



MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR

2018/2019

Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
EXCO	Executive Committee
FBS	Free basic services
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Charts of Account
MTBPS	Medium Term Budget Policy Statement
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NDP	National Development Plan, 2030
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

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Part 1 – Annual Budget

1.1 Mayor's Report

Mayoral speech will be tabled separately by the Mayor on May 2018.

1.2 Council Resolutions

The Medium Term Revenue and Expenditure Framework (MTREF) allows for a three-year planning and spending framework. The MTREF planning horizon allows Municipality to improve planning and to project the impact of policy choices on future budgets.

Since current council was sworn in during 2016, the 2018/2019 MTREF will mark as the third terms for the councillors to implement the annual budget which seek to improve the service delivery of Bela-Bela Local Community.

Circular 91 was issued during March 2018. Among the objectives of this Circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate.

As a result of the stipulated requirement in the budget circular, the 2018/19 Medium Term Revenue and Expenditure will seek to address any service delivery in the community of Bela-Bela and unable the council to further implement any proposed project emulating from previous financial year together with the newly identified service delivery projects.

In terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003), "the mayor of the municipality must table the annual budget at a council meeting *at least 90 days before the start of the budget year*. This budget is usually referred to as the "draft budget". Paragraph 9 and Schedule A of the Municipal Budget and Reporting Regulations prescribe the format and contents of the budgets of municipalities and municipal entities.

The Mayor of Bela-Bela Local Municipality is expected to table the draft budget, in terms of section 16(2) of the MFMA during March before public consultation begin. At the meeting the, the following resolutions will be approved:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) 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 2018/19 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 17;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20.
 - 1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
 - 1.2.1. Budgeted Cash Flows as contained in Table 22;
 - 1.2.2. Asset management as contained in Table 24.
2. The Council of Bela-Bela Local Municipality approved the following 2019/19 revised budget related policies and By-Laws as set out in Annexure 1:
 - 2.1. Credit Control and Debt Collection Policy
 - 2.2. property Rates Policy

- 2.3. Assets Management Policy
- 2.4. Indigent Policy
- 2.5. Borrowing framework policy
- 2.6. Budget Implementation and Monitoring Policy
- 2.7. Cash Management and Investment Policy
- 2.8. Funding Reserves Policy
- 2.9. Prioritisation Model for Capital Assets Investment
- 2.10. Policy on Infrastructure Investment and Capital Projects
- 2.11. Policy on Long Term Financial Planning
- 2.12. Policy on Provision for doubtful debts and writing off of irrecoverable debts
- 2.13. Principles and Policy on Tariffs
- 2.14. Petty Cash Policy
- 2.15. Supply Chain Management Policy
- 2.16. Property Rates By-Law
- 2.17. Indigents support By-Law
- 2.18. Tariffs By-Law
- 2.19. Credit control and debt collection By-Laws.

All other budget related policies and By-Laws remain unchanged from the previous year.

3. The Council of Bela-Bela 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 2018 the rates and tariffs as set out in Annexure 2;
 - 3.1. the tariffs for property rates;
 - 3.2. the tariffs for electricity;
 - 3.3. the tariffs for the supply of water;
 - 3.4. the tariffs for sanitation services;
 - 3.5. the tariffs for solid waste services;
 - 3.6. the tariffs for all sundry services;
4. To give proper effect to the municipality's annual budget, the Council of Bela-Bela Local Municipality approves:
 - 4.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.
5. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

1.3 Executive Summary

The process of developing the municipality's annual budget is mostly guided by the strategic thrust and operational priorities of Bela-Bela's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the outer years.

National Treasury has in the past, published budget review notes where spending plans were outlined and commitment to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. It provides the foundation for structural reforms and is focused on the transformation essentials which will ultimately accelerate growth, create work opportunities

and build an equal society. The emphasis of the National Budget is placed on ensuring that expenditure is allocated in an efficient manner, that management is enhanced and that cutting of waste occur. It is therefore imperative that we follow the tone at the top and ensure that our own local budget exhibits the same potential for being a developmental local government and implement cost containing measures to eliminate non-priority spending

The municipality has been subjected to statutory audit from the beginning of August 2017 to the end of November 2017; The Office of the Auditor General is responsible for all the statutory audit function of the Municipality.

Despite collective effort put by Municipality management in driving clean audit target, the audit resulted in qualified audit opinion.

Extra effort will be put in place through establishment of the AGSA action plan committee which will seek to address any issues raised. To ensure the committee is effectively discharge; the accounting officer will oversee the committee as the chairperson. Municipality plan to archive clean audit in the 2018/2019 budget year and will use the current financial year as the learning curve to any shortcoming experienced

Bela-Bela Local Municipality will strive on each financial reporting years to recognises the application of sound financial management principles for the compilation of the municipality's financial plan as essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and which led to implementation of cost containment measures. Fixed term service providers contracts were also reviewed with a view to reduce the monthly fixed costs. This can be evidence by reduction in expenditure between 2015/16 and 2016/17 financial period.

m-SCOA Implementation

In terms of m-SCOA regulation of 2014, all municipalities must implement the standard Charts of Accounts by 1 July 2017. In order to comply with regulation, there were various processes that needed to be undertaken by municipality to ensure full compliance on 1st July 2017 which include amongst other things implementation plan indicating the project milestones.

m-SCOA project team was established to oversee the project together with all other relevant committee. Since implementation, Municipality continue to monitor and respond to any challenges experienced.

Bela-Bela Local Municipality had also played a vital role on specific strategies and interventions required by local government in achieving economic stability and higher levels of growth as outlined in the Medium-Term Budget Policy Statement and include, among others:

- Intervention in expanding public sector investment in infrastructure through ensuring the budgets and MTREF's acknowledge that capital programmes need a balanced funding structure addressing not only backlogs in services, but also investment in new infrastructure as well as renewing current infrastructure which also sustain the Bela-Bela Local Municipality as an eco-tourism hub;

- The Municipality continue to create a joint planning with its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive; and

Before compilation of the 2018/2019 to 2020/2021 planning and budget process, a review to the municipality's service delivery prioritises were done. Strategic planning sessions where planning of the 2017/18 budget was discussed were held during February 2017. The compilation of the 2017/2018 budget was further guided by prescribed budget legislative, policy frameworks and budget circulars.

The following budget principles and assumptions directly informed the compilation of the 2017/2018 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78, 79, 80, 86, 89 and 91 were used to guide the compilation of the 2017/2018 MTREF.
- Headline inflation predictions;
- National outcomes and priorities as contained in the NDP, MTBPS, the President's State of the Nation Address and the 2017 national budget;
- NERSA guidelines;
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2017/2018 Adjustment 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 baseline for the 2018/2019 annual budget;
- Tariff and property rate 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. In this vein, the municipality appointed specialists to remodel the water, electricity and sanitation tariffs to be cost reflective;
- 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;
- An assessment of the relative human resources capacity to implement the Budget;
- The need to enhance the municipality's revenue base;
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations;
- Operational cost will be maintained at current levels or reduced as cost containment measures will continue to be implemented; and
- Expenditure will be strictly monitored and be limited to the "absolutely necessary" items. Expenditure on the "nice to have" will be stopped forthwith.

During the compilation of 2018/2019 MTREF Municipality determined few challenges which will have an impact on the revenue and expenditure projections as follows:

- The on-going difficulties in the national and local economy;
- The modestly increasing debt as a result of non-payment;
- Aging and insufficiently funded maintenance for water, roads and electricity infrastructure;

- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the Municipality's cash position into account;
- The increased cost of bulk water and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Insufficient Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources; and

During 2016 financial year, Municipality engaged specialists on tariff remodelling to have cost reflective tariffs on the following. During the 2018/19 budget no re-modelling on tariff will be done other than applying normal tariff rate increase linked to Consumer Price Inflation (CPI) of 5.3% as recommended in circular 91 issued by National Treasury during month of March 2018.

Tariffs on sundry services, service charges and property rates have increased by 5.3% in the 2018/2019 financial year in line with the relevant guidance provided. Circular 91 provide that any increase in tariff rates above 5.3% will require justification to be narrated on each increase above such rates. The justification on each tariff are details on the tariff summary sections on this budget book.

On the expenditure side, the percentage increases were as follows:

- Councillor's allowances were increased in accordance to SALGA prescribed rates of 6%.
- Bulk purchases increased by 5.7% from the adjusted budget.
- Employee costs are increased by 7% from the adjusted budget of 2017/18 budget.
- Overall expenditure was increased by 3% from the adjusted budget.

Municipality intend to hold public participation sessions with the communities after the budget have been tabled to council at the end of March 2018 in terms of the relevant legislation. The sessions are due be conducted during the month of April 2018 in line with the prescribed budget regulations dealing with consultation requirement. The issues raised in the previous budget year of 2017/18 were mostly around complaints about accounts, implementation of credit control policy, housing, security, use of drugs and lack of recreational facilities for the youth. These issues will continue to be considered when drafting 2018/98 budget and allow the issues to be taken through the governance structures for further processing.

The budget benchmarking exercise with relevant treasury will also form part of the 2018/19 budget compilation process to allow them to perform assessment for credibility, relevance and sustainability. The inputs from the session will incorporated in this budget. In terms of compliance assessment, this budget will be considered if it is compliant by the Provincial Treasury. Where necessary few budget tables (A Schedule) have been adjusted to obtain full compliance and to align to mSCOA requirement.

Council has in the past resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This resolution was not successfully implemented during 2017/18 budget year. Since the over the MTREF outer years Council expects to have built up enough cash reserve in order to fund own source projects. During 2018/19 budget year, reserve will be kept which will assist Municipality to fund any internal capital projects. Municipality projected to spent at least R3 million on the performance management system.

With regards to grant funding, MIG is allocated around R27.5 million, INEP R20.0 million and with water infrastructure (WSIG) having received higher allocation of R40.0 million in the 2018/19 budget year.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improving but modestly. In this regard, the administration is continuing to implement the following;

- Efficient revenue management, which aims to ensure a minimum of 95% annual collection rate for property rates and other key service charges.
- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Compilation of indigent register;
- Resolution of the current non-payment by the farmers;
- Accurate and predictable monthly billing of municipal services, which requires that accounts are sent regularly and on time can enable consumers to plan or arrange for payment of services;
- Conduct electricity and water meter audit in order to address the losses; and
- A continuance campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

1.3.1. Budget Overview for the 2018/19 MTREF

This section provides an overview of Bela-Bela Local Municipality's 2018/19 to 2020/21 MTREF. It focuses on the billing and revenue environment of the Municipality; the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality. As mentioned in the preceding paragraph, this budget continues to be assessed by both National and Provincial Treasuries during consultation and thereafter for:

- Credibility – revenue and expenditure estimates are realistic;
- Relevance – to the legislation (compliance), IDP and national government priorities; and
- Sustainability – the revenue, expenditure and cash flow estimates are achievable over the short to medium term.

1.3.1.1. Budget related By-Laws

Constitution of the republic gives Local Councils powers to pass laws in a form of By-Laws. By-Laws are local laws that are only applicable in the Jurisdiction of the Local Municipality.

Tariffs By-Law

The tariff By-Law give the Municipality powers to levy tariffs as outlined on the Municipal Systems Act. Tariffs that are levied by the Municipality includes the following services:

- Electricity services
- Water services

- Sanitation services
- Waste removal
- Cemetery services
- Other sundry tariffs as listed on the tariff book.

There are no major changes in the 2018/19 financial year other than a normal increase in tariff at rate equivalent to CPI.

Property Rates By-Law

Property By-Law is adopted in terms of Local Government: Municipal Property Rates Act, 2004 in order to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates.

Indigent's By-Law

The main objective of the Indigent By-Law is to ensure that the poor households within the Municipal jurisdiction get access to basic services. The by law also paves a way for the council to draft the Indigent policy which outlines the qualification criteria's and the quantity of free services that the approved consumers will receive on a monthly basis.

Credit control and debt collection By-Law

The credit control and debt collection by-law give the Municipal Council to draft a Credit Control and Debt collection policy which guides the municipality on the frequency of billing for the services rendered, closing dates of accounts payments. The By-Laws also gives the Municipality powers to disconnect services in the event of misuse or non-payment.

1.3.1.2. Budget related policies

Council has a role to draft policies that are used on the running of the Municipality. Policies are used for the smooth running of administration. The Municipal budget related policies are as follows:

- Credit Control and Debt Collection Policy
- Property Rates Policy
- Assets Management Policy
- Indigent Policy
- Borrowing framework policy
- Budget Implementation and Monitoring Policy
- Cash Management and Investment Policy
- Funding Reserves Policy
- Prioritisation Model for Capital Assets Investment
- Policy on Infrastructure Investment and Capital Projects

- Policy on Long Term Financial Planning
- Policy on Provision for doubtful debts and writing off of irrecoverable debts
- Principles and Policy on Tariffs
- Petty Cash Policy
- Supply Chain Management Policy
- Tariff policy

There were changes made on the following policies:

Supply Chain Management Policy

The policy was reviewed in order to align it with the Supply Chain Management regulations. Special emphasis was also taken into consideration in order to address shortcoming in supporting local small business.

One other consideration taken into the policy was the review in order to provide transparency in the procurement process and eliminate any non-compliance raised by AG in the past (Eg, mandatory rotation process on suppliers when procuring goods).

The utilisation of Model SCM Policy for Infrastructure Procurement and Delivery Management was also revised.

1.3.1.3. Operating Revenue Framework

Despite financial challenges experienced by Bela-Bela Local Municipality, the council will continue improving the quality of services provided to its citizens and generate the required revenue levels without creating heavy burden to the community. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the municipality. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices and trade-off 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:

- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- 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;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- 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
- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure at least 95 per cent annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;

The following table is a summary of the 2018/2019 MTREF (classified by main revenue source):

Table 1 Summary of revenue classified by main revenue source

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	53,069	54,229	62,468	80,199	79,126	79,126	41,988	84,996	89,670	94,602
Service charges - electricity revenue	2	84,138	84,980	102,848	124,567	124,567	124,567	58,338	133,286	140,617	148,351
Service charges - water revenue	2	18,780	17,523	23,259	26,979	26,979	26,979	14,493	29,540	31,165	32,879
Service charges - sanitation revenue	2	6,816	6,366	14,862	16,143	16,143	16,143	9,287	17,332	18,285	19,291
Service charges - refuse revenue	2	6,030	5,469	6,074	9,969	9,969	9,969	4,546	10,666	11,253	11,872
Service charges - other		1,407	1,000	261	1,123	1,123	1,123	158	1,194	1,266	1,342
Rental of facilities and equipment		998	1,114	1,099	1,813	1,813	1,813	629	1,939	2,046	2,158
Interest earned - external investments		782	2,268	2,583	1,510	1,510	1,510	84	4,069	4,293	4,529
Interest earned - outstanding debtors		3,891	6,049	7,896	9,850	9,850	9,850	2,030	10,604	11,187	11,803
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		29,904	4,451	12,756	25,000	25,000	25,000	–	19,598	20,676	21,813
Licences and permits		9,123	2,742	3,256	16,500	16,500	16,500	986	7,259	7,658	8,079
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		63,582	59,137	71,426	77,639	77,639	77,639	39,765	83,931	91,213	96,081
Other revenue	2	5,129	5,915	4,252	4,059	4,059	4,059	1,491	8,585	9,057	9,555
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		283,648	251,243	313,042	395,350	394,277	394,277	173,795	412,999	438,386	462,355

Bela-Bela Local Municipal budget is financed through realistically anticipated revenue streams.

Bela-Bela Local Municipality anticipate collecting operating revenue (total operating revenue less revenue forgone) during the 2018/19 financial year of an estimated R412 million or R 18 million (5%) more than the 2017/18 adjustments budget revenue of R394 million. This increment is within the recommended CPI rate. Detail increases on each revenue sources were increased within the CPI rate and where the increase was above CPI rates, reason was provided as required by Circular 91.

Operating grants which are guided by Division of Revenue Act (DoRa) was increased from R77.6 Million to R83.9 million which represent 8% increased. Grant to fund capital spending increased from R R89 million to R107 Million in the 2018/19 financial year.

Overall services charges revenue increased by R13 million or 6.9% from the 2017/18 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been increased increase in line with

Consumer Price Inflation (CPI) of 5.3% as recommended in circular 91 issued by National Treasury during month of March 2018.

Details analysis of revenue sources

Property Rates

Property rates tariff was increased by 5.3% for the 2018/19 budget year. However, the total property rates revenue increase was projected to be more by 6% from the adjusted budget. The resulted 6% was to take into account any outcome of objections.

The following stipulations in the reviewed Property Rates Policy are highlighted:

Municipal properties

Municipal properties are exempted from paying property rates.

Residential properties

All residential properties with a market value of less than the amount as annually determined by the Municipality are exempted from paying property rates. **For the 2018/2019 financial year the maximum amount is determined as R50 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1)(h) of the Act are included in the amount as referred to above as annually determined by the Municipality. The remaining R35 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's indigent policy.

Public Service Infrastructure

Public Services Infrastructure is exempted from paying rates as it provides essential services to the community.

Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

The abovementioned exemptions will automatically apply and no application is thus required by the owners of such property. Property rates tariffs are depicted in table 4 below:

Cash management and investment policy

Money deposited into the Municipality's bank account by unknown persons for unknown reasons without traceable reference that cannot be allocated for a period of 24 month will be classified as Municipality's other revenue after public advertisement for 14 days as prescribed in the Municipal policy.

Table 4: Property rates tariffs

Rating Category	2017/2018	2018/2019
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Rating Category	2017/2018	2018/2019
	R/c	R/c
ACCOMMODATION ESTABLISHMENT	0.0150	0.0158
BUSINESS & COMMERCIAL	0.0142	0.0150
FARMS AGRICULTURAL (Bona Fida)	0.0028	0.0029
FARMS AGRICULTURAL	0.0070	0.0074
FARMS BUSINESS & COMMERCIAL	0.0142	0.0150
FARMS OTHER	0.0150	0.0158
FARMS RESIDENTIAL	0.0113	0.0119
FARMS VACANT LAND	0.0150	0.0158
INDUSTRIAL	0.0142	0.0150
MUNICIPAL PROPERTY	0.0142	0.0150
PRIVATE OPEN SPACE	0.0113	0.0119
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	0.0028	0.0029
PSI	0.0028	0.0029
RESIDENTIAL	0.0113	0.0119
SMALLHOLDING AGRICULTURAL	0.0028	0.0029
SMALLHOLDING BUSINESS & COMMERCIAL	0.0142	0.0150
SMALLHOLDING OTHER	0.0150	0.0158
SMALLHOLDING RESIDENTIAL	0.0113	0.0119
SMALLHOLDING VACANT LAND	0.0150	0.0158
STATE-OWNED PROPERTY	0.0142	0.0150
VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	0.0142	0.0150
VACANT RESIDENTIAL LAND	0.0142	0.0150

Approved Tariffs 2017/18	Proposed Tariffs 2018/19
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Service charge: Electricity

Cost reflective determination continued to be done by Municipality with one major remodelling being undertaken during 2016 strategic planning relating to electricity tariff. No remodelling will be done during 2018/19 budget year.

Special care was excised to ensure that the electricity tariff re-modelling, as alluded to above, is properly implemented without creating huge burden to the consumers.

The total cost of distributing electricity in the 2018/19 financial year will be R103 million, the Municipality will only raise revenue to the value of R133 million. It is clear that the Municipality will be selling electricity at a surplus in the 2018/19 financial year. However the resulted surpluses didn't take into account the electricity loses which Municipality experienced from the past financial year due to illegal connection.

The National Energy Regulator of South Africa (NERSA) published their "Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year" on 28 February 2018.

The NERSA document proposes a 6.84% guideline increase for municipal electricity tariffs for 2018/19. Bulk purchases will increase for municipalities by 7.32 % as indicated in the Eskom standard tariff submissions for 2018/19 financial year. Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability.

As result, Municipality has proposed the following tariff for 2018/19 financial year:

	Basic charge	Capacity charge	Energy charge		Basic Charge	Capacity Charge	Energy Charge
	Rand/ Month	R/ Amp/m	c/kWh		Rand/ Month	R/ Amp/m	c/kWh
Domestic Prepaid (Indigents)	0	0	139.87	Domestic Prepaid (Indigents)	0	0	149.44
Domestic Prepaid	0	0	139.87	Domestic Prepaid	0	0	149.44
Domestic Conventional	0	0	139.87	Domestic Conventional	0	0	149.44
General Tariffs							
	Basic charge	Capacity charge	Energy charge		Basic Charge	Capacity Charge	Energy Charge
General Tariffs: Government, Business	Rand/ Month	R/ Amp/m	c/kWh	General Tariffs: Government , Business	Rand/ Month	R/ Amp/m	c/kWh
General Tariffs Prepaid 30 Amp			179.64	General Tariffs Prepaid 30 Amp			191.93
General Tariffs Prepaid > 20Amp 1 Phase	50.94	13.97	120.99	General Tariffs Prepaid > 20Amp 1 Phase	54.42	14.93	129.27
General Tariffs Conventional Business and Government				General Tariffs Conventional Business and Government			
Single Phase:	50.94	13.97	120.99	Single	54.42	14.93	129.27

				Phase:			
Three Phase:	76.41	13.97	120.99	Three Phase:	81.64	14.93	129.27
Industrial Tariffs							
	Basic charge	Demand charge	Energy charge		Basic charge	Demand charge	Energy charge
Industrial Tariffs	Rand/ Month	R/ Amp/m	c/kWh	Industrial Tariffs	Rand/ Month	R/ Amp/m	c/kWh
Low Voltage	1180.75	155.10	107.91	Low Voltage	1261.51	165.71	115.29
Medium Voltage	2758.86	143.65	102.77	Medium Voltage	2947.57	153.48	109.80
Agricultural Tariffs							
	Basic charge	Capacity charge	Energy charge		Basic charge	Capacity charge	Energy charge
Agricultural Tariffs (Prepaid and Conventional)	Rand/ Month	R/ Amp/m	c/kWh	Agricultural Tariffs (Prepaid and Conventional)			c/kWh
Low Voltage	152.82	13.97	120.99	Low Voltage	163.27	14.70	129.27

Water

Water tariffs for 2018/19 will increase in line with Magalies Water tariffs. The proposed increase for 2018/19 is 5.3% as per Municipality tariff book.

Therefore, the resulted increase is within the recommended CPI of 2018/19 budget year. Magalies continues to increase its bulk tariffs on each financial period which is always above the increased tariff rates proposed by Municipality to the community.

Table 6: Water tariffs (fixed costs)

Tariff (Rand) 2017/2018		Tariff (Rand) 2018/2019	
Residential, Churches, School, PBO,	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School,	Commercial, Government, hotels, Resorts and Other

Hospitals - State		PBO, Hospitals - State	
Rate per meter	Rate per meter	Rate per meter	Rate per meter
62.47	93.71	69.47	104.21

The variable cost components are as follows:

Table 7: Water tariffs (variable costs)

Volumetric				
	Tariff (Rand)		Tariff (Rand)	
	2017/2018		2018/2019	
Range	Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other	Residential, Churches, School, PBO, Hospitals – State	Commercial, Government, hotels, Resorts and Other
	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)
0 kl - 30 kl	R 11.41	R 17.12	12.69	19.04
30 kl - 50 kl	R 13.69	R 20.54	15.22	22.84
50 kl - 80 kl	R 16.42	R 24.65	18.26	27.41
81kl – 100kl	R 18.07	R 27.10	20.09	30.14
101kl – 130kl	R 18.07	R 27.10	20.09	30.14
131kl – 210kl	R 18.07	R 27.10	20.09	30.14
211kl – more	R 18.07	R 27.10	20.09	30.14

Sewerage (Sanitation)

The proposed increase in sanitation tariff for 2018/19 MTREF is 5.3%

Table 8: Sanitation tariffs

Description	Tariff (Rand) 2017/2018	Tariff (Rand) 2018/2019
a) Residential/Flats/ Security Villages	188	198

b) Commercial/Government/Resorts/Hotels and Other	377	397
c) Churches/Schools/PBO	188	198
d) Hospitals – State	188	198
e) Hospitals – Private	377	397

Refuse (Solid Waste)

The proposed tariff restructuring on refuse for 2018/19 financial year is depicted in the table below. The proposed increase on refuse for 2018/2019 financial year is 5.3%.

Table 9: Refuse tariffs

	Tariff (Rand) 2017/2018	Tariff (Rand) 2018/2019
a) Residential		
Smaller than 800m ²	70	74
Larger than 800m ²	165	174
b) Commercial	330	347
c) Security Villages (per container)	3 229	3400
d) Churches	165	174
e) Schools – State	330	347
f) Hospitals – State	330	347
g) Hospitals – Private	2 666	2807

The Municipality has been providing the refuse removal service at loss for the past financial years. The 2016/17 tariffs were only covering 25% of the total cost to provide the service. Municipality planned during 2017/18 budget to implement higher increase in the outer years, however, consideration have to be given to our community to no over burden them financial with enormous refuse tariff increase. The rate for 2018/19 will remain at CPI level.

Sundry Services

Tariffs for sundry services have been increased with a rate that is in line with National Treasury guideline which is set at 5.3%.

Rental of facilities

Tariff for rental of facilities were increased by 5.3% for 2018/19 financial year. A non-refundable deposit of R854.00 shall be paid for usage of community halls and for concerts and other special events hosted at soccer fields. The Municipality has opened newly built multipurpose hall in the 2017/18 financial year which can be considered for rentals.

Conclusion remarks on 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 CPI. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment and community unrest.

The percentage increases of Magalies Water bulk tariffs are above the mentioned inflation target. Material purchases were set to increase by 11.2%. These tariff increases are determined by external agencies, the impact they have is largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, 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

Grants

Bela-Bela Local Municipality had in the past financial period utilised all conditional grant accordingly, except during 2017/18 financial year where a reported R25 million unspent was recorded as at year end of 2017 financial year. Bela-Bela Local Municipality further anticipate implementing proposed 2018/19 projects within the time frame as stipulated in the grant conditions.

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

Table 2 Transfers and Grant Receipts (2018/2019)

Dora Allocations (R'000)	2018/19	2019/20	2020/21
Capital			
MIG	37 530 000	29,019	30,615
MWIG	40 000 000	45,000	47,475

INEP	15 580 000	35,000	36,925
Total	93 110 000	109,019	115,015
Operating	2018/19	2019/20	2020/21
Equitable share	83,931	91,213	96,081
FMG	1,700	1,700	1,700
EPWP	-	-	-
Total	85,631	92,913	97,781

Operating grant dependence

Grant dependence ratio is sitting at 4% of total revenue of R412 million. The ratio measures the extent to which the municipality's total operating expenditure is funded through internally generated funds or borrowings. The rate of 4% indicates that municipality is not significantly grant dependent regarding funding of operations. Municipality does not as well relied on borrowings.

As table 2 depict above, grants (capital) will increased from R87.6 million from 2018/19 to R109 million in 2019/20. These allocations are in line with allocations in the 2018/19 annual Division of Revenue Act.

Debt Management

Bela-Bela Local Municipality debtors book have in the past financial year slight increased. Majority of Municipality debtor's book relate to debt over 120 days. Further reason for steady collection to reduce old debts which have become difficult to collect, relate to difficulties in locating or tracing some of the debtors.

The set collection rate during 2017/18 was 95% of the billed revenue. The target was achieved during the first half of the financial year and slowly become below that of expected during the second half of the 2017/18 financial year. Municipality had enforced the issue of credit control by making sure the credit control policy is fully implemented.

Municipality control measure are able to collect current debts due by implementing internal procedures which include the disconnection of services, where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honoring arrangements. Municipality has in the previous period introduced a real time follow up process, such as SMS which constantly alert consumer on the accounts which are in arrears

The Municipality has also promulgated the Credit Control and Debt Collection policy to strengthen the internal credit control and debt collection procedures through handing over of all debt over 60 days to the appointed debt collector. The debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the municipality. If these performance targets are not met, the municipality will have to enforce all penalty clauses to debt collectors.

For the 2018/19, Municipality credit control official had engage legal section in order to help find a legal backing to help issue legal summon to the defaulters. This will further strengthen Municipality credit control.

Provision for debt impairment is anticipated at R17 million. The estimated provision is around 14% of the total debtors book of around R120 million. Municipality intend to enforce through debt collection procedures and writing off debts which are not collectable. While this expenditure is considered to be a non-cash item, it inform the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues to be collected.

1.3.1.4. Operating Expenditure Framework

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

Table 10 Summary of operating expenditure by type

Description R thousands	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Employee costs	72,555	89,903	109,989	119,752	119,752	119,752	59,639	128,936	134,643	141,718
Remuneration of councillors	8,394	5,969	6,618	6,947	6,947	6,947	1,702	7,364	7,769	8,197
Depreciation & asset impairment	29,267	27,730	49,274	32,000	32,000	32,000	537	48,000	49,938	51,990
Finance charges	3,310	6,957	10,317	4,000	4,000	4,000	–	7,317	7,317	7,317
Materials and bulk purchases	72,180	86,743	94,072	125,198	123,748	123,748	61,698	133,190	139,396	146,788
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	85,755	99,556	70,294	105,756	106,655	106,655	63,386	80,519	61,495	64,772
Total Expenditure	271,462	316,857	340,565	393,653	393,102	393,102	186,962	405,327	400,558	420,781

Operating expenditure is increased from R393 million based on the Municipality adjusted budget of 2017/18 by 3%. The anticipated operating expenditure for 2018/19 financial year is increased to R405 million which represent at least 3% increase from adjusted budget. Realistically when looking at historic result, operating expense has been decreasing when comparing audited result of 2015/16 and 2016/17. This is as result of implementation of cost containment measure.

Some of the key features of the expenditure framework are:

- Material and bulk purchases increase by 5.7% despite the linked tariff hike by regulators. This increase relates to total spending measured against the expected volumes to be consumed.
- Personnel cost increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act. Overall there is an increase in the total employee costs by 7% based on the adjusted budget of 2017/18.

- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) 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;
- Other expenditure category is reduced by 70% while contracted services and other material increased by around 20%. The resulted increase and decrease was to re-align certain item to be in line with mSCOA charts. It should be noted that the overall increase in total expenditure is seating at 3%
- Municipality has undergone an exercise to cut expenditure without compromising expenditure which relate to service delivery.

Employee costs

The budgeted allocation for employee related costs for the 2018/19 financial year totals R128 million, which equals 32% of the total operating expenditure. MFMA circular 71 sets the norm to be between 25% and 40%. Bela-Bela is almost seating 32%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at an average of 32% over the medium term. This leaves around 70% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

The Salary and Wage Collective Agreement for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage. Municipality has made provision of at least 7% increase from the adjusted budget. We will further allow budget adjustment process to take the outcome of Salary and Wage Collective Agreement should the need arise.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 6% has been considered in compiling the municipality's budget.

Bulk Purchases

Directive/decision issued by NERSA setting the bulk purchase increase at 7.32% for electricity, whilst the increase on water was projected at 11.2% as the bulk purchase charge

Repairs and maintenance

Row Labels		Sum of New budget		Sum of Forecast 1		Sum of Forecast 2
Administrative and Corporate Support: HOD-Corporate Services (61	R	200 004	R	211 004	R	222 609
Community Halls and Facilities: Parks and Community Facilities (44)	R	2 986 164	R	3 150 403	R	3 323 675
Electricity: Electricity Services (3400)	R	7 951 970	R	8 389 328	R	8 850 741
Fire Fighting and Protection: Protection & Emergency Services (430)	R	1 083 792	R	1 143 400	R	1 206 287
Public Toilets: Water and Sanitation (3300)	R	4 729 982	R	4 990 131	R	5 264 589
Public Transport: Roads and Stormwater (3200)	R	12 413 596	R	13 096 344	R	13 816 642
Solid Waste Removal: Waste Management & Cleansing (4200)	R	431 324	R	455 047	R	480 075
Grand Total	R	29 796 832	R	31 435 658	R	33 164 619

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must “secure the health of their asset base (especially the municipality’s revenue generating assets) by increasing spending on repairs and maintenance. The municipality has, over the last two financial years, increased the investment in repairs and maintenance as its priority. Due to funding challenges, the municipality’s budget for repairs and maintenance is around 3% or R29.8 million of the value of PPE estimated at R905 million for the 2018/19 financial year. The Municipality to be able to be within the norm, this means will need to budget at least R72 million in single year which will therefore represent huge spending to be incurred in a single year. The municipality will not be able to achieve the 8% norm in one year, but will gradually improve to achieve that norm over the medium term.

Major repairs and maintenance proposed for the 2018/19 financial year:

Road and storm water: Municipality plans to continue procuring tools which will be used during the road maintenance for 2018/19 financial period.

Electricity: An estimated repair and maintenance of around R7.9 million is marked for electricity department. Municipality sub-station was marked as one of the area which requires constant maintenance due to ageing infrastructure.

Water: Around R4.7 million was budgeted to maintain currently existing water infrastructure.

To successfully spend the repairs and maintenance as budgeted, Technical Service Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that seek to inform all future allocation decisions on repairs and maintenance. Both these documents were used as a tool in determining the priority of the municipality maintenance plan.

Finance charges

Finance charges entails cost associated with the finance lease contract as prescribed in General Recognised Accounting Practice General (GRAP). Municipality finance lease entailed leases over fleet vehicles. The adjusted budget of 2017/18 reported finance lease charge of R4 million and it is now anticipated to increase to R7 million. The budgeted finance cost of R4.0 million was determined based on the currently committed fleet contract.

Contracted Services

Segment Description	New budget
Contracted services - Audit and finance	R 2 000 004.00
Contracted services - Valuation cost	R 1 500 000.00
Contracted services - EPWP	R 1 918 800.00
Contracted services - LED Support (Contract)	R 80 000.00
Contracted services - Server infrastructure support	R 7 200 000.00
Contracted services - Licencing and drivers licence cards	R 4 267 206.53
Contracted services - Security services	R 6 960 000.00
Outsourced Services- Traffic Fines Management	R 1 000 000.00
Total	R 24 926 010.53

The municipality anticipates to utilise contracted services in the 2018/2019 with spending of R24 million or 6% of the total operating expenditure of R405 million. This spending was increased by 5% from 2017/2018 adjusted budget to cater for any inflation adjustment.

In a long run, municipality intends not to solely rely on the contracted services to avoid reliance on the consultant. The municipality constantly monitors the consultants and ensures skills transfer is being done to the internal staff.

Further increase in contracted services was as result of re-alignment of certain votes to be in accordance with the mSCOA. Some of this item was previous accounted under risk and management services and classified under other expenditure.

The budgeted spending of 6% of the total operating expenditure is above the norm of 5% as advised by National Treasury. Despite effort by Municipality to reduce this spending to an acceptable norm of 5%. Certain cost drivers are non-avoidable fees which were included in the contracted fees, such as services, issuing of licence card, contractors for EPWP and valuation roll.

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 number of households budgeted during the 2018/19 MTREF was approximately 5000 and it is increased from around 4607 of actual indigent registered during 2017/18 financial year. The total cost of free basic services amounts to R33.8 million for the 2018/19 financial year.

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

The Municipality will provide free basic services as follows:

- Electricity – 50 kWh per month
- Water – 6 Kl per month
- Sanitation – 100% rebate
- Property rates – 100% Rebate
- Waste collection – 100% Rebate (four collections per month or once a week)

Depreciation

Depreciation for 2018/19 is increased to R48.0 million from adjusted budget of R32.0 million. The increase was to ensure realistic estimate being achieved and avoid any unauthorised expenditure as experienced during the 2017 financial year end.

Other expenditure

Other expenditure was reduced from R66 million of the 2017/18 adjusted budget to R38 million in 2018/19 budget year. The reduction is part of the plans to implement cost containment measures by the Municipality. Further reason for reduction was the realignment of certain item to ensure the alignment is in accordance with mSCOA.

Bellow table indicate the details of other expenditure:

Descriptions	Sum of New budget
Advertising	R 500 000.00
Affiliation cost	R 1 500 000.00
Analysis- Samples	R 350 000.00
Bank charges	R 1 200 000.00
Catering	R 300 000.00
Chemicals	R 968 000.00
Cleaning materials	R 353 120.00
Customer care system	R 900 000.00
Debt collection	R 2 600 000.00
Delegation cost	R 1 633 124.00
Disaster management	R 157 800.00
Entertainment- HOD	R 10 016.00
External audit fees	R 2 499 996.00
Extinguish materials	R 120 000.00
FMG Expenditure	R 1 700 004.00
IDP Programme	R 500 000.00
Insurance excess payments	R 100 000.00
Internal audit	R 200 000.00
Lease of vehicles	R 12 000 000.00
LED strategy	R 1 000 000.00
Legal consulting	R 1 950 000.00
Printing and stationery	R 1 314 988.00
Professional fees	R 300 000.00
Risk and asset management	R 2 000 004.00
Spatial analysis and development	R 500 000.00
Strategic planning	R 600 000.00
Town planning costs	R 200 000.00
Uniform and clothing	R 2 536 408.42
Valuation cost	R 600 000.00
Grand Total	R 38 593 460.42

The resulted other expenditure include among other fleet expenditure of R12 million. The contract will expire during the financial year of 2018/19. All fleet will remain the property of Municipality after the expiry of the finance lease contract. Future expenditure will entail that of maintenance of the fleet.

1.3.1.5. Operating Surplus / Deficit

Municipality anticipate incurring surplus of R7.6 million by the end of the 2018/19 budget year.

The below table which depict the surplus include operational income and operational expenditure, together with non-cash item relating to depreciation and debt impairment.

Table 11: Operating cash surplus/ deficit

Description	Original Budget	Forecast 1	Forecast 2
Total Revenue	R 412 999 074	R 438 385 788	R 462 354 834
Total Expenditure	R 405 326 851	R 400 557 657	R 420 781 314
Surplus/(Deficit)	R 7 672 223	R 37 828 131	R 41 573 521

1.4 Capital expenditure

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

Table 12 - 2018/2019 Medium-term capital budget per vote

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Social and Community Services		11 835	13 197	4 654	5 118	5 118	5 118	5 118	-	8 849	20 091
Vote 8 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		38 137	47 374	79 789	79 871	79 871	79 871	79 871	86 244	98 719	91 877
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	49 972	60 571	84 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Single-year expenditure to be appropriated	2										
Vote 1 - Chief Financial Officer		-	416	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	250	600	250	250	250	250	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		-	721	-	-	-	-	-	3 000	-	-
Vote 7 - Social and Community Services		646	-	1 310	-	-	-	-	-	-	-
Vote 8 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		3 322	-	-	-	-	-	-	-	-	-
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		3 968	1 387	1 910	250	250	250	250	3 000	-	-
Total Capital Expenditure - Vote		53 940	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Capital Expenditure - Functional											
<i>Governance and administration</i>		-	666	600	250	250	250	250	-	-	-
Executive and council		-	250	600	250	250	250	250	-	-	-
Finance and administration		-	416	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	13 197	5 964	5 118	5 118	5 118	5 118	-	8 849	20 091
Community and social services		-	8 673	1 310	-	-	-	-	-	8 849	20 091
Sport and recreation		-	4 524	4 654	5 118	5 118	5 118	5 118	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		13 868	31 870	20 727	14 871	14 871	14 871	14 871	15 999	18 719	7 477
Planning and development		646	721	-	-	-	-	-	3 000	-	-
Road transport		13 223	31 150	20 727	14 871	14 871	14 871	14 871	12 999	18 719	7 477
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		28 236	16 224	59 062	65 000	65 000	65 000	65 000	73 245	80 000	84 400
Energy sources		-	2 079	28 000	25 000	25 000	25 000	25 000	20 000	35 000	36 925
Water management		28 236	10 000	30 000	40 000	40 000	40 000	40 000	40 000	45 000	47 475
Waste water management		-	4 146	1 062	-	-	-	-	13 245	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	42 105	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Funded by:											
National Government		24 701	50 792	79 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	24 701	50 792	79 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		29 239	11 165	6 910	250	250	250	250	3 000	-	-
Total Capital Funding	7	53 940	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968

Total capital expenditure was allocated to the tune of R 86 million for 2016/17 financial year. This allocation is mainly for MIG, MWIG and INEP of R26 million, R40 million and R20 million respectively. An additional R3 million was set aside for the development of performance management system. This project will be funded internal.

Tables 13 below detail the municipality's three year consolidated MIG infrastructure investment program for 2018/2019 to 2020/2021.

Municipal Infrastructure Grant (MIG) allocation of R27 including PMU cost for 2018/2019 will be allocated as follows:

Table 13: Capital programme

PROJECT	18/19 BUDGET	19/20 BUDGET	20/21 BUDGET
Storm Water Marikana Street	R 1 150 304.25		
WWTW - Pienaarsrivier	R 6 893 152.00		
WWTW - Masakhane	R 6 554 069.00		
Widening Mile street Bridge	R 4 636 848.00		
Road Paving X 4, 6, 7 & 8	R 6 409 376.75	R 10 695 264.81	
Storm Water Spa Park	R 600 000.00	R 7 900 000.00	
Satellite office – Bela Bela		R 1 272 785.19	R 13 727 214.81
Extension of Existing Grave yard		R 3 200 000.00	
Relocate existing Vehicle testing ground		R 4 500 000.00	
Road Paving Masakhane			R 7 340 835.19
Develop Sport Facilities	R 9 905 000		R 6 000 000.00
PMU	R 1 381 250.00	R 1 450 950.00	R 1 450 950.00
	37 530 000	29 019 000	29 019 000

Municipality is allocated R27.6 million on Municipal Infrastructure Grant (MIG) after considering PMU cost of R1.3 million and this was increased from R26.3 million from previous financial year. However there is an additional funding of R9.9 million from the department of Sport and Culture which need to address sports infrastructure.

The combined capital expenditure is depicted as follows. The grant allocation as per bellow is in line with the Division of Revenue Act issued for 2018/19 MTREF.

Table 14: Sources of funding capital programme

Capital (R000)	2018/19	2019/20	2020/2021
MIG	37 530 000	29 019 000	30 615 045
MWIG	40 000 000	45 000 000	47 475 000
INEP	15 580 000	35 000 000	36 925 000
Total	93 110 000	109 019 000	115 015 045

Total capital allocation is seating R93 million with majority of the allocation being channelled to water infrastructure.

Municipality have been receiving repeat audit findings with regard to reliability of information submitted under performance management. This resulted in Municipality budgeting at least R3 million which will be funded internal to be used to develop performance management system.

1.5 Annual Budget Tables

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

Table 16 MBRR TableA1 - Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	53 069	54 229	62 468	80 199	79 126	79 126	41 988	84 996	89 670	94 602
Service charges	117 170	115 338	147 304	178 780	178 780	178 780	86 823	192 018	202 585	213 734
Investment revenue	782	2 268	2 583	1 510	1 510	1 510	84	4 069	4 293	4 529
Transfers recognised - operational	63 582	59 137	71 426	77 639	77 639	77 639	39 765	83 931	91 213	96 081
Other own revenue	49 045	20 271	29 260	57 222	57 222	57 222	5 136	47 985	50 624	53 409
Total Revenue (excluding capital transfers and contributions)	283 648	251 243	313 042	395 350	394 277	394 277	173 795	412 999	438 386	462 355
Employee costs	72 555	89 903	109 989	119 752	119 752	119 752	59 639	128 936	134 643	141 718
Remuneration of councillors	8 394	5 969	6 618	6 947	6 947	6 947	1 702	7 364	7 769	8 197
Depreciation & asset impairment	29 267	27 730	49 274	32 000	32 000	32 000	537	48 000	49 938	51 990
Finance charges	3 310	6 957	10 317	4 000	4 000	4 000	–	7 317	7 317	7 317
Materials and bulk purchases	72 180	86 743	94 072	125 198	123 748	123 748	61 698	133 190	139 396	146 788
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	85 755	99 556	70 294	105 756	106 655	106 655	63 386	80 519	61 495	64 772
Total Expenditure	271 462	316 857	340 565	393 653	393 102	393 102	186 962	405 327	400 558	420 781
Surplus/(Deficit)	12 186	(65 614)	(27 523)	1 696	1 174	1 174	(13 167)	7 672	37 828	41 574
Transfers and subsidies - capital (monetary allocation)	15 836	24 701	104 502	86 304	86 304	86 304	–	87 625	109 019	115 015
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Capital expenditure & funds sources										
Capital expenditure	42 105	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Transfers recognised - capital	24 701	50 792	79 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	29 239	11 165	6 910	250	250	250	250	3 000	–	–
Total sources of capital funds	53 940	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Financial position										
Total current assets	68 718	44 613	29 903	35 860	35 860	35 860	94 346	43 457	174 031	313 427
Total non current assets	700 970	719 795	1 016 138	815 454	815 454	815 454	815 454	860 758	935 748	909 148
Total current liabilities	37 073	79 598	128 873	38 434	38 434	38 434	223 688	84 919	89 165	93 912
Total non current liabilities	62 216	52 197	96 401	37 089	37 089	37 089	37 089	39 314	41 870	43 775
Community wealth/Equity	670 399	632 613	820 767	775 790	775 790	775 790	649 023	779 982	978 743	1 084 888
Cash flows										
Net cash from (used) operating	19 234	50 507	130 060	122 560	122 560	122 560	72 560	170 515	232 183	246 146
Net cash from (used) investing	(51 307)	(61 080)	(149 935)	(85 139)	(85 139)	(85 139)	(96 139)	(89 137)	(107 455)	(111 850)
Net cash from (used) financing	10 630	18 642	(23 183)	(5 116)	(5 116)	(5 116)	(32 646)	4 458	4 985	5 100
Cash/cash equivalents at the year end	12 179	20 248	(22 810)	9 495	32 305	33 608	(54 922)	30 914	160 628	300 025
Cash backing/surplus reconciliation										
Cash and investments available	30 653	12 656	1 303	–	–	–	58 487	30 914	160 628	300 025
Application of cash and investments	(13 247)	24 059	88 671	5 253	5 140	5 140	81 921	56 366	58 415	61 978
Balance - surplus (shortfall)	43 900	(11 403)	(87 368)	(5 253)	(5 140)	(5 140)	(23 434)	(25 452)	102 213	238 047
Asset management										
Asset register summary (WDV)	718 590	937 591	750 806	816 654	816 654	816 654	861 158	861 158	907 248	955 237
Depreciation	27 730	30 875	28 000	14 644	14 644	14 644	32 000	32 000	33 920	33 920
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	12 434	16 760	22 230	24 203	24 203	24 203	27 178	27 178	28 020	29 353
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	24 092	33 731	48 188	47 502	59 025	59 025	33 876	33 876	35 739	37 705
Households below minimum service level										
Water:	10	10	10	8	8	8	7	7	5	5
Sanitation/sewerage:	12	12	12	11	11	11	10	10	10	10
Energy:	3	3	3	2	2	2	2	2	2	2
Refuse:	3	3	3	3	3	3	3	3	3	3

Explanatory notes to MBRR Table A1 - Budget Summary

- 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).
- 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. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF.
4. The MTREF for 2018/19 depicts a surplus of R7.6 million before taking non-cash (depreciation) item into consideration.
5. Anticipated surpluses after capital transfers of R87.6 million is seating at R95.2 Million. The high increase is as result of the allocation of R60 million (R40 million plus R20 millions of MWIG and INEP respectively). These grants are increased year on year as result of good performance by Municipality in meeting the condition attached to the grants despite the unspent on INEP incurred during 2017 financial year.

Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		110 172	131 214	143 296	288 405	308 576	308 576	500 624	547 405	577 370
Executive and council		-	-	-	27 906	27 906	27 906	29 564	31 065	32 773
Finance and administration		110 172	131 214	143 296	260 499	280 670	280 670	471 060	516 340	544 596
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		258	269	429	581	581	581	-	-	-
Community and social services		258	269	429	580	580	580	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	1	1	1	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		39 617	9 332	16 750	2 593	2 593	2 593	-	-	-
Planning and development		142	1 610	167	2 593	2 593	2 593	-	-	-
Road transport		39 474	7 722	16 582	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		140 106	149 092	272 886	190 075	168 831	168 831	-	-	-
Energy sources		85 581	86 070	122 671	138 555	127 965	127 965	-	-	-
Water management		-	-	-	45 651	29 903	29 903	-	-	-
Waste water management		46 952	55 256	141 535	9 077	-	-	-	-	-
Waste management		7 573	7 766	8 679	(3 208)	10 962	10 962	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	290 153	289 907	433 360	481 654	480 581	480 581	500 624	547 405	577 370
Expenditure - Functional										
<i>Governance and administration</i>		134 246	180 419	181 700	382 346	369 320	369 320	390 856	385 295	404 684
Executive and council		16 799	12 221	13 230	67 291	59 156	59 156	67 898	63 432	66 590
Finance and administration		116 422	166 758	166 694	303 945	299 053	299 053	311 648	309 931	325 505
Internal audit		1 026	1 440	1 776	11 111	11 111	11 111	11 310	11 932	12 588
<i>Community and public safety</i>		8 410	8 720	10 599	1 002	1 352	1 352	-	-	-
Community and social services		8 410	8 720	10 599	2	1 352	1 352	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	1 000	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		29 436	28 224	31 351	1 280	7 280	7 280	8 540	9 005	9 496
Planning and development		7 325	8 054	11 218	1 280	7 280	7 280	8 540	9 005	9 496
Road transport		22 111	20 170	20 134	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		90 039	113 457	132 730	9 025	15 150	15 150	5 931	6 257	6 602
Energy sources		61 304	78 116	97 126	20	3 225	3 225	-	-	-
Water management		-	-	-	5 482	8 630	8 630	5 811	6 131	6 468
Waste water management		21 145	25 303	24 302	2 723	60	60	120	127	134
Waste management		7 590	10 039	11 302	800	3 235	3 235	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	262 131	330 820	356 381	393 653	393 102	393 102	405 327	400 558	420 781
Surplus/(Deficit) for the year		28 022	(40 914)	76 979	88 000	87 478	87 478	95 297	146 847	156 589

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure

and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.

- Table A2 was one of the budget tables which are re-aligned to comply with mSCOA.

Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - Chief Financial Officer		109 001	129 977	141 965	208 038	200 845	200 845	208 437	222 567	234 660
Vote 2 - Corporate Services		1 172	1 236	1 330	1 665	2 023	2 023	1 939	2 046	2 158
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 5 - Internal Audit		-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		142	195	167	2 593	2 593	2 593	-	-	-
Vote 7 - Social and Community Services		47 305	17 173	25 682	10 986	12 577	12 577	22 464	23 706	25 016
Vote 8 - Speaker		-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		132 533	141 326	264 215	106 980	91 208	91 208	97 165	105 184	110 969
Vote 10 - Technical Services		-	-	-	151 391	171 334	171 334	170 618	193 902	204 566
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		0	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	290 153	289 907	433 360	481 654	480 581	480 581	500 624	547 405	577 370
Expenditure by Vote <i>to be appropriated</i>	1									
Vote 1 - Chief Financial Officer		86 594	105 059	122 480	67 290	63 042	63 042	73 474	74 379	77 462
Vote 2 - Corporate Services		29 827	61 698	44 215	85 049	70 965	70 965	49 150	29 076	30 170
Vote 3 - Mayor		1 708	1 609	695	1 472	1 477	1 477	880	928	979
Vote 4 - Municipal Manager		2 450	2 517	4 687	1 909	2 204	2 204	2 010	2 120	2 237
Vote 5 - Internal Audit		1 026	1 440	1 776	11 111	11 111	11 111	11 310	11 932	12 588
Vote 6 - Planning and Economic Development		5 180	6 899	10 227	3 520	12 600	12 600	15 176	16 007	16 882
Vote 7 - Social and Community Services		31 261	29 838	34 989	55 471	58 951	58 951	60 498	63 673	67 028
Vote 8 - Speaker		12 642	8 096	7 848	7 979	8 179	8 179	6 484	6 841	7 217
Vote 9 - Technical Services		91 444	113 665	129 464	49 018	52 567	52 567	66 902	70 708	74 731
Vote 10 - Technical Services		-	-	-	110 834	112 006	112 006	119 443	124 893	131 487
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	262 131	330 820	356 381	393 653	393 102	393 102	405 327	400 558	420 781
Surplus/(Deficit) for the year	2	28 022	(40 914)	76 979	88 000	87 478	87 478	95 297	146 847	156 589

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
- The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	53 069	54 229	62 468	80 199	79 126	79 126	41 988	84 996	89 670	94 602
Service charges - electricity revenue	2	84 138	84 980	102 848	124 567	124 567	124 567	58 338	133 286	140 617	148 351
Service charges - water revenue	2	18 780	17 523	23 259	26 979	26 979	26 979	14 493	29 540	31 165	32 879
Service charges - sanitation revenue	2	6 816	6 366	14 862	16 143	16 143	16 143	9 287	17 332	18 285	19 291
Service charges - refuse revenue	2	6 030	5 469	6 074	9 969	9 969	9 969	4 546	10 666	11 253	11 872
Service charges - other		1 407	1 000	261	1 123	1 123	1 123	158	1 194	1 266	1 342
Rental of facilities and equipment		998	1 114	1 099	1 813	1 813	1 813	629	1 939	2 046	2 158
Interest earned - external investments		782	2 268	2 583	1 510	1 510	1 510	84	4 069	4 293	4 529
Interest earned - outstanding debtors		3 891	6 049	7 896	9 850	9 850	9 850	2 030	10 604	11 187	11 803
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		29 904	4 451	12 756	25 000	25 000	25 000	–	19 598	20 676	21 813
Licences and permits		9 123	2 742	3 256	16 500	16 500	16 500	986	7 259	7 658	8 079
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		63 582	59 137	71 426	77 639	77 639	77 639	39 765	83 931	91 213	96 081
Other revenue	2	5 129	5 915	4 252	4 059	4 059	4 059	1 491	8 585	9 057	9 555
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		283 648	251 243	313 042	395 350	394 277	394 277	173 795	412 999	438 386	462 355
Expenditure By Type											
Employee related costs	2	72 555	89 903	109 989	119 752	119 752	119 752	59 639	128 936	134 643	141 718
Remuneration of councillors		8 394	5 969	6 618	6 947	6 947	6 947	1 702	7 364	7 769	8 197
Debt impairment	3	25 505	30 310	32 309	15 000	17 100	17 100	15 382	17 000	18 190	19 463
Depreciation & asset impairment	2	29 267	27 730	49 274	32 000	32 000	32 000	537	48 000	49 938	51 990
Finance charges		3 310	6 957	10 317	4 000	4 000	4 000	–	7 317	7 317	7 317
Bulk purchases	2	59 903	72 298	86 266	94 595	97 495	97 495	55 211	103 393	107 961	113 624
Other materials	8	12 278	14 445	7 806	30 602	26 253	26 253	6 487	29 797	31 436	33 165
Contracted services		17 187	14 441	7 276	26 188	22 588	22 588	10 256	24 926	17 039	17 649
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	43 063	55 357	27 194	64 468	66 867	66 867	37 748	38 593	26 265	27 660
Loss on disposal of PPE		–	(552)	3 514	100	100	100	–	–	–	–
Total Expenditure		271 462	316 857	340 565	393 653	393 102	393 102	186 962	405 327	400 558	420 781
Surplus/(Deficit)		12 186	(65 614)	(27 523)	1 696	1 174	1 174	(13 167)	7 672	37 828	41 574
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		15 836	24 701	104 502	86 304	86 304	86 304	–	87 625	109 019	115 015
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education and Training)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589

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

1. Municipality anticipate receiving revenue of R412 million in 2018/2019 as compared to the 2017/18 adjusted budget revenue of R393 million. This represents the percentage increase of 5% against adjusted budget. Municipality major tariff were increased by 5.3% which is in linked to Consumer Price Index (CIP) as recommended by National Treasury under circular 91 and are summarised on the tariff book;
2. Revenue to be generated from property rates is projected to be R84 million in the 2018/19 financial year (before taking into account revenue forgone) which was increased from R79.1 million of the 2017/2018 adjusted budgets. The slight increase is due to implementation of objection on the latest valuation roll conducted by Municipality;
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R192 million for the 2018/19 which increased from R178 million 2017/18 adjusted budget

Services charges constitute 58% of the total revenue (excluding grants) base and grow by an average of 6% per annum in the coming forecast year of 2018/19;

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government; and
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Social and Community Services		11 835	13 197	4 654	5 118	5 118	5 118	5 118	-	8 849	20 091
Vote 8 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		38 137	47 374	79 789	79 871	79 871	79 871	79 871	86 244	98 719	91 877
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	49 972	60 571	84 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Single-year expenditure to be appropriated	2										
Vote 1 - Chief Financial Officer		-	416	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	250	600	250	250	250	250	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		-	721	-	-	-	-	-	3 000	-	-
Vote 7 - Social and Community Services		646	-	1 310	-	-	-	-	-	-	-
Vote 8 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		3 322	-	-	-	-	-	-	-	-	-
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 11 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 12 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		3 968	1 387	1 910	250	250	250	250	3 000	-	-
Total Capital Expenditure - Vote		53 940	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Capital Expenditure - Functional											
Governance and administration		-	666	600	250	250	250	250	-	-	-
Executive and council		-	250	600	250	250	250	250	-	-	-
Finance and administration		-	416	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	13 197	5 964	5 118	5 118	5 118	5 118	-	8 849	20 091
Community and social services		-	8 673	1 310	-	-	-	-	-	8 849	20 091
Sport and recreation		-	4 524	4 654	5 118	5 118	5 118	5 118	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		13 868	31 870	20 727	14 871	14 871	14 871	14 871	15 999	18 719	7 477
Planning and development		646	721	-	-	-	-	-	3 000	-	-
Road transport		13 223	31 150	20 727	14 871	14 871	14 871	14 871	12 999	18 719	7 477
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		28 236	16 224	59 062	65 000	65 000	65 000	65 000	73 245	80 000	84 400
Energy sources		-	2 079	28 000	25 000	25 000	25 000	25 000	20 000	35 000	36 925
Water management		28 236	10 000	30 000	40 000	40 000	40 000	40 000	40 000	45 000	47 475
Waste water management		-	4 146	1 062	-	-	-	-	13 245	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	42 105	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968
Funded by:											
National Government		24 701	50 792	79 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	24 701	50 792	79 443	84 989	84 989	84 989	84 989	86 244	107 568	111 968
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		29 239	11 165	6 910	250	250	250	250	3 000		
Total Capital Funding	7	53 940	61 958	86 353	85 239	85 239	85 239	85 239	89 244	107 568	111 968

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 (single - 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 department;
2. Single-year capital expenditure has been appropriated at R93 million for the 2018/2019 after taking into consideration PMU cost of R1.3 Million and internal funded project of R3 million;
3. Only R3 million has been budgeted from municipality's own sources for 2018/2019 financial period; and
4. The municipality has not budgeted for any long term borrowing to fund the capital programme.

Table 21 MBRR Table A6 -Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash	1	30 653	12 656	1 301	–	–	–	58 487	30 914	160 628	300 025
Call investment deposits		–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	30 776	27 852	24 657	24 128	24 128	24 128	24 128	29 335	30 801	32 341
Other debtors		7 184	3 970	3 742	11 632	11 632	11 632	11 632	12 422	13 267	13 267
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	106	134	204	100	100	100	100	120	135	135
Total current assets		68 718	44 613	29 903	35 860	35 860	35 860	94 346	72 791	204 832	345 768
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		175 141	176 953	353 361	177 000	177 000	177 000	177 000	181 000	183 000	185 000
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	513 038	539 035	659 841	635 454	635 454	635 454	635 454	676 758	720 748	720 748
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		2 669	2 603	2 679	3 000	3 000	3 000	3 000	3 000	32 000	3 400
Other non-current assets		10 122	1 205	258	–	–	–	–	–	–	–
Total non current assets		700 970	719 795	1 016 138	815 454	815 454	815 454	815 454	860 758	935 748	909 148
TOTAL ASSETS		769 688	764 408	1 046 041	851 314	851 314	851 314	909 800	933 550	1 140 580	1 254 916
LIABILITIES											
Current liabilities											
Bank overdraft	1	0	0	(2)	–	–	–	–	–	–	–
Borrowing	4	375	3 279	(0)	–	–	–	18 530	–	–	–
Consumer deposits		5 523	5 465	5 441	–	–	–	5 488	5 513	5 788	6 100
Trade and other payables	4	18 089	53 876	103 148	38 434	38 434	38 434	155 582	67 856	71 249	74 812
Provisions		13 085	16 978	20 286	–	–	–	44 088	11 550	12 128	13 000
Total current liabilities		37 073	79 598	128 873	38 434	38 434	38 434	223 688	84 919	89 165	93 912
Non current liabilities											
Borrowing		10 767	6 490	18 530	7 017	7 017	7 017	7 017	7 438	7 922	8 318
Provisions		51 448	45 707	77 871	30 072	30 072	30 072	30 072	31 876	33 948	35 457
Total non current liabilities		62 216	52 197	96 401	37 089	37 089	37 089	37 089	39 314	41 870	43 775
TOTAL LIABILITIES		99 288	131 795	225 275	75 523	75 523	75 523	260 777	124 234	131 035	137 686
NET ASSETS	5	670 399	632 613	820 767	775 790	775 790	775 790	649 023	809 316	1 009 545	1 117 229
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	670 399	632 613	820 767	775 790	775 790	775 790	649 023	809 316	1 009 545	1 117 229
Reserves		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	670 399	632 613	820 767	775 790	775 790	775 790	649 023	809 316	1 009 545	1 117 229

Explanatory notes to Table A6 - Budgeted Financial Position

1. 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
2. Table A6 is aligned with Municipal Standard Chart Of Account (mSCOA).
3. Table A6 is also consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet);
4. Table A6 is supported by an extensive table of notes 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;
 - Provisions non-current liabilities;
 - Changes in net assets; and
 - Reserves.
5. The Municipal's equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community; and

6. 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.
7. The Municipal total assets value is seating at R904 million during 2018/19 financial period and expected to grow to R1 billion during 2019/20.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

Description		Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 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 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			54 229	50 626	74 915	76 189	76 189	76 189	76 189	80 746	89 670	94 602
Service charges			72 148	151 079	164 013	169 841	169 841	169 841	169 841	182 477	202 585	213 734
Other revenue			28 210	9 759	35 773	47 372	47 372	47 372	47 372	37 381	39 437	41 606
Government - operating		1	58 544	67 205	71 118	77 639	77 639	77 639	77 639	83 931	91 213	96 081
Government - capital		1	24 701	37 047	79 442	86 304	86 304	86 304	86 304	87 625	109 019	115 015
Interest			8 317	6 235	8 300	11 360	11 360	11 360	11 360	14 673	15 480	16 332
Dividends			—	—	—	—	—	—	—	—	—	—
Payments												
Suppliers and employees			(226 714)	(264 950)	(300 856)	(342 144)	(342 144)	(342 144)	(392 144)	(309 001)	(307 904)	(323 906)
Finance charges			(201)	(6 496)	(2 646)	(4 000)	(4 000)	(4 000)	(4 000)	(7 317)	(7 317)	(7 317)
Transfers and Grants		1	—	—	—	—	—	—	—	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES			19 234	50 507	130 060	122 560	122 560	122 560	72 560	170 515	232 183	246 146
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			—	—	100	100	100	100	100	107	113	118
Decrease (increase) in non-current debtors			—	—	(63 682)	—	—	—	—	—	—	—
Decrease (increase) other non-current receivables			2 633	878	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments			—	—	—	—	—	—	—	—	—	—
Payments												
Capital assets			(53 940)	(61 958)	(86 353)	(85 239)	(85 239)	(85 239)	(96 239)	(89 244)	(107 568)	(111 968)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(51 307)	(61 080)	(149 935)	(85 139)	(85 139)	(85 139)	(96 139)	(89 137)	(107 455)	(111 850)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing			6 447	22 043	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits			—	(123)	5 350	(5 116)	(5 116)	(5 116)	(5 116)	4 458	4 985	5 100
Payments												
Repayment of borrowing			4 183	(3 279)	(28 533)	—	—	—	(27 530)	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES			10 630	18 642	(23 183)	(5 116)	(5 116)	(5 116)	(32 646)	4 458	4 985	5 100
NET INCREASE/ (DECREASE) IN CASH HELD			(21 443)	8 069	(43 058)	32 305	32 305	32 305	(56 225)	85 836	129 714	139 396
Cash/cash equivalents at the year begin:		2	33 622	12 179	20 248	(22 810)	—	1 303	1 303	(54 922)	30 914	160 628
Cash/cash equivalents at the year end:		2	12 179	20 248	(22 810)	9 495	32 305	33 608	(54 922)	30 914	160 628	300 025

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R30.9 million in 2018/2019; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	12 179	20 248	(22 810)	9 495	32 305	33 608	(54 922)	30 914	160 628	300 025
Other current investments > 90 days		18 474	(7 591)	24 113	(9 495)	(32 305)	(33 608)	113 408	-	-	-
Non current assets - investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		30 653	12 656	1 303	-	-	-	58 487	30 914	160 628	300 025
Application of cash and investments											
Unspent conditional transfers		293	0	25 503	-	-	-	598	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(13 540)	24 059	63 168	5 253	5 140	5 140	81 323	29 233	28 618	30 692
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(13 247)	24 059	88 671	5 253	5 140	5 140	81 921	29 233	28 618	30 692
Surplus(shortfall)		43 900	(11 403)	(87 368)	(5 253)	(5 140)	(5 140)	(23 434)	1 681	132 010	269 333

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2018/2019 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
6. The table shows that the budget is funded over the medium term, taking into account the working capital requirements.

Table 24 MBRR Table A9 - Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		#N/A	#N/A	#N/A	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	29 321	44 534	63 763	74 381	74 381	74 381	79 016	84 365	85 720
Roads Infrastructure		29 321	44 534	63 763	74 381	74 381	74 381	79 016	84 365	85 720
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		29 321	44 534	63 763	74 381	74 381	74 381	79 016	84 365	85 720
<u>Total Renewal of Existing Assets</u>	2	–	–	–	–	–	–	–	–	–
<u>Total Upgrading of Existing Assets</u>	6	24 619	17 424	16 990	11 972	11 972	11 972	5 973	1 879	1 879
Roads Infrastructure		24 619	17 424	16 990	11 972	11 972	11 972	5 973	1 879	1 879
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		24 619	17 424	16 990	11 972	11 972	11 972	5 973	1 879	1 879
Community Facilities		–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>	4									
Roads Infrastructure		53 940	61 958	80 752	86 353	86 353	86 353	84 989	86 244	87 599
Infrastructure		53 940	61 958	80 752	86 353	86 353	86 353	84 989	86 244	87 599
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class		53 940	61 958	80 752	86 353	86 353	86 353	84 989	86 244	87 599
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		356 467	67 000	201 812	218 547	218 547	218 547	225 113	239 746	255 329
Storm water Infrastructure			30 000	48 199	77 879	77 879	77 879	109 679	116 808	124 400
Electrical Infrastructure			25 000	95 866	127 666	127 666	127 666	169 006	179 992	191 691
Water Supply Infrastructure			44 000	65 018	65 879	65 879	65 879	69 831	74 370	79 204
Sanitation Infrastructure			150 000	35 536	37 669	37 669	37 669	39 929	42 524	45 288
Solid Waste Infrastructure										
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
Infrastructure		356 467	316 000	446 431	527 639	527 639	527 639	613 558	653 440	695 913
Community Facilities				36 534	43 055	43 055	43 055	50 188	53 450	56 924
Sport and Recreation Facilities				539	571	571	571	606	645	687
Community Assets		–	–	37 073	43 627	43 627	43 627	50 793	54 095	57 611
Heritage Assets										
Revenue Generating		176 953	343 301	177 000	178 000	178 000	178 000	181 000	183 000	185 000
Non-revenue Generating										
Investment properties		176 953	343 301	177 000	178 000	178 000	178 000	181 000	183 000	185 000
Operational Buildings		182 568	275 734	87 302	64 188	64 188	64 188	12 407	13 213	13 213
Housing										
Other Assets		182 568	275 734	87 302	64 188	64 188	64 188	12 407	13 213	13 213
Biological or Cultivated Assets										
Servitudes										
Licences and Rights		2 603	2 556	3 000	3 200	3 200	3 200	3 400	3 500	3 500
Intangible Assets		2 603	2 556	3 000	3 200	3 200	3 200	3 400	3 500	3 500
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	718 590	937 591	750 806	816 654	816 654	816 654	861 158	907 248	955 237
EXPENDITURE OTHER ITEMS										
<u>Depreciation</u>	7	–	–	–	–	–	–	–	–	–
<u>Repairs and Maintenance by Asset Class</u>	3	12 435	16 761	22 231	24 204	24 204	24 204	27 179	28 021	29 354
Roads Infrastructure		9 604	12 660	17 080	18 003	18 003	18 003	19 928	20 299	21 130
Infrastructure		9 604	12 660	17 080	18 003	18 003	18 003	19 928	20 299	21 130
Community Facilities		2 830	4 100	5 150	6 200	6 200	6 200	7 250	7 721	8 223
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		2 830	4 100	5 150	6 200	6 200	6 200	7 250	7 721	8 223
Heritage Assets		1	1	1	1	1	1	1	1	1
TOTAL EXPENDITURE OTHER ITEMS		12 435	16 761	22 231	24 204	24 204	24 204	27 179	28 021	29 354
<u>Renewal and upgrading of Existing Assets as % of total capex</u>		45.6%	28.1%	21.0%	13.9%	13.9%	13.9%	7.0%	2.2%	2.1%
<u>Renewal and upgrading of Existing Assets as % of deprecn</u>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>R&M as a % of PPE</u>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Renewal and upgrading and R&M as a % of PPE</u>		5.0%	4.0%	5.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The table shows that all the capital allocations are for new assets.
3. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 10% of PPE or 8.6% of the total value of PPE of R905 million for the 2018/19 financial year.
4. As noted in the previous reporting financial year, the Council has noted with concern the current level of allocation for renewal of assets and maintenance. For this reason, the Technical Services Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance.

Table 25 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling		14 073	14 073	14 073	14 073	14 073	14 073	14 073	14 073	14 073
Piped water inside yard (but not in dwelling)		855	855	855	855	855	855	855	855	855
Using public tap (at least min.service level)	2	3 136	3 136	3 136	3 136	3 136	3 136	3 136	3 136	3 136
Other water supply (at least min.service level)	4	4	4	4	4	4	4	4	4	4
<i>Minimum Service Level and Above sub-total</i>		18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	9 868	9 868	9 868	8 268	8 268	8 268	6 668	5 268	5 268
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		9 868	9 868	9 868	8 268	8 268	8 268	6 668	5 268	5 268
Total number of households	5	27 936	27 936	27 936	26 336	26 336	26 336	24 736	23 336	23 336
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		14 928	14 928	14 928	14 928	14 928	14 928	14 928	14 928	14 928
Flush toilet (with septic tank)		855	855	855	855	855	855	855	855	855
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		951	951	951	951	951	951	951	951	951
Other toilet provisions (> min.service level)		1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334
<i>Minimum Service Level and Above sub-total</i>		18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068	18 068
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		12 068	12 068	12 068	11 000	11 000	11 000	10 200	9 800	9 800
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		12 068	12 068	12 068	11 000	11 000	11 000	10 200	9 800	9 800
Total number of households	5	30 136	30 136	30 136	29 068	29 068	29 068	28 268	27 868	27 868
<u>Energy:</u>										
Electricity (at least min.service level)		577	577	577	577	577	577	577	577	577
Electricity - prepaid (min.service level)		14 556	14 766	14 766	15 126	15 126	15 126	15 426	15 845	15 845
<i>Minimum Service Level and Above sub-total</i>		15 133	15 343	15 343	15 703	15 703	15 703	16 003	16 422	16 422
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		2 725	2 725	2 725	2 365	2 365	2 365	2 065	2 065	2 065
<i>Below Minimum Service Level sub-total</i>		2 725	2 725	2 725	2 365	2 365	2 365	2 065	2 065	2 065
Total number of households	5	17 858	18 068	18 068	18 068	18 068	18 068	18 068	18 487	18 487
<u>Refuse:</u>										
Removed at least once a week		16 300	16 300	16 300	16 450	16 450	16 450	16 600	16 600	16 600
<i>Minimum Service Level and Above sub-total</i>		16 300	16 300	16 300	16 450	16 450	16 450	16 600	16 600	16 600
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
<i>Below Minimum Service Level sub-total</i>		3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445	3 445
Total number of households	5	19 745	19 745	19 745	19 895	19 895	19 895	20 045	20 045	20 045
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		-	-	-	-	-	-	-	-	-
Highest level of free service provided per household										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		19 093	25 838	28 274	31 416	27 489	27 489	33 876	35 739	37 705
Water (in excess of 6 kilolitres per indigent household per month)		2 074	3 528	5 251	6 627	6 627	6 627	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		1 407	2 116	8 567	9 459	9 459	9 459	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		17	(4)	3 559	-	11 806	11 806	-	-	-
Refuse (in excess of one removal a week for indigent households)		1 501	2 254	2 538	-	3 644	3 644	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	24 092	33 731	48 188	47 502	59 025	59 025	33 876	35 739	37 705

Explanatory notes to Table A10 - Basic Service Delivery Measurement

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

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

2.1.1 Overview of the annual IDP/ budget process

In terms of the MFMA (Act no 56 of 2003), 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year

This Medium-Term Revenue and Expenditure Framework (MTREF) Report for the 2018/2019 to 2020/2021 financial years deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Bela-Bela Local Municipality renders services to its local community in a sustainable manner.

The MTREF Report starts with a discussion of the legislative requirements to which the Municipality must adhere to, the MFMA budget circulars with directives issued by National Treasury, the budget related policies of Council and budget assumptions for next three financial years based on these documents and assumed economic trends. A high-level summary of the operating and capital budget followed with appropriate recommendations. Supporting information in the form of appendices, annexures and tables will form part of this report.

Circular 91 as issued by National Treasury highlighted one key area which require serious consideration by all Municipality which relate to institutional challenges and mismanagement that result in service delivery failures, bad debt accumulation, limited cash flows and consequent non-payment of creditors.

Section 53 of the MFMA further 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.

2.1.2. Budget Process Overview

The preparation of a reviewed IDP/ Budget is based on a Process Plan, which Bela-Bela Local Municipality adopted in terms of the MFMA. The Plan establishes a firm foundation for the alignment of the IDP and budget preparation processes. This plan included the following:

-

- a programme specifying the time frames for the different planning steps;
- appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP finalizing process;
- an indication of the organisational arrangements for the IDP process;
- binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

- to guide decision making in respect of service delivery and public sector investment;
- to inform budgets and Service delivery programs of various government departments and service agencies; and
- to coordinate the activities of various service delivery agencies within Bela-Bela Local Municipality.

There were no deviations from the key dates set out on circular 86.

2.2. IDP and Service Delivery and Budget Implementation Plan

Municipality IDP for 2018/19 is on its third year term since the council was sworn in during 2016. The 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 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;
- Revision of the IDP, and
- The review of the performance management and monitoring processes.

The new IDP has been considered for deliberation with all other stakeholders, such as community, provincial treasury and national treasury.

With the compilation of the 2018/2019 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 2018/2019 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.

2.2.1. Service Level Standards

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of each tabled MTREF budget documentation. The services level standard will be able to monitor the level in which service delivery is achieved by each department.

Service level standard details the expectation which each department need to achieve in order to successfully attain service delivery to the community.

Bela-Bela Local Municipal will continue to implement service level standard in the 2018/2019 budget year. Bellow table summarise only key services delivery standard (For a full services delivery standard can be provided on a separate document)

Table 26: Service level standards

Standard	Key Service level
Solid Waste Removal	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)
	Clearing of illegal dumping (24hours)
Water Service	Water Quality rating (Blue Drop 71%)
	Is free water available to all? (All/only to the indigent consumers)
	Frequency of meter reading? (Once per month,)
Electricity Service	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)
	How long does it take to replace faulty meters? (seven days)
	How effective is the action plan in curbing line losses? (Good/Bad)
Sewerage Service	How long does it take to restore sewerage breakages on average
	Severe overflow? (hours)
	Sewer blocked pipes: Large pipes? (Hours)
	Sewer blocked pipes: Small pipes? (Hours)
	Spillage clean-up? (hours)
	Replacement of manhole covers? (Hours)
Road Infrastructure Services	Time taken to repair a single pothole on a major road? (Hours)
Property valuations	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
Financial Management	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease)
	How long does it take to finalise a tender after closing date (5 working days)
Administration	Reaction time on enquiries and requests?
	Time to respond to a verbal customer enquiry or request? (immediately / one working days)
	Time to respond to a written customer enquiry or request? (7 working days)
	Time to resolve a customer enquiry or request? (2 working days)
	What percentage of calls are not answered? (5%)
Community safety and licensing services	How long does it take to register a vehicle? (minutes)
Economic development	How many economic development projects does the municipality drive?
Other Service delivery and communication	Does the municipality have training or information sessions to inform the community? (Yes)

2.3 Community Consultation

The draft 2018/2019 MTREF as tabled before Council on **23 March 2017** for community consultation has been published on the municipality's website, and hard copies have been made available at municipal offices and municipal library. Electronic and hard copies will be sent to National Treasury and the Limpopo Provincial Treasury.

The Municipality held public participation sessions with the communities in nine (9) wards. A budget summary document, is issued and discussed at these sessions. Comments were also received from the local communities. The applicable dates and venues were published in all the local newspapers. The respond from the Municipality to all input are included on the budget for council to consider.

2.4 Overview of alignment of annual budget with IDP

Bellow table provide overview alignment of the 2018/19 budget to 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 the municipality correlate with National Development Plan as well as National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent manner to improve the quality of life for all the people living in that area. Applied to the Bela-Bela Local 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 (PGDS);
- 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 2014 Vision;
- 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. The following table highlights the final IDP's five strategic objectives for the 2018/2019 MTREF and further planning refinements that have directly inform this plan.

Table 27: IDP Strategic Objectives

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
PREPARATION PHASE	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	<ul style="list-style-type: none"> Approved 2018/2019 IDP, Budget and PMS process plan 	July 2017
	MECs Assessment of 2016- 2017 IDP	IDP Manager /Municipal Manager		July 2015 – August 2016
	Council Sitting	Mayor/ Municipal Manager		July 2017
	Develop Draft 2018/2019 IDP, Budget and PMS process plan	IDP Manager		August 2017
	Tabling of 2018/2019 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		August 2017
	1 st Waterberg District Forum Representative Forum	IDP Manager		August 2017
	Tabling Draft 2018/2019 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		August 2017
	Publication of IDP 2018/2019 IDP, Budget and PMS Process Plan	IDP Manager		August 2017
	Submission of 2016/ 2017 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		August 2017
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		September 2017
	First IDP Representative Forum	Municipal Manager/ Mayor		September 2017

ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	<ul style="list-style-type: none"> • Priority issues/problems • Understanding of causes of priority issues/problems 	September 2017
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		September 2017
	1 st Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		September 2017
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity Revisit Community Needs, Consult, and Assess Community Based Planning (CBP) Wards Consultative Meetings	Budget & Treasury and IDP Manager		October 2017
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		October 2017
	Council Sitting	Mayor & Municipal Manage		October 2017
	Second 2018/2019 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		November 2017
	Second 2018/2019 IDP Representatives Forum	Mayor/ Municipal Manager		November 2017
	Draft 2018/2019 IDP Analysis Phase Completed	IDP Manager		November 2017
	2 nd WDM Representative Forum	WDM		November 2017

	2 nd Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		November 2017
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2017
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2017
STRATEGIES PHASE			<ul style="list-style-type: none"> • Vision(For Municipality) • Objectives(For each priority issue) • Strategic options and choice of strategy • Tentative financial framework for projects • Identification of projects 	
	WDM Strategic Planning Session	WDM		January 2018
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		January 2018
	Draft 2018/2019 Mid – Year Report and Draft 2015/ 2016 Annual Report	All Departments/Municipal Manager		January 2018
	3 rd Provincial IDP Consultative Form	COGHSTA, OTP and WDM		February 2018
	Strategic Planning Session	IDP Manager /Municipal Manager		February 2018
	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		March 2018
	Third IDP Representative Forum	Mayor & Municipal Manager		March 2018
PROJECTS PHASE	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> • Project output, targets, and location • Project related 	Week 2 March 2018
	3 RD WDM IDP Representatives Forum	WDM		March 2018

	Submission of 2016/ 2017 Annual Report to council for Approval	IDP Manager & Municipal Manager	activities and time schedule • Cost and budget estimates • Performance Indicators	March 2018
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2018
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		March 2018
INTEGRATION PHASE	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	• 5 Year Financial Plan • 5 Year Capital Investment Plan • Institutional Plan • Reference to Sector Plans • Integrated Sectoral Plans	April 2018
	2018/2019 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		April 2018
	4 th IDP Steering Committee Meeting	IDP Manager/Municipal Manager		May 2018
	4 th IDP Representative forum	Mayor & Municipal Manager		May 2018
	4 TH WDM Representative Forum	WDM		May 2018
	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		May 2018

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

2.5 Free Basic Services: basic social services package for households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Indigent households receive free basic water of 6kl and 50 kwh of electricity per month. For the 2018/19 financial year 5,000 registered indigents have been provided for in the budget. The figure was depicted based on baseline of actually registered indigent 4607 during 2017/18 financial period. The threshold for qualification as an indigent is the pension of two people in a household, i.e. R3, 200 per month. Indigent households must approach the municipality and provide the required documentation. The total cost of free basic services amounts to R33 million for the 2018/19 financial.

2.6 Providing clean water and managing waste water

Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Magalies Water is the water services provider.

Approximately 50% of the Municipality's bulk water needs are provided by Magalies Water in the form of purified water. The remaining 50% is generated from the Municipality's own water sources, such as boreholes and the dams.

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

Bela-Bela Local Municipality has in past achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant in the 2013/14 financial year.

The following is briefly the main challenges facing the Municipality as indicated s route course on the blue drop outcome:

- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- Aging infrastructure.

2.7 Measurable performance objectives and indicators

The table below shows the key measurable financial indicators of the Bela-Bela Local Municipality. With time permitting and availability of information, these indicators will be benchmarked against the indicators of other municipalities of similar type, size and functions.

Table 28 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	-0.3%	3.2%	11.4%	1.0%	1.0%	1.0%	14.7%	1.8%	1.8%	1.7%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	-0.4%	5.3%	16.1%	1.3%	1.3%	1.3%	20.5%	2.2%	2.1%	2.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	22.0%	197.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.9	0.6	0.2	0.9	0.9	0.9	0.4	0.5	2.0	3.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.9	0.6	0.2	0.9	0.9	0.9	0.4	0.5	2.0	3.3
Liquidity Ratio	Monetary Assets/Current Liabilities	0.8	0.2	0.0	–	–	–	0.3	0.4	1.8	3.2
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Lev el %)	Last 12 Mths Receipts/Last 12 Mths Billing		75.8%	119.5%	83.5%	95.0%	95.4%	95.4%	191.0%	95.0%	100.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		74.2%	119.0%	113.9%	95.0%	95.4%	95.4%	191.0%	95.0%	100.0%	100.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.4%	12.7%	9.1%	9.0%	9.1%	9.1%	20.6%	3.0%	3.0%	2.9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		108.6%	293.9%	-420.0%	404.8%	119.0%	114.4%	-290.7%	219.5%	44.4%	24.9%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.6%	35.8%	35.1%	30.3%	30.4%	30.4%	34.3%	31.2%	30.7%	30.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.4%	6.7%	7.1%	6.1%	6.1%	6.1%		6.6%	6.4%	6.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.5%	13.8%	19.0%	9.1%	9.1%	9.1%	0.3%	13.4%	13.1%	12.8%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	23.1	5.2	21.3	28.0	28.0	28.0	9.1	21.3	21.3	22.4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.2%	18.6%	13.5%	13.7%	13.8%	13.8%	27.6%	4.5%	4.5%	4.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.7	1.0	(1.1)	0.4	1.3	1.3	(5.0)	1.2	6.1	10.8

2.8 Overview of budget related-policies

In Table 29 below, the relevant budget related policies are set out.

Policies				
No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	Feb 2018	In use	With effect from 01/07/2018
2	Property Rates Policy	Feb 2018	In use	With effect from 01/07/2018
3	Assets Management Policy	Feb 2018	In use	With effect from 01/07/2018
4	Indigent Policy	Feb 2018	In use	With effect from 01/07/2018
5	Borrowing framework policy	Feb 2018	In use	With effect from 01/07/2018
6	Budget Implementation and Monitoring Policy	Feb 2018	In use	With effect from 01/07/2018
7	Cash Management and Investment Policy	Feb 2018	In use	With effect from 01/07/2018
8	Funding Reserves Policy	Feb 2018	In use	With effect from 01/07/2018
9	Prioritisation Model for Capital Assets Investment	Feb 2018	In use	With effect from 01/07/2018
10	Policy on Infrastructure Investment and Capital Projects	Feb 2018	In use	With effect from 01/07/2018
11	Policy on Long Term Financial Planning	Feb 2018	In use	With effect from 01/07/2018
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	Feb 2018	In use	With effect from 01/07/2018
13	Principles and Policy on Tariffs	Feb 2018	In use	With effect from 01/07/2018
14	Petty Cash Policy	Feb 2018	In use	With effect from 01/07/2018
15	Supply Chain Management Policy	Feb 2018	In use	With effect from 01/07/2018
16	Expenditure management policy	Feb 2018	In use	With effect from 01/07/2018

Amendments in Supply Chain management policy

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.
- One other consideration taken into the policy was the review in order to provide transparency in the procurement process and eliminate any non-compliance raised by AG in the past (Eg, mandatory rotation process on suppliers when procuring goods).
- The revised standard and model infrastructure procurement measures were also added

Tariff Policy

There are no major changes in the tariff policy other than the annual increment as recommended by National Treasury, NERSA and Magalies Water.

Principles and policy on writing off of doubtful and irrecoverable debts – Continuation from previous financial year.

- All debtors whose accounts are 60 days or older will be allowed to get 50% discount provided that they pay the other 50% balance immediately.

2.9 Overview of budget assumptions

Table below provide the budget assumptions issues which depict the next two years assumed percentage increases.

Council's wage bill, bulk purchases and capital charges constitutes majority on our operating budget expenditure. Council have very little control over them since the cost of living salary increases are determined at a higher authority (Bargaining Council level); bulk electricity purchases by NERSA; bulk water purchase by Magalies; and, interest on loans to be set by borrowing authorities (Financial Institutions).

The cost of living and notch increases on the wage bill amounted to an average of 7%.

The MFMA Budget Circular 91, dated 07th March 2018, advises of the following CPI increases:

Table 30: CPI Inflation

Fiscal year	2018/19	2019/20	2020/21
CPI Inflation	5.3%	5.4%	5.5%

This means that any increases above the 5.3% (inflation target) should be motivated in the budget, considering cost reflective tariffs, affordability and indigents.

The estimated operating revenue stream increases are projected to fund the operating budget expenditure. It must be emphasised that to balance the operating budget, senior management had to cut material amount worth of operating expenditure requests that exceeded the affordable and sustainable revenue streams.

The revenue streams increases/decreases for 2018/2019 compared to adjusted budget are as follows:

Table 31: 2018/19 revenue increases vs 2017/18 adjusted budget

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	53 069	54 229	62 468	80 199	79 126	79 126	41 988	84 996	89 670	94 602
Service charges - electricity revenue	2	84 138	84 980	102 848	124 567	124 567	124 567	58 338	133 286	140 617	148 351
Service charges - water revenue	2	18 780	17 523	23 259	26 979	26 979	26 979	14 493	29 540	31 165	32 879
Service charges - sanitation revenue	2	6 816	6 366	14 862	16 143	16 143	16 143	9 287	17 332	18 285	19 291
Service charges - refuse revenue	2	6 030	5 469	6 074	9 969	9 969	9 969	4 546	10 666	11 253	11 872
Service charges - other		1 407	1 000	261	1 123	1 123	1 123	158	1 194	1 266	1 342
Rental of facilities and equipment		998	1 114	1 099	1 813	1 813	1 813	629	1 939	2 046	2 158
Interest earned - external investments		782	2 268	2 583	1 510	1 510	1 510	84	4 069	4 293	4 529
Interest earned - outstanding debtors		3 891	6 049	7 896	9 850	9 850	9 850	2 030	10 604	11 187	11 803
Dividends received		—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		29 904	4 451	12 756	25 000	25 000	25 000	—	19 598	20 676	21 813
Licences and permits		9 123	2 742	3 256	16 500	16 500	16 500	986	7 259	7 658	8 079
Agency services		—	—	—	—	—	—	—	—	—	—
Transfers and subsidies		63 582	59 137	71 426	77 639	77 639	77 639	39 765	83 931	91 213	96 081
Other revenue	2	5 129	5 915	4 252	4 059	4 059	4 059	1 491	8 585	9 057	9 555
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		283 648	251 243	313 042	395 350	394 277	394 277	173 795	412 999	438 386	462 355

Council is sensitive to the affordability and sustainability of the tariffs to be imposed. We carefully monitor the payment and collection rates and are thankful that the customer base of Bela-Bela Local Municipality pays more than 85% of their billed accounts. Through the financial support and incentives envisaged through our new budget related policies developed we are hopeful that the payment rate will increase to over 95% over the next 12 months.

2.9.1 General inflation outlook and its impact on the municipal activities

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

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bela-Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 33% of total operating expenditure in the 2018/2019 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.9.2. Employee cost

Table 32 below depicts the break-down of employee related costs.

Table 32 MBRR Table SA22 - Summary of Employees and Councillors remuneration

Total salary cost for all municipality employees excluding councillor is budgeted at R128.9 million from R119.7 million of the 2017/2018 adjusted budgets. Council salaries for 2018/19 budget year are increased by 6% from the previous financial year.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost to the municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal Manager must be disclosed.

Table 33: Remuneration of political and administrative leadership

NO.	Position	NEW PACKAGE JAN-2018
1	Mayor	840 313.00
2	Speaker	681 131.00
3	Chief Whip	641 336.00
4	EC Member (Full time)	641 336.00
5	EC Member (Part time)	377 418.00
5	S79 Chairperson	367 642.00
6	Other ordinary councilor	296 277.00
7	Municipal Manager	1 497 314.00
8	Other S56 Managers	996 501.00

2.9.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality did not budget to raise any long-term loans due to the squeezed cash position and low payment levels.

2.9.4 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (90%) of annual billings. Cash flow is assumed to be 95% of billings excluding collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.9.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' 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.

2.9.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early last year, form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. However, it is also important to take cognisance of the fact that some of these priorities are not directly linked to the powers and functions assigned to the municipality. Nevertheless, efforts will be made to contribute to these priorities.

2.9.7. Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (application > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years

there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	12 179	20 248	(22 810)	9 495	32 305	33 608	(54 922)	30 914	160 628	300 025
Other current investments > 90 days		18 474	(7 591)	24 113	(9 495)	(32 305)	(33 608)	113 408	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		30 653	12 656	1 303	-	-	-	58 487	30 914	160 628	300 025
Application of cash and investments											
Unspent conditional transfers		293	0	25 503	-	-	-	598	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(13 540)	24 059	63 168	5 253	5 140	5 140	81 323	29 233	28 618	30 692
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(13 247)	24 059	88 671	5 253	5 140	5 140	81 921	29 233	28 618	30 692
Surplus(shortfall)		43 900	(11 403)	(87 368)	(5 253)	(5 140)	(5 140)	(23 434)	1 681	132 010	269 333

The following breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is, obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year, unless the funds are committed to identifiable programmes and/or projects;
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites. The municipality has indicated its intention to build up cash-backed reserve in terms of its reserve policy; and
- It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.9.8 Funding compliance measurement

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

Table 35 MBRR Table SA10 – Funding compliance measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	12 179	20 248	(22 810)	9 495	32 305	33 608	(54 922)	30 914	160 628	300 025
Cash + investments at the yr end less applications - R'000	18(1)b	2	43 900	(11 403)	(87 368)	(5 253)	(5 140)	(5 140)	(23 434)	1 681	132 010	269 333
Cash year end/monthly employee/supplier payments	18(1)b	3	0.7	1.0	(1.1)	0.4	1.3	1.3	(5.0)	1.2	6.1	10.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	28 022	(40 914)	76 979	88 000	87 478	87 478	(13 167)	95 297	146 847	156 589
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	(6.4%)	17.7%	17.5%	(6.4%)	(6.0%)	(56.1%)	1.4%	(0.5%)	(0.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	70.5%	111.4%	114.9%	92.8%	93.1%	93.1%	219.0%	92.5%	96.7%	96.7%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	15.0%	17.9%	15.4%	5.8%	6.6%	6.6%	11.9%	6.1%	6.2%	6.3%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	112.9%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	22.0%	197.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(16.2%)	(10.8%)	25.9%	0.0%	0.0%	0.0%	16.8%	5.5%	3.5%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.4%	3.1%	3.4%	3.8%	3.8%	3.8%	4.3%	4.0%	3.9%	4.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Cash/cash equivalent position

The municipality's forecast position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

Cash plus investment less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is on Table 33 above. The reconciliation is intended to be relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

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

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

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. For 2018/2019 financial year the municipality has not budgeted for any borrowing to finance capital expenditure.

Transfers/grants revenue as a percentage of Government transfers/grants Available

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

Consumer debtors change (Current and Non-current)

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

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. The municipality has budgeted to spend 7% of the operating budget on repairs and maintenance for the 2018/2019 financial year.

Asset renewal/rehabilitation expenditure level

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

In summary, the funding compliance measurement above shows that serious attempts were made to make the budget funded. This is in line with the recommendations made by the National and Provincial Treasuries.

2.9.9. Allocations and grant made by the municipality

The municipality has not budgeted to make any allocations or grants to individuals or external parties.

2.11 Expenditure on allocation and grant programme

The table below shows the projected expenditure against the grants receipts.

Table 36 MBRR Table SA19 – Expenditure on transfer and grant programmes

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		57 866	67 041	71 118	77 639	77 639	77 639	85 631	92 913	97 781
Local Government Equitable Share		54 332	63 428	68 411	74 939	74 939	74 939	83 931	91 213	96 081
Finance Management		1 600	1 600	1 625	1 700	1 700	1 700	1 700	1 700	1 700
EPWP Incentive		934	930	1 082	1 000	1 000	1 000			
EPWP Incentive		1 000	1 083							
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		57 866	67 041	71 118	77 639	77 639	77 639	85 631	92 913	97 781
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant (MIG)										
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		57 866	67 041	71 118	77 639	77 639	77 639	85 631	92 913	97 781

2.12 Annual budget and SDBIP – Internal departments

The municipality provides major infrastructure projects internally, though some technical work is contracted to professional service providers such as designs. The key service delivery departments are Technical Services and Social and Community Services. The Planning and IDP Department also does some work related to job creation and Local Economic Development, including Town Planning and establishment.

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. Majority of the capital budget is allocated to Technical Services followed by Social and Community Services department.

The Senior Managers submit their departmental Service Delivery and Budget Implementation Plans to the Municipal Manager and then compiles the municipal SDBIP which is submitted to the Mayor and tabled with the budget. These SDBIP form the basis of performance agreements.

2.13 Contracts having future budgetary implications

The municipality does have contracts that go beyond the three years.

2.14 Monthly target for revenue, expenditure and cash flow

The following tables depict the monthly target for revenue, expenditure and cash flow.

Table 37 MBRR Table SA25 – Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue By Source																
Property rates		6 954	6 945	6 223	6 252	7 362	7 665	7 223	7 656	7 585	7 426	6 457	7 249	84 996	89 670	94 602
Service charges - electricity revenue		11 122	10 667	10 135	9 396	10 161	10 437	10 397	10 973	10 397	11 345	13 345	14 913	133 286	140 617	148 351
Service charges - water revenue		1 025	125	2 469	2 118	2 304	2 125	2 125	4 406	2 306	2 104	3 506	4 926	29 540	31 165	32 879
Service charges - sanitation revenue		1 197	1 102	1 222	1 061	1 020	2 103	1 013	1 255	2 133	1 953	1 621	1 653	17 332	18 285	19 291
Service charges - refuse revenue		728	607	698	698	758	1 124	803	803	903	803	958	1 783	10 666	11 253	11 872
Service charges - other		99	85	79	88	99	99	102	102	102	98	98	143	1 194	1 266	1 342
Rental of facilities and equipment		88	85	85	89	93	99	93	99	89	91	89	939	1 939	2 046	2 158
Interest earned - external investments		20	21	23	24	—	450	460	510	650	650	650	611	4 069	4 293	4 529
Interest earned - outstanding debtors		1 258	873	790	707	1 126	1 345	566	688	611	641	502	1 496	10 604	11 187	11 803
Dividends received		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		2 025	2 027	2 029	2 031	2 033	2 035	2 037	1 039	1 042	1 044	1 046	1 210	19 598	20 676	21 813
Licences and permits		890	795	560	569	345	652	456	650	850	658	456	378	7 259	7 658	8 079
Agency services		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and subsidies		30 547	6 297	—	—	20 415	—	4 762	403	15 215	—	—	6 292	83 931	91 213	96 081
Other revenue		354	363	374	384	295	306	317	329	341	353	366	4 803	8 585	9 057	9 555
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		56 307	29 993	24 686	23 417	46 011	28 440	30 354	28 913	42 224	27 166	29 093	46 396	412 999	438 386	462 355
Expenditure By Type																
Employee related costs		9 858	9 857	9 587	9 859	9 858	9 875	9 897	9 900	9 989	9 989	10 988	19 280	128 936	134 643	141 718
Remuneration of councillors		382	405	429	455	482	511	542	574	609	645	684	1 645	7 364	7 769	8 197
Debt impairment		1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	3 250	17 000	18 190	19 463
Depreciation & asset impairment		3 333	2 083	2 500	2 650	4 568	3 560	3 650	3 890	4 580	5 650	2 083	9 452	48 000	49 938	51 990
Finance charges		220	150	220	365	356	450	650	750	650	650	980	1 875	7 317	7 317	7 317
Bulk purchases		8 742	8 842	7 742	7 742	6 646	6 987	6 641	7 785	8 742	9 742	9 742	14 039	103 393	107 961	113 624
Other materials		2 484	2 643	2 643	2 658	2 053	2 015	1 985	1 658	2 643	2 643	2 643	3 730	29 797	31 436	33 165
Contracted services		1 769	1 773	1 777	1 782	1 786	1 791	1 795	1 800	1 804	1 809	1 813	5 227	24 926	17 039	17 649
Transfers and subsidies		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenditure		1 250	1 256	1 350	2 365	1 252	2 560	4 500	3 560	5 689	6 503	5 200	3 109	38 593	26 265	27 660
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure		29 289	28 259	27 499	29 126	28 251	29 000	30 911	31 167	35 956	38 881	35 383	61 606	405 327	400 558	420 781
Surplus/(Deficit)																
		27 018	1 734	(2 813)	(5 709)	17 760	(560)	(557)	(2 254)	6 268	(11 714)	(6 290)	(15 210)	7 672	37 828	41 574
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		16 924	6 502	11 575	6 916	13 296	2 254	2 223	1 975	8 895	5 512	4 452	7 100	87 625	109 019	115 015
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions																
Taxation		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Attributable to minorities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	1	43 942	8 236	8 762	1 206	31 055	1 694	1 665	(278)	15 163	(6 202)	(1 837)	(8 110)	95 297	146 847	156 589

Table 38 MBRR Table SA30 – Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source													1		
Property rates	6 954	6 945	6 223	6 252	7 362	7 665	7 223	7 656	7 585	7 426	6 457	2 999	80 746	89 670	94 602
Service charges - electricity revenue	11 122	10 667	10 135	9 396	10 161	10 437	10 397	10 973	10 397	11 345	13 345	8 248	126 622	140 617	148 351
Service charges - water revenue	1 025	125	2 469	2 118	2 304	2 125	2 125	4 406	2 306	2 104	3 506	3 449	28 063	31 165	32 879
Service charges - sanitation revenue	1 197	1 102	1 222	1 061	1 020	2 103	1 013	1 255	2 133	1 953	1 621	786	16 465	18 285	19 291
Service charges - refuse revenue	728	607	698	698	758	1 124	803	803	903	803	958	1 250	10 133	11 253	11 872
Service charges - other	99	85	79	88	99	99	102	102	102	98	98	143	1 194	1 266	1 342
Rental of facilities and equipment	88	85	85	89	93	99	93	99	89	91	89	939	1 939	2 046	2 158
Interest earned - external investments	20	21	23	24	–	450	460	510	650	650	650	611	4 069	4 293	4 529
Interest earned - outstanding debtors	1 258	873	790	707	1 126	1 345	566	688	611	641	502	1 496	10 604	11 187	11 803
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	2 025	2 027	2 029	2 031	2 033	2 035	2 037	1 039	1 042	1 044	1 046	1 210	19 598	20 676	21 813
Licences and permits	890	795	560	569	345	652	456	650	850	658	456	378	7 259	7 658	8 079
Transfer receipts - operational	30 547	6 297	–	–	20 415	–	4 762	403	15 215	–	–	6 292	83 931	91 213	96 081
Other revenue	354	363	374	384	295	306	317	329	341	353	366	4 803	8 585	9 057	9 555
Cash Receipts by Source	56 307	29 993	24 686	23 417	46 011	28 440	30 354	28 913	42 224	27 166	29 093	32 605	399 208	438 386	462 355
Other Cash Flows by Source															
Transfer receipts - capital	16 924	6 502	11 575	6 916	13 296	2 254	2 223	1 975	8 895	5 512	4 452	7 100	87 625	109 019	115 015
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	107	107	113	118
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	4 458	4 458	4 985	5 100
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	73 231	36 495	36 261	30 332	59 307	30 694	32 576	30 888	51 119	32 679	33 546	44 270	491 398	552 504	582 588
Cash Payments by Type															
Employee related costs	9 858	9 857	9 587	9 859	9 858	9 875	9 897	9 900	9 989	9 989	10 988	19 280	128 936	134 643	141 718
Remuneration of councillors	382	405	429	455	482	511	542	574	609	645	684	1 645	7 364	7 769	8 197
Finance charges	220	150	220	365	356	450	650	750	650	650	980	1 875	7 317	7 317	7 317
Bulk purchases - Electricity	8 742	8 842	7 742	7 742	6 646	6 987	6 641	7 785	8 742	9 742	9 742	8 374	97 729	101 985	107 319
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	5 664	5 664	5 976	6 304
Other materials	2 484	2 643	2 643	2 658	2 053	2 015	1 985	1 658	2 643	2 643	2 643	3 730	29 797	31 436	33 165
Contracted services	1 769	1 773	1 777	1 782	1 786	1 791	1 795	1 800	1 804	1 809	1 813	5 227	24 926	17 039	17 649
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	1 250	1 256	1 350	2 365	1 252	2 560	4 500	3 560	5 689	6 503	5 200	3 109	38 593	9 057	9 555
Cash Payments by Type	24 705	24 926	23 749	25 226	22 433	24 190	26 011	26 027	30 126	31 981	32 050	48 904	340 327	315 222	331 224
Other Cash Flows/Payments by Type															
Capital assets	–	–	–	–	–	–	–	–	–	–	–	89 244	89 244	107 568	111 968
Repayment of borrowing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Cash Flows s/Payments															
Total Cash Payments by Type	24 705	24 926	23 749	25 226	22 433	24 190	26 011	26 027	30 126	31 981	32 050	138 148	429 571	422 790	443 192
NET INCREASE/(DECREASE) IN CASH HELD	48 525	11 570	12 512	5 106	36 873	6 504	6 565	4 862	20 993	698	1 496	(93 878)	61 827	129 714	139 396
Cash/cash equivalents at the month/year begin:	(54 922)	(6 397)	5 173	17 685	22 792	59 665	66 170	72 735	77 597	98 590	99 288	100 784	(54 922)	6 906	136 620
Cash/cash equivalents at the month/year end:	(6 397)	5 173	17 685	22 792	59 665	66 170	72 735	77 597	98 590	99 288	100 784	6 906	6 906	136 620	276 016

2.15 Legislation compliance status

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

- **In-year reporting**

Reporting to National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. However, changes in the new financial system are expected to improve the quality of the reports.

- **Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has hired 4 local graduates in the internship program ending June 2018.

- **Budget and Treasury Office**

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

- **Audit Committee**

A shared Audit Committee with the Waterberg District municipality has been established and is fully functional.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a final stage and will be finalised after approval of the 2018/19 MTREF directly aligned and informed by the 2017/18 MTREF.

- **Annual Report**

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

- **MFMA Training**

The relevant managers are attending the MFMA accredited training.

- **Policies**

The following policies have been reviewed in the light of this new budget;

- Credit control and debt collection;
- Rates;
- Indigent;
- Irrecoverable debt; and
- Tariffs.

2.16 Quality certification

I,, in my capacity as accounting officer of the municipality, hereby certify that:

- This budget complies with the legislative framework;
- The budget, once approved by Council, will be taken through the required consultation processes to obtain the stakeholders' inputs;
- The relevant budget return forms have been submitted to the local government database.

Print Name _____

Municipal manager of _____

(name and demarcation code of municipality)

Signature _____

Date _____

Annexure 1: Budget tables

Annexure 2: Tariff book

Annexure 3: Amended budget related policies and By-Laws

Annexure 4: Organizational Structure

Annexure 5: Service standards

Annexure 6: Strategic Risk Register