DRAFT ANNUAL BUDGET OF

UTHUKELA DISTRICT MUNICIPALITY

2017/18 TO 2019/20

MEDIUM TERM REVENUE & EXPENDITURE FORECASTS

Copies of this document can be viewed:

•At the reception area of the municipality

•At wwwuthukeladm.co.za

TABLE OF CONTENTS

PART 1 – DRAFT ANNUAL BUDGET

1.1 MAYOR'S REPORT

1.2 COUNCIL RESOLUTIONS

1.3 EXECUTIVE SUMMARY

1.4 OPERATING REVENUE FRAMEWORK

1.5 OPERATING EXPENDITURE FRAMEWORK

1.6 CAPITAL EXPENDITURE

1.7 ANNUAL BUDGET TABLES

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

2.3 OVER VIEW OF BUDGET RELATED POLICIES

2.4 OVER VIEW OF BUDGET ASSUMPTIONS

2.5 OVER VIEW OF BUDGET FUNDING

2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

2.7 COUNCILLOR AND EMPLOYEE BENEFITS

2.8 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

2.9 LEGISLATION COMPLIANCE STATUS

2.10 OTHER SUPPORTING DOCUMENTS

2.11 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

ANNEXURE

Service level Standards
Tariffs

ABBREVIATIONS & ACRONYMS

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

PART 1- ANNUAL BUDGET

1.1 MAYORS REPORT

SPEECH BY THE MAYOR OF UTHUKELA DISTRICT MUNICIPALITY
PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF TABLING OF THE 2017/2018 DRAFT BUDGET IN THE COUNCIL
BOARDROOM, LADYSMITH, ON 31 MARCH 2017

VISION

Our vision is an economically sound municipality with effective infrastructure and a municipality that empowers people, protects the environment and demonstrates excellence in leadership.

In this tabled draft budget Council has endeavoured to achieve these calls and has tried to provide for this within its limited resources. Given the constraints on the revenue side, tough decisions have been made to ensure a sustainable budget.

JOB CREATION

Council has heeded the Government's call for job creation and has partnered with the Department of Public Works to ensure that the EPWP is fully operational in this Municipality. The allocation for EPWP will increase for 2017/2018 financial year to R3.7 million financial year which will assist to ensure that service delivery is instigated accordingly. A further R3 million has been provided from internally generated fund to facilitate the job creation programme.

INFRASTRUCTURE DEVELOPMENT

The total capital grant allocations for 2017/18 financial year have increased from R 342 million to R367 million.

We will continue to upgrade our infrastructure and embark on new capital projects improve water distribution and reticulation. Various infrastructure projects that have been identified by the community during the needs analysis will be considered in this budget.

DEBT MANAGEMENT

Council has written off debts for qualifying indigent debtors, a concerted effort has been made to collect and reduce all outstanding debts. Council has also approved the implementation of the flat tariff in order to improve the collection rate. Debt collection and revenue enhancement will remain a priority in the upcoming financial year. The municipality is currently awaiting recommendations from COGTA on the issue of revenue enhancement.

ASSET MANAGEMENT

Asset management is prioritised and ensuring that councils assets are managed properly.
We have responsibility of reducing expenditure on non-essential assets and prioritising repairs and mantaince of municipal assets.

THE WAY FORWARD

The municipality will remain dedicated to its core business of providing high quality basic services to the community. All areas of non-performance affecting basic service delivery will be identified and remedial measures will be employed accordingly. The limited resources available will be prioritised strictly for basic service delivery.

With those few words I plead for your uncompromised support in the financial year ahead.

1.2 COUNCIL RESOLUTIONS:

On 31 March 2017 the Council of UThukela District Local Municipality met in the Council Boardroom of UThukela District Municipality to consider the draft annual budget of the municipality for the financial year 2017/18. The Council approved and adopted the following resolutions:

1. The UThukela District Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

    1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
        1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2
        1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
        1.1.3. Budget Summary as contained in Table A1
        1.1.4. Budgeted financial performance (revenue and expenditure) as contained in Table A4

    1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
        1.2.1. Budgeted Financial Position as contained in Table A6
        1.2.2. Budgeted Cash Flows as contained in Table A7
        1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8
        1.2.4. Asset management as contained in Table A9
        1.2.5. Basic service delivery measurement as contained in Table A10

2. The Council of UThukela District Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:

2.1. That the salaries, wages and allowances of all employees be increased by 7.4% in accordance with the multiyear SALGBC wage agreement with effect from 01 July 2017.
2.2. That the salaries, wages and allowances of all Section 56 employees and other employees by the same percentage with effect from 01 July 2017.
2.3. The tariffs for water services.
2.4. The tariffs for sanitation services.
2.5. The tariffs for other municipal services.

1.3 EXECUTIVE SUMMARY

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

In the compilation of this budget the municipality has taken note of the Cabinet resolution by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures. These cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus arrears namely consultancy fees, no credit cards, travel and related costs, advertising, catering and events costs as well as accommodation.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Most of which will benefit the municipality as well as consumers. Consultants have also been engaged in the revenue department to assist with the prior year's qualifying matters

National Treasury's MFMA Circular No.85 and 86 were used to guide the compilation of the 2017/18 MTREF.

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

- The on-going difficulties in the national and local economy;
- Aging water infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Escalating water losses
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.
- Affordability of capital projects – R367 million will be received as capital grants

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

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

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

Table 1 Consolidated Overview of the 2017/18 MTREF

R thousand	Adjusted Budget 2016/2017	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
Total operating revenue	637,393	688,650	739,334	793,743
Total operating expenditure	591,558	599,410	629,686	670,086
Surplus/(Deficit)	45,835	88,492	109,648	123,657
Total capital expenditure	371,539	394,261	371,340	371,539
Total Budget	963,097	993,671	100,1026	1,041,625

Total operating revenue has increased by 8% or R50 million for the 2017/18 financial year when compared to the 2016/17 adjustments budget due to the general increase in the services charge and increases in the government grant allocations for the 2016/17 financial year. For the outer years, operational revenue will increase by 5.7 and 5.6% respectively.

Total operating expenditure for the 2017/18 financial year has been appropriated at R599 million and translates into a budget surplus of R88 million. When compared to the 2015/16 Adjustment Budget, operational expenditure has increased by R7 million the 2017/18 budget and increased by 5.7 and 5.6% for each of respective outer years of the MTREF.

The capital budget of R371 million for 2017/18 is funded by National Government Grants to the extent of R 367 million. A council vehicles to the value of R4.2 million will be funded from internally generated funds.

1.4 OPERATING REVENUE FRAMEWORK

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to achieve a 60% annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and tariff policies of the Municipality.

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

Table 2 Summary of revenue classified by main revenue sourceA4

R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Service charges - water revenue	118,572	110,521	136,221	159,378	231,101	231,101	231,101	245,892	259,908	274,463
Service charges - sanitation revenue	14,199	15,920	16,900	17,551	17,551	17,551	17,551	18,674	19,738	20,844
Interest earned - external investments	44,045	9,073	11,991	10,671	7,671	7,671	7,671	11,539	12,197	12,887
Interest earned - outstanding debtors	–	19,149	20,215	28,321	38,321	38,321	38,321	40,774	43,098	45,511
Transfers recognised - operational	274,934	301,291	322,989	338,198	339,353	339,353	339,353	367,387	400,550	435,980
Other revenue	1,919	9,561	3,567	1,914	3,395	3,395	3,395	4,384	3,843	4,059
Gains on disposal of PPE	935	–	–	–						
Total Revenue (excluding capital transfers and contributions)	**454,604**	**465,513**	**511,884**	**556,033**	**637,393**	**637,393**	**637,393**	**688,650**	**739,334**	**793,743**

Table 3 percentage growth in revenue by main revenue source A4 [insert table]

Description	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2017/18		Budget Year +1 2018/19		Budget Year +2 2019/20	
Revenue By Source							
Service charges - water revenue	231,101	245,892	6%	259,908	6%	274,463	6%
Service charges - sanitation revenue	17,551	18,674	6%	19,738	6%	20,844	6%
Interest earned - external investments	7,671	11,539	50%	12,197	9%	12,887	6%
Interest earned - outstanding debtors	38,321	40,774	6%	43,098	6%	45,511	6%
Transfers recognised - operational	339,353	367,387	8%	400,550	10%	435,980	9%
Other revenue	3,395	4,384	29%	3,843	-16%	4,059	6%
Total Revenue (excluding capital	**637,393**	**688,650**		**739,334**		**793,743**	

Table 4 Revenue mix by source A4

Description	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Original Budget	Adjusted Budget		Budget Year 2017/18		Budget Year +1 2018/19		Budget Year +2 2019/20	
Revenue By Source									
Service charges - water revenue	159,378	231,101	36%	245,892	36%	259,908	35%	274,463	35%
Service charges - sanitation revenue	17,551	17,551	3%	18,674	3%	19,738	3%	20,844	3%
Interest earned - external investments	10,671	7,671	1%	11,539	2%	12,197	2%	12,887	2%
Interest earned - outstanding debtors	28,321	38,321	6%	40,774	6%	43,098	6%	45,511	6%
Transfers recognised - operational	338,198	339,353	53%	367,387	53%	400,550	54%	435,980	55%
Other revenue	1,914	3,395	1%	4,384	1%	3,843	1%	4,059	1%
Total Revenue (excluding capital	**556,033**	**637,393**		**688,650**		**739,334**		**793,743**	

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

Revenue generated from water and sanitation services charges forms a significant percentage of the revenue basket for the Municipality. Service charge revenues comprise 36% of the total revenue mix. In the 2017/18 financial year, services charges are expected to total R245 million. Revenue generated increase to service charges is due to the increase in tariffs as well as new connections.

The water and sanitation tariffs have been increased by 6.4% across the board. Circular 86 of the MFMA stipulates that all tariffs should be cost reflective. These services are failing to break even

currently which indicates that the current tariffs are not cost reflective. The Finance department will review these tariffs and gradually phase out the cost reflective tariffs in the next coming years.

Revenue increases by 5.7 and 5.6 %in the outer financial years of the MTREF.

Other revenue' which consists of various items such as income received from the sale of tender documents and the issue of clearance certificates will total R3.8 million in the 2016/2017 financial year, the estimate is based on current trends and consist of R741 thousand of vehicle trade in value

Operating grants and transfers totals R367 million in the 2016/17. Below is a detailed split of the operating grants

Table 5 Operating Transfers and Grant Receipts

GRANTS	2017/2018	2018/2019	2019/2020
	R'000	R'0010	R'000
EQUITABLE SHARE	361,568	398,405	433,175
EPWP	3,724		
FINANACE MANAGEMENT GRANT	1,795	1,545	1,805
DEVELOPMENT PLANNING AND SHARED SERVICES	300		
TOTAL	**367,387**	**400,550**	**435,980**

1.4.1 Water and Sanitation Tariffs

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.4% upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. The tariffs for the year 2017/18 have been increased by 6.4%

Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability. As mentioned earlier services are failing to break even.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and

medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows

Tariff the cost of the provision of general services. Determining the effective tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 85 and 86 deal, inter alia with the implementation of the Municipal Systems Act.

Below are the proposed water services tariff for the financial year 2017/2018 these tariffs exclude VAT.

Table 6 Water and Sanitation Tariffs

DRAFT SERVICES TARIFF 2017/2018 FINANCIAL YEAR

Proposed water services tariff for the financial year 2017/2018

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	Description	Tariff
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R71.24/ month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R90.78/ month
3.	Sewer tariff for restricted usage (un-metered)	R90.78/ month
4.	Servicing sewer conservancy tanks/pits (small)	R160.39/ service
	Servicing sewer conservancy tanks/pits (large)	R343.74/ 5000l/ load
	Discharge of sewage to waste water works by private sewer tankers	R0,12/litre
	Integrated Step Tariff (Domestic Use)	
5.	Water tariff for water usage up to 6kl	Free/ Indigent
	Water tariff for water usage 1 to 30kl	10.34kl
	Water tariff for water usage 31kl to 100kl	R11.98kl
	Water tariff for water usage 101kl to 999kl	R13.78kl
	Integrated Step Tariff (Industrial Use)	
6.	Water tariff for water usage up to 1000kl	R10.34kl
	Water tariff for water usage 1001kl and above	R5.41kl

7.	Bulk potable water supply to IDC Estate	R5.41kl
	Bulk Raw water supply	R3.30kl
8.	Emergency Services Connection (excluding emergency services)	R24.36kl
9.	All connections, repairs and work required from Council Domestic	Cost + 10%
10.	All connections, repairs and work required from Council other services actual cost + 10 %	Cost + 10%
11.	Trade Effluent	Charge(c/kl)= 73.16c+([COD/1000] x 1.54c) (COD-Chemical Oxygen Demand)
012.	Account Deposits (Subject to credit worthiness)	Every default adjustment of R164.14 to maximum as per following: Residential Max R2 463.94Business Max R 8209.11 **New consumers:-** Residential = R 1 424.24 Business = R 3398.72 Connection Fees =R 164.65
13.	Scrutiny of building plans	R425.08/ plan
14.	Clearing of grass overgrowth	Actual cost + 12 %
15.	Requested Water Tankering (funerals – if not indigent)	5000l = R489.83 / load
16.	Requested Water Tankering (other events)	5000l = R783.68/ load
17.	Developer's Capital Contribution - Water	R 8905.74
18.	Developer's Capital Contribution - Sanitation	R 9796.38
19.	Disconnection Fee Reconnection fee - Working hours -After hours, Saturdays/Sundays/Public Holidays	R 117.54 R 119.33 R293.83
20.	Clearance certificates	R434.21
21.	Flat rate services (where applicable)	R291.97 per household

Water and Waste Water Analysis		
Determinant	**Units**	**Cost per sample**
Alkalinity	mg/l $CaCO_3$	R56.71
Appearance	Descriptive	
Aluminium - soluble	mg/l Al	R49.09
Ammonia	mg/l N	R47.28
Chloride	mg/l Cl	R37.84

Chlorine – Free	mg/l Cl_2	R18.85
Colour	Pt-Co	R28.27
Conductivity	mS/m	R18.85
Fluoride	mg/l F	R47.28
Iron	mg/l Fe	R27.73
Manganese	mg/l Mn	R47.28
Nitrate	mg/l N	R28.27
Nitrite	mg/l N	R28.27
Odour	Descriptive	
pH	pH Units	R18.85
Phosphate - soluble	mg/l P	R28.27
Solids - Settle able	ml/l	R28.27
Sulphate	mg/l SO_4	R41.50
Sulphide	mg/l H_2S	R47.28
Suspended Solids	mg/l	R41.76
Temperature	^0C	
Total Dissolved Solids	mg/l	R28.27
Turbidity	NTU	R18.85
Oxygen Absorbed	mg/l O_2	R56.71
Chemical Oxygen Demand	mg/l O_2	R66.12
Magnesium/Calcium	mg/l Mg/Ca	R65.98

- Sample bottles can be collected at the Laboratory.
- A volume of at least 1 litre is necessary for analysis.

Microbiological Analysis		
Faecal coliforms	colonies per 100ml	R52.01
Total coliforms	colonies per 100ml	R52.01
Standard plate count	colonies per ml	R43.37

- Sample bottle can be collected at the Laboratory.
- A volume of at least 1 litre is necessary for analysis.

THE ABOVE TARIFFS EXCLUDE VAT

- Sterile bottles provided by the Laboratory should be used.
- Samples must be delivered to the Laboratory within 6 hours of collection and should be kept cold.
- A volume of 500ml is sufficient for analysis.

1. Prices listed are for single samples.

2. Sterile bottles can be supplied free of charge. Bottles broken or not returned will be charged for at a rate of R17.23 per bottle.

FINES FOR ILLEGAL CONNECTIONS AND TEMPERING

First instance	R 2 500
Second instance	R 5 000
Third instance	R 7 500
Forth instance	R10 000

NB: Immediately if the consumer committed a fifth instance, complete disconnection of water supply will apply!

PENALTY FEES

1. Warning letter R 53.20
2. Final cut-off
   - Additional deposit-business R 159.60
   - Additional deposit-households R112.78
   - Penalty fee R 87.22

RECONNECTION FEES:

1. Standard fee applies during working office hours R116.15
2. Standard rate applies after office hours R277.20

NEW CONNECTION (PLUMBING WORK) CHARGES

NO	SIZE (MM)	UNIT COST R	DEPOSIT
1	20	2 387.35	212.80
2	25	2 387.35	212.80

3	32	2 859.50	532.00
4	40	6 384.00	532.00
5	50	6 780.91	532.00
6	80	9 388.77	532.00
7	100	10 815.56	532.00
8	150	11 229.50	532.00

Other municipal services increase by 6.4% as per MFMA circular 86.

Tender documents
Maps GIS
Clearance certificates

	A3 PRINTER		**A0 PLOTTER**		
	A4	**A3**	**A2**	**A1**	**A0**
Full Colour	22.24	44.49	111.22	150.15	200.20
Grey Scale	22.24	44.49	111.22	144.59	200.20
Topo Maps	16.69	33.37	83.42	111.22	150.15
Line / Hatch	11.13	33.37	55.62	72.30	100.10

Maps GIS tariffs

1.4.1.1 Tender Documents

Municipal Produced	R177.50

Consultants produced depending on the project	R355 and R414.20 respectively

- Clearance certificate R 404.70

Table 7 Comparison between current tariffs and increases

1.4.2 Overall impact of tariff increases on households

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

	Description	2016/17	2017/18	% Incr.
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R66.96/ month	R71.25 month	6 .4
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R85.32./month	R90.78./month	6 .4
3.	Sewer tariff for restricted usage (un-metered)	R85.32/ month	R90.78/ month	6 .4
4.	Servicing sewer conservancy tanks/pits (small)	R150.75/service	R160.40/service	6 .4
	Servicing sewer conservancy tanks/pits (large)	R323.07 / 5000l/ load	R343.75 / 5000l/ load	6 .4
	Discharge of sewage to waste water works by private sewer tankers	R0.12/litre	R0.35/litre	191
	Integrated Step Tariff (Domestic Use)			
5.	Water tariff for water usage up to 6kl	Free/ Indigent	Free/ Indigent	6 .4
	Water tariff for water usage 1 to 30kl	R9.72kl	R10.34kl	6 .4
	Water tariff for water usage 31kl to 100kl	R11.26kl	R11.98kl	6 .4
	Water tariff for water usage 101kl to 999kl	R12.95kl	R13.77kl	6 .4

Table 8 MBRR Table SA14 – Household bills [insert table]

1.5 OPERATING EXPENDITURE FRAMEWORK

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

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

The following table is a high level summary of the2017/18 budget and MTREF (classified per main type of operating expenditure):

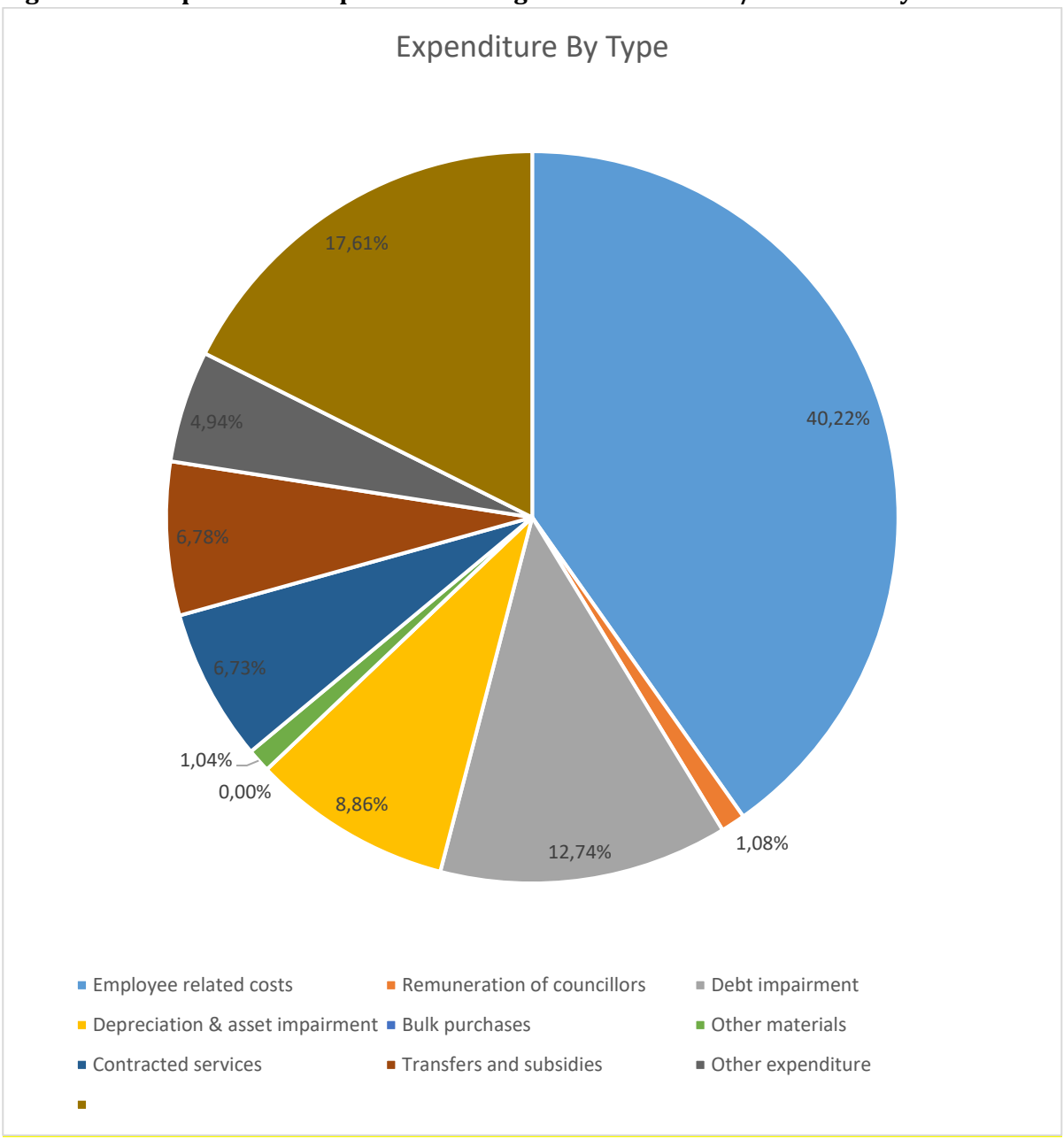
Table 9 Summary of operating expenditure by standard classification item A4

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type										
Employee related costs	124,823	152,520	198,647	195,150	224,481	224,481	224,481	241,092	254,834	269,110
Remuneration of councillors	4,775	5,842	6,381	6,552	6,552	6,552	6,552	6,454	6,841	7,252
Debt impairment	16,028	90,109	92,787	36,460	71,800	71,800	71,800	76,395	80,749	85,271
Depreciation & asset impairment	38,999	45,537	49,197	57,676	57,676	57,676	57,676	53,137	56,165	59,311
Finance charges	2,549	2,465	1,125	–						
Bulk purchases	7,232	6,169	7,692	5,901	5,901	5,901	5,901	6,255	6,611	6,982
Other materials	23,758	34,497	28,822	44,506	47,974	47,974	47,974	40,322	42,622	45,010
Contracted services	48,715	39,499	65,268	37,412	46,775	46,775	46,775	40,611	41,681	44,043
Transfers and grants	83,732	–	–	10,512	25,000	25,000	25,000	29,600	31,287	33,039
Other expenditure	101,783	188,477	231,660	154,188	105,400	105,400	105,400	105,545	108,895	120,068
Loss on disposal of PPE	5,421	2,464	1,232	–						
Total Expenditure	**457,814**	**567,581**	**682,812**	**548,356**	**591,558**	**591,558**	**591,558**	**599,410**	**629,686**	**670,086**

Table 10 Operating expenditure expressed as percentages

Description	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Original Budget	Adjusted Budget		Budget Year 2017/18		Budget Year +1 2018/19		Budget Year +2 2019/20	
Expenditure By Type									
Employee related costs	195,150	224,481	38%	241,092	40%	254,834	40%	269,110	40%
Remuneration of councillors	6,552	6,552	1%	6,454	1%	6,841	1%	7,252	1%
Debt impairment	36,460	71,800	12%	76,395	13%	80,749	13%	85,271	13%
Depreciation & asset impairment	57,676	57,676	10%	53,137	9%	56,165	9%	59,311	9%
Finance charges	–		0%		0%		0%		0%
Bulk purchases	5,901	5,901	1%	6,255	1%	6,611	1%	6,982	1%
Other materials	44,506	47,974	8%	40,322	7%	42,622	7%	45,010	7%
Contracted services	37,412	46,775	8%	40,611	7%	41,681	7%	44,043	7%
Transfers and grants	10,512	25,000	4%	29,600	5%	31,287	5%	33,039	5%
Other expenditure	154,188	105,400	18%	105,545	18%	108,895	17%	120,068	18%
Total Expenditure	**548,356**	**591,558**		**599,410**		**629,686**		**670,086**	

Figure 1Main operational expenditure categories for the 2016/17 financial year



The budgeted allocation for employee related costs for the 2017/18 financial year totals R241 million, which equals 40 % of the total operating expenditure. Based on the three year collective SALGBC agreement which took effect on the 1st of July 2015, salary increases have been factored into this budget at a percentage increase of 7.4% for the 2017/18 financial year.

Expenditure against overtime was significantly reduced as prescribed by treasury, with provisions against this budget item only being provided for emergency services and other critical functions. Further reductions will be necessary as the percentage of employee related costs is now above the threshold of 38% this is due to the drastic reduction in total operating expenditure.

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

While debt impairment is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. The municipality has thus provided for debt impairment to the value of R76.3 million.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R53 million for the 2017/18 financial and equates to 9% of the total operating expenditure.

Bulk purchases are directly informed by the purchase of water from DWA. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses. Bulk purchases amount to 1% of the total operating budget.

Other materials comprise of amongst others the purchase of materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2017/18 the appropriation against this group of expenditure has decreased R46 million due to budget constraints.

The process of identifying further cost efficiencies will continue in the 2017/18 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. It can be noted that other expenditure has been significantly decreased.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/18 budget provides for in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

The following table lists the total anticipated cost for repairs and maintenance on infrastructure and assets for the year 2017/18 and the comparison years. It must be noted that the municipality has identified all the shortcomings associated with neglecting capital assets such as infrastructure thus the increased provision for repairing and maintenance of capital assets.

Table 11 Repairs and maintenance per asset class SA34c

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	**16,235**	**34,497**	**26,880**	**31,322**	**37,071**	**37,071**	**30,973**	**34,121**	**36,032**
Infrastructure - Road transport	500	–	–	1,774	774	774	824	870	919
Roads, Pavements & Bridges	500			1,774	774	774	824	870	919
Storm water									
Infrastructure - Electricity	–	–	–	–	–	–	–	–	–
Generation									
Transmission & Reticulation									
Street Lighting									
Infrastructure - Water	13,135	34,497	22,413	21,548	32,297	32,297	25,834	27,306	28,835
Dams & Reservoirs				10,882	10,631	10,631	9,503	10,045	10,608
Water purification	13,135	34,497	22,413	9,251	21,251	21,251	15,889	16,794	17,735
Reticulation				1,415	415	415	442	467	493
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Reticulation									
Sewerage purification									
Infrastructure - Other	2,600	–	4,467	8,000	4,000	4,000	4,316	5,945	6,277
Waste Management									
Transportation									
Gas									
Other	2,600		4,467	8,000	4,000	4,000	4,316	5,945	6,277
Other assets	**7,523**	**–**	**1,942**	**13,184**	**10,903**	**10,903**	**9,349**	**8,501**	**8,978**
General vehicles	6,776		212	6,720	7,220	7,220	5,682	6,006	6,342
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	722		243	620	620	620	660	698	737
Computers - hardware/equipmen	25			1,800	–	–	–	–	–
Furniture and other office equipment				62	62	62	506	535	565
Abattoirs					–	–	–	–	–
Markets					–	–	–	–	–
Civic Land and Buildings					–	–	–	–	–
Other Buildings			1,468	3,000	3,000	3,000	2,500	1,262	1,334
Other Land					–	–			
Surplus Assets - (Investment or Inventory)						–			
Other			19	981		–			
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class									
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class									
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming									
Other *(list sub-class)*									
Total Repairs and Maintenance	**23,758**	**34,497**	**28,822**	**44,506**	**47,974**	**47,974**	**40,322**	**42,622**	**45,010**

Table 12 Repairs and maintenance per asset class

Description	
Building & Office Repairs	2,500,000
Maint Office Furniture & Equipment	506,365
Vehicle Repairs Outsourced	7,098,007
Repairs Specialised Equipment.	150,000
Blue Drop- Green Drop	4,000,000
Building/Plant	595,508
Pumps	15,000,000
Roads	280,232
Electrical	1,191,016

The table above highlights the focus areas of our repairs and maintenance budget

- R2.5 million of total repairs and maintenance will be spent on buildings.
- R15 million the municipality will be invested in the maintenance of water pumps.
- R7 million will be allocated for the mantaince of municipal vehicles. The increase is due to the increased number of vehicles acquired in the current year.
- R4 million for Blue Drop - Green Drop related expenses
- R150 thousand has also been allocated for the mantaince of other specialised office equipment such as the lift, PA system, telephones and air conditioners.
- R506 thousand for the maintenance of office furniture and equipment

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target was to register more indigent households during the 2016/17 financial year.

In the 2017/18 financial year it is anticipated that R26.6 million will be allocated towards the provision of free basic services.

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

Going forward it will be our priority to reduce the number of households on the indigent register through job creation and programs such as EPWP, ensuring that those that are hired are equipped with certain skills by the end of the program, for future employment.

1.6 CAPITAL EXPENDITURE

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

Table 13 2017/18 Medium-term capital budget per vote

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Single-year expenditure *to be appropriated*										
105 - MUNICIPAL MANAGER	621	–	31	290	290	290	290	4,200	–	–
200 - CORPORATE SERVICES	–	–	124	1,315	1,315	1,315	1,315	–	–	–
300 - BUDGET AND TREASURY	67	195	19	225	225	225	225	–	–	–
405 - SOCIAL SERVICES(PLANNING&EC	–	31,049	135	100	100	100	100	–	–	–
408 - WSA& HEALTH SERVICES	–	718	93	460	460	460	460	–	–	–
500 - WATER, SANITATION AND TECHN	215,472	280,716	178,402	262,854	326,854	326,854	326,854	367,339	394,261	371,340
Vote 15 - [NAME OF VOTE 15]	–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-tota	**216,160**	**312,678**	**178,804**	**265,244**	**329,244**	**329,244**	**329,244**	**371,539**	**394,261**	**371,340**
Total Capital Expenditure - Vote	**216,160**	**312,678**	**178,804**	**265,244**	**329,244**	**329,244**	**329,244**	**371,539**	**394,261**	**371,340**

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants. Council has only made a provision for the purchase of vehicles to the value of R4.2 million which will be funded from internally generated funds.

A total of R367 million will be allocated towards water infrastructure as per the following grant allocations.

CAPITAL GRANTS	2017/2018	2018/2019	2019/2020
MUNICIPAL INFRACTURE GRANT	187,304,000.00	198,605,000.00	210,531,000.00
RBIG	95,052,000.00	100,000,000.00	50,000,000.00
MWIG	82,500,000.00	93,000,000.00	108,000,000.00
RURAL ROAD ASSETS MANAGEMENT	2,483,000.00	2,656,000.00	2,809,000.00
TOTAL CAPITAL GRANT	**367,339,000.00**	**394,261,000.00**	**371,340,000.00**

The following pie chart provides a breakdown of the capital budget to be spent on capital for the year 2017/2018.

Figure 2 Capital budget

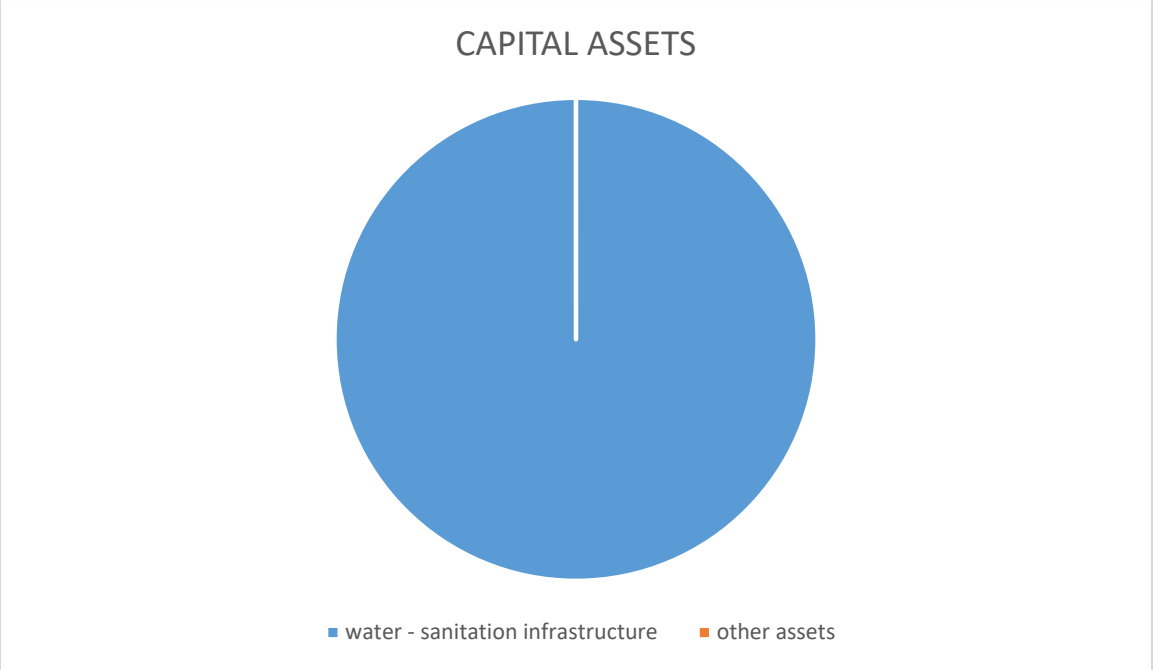


Table 14 2017/18 Water and Sanitation Projects

						MSCOA COMPLIANT		
Objectives	**Strategies**	**Outcome 9** **out put**	**Back 2 basics pillar**	**Project ID and Name**	**Funder and Budget**	**Project Segment**	**Function**	**Region**
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Bhekuzulu/Ephangweni Commmunity Water Supply Scheme (Phase 5,7,8) - supply water to the community of Inkosi Langalibalele	MIG- R 30 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 12
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Bhekuzulu/Ephangweni Commmunity Water Supply Scheme (Phase 1 & 2) - supply water to the community of Inkosi Langalibalele	MWIG- R 22 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 12

To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Kwanobamba/Ezitendeni Water Supply Project (Phase 2A,2B,2C) - supply water to the community of Inkosi Langalibalele	MIG- R 18 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality-Ward 5,8
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Kwanobamba/Ezitendeni Water Supply Project (Phase 1F) - Supply water to the community of Inkosi Langalibalele	WSIG- R 12 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality-Ward 5,8
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of sewer borne system	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Kwanobamba/Ezitendeni Sanitation Project (Phase 1A) – Provide sewer borne system to the community of Inkosi Langalibalele	MIG R10 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 5,8

To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of sewer borne system	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Kwanobamba/Ezitendeni Sanitation Project (WWTW) – Provide Waste Water Treatment Works to the community of Inkosi Langalibalele	MIG R14 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 5,8
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Ntabamhlophe Water Scheme (Phase 11,12,13) – Supply water to the community of Inkosi Langalibalele	MIG R30 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 2
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Wembezi Water Stage 1 (Bulk & Retic)– Supply water to the community of Inkosi Langalibalele	WSIG R14 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality

To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Mimosadale Housing Development Bulk Water Supply– Supply water to the community of Inkosi Langalibalele	WSIG R14 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality – Ward 23
To eradicate water services backlogs KPA2-UDWMP1	Expand and provision of VIP Latrines	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Inkosi Langalibalele Sanitation Phase 3 – Provide VIP Latrines to the community of Inkosi Langalibalele	WSIG R4 500 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Inkosi Langalibalele Local Municipality –Ward 7
							MSCOA COMPLIANT	
Objectives	**Strategies**	**Outcome 9** **out put**	**Back 2 basics pillar**	**Project ID and Name**	**Funder and Budget**	**Project Segment**	**Function**	**Region**
To eradicate water	Expand and provision of bulk water	Improved access to	Pillar 2	Bergville Phase 2 Sewer Retic –provision of the sewer borne	MIG R12 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Okhahlamba LM-ward

services backlogs KPA2-UDWMP1	infrastructure	basic services	Adequate and community oriented service provision	system to supply water to the community of Okhahlamba				
To expand and maintain road infrastructure in order to improve access and promote LED	Provision of public transport facilities and infrastructure in the rural areas			Rural Road Asset Management System assessment of improved Tarred roads , infrastructure and promote development	RRAMS R792666.66	Capital/Infrastructure/New /Roads	Function/Road/Transport /Core/Road	Regional Identifier/LG By province/KZN/ Okhalamba LM
To eradicate water services backlogs	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Fitty Park Water Supply Project Phase 2 supply scheme - supply water to the community Alfred Duma.	MIG R16 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma-ward 7,28,31
To eradicate water services backlogs	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and commu	Ezakheni E Sanitation Infrastructure Upgrade supply scheme - supply water	MIG R14 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma-ward

			nity oriented service provisio n	to the community Alfred Duma.				
To eradicate water services backlogs	Expand and provision of bulk water infrastructu re	Improved access to basic services	Pillar 2 Adequat e and commu nity oriented service provisio n	Ekuvukeni Regional Water Supply Scheme - supply water to the community Alfred Duma.	MIG R30 000 000.0 0	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma-ward
To eradicate water services backlogs	Expand and provision of bulk water infrastructu re	Improved access to basic services	Pillar 2 Adequat e and commu nity oriented service provisio n	Lombardskop Bulk Water Feeder Main & Appurtenant Works supply water to the community Alfred Duma.	WSIG R73 097 806.1 3	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma-ward
To expand and maintain road infrastructu re in order to improve access and	Provision of public transport facilities and infrastructu			Rural Road Asset Management System assessment of improved Tarred roads , infrastructure	RRAMS R792666.66	Capital/Infrastructure/Ne w /Roads	Function/Road/Transpo rt /Core/Road	Regional Identifier/LG By province/KZN /

promote LED	re in the rural areas			and promote development				Alfred Duma
To eradicate water services backlogs	Expand and provision of bulk water infrastructure	Improved access to basic services	Pillar 2 Adequate and community oriented service provision	Colenso Bulk & Retic supply water to the community Alfred Duma.	RAND WATER R30 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma-ward
Emergency Relief	Emergency Relief	Basic Service Delivery	Emergency Relief	Disaster Centre Phase 2	MIG R10 000 000.00	Capital- New Infrastructure water	Water, sanitation and technical services	KZN-UTDM-Alfred Duma

1.7 ANNUAL BUDGET TABLES PARENT MUNICIPALITY

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	132,771	126,440	153,122	176,928	248,652	248,652	248,652	264,566	279,646	295,306
Investment revenue	44,045	9,073	11,991	10,671	7,671	7,671	7,671	11,539	12,197	12,887
Transfers recognised - operational	274,934	301,291	322,989	338,198	339,353	339,353	339,353	367,387	400,550	435,980
Other own revenue	2,855	28,710	23,781	30,235	41,716	41,716	41,716	45,158	46,941	49,570
Total Revenue (excluding capital transfers and contributions)	454,604	465,513	511,884	556,033	637,393	637,393	637,393	688,650	739,334	793,743
Employee costs	124,823	152,520	198,647	195,150	224,481	224,481	224,481	241,092	254,834	269,110
Remuneration of councillors	4,775	5,842	6,381	6,552	6,552	6,552	6,552	6,454	6,841	7,252
Depreciation & asset impairment	38,999	45,537	49,197	57,676	57,676	57,676	57,676	53,137	56,165	59,311
Finance charges	2,549	2,465	1,125	–	–	–	–	–	–	–
Materials and bulk purchases	30,990	40,667	36,514	50,406	53,875	53,875	53,875	46,577	49,233	51,992
Transfers and grants	83,732	–	–	10,512	25,000	25,000	25,000	29,600	31,287	33,039
Other expenditure	171,946	320,549	390,947	228,060	223,974	223,974	223,974	222,551	231,325	249,382
Total Expenditure	457,814	567,581	682,812	548,356	591,558	591,558	591,558	599,410	629,686	670,086
Surplus/(Deficit)	(3,210)	(102,068)	(170,928)	7,677	45,835	45,835	45,835	89,240	109,648	123,657
Transfers recognised - capital	344,456	306,704	245,342	262,691	326,691	326,691	326,691	367,339	394,261	371,340
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	341,246	204,637	74,414	270,368	372,526	372,526	372,526	456,579	503,909	494,997
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	341,246	204,637	74,414	270,368	372,526	372,526	372,526	456,579	503,909	494,997
Capital expenditure & funds sources										
Capital expenditure	**216,160**	312,678	178,804	265,244	329,694	329,694	329,694	371,539	394,261	371,340
Transfers recognised - capital	**203,876**	247,608	177,951	262,691	326,691	326,691	326,691	367,339	394,261	371,340
Public contributions & donations	**–**	–	–	–	–	–	–	–	–	–
Borrowing	**–**	–	–	–	–	–	–	–	–	–
Internally generated funds	**12,284**	65,070	853	2,553	3,003	3,003	3,003	4,200	–	–
Total sources of capital funds	**216,160**	312,678	178,804	265,244	329,694	329,694	329,694	371,539	394,261	371,340
Financial position										
Total current assets	**268,103**	285,386	196,498	261,852	207,101	207,101	207,101	254,116	322,306	402,294
Total non current assets	**1,514,564**	1,785,873	1,914,248	2,195,054	2,259,054	2,259,054	2,259,054	2,577,456	2,127,030	1,696,379
Total current liabilities	**160,769**	246,119	196,081	110,081	34,828	34,828	34,828	37,286	39,893	42,758
Total non current liabilities	**–**	–	–	–	18,400	18,400	18,400	19,504	20,674	21,997
Community wealth/Equity	**1,621,898**	1,825,140	1,914,666	2,346,825	2,412,928	2,412,928	2,412,928	2,774,782	2,388,768	2,033,917
Cash flows										
Net cash from (used) operating	**(169,070)**	339,513	70,731	260,308	313,276	313,276	313,276	403,903	448,230	436,201
Net cash from (used) investing	**150,914**	(312,677)	(178,847)	(265,244)	(329,244)	(329,244)	(329,244)	(371,539)	(394,261)	(371,340)
Net cash from (used) financing	**(4,062)**	(8,302)	(255)	380	1,083	1,083	1,083	1,148	1,217	1,295
Cash/cash equivalents at the year end	**126,554**	145,088	36,715	59,179	21,830	21,830	21,829	50,128	105,315	171,470
Cash backing/surplus reconciliation										
Cash and investments available	**126,554**	145,088	36,715	59,178	21,829	21,829	21,829	50,128	105,315	171,470
Application of cash and investments	**112,821**	107,484	62,694	52,179	6,117	6,117	6,117	(7,347)	(9,541)	(12,014)
Balance - surplus (shortfall)	**13,733**	37,604	(25,979)	6,999	15,712	15,712	15,712	57,475	114,856	183,484
Asset management										
Asset register summary (WDV)	**109**	238	653	238	238	238	238	238	238	238
Depreciation & asset impairment	**38,999**	45,537	49,197	57,676	57,676	57,676	53,137	53,137	56,165	59,311
Renewal of Existing Assets	**–**	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	**23,758**	34,497	28,822	44,506	47,974	47,974	40,322	40,322	42,622	45,010

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

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

3. *Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:*
    a. *The operating surplus/deficit (after Total Expenditure) is positive over the MTREF*
    b. *Capital expenditure is balanced by capital funding sources, of which*
        i. *Transfers recognised are reflected on the Financial Performance Budget;*
        ii. *Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.*
4. *Over the MTREF there is progressive improvement in the level of cash-backing of obligations*
5. *Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the public. The amount of services provided by the municipality including free basic services continues to increase.*

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

Standard Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Standard									
Governance and administration	**502,990**	**550,119**	**605,754**	**636,575**	**630,417**	**630,417**	**694,020**	**762,745**	**828,922**
Executive and council	270,871	295,629	327,311	344,815	341,736	341,736	375,901	412,412	448,146
Budget and treasury office	–	–	–	–	–	–	–	–	–
Corporate services	232,120	254,489	278,444	291,760	288,681	288,681	318,120	350,334	380,776
Community and public safety	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Community and social services	–	–	–	–	–	–	–	–	–
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	–	–
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
Economic and environmental services	**–**	**8,017**	**250**	**1,200**	**2,354**	**2,354**	**300**	**600**	**1,000**
Planning and development	–	8,017	250	1,200	2,354	2,354	300	600	1,000
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	**528,189**	**468,571**	**429,665**	**472,708**	**619,993**	**619,993**	**679,788**	**720,584**	**715,937**
Electricity	528,189	468,571	429,665	472,708	619,993	619,993	679,788	720,584	715,937
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	–	–	–	–	–	–	–	–	–
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue - Standard	**1,031,179**	**1,026,707**	**1,035,669**	**1,110,484**	**1,252,764**	**1,252,764**	**1,374,109**	**1,483,929**	**1,545,859**
Expenditure - Standard									
Governance and administration	**201,197**	**439,111**	**563,848**	**438,114**	**410,930**	**410,930**	**508,483**	**537,513**	**567,679**
Executive and council	113,729	236,178	313,751	254,606	233,094	233,094	286,980	303,384	320,439
Budget and treasury office	64,127	32,799	67,845	40,906	34,511	34,511	39,291	41,531	43,857
Corporate services	23,341	170,134	182,251	142,601	143,325	143,325	182,212	192,598	203,383
Community and public safety	**11,271**	**15,625**	**18,714**	**35,819**	**28,894**	**28,894**	**27,658**	**29,234**	**30,871**
Community and social services	11,271	15,625	18,714	35,819	28,894	28,894	27,658	29,234	30,871
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	–	–
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
Economic and environmental services	**8,760**	**18,916**	**30,513**	**41,382**	**22,536**	**22,536**	**22,628**	**23,918**	**25,257**
Planning and development	8,760	18,916	30,513	41,382	22,536	22,536	22,628	23,918	25,257
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	**324,054**	**296,861**	**319,833**	**216,549**	**307,033**	**307,033**	**262,144**	**273,150**	**293,518**
Electricity	324,054	296,861	319,833	216,549	307,033	307,033	262,144	273,150	293,518
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	–	–	–	–	–	–	–	–	–
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Expenditure - Standard	**545,282**	**770,514**	**932,909**	**731,864**	**769,394**	**769,394**	**820,913**	**863,815**	**917,325**
Surplus/(Deficit) for the year	**485,898**	**256,193**	**102,761**	**378,620**	**483,371**	**483,371**	**553,196**	**620,114**	**628,534**

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

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

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

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

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote									
105 - MUNICIPAL MANAGER	38,751	41,140	48,867	53,055	53,055	53,055	57,781	62,078	67,370
200 - CORPORATE SERVICES	–	–	–	–	–	–	–	–	–
300 - BUDGET AND TREASURY	232,120	254,489	278,444	291,760	288,681	288,681	318,120	350,334	380,776
405 - SOCIAL	–	8,017	250	1,200	2,354	2,354	300	600	1,000
408 - WSA& HEALTH SERVICES	–	–	–	–	–	–	–	–	–
500 - WATER, SANITATION AND	528,189	468,571	429,665	472,708	619,993	619,993	679,788	720,584	715,937
Total Revenue by Vote	**799,060**	**772,217**	**757,226**	**818,724**	**964,084**	**964,084**	**1,055,989**	**1,133,595**	**1,165,083**
Expenditure by Vote *to be appropriated*									
105 - MUNICIPAL MANAGER	64,127	32,799	67,845	54,586	42,908	42,908	54,626	57,786	61,087
200 - CORPORATE SERVICES	26,262	33,246	63,655	57,418	46,862	46,862	50,143	53,001	55,969
300 - BUDGET AND TREASURY	23,341	170,134	182,251	142,601	143,325	143,325	182,212	192,598	203,383
405 - SOCIAL	8,760	18,916	30,513	41,382	22,536	22,536	22,628	23,918	25,257
408 - WSA& HEALTH SERVICES	11,271	15,625	18,714	35,819	28,894	28,894	27,658	29,234	30,871
500 - WATER, SANITATION AND	324,054	296,861	319,833	216,549	307,033	307,033	262,144	273,150	293,518
Total Expenditure by Vote	**457,814**	**567,581**	**682,812**	**548,356**	**591,558**	**591,558**	**599,410**	**629,686**	**670,086**
Surplus/(Deficit) for the year	**341,246**	**204,637**	**74,414**	**270,368**	**372,526**	**372,526**	**456,579**	**503,909**	**494,997**

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

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

2. As a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for water services

3. As depicted above water and sanitation services are failing to break even, trading at a deficit As already noted earlier, the municipality will be undertaking a detailed study of this function to explore ways of improving inefficiencies and provide a basis for re-evaluating the function's tariff structure. The aim is to phase out the trading losses and structure a cost reflective tariff without the risk of bad debts.

4. Water losses are also of concern to the municipality .Policies dealing with illegal connections will be reviewed in the 2017/18 financial year the municipality foresees taking firm action against perpetrators of illegal connections, faulty meters will also be replaced during the course of the year.

5. It must also be noted that expenditure relating to the provision of these services is anticipated to increase steadily indicating a good control over costs.

6. Other functions such as council as corporate and social services that show a deficit between revenue and expenditure are being financed from the equitable share and other operating grants.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Service charges - water revenue	118,572	110,521	136,221	159,378	231,101	231,101	231,101	245,892	259,908	274,463
Service charges - sanitation revenue	14,199	15,920	16,900	17,551	17,551	17,551	17,551	18,674	19,738	20,844
Interest earned - external investments	44,045	9,073	11,991	10,671	7,671	7,671	7,671	11,539	12,197	12,887
Interest earned - outstanding debtors	–	19,149	20,215	28,321	38,321	38,321	38,321	40,774	43,098	45,511
Transfers recognised - operational	274,934	301,291	322,989	338,198	339,353	339,353	339,353	367,387	400,550	435,980
Other revenue	1,919	9,561	3,567	1,914	3,395	3,395	3,395	4,384	3,843	4,059
Gains on disposal of PPE	935	–	–	–						
Total Revenue (excluding capital transfers and contributions)	**454,604**	**465,513**	**511,884**	**556,033**	**637,393**	**637,393**	**637,393**	**688,650**	**739,334**	**793,743**
Expenditure By Type										
Employee related costs	124,823	152,520	198,647	195,150	224,481	224,481	224,481	241,092	254,834	269,110
Remuneration of councillors	4,775	5,842	6,381	6,552	6,552	6,552	6,552	6,454	6,841	7,252
Debt impairment	16,028	90,109	92,787	36,460	71,800	71,800	71,800	76,395	80,749	85,271
Depreciation & asset impairment	38,999	45,537	49,197	57,676	57,676	57,676	57,676	53,137	56,165	59,311
Finance charges	2,549	2,465	1,125	–						
Bulk purchases	7,232	6,169	7,692	5,901	5,901	5,901	5,901	6,255	6,611	6,982
Other materials	23,758	34,497	28,822	44,506	47,974	47,974	47,974	40,322	42,622	45,010
Contracted services	48,715	39,499	65,268	37,412	46,775	46,775	46,775	40,611	41,681	44,043
Transfers and grants	83,732	–	–	10,512	25,000	25,000	25,000	29,600	31,287	33,039
Other expenditure	101,783	188,477	231,660	154,188	105,400	105,400	105,400	105,545	108,895	120,068
Loss on disposal of PPE	5,421	2,464	1,232	–						
Total Expenditure	**457,814**	**567,581**	**682,812**	**548,356**	**591,558**	**591,558**	**591,558**	**599,410**	**629,686**	**670,086**
Surplus/(Deficit)	**(3,210)**	**(102,068)**	**(170,928)**	**7,677**	**45,835**	**45,835**	**45,835**	**89,240**	**109,648**	**123,657**
Transfers recognised - capital	344,456	306,704	245,342	262,691	326,691	326,691	326,691	367,339	394,261	371,340
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	**341,246**	**204,637**	**74,414**	**270,368**	**372,526**	**372,526**	**372,526**	**456,579**	**503,909**	**494,997**
Taxation										
Surplus/(Deficit) after taxation	**341,246**	**204,637**	**74,414**	**270,368**	**372,526**	**372,526**	**372,526**	**456,579**	**503,909**	**494,997**
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	**341,246**	**204,637**	**74,414**	**270,368**	**372,526**	**372,526**	**372,526**	**456,579**	**503,909**	**494,997**
Share of surplus/ (deficit) of										
Surplus/(Deficit) for the year	**341,246**	**204,637**	**74,414**	**270,368**	**372,526**	**372,526**	**372,526**	**456,579**	**503,909**	**494,997**

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

1. Total operating revenue is R688 million in 2017/18 and escalates to R774 million by 2019/20. This represents a year-on-year increase of 5.6 and 5.7% over the 2 outer years. We have chosen to be conservative in estimating our revenues over the MTREF. However given sound

financial management strategies are put in place we can expect an increase in revenues exceeding 6%

2. Revenue to be generated from water sales is R245 million in the 2017/18 financial year. The increment on water tariffs has been kept at 6.4% in order to encourage a high collection rate The aim is encourage a high collection rate and minimise bad debts.

3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Amounting to R367 million being 50 % of the total budget.

4. Bulk purchases have increased to R6.2 million.

6. Employee related costs is one of main cost drivers within the municipality amounting to R241 million. Vacant posts have been excluded from the budget due to financial constraints. Employee related costs amount to 40% of the operating budget.

7. Other materials includes the following repairs and maintenance:

- R10 million pipe- lines
- R15 million pumps
- R7 million vehicle
- R2.5 million Buildings

8. Contracted services include the following:

- R16 million Security/ VIP security
- R10 million Professional Fees
- R8 million Chemicals

9. Transfers and grants include the following:

- R26 million for the provision of free basic services (water)
- R3 million emergency disaster provision

10. It can be noted that the municipality has budgeted to cut down significantly on general and other expenditure, due to budget constraints.

The following graph reflects the anticipated relationship between income, expenditure and surplus cash .As well as the audited outcomes of prior years.
Figure 3 Budgeted Financial Performances [insert figure]

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Single-year expenditure *to be*										
105 - MUNICIPAL MANAGER	621	–	31	290	290	290	290	4,200	–	–
200 - CORPORATE SERVICES	–	–	124	1,315	1,315	1,315	1,315	–	–	–
300 - BUDGET AND TREASURY	67	195	19	225	225	225	225	–	–	–
405 - SOCIAL	–	31,049	135	100	100	100	100	–	–	–
408 - WSA& HEALTH SERVICES	–	718	93	460	460	460	460	–	–	–
500 - WATER, SANITATION AND	215,472	280,716	178,402	262,854	326,854	326,854	326,854	367,339	394,261	371,340
Capital single-year expenditure sub-	**216,160**	**312,678**	**178,804**	**265,244**	**329,244**	**329,244**	**329,244**	**371,539**	**394,261**	**371,340**
Total Capital Expenditure - Vote	**216,160**	**312,678**	**178,804**	**265,244**	**329,244**	**329,244**	**329,244**	**371,539**	**394,261**	**371,340**
Capital Expenditure - Standard										
Governance and administration	**688**	**195**	**174**	**1,830**	**2,280**	**2,280**	**2,280**	**4,200**	**–**	**–**
Executive and council	621	–	31	290	740	740	740	4,200		
Budget and treasury office	67	195	19	225	225	225	225			
Corporate services	–	–	124	1,315	1,315	1,315	1,315			
Community and public safety	**–**	**718**	**93**	**560**	**560**	**560**	**560**	**–**	**–**	**–**
Community and social services				100	100	100	100			
Sport and recreation										
Public safety										
Housing										
Health		718	93	460	460	460	460			
Economic and environmental services	**1,999**	**31,049**	**135**	**2,378**	**–**	**–**	**–**	**–**	**–**	**–**
Planning and development		31,049	135							
Road transport	1,999			2,378						
Environmental protection										
Trading services	**213,473**	**280,716**	**178,402**	**260,476**	**324,476**	**324,476**	**324,476**	**367,339**	**394,261**	**371,340**
Electricity										
Water	213,473	259,339	178,402	260,476	324,476	324,476	324,476	367,339	394,261	371,340
Waste water management		21,377								
Waste management										
Other					**2,378**	**2,378**	**2,378**			
Total Capital Expenditure - Standard	**216,160**	**312,678**	**178,804**	**265,244**	**329,694**	**329,694**	**329,694**	**371,539**	**394,261**	**371,340**
Funded by:										
National Government	203,876	247,608	177,951	262,691	326,691	326,691	326,691	367,339	394,261	371,340
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	**203,876**	**247,608**	**177,951**	**262,691**	**326,691**	**326,691**	**326,691**	**367,339**	**394,261**	**371,340**
Public contributions & donations										
Borrowing										
Internally generated funds	12,284	65,070	853	2,553	3,003	3,003	3,003	4,200		
Total Capital Funding	**216,160**	**312,678**	**178,804**	**265,244**	**329,694**	**329,694**	**329,694**	**371,539**	**394,261**	**371,340**

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 (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to single year appropriations, for 2017/18 R367 million has been allocated for capital acquisition.

3. The capital programme is funded from capital a grants transfers, to the value of R367 million and a further R4.2 million for the acquisition of a council vehicle.

Table 20 MBRR Table A6 -Budgeted Financial Position

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS										
Current assets										
Cash	126,554	145,088	36,715	59,178	21,829	21,829	21,829	50,128	105,315	171,470
Call investment deposits	–	–	–	–	–	–	–	–	–	–
Consumer debtors	126,138	128,698	143,673	196,901	179,500	179,500	179,500	190,988	203,211	216,217
Other debtors	10,821	6,383	10,563	556	556	556	556	8,000	8,480	8,989
Current portion of long-term receivables										
Inventory	4,589	5,217	5,547	5,217	5,217	5,217	5,217	5,000	5,300	5,618
Total current assets	**268,103**	**285,386**	**196,498**	**261,852**	**207,101**	**207,101**	**207,101**	**254,116**	**322,306**	**402,294**
Non current assets										
Long-term receivables										
Investments										
Investment property										
Investment in Associate										
Property, plant and equipment	1,514,455	1,785,635	1,913,595	2,194,816	2,258,816	2,258,816	2,258,816	2,577,218	2,126,792	1,696,141
Agricultural										
Biological										
Intangible	109	238	653	238	238	238	238	238	238	238
Other non-current assets										
Total non current assets	**1,514,564**	**1,785,873**	**1,914,248**	**2,195,054**	**2,259,054**	**2,259,054**	**2,259,054**	**2,577,456**	**2,127,030**	**1,696,379**
TOTAL ASSETS	**1,782,667**	**2,071,259**	**2,110,746**	**2,456,906**	**2,466,156**	**2,466,156**	**2,466,156**	**2,831,572**	**2,449,335**	**2,098,673**
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing	4,974	–	–	–	–	–	–	–	–	–
Consumer deposits	9,390	10,474	11,886	11,267	12,983	12,983	12,983	14,131	15,348	16,643
Trade and other payables	131,800	234,746	183,316	98,814	21,845	21,845	21,845	23,155	24,545	26,116
Provisions	14,604	899	879							
Total current liabilities	**160,769**	**246,119**	**196,081**	**110,081**	**34,828**	**34,828**	**34,828**	**37,286**	**39,893**	**42,758**
Non current liabilities										
Borrowing	–	–	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	18,400	18,400	18,400	19,504	20,674	21,997
Total non current liabilities	**–**	**–**	**–**	**–**	**18,400**	**18,400**	**18,400**	**19,504**	**20,674**	**21,997**
TOTAL LIABILITIES	**160,769**	**246,119**	**196,081**	**110,081**	**53,228**	**53,228**	**53,228**	**56,790**	**60,567**	**64,756**
NET ASSETS	**1,621,898**	**1,825,140**	**1,914,666**	**2,346,825**	**2,412,928**	**2,412,928**	**2,412,928**	**2,774,782**	**2,388,768**	**2,033,917**
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	1,621,898	1,825,140	1,914,666	2,346,825	2,412,928	2,412,928	2,412,928	2,774,782	2,388,768	2,033,917
Reserves	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	**1,621,898**	**1,825,140**	**1,914,666**	**2,346,825**	**2,412,928**	**2,412,928**	**2,412,928**	**2,774,782**	**2,388,768**	**2,033,917**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understand-ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. This table is supported by an extensive table of notes (SA3)providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Non-current Provisions;
   - Changes in net assets; and
   - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

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

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING										
Receipts										
Property rates, penalties & collection charges								–	–	–
Service charges	(106,687)	73,139	(77,123)	88,641	98,892	98,892	98,892	119,055	125,841	132,888
Other revenue	125,352	73,030	215,472	1,914	3,395	3,395	3,395	4,384	3,843	4,059
Government - operating	526,552	311,978	323,860	338,199	338,708	338,708	338,708	367,387	400,550	435,980
Government - capital		262,464	237,940	262,691	326,691	326,691	326,691	367,339	394,261	371,340
Interest	44,045	28,221	32,206	12,571	7,671	7,671	7,671	15,617	16,507	17,438
Dividends								–	–	–
Payments										
Suppliers and employees	(755,782)	(406,854)	(660,499)	(443,708)	(462,082)	(462,082)	(462,082)	(440,279)	(461,484)	(492,464)
Finance charges	(2,549)	(2,465)	(1,125)					–	–	–
Transfers and Grants							–	(29,600)	(31,287)	(33,039)
NET CASH FROM/(USED) OPERATING	**(169,070)**	**339,513**	**70,731**	**260,308**	**313,276**	**313,276**	**313,276**	**403,903**	**448,230**	**436,201**
CASH FLOWS FROM INVESTING										
Receipts										
Proceeds on disposal of PPE	(5,421)		(44)					–	–	–
Decrease (Increase) in non-current debtors								–	–	–
Decrease (increase) other non-current								–	–	–
Decrease (increase) in non-current								–	–	–
Payments										
Capital assets	156,334	(312,677)	(178,804)	(265,244)	(329,244)	(329,244)	(329,244)	(371,539)	(394,261)	(371,340)
NET CASH FROM/(USED) INVESTING	**150,914**	**(312,677)**	**(178,847)**	**(265,244)**	**(329,244)**	**(329,244)**	**(329,244)**	**(371,539)**	**(394,261)**	**(371,340)**
CASH FLOWS FROM FINANCING										
Receipts										
Short term loans								–	–	–
Borrowing long term/refinancing	(2,066)							–	–	–
Increase (decrease) in consumer deposits	631	1,084		380	1,083	1,083	1,083	1,148	1,217	1,295
Payments										
Repayment of borrowing	(2,628)	(9,386)	(255)					–	–	–
NET CASH FROM/(USED) FINANCING	**(4,062)**	**(8,302)**	**(255)**	**380**	**1,083**	**1,083**	**1,083**	**1,148**	**1,217**	**1,295**
NET INCREASE/ (DECREASE) IN CASH	**(22,219)**	**18,533**	**(108,372)**	**(4,556)**	**(14,885)**	**(14,885)**	**(14,885)**	**33,512**	**55,186**	**66,155**
Cash/cash equivalents at the year begin:	**148,773**	**126,554**	**145,088**	**63,735**	**36,715**	**36,715**	**36,714**	**16,617**	**50,128**	**105,315**
Cash/cash equivalents at the year end:	**126,554**	**145,088**	**36,715**	**59,179**	**21,830**	**21,830**	**21,829**	**50,128**	**105,315**	**171,470**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. Total cash expected at the end of 2017/018 is R50 million.

4. It is anticipated that at least 40% of the billed revenue will be collected in the 2017/18 financial year, the municipality has chosen to be optimistic in estimating its forecasted revenue inflows as our current collection rate is 48%. A further collection rate of 10% has been applied to

outstanding debt. In addition the Municipality has undertaken an extensive debt collection drive in the 2016/17 with further assistance from cogta, which will improve the cash collection.

5. The anticipated net increase in cash held is R33 million.

6. The 2016/17 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

7. Overall the municipality shows a strained cash position

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available										
Cash/cash equivalents at the year beg	126,554	145,088	36,715	59,179	21,830	21,830	21,829	50,128	105,315	171,470
Other current investments > 90 days	–	–	–	(1)	(1)	(1)	(0)	–	–	–
- Long-term receivables	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	**126,554**	**145,088**	**36,715**	**59,178**	**21,829**	**21,829**	**21,829**	**50,128**	**105,315**	**171,470**
Application of cash and investments										
Statutory requirements				24,885	29,300	29,300	29,300	29,300	29,300	29,300
Other working capital requirements	112,821	107,484	62,694	12,502	(41,583)	(41,583)	(41,583)	(56,151)	(59,515)	(63,311)
Other provisions				14,792	18,400	18,400	18,400	19,504	20,674	21,997
Total Application of cash and investments:	**112,821**	**107,484**	**62,694**	**52,179**	**6,117**	**6,117**	**6,117**	**(7,347)**	**(9,541)**	**(12,014)**
Surplus(shortfall)	**13,733**	**37,604**	**(25,979)**	**6,999**	**15,712**	**15,712**	**15,712**	**57,475**	**114,856**	**183,484**

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

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

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

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

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. In the 2017/18 financial year investments will be applied to the extent of R7.3 million the budget is thus funded with a surplus of R57 million

PART 2 – SUPPORTING DOCUMENTATION

2.1. OVER VIEW OF THE BUDGETPROCESS

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

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

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

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

2.1.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule in August 2016, Key dates applicable to the process were as follows:

Key dates applicable to the process were as follows:

Activity No.	*Action/ Task for IDP and Budget*	*Timeframe for Task Completion*
July 2016 & August 2016	▪ Drafting of the IDP Framework and process plan ▪ Alignment of IDP Review and budget process plans ▪ Submission of the draft Framework and Process Plan to COGTA for comments ▪ Advertisement of the IDP Framework and process plan ▪ 1st IDP Supporting Structure Committee Meeting ▪ Planning Indaba	*15 July 2016* *21 July 2016* *29 July 2016* *12 August 2016* *25 August 2016* *30 August 2016*
Sept 2016	▪ Adoption of IDP Framework and Process Plan by full council ▪ Submission of the adopted IDP Framework and Process plan to COGTA ▪ Identify outstanding Sector Plans ▪ Integrate sector plans. ▪ IDP input into provincial adjustment budgets ▪ Provincial planners Forum	*23 September2016* *30 September 2016* *September 2016* *September 2016* *September 2016* *September 2016*

Oct 2016	▪ Development of the Spatial Development Framework ▪ Projects identifications and prioritization ▪ Develop KPI's targets, timeframes etc. where impacted upon by reprioritization ▪ Align with draft budget estimates	*07 October 2016* *14 October 2016* *21 October 2016* *27 October 2016*
Nov 2016	▪ World Planning Day ▪ Municipal alignment session ▪ Alignment meeting between DM &Province to revised 3 year MTEF ▪ Alignment meeting with family of municipalities ▪ SDF Alignment between the bordering district municipalities	*04 November 2016* *11 November 2016* *18 November 2016* *21 November 2016* *25 November 2016*
Dec 2016	IDP best practice conference	*02 December 2016*
Jan 2017	▪ IDP steering committee and strategic planning session to: - Review Municipal Vision - Develop Objectives and Strategies	*January 2017* *January 2017* *13 January 2017* *20 January 2017*
Feb 2017	▪ ▪ Meeting COGTA and municipalities on IDP Review assessment ▪ Updating of municipal CIP and MTEF based on Draft DORA allocations ▪ IDP Coordinating committee meeting(IDP Managers) ▪ IDP Representative Forum meeting ▪ IDP Roadshows (needs analysis)	*09 February 2017* *13 February 2017* *22 February 2017* *27 February 2017*
March 2017	▪ Exco approval of the Draft, recommend to Council ▪ Council Approval of the Draft IDP 2017/2018 ▪ Submission of the Draft 2017/2018 IDP to COGTA	*March2017* *March 2017* *30 March 2017*
April 2017	▪ Decentralized IDP assessment forums ▪ IDP/Budget Road shows	*10 April 2017* *April 2017*
May 2017	▪ IDP Assessment Feedback Session ▪ Amend IDP in accordance with the outcome of the assessment	*03 May 2017* *10 May 2017*
May 2017	▪ Advertise for public comments and incorporate comments	*May 2017*
May 2017	▪ Exco approval, recommend to Council ▪ Council approval of the IDP	*16 May 2017* *24 May 2017*

June 2017	▪ Submission of the adopted IDP to the MEC ▪ Advertise the Adopted IDP in the local newspaper	*08 June 2017* *13 June 2017*

2.1.2 IDP and Service Delivery and Budget Implementation Plan

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

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.2 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. Inflation, drought, household debt)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy

- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 has been taken into consideration in the planning and prioritisation process.

2.1.3 Community Consultation

The draft 2016/17 MTREF as tabled before Council on 31 March 2017 is compiled after an extensive needs analysis which was conducted in the prior month. The municipality has also consulted with the community extensively after the approval of the draft budget by council, community concerns have been taken into account in the compilation of this budget.
This final budget will be published on the municipality's website and hard copies will made available at the municipal offices for public comment.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

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

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

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

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

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

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

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Table 13 SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Good Governance	38,751	41,140	48,867	53,055	53,055	53,055	57,033	62,078	67,370
Safe, Healthy and Secure Environment		8,017	250	1,200	2,354	2,354	300	600	1,000
Financial Viability and Sustainability	232,120	254,489	278,444	291,760	288,681	288,681	318,120	350,334	380,776
Quality Living Environment	528,189	468,571	429,665	472,708	619,993	619,993	679,789	722,305	719,847
Operations and Support Services									
Total Revenue (excluding capital transfers and contributions)	**799,060**	**772,217**	**757,226**	**818,724**	**964,084**	**964,084**	**1,055,989**	**1,133,595**	**1,165,083**

Table 14 SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Good Governance	39,883	64,054	67,845	54,586	42,908	42,908	54,626	57,786	61,087
Safe, Healthy and Secure Environment	11,271	15,625	18,714	35,819	28,894	28,894	27,658	29,234	30,871
Financial Viability and Sustainability	27,645	23,332	182,251	142,601	143,325	143,325	144,464	152,698	161,250
Quality Living Environment	343,993	412,408	319,834	216,550	304,694	304,694	312,184	308,192	323,563
Operations and Support Services	26,262	33,246	63,655	57,418	53,382	53,382	56,663	59,893	63,247
Social Services	8,760	18,916	30,513	41,382	22,535	22,535	22,628	23,918	25,257
Total Expenditure	**457,814**	**567,581**	**682,812**	**548,356**	**595,738**	**595,738**	**599,410**	**629,686**	**670,086**

2.4 OVER VIEW OF BUDGET RELATED POLICIES

1.3.1. Budget Policy
1.3.2. Credit Control and Debt Collection Policy
1.3.3. Indigent support Policy
1.3.4. Supply Chain Management policy
1.3.5. Virements policy

2.4.1 Budget Policy

The objective of this policy is to set out the budgeting principles which the Municipality will follow in preparing each annual budget, as well as the responsibilities of the Chief Financial Officer in compiling such budget.

2.4.2 Credit Control and Debt Collection Policy

- The Council of the municipality, in adopting this policy on credit control and debt collection, recognises its constitutional obligations to develop the local economy and to provide acceptable services to its residents. It simultaneously acknowledges that it cannot fulfil these constitutional obligations unless it exacts payment for the services

which it provides and for the taxes which it legitimately levies – in full from those residents who can afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the Council's approved indigent management policy.

2.3.3 Indigent Support Policy

- Indigents, whose level of income is less than the amount determined by Council as qualifying for indigent support, may apply in writing to the Council for such support.
- Owners or occupiers who apply for such support shall be required to apply annually, in writing, for such support on the prescribed form.
- Only registered residential consumers of services delivered by Municipality qualify for support.
- No consumer conducting a business on a residential property, with or without special consent from the Council, shall qualify for assistance.
- Support in terms of this policy only be provided to owners or residents who occupy the premises.
- Applications for support must be made during March of each year and will apply from the first of the month following the month application and will continue for 12 months. Should further support be required a new application must be lodged.

2.3.4 Supply Chain Management Policy

The principal objective of the policy is to provide, promote and implement, theoretical guidelines, governing processes and procedures within the supply chain management when

1) Procuring goods or services;
2) Disposal of goods, assets and immovable property no longer needed;
3) Selecting contractors to provide assistance in the provision of municipal services other than that where Chapter 8 of the Municipal Systems Act applies.

2.3.5. Virements Policy

This policy applies only to transfers between line items within votes of the Municipality's operating budget.

Section 28(2) (d) read together with section 69 of the MFMA provides that *"An adjustments budget…may authorise the utilisation of projected savings in one vote towards spending in another vote."* Transfers between votes may therefore be authorised only by the Council of the Municipality.

For ease of reference, the definition of "vote" as contained in Section 1 of the MFMA is set out hereunder:

"Vote means –

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned."

This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the Council through an adjustment budget.

All policies highlighted above have been attached to the budget for further reference.

2.5 OVER VIEW OF BUDGET ASSUMPTIONS

2.5.1 External factors

The 2017 Budget Review emphasised that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with to 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

The unemployment rate was 26.5 per cent in the fourth quarter of 2016. In aggregate mining and manufacturing employment declined by 80 306 jobs in 2016 while the services sector created 119 189 jobs during the same period. The economy continues to create opportunities for semi-skilled and skilled workers, and to shed unskilled jobs, reinforcing poverty and inequality and widening the wage gap.

These economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised for projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets
- The general inflationary outlook and the impact on Municipality's residents and businesses
- The impact of municipal cost drivers
- The increase in prices for bulk water and electricity
- The increase in the cost of remuneration. Employee related costs comprise 40 % of total operating expenditure in the 2017/18 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.5.3 Interest rates for investment of funds

In accordance with the MFMA and the municipal policy UThukela District Municipality engages in a number of investment arrangements to maximise its interest income. However, for simplicity the 2018/18 MTREF is based on the assumption that all investment are made using fixed interest rates for all investments that the municipality has. As noted under the discussion of anticipated capital expenditure a material amount will be taken from the municipality's' investments to fund the capital budget in the 2017/18 financial year. This has been noted and taken into account when forecasting interest income for the 2017/18 MTREF.

2.5.4 Growth or decline in the value of the municipality

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

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

2.5.5 Salary increases

Circular 86 from national treasury recommends: ''salary and wage increases of CPI plus 1%, as indicated in the Salary and Wage Collective Agreement''. As we await the multiyear SALGBC wage agreement with effect from 01 July 2017, we have budgeted for a 7.4% increase of all employees across the board.

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

- Creating jobs
- Enhancing education and skill development
- Improving Health services
- Rural development and agriculture and
- Fighting poverty

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

2.1 OVERVIEW OF BUDGET FUNDING

2.1.1 Medium-term outlook: operating revenue

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

Table 15 Breakdown of the operating revenue over the medium-term

Description	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework					
R thousand	Original Budget	Adjusted Budget		Budget Year 2017/18		Budget Year +1 2018/19		Budget Year +2 2019/20	
Revenue By Source									
Service charges - water revenue	159,378	231,101	36%	245,892	36%	259,908	35%	274,463	35%
Service charges - sanitation revenue	17,551	17,551	3%	18,674	3%	19,738	3%	20,844	3%
Interest earned - external investments	10,671	7,671	1%	11,539	2%	12,197	2%	12,887	2%
Interest earned - outstanding debtors	28,321	38,321	6%	40,774	6%	43,098	6%	45,511	6%
Transfers recognised - operational	338,198	339,353	53%	367,387	53%	400,550	54%	435,980	55%
Other revenue	1,914	3,395	1%	4,384	1%	3,843	1%	4,059	1%
Total Revenue (excluding capital	**556,033**	**637,393**		**688,650**		**739,334**		**793,743**	

The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year.

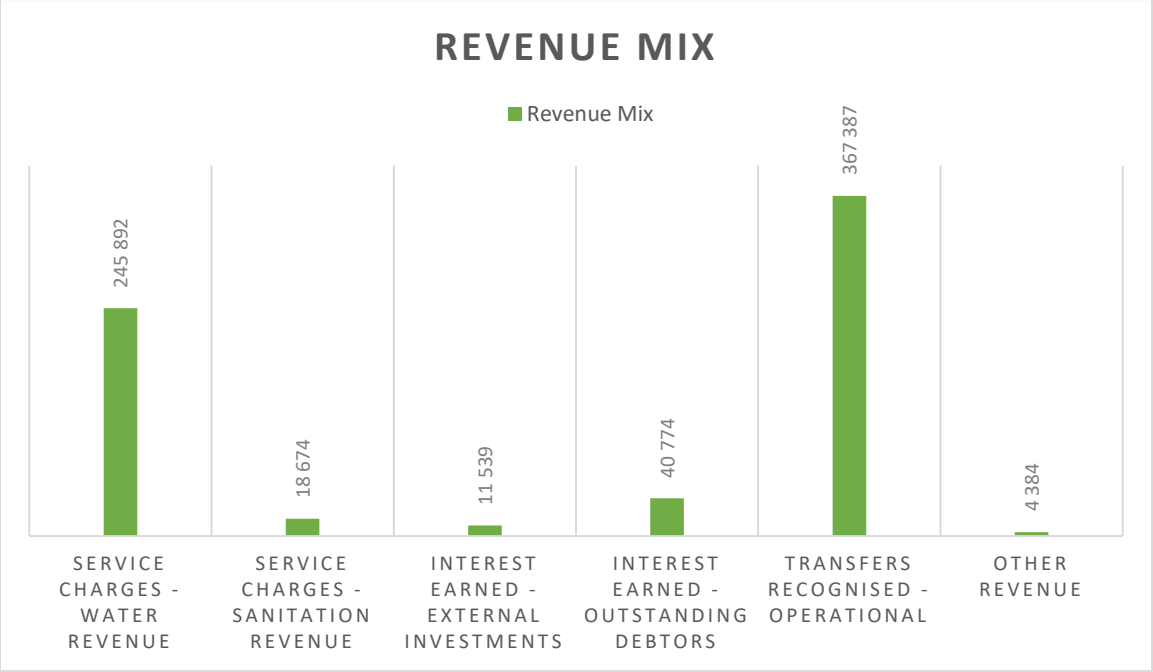

Figure 3 Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives 36% of its operational revenue from the provision of and services such as water and sanitation.

The above graph demonstrates that the major part of the municipality revenue is derived from operating grants making up 53% of the revenue basket.

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

- Growth in the municipality and economic development
- Revenue management and enhancement
- Achievement of a 50.1% annual collection rate for consumer revenue
- National Treasury guidelines
- Water tariff increases by DWA
- Achievement of full cost recovery of specific user charges
- Determining tariff escalation rate by establishing/calculating revenue requirements
- And the ability to extend new services and obtain cost recovery levels

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

Revenue relating to water and sanitation will total R245 and R18 million respectively for the 2016/17 financial year with water service charges increasing to R274 million by 2018/19. These constitute 36% of the total budget.

Operational grants and subsidies amount to R367 million in the 2017/18 financial year being 53% of the total budgeted revenue. It needs to be noted that in real terms the grants receipts from national government are growing steadily over the MTREF.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of between R11 million to R12 million for the respective three financial years of the 2017/18 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

2.5.6 Capital revenue

The capital expenditure budget will be funded from the infrastructure grants to the value of R367 million. The balance of the capital budget of R4.2 million will be funded from surplus funds.

2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

TABLE 16: DC23 UThukela - Supporting Table SA19 Expenditure on transfers and grant programme

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
Operating Transfers and Grants	**263,573**	**311,272**	**315,121**	**336,999**	**336,999**	**336,999**	**367,087**	**399,950**	**434,980**
National Government:	220,192	260,862	261,605	279,315	279,315	279,315	304,535	336,327	365,805
Local Government Equitable Share	37,710	44,198	44,198	47,937	47,937	47,937	51,710	56,441	61,418
RSC Levy Replacement	1,581	883	1,325	1,460	1,460	1,460	1,795	1,545	1,805
Finance Management	3,200	1,589	2,384	3,169	3,169	3,169	3,724	–	–
EPWP Incentive		3,113	4,669	5,118	5,118	5,118	5,323	5,637	5,952
Special Support For Councillors									
Water Services Operating Subsidy	890	627	940						
municipal system improvement grant	**–**	**–**	**250**	**1,200**	**1,709**	**1,709**	**300**	**600**	**1,000**
Provincial Government:			250	1,200	1,200	1,200	300	600	1,000
Shared Services					509	509			
Total operating expenditure of Transfers and Grants:	**263,573**	**311,272**	**315,371**	**338,199**	**338,708**	**338,708**	**367,387**	**400,550**	**435,980**
Capital expenditure of Transfers and Grants									
Capital Transfers and Grants	**192,785**	**290,915**	**185,629**	**260,313**	**324,313**	**324,313**	**367,339**	**394,261**	**371,340**
National Government:	174,260	199,089	181,247	178,506	178,506	178,506	187,304	198,605	210,531
Municipal Infrastructure Grant (MIG)	14,525	85,137			64,000	64,000	95,052	100,000	50,000
Regional Bulk Infrastructure	4,000	6,689	4,382						
Rural Households Infrastructure							2,483	2,656	2,809
Rural Road Asset management				81,807	81,807	81,807	82,500	93,000	108,000
Water Services Infrastracture Grant									
Total capital expenditure of Transfers and Grants	**192,785**	**290,915**	**185,629**	**260,313**	**324,313**	**324,313**	**367,339**	**394,261**	**371,340**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	**456,358**	**602,187**	**501,000**	**598,512**	**663,021**	**663,021**	**734,726**	**794,811**	**807,320**

2.7 COUNCILLOR AND EMPLOYEE BENEFITS

TABLE 17: DC23 UThukela - Table SA22 - Summary of councillor and staff benefits

of Employee and Councillor rem	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	3,381	4,035	4,391	4,506	4,506	4,506	4,882	5,160	5,449
Pension and UIF Contributions									
Medical Aid Contributions									
Motor Vehicle Allowance	1,070	1,388	1,529	1,571	1,571	1,571	1,194	1,262	1,332
Cellphone Allowance	321	416	458	471	471	471	374	396	418
Housing Allowances									
Other benefits and allowances	3	3	3	3	3	3	7	7	8
Sub Total - Councillors	**4,775**	**5,842**	**6,381**	**6,552**	**6,552**	**6,552**	**6,457**	**6,825**	**7,207**
% increase		**22.3%**	**9.2%**	**2.7%**	**–**	**–**	**(1.4%)**	**5.7%**	**5.6%**
Senior Managers of the Municipality									
Basic Salaries and Wages	5,429	6,677	7,598	8,347	8,347	8,347	8,964	9,628	10,340
Pension and UIF Contributions	11	11	11	11	11	11	11	11	11
Sub Total - Senior Managers of	**5,440**	**6,687**	**7,609**	**8,357**	**8,357**	**8,357**	**8,975**	**9,638**	**10,351**
% increase		**22.9%**	**13.8%**	**9.8%**	**–**	**–**	**7.4%**	**7.4%**	**7.4%**
Other Municipal Staff									
Basic Salaries and Wages	71,786	94,786	125,302	129,546	148,382	148,382	159,362	171,155	183,820
Pension and UIF Contributions	11,417	13,009	17,914	18,181	18,929	18,929	20,330	21,855	23,472
Medical Aid Contributions	3,341	3,748	4,326	5,629	5,170	5,170	5,553	5,969	6,411
Overtime	15,997	18,038	22,831	13,233	17,539	17,539	18,837	20,250	21,748
Performance Bonus					–	–	–	–	–
Motor Vehicle Allowance	5,654	7,679	8,480	7,519	9,451	9,451	10,150	10,911	11,719
Cellphone Allowance					–	–	–	–	–
Housing Allowances	572	746	855	530	1,405	1,405	1,509	1,622	1,742
Other benefits and allowances	10,617	5,493	7,046	10,946	14,472	14,472	15,543	16,709	17,945
Payments in lieu of leave		2,335	4,284	1,220	776	776	834	896	963
Long service awards									
Post-retirement benefit obligations									
Sub Total - Other Municipal Sta	**119,383**	**145,833**	**191,038**	**186,803**	**216,124**	**216,124**	**232,117**	**249,366**	**267,819**
% increase		**22.2%**	**31.0%**	**(2.2%)**	**15.7%**	**–**	**7.4%**	**7.4%**	**7.4%**
Total Parent Municipality	**129,598**	**158,362**	**205,028**	**201,712**	**231,032**	**231,032**	**247,549**	**265,829**	**285,377**
		22.2%	**29.5%**	**(1.6%)**	**14.5%**	**–**	**7.1%**	**7.4%**	**7.4%**
TOTAL SALARY, ALLOWANCES	**129,598**	**158,362**	**205,028**	**201,712**	**231,032**	**231,032**	**247,549**	**265,829**	**285,377**
% increase		**22.2%**	**29.5%**	**(1.6%)**	**14.5%**	**–**	**7.1%**	**7.4%**	**7.4%**
TOTAL MANAGERS AND STAFF	**124,823**	**152,520**	**198,647**	**195,160**	**224,481**	**224,481**	**241,092**	**259,004**	**278,170**

2.9. LEGISLATION COMPLIANCE STATUS

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

1. In- year reporting
Section S71 Reporting to National Treasury in electronic format was fully complied with on a monthly basis.

2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns that have undergone training in various divisions of the Financial Services Department. The contract of the five interns ends December 2017. Since the introduction of the Internship programme the Municipality has successfully employed and trained numerous interns through this programme and a majority of them were appointed either in the Municipality or other municipalities.

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

3 Audit Committee
An Audit Committee has been established and is fully functional.

4 Service Delivery and Implementation Plan
The detailed SDBIP document will be finalised after approval of the 2016/17 MTREF and will be directly aligned and informed by the 2016/17 MTREF.

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

6 Policies
Budget related policies are reviewed on an annual basis.

2.11 MUNICIPAL MANAGERS QUALITY CERTIFICATE

I **Sifiso Nicholas Kunene** Municipal Manager of UThukela District Municipality, hereby certify that this Final Annual Budget for 2016/17 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

Print Name **MR SN KUNENE**
Municipal Manager

Signature _____

Date **30 March 2017**