KOUGA LOCAL MUNICIPALITY

KOUGA
local municipality
Good Governance through Service Excellence

2017/18 – 2019/20

ANNUAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

Nine months ago, on 3 August 2016, the people of Kouga overwhelmingly voted for a change in government, choosing the Democratic Alliance to lead the Kouga Council. In doing so, they gave their new Council the mandate to create a municipality that is caring, safe, inclusive, forward-thinking and well-run, with opportunities for all residents.

As Executive Mayor, I have the honour of presenting to you one of the documents, that will lay the groundwork for the change that Kouga's people voted for.

The new Integrated Development Plan (IDP) IDP for the period 2017 to 2022 was compiled in conjunction with all communities following the 2016 local government elections. The IDP is often described as "the most important planning tool" of a municipality. It is a five-year plan which sets out the development needs of all wards and is used to determine which projects a municipality funds in a particular year. Once adopted, the IDP is reviewed annually in consultation with communities.

The Council started work on the new IDP in September 2016 with a strategic planning session, at which a new vision, mission and value statement were crafted for the municipality. The first series of community consultation meetings was then held from November to December 2016, so as to ensure that the voice of residents and stakeholder groups found expression in the new document. The new vision, mission and value statement, as well as a new municipal logo, were approved by the Council in December 2016.

Following the adoption of the draft IDP and draft budget in March 2017, the second series of community consultation meetings was held. An IDP Representative Forum was also established, consisting of municipal councillors and officials, sector departments, stakeholder and interest groups, as well as members of the public. In addition to greater public participation, one of the improvements we were able to achieve this year was the clear alignment of the IDP to the annual municipal budget. Residents will note that, for the first time, reference numbers have been included in the IDP and budget so as to highlight the linkages between these documents in the interest of greater transparency and accountability.

The Council would like to thank all residents, ward committees, sector departments and stakeholder groups who actively participated in the compilation of Kouga's new IDP. I would also like to thank our ward councillors for facilitating the meetings in their wards and the municipal administration who prepared the new document in accordance with legislation and the Council's new mandate.

We look forward to building on our relationship with all stakeholders and continually improving on the municipality's planning processes so that, together, we can achieve our vision of "Good Governance through Service Excellence".

CLR E C VAN LINGEN
EXECUTIVE MAYOR

1.2 COUNCIL RESOLUTIONS

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

1. The annual budget of the Kouga Municipality for the financial year 2017/18 and the indicative allocations for the projected outer years 2018/19 and 2019/20; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 24 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, as set-out in the following tables:

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

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

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

3. The tariffs be increased as follows, with effect from 1 July 2017:

Property rates	-	8%
Water	-	9.5%
Sanitation	-	9%
Refuse	-	9%
Electricity (average increase in electricity income)	-	2.05%
Environmental Management Fee	-	6%

4. The indicative tariffs for 2018/19 and 2019/20 be increased as follows:

	2018/19	2019/20
Property rates	8%	8%
Water	10.5%	11.5%
Sanitation	9%	9%
Refuse	9%	9%
Electricity (average increase in electricity income)	1.88%	1.88%
Environmental Management Fee	6%	6%

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as outlined in the IDP, informed the development of the Budget, including the need to maintain and improve the Municipality's financial sustainability.
Furthermore, cost containment measures are being implemented to curb costs and to improve operational efficiency.

National Treasury's MFMA Circulars No. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75,78,79,85 and 86 (refer to Annexures "A" and "B") were used to guide the compilation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2017/18 MTREF:

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

The following budgeting principles and guidelines directly informed the compilation of the 2017/18 MTREF:

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

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

Table 1 (Overview of the 2017/18 MTREF)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2017/18	% increase	Budget Year 2018/19	% increase	Budget Year 2019/20	% increase
Total Operating Revenue	639 396	684 339	7.03%	717 193	4.80%	753 606	5.08%
Total Operating Expenditure	695 540	744 842	7.09%	760 521	2.10%	795 863	4.65%
Surplus/(Deficit)	(56 143)	(60 503)	7.77%	(43 328)	-28.39%	(42 258)	-2.47%
Total Capital Expenditure	68 385	59 680	-12.73%	72 993	22.31%	82 132	12.52%

Total operating revenue has increased by 7.03% or R 44,943 million for the 2017/18 financial year, compared to the 2016/17 Adjustments Budget.

For the two outer years, operational revenue increases by 4.80% and 5.08% respectively, resulting in a total revenue growth of R 114,210 million over the MTREF, when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year amounts to R 744,842 million, resulting in a budgeted deficit of R 60,503 million. Compared to the 2016/17 Adjustments Budget, operational expenditure increased by 7.09% in the 2017/18 Budget.

For the two outer years, operational expenditure increases by 2.10% and 4.65% respectively. The 2018/19 and 2019/20 budgets reflect operating deficits of R 43,328 million and R 42,258 million respectively.

The major operating expenditure items for 2017/18 are employee related costs (34.37%), bulk electricity purchases (25.14%), depreciation (11.24%) and other expenditure (9.55%).

Funding for the 2017/18 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, environmental management fees and refuse collection (54.08%), property rates (23.46%), grants and subsidies received from National and Provincial Governments (16.69%).

In order to fund the 2017/18 Operating Budget, the following increases in property rates and service charges have been proposed, with effect from 1 July 2017:

Property rates	-	8%
Water	-	9.5%
Sanitation	-	9%
Refuse	-	9%
Electricity (average increase in income)	-	2.05%
Environmental Management Fee	-	6%

The capital budget of R 59,680 million for 2017/18 is R 8,706 million or 12.73% less than the 2016/17 Adjustments Budget. The Capital Budget over the MTREF will be mainly funded from government grants and subsidies, as the municipality has reached its prudential borrowing limits, whilst limited internal funding is available.

1.4 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury's guidelines in this regard;
- Tariff Policies;
- Property Rates Policy;
- Indigent Policy and provision of free basic services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account the maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue By Source				
Property rates	148 671	160 565	173 410	187 283
Service charges - electricity revenue	223 745	230 405	233 716	236 999
Service charges - water revenue	53 284	58 871	57 810	56 440
Service charges - sanitation revenue	37 217	40 622	44 278	48 263
Service charges - refuse revenue	25 149	27 412	29 879	32 569
Service charges – other (EMF)	12 059	12 782	13 549	14 362
Rental of facilities and equipment	1 200	1 309	1 388	1 471
Interest earned - external investments	6 788	7 195	7 627	8 084
Interest earned - outstanding debtors	7 536	8 939	9 654	10 427
Fines, penalties and forfeits	3 459	3 761	3 990	4 234
Licences and permits	8 050	11 773	12 491	13 253
Transfers and subsidies	101 004	114 219	122 520	132 921
Other revenue	11 233	6 484	6 880	7 299
Total Revenue (excluding capital transfers and contributions)	**639 396**	**684 339**	**717 193**	**753 606**

The following table illustrates the mix of main revenue sources, supporting the 2017/18 MTREF:

Table 3 (Mix of main revenue sources)

Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Revenue By Source								
Property rates	148 671	23.25%	160 565	23.46%	173 410	24.18%	187 283	24.85%
Service charges - electricity revenue	223 745	34.99%	230 405	33.67%	233 716	32.59%	236 999	31.45%
Service charges - water revenue	53 284	8.33%	58 871	8.60%	57 810	8.06%	56 440	7.49%
Service charges - sanitation revenue	37 217	5.82%	40 622	5.94%	44 278	6.17%	48 263	6.40%
Service charges - refuse revenue	25 149	3.93%	27 412	4.01%	29 879	4.17%	32 569	4.32%
Service charges – other (EMF)	12 059	1.89%	12 782	1.87%	13 549	1.89%	14 362	1.91%
Rental of facilities and equipment	1 200	0.19%	1 309	0.19%	1 388	0.19%	1 471	0.20%
Interest earned - external investments	6 788	1.06%	7 195	1.05%	7 627	1.06%	8 084	1.07%
Interest earned - outstanding debtors	7 536	1.18%	8 939	1.31%	9 654	1.35%	10 427	1.38%
Fines, penalties and forfeits	3 459	0.54%	3 761	0.55%	3 990	0.56%	4 234	0.56%
Licences and permits	8 050	1.26%	11 773	1.72%	12 491	1.74%	13 253	1.76%
Transfers and subsidies	101 004	15.80%	114 219	16.69%	122 520	17.08%	132 921	17.64%
Other revenue	11 233	1.76%	6 484	0.95%	6 880	0.96%	7 299	0.97%
Total Revenue (excluding capital transfers and contributions)	**639 396**	**100.00%**	**684 339**	**100.00%**	**717 193**	**100.00%**	**753 606**	**100.00%**
Total Revenue from Property Rates and Service Charges	**500 126**	**78.22%**	**530 659**	**77.54%**	**552 643**	**77.06%**	**575 916**	**76.42%**

In the 2016/17 financial year, rates and service charges amounted to R 500,126 million. This increases to R 530,659 million, R 552,643 million and R 575,916 million in the 2017/18, 2018/19 and 2019/20 financial years, respectively.

The major operating revenue sources for 2017/18 are electricity (33.67%), property rates (23.46%), operating grants & subsidies (16.69%), water (8.60%) and sanitation (5.94%).

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

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**95 820**	**106 951**	**116 930**	**126 994**
Local Government Equitable Share	91 622	102 637	113 277	123 252
Finance Management	1 625	1 700	1 955	1 955
MIG - Administration Fees	1 516	1 614	1 698	1 787
EPWP Incentive	1 057	1 000		
Provincial Government:	**2 372**	**4 050**	**2 169**	**2 290**
ACIP-Water		2 000		
Sport and Recreation	2 050	2 050	2 169	2 290
Housing	322			
District Municipality:	**2 334**	**2 500**	**2 653**	**2 814**
Environmental Health Subsidy	2 334	2 500	2 653	2 814
Other grant providers:	**477**	**718**	**768**	**822**
Skills Development Grant	477	718	768	822
Total Operating Transfers and Grants	**101 004**	**114 219**	**122 520**	**132 921**

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

1.4.1 Property Rates

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

The following provisions in the Property Rates Policy are highlighted:

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

A property rates increase of 8% is proposed as from 1 July 2017.

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

- Employee related costs increased by 7.4%;
- Providing for debt impairment.

1.4.2 Sale of Water and Impact of Tariff Increases

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

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

National Treasury has urged municipalities to ensure that water tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2017/18 MTREF.

A tariff increase of 9.5% is proposed as from 1 July 2017. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.64%;
- The cost of bulk water purchases increased by 9%;
- Providing for debt impairment.

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

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 0.31% as from 1 July 2017. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 2.05% on average to offset the additional electricity bulk purchase costs as from 1 July 2017.

The proposed tariff increases are mainly influenced by the following:

- Employee related costs increased by 6.38%;
- The cost of bulk electricity purchases increased by 0.31%;
- Repairs and maintenance of electricity infrastructure increased by 21.77%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

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

1.4.4 Sanitation and Impact of Tariff Increases

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

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;
- Sanitation tariffs are structured to protect basic levels of service; and
- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014/15. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2017/18 MTREF.

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

A tariff increase of 9% is proposed as from 1 July 2017. The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 3.86%;
- Providing for debt impairment.

1.4.5 Refuse Collection and Impact of Tariff Increases

National Treasury has urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015. The tariffs should take into account the need to maintain a cash-backed reserve to cover the future costs of the rehabilitation of landfill sites. In this regard a phased-in approach will be undertaken to ensure that tariffs are fully cost reflective over the medium term. As the charging of fully cost reflective tariffs would place an undue financial burden on customers, it will not be possible to implement it in the 2017/18 MTREF.

A tariff increase of 9% is proposed for refuse collection, as from 1 July 2017.

The proposed tariff increase is mainly influenced by the following:

- Employee related costs increased by 7.42%;
- Providing for debt impairment

1.4.6 Environmental Management Fees and Impact of Tariff increases

A tariff increase of 6% is proposed for the environmental management fee, as from 1 July 2017.

- Employee related costs increased by 5.02%;
- Providing for debt impairment.

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

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

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

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

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Expenditure By Type				
Employee related costs	229 366	256 022	271 372	287 643
Remuneration of councillors	10 917	11 725	12 593	13 525
Debt impairment	30 008	31 680	33 466	35 454
Depreciation & asset impairment	83 123	83 730	88 754	94 079
Finance charges	4 463	3 768	3 021	2 201
Bulk purchases - Electricity	186 661	187 239	187 820	188 402
Bulk purchases - Water	35 214	38 384	41 839	45 604
Other materials	33 193	17 801	16 219	17 192
Contracted services	14 531	41 751	34 998	37 098
Transfers and subsidies	1 080	1 580	85	90
Other expenditure	66 983	71 162	70 355	74 575
Total Expenditure	**695 540**	**744 842**	**760 521**	**795 863**

The total operating expenditure increased by R 49,302 million (7.09%) from R 695,540 million in 2016/17 to R 744,842 million in 2017/18. Below is a discussion of the main expenditure components.

Employee related costs

The 2017/18 budget provides for a general increase of 7.36%, in line with the approved Salary and Wage Collective Agreement.

The total budget provision of R 256,022 million represents an increase of 11.62% over the 2016/17 Adjustments budget. Furthermore, in accordance with a settlement agreement an amount of R 5,139 million has been provided for the filling of 49 positions, in which certain employees have been acting for extended periods.

Employee related costs in the 2017/18 Budget, represent 34.37% of the total operating expenditure

Remuneration of Councillors

The remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs, in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in preparing the budget. As the budget provides for a 7.36% increase, Councillors' remuneration should be limited to the budget allocated for this purpose

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 94%. For the 2017/18 financial year this amounted to R 31,680 million and increases to R 35,454 million in 2019/20. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Fixed Assets Register. The budget amounts to R 83,730 million for the 2017/18 financial and equates to 11.24% of the total operating expenditure.

Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 0.51% (R 3,768 million) of total operating expenditure for 2017/18.

Bulk Electricity Purchases

The bulk purchases of electricity increased by R 0,578 million (0.31%), from R 186,661 million in 2016/17 to R 187,239 million in 2017/18.

NERSA has approved a 0.31% increase in the Eskom bulk tariff for the 2017/18 financial year. The 2017/18 budget accordingly allows for a 0.31% increase for bulk electricity purchases from Eskom.

Bulk Water Purchases

The bulk purchases of water increased by R 3,170 million (9%) from R 35,214 million in 2016/17 to R 38,384 million in 2017/18. Bulk water purchases constitute 5.15% of total operating expenditure for 2017/18.

Other Materials

Other materials, comprise materials for repairs and maintenance. The budget for 2017/18 amounts to R 17,801 million and equates to 2.39% of the total operating expenditure. Due to the implementation of mSCOA, contracted services in the amount of R 41,751 million, includes an amount of R 24,282 million relating to repairs and maintenance. Therefore, the total repairs and maintenance of R 42,083 million, equates to 5.65% of the total operating expenditure.

Contracted Services

In the 2017/18 financial year, the budget provision amounts to R 41,751 million and equates to 5.61% of the total operating expenditure. This amount includes repairs and maintenance expenditure of R 24,282 million.

Transfers and Subsidies

In the 2017/18 financial year, the budget provision amounts to R 1,580 million and equates to 0.21% of the total operating expenditure.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality.

The expenditure increased by R 4,179 million or 6.24% for 2017/18 and equates to 9.55% of the total operating expenditure.

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

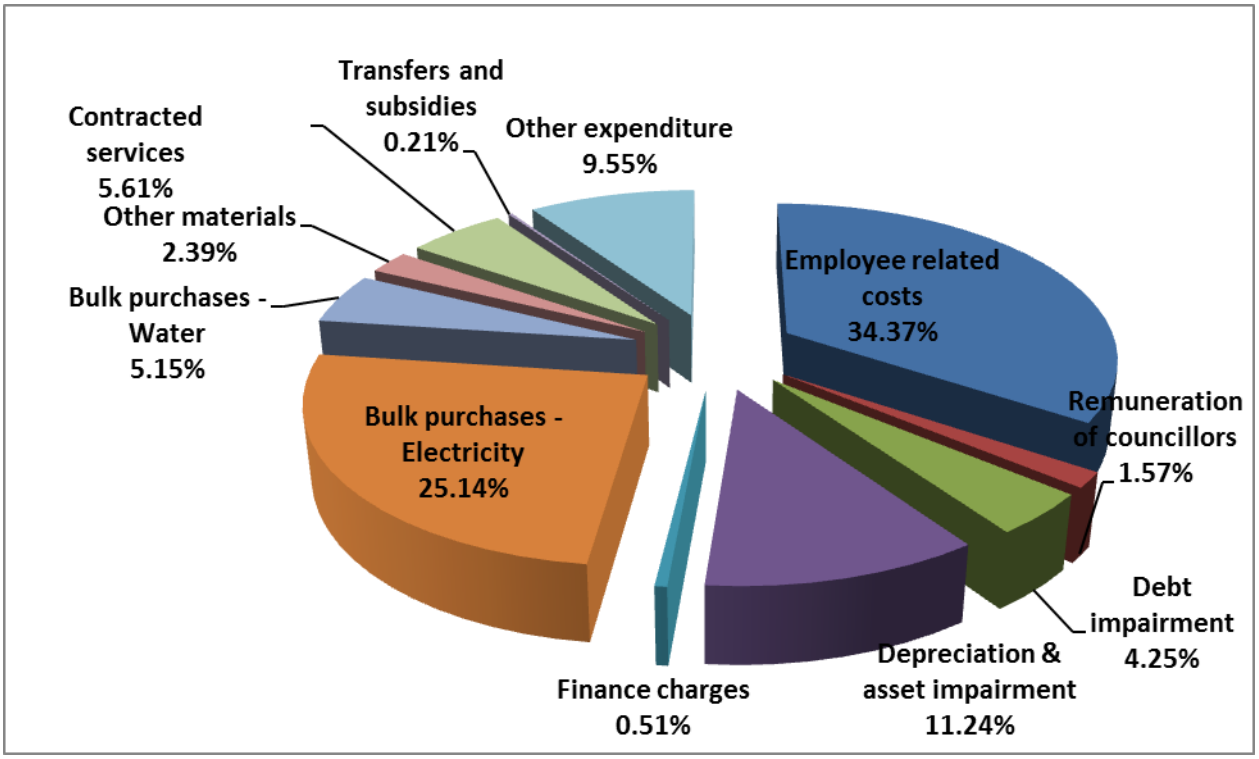


Figure 1 Main operational expenditure categories for the 2017/18 financial year

1.5.1 Priority relating to repairs and maintenance

The repairs and maintenance expenditure in the 2017/18 financial year, increased by R 8,890 million or 26.78%, compared to the 2016/17 Adjustments Budget.

In relation to the total operating expenditure, repairs and maintenance constitutes 5.65% for the 2017/18 financial year and 4.24% for the 2018/19 and 4.30% for the 2019/20 financial years, respectively.

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

Table 6 (Repairs and maintenance per asset class)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	**Adjusted Budget**	**Budget Year 2017/18**	**Budget Year 2018/19**	**Budget Year 2019/20**
Repairs and Maintenance by Asset Class				
Roads Infrastructure	5 938	10 175	3 154	3 343
Storm water Infrastructure	–	266	282	299
Electrical Infrastructure	5 993	7 298	7 736	8 200
Water Supply Infrastructure	5 097	4 021	4 262	4 517
Sanitation Infrastructure	3 170	3 830	4 060	4 304
Solid Waste Infrastructure	1 471	1 004	1 064	1 128
Infrastructure	***21 669***	***26 594***	***20 557***	***21 791***
Community Facilities	536	3 940	2 056	2 179
Sport and Recreation Facilities	–	200	212	225
Community Assets	***536***	***4 140***	***2 268***	***2 404***
Operational Buildings	2 083	1 456	1 543	1 636
Other Assets	***2 083***	***1 456***	***1 543***	***1 636***
Furniture and Office Equipment	**91**	**–**	**–**	**–**
Machinery and Equipment	**960**	**974**	**1 032**	**1 094**
Transport Assets	**7 854**	**8 920**	**6 878**	**7 290**
TOTAL EXPENDITURE	**33 193**	**42 083**	**32 278**	**34 215**

For the 2017/18 financial year an amount of R 26,594 million (63.19%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.1 Free Basic Services: Indigent Support

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

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

1.6 CAPITAL EXPENDITURE

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

Table 7 (2017/18 Medium-term capital budget per vote)

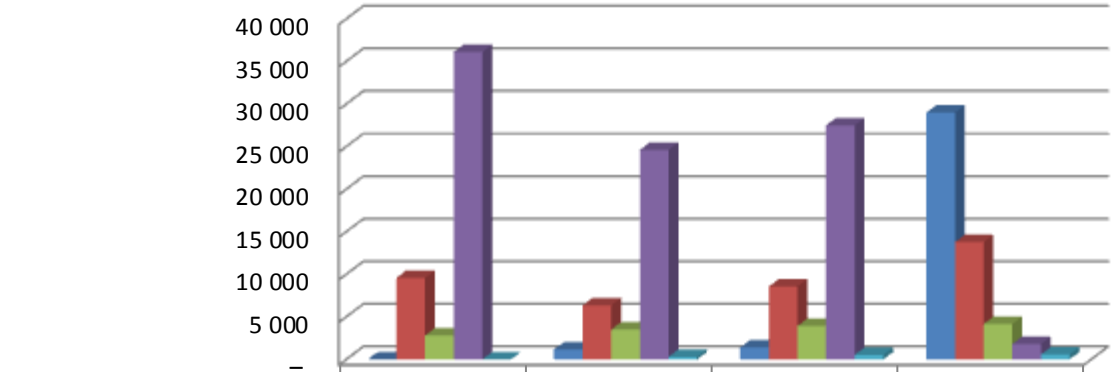
Vote Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Capital expenditure - Vote								
Vote 1 - Executive & Council	30	0.04%	181	0.30%	374	0.51%	397	0.48%
Vote 2 - Financial Services	896	1.31%	3 304	5.54%	4 542	6.22%	4 815	5.86%
Vote 3 - Administration, Monitoring & Evaluation	675	0.99%	477	0.80%	1 103	1.51%	1 170	1.42%
Vote 4 - Led, Tourism & Creative Industries	795	1.16%	2 551	4.28%	1 404	1.92%	1 404	1.71%
Vote 5 - Infrastructure, Planning & Development	50 509	73.86%	40 408	67.71%	46 796	64.11%	54 483	66.34%
Vote 6 - Social Services	15 480	22.64%	12 759	21.38%	18 774	25.72%	19 864	24.19%
Total Capital Expenditure - Vote	**68 385**	**100.00%**	**59 680**	**100.00%**	**72 993**	**100.00%**	**82 132**	**100.00%**

Of the total amount of R 59,680 million for 2017/18, an amount of R 35,910 million has been appropriated for the development of infrastructure, which represents 60.17% of the total capital budget. In the outer years this amount totals R 41,872 million (57.36%) and R 49,263 (59.98%) respectively for each of the financial years.

Infrastructure, Planning & Development receives the highest allocation of R 40,408 million in 2017/18, which equates to 67.71%, followed by Social Services at R 12,759 million (21.38%), Financial Services at R 3,304 million (5.54%), LED, Tourism & Creative Industries at R 2,551 million (4.28%), Administration, Monitoring & Evaluation at R 0,477 million (0.80%),and Executive & Council at R 0,181 million (0.30%).

Annexure "C" provides a summary of the capital projects included in the Capital budget.

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



	2016/17	2017/18	2018/19	2019/20
Roads Infrastructure	–	1 150	1 378	28 978
Electrical Infrastructure	9 564	6 350	8 551	13 764
Water Supply Infrastructure	2 800	3 500	3 922	4 157
Sanitation Infrastructure	36 087	24 610	27 491	1 802
Solid Waste Infrastructure	–	300	530	562

Figure 2 Capital Infrastructure Programme rounded to the nearest R1000

1.7 ANNUAL BUDGET TABLES

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2017/18 Budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 8 (Table A1 - Budget Summary)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Financial Performance				
Property rates	148 671	160 565	173 410	187 283
Service charges	351 455	370 094	379 233	388 633
Investment revenue	6 788	7 195	7 627	8 084
Transfers recognised - operational	101 004	114 219	122 520	132 921
Other own revenue	31 479	32 267	34 404	36 684
Total Revenue (excluding capital transfers and contributions)	639 396	684 339	717 193	753 606
Employee costs	229 366	256 022	271 372	287 643
Remuneration of councillors	10 917	11 725	12 593	13 525
Depreciation & asset impairment	83 123	83 730	88 754	94 079
Finance charges	4 463	3 768	3 021	2 201
Materials and bulk purchases	255 068	243 424	245 877	251 198
Transfers and grants	1 080	1 580	85	90
Other expenditure	111 521	144 593	138 819	147 127
Total Expenditure	695 540	744 842	760 521	795 863
Surplus/(Deficit)	(56 143)	(60 503)	(43 328)	(42 258)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	38 383	34 660	37 267	43 962
Contributions recognised - capital & contributed assets	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(17 760)	(25 843)	(6 061)	1 704
Share of surplus/ (deficit) of associate	–	–	–	–
Surplus/(Deficit) for the year	(17 760)	(25 843)	(6 061)	1 704
Capital expenditure & funds sources				
Capital expenditure	68 385	59 680	72 993	82 132
Transfers recognised - capital	38 383	35 460	38 417	45 481
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	30 002	24 219	34 577	36 651
Total sources of capital funds	68 385	59 680	72 993	82 132

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Financial position				
Total current assets	152 993	145 598	149 830	156 355
Total non-current assets	2 718 293	2 647 186	2 575 547	2 493 298
Total current liabilities	155 747	153 131	150 665	147 891
Total non-current liabilities	137 395	148 939	144 133	137 344
Community wealth/Equity	2 578 144	2 490 714	2 430 579	2 364 418
Cash flows				
Net cash from (used) operating	65 363	57 887	82 693	95 783
Net cash from (used) investing	(68 385)	(59 680)	(72 993)	(82 132)
Net cash from (used) financing	(7 303)	(6 443)	(7 179)	(7 999)
Cash/cash equivalents at the year end	68 249	60 014	62 534	68 186
Cash backing/surplus reconciliation				
Cash and investments available	68 249	60 014	62 534	68 186
Application of cash and investments	37 125	33 886	28 534	23 913
Balance - surplus (shortfall)	31 124	26 128	34 000	44 274
Asset management				
Asset register summary (WDV)	2 718 128	2 647 036	2 575 394	2 493 143
Depreciation	83 123	83 730	88 754	94 079
Renewal of Existing Assets	21 719	19 126	23 576	52 471
Repairs and Maintenance	33 193	42 083	32 278	34 215
Free services				
Cost of Free Basic Services provided	–	44 955	49 268	54 177
Revenue cost of free services provided	–	2 339	2 526	2 728
Households below minimum service level				
Water:	–	–	–	–
Sanitation/sewerage:	4	–	–	–
Energy:	–	–	–	–
Refuse:	–	–	–	–

Explanatory notes to Table A1 - Budget Summary

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

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

Functional Classification Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue - Functional				
Governance and administration	**254 223**	**281 833**	**306 978**	**332 333**
Executive and council	–	34	36	38
Finance and administration	254 223	281 799	306 942	332 295
Internal audit	–	–	–	–
Community and public safety	**23 263**	**14 965**	**15 608**	**16 285**
Community and social services	8 809	2 428	2 570	2 716
Sport and recreation	4 322	9 833	10 170	10 526
Public safety	10 132	4	4	4
Housing	–	–	–	–
Health	–	2 699	2 864	3 038
Economic and environmental services	**21 186**	**29 175**	**29 778**	**31 477**
Planning and development	6 610	6 521	6 815	7 127
Road transport	–	8 408	7 859	8 339
Environmental protection	14 577	14 247	15 103	16 011
Trading services	**379 107**	**393 027**	**402 096**	**417 472**
Energy sources	237 539	239 206	243 607	251 982
Water management	55 766	60 871	57 810	56 440
Waste water management	60 638	65 521	70 783	76 463
Waste management	25 164	27 429	29 897	32 587
Other	**–**	**–**	**–**	**–**
Total Revenue - Functional	**677 779**	**719 000**	**754 460**	**797 567**
Expenditure - Functional				
Governance and administration	**127 292**	**169 788**	**173 159**	**183 737**
Executive and council	30 060	43 765	44 822	47 687
Finance and administration	97 232	126 024	128 337	136 050
Internal audit	–	–	–	–

Functional Classification Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Community and public safety	**93 659**	**81 788**	**86 801**	**92 009**
Community and social services	49 255	9 701	10 389	11 012
Sport and recreation	969	42 081	44 605	47 282
Public safety	39 527	20 985	22 244	23 579
Housing	3 909	4 369	4 631	4 909
Health	–	4 653	4 932	5 228
Economic and environmental services	**106 137**	**111 075**	**108 077**	**114 437**
Planning and development	95 213	30 274	32 077	33 987
Road transport	–	71 834	68 404	72 398
Environmental protection	10 924	8 966	7 596	8 052
Trading services	**368 451**	**378 843**	**389 095**	**402 088**
Energy sources	228 913	227 987	230 374	232 724
Water management	69 099	77 021	82 732	89 095
Waste water management	39 804	40 698	42 810	45 045
Waste management	30 636	33 136	33 179	35 224
Other	**–**	**3 349**	**3 389**	**3 592**
Total Expenditure - Functional	**695 540**	**744 842**	**760 521**	**795 863**
Surplus/(Deficit) for the year	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**

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

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

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

Vote Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue by Vote				
Vote 1 - Executive & Council	–	–	–	–
Vote 2 - Financial Services	253 123	277 541	302 418	327 488
Vote 3 - Administration, Monitoring & Evaluation	508	752	804	860
Vote 4 - Led, Tourism & Creative Industries	1 440	1 440	1 440	1 440
Vote 5 - Infrastructure, Planning & Development	359 700	371 680	377 576	390 573
Vote 6 - Social Services	63 008	67 586	72 221	77 205
Total Revenue by Vote	**677 779**	**719 000**	**754 460**	**797 567**
Expenditure by Vote ***to be appropriated***				
Vote 1 - Executive & Council	30 060	35 224	35 768	38 091
Vote 2 - Financial Services	55 113	65 852	70 367	74 797
Vote 3 - Administration, Monitoring & Evaluation	34 529	41 583	38 457	40 765
Vote 4 - Led, Tourism & Creative Industries	11 081	11 017	11 517	12 208
Vote 5 - Infrastructure, Planning & Development	433 719	443 519	451 843	468 423
Vote 6 - Social Services	131 037	147 648	152 568	161 580
Total Expenditure by Vote	**695 540**	**744 842**	**760 521**	**795 863**
Surplus/(Deficit) for the year	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**

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

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

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

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue By Source				
Property rates	148 671	160 565	173 410	187 283
Service charges - electricity revenue	223 745	230 405	233 716	236 999
Service charges - water revenue	53 284	58 871	57 810	56 440
Service charges - sanitation revenue	37 217	40 622	44 278	48 263
Service charges - refuse revenue	25 149	27 412	29 879	32 569
Service charges - other	12 059	12 782	13 549	14 362
Rental of facilities and equipment	1 200	1 309	1 388	1 471
Interest earned - external investments	6 788	7 195	7 627	8 084
Interest earned - outstanding debtors	7 536	8 939	9 654	10 427
Dividends received	–	–	–	–
Fines, penalties and forfeits	3 459	3 761	3 990	4 234
Licences and permits	8 050	11 773	12 491	13 253
Agency services	–	–	–	–
Transfers and subsidies	101 004	114 219	122 520	132 921
Other revenue	11 233	6 484	6 880	7 299
Gains on disposal of PPE		–	–	–
Total Revenue (excluding capital transfers and contributions)	**639 396**	**684 339**	**717 193**	**753 606**
Expenditure By Type				
Employee related costs	229 366	256 022	271 372	287 643
Remuneration of councillors	10 917	11 725	12 593	13 525
Debt impairment	30 008	31 680	33 466	35 454
Depreciation & asset impairment	83 123	83 730	88 754	94 079
Finance charges	4 463	3 768	3 021	2 201
Bulk purchases	221 875	225 623	229 658	234 006
Other materials	33 193	17 801	16 219	17 192
Contracted services	14 531	41 751	34 998	37 098
Transfers and subsidies	1 080	1 580	85	90
Other expenditure	66 983	71 162	70 355	74 575
Loss on disposal of PPE		–	–	–
Total Expenditure	**695 540**	**744 842**	**760 521**	**795 863**
Surplus/(Deficit)	**(56 143)**	**(60 503)**	**(43 328)**	**(42 258)**

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	38 383	34 660	37 267	43 962
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	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**
Taxation				
Surplus/(Deficit) after taxation	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**
Attributable to minorities				
Surplus/(Deficit) attributable to municipality	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**
Share of surplus/ (deficit) of associate				
Surplus/(Deficit) for the year	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**

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

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

2. Total revenue amounts to R 684,339 million in 2017/18 and increases to R 753,606 million in 2019/20. This represents a year-on-year increase of 7.03% for the 2017/18 financial year, and increases of 4.80% for the 2018/19 financial year and 5.08% for the 2019/20 financial year, respectively.

3. Revenue from property rates amounts to R 160,565 million in the 2017/18 financial year and increases to R 187,283 million in 2019/20, which amounts to 23.46% of the total operating revenue base of the Municipality.

4. Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the biggest component of the total revenue base, amounting to R 370,094 million for the 2017/18 financial year and increasing to R 388,633 million in 2019/20. For the 2017/18 financial year services charges amount to 54.08% of the total revenue base.

5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 13.08% for 2017/18, 7.27% for 2018/19 and increased by 8.49% for 2019/20, compared to the 2016/17 Adjustments Budget.

Below a breakdown of property rates and service charges for 2017/18:

REVENUE BY SOURCE	Adjustments Budget 2016/17	Budget 2017/18	% Increase
Property Rates	-163 690 243	-176 785 462	8%
Rebates	14 740 372	13 881 945	-6%
Equitable Share Subsidy	278 610	2 338 555	739%
Property Rates per A4	**-148 671 261**	**-160 564 962**	**8%**
Service charges - electricity	-229 835 156	-234 535 394	2.05%
Availability Fees	-8 390 889	-8 548 638	1.9%
Sundry income	-	-2 074 045	100%
Interdepartmental charges	9 980 690	10 168 327	1.9%
Equitable Share Subsidy	4 500 000	4 584 600	1.9%
Service charges – Electricity per A4	**-223 745 356**	**-230 405 150**	**2.98%**
Service charges - water	-67 966 369	-74 423 174	9.5%
Sundry income	-	-525 044	100%
Interdepartmental charges	781 950	856 235	9.5%
Equitable Share Subsidy	13 900 000	15 220 500	9.5%
Service charges – Water per A4	**-53 284 419**	**-58 871 483**	**10.5%**
Service charges - sewerage & sanitation	-45 681 430	-49 848 417	9%
Interdepartmental charges	973 068	1 060 644	9%
Equitable Share Subsidy	7 491 148	8 165 351	9%
Service charges – Sewerage & sanitation per A4	**-37 217 215**	**-40 622 422**	**9%**
Service charges - refuse	-37 917 840	-41 330 446	9%
Interdepartmental charges	248 345	270 696	9%
Equitable Share Subsidy	12 520 537	13 647 385	9%
Service charges – Refuse per A4	**-25 148 958**	**-27 412 364**	**9%**
Service charges - environmental management	-15 695 680	-16 637 421	6%
Interdepartmental charges	378 960	401 698	6%
Equitable Share Subsidy	3 258 010	3 453 491	6%
Service charges – Environmental management per A4	**-12 058 710**	**-12 782 233**	**6%**

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

Vote Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Capital expenditure - Vote				
Single-year expenditure *to be appropriated*				
Vote 1 - Executive & Council	30	181	374	397
Vote 2 - Financial Services	896	3 304	4 542	4 815
Vote 3 - Administration, Monitoring & Evaluation	675	477	1 103	1 170
Vote 4 - Led, Tourism & Creative Industries	795	2 551	1 404	1 404
Vote 5 - Infrastructure, Planning & Development	50 509	40 408	46 796	54 483
Vote 6 - Social Services	15 480	12 759	18 774	19 864
Capital single-year expenditure sub-total	**68 385**	**59 680**	**72 993**	**82 132**
Total Capital Expenditure - Vote	**68 385**	**59 680**	**72 993**	**82 132**
Capital Expenditure - Functional				
Governance and administration	**1 601**	**4 813**	**7 121**	**7 548**
Executive and council	30	157	336	356
Finance and administration	866	4 656	6 785	7 192
Internal audit	705	–	–	–
Community and public safety	**6 325**	**6 993**	**11 005**	**11 629**
Community and social services	4 450	599	648	687
Sport and recreation	–	4 869	7 130	7 521
Public safety	1 875	950	2 284	2 421
Housing	–	–	–	–
Health	–	575	943	1 000
Economic and environmental services	**5 058**	**6 502**	**7 129**	**34 989**
Planning and development	1 003	2 742	1 606	1 618
Road transport	–	2 820	3 487	31 214
Environmental protection	4 055	940	2 035	2 157

Vote Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Trading services	**55 401**	**41 372**	**47 739**	**27 965**
Energy sources	10 064	7 255	9 510	14 781
Water management	3 400	5 292	5 872	6 225
Waste water management	36 837	25 680	28 943	3 342
Waste management	5 100	3 145	3 413	3 618
Other	–	–	–	–
Total Capital Expenditure - Functional	**68 385**	**59 680**	**72 993**	**82 132**
Funded by:				
National Government	34 810	35 460	38 417	45 481
Provincial Government	2 000			
District Municipality	–			
Other transfers and grants	1 574			
Transfers recognised - capital	**38 383**	**35 460**	**38 417**	**45 481**
Public contributions & donations				
Borrowing				
Internally generated funds	30 002	**24 219**	**34 577**	**36 651**
Total Capital Funding	**68 385**	**59 680**	**72 993**	**82 132**

Explanatory notes to 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; 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 capital programme is funded from national grants and internally generated funds. For 2017/18, capital transfers totals R 35,460 million (59.42%) and amounts to R 45,481 million for 2019/20 (55.38%). Internally generated funding amounts to R 24,219 million, R 34,577 million and R 36,651 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in Section 2.6 (Overview of Budget Funding).

Table 13 (Table A6 - Budgeted Financial Position)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
ASSETS				
Current assets				
Cash	15 000	18 004	18 760	20 456
Call investment deposits	53 249	42 010	43 774	47 730
Consumer debtors	55 242	55 213	56 318	56 881
Other debtors	24 649	25 677	26 191	26 453
Current portion of long-term receivables	8	3	3	3
Inventory	4 845	4 691	4 784	4 832
Total current assets	**152 993**	**145 598**	**149 830**	**156 355**
Non-current assets				
Long-term receivables	165	150	153	155
Investments	–			
Investment property	63 705	84 431	83 481	82 531
Investment in Associate	–			
Property, plant and equipment	2 654 323	2 562 532	2 491 840	2 410 612
Agricultural	–			
Biological	–			
Intangible	101	73	73	
Other non-current assets	–			
Total non-current assets	**2 718 293**	**2 647 186**	**2 575 547**	**2 493 298**
TOTAL ASSETS	**2 871 286**	**2 792 784**	**2 725 377**	**2 649 653**

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
LIABILITIES				
Current liabilities				
Bank overdraft				
Borrowing	7 303	6 443	7 179	7 999
Consumer deposits	9 330	8 856	9 033	9 123
Trade and other payables	109 120	106 811	102 811	98 811
Provisions	29 995	31 021	31 642	31 958
Total current liabilities	**155 747**	**153 131**	**150 665**	**147 891**
Non-current liabilities				
Borrowing	36 734	30 269	23 089	15 090
Provisions	100 662	118 670	121 044	122 254
Total non-current liabilities	**137 395**	**148 939**	**144 133**	**137 344**
TOTAL LIABILITIES	**293 143**	**302 070**	**294 798**	**285 235**
NET ASSETS	**2 578 144**	**2 490 714**	**2 430 579**	**2 364 418**
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	2 578 144	2 490 714	2 430 579	2 364 418
Reserves	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**2 578 144**	**2 490 714**	**2 430 579**	**2 364 418**

Explanatory notes to Table A6 - Budgeted Financial Position

1. The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

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

Table 14 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	139 751	150 931	163 006	176 046
Service charges	330 367	348 047	356 171	364 416
Other revenue	23 943	23 328	24 749	26 258
Government - operating	101 004	114 219	122 520	132 921
Government - capital	38 383	34 660	37 267	43 962
Interest	14 324	16 134	17 281	18 511
Dividends	–	–	–	–
Payments				
Suppliers and employees	(576 866)	(624 084)	(635 195)	(664 039)
Finance charges	(4 463)	(3 768)	(3 021)	(2 201)
Transfers and Grants	(1 080)	(1 580)	(85)	(90)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**65 363**	**57 887**	**82 693**	**95 783**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		–	–	–
Decrease (Increase) in non-current debtors		–	–	–
Decrease (increase) other non-current receivables		–	–	–
Decrease (increase) in non-current investments		–	–	–
Payments				
Capital assets	(68 385)	(59 680)	(72 993)	(82 132)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(68 385)**	**(59 680)**	**(72 993)**	**(82 132)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans		–	–	–
Borrowing long term/refinancing		–	–	–
Increase (decrease) in consumer deposits		–	–	–
Payments				
Repayment of borrowing	(7 303)	(6 443)	(7 179)	(7 999)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(7 303)**	**(6 443)**	**(7 179)**	**(7 999)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(10 325)**	**(8 235)**	**2 520**	**5 652**
Cash/cash equivalents at the year begin:	**78 573**	**68 249**	**60 014**	**62 534**
Cash/cash equivalents at the year-end:	**68 249**	**60 014**	**62 534**	**68 186**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash outflows that are likely to result from the implementation of the budget.

3. The cash position of the Municipality decreased slightly over the 2016/17 to 2019/20 period, from R 68,249 million to R 68,186 million.

4. Cash and cash equivalents amounts to R 60,014 million as at the end of the 2017/18 financial year and increases to R 68,186 million in 2019/20.

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

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Cash and investments available				
Cash/cash equivalents at the year end	68 249	60 014	62 534	68 186
Other current investments > 90 days	–	–	–	–
Non-current assets - Investments	–	–	–	–
Cash and investments available:	**68 249**	**60 014**	**62 534**	**68 186**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements				
Other working capital requirements	34 718	31 618	26 221	21 576
Other provisions	2 407	2 268	2 313	2 336
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments				
Total Application of cash and investments:	**37 125**	**33 886**	**28 534**	**23 913**
Surplus(shortfall)	**31 124**	**26 128**	**34 000**	**44 274**

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. The table assesses the funding levels of the budget by firstly forecasting the cash and investments at year-end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.

4. It is to be noted that the budget moves from a funding surplus of R 26,128 million in 2017/18 to a surplus of R 44,274 million in 2019/20.

Table 16 (Table A9 - Asset Management)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
CAPITAL EXPENDITURE				
Total New Assets	**46 666**	**40 553**	**49 418**	**29 661**
Electrical Infrastructure	9 564	4 350	5 371	10 393
Water Supply Infrastructure	2 800	1 000	1 272	1 348
Sanitation Infrastructure	14 368	24 610	27 491	1 802
Solid Waste Infrastructure	–	300	530	562
Infrastructure	***26 731***	***30 260***	***34 664***	***14 106***
Community Facilities	8 629	1 399	3 890	4 039
Sport and Recreation Facilities	–	–	265	281
Community Assets	***8 629***	***1 399***	***4 155***	***4 320***
Operational Buildings	631	120	127	135
Other Assets	***631***	***120***	***127***	***135***
Licences and Rights	–	1 000	1 378	1 461
Intangible Assets	**–**	***1 000***	***1 378***	***1 461***
Computer Equipment	**–**	**2 403**	**2 865**	**3 037**
Furniture and Office Equipment	**1 874**	**620**	**1 502**	**1 592**
Machinery and Equipment	**–**	**4 752**	**4 092**	**4 337**
Transport Assets	**8 800**	**–**	**636**	**674**
Total Renewal of Existing Assets	**21 719**	**19 126**	**23 576**	**52 471**
Roads Infrastructure	–	1 150	1 378	28 978
Electrical Infrastructure	–	2 000	3 180	3 371
Water Supply Infrastructure	–	2 500	2 650	2 809
Sanitation Infrastructure	21 719	–	–	–
Infrastructure	***21 719***	***5 650***	***7 208***	***35 158***
Sport and Recreation Facilities	–	4 599	4 840	5 094
Community Assets	**–**	***4 599***	***4 840***	***5 094***
Transport Assets	**–**	**8 877**	**11 528**	**12 219**
Total Capital Expenditure				
Roads Infrastructure	–	1 150	1 378	28 978
Electrical Infrastructure	9 564	6 350	8 551	13 764
Water Supply Infrastructure	2 800	3 500	3 922	4 157
Sanitation Infrastructure	36 087	24 610	27 491	1 802
Solid Waste Infrastructure	–	300	530	562

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Infrastructure	***48 451***	***35 910***	***41 872***	***49 263***
Community Facilities	8 629	1 399	3 890	4 039
Sport and Recreation Facilities	–	4 599	5 105	5 375
Community Assets	***8 629***	***5 998***	***8 995***	***9 414***
Operational Buildings	631	120	127	135
Other Assets	***631***	***120***	***127***	***135***
Licences and Rights	–	1 000	1 378	1 461
Intangible Assets	**–**	***1 000***	***1 378***	***1 461***
Computer Equipment	**–**	**2 403**	**2 865**	**3 037**
Furniture and Office Equipment	**1 874**	**620**	**1 502**	**1 592**
Machinery and Equipment	**–**	**4 752**	**4 092**	**4 337**
Transport Assets	**8 800**	**8 877**	**12 164**	**12 893**
TOTAL CAPITAL EXPENDITURE - Asset class	**68 385**	**59 680**	**72 993**	**82 132**
ASSET REGISTER SUMMARY - PPE (WDV)				
Roads Infrastructure	1 215 611	1 142 865	1 115 552	1 084 047
Storm water Infrastructure	237 677			
Electrical Infrastructure	281 542	161 181	153 899	146 618
Water Supply Infrastructure	345 209	294 421	285 430	276 440
Sanitation Infrastructure	(4 321)	429 121	414 685	400 249
Infrastructure	***2 075 717***	***2 027 587***	***1 969 566***	***1 907 354***
Community Facilities	98 359	64 927	64 927	64 927
Community Assets	***98 359***	***64 927***	***64 927***	***64 927***
Revenue Generating	63 705	84 431	83 481	82 531
Investment properties	***63 705***	***84 431***	***83 481***	***82 531***
Operational Buildings	480 247	452 048	444 135	436 221
Other Assets	***480 247***	***452 048***	***444 135***	***436 221***
Licences and Rights	101	73	73	
Intangible Assets	***101***	***73***	***73***	**–**
Computer Equipment		**348**	**348**	**–**
Furniture and Office Equipment		**2 987**	**1 585**	**182**
Machinery and Equipment		**8 638**	**5 283**	**1 928**
Transport Assets		**5 996**	**5 996**	**–**
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	**2 718 128**	**2 647 036**	**2 575 394**	**2 493 143**

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
EXPENDITURE OTHER ITEMS				
Depreciation	83 123	83 730	88 754	94 079
Repairs and Maintenance by Asset Class	**33 193**	**42 083**	**32 278**	**34 215**
Roads Infrastructure	5 938	10 175	3 154	3 343
Storm water Infrastructure	–	266	282	299
Electrical Infrastructure	5 993	7 298	7 736	8 200
Water Supply Infrastructure	5 097	4 021	4 262	4 517
Sanitation Infrastructure	3 170	3 830	4 060	4 304
Solid Waste Infrastructure	1 471	1 004	1 064	1 128
Infrastructure	***21 669***	***26 594***	***20 557***	***21 791***
Community Facilities	536	3 940	2 056	2 179
Sport and Recreation Facilities	–	200	212	225
Community Assets	***536***	***4 140***	***2 268***	***2 404***
Operational Buildings	2 083	1 456	1 543	1 636
Other Assets	***2 083***	***1 456***	***1 543***	***1 636***
Furniture and Office Equipment	**91**	**–**	**–**	**–**
Machinery and Equipment	**960**	**974**	**1 032**	**1 094**
Transport Assets	**7 854**	**8 920**	**6 878**	**7 290**
TOTAL EXPENDITURE OTHER ITEMS	**116 316**	**125 814**	**121 032**	**128 294**
Renewal and upgrading of Existing Assets as % of total capex	*31.8%*	*32.0%*	*32.3%*	*63.9%*
Renewal and upgrading of Existing Assets as % of deprecn	*26.1%*	*22.8%*	*26.6%*	*55.8%*
R&M as a % of PPE	*1.3%*	*1.6%*	*1.3%*	*1.4%*
Renewal and upgrading and R&M as a % of PPE	*2.0%*	*2.0%*	*2.0%*	*3.0%*

Explanatory notes to Table A9 - Asset Management

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

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

2. National Treasury has suggested that municipalities should allocate at least 40% of their capital budget to the renewal/rehabilitation of existing assets, and allocations to repairs and maintenance should be 8% of PPE. In this regard the expenditure relating to the renewal/rehabilitation of existing assets amounts to 32.0% of the capital budget, whilst repairs and maintenance constitute 1.6% of PPE.

Table 17 (Table A10 - Basic Service Delivery Measurement)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Household service targets				
Water:				
Piped water inside dwelling	30 371	–	–	–
Piped water inside yard (but not in dwelling)	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	30 371	–	–	–
Using public tap (< min.service level)	–	–	–	–
Other water supply (< min.service level)	–	–	–	–
No water supply	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**30 371**	**–**	**–**	**–**
Sanitation/sewerage:				
Flush toilet (connected to sewerage)	–	–	–	–
Flush toilet (with septic tank)	129	–	–	–
Chemical toilet	–	–	–	–
Pit toilet (ventilated)	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–
Minimum Service Level and Above sub-total	129	–	–	–
Bucket toilet	3 885	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	3 885	–	–	–
Total number of households	**4 014**	**–**	**–**	**–**
Energy:				
Electricity (at least min.service level)	9 610	8 613	7 400	7 000
Electricity - prepaid (min.service level)	14 249	13 169	15 400	16 000
Minimum Service Level and Above sub-total	23 858	21 782	22 800	23 000
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**23 858**	**21 782**	**22 800**	**23 000**

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Refuse:				
Removed at least once a week	21 309	–	–	–
Minimum Service Level and Above sub-total	21 309	–	–	–
Removed less frequently than once a week	–	–	–	–
Using communal refuse dump	–	–	–	–
Using own refuse dump	–	–	–	–
Other rubbish disposal	–	–	–	–
No rubbish disposal	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–
Total number of households	**21 309**	**–**	**–**	**–**
Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	152	8 000	9 000	10 000
Sanitation (free minimum level service)	96	8 000	9 000	10 000
Electricity/other energy (50kwh per household per month)	141	8 000	9 000	10 000
Refuse (removed at least once a week)	136	8 000	9 000	10 000
Cost of Free Basic Services provided - Formal Settlements (R'000)				
Water (6 kilolitres per **indigent** household per month)	–	15 221	16 971	19 092
Sanitation (free sanitation service to **indigent households**)	–	8 049	8 773	9 563
Electricity/other energy (50kwh per **indigent** household per month)	–	4 585	4 988	5 427
Refuse (removed once a week **for indigent households**)	–	17 101	18 536	20 095
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–
Total cost of FBS provided	**–**	**44 955**	**49 268**	**54 177**
Highest level of free service provided per household				
Property rates (R value threshold)	1 336	1 443	1 558	1 683
Water (kilolitres per household per month)	12	12	12	12
Sanitation (kilolitres per household per month)	12	12	12	12
Sanitation (Rand per household per month)	96	105	114	125
Electricity (kwh per household per month)	50	50	50	50
Refuse (average litres per week)	340	371	404	440

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue cost of subsidised services provided (R'000)				
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)				
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**	–	2 339	2 526	2 728
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				
Other				
Total revenue cost of subsidised services provided	**–**	**2 339**	**2 526**	**2 728**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

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

1.8 Annual Budget Supporting Tables

The relevant supporting tables are attached as annexure “D”

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in September 2016 after the approval of a timetable to guide the preparation of the 2017/18 to 2019/20 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April/May 2017. The main aim of the timetable was to ensure that an IDP and a balanced Budget are tabled in May 2017. The Budget will be tabled by the Executive Mayor at a Council meeting scheduled for 31 May 2017. After this meeting, it will be submitted to National and Provincial Treasury.

The budget consultation process had taken the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and her Mayoral Committee. The inputs of the aforementioned consultations were taken into account, whilst the Executive Mayor will table the IDP and Budget for consideration and approval at a Council meeting to be held on 31 May 2017.

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

The Budget was considered by the IDP and Budget Steering Committee under the direction of the Executive Mayor. The IDP and Budget Steering Committee consist of the Executive Mayor, the Chairperson of the Finance Standing Committee, Mayoral Committee Members, Finance Committee Members, the Municipal Manager and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation;
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the Budget, taking into account the need to maintain the financial sustainability of the Municipality;
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritised in the allocation of resources.

2.1.1 IDP & Budget Timetable 2017/18 to 2019/20

The preparation of the 2017/18 to 2019/20 IDP and Budget were guided by the following schedule of key deadlines as approved by Council on 29 July 2016.

Activity	Date
IDP/Budget Schedule approved by Council	29 July 2016
Tabling of draft IDP and Budget in Council	30 March 2017
Public Participation	11 April to 18 May 2017
Final adoption of IDP and Budget by Council	31 May 2017
Approval of SDBIP by Executive Mayor	28 June 2017

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

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

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

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

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

The 2017/18 to 2019/20 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

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

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

Below is a table, which illustrates the link between the Budget and the IDP.

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Spatial Rationale and Environmental Management	Total
	R	R	R	R	R	R	R
2017/18 Budget							
Capital Expenditure	439 000	53 157 735	1 440 485	3 303 500	419 000	920 000	**59 679 720**
Operating Expenditure	39 724 329	569 656 401	11 017 162	65 851 875	37 795 444	20 797 032	**744 842 242**
Total	**40 163 329**	**622 814 136**	**12 457 647**	**69 155 375**	**38 214 444**	**21 717 032**	**804 521 962**
2018/19 Budget							
Capital Expenditure	859 660	62 913 618	1 515 959	4 542 015	1 041 980	2 120 000	**72 993 233**
Operating Expenditure	40 534 496	583 518 870	11 517 071	70 366 665	34 446 796	20 136 853	**760 520 752**
Total	**41 394 156**	**646 432 488**	**13 033 031**	**74 908 681**	**35 488 776**	**22 256 853**	**833 513 985**
2019/20 Budget							
Capital Expenditure	911 240	71 458 950	1 595 585	4 814 536	1 104 499	2 247 200	**82 132 009**
Operating Expenditure	43 130 230	607 856 834	12 208 096	74 796 757	36 526 240	21 345 065	**795 863 222**
Total	**44 041 470**	**679 315 784**	**13 803 680**	**79 611 294**	**37 630 739**	**23 592 265**	**877 995 231**

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

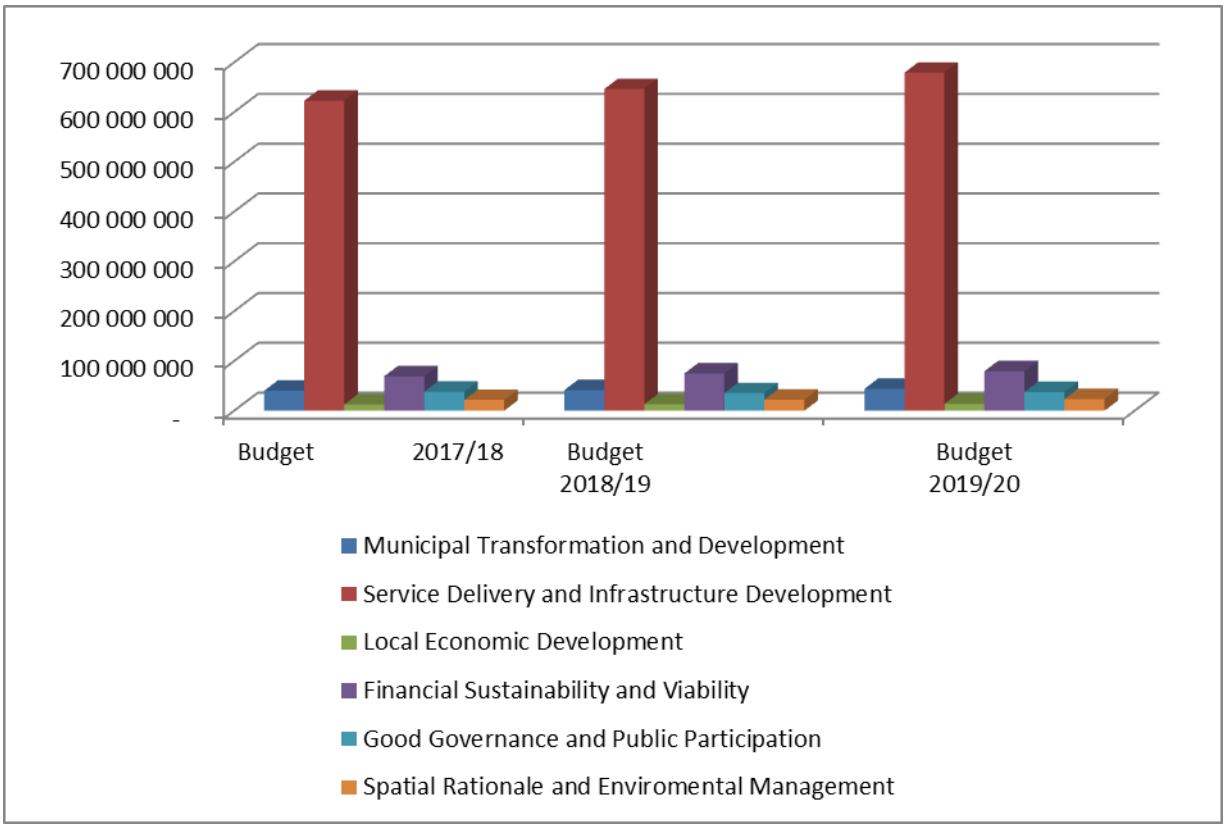


Figure 3 – 2017/18 Expenditure by IDP Priorities

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Description of financial indicator	Basis of calculation	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Borrowing Management					
Credit Rating					
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.7%	1.4%	1.3%	1.3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.2%	1.8%	1.7%	1.6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%
Safety of Capital					
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%
Liquidity					
Current Ratio	Current assets/current liabilities	1.0	1.0	1.0	1.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.0	1.0	1.0	1.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.4	0.4	0.5

Description of financial indicator	Basis of calculation	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Revenue Management					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	94.0%	94.0%	94.0%	94.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.0%	94.0%	94.0%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	12.5%	11.8%	11.5%	11.1%
Creditors Management					
Creditors to Cash and Investments		159.9%	178.0%	164.4%	144.9%
Other Indicators					
Employee costs	Employee costs/(Total Revenue - capital revenue)	35.9%	37.4%	37.8%	38.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	37.6%	39.1%	39.6%	40.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.2%	6.1%	4.5%	4.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	13.7%	12.8%	12.8%	12.8%
IDP regulation financial viability indicators	-				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	2.2%	1.8%	1.7%	1.6%
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	15.9%	15.2%	14.9%	14.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.5	1.1	1.1	1.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2017/18 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing is decreasing from 1.4% in 2017/18 to 1.3% in 2019/20. The decrease is attributable to no further borrowing being planned over the MTREF period.

2.3.1.2 Liquidity

- The c*urrent ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2017/18 MTREF, the current ratio is 1:0 in the 2017/18 and increased to 1:1 over the MTREF period.

- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. For the 2017/18 MTREF, the liquidity ratio increases from 0.4:1 in 2017/18 to 0.5:1 in 2019/20. This represents a significant risk for the Municipality, as any under collection of revenue will result in financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.2 Drinking Water Quality

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

2.3.3 Basic social services package for indigent households

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

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

Service	Social Package	Approximate Cost R'000	Est. No. of Households
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values. An additional R85 000 credit on property rates for indigent consumers.	2,805 2,038	28 464 8 000
Water	The first 12kl of water per month provided free to indigent consumers	15,221	8 000
Electricity	The first 50kwh of electricity provided free to indigent consumers	4,585	8 000
Refuse removal	Full credit for the monthly charge.	13,647	8 000
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 12kl per month)	8,049	8 000
EMF	Full credit for the monthly charge.	3,453	8 000
Total Operating Costs		**49,798**	

2.4 OVERVIEW OF BUDGET RELATED POLICIES

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

2.4.1 Financial Management Policies

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

2.4.2 Review of credit control and debt collection policies

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

The 2017/18 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% on current billings.

2.4.3 Supply Chain Management Policy

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

2.4.4 Property Rates Policy

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

2.4.5 Funding and Reserves Policy

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

2.4.6 Cost Containment Policy

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

2.4.7 Cash Management and Investment Policy

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

2.4.8 Borrowing Policy

The Borrowing Policy was adopted by Council in May 2016.

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

- Indigent Policy;
- Budget virement Policy.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

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

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

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

The Municipality faced the following significant challenges in preparing the 2017/18 – 2019/20 Budget:

- Fully implementing cost containment measures;
- Maintaining revenue collection rates at the targeted levels;
- Increased costs associated with bulk electricity and water purchases, placing upward pressure on municipal tariff increases.
- Maintaining electricity and water losses at acceptable levels;

- Allocation of the required budget provision for the rehabilitation and maintenance of infrastructure;
- Maintaining an acceptable cost coverage ratio;

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

	2017/18	2018/19	2019/20
Income	**%**	**%**	**%**
Tariff Increases for water	9	10.5	11.5
Tariff Increases for sanitation	9	9	9
Tariff Increases for refuse	9	9	9
Property rates increase	8	8	8
Electricity tariff increase (on average)	2.05	1.88	1.88
Environmental Management Fee increase	6	6	6
Revenue collection rates	94	94	94
Expenditure increases allowed	6	6	6
Salary increase	7.36	7.36	7.36
Increase in bulk purchase of electricity costs	0.31	0.31	0.31
Increase in bulk purchase of water costs	9	9	9

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

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

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

Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Revenue By Source								
Property rates	148 671	23.25%	160 565	23.46%	173 410	24.18%	187 283	24.85%
Service charges	351 455	54.97%	370 094	54.08%	379 233	52.88%	388 633	51.57%
Transfers and subsidies	101 004	15.80%	114 219	16.69%	122 520	17.08%	132 921	17.64%
Other revenue	38 267	5.98%	39 462	5.77%	42 030	5.86%	44 768	5.94%
Total Revenue (excluding capital transfers and contributions)	**639 396**	**100.00%**	**684 339**	**100.00%**	**717 193**	**100.00%**	**753 606**	**100.00%**

The following graph is a breakdown of the operational revenue per main category for the 2017/18 financial year.

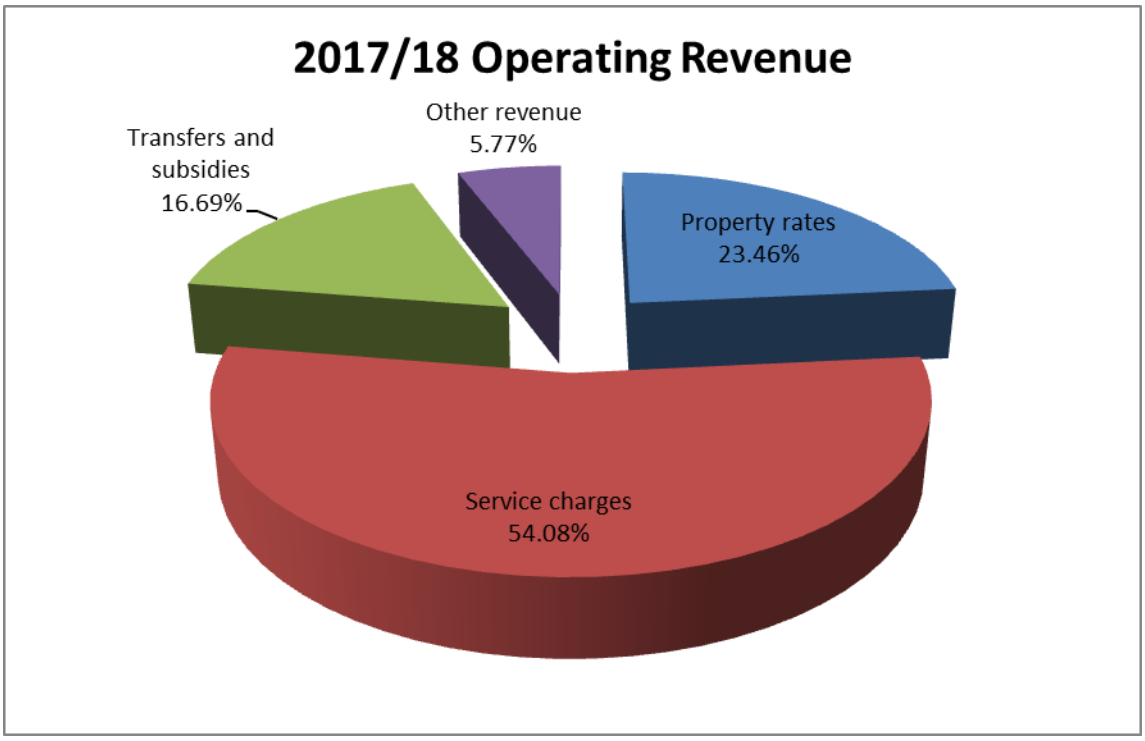


Figure 4 Breakdown of operating revenue over the 2017/18 MTREF

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

The revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- The Property Rates Policy;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.
- The level of property rates and tariff increases to take into account maintenance and replacement of infrastructure, including the expansion of services;
- Determining fully cost reflective tariffs for trading services;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Nelson Mandela Bay Metropolitan Municipality;
- Efficient revenue management, targeting a 94% annual collection rate for property rates and service charges.
- Growth in the revenue base.

The aforementioned principles guided the annual increases in property rates and tariffs, charged to the consumer.
Property rates amounts to R 160,565 million in the 2017/18 financial year and increases to R 187,283 million in 2019/20, representing 23.46% of the total operating revenue for the 2017/18 budget.

Services charges relating to electricity, water, sanitation, environmental management and refuse collection constitute the largest component of the revenue base, amounting to R 370,094 million in the 2017/18 financial year and increasing to R 388,633 million in 2019/20. For the 2017/18 financial year, services charges amount to 54.08% of the total revenue base.

Operational grants and subsidies amount to R 114,219 million, R 122, 520 million and R 132,921 million for each of the respective financial years of the MTREF, or 16.69%, 17.08% and 17.64% of total operating revenue.

The table below provides investment particulars by type.

Table 19 (SA15 – Detail Investment Information)

Investment type	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
R thousand				
Parent municipality				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	53 249	42 010	43 774	47 730
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	**53 249**	42 010	43 774	47 730
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:	**53 249**	42 010	43 774	47 730

Investments are anticipated to increase from R 42,010 million in 2017/18 to R 47,730 million in 2019/20.

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2017/18 medium-term capital programme:

Table 20 (Sources of capital revenue over the MTREF)

Vote Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Funded by:				
National Government	34 810	35 460	38 417	45 481
Provincial Government	2 000			
District Municipality	–			
Other transfers and grants	1 574			
Transfers recognised - capital	**38 383**	**35 460**	**38 417**	**45 481**
Public contributions & donations				
Borrowing				
Internally generated funds	30 002	24 219	34 577	36 651
Total Capital Funding	**68 385**	**59 680**	**72 993**	**82 132**

The above table is graphically represented as follows for the 2017/18 financial year.

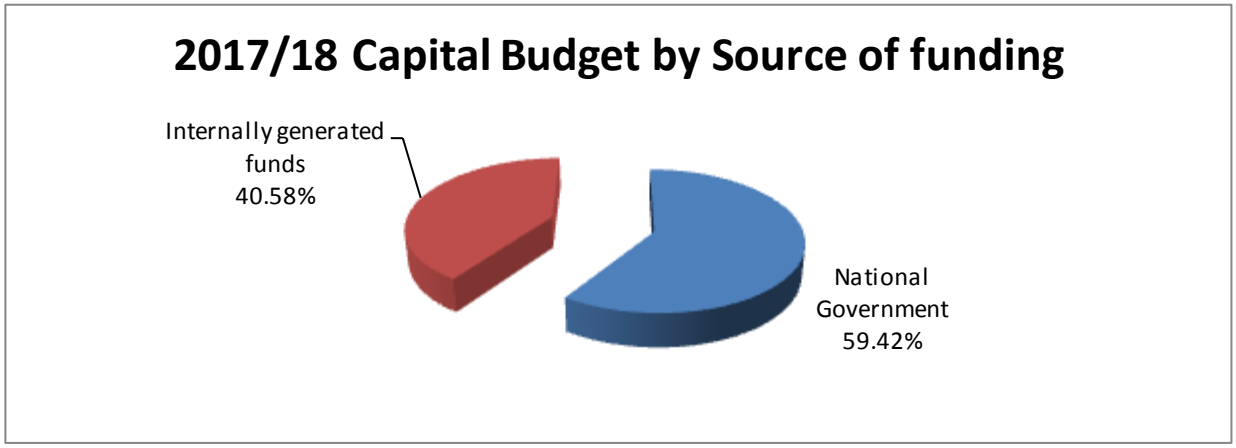


Figure 5 Sources of Capital Revenue for the 2017/18 financial year

Capital Grants constitute 59.42% of the total funding sources, amounting to R 35,460 million for the 2017/18 financial year and amounting to R 45,481 million or 55.38% in the 2019/20 financial year. It is to be noted that no borrowing is planned for the 2017/18 MTREF, in view of financial affordability considerations.

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

Table 21 (Table SA 17 - Detail of borrowings)

Borrowing - Categorised by type	Current Year 2017/18	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Parent municipality				
Annuity and Bullet Loans	36 734	30 269	23 089	15 090
Total Borrowing	36 734	30 269	23 089	15 090

The following graph illustrates the outstanding borrowing for the 2017/18 to 2019/20 period:

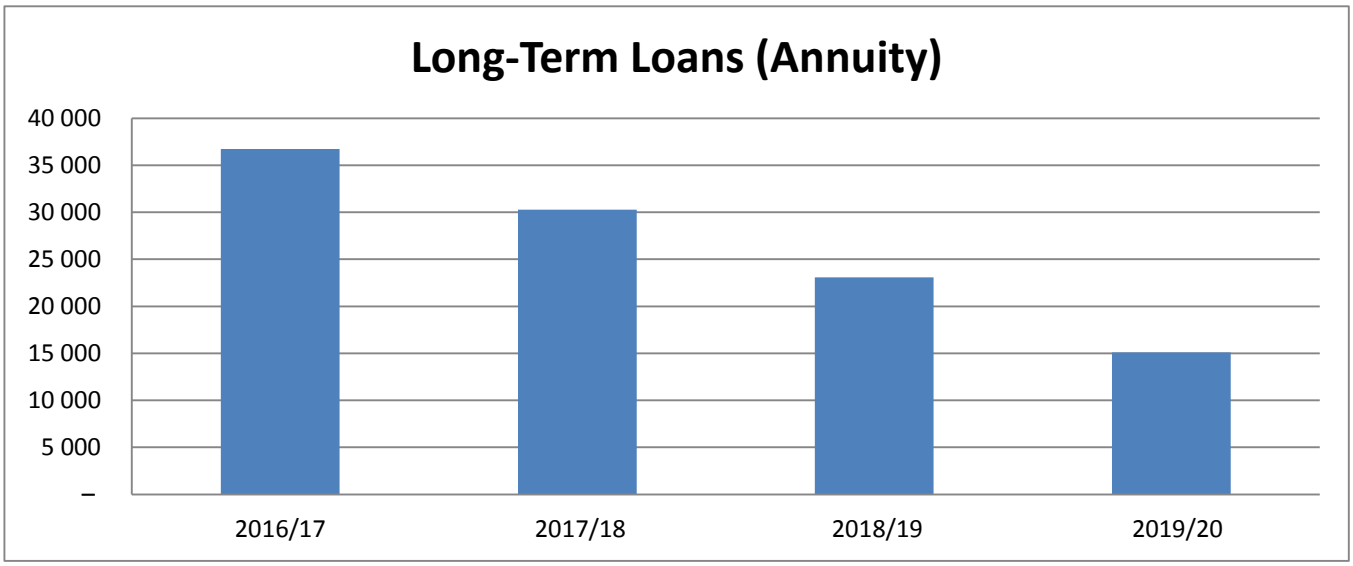


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

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

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
RECEIPTS:				
Operating Transfers and Grants				
National Government:	**95 820**	**106 951**	**116 930**	**126 994**
Local Government Equitable Share				
Local Government Equitable Share	91 622	102 637	113 277	123 252
Finance Management	1 625	1 700	1 955	1 955
MIG - Administration Fees	1 516	1 614	1 698	1 787
EPWP Incentive	1 057	1 000		
Provincial Government:	**2 372**	**4 050**	**2 169**	**2 290**
ACIP-Water		2 000		
Sport and Recreation	2 050	2 050	2 169	2 290
Housing	322			
District Municipality:	**2 334**	**2 500**	**2 653**	**2 814**
Environmental Health Subsidy	2 334	2 500	2 653	2 814
Other grant providers:	**477**	**718**	**768**	**822**
Skills Development Grant	477	718	768	822
Total Operating Transfers and Grants	**101 004**	**114 219**	**122 520**	**132 921**
Capital Transfers and Grants				
National Government:	**34 810**	**34 660**	**37 267**	**43 962**
Integrated National Electrification Programme	6 000	4 000	5 000	10 000
Municipal Infrastructure Grant (MIG)	28 810	30 660	32 267	33 962
Other grant providers:	**3 574**	**–**	**–**	**–**
Eskom transfer	1 574			
Department of Water Affairs	2 000			
Total Capital Transfers and Grants	**38 383**	**34 660**	**37 267**	**43 962**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**139 387**	**148 879**	**159 787**	**176 883**

2.6.3 Cash Flow Management

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

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

Table 23 (Table A7 - Budgeted cash flow statement)

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates	139 751	150 931	163 006	176 046
Service charges	330 367	348 047	356 171	364 416
Other revenue	23 943	23 328	24 749	26 258
Government - operating	101 004	114 219	122 520	132 921
Government - capital	38 383	34 660	37 267	43 962
Interest	14 324	16 134	17 281	18 511
Dividends	–	–	–	–
Payments				
Suppliers and employees	(576 866)	(624 084)	(635 195)	(664 039)
Finance charges	(4 463)	(3 768)	(3 021)	(2 201)
Transfers and Grants	(1 080)	(1 580)	(85)	(90)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**65 363**	**57 887**	**82 693**	**95 783**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		–	–	–
Decrease (Increase) in non-current debtors		–	–	–
Decrease (increase) other non-current receivables		–	–	–
Decrease (increase) in non-current investments		–	–	–
Payments				
Capital assets	(68 385)	(59 680)	(72 993)	(82 132)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(68 385)**	**(59 680)**	**(72 993)**	**(82 132)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans		–	–	–
Borrowing long term/refinancing		–	–	–
Increase (decrease) in consumer deposits		–	–	–
Payments				
Repayment of borrowing	(7 303)	(6 443)	(7 179)	(7 999)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(7 303)**	**(6 443)**	**(7 179)**	**(7 999)**
NET INCREASE/ (DECREASE) IN CASH HELD	**(10 325)**	**(8 235)**	**2 520**	**5 652**
Cash/cash equivalents at the year begin:	**78 573**	**68 249**	**60 014**	**62 534**
Cash/cash equivalents at the year-end:	**68 249**	**60 014**	**62 534**	**68 186**

For the 2017/18 MTREF, the cash and cash equivalents over the medium-term is anticipated to increase from R 60,014 in 2017/18 million to R 68,186 million in 2019/20.

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

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Cash and investments available				
Cash/cash equivalents at the year end	68 249	60 014	62 534	68 186
Other current investments > 90 days	–	–	–	–
Non-current assets - Investments	–	–	–	–
Cash and investments available:	**68 249**	**60 014**	**62 534**	**68 186**
Application of cash and investments				
Unspent conditional transfers	–	–	–	–
Unspent borrowing	–	–	–	–
Statutory requirements				
Other working capital requirements	34 718	31 618	26 221	21 576
Other provisions	2 407	2 268	2 313	2 336
Long term investments committed	–	–	–	–
Reserves to be backed by cash/investments				
Total Application of cash and investments:	**37 125**	**33 886**	**28 534**	**23 913**
Surplus(shortfall)	**31 124**	**26 128**	**34 000**	**44 274**

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

The available cash and investments amount to R 60,014 million in the 2017/18 financial year and increases to R 68,186 million in 2019/20. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – no unspent grant funding is anticipated over the 2017/18 MTREF.
- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.
- Current provisions relating to post-retirement medical aid benefits and ex-gratia pensions have been provided for.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects surpluses of R 26,128 million, R 34,000 million and R 44,274 million for the 2017/18, 2018/19 and 2019/20 financial years, respectively.

It is to be noted that the 2017/18 MTREF is funded, when considering the funding requirements of section 18 and 19 of the MFMA. The cost coverage ratio is, however, 1.1 months, 1:1 months and 1:2 months for the 2017/18, 2018/19 and 2019/20 financial years, respectively.

2.6.5 Funding Compliance Measurement

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

Description	MFMA section	Ref	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
			Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Funding measures						
Cash/cash equivalents at the year-end - R'000	18(1)b	1	68 249	60 014	62 534	68 186
Cash + investments at the yr endless applications - R'000	18(1)b	2	31 124	26 128	34 000	44 274
Cash year end/monthly employee/supplier payments	18(1)b	3	1.4	1.1	1.1	1.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(17 760)	(25 843)	(6 061)	1 704
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	(6.0%)	0.1%	(1.9%)	(1.8%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	92.9%	92.8%	92.7%	92.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6.0%	6.0%	6.1%	6.2%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10		100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	0.0%	1.2%	2.0%	1.0%
Long term receivables % change - incr(decr)	18(1)a	12	0.0%	(8.7%)	2.0%	1.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.3%	1.6%	1.3%	1.4%
Asset renewal % of capital budget	20(1)(vi)	14	31.8%	32.0%	32.3%	63.9%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2017/18 MTREF amounts to R 60,014 million, R 62,534 million and R 68,186 million for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2017/18, 2018/19 and 2019/20 budgets, the available cash and investments exceed the application of funds by an amount of R 26,128 million, R 34,000 million and R 44,274 million respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

As part of the 2017/18 MTREF, the projected cash position causes the ratio to increase from 1.1 months to 1.2 months.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2017/18 MTREF the indicative outcome is a deficit of R 25,843 million, R 6,061 million and surplus of R 1,704 million. This is made up as follows:

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Operating Budget Deficit	(56 143)	**(60 503)**	**(43 328)**	**(42 258)**
Capital Grants (Transfers)	38 383	34 660	37 267	43 962
Total	**(17 760)**	**(25 843)**	**(6 061)**	**1 704**

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

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

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 6 %), so as to determine the real increase in revenue. The percentage growth totals 0.1%, -1.9% and -1.8% for the respective financial years of the 2017/18 MTREF. The real increases in revenue are below the inflation target figures.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is approximately 92.8%, 92.7% and 92.5% for the respective financial years of the 2017/18 MTREF.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 6% over the MTREF, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure

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

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

No borrowing has been planned for the 2017/18 MTREF.

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

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

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 1.6%, 1.3% and 1.4% of Property, Plant and Equipment respectively, over the 2017/18 MTREF, whilst National Treasury has suggested an 8% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
EXPENDITURE:				
Operating expenditure of Transfers and Grants				
National Government:	**95 820**	**106 951**	**116 930**	**126 994**
Local Government Equitable Share	91 622	102 637	113 277	123 252
Finance Management	1 625	1 700	1 955	1 955
MIG - Administration Fees	1 516	1 614	1 698	1 787
EPWP Incentive	1 057	1 000		
Provincial Government:	**2 372**	**4 050**	**2 169**	**2 290**
ACIP-Water		2 000		
Sport and Recreation	2 050	2 050	2 169	2 290
Housing	322			
District Municipality:	**2 334**	**2 500**	**2 653**	**2 814**
Environmental Health Subsidy	2 334	2 500	2 653	2 814
Other grant providers:	**477**	**718**	**768**	**822**
Skills Development Grant	477	718	768	822
Total operating expenditure of Transfers and Grants:	**101 004**	**114 219**	**122 520**	**132 921**
Capital expenditure of Transfers and Grants				
National Government:	**34 810**	**34 660**	**37 267**	**43 962**
Municipal Infrastructure Grant (MIG)	28 810	30 660	32 267	33 962
Integrated National Electrification Programme	6 000	4 000	5 000	10 000
Other grant providers:	**3 574**	**–**	**–**	**–**
Eskom Transfer	1 574			
Department of Water Affairs	2 000			
Total capital expenditure of Transfers and Grants	**38 383**	**34 660**	**37 267**	**43 962**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	**139 387**	**148 879**	**159 787**	**176 883**

GRANTS EXPENDITURE

GRANTS RECONCILIATION

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Operating transfers and grants:				
National Government:				
Balance unspent at beginning of the year				
Current year receipts	95 820	106 951	116 930	126 994
Conditions met - transferred to revenue	**95 820**	**106 951**	**116 930**	**126 994**
Conditions still to be met - transferred to liabilities				
Provincial Government:				
Balance unspent at beginning of the year				
Current year receipts	2 372	4 050	2 169	2 290
Conditions met - transferred to revenue	**2 372**	**4 050**	**2 169**	**2 290**
Conditions still to be met - transferred to liabilities				
District Municipality:				
Balance unspent at beginning of the year				
Current year receipts	2 334	2 500	2 653	2 814
Conditions met - transferred to revenue	**2 334**	**2 500**	**2 653**	**2 814**
Conditions still to be met - transferred to liabilities				
Other grant providers:				
Balance unspent at beginning of the year				
Current year receipts	477	718	768	822
Conditions met - transferred to revenue	**477**	**718**	**768**	**822**
Conditions still to be met - transferred to liabilities				
Total operating transfers and grants revenue	**101 004**	**114 219**	**122 520**	**132 921**
Total operating transfers and grants - CTBM	**–**	**–**	**–**	**–**
Capital transfers and grants:				
National Government:				
Balance unspent at beginning of the year				
Current year receipts	34 810	34 660	37 267	43 962
Conditions met - transferred to revenue	**34 810**	**34 660**	**37 267**	**43 962**
Conditions still to be met - transferred to liabilities				
Other grant providers:				
Balance unspent at beginning of the year				
Current year receipts	3 574			
Conditions met - transferred to revenue	**3 574**	**–**	**–**	**–**
Conditions still to be met - transferred to liabilities				
Total capital transfers and grants revenue	**38 383**	**34 660**	**37 267**	**43 962**
TOTAL TRANSFERS AND GRANTS REVENUE	**139 387**	**148 879**	**159 787**	**176 883**

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

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

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Cash Transfers to Entities/Other External Mechanisms			
MOA with Arts Council	355	376	399
MOA with Sports Council	265	281	298
MOA KLTO	2,010	1,969	2,088
Total Cash Transfers To Entities/Ems'	**2,630**	**2,626**	**2,785**
TOTAL CASH TRANSFERS AND GRANTS	**2,630**	**2,626**	**2,785**
TOTAL TRANSFERS AND GRANTS	**2,630**	**2,626**	**2,785**

2.9 COUNCILLORS AND EMPLOYEE BENEFITS

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Summary of Employee and Councillor remuneration		2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	7 596	8 158	8 762	9 410
Pension and UIF Contributions				
Medical Aid Contributions				
Motor Vehicle Allowance	2 562	2 751	2 955	3 174
Cellphone Allowance				
Housing Allowances				
Other benefits and allowances	759	815	876	941
Sub Total - Councillors	**10 917**	**11 725**	**12 593**	**13 525**
% increase	**–**	**–**	**7.4%**	**7.4%**
Senior Managers of the Municipality				
Basic Salaries and Wages	6 045	6 632	7 122	7 649
Motor Vehicle Allowance	723	662	711	764
Sub Total - Senior Managers of Municipality	**6 768**	**7 293**	**7 833**	**8 413**
% increase	**–**	**–**	**7.4%**	**7.4%**
Other Municipal Staff				
Basic Salaries and Wages	142 672	152 193	161 318	170 991
Pension and UIF Contributions	25 132	26 237	27 810	29 478
Medical Aid Contributions	11 968	15 143	16 051	17 014
Overtime	4 489	10 375	10 998	11 657
Performance Bonus	948	4 297	4 452	4 610
Motor Vehicle Allowance	7 214	7 231	7 662	8 120
Cellphone Allowance	–	–	–	–
Housing Allowances	584	2 301	2 439	2 585
Other benefits and allowances	28 809	29 253	31 008	32 868
Payments in lieu of leave	–	887	940	997
Long service awards	782	812	860	912
Post-retirement benefit obligations	–	–	–	–
Sub Total - Other Municipal Staff	**222 598**	**248 728**	**263 539**	**279 231**
Total Parent Municipality	**240 284**	**267 747**	**283 965**	**301 168**
TOTAL SALARY, ALLOWANCES & BENEFITS	**240 284**	**267 747**	**283 965**	**301 168**
TOTAL MANAGERS AND STAFF	**229 366**	**256 022**	**271 372**	**287 643**

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits	Salary	Allowances	Total Package
Rand per annum			
Councillors			
Speaker	488 464	189 100	677 564
Chief Whip			–
Executive Mayor	610 579	229 805	840 384
Deputy Executive Mayor			–
Executive Committee	2 747 612	1 073 545	3 821 157
Total for all other councillors	3 864 876	2 521 210	6 386 086
Total Councillors	**7 711 531**	**4 013 659**	**11 725 190**
Senior Managers of the Municipality			
Municipal Manager (MM)	1 154 227	165 482	1 319 709
Chief Financial Officer	1 171 734	117 066	1 288 800
Director LED	1 060 921	110 321	1 171 242
Director Infrastr/Plan & Development	1 060 921	110 321	1 171 242
Director Social Services	1 005 760	165 482	1 171 242
Director Admin, Mon & Evaluation	1 060 921	110 321	1 171 242
Total Senior Managers of the Municipality	**6 514 483**	**778 994**	**7 293 477**
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	**14 226 014**	**4 792 653**	**19 018 667**

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2017/18												
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18
Cash Receipts By Source													
Property rates	12 865	14 261	16 268	14 619	12 916	11 874	10 637	12 514	12 790	10 639	11 719	9 827	150 931
Service charges - electricity revenue	18 472	20 475	23 357	20 990	18 545	17 049	15 272	17 968	18 364	15 275	16 826	14 110	216 705
Service charges - water revenue	4 720	5 232	5 968	5 363	4 739	4 356	3 902	4 591	4 692	3 903	4 299	3 605	55 371
Service charges - sanitation revenue	3 255	3 608	4 116	3 699	3 268	3 004	2 691	3 166	3 236	2 692	2 965	2 487	38 188
Service charges - refuse revenue	2 196	2 435	2 777	2 496	2 205	2 027	1 816	2 137	2 184	1 816	2 001	1 678	25 768
Service charges - other	1 024	1 135	1 295	1 164	1 028	945	847	996	1 018	847	933	782	12 015
Rental of facilities and equipment	112	124	141	127	112	103	92	109	111	92	102	85	1 309
Interest earned - external investments	613	680	775	697	616	566	507	597	610	507	559	468	7 195
Interest earned - outstanding debtors	762	845	963	866	765	703	630	741	758	630	694	582	8 939
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	321	355	405	364	322	296	265	312	319	265	292	245	3 761
Licences and permits	1 004	1 112	1 269	1 140	1 008	926	830	976	998	830	914	767	11 773
Agency services	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational		3 750	36 156	2 000	36 156				36 156			–	114 219
Other revenue	553	613	699	628	555	510	457	538	549	457	503	422	6 484
Cash Receipts by Source	**45 897**	**54 624**	**94 191**	**54 154**	**82 235**	**42 361**	**37 947**	**44 645**	**81 786**	**37 953**	**41 808**	**35 059**	**652 659**

MONTHLY CASH FLOWS	Budget Year 2017/18												
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18
Other Cash Flows by Source													
Transfer receipts - capital		4 000		10 220	10 220				10 220			–	34 660
Total Cash Receipts by Source	**45 897**	**58 624**	**94 191**	**64 374**	**92 455**	**42 361**	**37 947**	**44 645**	**92 006**	**37 953**	**41 808**	**35 059**	**687 319**
Cash Payments by Type													
Employee related costs	19 694	19 694	19 694	19 694	39 388	19 694	19 694	19 694	19 694	19 694	19 694	19 694	256 022
Remuneration of councillors	977	977	977	977	977	977	977	977	977	977	977	977	11 725
Finance charges	309	371	316	329	364	355	301	319	278	254	279	292	3 768
Bulk purchases - Electricity	15 370	18 438	15 699	16 368	18 098	17 648	14 974	15 829	13 809	12 624	13 876	14 505	187 239
Bulk purchases - Water & Sewer	3 151	3 780	3 218	3 355	3 710	3 618	3 070	3 245	2 831	2 588	2 845	2 974	38 384
Other materials	1 461	1 753	1 493	1 556	1 721	1 678	1 424	1 505	1 313	1 200	1 319	1 379	17 801
Contracted services	3 427	4 111	3 501	3 650	4 035	3 935	3 339	3 529	3 079	2 815	3 094	3 234	41 751
Transfers and grants - other municipalities	130	156	132	138	153	149	126	134	117	107	117	122	1 580
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	5 842	7 008	5 967	6 221	6 878	6 707	5 691	6 016	5 248	4 798	5 274	5 513	71 162
Cash Payments by Type	**50 362**	**56 288**	**50 997**	**52 288**	**75 324**	**54 760**	**49 597**	**51 247**	**47 346**	**45 057**	**47 476**	**48 690**	**629 432**
Other Cash Flows/Payments by Type													
Capital assets		11 180		11 180		11 180	11 180		11 180		11 180	(7 400)	59 680
Repayment of borrowing	537	537	537	537	537	537	537	537	537	537	537	537	6 443
Other Cash Flows/Payments	–	2 638	2 638	2 638	2 638	2 638	2 638	2 638	2 638	2 638	2 638	(26 381)	
Total Cash Payments by Type	**50 899**	**70 643**	**54 172**	**66 643**	**78 499**	**69 115**	**63 952**	**54 422**	**61 701**	**48 232**	**61 830**	**15 446**	**695 554**
NET INCREASE/(DECREASE) IN CASH HELD	**(5 002)**	**(12 019)**	**40 019**	**(2 269)**	**13 956**	**(26 754)**	**(26 005)**	**(9 777)**	**30 305**	**(10 279)**	**(20 023)**	**19 613**	**(8 235)**
Cash/cash equivalents at the month/year begin:	68 249	63 247	51 228	91 247	88 978	102 933	76 179	50 175	40 397	70 703	60 424	40 401	68 249
Cash/cash equivalents at the month/year end:	63 247	51 228	91 247	88 978	102 933	76 179	50 175	40 397	70 703	60 424	40 401	60 014	60 014

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Cash Receipts By Source			
Property rates	150 931	163 006	176 046
Service charges - electricity revenue	216 705	219 782	222 803
Service charges - water revenue	55 371	53 941	52 127
Service charges - sanitation revenue	38 188	41 625	45 372
Service charges - refuse revenue	25 768	28 087	30 615
Service charges - other	12 015	12 736	13 500
Rental of facilities and equipment	1 309	1 388	1 471
Interest earned - external investments	7 195	7 627	8 084
Interest earned - outstanding debtors	8 939	9 654	10 427
Dividends received	–	–	–
Fines, penalties and forfeits	3 761	3 990	4 234
Licences and permits	11 773	12 491	13 253
Agency services	–	–	–
Transfer receipts - operational	114 219	122 520	132 921
Other revenue	6 484	6 880	7 299
Cash Receipts by Source	**652 659**	**683 727**	**718 151**

MONTHLY CASH FLOWS	Medium Term Revenue and Expenditure Framework		
R thousand	**Budget Year 2017/18**	**Budget Year 2018/19**	**Budget Year 2019/20**
Other Cash Flows by Source			
Transfer receipts - capital	34 660	37 267	43 962
Total Cash Receipts by Source	**687 319**	**720 994**	**762 113**
Cash Payments by Type			
Employee related costs	256 022	271 372	287 643
Remuneration of councillors	11 725	12 593	13 525
Finance charges	3 768	3 021	2 201
Bulk purchases - Electricity	187 239	187 820	188 402
Bulk purchases - Water & Sewer	38 384	41 839	45 604
Other materials	17 801	16 219	17 192
Contracted services	41 751	34 998	37 098
Transfers and grants - other municipalities	1 580	85	90
Transfers and grants - other	–	–	–
Other expenditure	71 162	70 355	74 575
Cash Payments by Type	**629 432**	**638 301**	**666 330**
Other Cash Flows/Payments by Type			
Capital assets	59 680	72 993	82 132
Repayment of borrowing	6 443	7 179	7 999
Other Cash Flows/Payments			
Total Cash Payments by Type	**695 554**	**718 473**	**756 461**
NET INCREASE/(DECREASE) IN CASH HELD	**(8 235)**	**2 520**	**5 652**
Cash/cash equivalents at the month/year begin:	68 249	60 014	62 534
Cash/cash equivalents at the month/year end:	60 014	62 534	68 186

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

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

(a) Monthly projections of

- Revenue to be collected, by source; and
- Operational and capital expenditure, by vote.

(b) Service delivery targets and performance indicators for each quarter.

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

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

The SDBIP relating to the 2017/18 financial year will be approved by the Executive Mayor during June 2017, following the approval of the Budget.

2.12 LEGISLATION COMPLIANCE STATUS

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

IDP

A revised 2017/18 IDP has been developed, which was considered at a Council meeting held on 30 March 2017. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP. The final version of the revised 2017/18 IDP will be considered at a Council meeting scheduled for 31 May 2017.

Budget

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

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2015/16 Annual Report was tabled in January 2017.

Oversight Report

The Municipal Public Accounts Committee has considered the 2015/16 Annual report. Its Oversight Report was considered and approved at a Council meeting held on 27 March 2017.

In-Year Reporting

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

Supply Chain Management Policy (SCM)

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

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

Budget and Treasury

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

Audit Committee

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

Internal Audit Function

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

In relation to the 2017/18 financial year and beyond, the municipality plans to focus on the following high priority areas:

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

Internship Programme

The Municipality has a total of five Interns on the Municipal Financial Management Internship programme, as approved by National Treasury.

Municipal Standard Chart of Accounts (mSCOA)

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

2.13 CAPITAL EXPENDITURE DETAILS

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

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Quality Certificate

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

Print Name : SAKHEKILE SYDNEY FADI

MUNICIPAL MANAGER OF KOUGA MUNICIPALITY (EC108)

Signature : _____

Date : _____