2.6.6.1 Cash Backed Reserves/Accumulated Surplus Reconciliation

The table below indicates the cash and investments available after some provisions which increases from R1.74 billion in the 2019/20 financial year to R2.3 billion in the 2021/22 financial year. With the introduction of GRAP the institution was required to account for all assets, including those which had been implemented historically by both pre and post 1994 Governments. This resulted in a significant increase in the accumulated surplus associated with the take on of assets. Furthermore, the institution has implemented the revaluation model for accounting for roads and storm water as well as municipal properties which has contributed further to additional surpluses.

Table 48: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Other current investments > 90 days		-	-	-	(0)	-	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Application of cash and investments											
Unspent conditional transfers		211,266	252,319	284,255	150,137	150,137	150,137	150,137	312,670	165,150	165,150
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(121,169)	(557,588)	(332,834)	(757,508)	(752,848)	(752,848)	(752,848)	(484,163)	(611,999)	(752,958)
Other provisions		185,113	176,492	212,216	336,095	336,095	336,095	336,095	369,722	405,059	405,059
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		275,211	(128,776)	163,636	(271,276)	(266,616)	(266,616)	(266,616)	198,229	(41,789)	(182,748)
Surplus(shortfall)		2,098,689	1,818,878	1,661,861	1,914,560	1,818,132	1,818,132	1,818,132	1,546,403	2,041,846	2,484,536

2.6.6.2 Funding compliance measurement

From a cash flow perspective (cash outflow versus cash inflow) the budget is fully funded and is therefore credible. The challenge for the City will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

Table 49: MBRR Table SA10 – Funding compliance measurement

Description	MFMA section	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	2,373,900	1,690,102	1,825,497	1,643,284	1,551,516	1,551,516	1,551,516	1,744,632	2,000,056	2,301,788
Cash + investments at the yr end less applications - R'000	18(1)b	2	2,098,689	1,818,878	1,661,861	1,914,560	1,818,132	1,818,132	1,818,132	1,546,403	2,041,846	2,484,536
Cash year end/monthly employee/supplier payments	18(1)b	3	7.8	5.1	4.7	3.8	3.6	3.6	3.6	3.7	3.9	4.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	614,646	359,911	364,998	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(10.9%)	(0.3%)	19.8%	(6.6%)	(6.0%)	(6.0%)	0.9%	2.2%	1.2%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	90.9%	104.4%	99.0%	91.7%	91.5%	91.5%	91.5%	91.4%	91.4%	91.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	5.8%	5.9%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Capital payments % of capital expenditure	18(1)c;19	8	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	7.3%	0.0%	0.0%	0.0%	9.5%	21.3%	19.1%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.1%	100.1%	100.1%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.9%	8.4%	32.3%	0.0%	0.0%	0.0%	(2.8%)	14.9%	14.3%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.7%	2.4%	2.0%	2.5%	2.2%	2.2%	2.0%	2.0%	2.1%	2.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	7.2%	9.0%	9.7%	9.7%	0.0%	7.6%	7.9%	9.1%

2.6.6.3 Cash/cash equivalent position

BCMM is also projecting a favourable cash position, which currently is projected to be R1.74 billion at 30 June 2019 and is projected to be R2 billion at 30 June 2020 (2021: R1.61 billion and 2022: R2.3 billion).

2.6.6.4 Cost Coverage

The projected cost coverage, including conditional grants is projected to be 3.7 months at 30 June 2019 and is projected to remain around 4 months over the MTREF period. This is within the norm of maintaining a cost coverage that is not less than 3 months.

2.6.6.5 Surplus/deficit

The City has adopted the approach to cash back its depreciation on a year-to-year basis in order to renew and/or refurbish its existing infrastructure assets. The projected surplus for the 2019/20 financial year is R0.792 million (2020/21: R0.872 million and 2021/22 R0.959 million).

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

In order for the trading services to breakeven and/or generate a surplus the revenue income percentage increase is set slightly above inflation. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.6.7 Cash receipts as a percentage of ratepayer and other revenue

The rate of revenue collection is currently at 85.43% (28 February 2019) of annual billings and arrear debt. Stricter control measures of the Credit Control Policy are being enforced, the collection of arrear debt will be utilised as a source of additional cash in-flow for funding future capital infrastructure projects. It is projected that the average collection rate at 30 June 2020 will be 92.5%.

2.6.6.8 Debt impairment expense as a percentage of billable revenue

An amount of R366.12 million contributions towards bad debts has been provided for in the 2019/20 financial year of the MTREF and is based on an average collection ratio of 92.5%.

2.6.6.9 Repairs and maintenance expenditure level

The City is having a consistent trend of spending above 90% of its repairs and maintenance budget. The allocation of repairs and maintenance is 6.2% of operating expenditure budget in the MTREF. Substantial own funding has been allocated to renew existing assets. Budget details are contained in SA34c.

2.6.6.10 Asset renewal/rehabilitation expenditure level

Details of the City's strategy pertaining to asset management and repairs and maintenance is contained in SA34b.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 50: MBRR Table SA19 - Expenditure on transfers and grant programmes

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		1,133,997	1,176,718	1,262,880	1,399,602	1,396,286	1,396,286	1,492,557	1,584,003	1,697,591
Local Government Equitable Share		655,141	678,191	705,277	778,048	778,048	778,048	847,431	910,772	980,854
Expanded Public Works Programme Integrated Grant for M		1,034	1,187	4,952	4,050	4,050	4,050	9,956	-	-
Expanded Public Works Programme Integrated Grant for M		-	-	-	-	-	-	-	-	-
Infrastructure Skills Development Grant [Schedule 5B]		4,186	6,760	10,560	10,700	10,700	10,700	11,300	12,517	12,416
Local Government Financial Management Grant [Schedule		1,194	1,254	1,300	1,150	1,084	1,084	1,000	1,000	1,000
Public Transport Network Grant [Schedule 5B]		-	1,888	9,869	14,000	5,750	5,750	15,850	-	-
RSC Levy Replacement		370,461	410,031	467,978	513,844	513,844	513,844	547,497	580,042	624,345
Urban Settlement Development Grant		98,783	77,408	62,944	77,810	82,810	82,810	59,523	79,672	78,976
Municipal Human Settlement Capacity Grant		3,198	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		104,300	31,315	105,800	72,071	101,764	101,764	158,992	215,870	276,549
Capacity Building		-	-	-	-	-	-	-	-	-
Housing		90,776	16,315	90,800	56,201	76,850	76,850	143,122	200,000	260,028
Human Settlement Development		-	-	-	-	-	-	-	-	-
Libraries; Archives and Museums		9,638	15,000	15,000	15,870	15,870	15,870	15,870	15,870	16,521
Emergency Housing Grant		-	-	-	-	9,043	9,043	-	-	-
Local Government & Traditional Affairs		3,130	-	-	-	-	-	-	-	-
Dept Sport, Recreation, Arts and Culture (DSRAC)		30	-	-	-	-	-	-	-	-
Department of Land Affairs		727	-	-	-	-	-	-	-	-
District Municipality:		376	262	-	-	-	-	-	-	-
State Health-Environmental		376	262	-	-	-	-	-	-	-
Other grant providers:		2,424	3,163	2,178	-	846	846	2,370	2,370	2,370
Local Government Water and Related Service SETA		2,309	2,935	138	-	-	-	2,370	2,370	2,370
Donor Funding - Leiden		-	-	1,544	-	-	-	-	-	-
Salauda / Gavle		-	229	-	-	-	-	-	-	-
BCMET Funding		-	-	-	-	-	-	-	-	-
European Commission		116	-	-	-	-	-	-	-	-
City of Oldenburg		-	-	496	-	-	-	-	-	-
Unspecified		-	-	-	-	846	846	-	-	-
Total operating expenditure of Transfers and Grants:		1,241,097	1,211,458	1,370,858	1,471,673	1,498,896	1,498,896	1,653,919	1,802,243	1,976,510

MBRR Table SA19 - Expenditure on transfers and grant programmes (continued)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
EXPENDITURE:	1									
Capital expenditure of Transfers and Grants										
National Government:		596,567	662,257	810,063	787,900	799,216	799,216	1,004,399	1,014,322	1,097,581
Energy Efficiency and Demand-side [Schedule 5B]		3,998	–	–	8,000	8,000	8,000	10,000	10,000	12,000
Infrastructure Skills Development Grant [Schedule 5B]		88	31	–	100	100	100	–	500	500
Integrated City Development Grant		4,908	5,963	6,956	10,003	10,003	10,003	10,383	12,134	13,947
Integrated National Electrification Programme		10,517	11,142	19,809	6,200	6,200	6,200			
Integrated National Electrification Programme [Schedule 5B]										
Local Government Financial Management Grant		102	45	–	–	66	66			
Neighbourhood Development Partnership Grant					13,250	13,250	13,250	7,500	7,436	15,000
Informal Settlement Upgrading Partnership Grant								–	161,169	236,673
Public Transport Network Grant [Schedule 5B]			–	78,115	81,165	89,415	89,415	218,616	247,020	265,899
Urban Settlement Development Grant [Schedule 4B]		576,870	645,076	705,184	669,182	672,182	672,182	757,900	576,063	553,562
Local Government Financial Management Grant [Schedule 5B]										
Municipal Human Settlement Capacity Grant		83								
Provincial Government:		73,827	7,523	9,036	4,000	13,036	13,036	–	–	–
Human Settlement Development		70,224	147		–	9,036	9,036			
Dept Sport, Recreation, Arts and Culture (DSRAC)		3,603	7,376							
Dept of Local Government and Traditional Affairs				9,036						
Road Infrastructure					4,000	4,000	4,000			
District Municipality:		–	–	–	–	–	–	–	–	–
State Health-Environmental										
Other grant providers:		–	–	229	–	–	–	–	–	–
Salaida / Gavle				229						
Total capital expenditure of Transfers and Grants		670,394	669,780	819,328	791,900	812,252	812,252	1,004,399	1,014,322	1,097,581
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		1,911,491	1,881,239	2,190,187	2,263,573	2,311,148	2,311,148	2,658,318	2,816,565	3,074,091

Table 53: MBRR Table SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
				1.				2.
Rand per annum								
Councillors	3							
Speaker	4		782,493	135,230	440,788			1,358,511
Chief Whip			733,586	149,530	366,651			1,249,767
Executive Mayor			968,889	42,364	657,918			1,669,171
Deputy Executive Mayor			782,493	49,373	526,643			1,358,509
Executive Committee			6,602,280	957,361	4,171,845			11,731,486
Total for all other councillors			31,818,754	5,188,122	14,111,121			51,117,997
Total Councillors	8	-	41,688,495	6,521,980	20,274,966			68,485,441
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1,877,281	312,104	824,291			3,013,675
Chief Finance Officer			1,616,001	347,295	660,329			2,623,625
Head of Department Infrastructure Services			1,606,012	306,152	697,530			2,609,694
Head of Department Health, Public Safety and Emergency Services			1,606,012	304,134	746,392			2,656,538
Head of Department Municipal Services			1,606,012	304,134	746,392			2,656,538
								-
<i>List of each official with packages >= senior manager</i>								
Head of Department Economic Development and Agencies			1,606,012	304,134	746,392			2,656,538
Head of Department Spatial Planning & Development			1,606,012	304,134	746,392			2,656,538
Head of Department Human Settlements			1,606,012	304,134	746,392			2,656,538
Head of Department Executive Support Services			1,606,012	304,134	746,392			2,656,538
Head of Department Corporate Services			1,606,012	304,134	746,392			2,656,538
Total Senior Managers of the Municipality	8,10	-	16,341,378	3,094,487	7,406,893	-		26,842,759
A Heading for Each Entity	6,7							
List each member of board by designation								-
Total for municipal entities	8,10	-	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	58,029,873	9,616,467	27,681,859	-		95,328,200

Table 54: MBRR Table SA24 – summary of personnel numbers

Summary of Personnel Numbers Number	Ref 1,2	2017/18			Current Year 2018/19			Budget Year 2019/20		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		120	–	120	101	–	101	98	–	98
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	3	10	9	1	13	11	2	10	8	–
Other Managers	7	48	31	17	41	24	15	39	27	4
Professionals		161	161	–	172	115	–	152	103	–
<i>Finance</i>		29	29	–	68	41	–	59	41	–
<i>Spatial/town planning</i>		13	13	–	10	7	–	9	7	–
<i>Information Technology</i>		1	1	–	3	3	–	3	3	–
<i>Roads</i>		5	5	–	4	3	–	5	3	–
<i>Electricity</i>		7	7	–	8	6	–	8	5	–
<i>Water</i>		10	10	–	7	5	–	7	5	–
<i>Sanitation</i>		8	8	–	5	4	–	5	4	–
<i>Refuse</i>		1	1	–	2	2	–	3	2	–
<i>Other</i>		87	87	–	65	44	–	53	33	–
Technicians		296	296	–	290	210	–	328	226	–
<i>Finance</i>		9	9	–	9	7	–	8	6	–
<i>Spatial/town planning</i>		13	13	–	15	11	–	14	11	–
<i>Information Technology</i>		13	13	–	14	9	–	15	9	–
<i>Roads</i>		5	5	–	7	4	–	8	5	–
<i>Electricity</i>		3	3	–	10	6	–	24	15	–
<i>Water</i>		54	54	–	24	14	–	23	16	–
<i>Sanitation</i>		10	10	–	17	13	–	17	14	–
<i>Refuse</i>		7	7	–	3	1	–	3	1	–
<i>Other</i>		182	182	–	191	145	–	216	149	–
Clerks (Clerical and administrative)		1,198	1,178	20	1,233	1,052	31	1,203	1,002	18
Service and sales workers		1,276	1,273	3	1,298	1,123	9	1,365	1,195	4
Skilled agricultural and fishery workers		212	212	–	215	195	–	207	189	–
Craft and related trades		381	381	–	385	342	–	382	341	–
Plant and Machine Operators		750	750	–	759	718	–	751	709	–
Elementary Occupations		1,408	1,408	–	1,428	1,253	–	1,476	1,264	–
TOTAL PERSONNEL NUMBERS	9	5,860	5,699	161	5,935	5,043	158	6,011	5,064	124
% increase					1.3%	(11.5%)	(1.9%)	1.3%	0.4%	(21.5%)
Total municipal employees headcount	6, 10	5,739	5,698	41	5,834	5,043	158	6,011	5,064	124
Finance personnel headcount	8, 10	745	733	12	741	617	11	743	621	–
Human Resources personnel headcount	8, 10	216	212	4	184	161	3	185	163	–

2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 55: MBRR Table SA25 - Budgeted Monthly Revenue and expenditure (Source and Type)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
R thousand																	
Revenue By Source																	
Property rates		129,338	136,382	134,007	132,974	136,187	134,562	134,211	133,534	127,319	91,006	129,338	133,195	1,552,051	1,676,215	1,766,731	
Service charges - electricity revenue		168,971	168,971	181,260	176,629	180,155	183,244	160,250	169,022	178,503	177,495	155,706	171,677	2,071,884	2,245,715	2,434,130	
Service charges - water revenue		58,525	14,649	66,342	52,152	52,152	41,051	32,742	59,809	58,119	48,394	48,394	50,819	583,149	629,800	691,836	
Service charges - sanitation revenue		40,480	30,890	30,204	30,037	31,475	32,184	31,018	30,313	25,509	31,346	25,029	25,102	363,587	392,674	413,878	
Service charges - refuse revenue		27,383	30,257	27,333	27,490	27,454	27,302	27,468	28,235	19,241	26,907	20,336	21,571	310,978	335,856	353,992	
Rental of facilities and equipment		1,508	1,314	1,381	1,852	1,644	1,204	1,847	1,521	1,763	1,608	1,604	1,968	19,214	20,732	21,851	
Interest earned - external investments		10,364	9,012	9,758	9,345	7,976	6,971	9,001	7,571	7,765	1,943	21,061	8,429	109,196	113,564	120,378	
Interest earned - outstanding debtors		5,053	4,642	3,854	4,965	4,261	5,134	6,244	3,838	5,696	5,653	5,573	4,553	59,465	64,162	67,627	
Dividends received																	
Fines, penalties and forfeits		250	1,163	3,826	2,011	1,170	1,487	837	1,391	1,155	1,383	1,470	1,992	18,134	19,567	20,624	
Licences and permits		118	1,096	918	3,833	3,908	1,599	747	613	624	682	606	1,211	15,955	17,215	18,145	
Agency services		2,451	2,451	2,451	2,451	2,451	2,451	2,451	4,728	3,148	3,400	2,214	2,451	33,096	35,711	37,639	
Transfers and subsidies		370,786	198,366	2,813	11,147	24,578	542,756	5,702	52,249	424,037	8,754	8,224	5,138	1,654,549	1,802,873	1,977,140	
Other revenue		13,777	13,724	12,874	13,946	14,102	14,748	15,076	14,241	10,747	29,001	12,754	15,760	180,751	195,030	205,562	
Gains on disposal of PPE																	
Total Revenue (excluding capital transfers and contributions)		829,004	612,919	477,021	468,832	487,513	994,692	427,593	507,064	863,627	427,571	432,306	443,865	6,972,008	7,549,115	8,129,533	
Expenditure By Type																	
Employee related costs		185,083	186,472	187,369	186,528	183,432	188,866	186,752	187,766	183,440	186,683	186,958	186,121	2,235,469	2,384,127	2,542,672	
Remuneration of councillors		5,243	5,173	5,173	5,217	5,352	5,273	5,312	8,945	5,731	5,669	5,669	5,729	68,485	73,040	77,897	
Debt impairment		26,657	34,364	30,510	30,510	26,474	34,546	30,510	30,510	30,510	30,510	30,510	30,510	366,124	396,020	424,543	
Depreciation & asset impairment		54,089	62,028	61,969	61,974	90,899	90,899	90,899	90,899	90,899	90,899	77,921	68,332	931,709	1,027,428	1,132,582	
Finance charges		1,761	1,761	1,761	8,983	3,454	3,550	3,394	3,105	3,402	3,251	3,329	3,250	41,700	57,000	73,000	
Bulk purchases		215,531	210,560	143,621	129,845	145,549	127,240	134,744	132,724	137,520	121,827	138,277	210,134	1,847,572	1,996,596	2,110,321	
Other materials		293	5,590	9,435	3,865	7,333	6,601	6,993	6,649	563	6,649	4,837	12,835	71,639	75,765	79,894	
Contracted services		14,040	47,789	70,677	80,049	86,427	81,460	81,703	48,104	78,227	40,143	58,277	146,499	833,397	930,254	1,046,947	
Transfers and subsidies		979	270	3,986	14,558	6,052	5,807	5,038	7,595	1,076	2,100	2,100	2,316	51,875	54,294	56,896	
Other expenditure		16,398	54,079	25,930	77,220	50,312	44,103	34,398	38,801	34,232	45,079	44,737	58,658	523,946	553,720	583,822	
Loss on disposal of PPE																	
Total Expenditure		520,074	608,084	540,430	598,749	605,285	588,345	579,743	555,098	565,599	532,810	552,615	724,384	6,971,215	7,548,243	8,128,575	
Surplus/(Deficit)		308,930	4,834	(63,409)	(129,916)	(117,772)	406,347	(152,150)	(48,034)	298,028	(105,239)	(120,309)	(280,519)	792	872	959	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			48,150	116,159	95,294	82,411	95,793	70,394	27,763	67,188	108,298	99,296	193,654	1,004,399	1,014,322	1,097,581	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)																	
Transfers and subsidies - capital (in-kind - all)																	
Surplus/(Deficit) after capital transfers & contributions		308,930	52,985	52,750	(34,622)	(35,361)	502,141	(81,756)	(20,272)	365,216	3,059	(21,013)	(86,866)	1,005,191	1,015,193	1,098,540	
Taxation																	
Attributable to minorities																	
Share of surplus/ (deficit) of associate																	
Surplus/(Deficit)	1	308,930	52,985	52,750	(34,622)	(35,361)	502,141	(81,756)	(20,272)	365,216	3,059	(21,013)	(86,866)	1,005,191	1,015,193	1,098,540	

Table 56: MBRR Table SA26 - Budgeted Monthly Revenue and expenditure (Municipal Vote)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote																
Vote 01 - Directorate - Executive Support Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 02 - Directorate - Municipal Manager		-	296	107	4,884	3,051	10,188	376	2,965	2,940	3,869	2,884	3,000	34,559	20,172	19,476
Vote 03 - Directorate - Human Settlement		-	480	23,787	45,438	40,360	46,779	11,947	100,344	33,229	18,777	59,557	14,795	395,491	555,305	559,300
Vote 04 - Directorate - Chief Financial Officer		349,234	338,495	142,938	130,404	132,346	512,790	136,249	130,749	463,035	85,615	147,183	129,409	2,698,445	2,894,289	3,075,908
Vote 05 - Directorate - Corporate Services		-	877	2,403	958	1,491	1,188	927	1,514	36	2,796	883	1,229	14,301	16,018	15,917
Vote 06 - Directorate - Infrastructure Services		384,821	235,856	366,336	312,613	280,722	401,418	288,295	210,598	343,616	350,341	225,884	389,592	3,790,092	4,030,261	4,450,063
Vote 07 - Directorate - Spatial Planning And Development		3,974	33,314	7,305	14,226	58,636	33,444	12,935	21,279	24,523	24,966	40,521	38,987	314,111	334,204	354,956
Vote 08 - Directorate - Health / Public Safety & Emergency Se		13,714	9,973	11,254	14,409	13,719	14,925	8,367	10,511	10,842	11,927	6,881	10,131	136,653	147,448	155,410
Vote 09 - Directorate - Municipal Services		75,382	39,844	36,164	37,100	36,449	67,219	36,978	55,544	50,140	35,566	45,803	46,915	563,105	533,746	562,363
Vote 10 - Directorate - Economic Development & Agencies		1,879	1,935	2,886	4,094	3,151	2,533	1,913	1,324	2,455	2,013	2,006	3,461	29,650	31,993	33,720
Total Revenue by Vote		829,004	661,069	593,180	564,127	569,924	1,090,485	497,987	534,827	930,815	535,869	531,602	637,518	7,976,407	8,563,437	9,227,114
Expenditure by Vote to be appropriated																
Vote 01 - Directorate - Executive Support Services		127,388	13,931	16,292	20,106	15,212	13,578	17,019	17,036	11,825	19,749	15,456	20,300	307,892	326,072	348,613
Vote 02 - Directorate - Municipal Manager		5,549	28,698	9,581	32,438	12,432	17,547	10,998	15,560	14,248	10,382	25,837	19,480	202,750	198,433	208,933
Vote 03 - Directorate - Human Settlement		39,832	5,705	9,449	11,310	7,889	15,684	43,165	6,938	7,219	8,713	5,721	39,491	201,115	261,991	326,315
Vote 04 - Directorate - Chief Financial Officer		71,098	39,241	39,733	78,518	53,934	52,075	50,221	50,427	44,842	9,107	41,711	60,434	591,340	631,287	669,037
Vote 05 - Directorate - Corporate Services		2,341	16,424	14,099	16,126	12,979	16,458	18,014	14,997	13,554	15,635	13,347	13,048	167,022	178,529	189,429
Vote 06 - Directorate - Infrastructure Services		232,976	377,032	325,848	271,712	321,761	319,128	271,802	276,055	371,855	384,666	301,279	411,757	3,865,870	4,220,327	4,529,659
Vote 07 - Directorate - Spatial Planning And Development		360	17,736	22,144	20,623	27,360	16,112	28,776	50,470	24,731	27,279	40,479	42,921	318,991	325,626	356,515
Vote 08 - Directorate - Health / Public Safety & Emergency Se		13,752	38,499	43,163	48,072	38,469	40,627	43,646	41,255	37,875	23,434	40,768	40,887	450,448	481,400	514,166
Vote 09 - Directorate - Municipal Services		5,452	63,840	52,070	87,548	95,462	82,690	82,576	71,135	30,601	23,600	60,345	67,416	722,735	773,889	827,812
Vote 10 - Directorate - Economic Development & Agencies		21,325	6,978	8,050	12,298	19,788	14,446	13,525	11,224	8,849	10,245	7,671	8,651	143,051	150,689	158,095
Total Expenditure by Vote		520,074	608,084	540,430	598,749	605,285	588,345	579,743	555,098	565,599	532,810	552,615	724,384	6,971,215	7,548,243	8,128,575
Surplus/(Deficit) before assoc.		308,930	52,985	52,750	(34,622)	(35,361)	502,141	(81,756)	(20,272)	365,216	3,059	(21,013)	(86,866)	1,005,191	1,015,193	1,098,540
Taxation													-	-	-	-
Attributable to minorities														-	-	-
Share of surplus/ (deficit) of associate														-	-	-
Surplus/(Deficit)	1	308,930	52,985	52,750	(34,622)	(35,361)	502,141	(81,756)	(20,272)	365,216	3,059	(21,013)	(86,866)	1,005,191	1,015,193	1,098,540

Table 58: MBRR Table SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Multi-year expenditure to be appropriated	1															
Vote 01 - Directorate - Executive Support Services		42	42	42	42	42	42	42	42	42	42	42	42	500	500	500
Vote 02 - Directorate - Municipal Manager		555	555	555	555	555	555	555	555	555	555	555	555	6,664	10,500	10,500
Vote 03 - Directorate - Human Settlement		21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	252,782	355,711	299,673
Vote 04 - Directorate - Chief Financial Officer		11,822	11,822	11,822	11,822	11,822	11,822	11,822	11,822	11,822	11,822	11,822	11,822	141,858	80,500	75,500
Vote 05 - Directorate - Corporate Services		3,813	3,813	3,813	3,813	3,813	3,813	3,813	3,813	3,813	3,813	3,813	3,813	45,760	31,500	19,084
Vote 06 - Directorate - Infrastructure Services		61,717	61,717	61,717	61,717	61,717	61,717	61,717	61,717	61,717	61,717	61,717	61,717	740,606	848,590	925,093
Vote 07 - Directorate - Spatial Planning And Development		25,738	25,738	25,738	25,738	25,738	25,738	25,738	25,738	25,738	25,738	25,738	25,738	308,851	333,020	398,899
Vote 08 - Directorate - Health / Public Safety & Emergency Services		2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	2,054	24,650	29,780	37,000
Vote 09 - Directorate - Municipal Services		10,677	10,677	10,677	10,677	10,677	10,677	10,677	10,677	10,677	10,677	10,677	10,677	128,121	86,773	101,698
Vote 10 - Directorate - Economic Development & Agencies		1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	64,974	86,688	126,800	156,500
Capital multi-year expenditure sub-total	2	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	202,457	1,736,481	1,903,674	2,024,448
Single-year expenditure to be appropriated																
Vote 01 - Directorate - Executive Support Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 02 - Directorate - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 03 - Directorate - Human Settlement		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 04 - Directorate - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 05 - Directorate - Corporate Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 06 - Directorate - Infrastructure Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 07 - Directorate - Spatial Planning And Development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 08 - Directorate - Health / Public Safety & Emergency Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 09 - Directorate - Municipal Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Directorate - Economic Development & Agencies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	2	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	202,457	1,736,481	1,903,674	2,024,448

Table 59: MBRR Table SA29 - Budgeted monthly capital expenditure (Functional classification)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	223,284	134,700	110,584
Executive and council		3,952	3,952	3,952	3,952	3,952	3,952	3,952	3,952	3,952	3,952	3,952	3,952	47,424	38,000	24,084
Finance and administration		14,655	14,655	14,655	14,655	14,655	14,655	14,655	14,655	14,655	14,655	14,655	14,655	175,860	96,700	86,500
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		27,022	27,022	27,022	27,022	27,022	27,022	27,022	27,022	27,022	27,022	27,022	27,022	324,264	437,941	410,623
Community and social services		1,139	1,139	1,139	1,139	1,139	1,139	1,139	1,139	1,139	1,139	1,139	1,139	13,673	14,000	36,200
Sport and recreation		2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	34,910	38,650	37,750
Public safety		1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	21,700	29,580	30,000
Housing		21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	21,065	252,782	355,711	299,673
Health		100	100	100	100	100	100	100	100	100	100	100	100	1,200	-	7,000
<i>Economic and environmental services</i>		49,766	49,766	49,766	49,766	49,766	49,766	49,766	49,766	49,766	49,766	49,766	112,766	660,193	759,226	873,723
Planning and development		24,222	24,222	24,222	24,222	24,222	24,222	24,222	24,222	24,222	24,222	24,222	87,222	353,669	376,320	448,899
Road transport		25,544	25,544	25,544	25,544	25,544	25,544	25,544	25,544	25,544	25,544	25,544	25,544	306,524	382,906	424,824
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		42,088	42,088	42,088	42,088	42,088	42,088	42,088	42,088	42,088	42,088	42,088	42,088	505,051	495,007	523,018
Energy sources		9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	9,375	112,500	92,500	94,500
Water management		7,167	7,167	7,167	7,167	7,167	7,167	7,167	7,167	7,167	7,167	7,167	7,167	86,000	149,602	197,127
Waste water management		18,772	18,772	18,772	18,772	18,772	18,772	18,772	18,772	18,772	18,772	18,772	18,772	225,262	218,582	203,642
Waste management		6,774	6,774	6,774	6,774	6,774	6,774	6,774	6,774	6,774	6,774	6,774	6,774	81,289	34,323	27,748
<i>Other</i>		1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	1,974	23,688	76,800	106,500
Total Capital Expenditure - Functional	2	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	139,457	202,457	1,736,481	1,903,674	2,024,448
Funded by:																
National Government		83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	1,003,899	1,014,322	1,097,581
Provincial Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	83,658	1,003,899	1,014,322	1,097,581
Borrowing		5,798	5,798	5,798	5,798	5,798	5,798	5,798	5,798	5,798	5,798	5,798	5,798	69,582	189,352	176,867
Internally generated funds		50,000	50,000	50,000	80,000	50,000	50,000	50,000	80,000	50,000	50,000	50,000	53,000	663,000	700,000	750,000
Total Capital Funding		139,457	139,457	139,457	169,457	139,457	139,457	139,457	169,457	139,457	139,457	139,457	142,457	1,736,481	1,903,674	2,024,448

Table 60: MBRR Table SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21
Cash Receipts By Source													1		
Property rates	358,488	112,944	96,091	104,221	84,393	94,775	87,181	83,406	103,703	100,520	111,051	98,877	1,435,647	1,550,499	1,634,226
Service charges - electricity revenue	120,175	146,969	151,505	175,438	146,137	176,930	186,625	154,953	161,644	159,681	167,637	168,801	1,916,492	2,077,286	2,251,570
Service charges - water revenue	36,106	51,315	35,041	53,764	37,114	38,301	35,836	55,210	61,982	50,213	32,241	52,289	539,412	582,565	639,948
Service charges - sanitation revenue	23,705	23,955	25,473	31,280	28,511	29,751	26,190	31,631	21,623	18,920	29,641	45,636	336,318	363,223	382,838
Service charges - refuse revenue	17,831	21,257	22,985	29,056	24,172	27,680	20,151	36,888	20,171	18,216	29,871	19,377	287,655	310,667	327,443
Rental of facilities and equipment	1,289	1,069	1,520	1,707	1,276	1,374	1,974	1,411	1,377	1,405	1,664	1,707	17,773	19,177	20,212
Interest earned - external investments	10,418	10,040	11,260	9,106	7,673	6,755	8,252	9,982	10,238	9,407	8,373	7,691	109,196	113,564	120,378
Interest earned - outstanding debtors	2,275	2,608	4,867	3,826	14,071	8,953	4,899	2,571	3,816	3,787	3,733	4,058	59,465	64,162	67,627
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	822	1,139	1,126	1,640	929	1,549	645	1,508	1,006	1,406	1,773	3,232	16,774	18,100	19,077
Licences and permits	339	1,346	886	1,484	957	1,328	907	1,233	35	1,352	1,442	3,451	14,758	15,924	16,784
Agency services	2,165	1,916	1,829	3,705	2,002	4,405	5,324	2,984	1,946	2,102	1,368	868	30,614	33,033	34,816
Transfer receipts - operational	402,485	217,015	7,514	1,903	4,904	215,877	263,673	102,190	427,568	2,059	3,092	6,270	1,654,549	1,802,873	1,977,140
Other revenue	6,923	19,071	6,907	6,643	28,141	18,442	9,519	16,414	16,081	7,486	11,560	20,006	167,194	180,403	190,145
Cash Receipts by Source	983,020	610,643	367,003	423,775	380,280	626,119	651,175	500,381	831,190	376,554	403,446	432,262	6,585,848	7,131,476	7,682,204
Other Cash Flows by Source															
Transfer receipts - capital	216,182	36,685	-	3,915	218,980	34,669	26,614	275,763	185,997	5,593	-	-	1,004,399	1,014,322	1,097,581
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	6,250	8,000	13,500	13,000	11,250	17,582	69,582	189,352	176,867
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	1,199,203	647,328	367,003	427,690	599,260	660,788	684,039	784,144	1,030,686	395,147	414,696	449,844	7,659,829	8,335,150	8,956,652

MBRR Table SA30 - Budgeted monthly cash flow (Continued)

MONTHLY CASH FLOWS	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash Payments by Type																
Employee related costs	177,585	180,250	214,087	189,686	186,218	188,669	200,312	181,250	177,074	180,205	180,470	179,662	2,235,469	2,384,127	2,542,672	
Remuneration of councillors	5,545	5,741	5,569	5,549	5,549	5,547	5,547	8,772	4,264	5,448	5,448	5,506	68,485	73,040	77,897	
Finance charges	3,406	3,396	3,301	3,340	3,585	3,340	3,163	3,320	3,638	3,476	3,560	3,475	41,000	57,000	73,000	
Bulk purchases - Electricity	194,458	226,568	124,940	94,816	122,989	104,931	114,931	107,884	112,097	99,733	113,428	179,260	1,596,036	1,725,314	1,815,031	
Bulk purchases - Water & Sewer	22,554	21,093	23,596	22,961	25,609	20,232	23,055	18,540	18,880	16,277	18,237	20,503	251,536	271,282	295,290	
Other materials	455	2,749	7,574	12,681	2,700	11,313	7,562	5,251	6,521	5,432	4,702	4,699	71,639	75,765	79,894	
Contracted services	48,524	21,753	40,544	66,715	101,106	92,788	23,231	19,714	270,477	32,763	36,871	78,910	833,397	930,254	1,046,947	
Transfers and grants - other municipalities	-	0	0	0	0	0	0	0	0	0	0	0	0	-	-	
Transfers and grants - other	6,555	2,049	71	1,636	1,944	2,037	6,596	16,049	2,710	3,116	4,438	4,674	51,875	54,294	56,896	
Other expenditure	35,517	39,966	43,649	41,700	40,480	69,994	45,008	36,487	20,092	30,321	40,254	80,478	523,946	553,720	583,822	
Cash Payments by Type	494,599	503,564	463,331	439,084	490,181	498,852	429,405	397,267	615,752	376,772	407,409	557,167	5,673,383	6,124,796	6,571,450	
Other Cash Flows/Payments by Type																
Capital assets	13,731	68,483	71,460	187,925	131,783	197,149	89,988	62,933	111,109	123,360	172,367	506,192	1,736,481	1,903,674	2,024,448	
Repayment of borrowing	-	-	17,054	-	-	12,904	-	-	16,139	-	-	10,752	56,849	51,256	59,023	
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Payments by Type	508,331	572,047	551,845	627,009	621,964	708,905	519,393	460,200	743,000	500,132	579,775	1,074,111	7,466,713	8,079,726	8,654,920	
NET INCREASE/(DECREASE) IN CASH HELD	690,872	75,281	(184,842)	(199,319)	(22,704)	(48,117)	164,646	323,944	287,687	(104,985)	(165,079)	(624,267)	193,116	255,424	301,732	
Cash/cash equivalents at the month/year begin:	1,551,516	2,242,388	2,317,669	2,132,827	1,933,507	1,910,804	1,862,686	2,027,333	2,351,276	2,638,963	2,533,978	2,368,899	1,551,516	1,744,632	2,000,056	
Cash/cash equivalents at the month/year end:	2,242,388	2,317,669	2,132,827	1,933,507	1,910,804	1,862,686	2,027,333	2,351,276	2,638,963	2,533,978	2,368,899	1,744,632	1,744,632	2,000,056	2,301,788	

2.10 ANNUAL BUDGET AND SDBIP'S – INTERNAL DEPARTMENTS

In terms of Section 53(1)(c)(ii) the Mayor of a Municipality must take all reasonable steps to ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget. Once the budget has been approved by Council on 27 March 2019, the Service Delivery Budget and Implementation Plan will be submitted to the Mayor for consideration and approval by Council.

2.11 ANNUAL BUDGET AND SDBIPS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS

The municipality's only entity, Buffalo City Metro Development Agency (BCMDA) whose mandate is to drive Buffalo City Metropolitan Municipality's development has started to operate. Appointment of Board members and administrative staff was done and the Agency has also started with the implementation of some developmental projects within the City in line with its mandate. This is an attempt to grow the local economy through encouraging private sector investment. To allow the agency to realise its mandate, the City has set aside an amount of (inclusive of vat) R45.25 million for 2019/20 financial year, R47.43 million in 2020/21 and R49.04 million in 2021/22 financial year as an operational grant to the agency. The City will also transfer an amount of (inclusive of vat) R63 million and R50 million in each of the two-outer years for capital projects that will be implemented by the entity. Due to the fact that BCMDA is still at the forming stage, it anticipates receiving funding mainly from the parent municipality (BCMM) for its operations.

2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years) unless MFMA Section 33 has been complied with. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Chief Financial Officer.

Table 62: MBRR Table SA35 – Future financial implications of the capital budget

Vote Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Present value
R thousand								
Capital expenditure	1							
Vote 01 - Directorate - Executive Support Services		500	500	500				
Vote 02 - Directorate - Municipal Manager		6,664	10,500	10,500				
Vote 03 - Directorate - Human Settlement		252,782	355,711	299,673				
Vote 04 - Directorate - Chief Financial Officer		141,858	80,500	75,500				
Vote 05 - Directorate - Corporate Services		45,760	31,500	19,084				
Vote 06 - Directorate - Infrastructure Services		740,606	848,590	925,093				
Vote 07 - Directorate - Spatial Planning And Development		308,851	333,020	398,899				
Vote 08 - Directorate - Health / Public Safety & Emergency Services		24,650	29,780	37,000				
Vote 09 - Directorate - Municipal Services		128,121	86,773	101,698				
Vote 10 - Directorate - Economic Development & Agencies		86,688	126,800	156,500				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		1,736,481	1,903,674	2,024,448	-	-	-	-
Future operational costs by vote	2							
Vote 01 - Directorate - Executive Support Services								
Vote 02 - Directorate - Municipal Manager								
Vote 03 - Directorate - Human Settlement								
Vote 04 - Directorate - Chief Financial Officer								
Vote 05 - Directorate - Corporate Services								
Vote 06 - Directorate - Infrastructure Services								
Vote 07 - Directorate - Spatial Planning And Development								
Vote 08 - Directorate - Health / Public Safety & Emergency Services								
Vote 09 - Directorate - Municipal Services								
Vote 10 - Directorate - Economic Development & Agencies								
<i>List entity summary if applicable</i>								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		1,736,481	1,903,674	2,024,448	-	-	-	-

2.13 CAPITAL EXPENDITURE DETAILS

The following tables present details of the City's capital expenditure programme, firstly on new assets, then the renewal of assets, upgrading of assets, repair and maintenance of assets, depreciation of assets, detailed capital programme and delayed capital projects.

Table 63: MBRR Table SA34a – Capital expenditure on new assets by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		1,081,416	1,177,836	683,068	898,188	961,197	961,197	998,260	1,071,874	1,060,467
Roads Infrastructure		110,539	28,877	174,695	318,801	392,311	392,311	407,438	437,484	432,828
<i>Roads</i>		110,539	28,877	95,034	191,136	232,146	232,146	241,098	258,877	256,122
<i>Road Structures</i>				74,627	104,665	134,915	134,915	140,117	150,450	148,849
<i>Road Furniture</i>				5,034	23,000	25,250	25,250	26,224	28,157	27,858
<i>Capital Spares</i>										
Storm water Infrastructure		–	–	25,226	10,156	10,708	10,708	11,121	11,941	11,814
<i>Drainage Collection</i>				25,226	10,156	10,708	10,708	11,121	11,941	11,814
<i>Storm water Conveyance</i>										
<i>Attenuation</i>										
Electrical Infrastructure		137,712	111,094	86,248	164,320	147,541	147,541	153,230	164,529	162,778
<i>Power Plants</i>		137,712	111,094					–	–	–
<i>HV Substations</i>								–	–	–
<i>HV Switching Station</i>								–	–	–
<i>HV Transmission Conductors</i>								–	–	–
<i>MV Substations</i>				23,896	65,000	66,388	66,388	68,948	74,032	73,244
<i>MV Switching Stations</i>				18,852	–	–	–	–	–	–
<i>MV Networks</i>				26,807	8,000	13,000	13,000	13,501	14,497	14,343
<i>LV Networks</i>				16,692	91,320	68,153	68,153	70,780	76,000	75,191
<i>Capital Spares</i>								–	–	–
Water Supply Infrastructure		7,475	–	61,498	62,835	89,794	89,794	93,257	100,134	99,068
<i>PRV Stations</i>				998	5,000	5,000	5,000	5,193	5,576	5,516
<i>Capital Spares</i>								–	–	–

MBRR Table SA34a – Capital expenditure on new assets by asset class (Continued)
Table 65: MBRR Table SA34a – Capital expenditure on new assets by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Sport and Recreation Facilities		–	1,149	758	2,000	2,606	2,606	2,706	2,906	2,875
<i>Indoor Facilities</i>		–	–	–	–	–	–	–	–	–
<i>Outdoor Facilities</i>		–	1,149	758	2,000	2,606	2,606	2,706	2,906	2,875
<i>Capital Spares</i>		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	736	130	1,183	1,183	1,229	1,320	1,306
Monuments		–	–	35	130	255	255	265	285	282
Historic Buildings		–	–	–	–	–	–	–	–	–
Works of Art		–	–	701	–	928	928	964	1,035	1,024
Other assets		41,234	1,887	14,687	5,150	14,193	14,193	14,740	15,827	15,658
Operational Buildings		41,234	1,887	14,687	5,150	14,193	14,193	14,740	15,827	15,658
<i>Municipal Offices</i>		41,234	1,887	11,073	–	7,210	7,210	7,488	8,041	7,955
<i>Pay/Enquiry Points</i>		–	–	–	250	450	450	467	502	496
<i>Stores</i>		–	–	3,353	–	–	–	–	–	–
<i>Laboratories</i>		–	–	261	4,900	6,532	6,532	6,784	7,284	7,207
Intangible Assets		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		9	1,797	3,538	52,829	25,858	25,858	26,855	28,835	28,528
<i>Computer Software and Applications</i>		–	–	3,538	52,829	25,858	25,858	26,855	28,835	28,528
<i>Unspecified</i>		9	1,797	–	–	–	–	–	–	–
Computer Equipment		20,975	23,546	2,948	9,521	6,237	6,237	6,478	6,955	6,881
Computer Equipment		20,975	23,546	2,948	9,521	6,237	6,237	6,478	6,955	6,881
Furniture and Office Equipment		1,171	10,223	8,925	22,618	23,758	23,758	24,674	26,494	26,212
Furniture and Office Equipment		1,171	10,223	8,925	22,618	23,758	23,758	24,674	26,494	26,212
Machinery and Equipment		326	3,337	12,264	48,443	62,363	62,363	64,768	69,544	68,804
Machinery and Equipment		326	3,337	12,264	48,443	62,363	62,363	64,768	69,544	68,804
Transport Assets		–	50,142	110,988	35,100	83,084	83,084	149,287	142,650	141,664
Transport Assets		–	50,142	110,988	35,100	83,084	83,084	149,287	142,650	141,664
Total Capital Expenditure on new assets	1	1,184,089	1,281,272	839,196	1,091,129	1,202,102	1,202,102	1,311,454	1,390,518	1,376,252

Table 66: MBRR Table SA34b – Capital expenditure on renewal of existing assets by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure		–	–	88,119	121,000	162,495	162,495	115,658	132,674	161,584
Roads Infrastructure		–	–	42,759	53,500	89,687	89,687	63,836	73,228	89,184
<i>Roads</i>				32,919	47,500	83,687	83,687	59,566	68,329	83,218
<i>Road Structures</i>				9,840	6,000	6,000	6,000	4,271	4,899	5,966
<i>Road Furniture</i>										
Electrical Infrastructure		–	–	82	11,000	16,307	16,307	11,607	13,315	16,216
<i>Capital Spares</i>				82	11,000	16,307	16,307	11,607	13,315	16,216
Water Supply Infrastructure		–	–	45,277	56,500	56,500	56,500	40,215	46,131	56,183
<i>Reservoirs</i>				6,183	9,700	9,700	9,700	6,904	7,920	9,646
<i>Pump Stations</i>				1,251	2,000	2,000	2,000	1,424	1,633	1,989
<i>Water Treatment Works</i>				708	2,000	2,000	2,000	1,424	1,633	1,989
<i>Bulk Mains</i>				13,722	17,250	17,250	17,250	12,278	14,084	17,153
<i>Distribution</i>						–	–	–	–	–
<i>Distribution Points</i>				23,413	25,550	25,550	25,550	18,186	20,861	25,407
Community Assets		–	–	5,288	35,600	18,740	18,740	13,339	15,301	18,635
Community Facilities		–	–	–	6,000	14,036	14,036	9,990	11,460	13,957
<i>Halls</i>										
<i>Theatres</i>					2,000	1,000	1,000	712	816	994
<i>Libraries</i>						–	–	–	–	–
<i>Taxi Ranks/Bus Terminals</i>					4,000	13,036	13,036	9,279	10,644	12,963
<i>Capital Spares</i>										
Sport and Recreation Facilities		–	–	5,288	29,600	4,704	4,704	3,348	3,841	4,678
<i>Indoor Facilities</i>										
<i>Outdoor Facilities</i>				5,288	29,600	4,704	4,704	3,348	3,841	4,678
<i>Capital Spares</i>										
Heritage assets		–	–	175	600	1,025	1,025	730	837	1,019
Monuments				175	600	1,025	1,025	730	837	1,019
Historic Buildings										
Other assets		–	–	1,302	–	460	460	327	376	457
Operational Buildings		–	–	1,302	–	460	460	327	376	457
<i>Municipal Offices</i>										
<i>Pay/Enquiry Points</i>				1,302	–	460	460	327	376	457
Transport Assets		–	–	987	1,200	2,485	2,485	1,769	2,029	2,471
Transport Assets				987	1,200	2,485	2,485	1,769	2,029	2,471
Land		–	–	–	–	–	–	–	–	–
Land										
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals										
Total Capital Expenditure on renewal of existing assets	1	–	–	95,871	158,400	185,205	185,205	131,822	151,216	184,166
Renewal of Existing Assets as % of total capex		0.0%	0.0%	7.2%	9.0%	9.7%	9.7%	7.6%	7.9%	9.1%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	9.7%	17.7%	20.7%	20.7%	14.7%	16.2%	17.9%

Table 67: MBRR Table SA34e – Capital expenditure on the upgrading of existing assets by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Capital expenditure on upgrading of existing assets by Asset Class/Sub-class										
Infrastructure		–	–	283,836	305,351	341,765	341,765	190,873	235,618	302,078
Roads Infrastructure		–	–	136,717	91,700	169,715	169,715	94,784	117,004	150,007
Roads		–	–	136,717	91,700	169,715	169,715	94,784	117,004	150,007
Electrical Infrastructure		–	–	38,651	29,000	29,000	29,000	16,196	19,993	25,632
MV Substations		–	–	12,675	–	–	–	–	–	–
MV Switching Stations		–	–	–	–	–	–	–	–	–
MV Networks		–	–	7,734	29,000	29,000	29,000	16,196	19,993	25,632
LV Networks		–	–	18,243	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	45,611	94,551	67,950	67,950	37,950	46,846	60,059
Dams and Weirs		–	–	29,320	78,951	45,000	45,000	25,132	31,024	39,774
Boreholes		–	–	–	–	–	–	–	–	–
Reservoirs		–	–	6,501	8,400	15,750	15,750	8,796	10,858	13,921
Pump Stations		–	–	3,499	2,200	2,200	2,200	1,229	1,517	1,945
Water Treatment Works		–	–	–	–	–	–	–	–	–
Bulk Mains		–	–	3,824	4,000	4,000	4,000	2,234	2,758	3,536
Distribution		–	–	2,466	1,000	1,000	1,000	558	689	884
Sanitation Infrastructure		–	–	62,823	85,100	70,100	70,100	39,150	48,328	61,960
Pump Station		–	–	3,045	4,000	4,000	4,000	2,234	2,758	3,536
Reticulation		–	–	17,492	26,000	26,000	26,000	14,521	17,925	22,981
Waste Water Treatment Works		–	–	23,541	29,000	29,000	29,000	16,196	19,993	25,632
Outfall Sewers		–	–	18,745	26,100	11,100	11,100	6,199	7,653	9,811
Solid Waste Infrastructure		–	–	35	5,000	5,000	5,000	2,792	3,447	4,419
Landfill Sites		–	–	–	–	–	–	–	–	–
Waste Transfer Stations		–	–	35	5,000	5,000	5,000	2,792	3,447	4,419
Community Assets		–	–	93,593	136,105	136,193	136,193	76,063	93,894	120,378
Community Facilities		–	–	83,227	118,655	107,763	107,763	60,184	74,293	95,249
Halls		–	–	3,448	10,000	15,500	15,500	8,657	10,686	13,700
Centres		–	–	21,612	32,473	28,019	28,019	15,648	19,317	24,765
Crèches		–	–	–	–	–	–	–	–	–
Cemeteries/Crematoria		–	–	7,193	9,000	9,000	9,000	5,026	6,205	7,955
Public Open Space		–	–	4,297	5,950	5,950	5,950	3,323	4,102	5,259
Nature Reserves		–	–	722	24,732	18,797	18,797	10,498	12,959	16,615
Public Ablution Facilities		–	–	262	700	700	700	391	483	619
Markets		–	–	10,724	4,800	7,796	7,796	4,354	5,375	6,891
Stalls		–	–	3,540	–	–	–	–	–	–
Taxi Ranks/Bus Terminals		–	–	31,429	29,000	22,000	22,000	12,287	15,167	19,445
Capital Spares		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	10,366	19,450	28,431	28,431	15,878	19,601	25,129
Indoor Facilities		–	–	1,522	1,700	1,700	1,700	949	1,172	1,503
Outdoor Facilities		–	–	8,844	17,750	26,731	26,731	14,929	18,429	23,627
Capital Spares		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	476	950	950	950	531	655	840
Monuments		–	–	–	–	–	–	–	–	–
Historic Buildings		–	–	476	950	950	950	531	655	840
Other assets		–	–	15,572	57,800	41,460	41,460	23,155	28,583	36,645
Operational Buildings		–	–	14,455	57,800	41,460	41,460	23,155	28,583	36,645
Municipal Offices		–	–	2,786	37,200	17,739	17,739	9,907	12,230	15,679
Pay/Enquiry Points		–	–	4,794	–	2,706	2,706	1,511	1,865	2,391
Stores		–	–	126	200	274	274	153	189	243
Laboratories		–	–	–	–	–	–	–	–	–
Training Centres		–	–	1,460	1,000	1,540	1,540	860	1,062	1,361
Manufacturing Plant		–	–	2,609	4,000	4,000	4,000	2,234	2,758	3,536
Depots		–	–	2,681	15,400	15,200	15,200	8,489	10,479	13,435
Capital Spares		–	–	–	–	–	–	–	–	–
Housing		–	–	1,116	–	–	–	–	–	–
Staff Housing		–	–	–	–	–	–	–	–	–
Social Housing		–	–	1,116	–	–	–	–	–	–
Capital Spares		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	1,702	3,407	4,626	4,626	2,583	3,189	4,088
Zoo's, Marine and Non-biological Animals		–	–	1,702	3,407	4,626	4,626	2,583	3,189	4,088
Total Capital Expenditure on upgrading of existing assets	1	–	–	395,179	503,613	524,994	524,994	293,205	361,939	464,029
Upgrading of Existing Assets as % of total capex		0.0%	0.0%	29.7%	28.7%	27.5%	27.5%	16.9%	19.0%	22.9%
Upgrading of Existing Assets as % of deprecn"		0.0%	0.0%	39.8%	56.2%	58.6%	58.6%	32.7%	38.8%	45.2%

Table 68: MBRR Table SA34c – Repairs and maintenance expenditure by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		277,791	317,612	146,488	219,341	198,741	198,741	186,816	205,498	226,048
Roads Infrastructure		96,654	95,320	68,674	122,569	115,469	115,469	108,540	119,394	131,334
Storm water Infrastructure		8,493	9,116	7,997	11,726	11,726	11,726	11,022	12,124	13,337
Electrical Infrastructure		86,131	119,755	35,389	41,040	36,040	36,040	33,878	37,265	40,992
Water Supply Infrastructure		41,907	46,388	2,783	3,255	3,509	3,509	3,298	3,628	3,991
Sanitation Infrastructure		27,895	34,022	29,427	33,740	28,487	28,487	26,777	29,455	32,401
Solid Waste Infrastructure		16,710	13,011	2,218	7,011	3,511	3,511	3,301	3,631	3,994
Landfill Sites		16,710	13,011	2,218	7,011	3,511	3,511	3,301	3,631	3,994
Community Assets		7,920	9,883	9,607	9,090	8,031	8,031	7,549	8,304	9,135
Community Facilities		5,091	7,743	6,994	7,257	6,198	6,198	5,827	6,409	7,050
Sport and Recreation Facilities		2,829	2,140	2,613	1,833	1,833	1,833	1,723	1,895	2,085
Heritage assets		-	-	-	10	10	10	9	10	11
Other assets		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
Operational Buildings		57,181	53,364	36,769	45,531	30,365	30,365	28,543	31,397	34,537
Intangible Assets		-	-	-	1,201	701	701	659	725	797
Servitudes		-	-	-	1,201	701	701	659	725	797
Licences and Rights		-	-	-	1,201	701	701	659	725	797
Computer Equipment		118	922	2,311	1,771	1,267	1,267	1,191	1,310	1,441
Computer Equipment		118	922	2,311	1,771	1,267	1,267	1,191	1,310	1,441
Furniture and Office Equipment		1	0	5,183	8,146	7,770	7,770	7,304	8,035	8,838
Furniture and Office Equipment		1	0	5,183	8,146	7,770	7,770	7,304	8,035	8,838
Machinery and Equipment		-	-	125,740	177,620	149,635	149,635	140,657	154,722	170,195
Machinery and Equipment		-	-	125,740	177,620	149,635	149,635	140,657	154,722	170,195
Transport Assets		1,008	(2,783)	29,195	30,906	28,624	28,624	22,655	24,921	27,413
Transport Assets		1,008	(2,783)	29,195	30,906	28,624	28,624	22,655	24,921	27,413
Land		219	-	-	-	-	-	-	-	-
Land		219	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	344,238	378,998	355,294	493,616	425,143	425,143	395,383	434,922	478,414
R&M as a % of PPE		2.7%	2.4%	2.0%	2.5%	2.2%	2.2%	2.0%	2.2%	2.3%
R&M as % Operating Expenditure		6.2%	6.8%	5.9%	7.6%	6.5%	6.5%	6.0%	6.2%	6.3%

Table 69: MBRR Table SA34d – Depreciation by Asset Class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
<u>Depreciation by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		712,798	662,591	455,420	335,787	335,787	335,787	335,306	349,053	384,913
Roads Infrastructure		353,133	333,946	(1,555)	-	-	-	-	-	-
Storm water Infrastructure		-	-	(61)	-	-	-	-	-	-
Electrical Infrastructure		110,828	104,984	213,495	94,772	94,772	94,772	94,636	98,516	108,637
Water Supply Infrastructure		141,871	116,398	153,192	80,070	80,070	80,070	79,955	83,233	91,784
Sanitation Infrastructure		106,965	107,264	(1,478)	157,324	157,324	157,324	157,099	163,540	180,341
Solid Waste Infrastructure		-	-	91,826	3,621	3,621	3,621	3,615	3,764	4,150
Rail Infrastructure		-	-	-	-	-	-	-	-	-
<u>Community Assets</u>		59,746	54,839	463,811	441,813	441,813	441,813	441,180	459,269	506,451
Community Facilities		42,326	38,765	463,811	441,813	441,813	441,813	441,180	459,269	506,451
Sport and Recreation Facilities		17,420	16,075	-	-	-	-	-	-	-
<u>Investment properties</u>		-	-	4,950	-	-	-	-	-	-
Revenue Generating		-	-	4,950	-	-	-	-	-	-
<u>Other assets</u>		33,247	32,442	728	-	-	-	-	-	-
Operational Buildings		33,247	32,442	728	-	-	-	-	-	-
<u>Intangible Assets</u>		9,167	9,306	6,641	8,629	8,496	8,496	8,484	8,832	9,739
Servitudes		9,167	9,306	-	-	-	-	-	-	-
Licences and Rights		-	-	6,641	8,629	8,496	8,496	8,484	8,832	9,739
<u>Computer Equipment</u>		2	106	178	201	209	209	208	217	239
Computer Equipment		2	106	178	201	209	209	208	217	239
<u>Furniture and Office Equipment</u>		20,056	17,703	14,546	44,460	44,457	44,457	44,393	46,213	50,961
Furniture and Office Equipment		20,056	17,703	14,546	44,460	44,457	44,457	44,393	46,213	50,961
<u>Machinery and Equipment</u>		9,358	7,932	6,110	25,183	25,183	25,183	25,147	26,178	28,868
Machinery and Equipment		9,358	7,932	6,110	25,183	25,183	25,183	25,147	26,178	28,868
<u>Transport Assets</u>		13,045	22,539	40,477	40,353	40,345	40,345	41,571	41,947	46,256
Transport Assets		13,045	22,539	40,477	40,353	40,345	40,345	41,571	41,947	46,256
Total Depreciation	1	857,418	807,459	992,860	896,426	896,290	896,290	896,290	931,709	1,027,428

2.14 LEGISLATION COMPLIANCE STATUS

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) includes monthly published financial performance on the City's website. The monthly data string that agrees to the C schedules gets uploaded on the National Treasury portal on a monthly basis.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme and has been continuously training interns. There are currently eight interns that are undertaking the programme, all have been enrolled to the Municipal Finance and Supply Chain Management Programme that is prescribed as a minimum competency for middle management. An additional intake of interns will be recruited soon for commencement in the new financial year.

3. Budget and Treasury Office

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

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail draft SDBIP document has been prepared as part of the draft 2019/20 IDP review and MTREF budget preparation in compliance with MFMA, Section 53(1)(c).

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements. The Annual report for 2017/18 financial year was prepared in line with MFMA Circular 63 guideline and tabled at Council on 29 January 2019.

7. National Treasury Competency Programme

BCMM senior management has already undergone training as required in the National Treasury Competency Programme; the programme is now being cascaded to junior managerial levels of staff.

8. Policies

Policies are available on the BCMM website at www.buffalocitymetro.gov.za

9. Councillors Remuneration

Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget.

Table 70: MBRR Table SA1 – Supporting detail to budgeted financial performance

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		906,094	957,618	1,005,769	1,602,336	1,597,536	1,597,536	1,597,536	1,749,594	1,889,562	1,991,598
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>		33,739	98,766	33,089	180,375	180,375	180,375	180,375	197,543	213,347	224,867
Net Property Rates		872,354	858,852	972,680	1,421,961	1,417,161	1,417,161	1,417,161	1,552,051	1,676,215	1,766,731
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		1,690,698	1,695,665	1,675,680	2,051,858	2,030,654	2,030,654	2,030,654	2,134,041	2,313,087	2,507,155
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		8,778	–	(7,281)	59,146	59,146	59,146	59,146	62,158	67,373	73,025
Net Service charges - electricity revenue		1,681,921	1,695,665	1,682,962	1,992,712	1,971,508	1,971,508	1,971,508	2,071,884	2,245,715	2,434,130
Service charges - water revenue	6										
Total Service charges - water revenue		525,985	452,690	609,963	721,263	721,263	721,263	721,263	747,019	806,780	886,248
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>											
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		31,348	–	169,134	158,220	158,220	158,220	158,220	163,870	176,980	194,412
Net Service charges - water revenue		494,638	452,690	440,830	563,043	563,043	563,043	563,043	583,149	629,800	691,836
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		371,701	233,728	304,905	392,286	392,286	392,286	392,286	442,754	478,174	503,996
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		76,354	–	–	70,143	70,143	70,143	70,143	79,167	85,500	90,117
Net Service charges - sanitation revenue		295,347	233,728	304,905	322,143	322,143	322,143	322,143	363,587	392,674	413,878
Service charges - refuse revenue	6										
Total refuse removal revenue		357,803	211,459	249,497	423,465	423,465	423,465	423,465	447,330	483,116	509,204
Total landfill revenue						–	–	–			
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>											
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>		71,020	–	–	129,077	129,077	129,077	129,077	136,352	147,260	155,212
Net Service charges - refuse revenue		286,783	211,459	249,497	294,388	294,388	294,388	294,388	310,978	335,856	353,992

Table 71: MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Ref	Vote 01 - Directorate - Executive Support Services	Vote 02 - Directorate - Municipal Manager	Vote 03 - Directorate - Human Settlement	Vote 04 - Directorate - Chief Financial Officer	Vote 05 - Directorate - Corporate Services	Vote 06 - Directorate - Infrastructure Services	Vote 07 - Directorate - Spatial Planning And Development	Vote 08 - Directorate - Health / Public Safety & Emergency	Vote 09 - Directorate - Municipal Services	Vote 10 - Directorate - Economic Development & Agencies	Total
R thousand	1											
Revenue By Source												
Property rates					1,552,051							1,552,051
Service charges - electricity revenue					21,889		2,049,995					2,071,884
Service charges - water revenue							583,149					583,149
Service charges - sanitation revenue							363,587					363,587
Service charges - refuse revenue									310,978			310,978
Rental of facilities and equipment				87				11,628		5,837	1,662	19,214
Interest earned - external investments					109,196							109,196
Interest earned - outstanding debtors					59,465							59,465
Dividends received												-
Fines, penalties and forfeits					1,351				16,316	467		18,134
Licences and permits									15,789	166		15,955
Agency services									33,096			33,096
Other revenue					13,805	1	21,243	20,517	71,452	25,745	27,988	180,751
Transfers and subsidies			34,479	143,122	940,688	14,300	353,888	15,850		152,222		1,654,549
Gains on disposal of PPE												-
Total Revenue (excluding capital transfers and contributions)		-	34,479	143,209	2,698,445	14,301	3,371,861	47,995	136,653	495,415	29,650	6,972,008
Expenditure By Type												
Employee related costs		94,740	63,971	37,518	308,010	104,790	525,689	120,412	400,238	537,460	42,639	2,235,469
Remuneration of councillors		68,485										68,485
Debt impairment					116,404		218,324		8,072	23,323		366,124
Depreciation & asset impairment		2,624	12,169	10,405	2,591	12,822	738,270	120,980	8,011	17,874	5,961	931,709
Finance charges							35,211	684	2,179	1,740	1,186	41,000
Bulk purchases							1,847,572					1,847,572
Other materials		3,489	1,176	537	3,270	679	33,194	3,993	6,109	18,719	473	71,639
Contracted services		24,566	64,420	147,871	52,569	14,235	400,833	52,757	11,361	52,544	12,240	833,397
Transfers and subsidies		20,109		250			13,547			219	17,749	51,875
Other expenditure		93,878	61,013	4,534	108,496	34,496	53,230	20,165	14,478	70,854	62,802	523,946
Loss on disposal of PPE												-
Total Expenditure		307,892	202,750	201,115	591,340	167,022	3,865,870	318,991	450,448	722,735	143,051	6,971,215
Surplus/(Deficit)		(307,892)	(168,271)	(57,906)	2,107,105	(152,722)	(494,010)	(270,996)	(313,795)	(227,320)	(113,401)	792
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			80	252,282			418,231	266,116		67,690		1,004,399
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)												-
Transfers and subsidies - capital (in-kind - all)												-
Surplus/(Deficit) after capital transfers & contributions		(307,892)	(168,191)	194,375	2,107,105	(152,722)	(75,778)	(4,880)	(313,795)	(159,630)	(113,401)	1,005,191

Table 72: MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits		2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088
Other current investments											
Total Call investment deposits	2	2,151,164	1,665,511	1,660,393	1,563,129	1,471,362	1,471,362	1,471,362	1,664,478	1,919,556	2,221,088
<u>Consumer debtors</u>											
Consumer debtors		1,545,365	1,171,401	1,208,526	1,540,957	1,540,597	1,540,597	1,540,597	1,462,439	1,608,683	1,769,552
<u>Less: Provision for debt impairment</u>		(1,097,312)	(714,853)	(699,540)	(602,959)	(602,959)	(602,959)	(602,959)	(664,169)	(643,789)	(621,370)
Total Consumer debtors	2	448,053	456,548	508,985	937,997	937,637	937,637	937,637	798,270	964,895	1,148,181
<u>Debt impairment provision</u>											
Balance at the beginning of the year		(899,745)	(763,291)	(714,853)	(661,570)	(661,570)	(661,570)	(661,570)	(682,697)	(664,169)	(643,789)
Contributions to the provision		(210,111)	(132,723)	(225,515)	(160,595)	(160,595)	(160,595)	(160,595)	(272,873)	(300,161)	(330,177)
Bad debts written off		12,544	181,162	240,827	219,206	219,206	219,206	219,206	291,401	320,541	352,595
Balance at end of year		(1,097,312)	(714,853)	(699,540)	(602,959)	(602,959)	(602,959)	(602,959)	(664,169)	(643,789)	(621,370)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		28,662,843	36,011,832	37,470,840	39,579,947	39,739,105	39,739,105	39,739,105	41,169,400	43,073,074	45,097,522
Leases recognised as PPE	3				-	-	-	-			
<u>Less: Accumulated depreciation</u>		15,687,940	20,306,724	19,280,113	20,198,053	20,197,917	20,197,917	20,197,917	21,126,681	22,173,391	23,324,771
Total Property, plant and equipment (PPE)	2	12,974,903	15,705,107	18,190,726	19,381,893	19,541,187	19,541,187	19,541,187	20,042,719	20,899,683	21,772,750

MBRR Table SA3 – Supporting detail to Statement of Financial Position (Continued)

LIABILITIES										
Current liabilities - Borrowing										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities	50,709	47,642	52,572	59,667	57,974	57,974	57,974	56,849	51,256	59,023
Total Current liabilities - Borrowing	50,709	47,642	52,572	59,667	57,974	57,974	57,974	56,849	51,256	59,023
Trade and other payables										
Trade Payables								749,242	824,167	906,583
Other creditors	1,081,089	765,291	1,028,167	909,878	909,878	909,878	909,878	381,741	419,915	461,907
Unspent conditional transfers	211,266	252,319	284,255	150,137	150,137	150,137	150,137	312,670	165,150	165,150
VAT		702	702	-	-	-	-			
Total Trade and other payables	1,292,355	1,018,313	1,313,124	1,060,015	1,060,015	1,060,015	1,060,015	1,443,654	1,409,232	1,533,640
Non current liabilities - Borrowing										
Borrowing	445,768	398,126	345,554	355,516	287,581	287,581	287,581	246,225	421,514	563,321
Finance leases (including PPP asset element)										
Total Non current liabilities - Borrowing	445,768	398,126	345,554	355,516	287,581	287,581	287,581	246,225	421,514	563,321
Provisions - non-current										
Retirement benefits	488,149	506,951	516,344	664,648	664,648	664,648	664,648	567,978	624,776	687,253
<i>List other major provision items</i>										
Refuse landfill site rehabilitation	10,223	10,115	10,459	132,741	132,741	132,741	132,741	11,505	12,656	13,921
Other	-	-	-	100	100	100	100			
Total Provisions - non-current	498,372	517,066	526,803	797,489	797,489	797,489	797,489	579,483	637,432	701,175
CHANGES IN NET ASSETS										
Accumulated Surplus/(Deficit)										
Accumulated Surplus/(Deficit) - opening balance	9,534,233	9,754,200	10,113,472	16,582,474	16,706,885	16,706,885	16,706,885	10,734,016	11,006,862	11,000,559
GRAP adjustments										
Restated balance	9,534,233	9,754,200	10,113,472	16,582,474	16,706,885	16,706,885	16,706,885	10,734,016	11,006,862	11,000,559
Surplus/(Deficit)	614,646	359,272	365,536	807,825	820,210	820,210	820,210	1,005,191	1,015,193	1,098,540
Appropriations to Reserves										
Transfers from Reserves										
Depreciation offsets										
Other adjustments	4,008	(0)	0							
Accumulated Surplus/(Deficit)	10,152,888	10,113,472	10,479,009	17,390,299	17,527,095	17,527,095	17,527,095	11,739,208	12,022,056	12,099,099
Reserves										
Housing Development Fund										
Capital replacement										
Self-insurance										
Other reserves										
Revaluation	4,613,941	6,925,099	9,050,458	3,741,152	3,741,152	3,741,152	3,741,152	9,955,503	10,951,054	12,046,159
Total Reserves	4,613,941	6,925,099	9,050,458	3,741,152	3,741,152	3,741,152	3,741,152	9,955,503	10,951,054	12,046,159
TOTAL COMMUNITY WEALTH/EQUITY	14,766,828	17,038,571	19,529,466	21,131,451	21,268,247	21,268,247	21,268,247	21,694,711	22,973,109	24,145,258

MBRR Table SA9 – Social, Economic and Demographic Statistics and Assumptions (Continued)

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2015/16	2016/17	2017/18	Current Year 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Housing statistics	3											
Formal			120,949	147,317	162,005	162,005	162,005	177,913	177,913	177,913	177,913	177,913
Informal			54,647	51,021	49,790	49,790	49,790	62,980	62,980	62,980	62,980	62,980
Total number of households			175,596	198,338	211,795	211,795	211,795	240,893	240,893	240,893	240,893	240,893
Dwellings provided by municipality	4											
Dwellings provided by province/s												
Dwellings provided by private sector	5											
Total new housing dwellings			-	-	-	-	-	-	-	-	-	-
Economic	6											
Inflation/inflation outlook (CPIX)												
Interest rate - borrowing						10.2%	10.1%	9.9%	10.1%	9.0%	9.0%	9.0%
Interest rate - investment						6.0%	6.6%	6.6%	7.0%	6.5%	6.5%	6.5%
Remuneration increases												
Consumption growth (electricity)												
Consumption growth (water)												
Collection rates	7											
Property tax/service charges						%	%	%	%	%	%	%
Rental of facilities & equipment						%	%	%	%	%	%	%
Interest - external investments						122.0%	103.0%	97.0%	100.0%	100.0%	100.0%	100.0%
Interest - debtors						%	%	%	%	%	%	%
Revenue from agency services						%	%	%	%	%	%	%

MBRR Table SA9 – Social, Economic and Demographic Statistics and Assumptions (Continued)

Total municipal services	Ref.		2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
		Household service targets (000)									
		Water:									
		Piped water inside dwelling	118,000	118,000	118,000	121,800	121,800	121,800	122,054	122,308	122,562
		Piped water inside yard (but not in dwelling)	–	–	–	–	–	–	–	–	–
8		Using public tap (at least min.service level)	104,000	105,000	105,000	126,730	126,730	126,730	127,476	128,222	128,968
10		Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
		<i>Minimum Service Level and Above sub-total</i>	222,000	223,000	223,000	248,530	248,530	248,530	249,530	250,530	251,530
9		Using public tap (< min.service level)	1,000	–	–	–	–	–	–	–	–
10		Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
		No water supply	1,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
		<i>Below Minimum Service Level sub-total</i>	2,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
		Total number of households	224,000	224,000	224,000	253,477	253,477	253,477	253,477	253,477	253,477
		Sanitation/sewerage:									
		Flush toilet (connected to sewerage)	157,011	158,671	158,671	160,671	160,671	160,671	161,171	161,671	162,171
		Flush toilet (with septic tank)	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437
		Chemical toilet	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544
		Pit toilet (ventilated)	31,309	36,298	36,298	40,536	40,536	40,536	43,336	44,836	46,336
		Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
		<i>Minimum Service Level and Above sub-total</i>	197,301	203,950	203,950	210,188	210,188	210,188	213,488	215,488	217,488
		Bucket toilet	–	–	–	–	–	–	–	–	–
		Other toilet provisions (< min.service level)	21,790	19,754	19,754	19,754	19,754	19,754	19,754	19,754	19,754
		No toilet provisions	4,477	–	–	23,535	23,535	23,535	20,235	18,235	16,235
		<i>Below Minimum Service Level sub-total</i>	26,267	19,754	19,754	43,289	43,289	43,289	39,989	37,989	35,989
		Total number of households	223,568	223,704	223,704	253,477	253,477	253,477	253,477	253,477	253,477
		Energy:									
		Electricity (at least min.service level)	7,298	5,873	5,873	5,903	5,903	5,903	5,918	5,918	5,918
		Electricity - prepaid (min.service level)	119,832	118,628	118,628	119,619	119,619	119,619	122,151	122,151	122,151
		<i>Minimum Service Level and Above sub-total</i>	127,130	124,501	124,501	125,522	125,522	125,522	128,069	128,069	128,069
		Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
		Electricity - prepaid (< min. service level)	40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
		Other energy sources	–	–	–	–	–	–	–	–	–
		<i>Below Minimum Service Level sub-total</i>	40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
		Total number of households	167,371	163,742	163,742	162,363	162,363	162,363	176,949	176,949	176,949
		Refuse:									
		Removed at least once a week	126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
		<i>Minimum Service Level and Above sub-total</i>	126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
		Removed less frequently than once a week	1,980	1,980	1,980	1,980	1,980	1,980	40,556	40,556	40,556
		Using communal refuse dump	2	2	2	2	2	2	2	2	2
		Using own refuse dump	1	1	1	1	1	1	1	1	1
		Other rubbish disposal	–	–	4	4	4	4	4	4	4
		No rubbish disposal	3	3	3	3	3	3	3	3	3
		<i>Below Minimum Service Level sub-total</i>	1,986	1,986	1,990	1,990	1,990	1,990	40,566	40,566	40,566
		Total number of households	128,030	128,486	129,227	131,990	131,990	131,990	190,117	190,117	190,117

MBRR Table SA9 – Social, Economic and Demographic Statistics and Assumptions (Continued)

Municipal in-house services	Ref.	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
		Household service targets (000)									
		Water:									
		Piped water inside dwelling	118,000	118,000	118,000	121,800	121,800	121,800	122,054	122,308	122,562
		Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-	-
8		Using public tap (at least min.service level)	104,000	105,000	105,000	126,730	126,730	126,730	127,476	128,222	128,968
10		Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-
		<i>Minimum Service Level and Above sub-total</i>	222,000	223,000	223,000	248,530	248,530	248,530	249,530	250,530	251,530
9		Using public tap (< min.service level)	1,000	-	-	-	-	-	-	-	-
10		Other water supply (< min.service level)	-	-	-	-	-	-	-	-	-
		No water supply	1,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
		<i>Below Minimum Service Level sub-total</i>	2,000	1,000	1,000	4,947	4,947	4,947	3,947	2,947	1,947
		Total number of households	224,000	224,000	224,000	253,477	253,477	253,477	253,477	253,477	253,477
		Sanitation/sewerage:									
		Flush toilet (connected to sewerage)	157,011	158,671	158,671	160,671	160,671	160,671	161,171	161,671	162,171
		Flush toilet (with septic tank)	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437	5,437
		Chemical toilet	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544
		Pit toilet (ventilated)	31,309	36,298	36,298	40,536	40,536	40,536	43,336	44,836	46,336
		Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
		<i>Minimum Service Level and Above sub-total</i>	197,301	203,950	203,950	210,188	210,188	210,188	213,488	215,488	217,488
		Bucket toilet	-	-	-	-	-	-	-	-	-
		Other toilet provisions (< min.service level)	21,790	19,754	19,754	19,754	19,754	19,754	19,754	19,754	19,754
		No toilet provisions	4,477	-	-	23,535	23,535	23,535	20,235	18,235	16,235
		<i>Below Minimum Service Level sub-total</i>	26,267	19,754	19,754	43,289	43,289	43,289	39,989	37,989	35,989
		Total number of households	223,568	223,704	223,704	253,477	253,477	253,477	253,477	253,477	253,477
		Energy:									
		Electricity (at least min.service level)	7,298	5,873	5,873	5,903	5,903	5,903	5,918	5,918	5,918
		Electricity - prepaid (min.service level)	119,832	118,628	118,628	119,619	119,619	119,619	122,151	122,151	122,151
		<i>Minimum Service Level and Above sub-total</i>	127,130	124,501	124,501	125,522	125,522	125,522	128,069	128,069	128,069
		Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
		Electricity - prepaid (< min. service level)	40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
		Other energy sources	-	-	-	-	-	-	-	-	-
		<i>Below Minimum Service Level sub-total</i>	40,241	39,241	39,241	36,841	36,841	36,841	48,880	48,880	48,880
		Total number of households	167,371	163,742	163,742	162,363	162,363	162,363	176,949	176,949	176,949
		Refuse:									
		Removed at least once a week	126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
		<i>Minimum Service Level and Above sub-total</i>	126,044	126,500	127,237	130,000	130,000	130,000	149,551	149,551	149,551
		Removed less frequently than once a week	1,980	1,980	1,980	1,980	1,980	1,980	40,556	40,556	40,556
		Using communal refuse dump	2	2	2	2	2	2	2	2	2
		Using own refuse dump	1	1	1	1	1	1	1	1	1
		Other rubbish disposal	-	-	4	4	4	4	4	4	4
		No rubbish disposal	3	3	3	3	3	3	3	3	3
		<i>Below Minimum Service Level sub-total</i>	1,986	1,986	1,990	1,990	1,990	1,990	40,566	40,566	40,566
		Total number of households	128,030	128,486	129,227	131,990	131,990	131,990	190,117	190,117	190,117

2.15 CITY MANAGER'S QUALITY CERTIFICATE

I **Andile Sihlahla**, City Manager of Buffalo City Metropolitan Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature _____

Date _____

ANNEXURES:

- C: 2019/2020 Draft MTREF Capital Projects
- D: 2019/2020 Draft MTREF Operating Projects
- E: BCMM MSCOA Project Plan
- F: 2019/2020 Tariff Book
- G: 2019/2020 Tariff Policy
- H: 2019/2020 Property Rates Policy & Property Rates By-Law
- I: 2019/2020 Supply Chain Management Policy
- J: 2019/2020 Immovable Asset Policy
- K: 2019/2020 Draft Budget Virement Policy
- L: 2019/2020 Draft Built Environmental Performance Plan
- M: 2019/2020 Draft Service Level Standards
- N: MFMA Budget Circular 93 and 94
- O: 2019/2020 Draft Consolidated A-Schedules