

# ANNUAL BUDGET OF BUFFALO CITY METROPOLITAN MUNICIPALITY



## 2015/2016 TO 2017/18 DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET 31 MARCH 2015

# Table of Contents

<b>LIST OF TABLES.....</b>	<b>III</b>
<b>LIST OF FIGURES.....</b>	<b>V</b>
<b>ABBREVIATIONS AND ACRONYMS .....</b>	<b>VI</b>
<b>PART 1 – ANNUAL BUDGET.....</b>	<b>1</b>
<b>1.1 EXECUTIVE MAYOR’S REPORT .....</b>	<b>1</b>
<b>1.2 COUNCIL RESOLUTIONS.....</b>	<b>6</b>
<b>1.3 EXECUTIVE SUMMARY.....</b>	<b>9</b>
<b>1.5 OPERATING EXPENDITURE FRAMEWORK .....</b>	<b>39</b>
<b>1.6 CAPITAL EXPENDITURE FRAMEWORK.....</b>	<b>44</b>
<b>1.7 ANNUAL BUDGET TABLES .....</b>	<b>47</b>
<b>PART 2 – SUPPORTING DOCUMENTATION.....</b>	<b>56</b>
<b>2.1 OVERVIEW OF ANNUAL BUDGET PROCESS .....</b>	<b>56</b>
<b>2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....</b>	<b>73</b>
<b>2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....</b>	<b>95</b>
<b>2.4 OVERVIEW OF BUDGET-RELATED POLICIES.....</b>	<b>102</b>
<b>2.5 OVERVIEW OF BUDGET ASSUMPTIONS .....</b>	<b>106</b>
<b>2.6 OVERVIEW OF BUDGET FUNDING .....</b>	<b>114</b>
<b>2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS.....</b>	<b>124</b>
<b>2.8 COUNCILLOR AND EMPLOYEE BENEFITS .....</b>	<b>127</b>
<b>2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW .....</b>	<b>130</b>
<b>2.10 ANNUAL BUDGET AND SDBIP’S – INTERNAL DEPARTMENTS.....</b>	<b>136</b>
<b>2.11 ANNUAL BUDGET AND SDBIPS – MUNICIPAL ENTITIES AND OTHER EXTERNAL     MECHANISMS .....</b>	<b>136</b>
<b>2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....</b>	<b>136</b>
<b>2.13 CAPITAL EXPENDITURE DETAILS .....</b>	<b>136</b>
<b>2.14 LEGISLATION COMPLIANCE STATUS .....</b>	<b>141</b>
<b>2.15 CITY MANAGER’S QUALITY CERTIFICATE.....</b>	<b>142</b>
<b>ANNEXURES: .....</b>	<b>143</b>

## LIST OF TABLES

Table 1: Consolidated Overview of the 2015/16 MTREF Budget.....	16
Table 2: 2015/16 – 2017/18 Capital Budget Per Service .....	17
Table 3: Average Tariff increases for 2014/15 to 2017/18 .....	19
Table 4: Community Priorities Per Region:.....	23
Table 5: Summary of revenue classified by main revenue source .....	27
Table 6: Percentage growth in revenue by main revenue source .....	29
Table 7: SA18 - Operating Transfers and Grant Receipts.....	30
Table 8: Comparison of proposed rates to be levied for the 2015/16 financial year.....	32
Table 9: Proposed Water Tariffs .....	34
Table 10: Comparison between current water charges and increases (Domestic).....	34
Table 11: Comparison between current electricity charges and increases (Domestic) .....	36
Table 12: Comparison between current sanitation charges and increases, single dwelling- residence (per annum).....	37
Table 13: Comparison between current refuse removal fees and increases .....	38
Table 14: A4 - Summary of operating expenditure classification by type .....	39
Table 15: Basic social services package per indigent household .....	43
Table 16: 2015/16 Medium-term capital budget per vote.....	44
Table 17: Budgeted Financial Performance (revenue and expenditure) by Revenue Source and Expenditure Type .....	48
Table 18: MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	51
Table 19: MBRR Table A6 - Budgeted Financial Position .....	52
Table 20: MBRR Table A7 - Budgeted Cash Flow Statement .....	54
Table 21: Key activities in the review of the 2015/16 IDP and MTREF Budget .....	58
Table 22: Proposed Schedule of IDP/Budget Road Shows .....	69
Table 23: IDP’S Six Strategic Objectives .....	73
Table 24: Alignment of BCMM Strategic Objectives with National and Provincial Plans.....	74
Table 25: MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue .....	79
Table 26: MBRR Table SA5 - Reconciliation between the IDP Strategic Objectives and budgeted operating expenditure.....	84
Table 27: MBRR Table SA6 – Reconciliation between the IDP Strategic Objectives and budgeted Capital Expenditure.....	90
Table 28: MBRR Table SA7 - Measurable performance objectives.....	95
<b>Table 29: Funding required to address issue of bulk water conveyance and treatment works.....</b>	<b>100</b>
<b>Table 30: Water Treatment Plants.....</b>	<b>102</b>
Table 31: 2014/2015 to 2017/2018 Budget Assumptions .....	109
Table 32: Indigent Subsidy Package.....	110
Table 33: Proposed tariff increases over the medium-term.....	110
Table 34: Credit rating outlook .....	111
Table 35: Proposed tariff increases 2015/16 to 2017/18 .....	114

Table 36: MBRR Table SA15 – Detail Investment Information .....	115
Table 37: MBRR Table SA16 – Investment particulars by maturity .....	116
Table 38: MBRR Table A5 - Sources of capital revenue over the MTREF .....	117
Table 39: MBRR Table SA17 - Detail of borrowings .....	118
Table 40: MBRR Table SA 18 - Capital transfers and grant receipts .....	119
Table 41: MBRR Table A7 - Budget cash flow statement.....	121
Table 42: MBRR Table SA19 - Expenditure on transfers and grant programmes.....	124
Table 43: MBRR Table SA20 - Reconciliation between of transfers, grant receipts and unspent funds..	126
Table 44: MBRR Table SA22 - Summary of councillor and staff benefits .....	127
Table 45: MBRR Table SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers) .....	128
Table 46: MBRR Table SA24 – summary of personnel numbers .....	129
Table 47: MBRR Table SA28 - Budgeted monthly capital expenditure (municipal vote) .....	130
Table 48: MBRR Table SA29 - Budgeted monthly capital expenditure (standard classification) .....	131
Table 49: MBRR Table SA30 - Budgeted monthly cash flow.....	132
<b>Table 50: MBRR Table SA36 - Detailed capital budget per municipal vote .....</b>	<b>134</b>
Table 51: MBRR Table SA34a - Capital expenditure on new assets by asset class .....	137
Table 52: MBRR Table SA34b - Capital expenditure on the renewal of existing assets by asset class.....	139
Table 53: MBRR Table SA36 - Detailed capital budget per municipal vote ...	<b>Error! Bookmark not defined.</b>
Table 54: MBRR Table 68 - SA37 – Projects Delayed from the Previous Financial Year .....	<b>Error! Bookmark not defined.</b>

**LIST OF FIGURES**

Figure 1: Cycle of Metro Growth and Development Strategy ..... 9

Figure 2: Strategic Framework..... 10

Figure 3: 2014/15 – 2016/17 Capital Budget Per Service ..... 18

Figure 4: Main Operating Revenue categories for the 2015/16 financial year ..... 28

Figure 5: Main operational expenditure categories for the 2015/16 financial year ..... 40

## ABBREVIATIONS AND ACRONYMS

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

# PART 1 – ANNUAL BUDGET

## 1.1 EXECUTIVE MAYOR’S REPORT

The global economic outlook has slowed down characterised by low economic growth in USA, Europe, China and other emerging economies. This has negative impact on developing countries including the African continent. According to National Treasury, South African economic growth is expected to be sluggish over the period growing from 2% in 2015 to 3% in 2017%. Inadequate electricity supply is imposing a series of constraints on outputs and exports over the short term. The slow economic growth since 2012 has highlighted structural constraints in the domestic economy. Slow economic growth has increased pressure on public finances. Unemployment is constantly on the rise in South Africa, especially in the mining and manufacturing sector. The current weaker rand has the following effect to the country’s economy:

- Imported goods and commodities will be more expensive
- Interest rates will rise
- Consumer spending power will be lower
- Export industries example mining will benefit as the product price will become competitive and cheaper

South African fiscus is under extreme pressure as the country imports more than it exports, resulting, in a deficit balance of payment.

In response to the above challenges the Minister of Finance responded by putting the following key features of the budget framework for the period ahead as stated in his Medium Term Budget Policy Statement:

- A reduction in the main budget expenditure ceiling of about R25 billion over the next two years, compared with the 2014 Budget baseline,
- An increase in taxes amounting to R17 billion in 2015/16,
- Revised spending plans across the whole of government, aimed at greater efficiency, reduced waste and an improved composition of spending,
- A consolidation of government personnel numbers, and
- Financing of state-owned companies, where required, without raising national government’s budget deficit.

The minister reaffirmed these budget features in his 2015 Budget Speech. He further stated that:

- Reductions in budget allocations have been targeted at non-critical activities.
- Cost containment and reprioritisation measures will limit growth in allocations for goods and services to 5 per cent a year.

- Spending on catering, entertainment and venues is budgeted to decline by 8 per cent a year, travel and subsistence will be cut back by 4 per cent a year, in real terms.

The Buffalo City Metropolitan Municipality is of the knowledge that it is not immune to the economic challenges that are experienced globally and by South African. Therefore, BCMM has had to take a more conservative approach in the manner in which it approaches this MTREF budget. This approach includes giving consideration in the budget to the cost containment measures suggested by National Treasury. These measures are being implemented in an attempt to ensure the future viability of the institution and to focus on reducing the negative impact on the residents within our boundaries.

It gives me great pleasure to announce that our total budget (operating and capital) for the MTREF period is growing from R6.83 billion in the 2015/16 financial year to R7.96 billion in the 2017/18 financial year of which consistently over R1 billion per annum has been allocated for infrastructure investment.

Our commitment to respond to our people's legitimate demand for a better life is reflected in a budget in which the **key priorities are water and sanitation, human settlements development** and related **critical infrastructure and maintenance**. In a continued effort to create jobs for the communities of Buffalo City and to encourage private sector investment the capital budget is being focused on a mix social and economic infrastructure investments. As part of its long term plan on human capital development, the city has allocated funding for internship programmes, especially in the areas of finance and engineering as well as the EPWP Programme. The City further continues to allocate funding for bursaries to its employees as well as communities of BCMM. This is in line with, and reflects our commitment to the priorities of the National Development Plan, while of course reflecting our own Constitutional role as a local actor on the national stage.

In total, the budget for our **capital and operating projects** amounts to just **over R6.1 billion over the MTREF period** (2015/16: R1.76 billion, 2016/17: R2.1 billion and 2017/18: R2.3 billion).

The municipality has recognised the economic hardships currently being experienced by its inhabitants and in an attempt to relieve the growing poverty it has taken a decision to strive to keep its tariff increases at the most minimal feasible levels. This has resulted in the Metro reducing its tariff increases as compared to those that were approved by Council in the 2014/15 MTREF on Refuse (2015/16: reduced from 12.3% to 9.9% and 2016/17: reduced from 12.3% to 9.2%) and Sewerage (2015/16: reduced from 10.3% to 9.5% and 2016/17: slightly reduced from 10.3% to 9.2%). The proposed increase on Property Rates



has also been reduced (2015/16: reduced from 11.3% to 9.9% and 2016/17: reduced from 11.3% to 9.6%). However, Water and Electricity losses remain a concern, as a result, it has not been possible to reduce tariff increase on these services. For the Water Service, the tariff increases that was approved in the 2014/15 MTREF for 2015/16 has been slightly reduced from 14.75% to 14.5%, for 2016/17 the increase has also been slightly decreased from 14.75% to 14.2%. An increase of 14% is proposed for the 2017/18 financial year.

The City has followed the proposed NERSA increase of 12.2% for Electricity tariff.

The preparation of the General Valuation Roll as required by the Municipal Property Rates Act was undertaken and was implemented on 1 July 2014. Supplementary Valuations will be conducted yearly and it is anticipated that this will result in increased property rates revenue (2015/16: R9.5 million).

In a continued effort to ensure future financial viability of the city continuous review of the operational cost base is being undertaken in an attempt to identify inefficiencies. This has yielded positive results in that the institution has been able to move from a deficit budget to a surplus budget. The institution will continue focusing on the operational budget in the 2015/16 financial year in order to reduce further any inefficiency and thereby reduce the impact on Buffalo City Metropolitan Municipality inhabitants. The city strives to ensure the tariffs are cost reflective of the services that have been provided. It is however important to mention the fact that the City's revenue base is not at the required levels due to high rural areas that are part of our Metro. This required us to come up with creative and innovative ways of ensuring efficiency in whatever activities we are undertaking. We shall continue to strive for equal service levels for all our communities in the Metro.

We have been mindful that inflation leads to more pain for the poor than any other group. I am happy therefore to propose that the **28% increase** of the basic welfare package for households that qualify in terms of our policy, which means that the indigents of Buffalo City will continue to have a **safety net of free basic services**, translating in the new year to a basket of services to the value of **R628.26 per household per month**.

In support of our local economy, the Directorate of Local Economic Development has been allocated an amount of R20 million for its Local Economic Program in an effort to reduce unemployment and indigent rate in our Metro.

In the coming year our engineers will continue with the process of eradicating backlogs in **water supply infrastructure**. We will continue to meet our pressing **sanitation challenges** in informal settlements, as well as expanding the capacity of infrastructure in **Reeston, Quinera, and Mdantsane**.

Approximately 4900 houses are destined for Mdantsane and Reeston areas totalling R735 million over the next 5 years.

An amount of **R670 million** (2015/16: R265 million, 2016/17: R180 million and 2017/18: R225 million) has been set aside over the next three (3) years for the construction and refurbishment of roads and storm water infrastructure across the city. The city has also embarked on a process of procuring its own specialized vehicles for the maintenance and construction of rural roads.

Our Community Services Directorate is scheduled to spend an amount of **R238 million** in the forthcoming MTREF period of which R94 million that is from own funds will be spent in the 2015/16 financial year on a range of **public amenities** including community halls, sports facilities, parks and resorts.

Each year the city's cemeteries are being brought under increasing pressure as a result of the **elevated mortality rate** in Buffalo City. This requires our **Environmental Services Department** annually to identify potential new sites for **cemetery development** that meet the rigorous requirements of environmental legislation, while being close enough to our settlements to be practically useful. An amount of R8 million for each year in the MTREF period has been provided for development and upgrading cemeteries in the Metro.

From the **health and public safety perspective**, installation of a **CCTV camera surveillance system** in various areas and buildings is underway and an amount of R12.5 million has been allocated for this purpose in the MTREF period. The City has allocated R35.4 million in the MTREF period towards fire engines, fire equipment and disaster management vehicles & equipment to ensure that we are able to swiftly respond to fire and disaster emergency calls. An amount of R18 million has been set aside in the MTREF period for the KWT Traffic Building. A further R9 million has been provided for Vehicle Test Station Upgrade and equipment over the MTREF period.

**Transport Planning** continues to be a focus area for the institution considering the higher traffic volumes on our roads. In order to ensure that we are alleviating congestion and protecting our inhabitants an amount of **R129 million** (2015/16: R30 million, 2016/17: R59.5 million and 2017/18: R39.5 million) has been allocated in the MTREF period for the implementation of integrated transport plan. This includes the establishment and refurbishment of the Taxi Ranks.

Electricity Trading Service has been allocated **R537 million over the MTREF period** (2015/16: R207 million, 2016/17: R190 million and 2017/18: R142 million) for **bulk infrastructure, electrification and upgrading of informal areas**. This includes the amount of R230 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the urban core that has been provided in the MTREF (2015/16: R90 million, 2016/17: R100 million and 2017/18: R40 million).

As the country is experiencing energy shortage, BCMM is investigating potential alternative sources of energy to ensure a more sustainable energy mix by 2030. The BCM

State of Energy Report (2008) highlighted some issues and opportunities associated with sustainable energy in BCMM. These are outlined here below:-

- Energy not necessarily used efficiently or sustainably - Energy demand is increasing, the focus has been on increasing supply, rather than managing demand;
- Lack of incentive to use energy efficiently;
- There are a number renewable energy, energy efficiency and carbon trading opportunities in BCMM;

A number of sustainable energy initiatives have been planned for implementation by the municipality. Energy-efficient municipal operations provide a way to cut running costs while reducing negative impact on the natural capital.

As far **wastewater treatment infrastructure** is concerned, a total of **R688 million over the MTREF period** to this trading service. This includes the amount of R181 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF period.

Our **Water Services** benefit to a total of **R273 million over the MTREF period (R91 million each year)** to expand our water infrastructure, to augment water treatment capacity and to eradicate backlogs in access to potable water supply. This includes the amount of R120 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF.

The institution has reconstituted the Board of the Buffalo City Development Agency (BCDA) whose mandate is to transform the beachfront of Buffalo City Metropolitan Municipality. It is envisaged that the board will provide strategic direction regarding the future focus areas of the Buffalo City Development Agency in an attempt to grow the local economy through encouraging private sector investment. The board is currently in the process of appointing staff component that will be tasked with the daily operations of the agency.

The facts are compelling, BCMM, a City growing with you has a story to tell, I would like to believe, that this is a metro that is moving progressively towards being more productive, more sustainable, more responsive, more developmental and indeed more people-centred than we have been in the past.

## 1.2 COUNCIL RESOLUTIONS

On 31 March 2015 the Council of Buffalo City Metropolitan Municipality convenes to consider the 2015/16 Integrated Development Plan (IDP) Review and Medium Term Revenue and Expenditure Framework (MTREF). It is recommended that the Council approved and adopted the following resolutions:

1. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The BCMM 2015/16 draft IDP and MTREF budget as well as the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance for the 2015/16 MTREF period (revenue by source and expenditure by type) as contained in table 17 on page 48;
    - 1.1.2. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in table 18 on page 51.
  - 1.2. The financial position, cash flow budget, asset management in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in table 19 on page 52;
    - 1.2.2. Budgeted Cash Flows as contained in table 20 on page 54;
2. The Council of Buffalo City Metropolitan Municipality Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts effect from 1 July 2015:
  - 2.1. the tariffs for property rates – as set out in Annexure E
  - 2.2. the tariffs for electricity – as set out in Annexure E
  - 2.3. the tariffs for the supply of water – as set out in Annexure E
  - 2.4. the tariffs for sanitation services – as set out in Annexure E
  - 2.5. the tariffs for solid waste services – as set out in Annexure E
  - 2.6. other miscellaneous tariffs as set out in Annexure E

3. The Buffalo City Metropolitan Municipality Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services as set out in Annexure E.
4. To give proper effect to the municipality's annual budget, the Council of Buffalo City Metropolitan Municipality approves:
  - 4.1. That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
  - 4.2. That an indigent consumer be given a maximum subsidy on his account of R628.26 per month, which includes a maximum of 50kwh for electricity and 6kl for water.
  - 4.3. That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
  - 4.4. That free basic water be granted to a registered indigent of 6Kl per month.
5. The Buffalo City Metropolitan Municipality Council, approves and adopts the revised Draft budgeted related policies as set out in Annexure F:
  - 5.1. Investment and Cash Management Policy
  - 5.2. Long-Term Borrowings Policy and Tariff Policy
  - 5.3. That Council note that relevant By-Laws applicable all budget related policies have been approved by Council and promulgated which remain enforced.
  - 5.4. That Council note the other budget-related policies adopted in the previous financial years, which have been reviewed by management and it was determined that no amendments were required. These policies are listed in section 1.3.8.3 of this report, and are available on BCMM's website at [www.buffalocity.gov.za](http://www.buffalocity.gov.za).
6. That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 (Table 28 on page 93) are approved.

7. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the Integrated Development Plan as set out in Annexure A be approved.
8. That no new capital expenditure be undertaken until a commitment for funding has been received by Buffalo City Metropolitan Municipality and such project has been approved by Council.
9. Council notes that the 2015/16 MTREF Budget tabled for adoption is structured in terms of the then Buffalo City Municipality votes and functions.
10. MFMA Circular 74 and 75, Municipal Budget Circular for the 2015/16 MTREF attached as Annexure G to be noted by Council.

---

**Z.V. NCITHA**  
**EXECUTIVE MAYOR**

### 1.3 EXECUTIVE SUMMARY

At this juncture it would be apt to dwell upon the successes together with the challenges which were experienced in 2014/15, the lessons learnt during overcoming the challenges and then laying the foundations for the financial path ahead for 2015/16.

#### 1.3.1 Metro Growth and Development Strategy

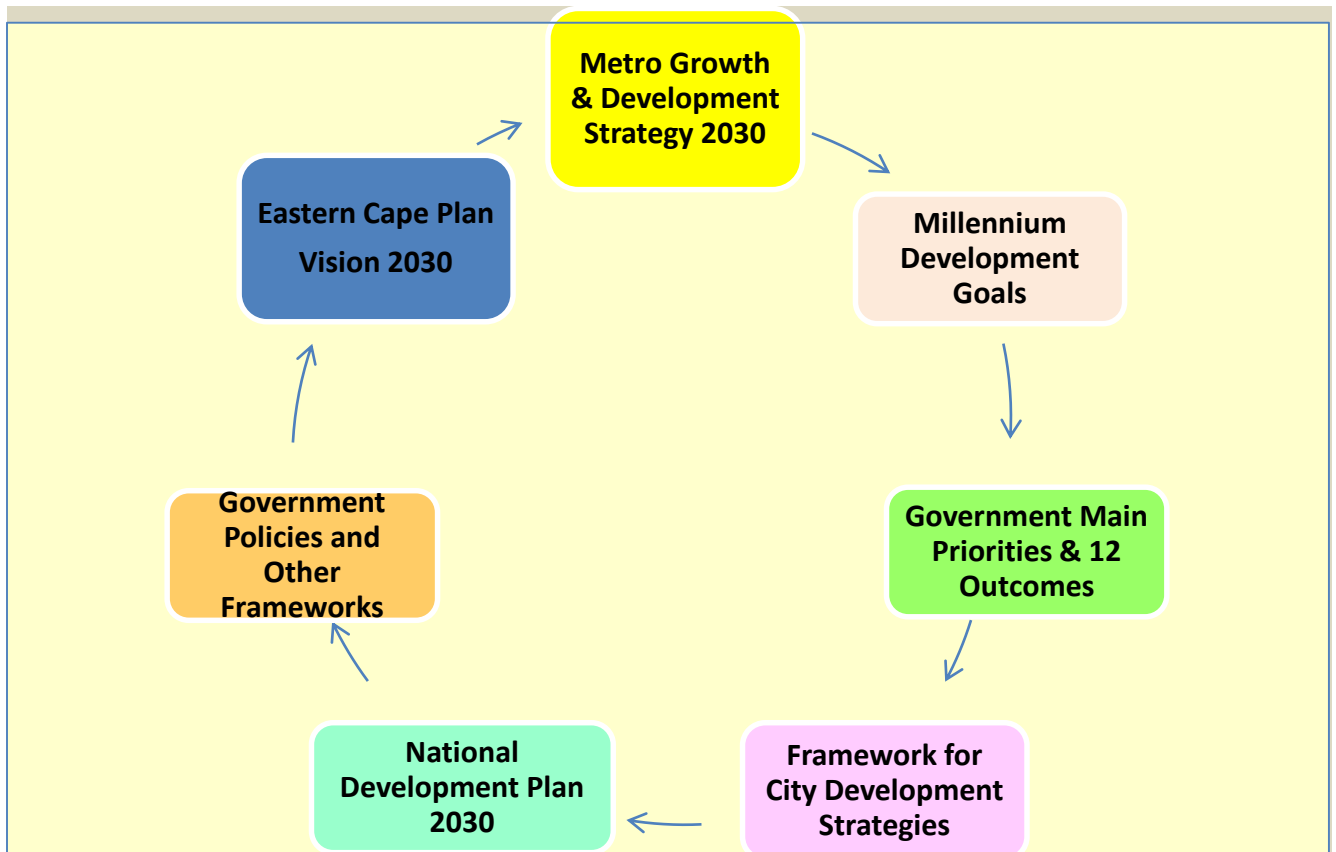
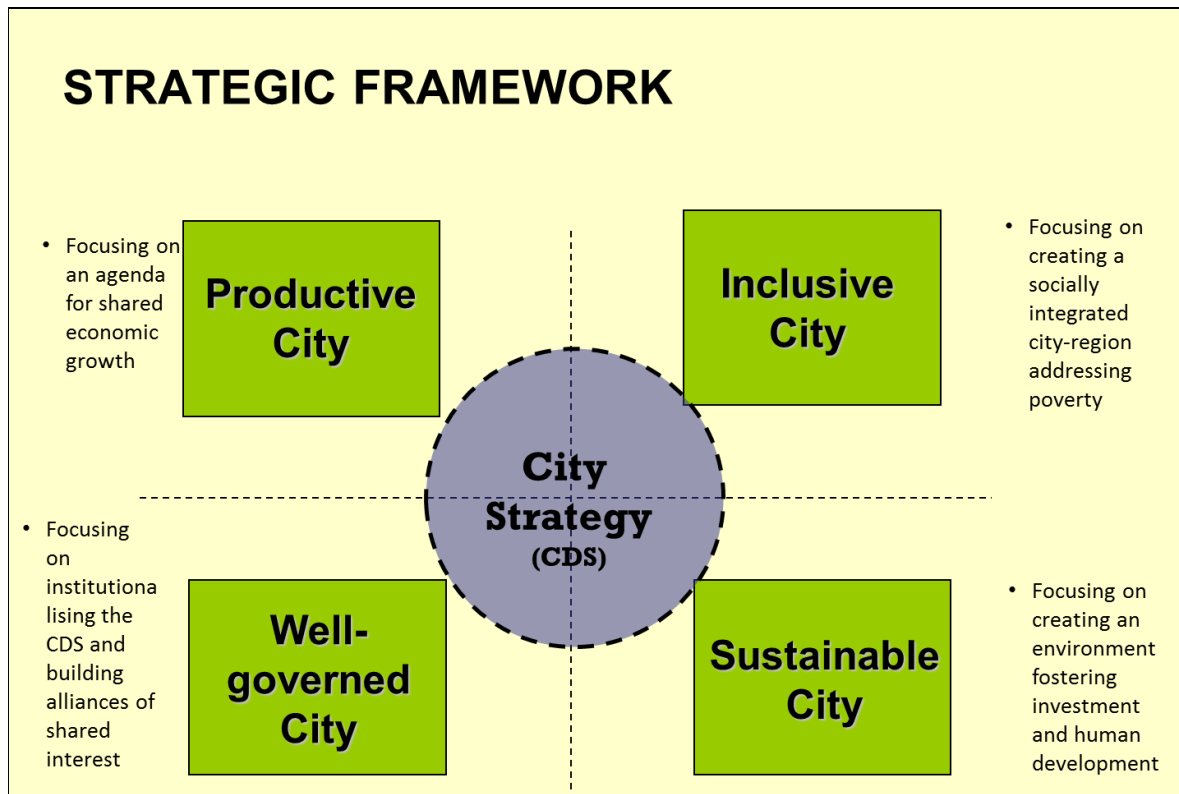


Figure 1: Cycle of Metro Growth and Development Strategy

#### Key Objectives of MDGS

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



**Figure 2: Strategic Framework**

### 1.3.2 Scoping the Landscape

In the 2014/15 mid-year adjustment report it was mentioned that there continues to be a focus to reduce the deficit for the institution in line with National Treasury requirements and produce a funded surplus budget. What continues to be of concern is the potential financial impact of depreciation on the operations of the institution. It was further mentioned that there needs to be ongoing vigilance to reduce costs and become more efficient to allow for the funding of depreciation, the full impact of which still needs to be determined.

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

There appears to be a continued reduction of the use of electricity by the residents of the Municipality as they continue to control their consumption and impact of load



shedding. This has had a negative impact on the electricity revenue, which is further compounded by electricity losses including illegal connections. The city has embarked on a programme to electrify informal dwellings and has therefore budgeted R55 million in the 2015/16 MTREF period.

What continues to be of concern is that residents continue to utilise water in excess of what was originally budgeted. This is cause for concern in that water needs to be considered a scarce resource requiring focused demand and supply management. The demand management needs to be focused surrounding penalising individuals for excessive usage through either punitive tariffs or restricting use through engineering techniques. Supply management requires forward planning and allocating budget to meet and undertake infrastructure expansion to meet those demands. Water losses are still huge and will be a focus for reduction in the MTREF budget whereby an amount of R181m of own funds over the 2015/16 MTREF period has been budgeted for replacement of old infrastructure.

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

In the short term the Urban Settlement Development Grant (USDG) will be used to create new infrastructure in the previously disadvantaged areas and to replace existing infrastructure in those areas where infrastructure is nearing or has exceeded its useful life. This is required to ensure the continued economic growth of the city and to allow for business confidence.

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

### **1.3.3 The National Development Plan**

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

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

These pillars continue to be the cornerstone of the strategy which the country would like to follow into the future. It would therefore appear appropriate to discuss which infrastructure projects are currently in progress.

In terms of the long-term with regards to our road infrastructure, a feasibility study has been commissioned to look at diverting traffic away to the N2 via R72. This feasibility study has required ongoing engagement with the South African National Roads Agency Limited (SANRAL) and Provincial Government. This is envisaged to yield significant benefits for the traffic flow of the city and contribute economic efficiencies for economic generating businesses of our city.

In the context of the National Development Plan, as Buffalo City Metropolitan Municipality, we see our primary task as developing and maintaining our infrastructure in order to ensure that private sectors partners see the potential to keep increasing their investment in our City, while creating more jobs for our residents.

### **1.3.4 Local Economic Development**

The East London IDZ's key mandate is to ensure that we create jobs by attracting foreign direct investment. As a shareholder, we are doing our part to ensure that we create an enabling environment for the IDZ to operate in conditions that allow them to realize their strategic goals by making available 870 hectares of land in the Berlin area for projects that will create job opportunities for our people. There is currently a process underway to renegotiate the incentives which would be applicable to the IDZ over the medium term.

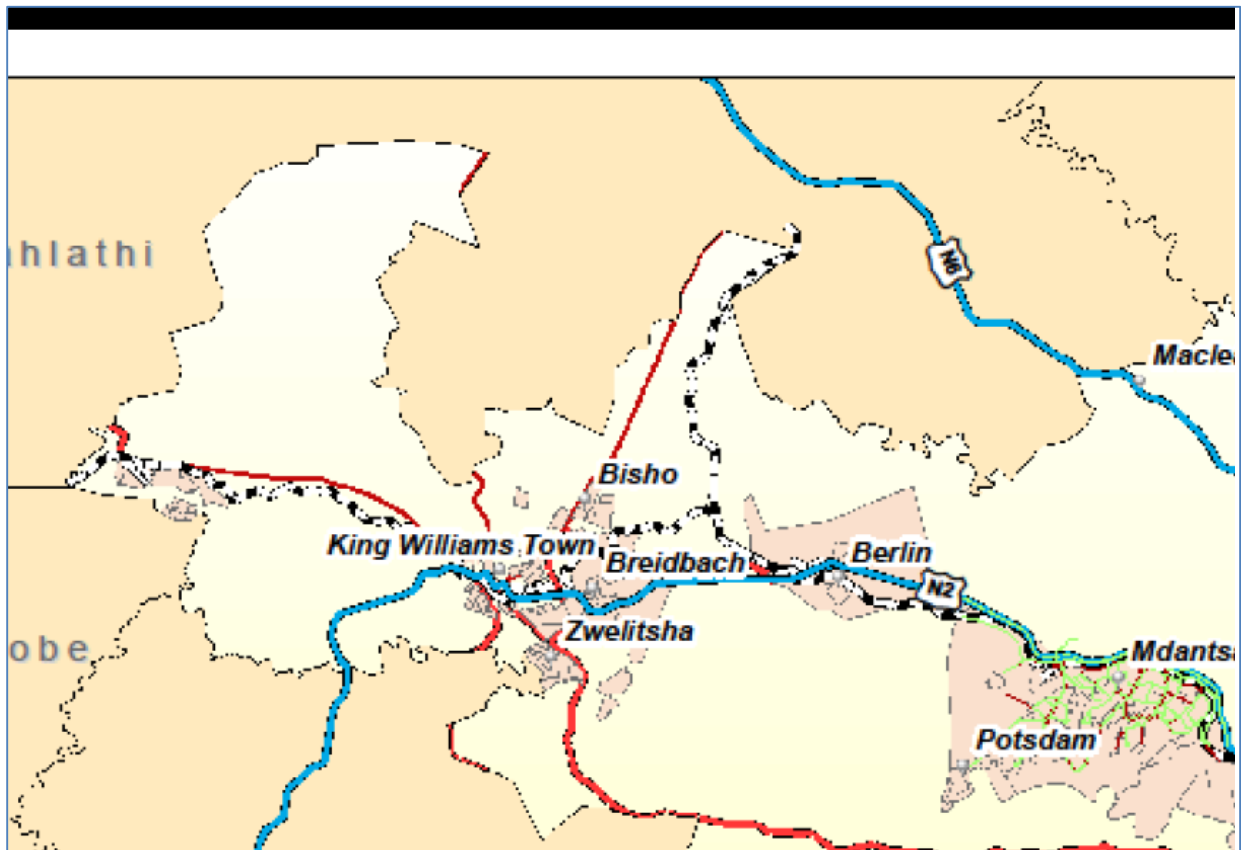
As a metro we are working hard to ensure that we support our auto sector by developing and maintaining our infrastructure in order for this sector to operate efficiently. We are very keen to maintain our niche in the auto sector by leveraging on the opportunities presented by expansion of MBSA. We trust that this opportunity will lead to creation of new SMMEs on the supply side.

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

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

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

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



All these areas have existing infrastructure which, with minimal investment, could yield significant benefits for the local economy and contribute to the GDP of the country. It further needs to be recognised that these are effectively business nodes which could be developed to be closer to areas of labour resulting in reduced travelling costs for the labour force.

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

### **1.3.5 Charting the Way Forward**

The Minister of Finance, Nhlanhla Nene, delivered the fifth and last budget for the current South African government on the 25 February 2015 before going into the next National Government elections. His address was frank in that it mentioned that the world economy continues to find itself in difficulty with global institutions struggling within the current economic climate which is characterised by low economic growth.

In South Africa the economy is crippled by low economic rate, high unemployment, electricity shortages to mention a few. There is a focus to reduce that national fiscus deficit in the medium term. The call to achieve more for less in the public sector is paramount. Cost containment measures must continue to reduce consumption spending. Metros must find more innovative ways of funding rather than depending on conditional grants.

National Treasury have recognised the importance of total urban settlement development and, in support thereof, has created the Built Environment Performance Plan (BEPP). This plan is to ensure infrastructure projects are focused on economic corridors to have maximum benefit for the inhabitants of the city.

Although it is recognised that there is an onus on the city to provide social support to its inhabitants that are financially challenged, this is not considered the most beneficial for the individuals or the local economy. As such, focus needs to be on the creation of sustainable jobs through encouraging private sector investment in the city. This strategy will identify certain economic zones where there is existing significant capital investment, and offer incentives to business over a period of time to invest in those areas. This will allow individuals who may have been financially challenged to become active members

The institution has undertaken an exercise to analyse the capital infrastructure investment between social and economic investment with a target being placed of 60% economic investment and 40% social investment. Although the institution has not

managed to achieve these target levels for all years in the MTREF period, it will continue attempting to achieve these targets going into the future in line with the strategic focus being given in the National Development Framework. It needs to be recognised that there have been a significant number of housing projects which are entering their implementation phase resulting in pressure being placed on the budget in the 2017/18 financial year as these projects are at their peak in terms of funding requirements.

Funding for the 2015/16 and 2016/17 infrastructure projects have been allocated in an attempt to ensure projects which are currently underway are completed and implemented for the benefits of the community to which they relate. The current capital work in progress continues to be a focus area to ensure the infrastructure assets are completed and brought into use.

The institution has taken a further strategic decision to invest funding to replace existing infrastructure. The investment is to be focused on the urban core which will allow for the upgrading of infrastructure to enable a regeneration of the central business area thereby encouraging private sector investment and job creation.

The city is planning on implementing projects which will convert one of the main streets of the city into a pedestrian area serviced by public transport, and converting the surrounding roads into one ways. It is envisaged that this will improve the flow of traffic in the area and allow for a more relaxed atmosphere. This is a further effort to encourage private sector investment into the urban core.

Currently the city is in a fortunate financial position in that it has a low gearing ratio together with its "A" Long Term Rating (Global Credit Rating) thus allowing the city to obtain additional long term borrowings. A strategic decision has been taken that should additional borrowings be procured then these funds will be utilized on assets that are expected to generate a return. However, the city is cautious in accessing these borrowing facilities due to insufficient operating surpluses allowing for capital repayments.

MFMA Circular, 74 and 75 were taken into consideration in the preparation of the 2015/16 MTREF Budget.

The BCMM consolidated budget for the 2015/16 MTREF period is R6.8 billion (2015/16), R7.4 billion (2016/17) and R7.96 billion (2017/18) with the table below summarising the consolidated overview of the 2015/16 MTREF Budget.

The table below summarizes the consolidated overview of the 2015/16 MTREF Budget.

**Table 1: Consolidated Overview of the 2015/16 MTREF Budget**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2014/2015	2014/2015	2015/2016	2016/2017	2017/2018
	ADOPTED	MID-YEAR ADJ	PROPOSED	PROPOSED ADJUSTMENT	PROPOSED
	BUDGET YR1	BUDGET	BUDGET	S	BUDGET
Total Operating Revenue	(4 761 340 651)	(4 871 757 646)	(5 563 809 030)	(6 370 991 417)	(6 669 449 701)
Total Operating Expenditure	4 749 700 442	4 890 429 217	5 557 548 363	6 191 395 160	6 439 758 693
(Surplus) / Deficit	(11 640 209)	18 671 571	(6 260 667)	(179 596 257)	(229 691 007)
Total Capital Expenditure	942 007 423	1 168 745 004	1 275 354 230	1 234 264 151	1 521 069 115
Total Expenditure Budget	5 691 707 865	6 059 174 221	6 832 902 593	7 425 659 311	7 960 827 808

Revenue has increased by 14.2% in relation to the expenditure increase of 13.6% from 2014/15 revised budget to the 2015/16 budget. The capital budget has increase by 9% resulting in the overall total budget increase of 12.8% from the 2014/15 revised budget to the 2015/16 budget. The operating revenue increase is mainly attributable to tariff increase as well as slight growth in revenue base e.g. new connections, supplementary valuation to include new developments and rezoning. The operating expenditure increase is attributable to CPI increase, expected increase in number of registered indigent consumers that will receive indigent subsidy, additional staff complement and additional repairs and maintenance provision to respond to the aging infrastructure. The increase in capital expenditure is in respond to service delivery needs to address backlogs and renew aging infrastructure.

### Revenue & Expenditure Strategy

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

- Efficient revenue management, which aims to ensure not less than 93.5% annual collection rate over the medium term for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Move from a flat-rate billing system to all consumers billed according to consumption;
- Implementation of an automated billing system as opposed to a manual meter reading process;
- Regular Supplementary Valuations performed. The policy is for a minimum of 2 Supplementary Valuations per year.
- The successful implementation of a General Valuation on 1 July 2014 and then every four years thereafter in terms of the Municipal Property Rates Act.
- Creating a conducive environment to attract potential investors.

- Review of the Spatial Development Plan to allow for human capital resources to be closer to economic and job opportunities.

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

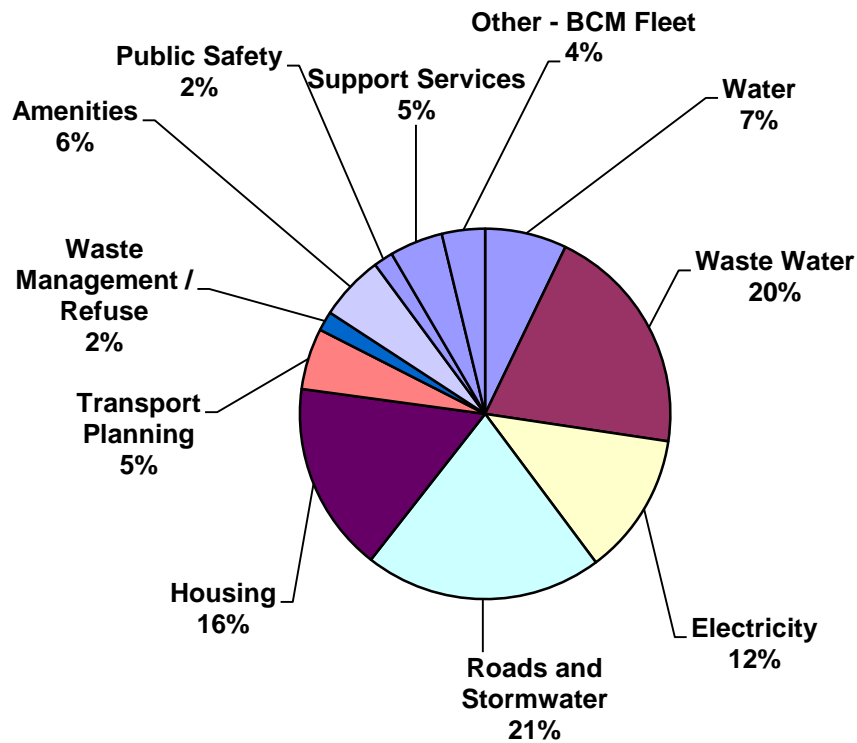
- Ensuring that capital expenditure is incurred in line with the requirements detailed in the Spatial Development Plan to ensure maximum return to the municipality.
- Re-prioritisation of expenditure to ensure any inefficiencies are eliminated to allow for own-funded capital programme.
- Additional funding to be allocated to the maintenance of the infrastructure.

The table below reflects the Capital Budget for services for the 2015/16 MTREF period.

**Table 2: 2015/16 – 2017/18 Capital Budget Per Service**

<b>2015/2016 - 2017/2018 CAPITAL BUDGET PER SERVICE</b>			
<b>Services</b>	<b><u>2015/2016 Draft Capital Budget</u></b>	<b><u>2016/2017 Draft Capital Budget</u></b>	<b><u>2017/2018 Draft Capital Budget</u></b>
Water	91 000 000	91 000 000	91 000 000
Waste Water	258 055 969	137 000 000	293 298 430
Electricity	158 500 000	171 500 000	111 500 000
Roads and Stormwater	265 000 000	180 000 000	224 900 000
Housing	211 424 000	323 359 685	386 579 685
Transport Planning	68 220 661	163 611 051	225 022 000
Waste Management / Refuse	21 710 100	15 412 415	1 000 000
Amenities	72 493 500	41 750 000	84 785 000
Public Safety	21 650 000	28 540 000	22 655 000
Support Services	59 300 000	64 091 000	50 329 000
Other - BCM Fleet	48 000 000	18 000 000	30 000 000
	<b>1 275 354 230</b>	<b>1 234 264 151</b>	<b>1 521 069 115</b>

## 2015/2016 MTREF CAPITAL PER SERVICE



**Figure 3: 2014/15 – 2016/17 Capital Budget Per Service**

A major portion of the capital budget in the 2015/16 MTREF period has been allocated to the major infrastructure services (Waste Water: 20%, Roads and Storm Water: 20%). Although these services are not all revenue generating the budget expenditure is in terms of our socio-economic development mandate. There is however a drive to channel more funding towards economic infrastructure in order to stimulate economic growth in the Metro.



### 1.3.6 Summary of Rates and Service Charge Tariff implications to the 2015/16 MTREF Budget

Table 3: Average Tariff increases for 2014/15 to 2017/18

Description	2014/2015	2015/2016	2016/2017	2017/2018
Rates	0%	9.90%	9.60%	9.40%
Refuse	12.50%	9.90%	9.20%	9.00%
Sewerage	10.50%	9.50%	9.20%	9.00%
Electricity	7.39%	12.20%	12.20%	12.20%
Water	14.95%	14.50%	14.20%	14.00%
Fire Levy	9.50%	9.90%	9.60%	9.40%
Sundry Income	9.50%	9.90%	9.60%	9.40%

#### 1.3.6.1 Overall Summary of Year-on-Year Increases

On average tariff associated revenue is expected to increase year on year in 2015/16 by 9.9% excluding electricity and water where the tariff will increase more than 10%. The increases are attributable to a combination of increases in input costs associated with providing the service as well as an ongoing attempt to ensure each service produces revenue sufficient to cover the costs of providing the service.

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

The ongoing expansion of the city through budget infrastructure spending without the corresponding economic growth is placing additional pressure on the BCM local consumer to fund the replacement of the assets which is impacting on the operational budget through the increasing depreciation charge. Furthermore, there is an additional impact on the consumer debt book.

#### 1.3.6.2 Rates

The Municipality has successfully undertaken a General Valuation exercise in terms of the Municipal Property Rates Act and the new values were implemented from 1 July 2014. An increase on rate tariffs of 9.9% in the 2015/16 financial year (2016/17: 9.6%, 2017/18: 9.4%) has been planned. Yearly supplementary valuations will be undertaken

and it is projected that they will yield a revenue of R9.5 million in the 2015/16 financial year.

### **1.3.6.3 Electricity**

In terms of the guidelines provided by the National Energy Regulator of South Africa (NERSA), they have published that they expect the cost of electricity to increase by a budgeted 14.24%. Following due consideration being given to the NERSA guidelines a decision has been made to increase electricity tariffs by 12.20% as recommended by the guideline. There continues to be ongoing concern with electricity in that:

- The diminishing gross profit generated by electricity over the prior financial years is a concern. This is associated with illegal connections and material distribution losses.
- Consumers appear to be showing a tendency to reduce their spending on electricity. This is being shown by a reduced amount of purchases from Eskom and suggests that consumers may be changing their usage practices as well as converting to alternative forms of energy. The load shedding is also contributing to this problem.
- The Eskom energy challenges have also contributed to the reduced spending on electricity with high rate of load shedding being experienced.
- The ongoing high increases in electricity bulk purchases.

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

- An allocation of capital funding amounting to R537 million over the MTREF period (2015/16: R207 million, 2016/17: R190 million and 2017/18: R142 million) has been allocated to the electricity service department for electricity infrastructure investment. This includes the amount of R230 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the urban core that has been provided in the MTREF (2015/16: R90 million, 2016/17: R100 million and 2017/18: R40 million).
- The city has embarked on a programme to electrify informal dwellings and has budgeted R66 million over the 2015/16 MTREF period. This will reduce the risk of illegal connections.
- A unit has been formed to identify and rectify the disconnection and reconnection of illegal electricity connections across the city.

### **1.3.6.4 Water**

Water tariffs have been increased by 14.50% in the 2015/16 financial year. In line with guidance which was received from National Treasury regarding each service delivery being able to generate revenue that is at least equal to the cost of the service, an analysis was undertaken to determine what tariff requirements would be needed to achieve a break even position. The affordability of consumers' needs to further be taken into consideration in order to limit a significant annual impact. This analysis suggests an impact of 14.50% in 2015/16 financial year, 14.20% in 2016/17 and 14% in 2017/18 financial year will close the deficit being experienced in water. It needs to further be

recognised that the institution purchases untreated water from the Amatola Water Board. The increase associated with this water is 9.25% adding further pressure on the breakeven analysis for the institution. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

There continues to be ongoing concern with water in that:

- Water losses continue to be high. The reason for this is because of aging infrastructure, areas of flat-rated charges, financially challenged consumers using water in excess of that allowed for in the indigent policy.
- An analysis of the Amatola Water Board costs suggest the majority are salary related which the Municipality is funding in duplicate through direct costs of individuals employed by the City and then through the tariff paid by consumers. This is considered inefficient and the impact on our consumers could be reduced should we be allowed to manage our own water resources. It should further be noted that Buffalo City Metropolitan Municipality is the only Metro that does not manage its own water resources which in itself causes concern from a planning and development perspective.
- The fact that BCMM is having high number of rural areas is having negative impact to the water service as no revenue is generated on water supplied to rural areas.

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

- A total capital budget allocation of R273 million has been made over the MTREF period (R91 million each year) to expand our water infrastructure, to augment water treatment capacity and to eradicate backlogs in access to potable water supply.
- This includes the amount of R120 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated over the MTREF (R40 million each year).
- As part of the above programme the city will replace standpipes and non-metered areas with new meters. This will reduce the risk of water losses.
- The demand management needs to be focused surrounding penalising individuals for excessive usage through either punitive tariffs or restricting use through engineering techniques.
- Consider managing our own water resources to allow for adequate future supply planning as well as reducing costs by eliminating duplicated functions.

#### **1.3.6.5 Sanitation**

The proposed sanitation tariff increase is 9.5% in the 2015/16 financial year; 9.2% and 9% in the outer years respectively. There continues to be ongoing concern surrounding the ageing sanitation infrastructure and the impact this has on the operational budget through increasing maintenance costs as well as ensuring the financial sustainability of the service in line with guidance provided by National Treasury.

The impact of the ageing infrastructure is expected to have additional impact on the amount of maintenance expenditure required. It should further be noted that the input costs associated with salaries are expected to increase by 5.6% in line with CPI for the 2015/16 financial year. An allocation of capital budget amounting to R181 million from own funds specifically for the replacement and refurbishment of existing infrastructure within the Metro that has been allocated in the MTREF period (2015/16: R64.5 million, 2016/17: R40 million and 2017/18: R77 million).

It should be noted that the expansion of the city through continued investment in new infrastructure for future demand places additional pressure on the existing customer base in order to allow for the replacement of the infrastructure in the future. It is therefore imperative that expansion needs to be adequately planned to allow for maximum connection of new customers and allow for the reduced impacts on tariffs.

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

#### **1.3.6.6 Refuse**

The proposed Solid Waste tariff increase is 9.9% in the 2015/16 financial year, 9.2% and 9% in the two outer years respectively. The Solid Waste tariffs are levied to recover amongst others costs of services provided directly to customers and include refuse collection fees, disposal fees, weighbridge fees and other ad hoc services. In an attempt to improve the refuse collection service, capital budget allocation of R96 million over the MTREF period from own funds has been allocated for purchase of specialised fleet, plant and equipment for solid waste department.

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

#### **1.3.7.1 Cash & Cash Equivalents**

BCMM is also projecting a favourable cash position, which currently projected to be R1.6 billion at 30 June 2016 and is projected to be R1.8 billion at 30 June 2017 (2018: R2 billion).

#### **1.3.7.2 Cost Coverage**

The projected cost coverage, including conditional grants is projected to be 7 months at 30 June 2016 and is projected to remain at 7 months over the MTREF period. BCMM maintains a cost coverage of at least 3 months. The average cost coverage over the last 8 months is 8.67 months.

### 1.3.7.3 Debt Impairment

Debt Impairment is currently budgeted at 8% of the projected billable revenue over the medium term and amounts to R245 million in 2015/16 and growing to R273 million in 2016/17 and R306 million in 2017/18 financial year. This is based on the average projected collection rate of 92% to year end.

### 1.3.7.4 Borrowings

In the 2015/16 MTREF budget no projects are funded from borrowings. However BCMM is developing a long-term financial plan and asset management policy. This will inform external borrowing for income generating infrastructure assets from the current financial year and onwards. However, BCMM is in a position to borrow funding, based on its financial strength for income generating assets. The largest consideration will be whether the institution will be in a position to repay the loan facility. The short term of the MTREF period suggests a situation which is close to break even. As such, long term loan facilities will only be negotiated where:

- The institution is able to achieve additional revenue equal to the cost of the repayment of the loan.
- The institution is able to achieve higher than budgeted surpluses allowing for the repayment of any loan facility.

### 1.3.8 BCMM's Priorities and Linkages to the IDP

Community consultation on the draft IDP review 2015/16 and MTREF Budget is due to take place from 8-24 April 2015. All BCMM 50 wards will be visited during the public consultation process, the municipality will be reporting progress towards the implantation of their key priorities.

During the last Executive Mayoral Imbizo which was held on 25-31 October 2014, BCMM's wards identified the following priority issues:

**Table 4: Community Priorities Per Region:**

#### ***Priorities from Coastal Wards***

ISSUE	WARDS	DETAIL
Housing	1,5,6,8,13,15,16,27 29, 31 and 46	Requests for RDP housing, Clarifications of beneficiaries for projects i.e. Reeston (ward 13), incomplete housing projects phase 3 (ward 15), Collapsing houses due to rain (Phase 2).

<b>Roads, Speedhumps and Bridges</b>	5,13,15,16, 27, 46 and 47	Speed humps and painting of existing ones, maintenance of roads in Phase 2 and 3 and also in ward 16 and 27, construction of a bridge between Amalinda Forest and Simanyane.
<b>Electricity Streetlights</b>	5,32, 13,16 and 27	Speedy electrification of informal settlements and there's a growing challenge with illegal connections, Installation and Maintenance of streetlights.
<b>Water and Sanitation</b>	7, 33 , 13,16,29 and 46	Requests for ablution facilities, Water leakages, cleaning of toilets ward 7, maintenance of bucket system which is not being maintained in ward 29.
<b>Community Hall and sport field</b>	13,16 and 31	Development of sports field and maintenance thereof, sports fields vandalism, building and maintenance of community halls.
<b>Cemeteries</b>	31,33	Construction of new cemetery (ward 31, 33). Fencing of existing ones.

***Priority Issues from Midland Wards***

<b>ISSUE</b>	<b>WARDS</b>	<b>DETAIL</b>
<b>Housing</b>	12,17,20,21,26 and 48	Requests for RDP housing, Concerns about land claims and land administration for housing development, Residents selling their RDP houses to other residents.
<b>Electricity</b>	14,22,24,26,48, 23,42 and 50	Electrification of informal settlement (Lilian Ngoyi), Illegal electricity connections, Installation of prepaid boxes, poor electricity supply.
<b>Storm water drainage</b>	14 and 48	Poor water drainage.

***Priority Issues from Midland Wards***

<b>ISSUE</b>	<b>WARDS</b>	<b>DETAIL</b>
--------------	--------------	---------------

<b>Roads, Pavements &amp; Bridges</b>	35,36 and 44	Bad condition of roads Madramini to Sandile (Great Place
<b>Electricity</b>	25,35 and 41	Electrification programme to prioritise the disabled, Electrification programme to be fast tracked.
<b>Job Creation</b>	36,43 and 44	Accelerate the creation of job opportunities.
<b>Good governance</b>	40 and 44	Non-attendance of the Ward Councilor when meetings had been scheduled.
<b>Crime</b>	35	Increased crime rate.

The Executive Mayoral Lekgotla held from the 15 – 17 October 2014 emphasized key priorities of the BCM Metro as follows:

- Focus on Back to Basics approach for municipalities
- BCMM to explore alternative sources of energy
- Improved Solid Waste management
- Focus on agriculture as key driver of economic development
- Develop strategies that will focus on port, railway and airport as key levers for economic transformation
- Job creation initiatives particularly benefiting youth
- Achieving housing level 2 accreditation for BCMM
- Develop a comprehensive plan to address the incorrect billing crisis
- Reviewal of the BCMM mission and vision to speak to the growth of the city
- Vigorous implementation of the communication strategy/plan
- Accelerate housing delivery
- Revival of the Buffalo City Development Agency
- Risk management
- Urgently address pertinent issues of Climate change
- Development and enforcing of municipal by-laws

### **1.3.8.1 Key Amendments to the IDP**

Annual reviews of the Integrated Development Plan allow the municipality to refine strategies and objectives, to ensure that they inform institutional and financial planning. The review and amendment of the IDP thus, further ensures that it remains the principal management tool and strategic instrument for the Municipality. The IDP review process occurs in phases and during each phase amendments or updates maybe were based on new facts or information.

### **1.3.8.2 Alignment With And Achievement Of National, Provincial And District Priorities**

The national sphere of government develops and promulgates legislation, policies and strategies which all spheres have to implement. In developing their own plans and policies, other spheres of government, particularly the local government sphere has to ensure that there is alignment with both National and Provincial plans. Key plans and policies include the National Spatial Development Perspective, National Development Plan, Provincial Growth and Development Plan, Millennium Development Goals and the 12 Local Government Outcomes.

### **1.3.8.3 Key amendments to the budget related policies**

No amendments were made to the following existing BCMM budget-related policies.

- Asset Management Policy
- Capital Infrastructure Investment Policy
- Funding and Reserves Policy
- Policy on Long-Term Financial Planning
- Budget Implementation & Management Policy (Virement Policy)
- Credit Control Policy
- Tariff Policy
- Indigent Policy

The following policies have been reviewed and adjusted accordingly:

- Investment and Cash Management Policy
- Long-Term Borrowing Policy
- Tariff Policy

### **1.3.8.4 Municipal Entity**

The Buffalo City Metropolitan Municipality entity being Buffalo City Development Agency (BCDA) is currently being resuscitated, the board of directors have been constituted and key staff personnel is being recruited to fill all critical positions.



## 1.4 OPERATING REVENUE FRAMEWORK

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

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

**Table 5: Summary of revenue classified by main revenue source**

<b>REVENUE PER SOURCE</b>	<b>2014/2015 ADOPTED BUDGET YR1</b>	<b>2014/2015 M/Y ADJ BUDGET</b>	<b>2015/2016 DRAFT BUDGET YR1</b>	<b>2016/2017 DRAFT BUDGET YR2</b>	<b>2017/2018 DRAFT BUDGET YR3</b>
Assessment Rates	(826 221 072)	(842 851 723)	(935 794 044)	(1 025 630 272)	(1 122 039 517)
Refuse Charges	(251 704 249)	(261 244 311)	(286 062 521)	(312 380 272)	(340 494 497)
Sewerage Charges	(252 868 652)	(270 506 418)	(296 204 528)	(323 455 344)	(352 566 325)
Trade Effluent	(18 339 984)	(15 979 530)	(17 497 585)	(19 107 363)	(20 827 026)
Water Charges	(370 613 268)	(370 613 268)	(424 352 192)	(484 610 203)	(552 455 632)
Electricity Charges	(1 511 514 216)	(1 478 314 550)	(1 658 671 213)	(1 861 028 822)	(2 088 074 059)
Fire Levy	(56 669 204)	(58 068 237)	(63 816 992)	(69 943 424)	(76 518 106)
Fuel Levy	(361 639 000)	(361 639 000)	(370 461 000)	(384 488 000)	(397 824 000)
Grants and Subsidies	(828 531 073)	(929 300 680)	(1 080 563 374)	(1 433 540 493)	(1 235 044 580)
Fines	(9 400 009)	(9 400 009)	(10 293 009)	(11 270 845)	(12 319 034)
Housing Rentals	(140 168)	(140 167)	(153 483)	(168 064)	(183 694)
Other Rentals	(16 872 857)	(16 872 856)	(18 475 778)	(20 230 977)	(22 112 458)
Income Foregone	30 763 671	30 763 671	34 301 493	38 246 164	42 644 473
Other	(287 590 570)	(287 590 568)	(435 764 803)	(463 383 502)	(491 635 246)
<b>Total Direct Operating Income</b>	<b>(4 761 340 651)</b>	<b>(4 871 757 646)</b>	<b>(5 563 809 030)</b>	<b>(6 370 991 417)</b>	<b>(6 669 449 701)</b>

The following graph gives a breakdown of the main revenue categories for the 2015/16 financial year.

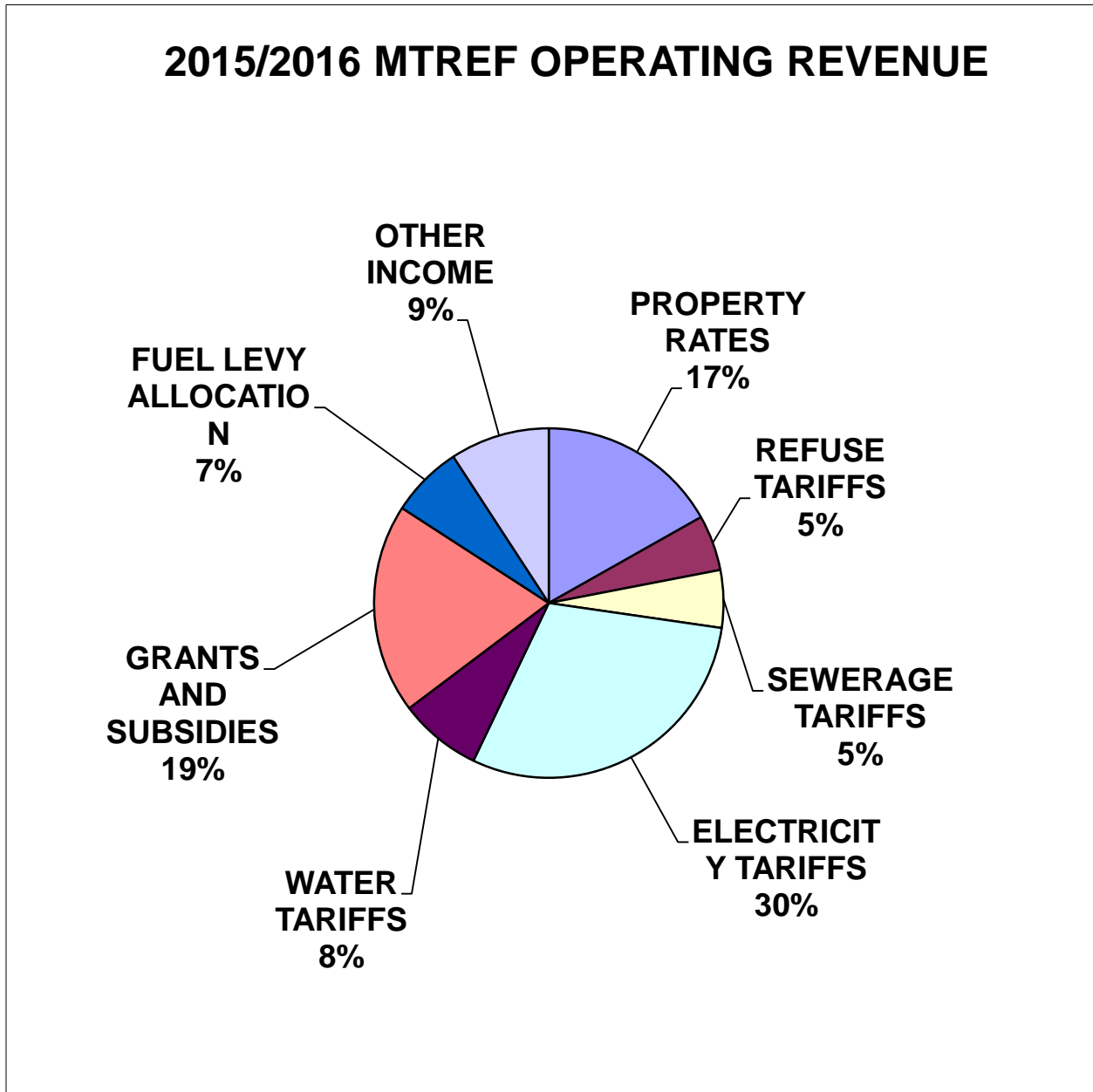


Figure 4: Main Operating Revenue categories for the 2015/16 financial year

The following table is a summary of the 2015/16 MTREF percentage growth in revenue by main revenue source:

**Table 6: Percentage growth in revenue by main revenue source**

REVENUE PER SOURCE	2014/2015 M/Y ADJ BUDGET	2015/2016 DRAFT BUDGET YR1	2015/2016 Percentage Increase	2016/2017 DRAFT BUDGET YR2	2016/2017 Percentage Increase	2017/2018 DRAFT BUDGET YR3	2017/2018 Percentage Increase
Assessment Rates	(842 851 723)	(935 794 044)	11%	(1 025 630 272)	10%	(1 122 039 517)	9%
Refuse Charges	(261 244 311)	(286 062 521)	10%	(312 380 272)	9%	(340 494 497)	9%
Sewerage Charges	(270 506 418)	(296 204 528)	9%	(323 455 344)	9%	(352 566 325)	9%
Trade Effluent	(15 979 530)	(17 497 585)	10%	(19 107 363)	9%	(20 827 026)	9%
Water Charges	(370 613 268)	(424 352 192)	15%	(484 610 203)	14%	(552 455 632)	14%
Electricity Charges	(1 478 314 550)	(1 658 671 213)	12%	(1 861 028 822)	12%	(2 088 074 059)	12%
Fire Levy	(58 068 237)	(63 816 992)	10%	(69 943 424)	10%	(76 518 106)	9%
Fuel Levy	(361 639 000)	(370 461 000)	2%	(384 488 000)	4%	(397 824 000)	3%
Grants and Subsidies	(929 300 680)	(1 089 816 000)	16%	(1 444 793 000)	33%	(1 245 686 580)	-14%
Fines	(9 400 009)	(10 293 009)	9%	(11 270 845)	10%	(12 319 034)	9%
Housing Rentals	(140 167)	(153 483)	10%	(168 064)	10%	(183 694)	9%
Other Rentals	(16 872 856)	(18 475 778)	10%	(20 230 977)	10%	(22 112 458)	9%
Income Foregone	30 763 671	34 301 493	11%	38 246 164	12%	42 644 473	12%
Other	(287 590 568)	(435 764 803)	52%	(463 383 502)	6%	(491 635 246)	6%
<b>Total Revenue (Excluding Capital Transfers)</b>	<b>(4 871 757 646)</b>	<b>(5 563 809 030)</b>	<b>100%</b>	<b>(6 370 991 417)</b>	<b>100%</b>	<b>(6 669 449 701)</b>	<b>100%</b>
<b>Total Revenue from Rates and Service Charges</b>	<b>(3 297 578 037)</b>	<b>(3 682 399 074)</b>	<b>66%</b>	<b>(4 096 155 700)</b>	<b>64%</b>	<b>(4 552 975 161)</b>	<b>68%</b>

In 2015/16 the City's own generated revenue is 66% of the total revenue totalling to R3.7 billion and it slightly decreased to 64% which is R4.1 billion in 2016/17 and slightly increased to 68% which is R4.6 billion in the 2017/18 financial year. This is mainly attributed to the electricity service contribution to the total revenue mix (inclusive of conditional and unconditional grants) which is 30% in the 2015/16 financial year and declining to 31% in the two outer years. The decline in 2016/17 financial year is due to an increase in grant funded operating projects mainly associated with the top structure of housing projects financed through the Human Settlement Development Grant, whilst the increase in the 2017/18 financial year is due to decrease in the same conditional grant.

Electricity revenue is increasing from R1.5 billion to R1.7 billion in 2015/16, it further increase to R1.9 billion and R2.1 billion respectively in two outer years of the 2015/16

MTREF period. Property rates are the second largest own revenue source with 17% contribution over the 2015/16 financial year.

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

**Table 7: SA18 - Operating Transfers and Grant Receipts**

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	585 976	657 974	706 873	698 929	699 729	699 729	714 196	696 620	704 510
Local Government Equitable Share	582 812	650 616	653 660	656 674	656 674	656 674	655 141	643 419	649 421
Urban Settlement Development Grant			43 508	33 465	34 265	34 265	33 348	33 148	32 148
Finance Management	1 450	1 500	1 300	1 500	1 500	1 500	1 300	1 300	1 300
EPWP Incentive		1 484	2 705	1 890	1 890	1 890	1 149		
Infrastructure Skills Development Grant		3 000	5 700	5 400	5 400	5 400	8 400	9 500	11 000
Department of Water Affairs	1 714	1 374							
Integrated City Development Grant							5 605		
Municipal Human Settlement Capacity Grant							9 253	9 253	10 641
<b>Provincial Government:</b>	5 414	5 831	103 141	121 698	221 486	221 486	371 830	744 531	537 331
Roads Subsidy - Provincial Roads				1 871	1 871	1 871	1 871	1 871	1 871
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)				3 745	3 546	3 546			
Department of Environmental Affairs (Greening Award)					2 500	2 500			
Department of Water Affairs		5 831	2 627						
Local Government & Traditional Affairs				9 101	8 369	8 369	2 000	1 000	1 000
Health Subsidy - ATIC	5 414			2 522	2 522	2 522	2 522	2 522	2 522
Library Subsidy			7 276	3 638	3 638	3 638	3 638	3 638	3 638
Dept Sport, Recreation, Arts and Culture (DSRAC)				37	37	37			
Dept of Land Affairs				777	152	152			
Accreditation Capacity Enhancement Grant									
Human Settlement Development Grant			93 238	99 938	198 783	198 783	361 799	733 500	528 300
Human Settlement Development Grant - MPCC								2 000	
Office of the Premier				67	67	67			
<b>District Municipality:</b>	-	-	1 288	-	-	-	-	-	-
Health Subsidy - Environmental Health			1 288						
<b>Other grant providers:</b>	5 181	3 656	4 186	7 905	8 006	8 006	3 791	3 643	3 845
SETA - Skills Development	4 387	3 419	3 130	2 795	2 795	2 795	3 451	3 643	3 845
Donor Funding - Leiden & Galve	236	50	345	136	136	136			
Trust Funds	277	188		2 715	2 782	2 782			
Umsobomvu Youth Fund				710	745	745			
BCMETS Funding	281		710						
Donor Funding - European Commission				500	500	500	340		
Vuna Award				1 049	1 049	1 049			
<b>Total Operating Transfers and Grants</b>	<b>596 571</b>	<b>667 461</b>	<b>815 488</b>	<b>828 531</b>	<b>929 221</b>	<b>929 221</b>	<b>1 089 816</b>	<b>1 444 793</b>	<b>1 245 686</b>

### **1.4.1 Property Rates and Service Charges and Impact of Tariff Increases**

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

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

#### **1.4.1.1 Property Rates**

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- 100% rebate will be granted to registered indigents in terms of the municipality's Indigent Policy where the value of the indigent property is to a maximum of R150,000 as determined for a RDP house;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 40% will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed R5000 per month. In this regard the following stipulations are relevant:
  - The rateable property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;

- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100% grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 9.9% percent tariff increase from 1 July 2015 is contained below:

**Table 8: Comparison of proposed rates to be levied for the 2015/16 financial year**

<b>CATEGORY</b>	<b>Existing tariff (from 1 July 2014) C</b>	<b>Proposed tariff (from 1 July 2015) C</b>
Residential properties (incl. farms & small holdings used for residential purposes)	0,008225	0.009039
Agricultural (used for Bona-fide farming)	0,002056	0.002260
Public Service Infrastructure	0,002056	0.002260
Business, Commercial & Industrial properties (incl. farms used for Game- / Eco Tourism)	0,020562	0.022597
Educational Institutions	0,005757	0.006327
Municipal Owned properties (Rateable, used for residential purposes)	0,008225	0.009039
Municipal Owned (Rateable, used for non-residential purposes)	0,020562	0.022597
Municipal Owned (Non-rateable)	0,000000	0,000000
Mining / Quarry	0,020562	0.022597
Government properties (incl. Correctional Services Facilities, Office buildings & Hospitals)	0,020562	0.022597
Vacant land	0,024674	0.027117
Religious sites or Places of Worship	0,000000	0,000000
Special properties (e.g. Museums, Libraries)	0,000000	0,000000
Public Benefit Organisations	0,002056	0.002260
Rural Communal properties	0,000000	0,000000

The Municipality has successfully undertaken a General Valuation exercise in terms of the Municipal Property Rates Act and the new values were implemented from 1 July 2014. An increase on rate tariffs of 9.9% in the 2015/16 financial year (2016/17: 9.6%, 2017/18: 9.4%) has been planned. Yearly supplementary valuations will be undertaken and it is projected that they will yield a revenue of R9.5 million in the 2015/16 financial year.

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

The water tariff structure of the 2015/16 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R26.1077 per kilolitre for consumption in excess of 30kl per 30 day period.

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

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

In addition National Treasury has urged all municipalities to ensure that water tariff structures are fully cost reflective by 2014. Although the institution is attempting to comply with this request, the annual impact on consumers in terms of affordability needs to be considered.

The institution is currently concerned about the high level of water losses which have been historically incurred. The Water Management business plan has been presented and approved by Council which requires approximately R160 million over 4 years for implementation. The plan is focused on reducing water losses through replacing stand pipes, converting fixed rate properties to metered consumption and upgrading ageing infrastructure. An amount of R40 million has been allocated annually within the MTREF budget to cater for this plan. It is envisaged that this will reduce the water losses being incurred to a level which is comparable to the peers of the institution. The current level of water losses is contributing to a situation whereby the institution is unable to reach a point of break even for this trading service without implementing unaffordable tariff increases. Better maintenance of infrastructure, new dam construction and cost-

reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Amatola Water has increased its bulk tariffs with 9.25% from 1 July 2015. There is some concern surrounding the determination of this tariff as a large portion relates to employee costs which, it could be argued, the Municipality is already incurring through the individuals we have working directly. A tariff increase of 14.50% from 1 July 2015 for water is proposed. This is based on input cost assumptions of 9.25% increase in the cost of bulk water (Amatola Water), and the service progressing to becoming self-sufficient with at least a break-even position. In addition 6 kℓ water per 30-day period will again be granted free of charge to all indigent residents. There is also water service that is provided to rural areas which are not billed for water consumption.

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

**Table 9: Proposed Water Tariffs**

<b>CATEGORY</b>	<b>CURRENT TARIFFS 2014/15 Rand per kℓ</b>	<b>PROPOSED TARIFFS 2015/16 Rand per kℓ</b>
<b>RESIDENTIAL</b>		
(i) 0 to 6 kℓ per 30-day period (Indigent)	0,0000	
(ii) 0 to 6 kℓ per 30-day period (Non-Indigent)	11,3330	12.9763
(iii) 7 to 10 kℓ per 30-day period	11,5552	13.2308
(iv) 11 to 20 kℓ per 30-day period	16,0487	18.3758
(v) 21 to 30 kℓ per 30-day period	20,8039	23.8205
(vi) More than 30 kℓ per 30-day period:	26,1077	29.8934
<b>NON-RESIDENTIAL</b>		
(i) From the 1 <sup>st</sup> kℓ per 30-day period	15,8898	18.1938

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

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

<b>Monthly Consumption kℓ</b>	<b>Current amount Payable R</b>	<b>Proposed amount payable R</b>	<b>Difference (Increase) R</b>	<b>%age change</b>
<b>10</b>	114,21	130,77	16.56	14,50%
<b>20</b>	274,71	314,54	39.83	14,50%
<b>30</b>	482,77	552,77	70.00	14,50%
<b>50</b>	1004,90	1,150,61	145.71	14,50%
<b>75</b>	1657,59	1,897,94	240.35	14,50%
<b>100</b>	2310,29	2,645,28	334.99	14,50%



### **1.4.1.3 Sale of Electricity and Impact of Tariff Increases**

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

On 29 January 2015 NERSA distributed a guideline to all municipalities detailing the expected increase of bulk purchases which is to be effective from 1 July 2015.

The expected increase as communicated in the guidance is 14.24% for bulk purchases. It is envisaged that the municipality will increase its tariff by 12.2% across all categories in order to recover the increased bulk purchase cost as well as capital infrastructure costs for the electrification of informal settlements.

It should be noted that given the magnitude of the tariff increases in the recent past, it is expected that the depressed growth in electricity consumption, which is having a negative impact on the municipality's revenue from electricity, will continue for the foreseeable future. This reduced consumption can be seen in terms of the amount of bulk purchases being made from Eskom reaching a plateau and showing reductions through changes in consumption patterns.

Registered indigents will again be subsidized for the first 50 kWh per 30-day period free of charge, while the discounted Life-Line tariff for the second 50 kWh per 30-day period is available to all registered indigents and pensioners.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

The institution is currently upgrading our electricity grid by building a new Queenspark Zoo Sub-station at a cost of R160 million to improve the energy capacity to the CBD and surrounding areas of East London central. This project is near completion. In addition to this, we are planning a bulk electricity infrastructure upgrade amounting to R650 million, for the entire BCMM area to improve reliability of supply of the BCMM network for both domestic and commercial consumers. This project will be implemented over a period of 20 years in accordance with the Electricity Master Plan.

Owing to the high increases in Eskom’s bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2015/16 medium-term capital programme, own funding has been allocated to electricity infrastructure to the tune of R230 million over the MTREF period. This funding level is budgeted within the MTREF period with the express purposes of upgrading existing infrastructure assets with the goal of maintaining consistent supply that is within the control of the Municipality.

**Table 11: Comparison between current electricity charges and increases (Domestic)**

<b>Monthly Consumption kWh</b>	<b>Current amount Payable R</b>	<b>Proposed amount payable R</b>	<b>Difference (Increase) R</b>	<b>%age change</b>
<b>100</b>	160,44	180,01	19,57	12,20%
<b>250</b>	401,10	450,03	48,93	12,20%
<b>500</b>	802,19	900,06	97,87	12,20%
<b>750</b>	1 203,30	1,350,10	146,80	12,20%
<b>1 000</b>	1 604,39	1,800,13	195,74	12,20%
<b>2 000</b>	3 208,78	3,600,25	391,47	12,20%

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

A tariff increase of 9.5 % for sanitation from 1 July 2015 is proposed. Currently sanitation charges are calculated according to the relative size of the erf on which the property is located. It is envisaged that future sanitation charges will be based on a percentage of water consumption, but first the large volumes of water losses will have to be brought under control.

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

**Table 12: Comparison between current sanitation charges and increases, single dwelling- residence (per annum)**

Category	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	%age Change (Approximate)
Erf : 0 – 300m <sup>2</sup>	764	836.58	72.58	9,5%
Erf : 301 – 400m <sup>2</sup>	1 214	1329.33	115.33	9,5%
Flat : Complex	1924	2106.78	182.78	9,5%
Flat : Ordinary	2125	2326.88	201.88	9,5%
Flat : Semi	2125	2,326.88	201.88	9,5%
Cluster/Town Houses	2630	2,879.85	249.85	9,5%
Erf : 401 – 800m <sup>2</sup>	3160	3,460.20	300.20	9,5%
Erf : 801 – 1200m <sup>2</sup>	3411	3,735.05	324.05	9,5%
Erf : > 1200m <sup>2</sup>	3717	4,070.12	353.12	9,5%

#### 1.4.1.5 Refuse Removal and Impact of Tariff Increases

It is widely accepted that the rendering of this service should at least break even, which continues to prove difficult to achieve considering affordability for the consumers. The City needs to implement the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. Efficiencies of staff performing the function continue to be a contributing factor as there is an increase in the cost of remuneration however this does not appear to be converting to refuse collection efficiencies. The on-going increase on repairs and maintenance for refuse trucks and increases in general expenditure such as fuel and hired plant. There will be more added focus by management over the MTREF period in an attempt to improve staff management and create efficiencies in this process. There is further investigation to create a transfer station to reduce the costs of running the transport fleet. It needs to be noted that the institution has embarked on the purchase of wheelie bins for BCMM consumers and it is envisaged that this will improve the efficiencies of employees. These plans are currently at various stages of implementation. The city is in the process of constructing an additional landfill waste cell and the rehabilitation of the existing landfill sites.

An increase of 9.5% in the refuse removal tariff is proposed from 1 July 2015. A further increase of 9.2% and 9% for the two outer years respectively are proposed.

The following table compares current and proposed amounts payable from 1 July 2015:

**Table 13: Comparison between current refuse removal fees and increases**

<b>Category</b>	<b>Current amount Payable R</b>	<b>Proposed amount Payable R</b>	<b>Difference (Increase) R</b>	<b>%age Change</b>
85ℓ Bins – Twice weekly	403	441.29	38.29	9,5%
240ℓ Bins – Once weekly	567	620.87	53.87	9,5%
240ℓ Bins – Twice weekly	1134	1,241.73	107.73	9,5%
420ℓ Bins – Once weekly	991	1,085.15	94.15	9,5%
420ℓ Bins – Twice weekly	1981	2,169.20	188.20	9,5%
1.1m <sup>3</sup> Sprico – Once weekly	679	743.51	64.51	9,5%
1.1m <sup>3</sup> Sprico – Twice weekly	1354	1,482.63	128.63	9,5%
1.1m <sup>3</sup> Sprico – Three x a week	2036	2,229.42	193.42	9,5%
1.1m <sup>3</sup> Sprico – Four x a week	2709	2,966.36	257.36	9,5%
1.1m <sup>3</sup> Sprico – Five x a week	3386	3,707.67	321.67	9,5%

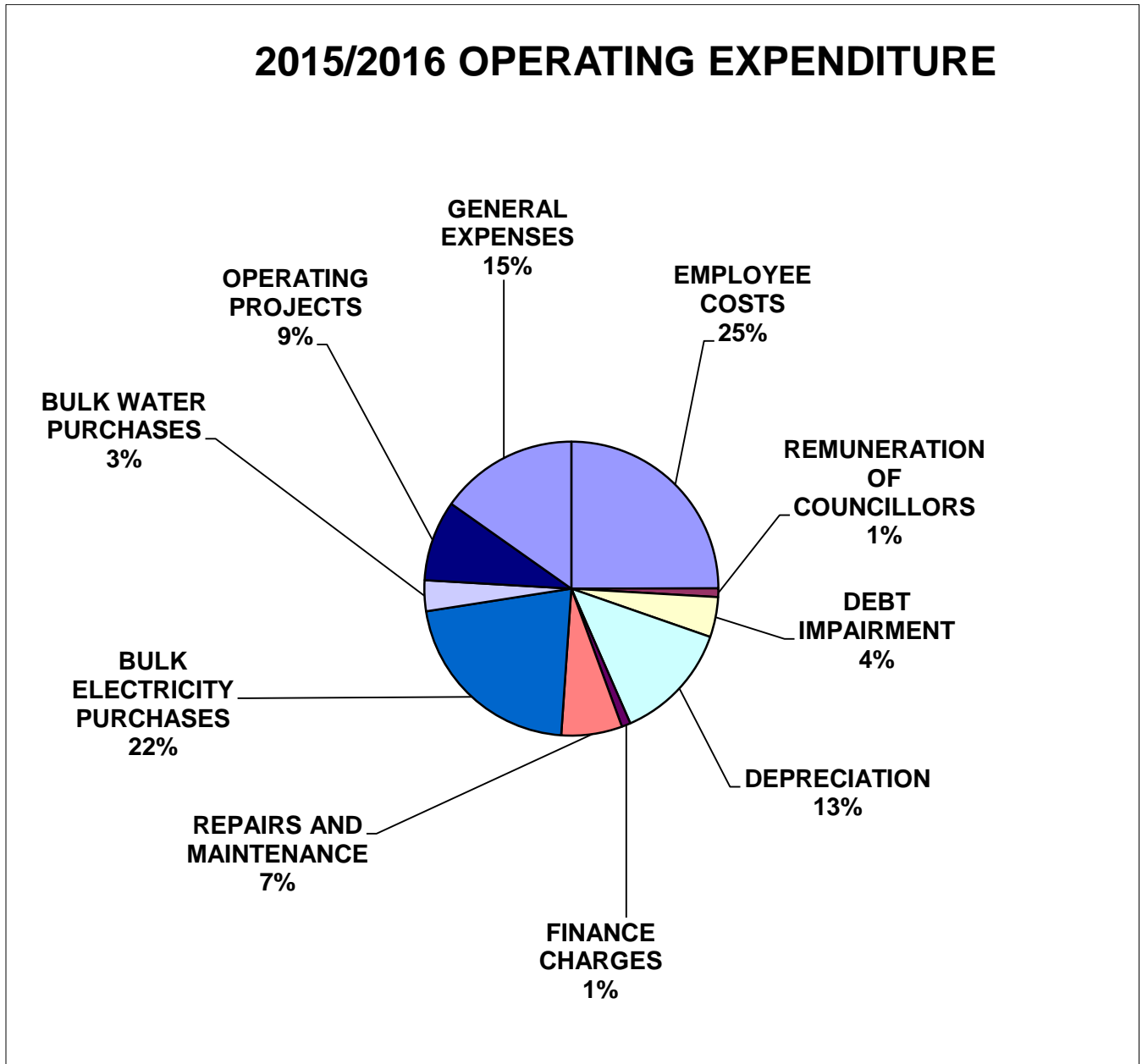
## 1.5 OPERATING EXPENDITURE FRAMEWORK

The City's expenditure framework for the 2015/16 budget and MTREF is informed by Section 18 and 19 of the MFMA. The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

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

EXPENDITURE PER CATEGORY	2014/2015	2014/2015	2015/2016	2016/2017	2017/2018
	ADOPTED	M/Y ADJ	DRAFT	DRAFT	DRAFT
	BUDGET YR1	BUDGET	BUDGET YR1	BUDGET YR2	BUDGET YR3
Salaries, Wages & Allowances	1 237 215 012	1 241 125 003	1 387 618 913	1 464 987 091	1 546 368 169
Remuneration of Councillors	52 254 296	52 254 295	52 910 192	56 613 904	60 576 877
Debt Impairment	203 074 220	187 074 221	245 009 326	273 185 400	305 967 648
General Expenses	742 832 260	756 273 404	845 263 361	893 291 137	944 625 124
Operating Projects	210 971 670	341 921 003	493 043 923	882 560 900	735 548 900
Bulk Electricity Purchases	1 029 452 182	1 042 380 502	1 190 815 485	1 360 387 611	1 554 106 806
Bulk Water Purchases	172 403 915	172 403 915	188 351 277	205 773 770	224 807 844
Repairs & Maintenance	332 248 819	327 748 811	372 009 710	416 994 682	450 611 983
Finance Charges	59 248 068	59 248 068	54 313 000	49 286 000	44 055 000
Depreciation	710 000 001	709 999 995	728 213 176	588 314 666	573 090 342
<b>Total Operating Expenditure</b>	<b>4 749 700 442</b>	<b>4 890 429 217</b>	<b>5 557 548 363</b>	<b>6 191 395 160</b>	<b>6 439 758 693</b>

The following figure gives a breakdown of the main expenditure categories for the 2015/16 financial year:



**Figure 5: Main operational expenditure categories for the 2015/16 financial year**

**Employee Costs** equates to 25% of the total operating costs and is well within the norm of 25% to 40% as per MFMA Circular 71 guideline. Salaries have been increased by CPI (e.g. 5.6% in 2015/16) in line with MFMA Circular 75 guideline.

**Remuneration of councillors** is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public

Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget.

The **provision of debt impairment** has been determined based on an annual collection rate. For the 2015/16 financial year this amounts to R245 million and escalates to R306 million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

**Provision for depreciation and asset impairment** is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R728 million for the 2015/16 financial year and equates to 13% of the total operating expenditure. Infrastructure assets are by far the most significant value of the Statement of Financial Position of the institution and is where the most significant amount of the institutions resources is expended. As such the institution has made a strategic decision to actively manage its infrastructure assets by ensuring all new infrastructure commitments are made in line with the Metro Growth and Development Strategy.

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

**Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% (R54 million) of operating expenditure excluding annual redemption for 2015/16.

**Bulk purchases** are directly informed by the purchase of electricity from Eskom (equates to 22% of total operating expenditure) and water from Amatola Water (equals to 3% of total operating expenditure). The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. In order to comply with the provisions of circular 70 guiding principles as issued by National Treasury, the institution undertook a line by line analysis of expenditure in an attempt to improve efficiencies. This resulted in a significant reduction in general expenses attributable to cuts in telephone expenditure, consultant expenditure and efficiencies expected through the implementation of various projects including E-Fuel and EDMS.

### **1.5.1 Repairs and Maintenance**

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the asset maintenance area as informed the City's asset renewal strategy and repairs & maintenance plan.

Repairs and maintenance budget is currently 7% of the total Operating Expenditure Budget. The City is striving towards a 10% repairs and maintenance of its total operating budget owing to the aging of the City's infrastructure and historic deferred maintenance. The city has embarked on a programme to replace existing infrastructure assets which have almost reached and/or exceeded their useful lives and will be funded from own funds. The institution has identified a historical funding shortfall associated with the replacement of existing infrastructure assets and in an attempt to alleviate the shortfall, USDG funding will be utilized to replace existing infrastructure. Furthermore, the institution will ensure that surplus budgets are prepared beyond the MTREF period to fund both existing infrastructure replacement as well as new infrastructure expansion.

### **1.5.2 Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. The target is to register 50 000 or more indigent households (urban areas) by end of 2015/16 financial year, this process is reviewed annually. It should however be noted that although this is a goal from a social perspective, it is an indicator of the overall strategic direction of the institution not being achieved. The institution is attempting to steer in the direction of economic growth and job creation. This target is contrary to that focus area.

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



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

**Table 15: Basic social services package per indigent household**

	<b>Total Per Household 2014/2015</b>	<b>Total Per Household 2015/2016</b>	<b>Total Per Household 2016/2017</b>	<b>Total Per Household 2017/2018</b>
<b>Rates</b>	<b>103.66</b>	<b>155.35</b>	<b>170.26</b>	<b>186.27</b>
<b>Refuse</b>	<b>155.93</b>	<b>152.77</b>	<b>166.82</b>	<b>181.83</b>
<b>Sewerage</b>	<b>88.78</b>	<b>159.77</b>	<b>174.47</b>	<b>190.17</b>
<b>Fire Levy</b>	<b>33.62</b>	<b>34.82</b>	<b>38.16</b>	<b>41.75</b>
<b><u>Total Monthly Subsidy</u></b>	<b>381.98</b>	<b>502.71</b>	<b>549.72</b>	<b>600.02</b>
<b>Electricity - 50kwh p.m</b>	<b>51.03</b>	<b>57.26</b>	<b>64.25</b>	<b>72.08</b>
<b>Water - 6kl p.m.</b>	<b>59.65</b>	<b>68.30</b>	<b>77.99</b>	<b>88.91</b>
<b><u>Total Poor Relief</u></b>	<b>492.66</b>	<b>628.26</b>	<b>691.96</b>	<b>761.02</b>

It needs to be recognised that the DoRA allocation is showing a reducing trend through the MTREF period commencing with R655.1 million in 2015/16 reducing to R649.4 million in 2017/18. This reduction in equitable share will place additional pressure on the institution to generate internal funds to continue maintaining indigent subsidies at the above levels.

## 1.6 CAPITAL EXPENDITURE FRAMEWORK

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

**Table 16: 2015/16 Medium-term capital budget per vote**

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure - to be appropriated</b>	2										
Vote 1 - Directorate - Executive Support Services		2 416	622	2 290	500	6 729	6 729	6 729	6 200	500	500
Vote 2 - Directorate - Municipal Manager		—	—	—	7 000	6 500	6 500	6 500	21 500	31 891	37 829
Vote 3 - Directorate - Chief Operations Officer		48	36 692	39 321	90 136	156 185	156 185	156 185	211 424	323 360	386 580
Vote 4 - Directorate - Chief Financial Officer		30 533	25 488	2 193	12 350	11 282	11 282	11 282	10 000	10 500	10 500
Vote 5 - Directorate - Corporate Services		—	—	39 267	15 100	23 086	23 086	23 086	21 600	20 200	500
Vote 6 - Directorate - Engineering Services		138 192	402 616	648 609	665 696	768 226	768 226	768 226	820 556	598 000	751 198
Vote 7 - Directorate - Development Planning		23 503	101 455	32 934	54 895	51 543	51 543	56 525	68 221	163 611	225 022
Vote 8 - Directorate - Health & Public Safety		6 810	6 358	14 385	9 800	14 871	14 871	14 871	21 650	28 540	22 655
Vote 9 - Directorate - Community Services		15 962	20 255	65 195	86 530	130 323	130 323	130 323	94 204	57 662	86 285
Vote 10 - Directorate - Miscellaneous		—	—	—	—	—	—	—	—	—	—
Vote 11 - Directorate 11 - Vacant		—	—	—	—	—	—	—	—	—	—
Vote 12 - Directorate 12 - Vacant		—	—	—	—	—	—	—	—	—	—
Vote 13 - Directorate 13 - Vacant		—	—	—	—	—	—	—	—	—	—
Vote 14 - Directorate 14 - Vacant		—	—	—	—	—	—	—	—	—	—
Vote 15 - Directorate 15 - Vacant		—	—	—	—	—	—	—	—	—	—
<b>Capital multi-year expenditure sub-total</b>	7	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 173 727</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>32 949</b>	<b>26 110</b>	<b>43 749</b>	<b>34 950</b>	<b>47 597</b>	<b>47 597</b>	<b>47 597</b>	<b>59 300</b>	<b>63 091</b>	<b>49 329</b>
Executive and council		2 416	622	2 290	7 500	13 229	13 229	13 229	27 700	32 391	38 329
Budget and treasury office		30 533	25 488	2 193	12 350	11 282	11 282	11 282	10 000	10 500	10 500
Corporate services		—	—	39 267	15 100	23 086	23 086	23 086	21 600	20 200	500
<b>Community and public safety</b>		<b>13 847</b>	<b>44 632</b>	<b>60 197</b>	<b>140 467</b>	<b>208 795</b>	<b>208 795</b>	<b>208 795</b>	<b>305 568</b>	<b>394 150</b>	<b>494 520</b>
Community and social services		5 141	—	4 147	12 500	16 223	16 223	16 223	40 269	17 500	46 460
Sport and recreation		1 849	1 582	2 343	28 030	21 516	21 516	21 516	32 225	24 750	38 825
Public safety		5 973	6 358	13 732	9 800	14 871	14 871	14 871	21 650	28 540	22 655
Housing		48	36 692	39 321	90 136	156 185	156 185	156 185	211 424	323 360	386 580
Health		837	—	653	—	—	—	—	—	—	—
<b>Economic and environmental services</b>		<b>28 217</b>	<b>246 316</b>	<b>357 416</b>	<b>262 895</b>	<b>390 442</b>	<b>390 442</b>	<b>390 442</b>	<b>333 221</b>	<b>343 611</b>	<b>449 922</b>
Planning and development		10 585	101 008	32 934	54 895	51 543	51 543	51 543	68 221	163 611	225 022
Road transport		17 276	143 551	280 275	198 000	327 199	327 199	327 199	265 000	180 000	224 900
Environmental protection		356	1 757	44 207	10 000	11 700	11 700	11 700	—	—	—
<b>Trading services</b>		<b>142 095</b>	<b>275 981</b>	<b>382 380</b>	<b>503 196</b>	<b>521 410</b>	<b>521 410</b>	<b>521 410</b>	<b>529 266</b>	<b>414 912</b>	<b>496 798</b>
Electricity		48 802	65 683	106 855	152 999	144 756	144 756	144 756	158 500	171 500	111 500
Water		63 583	71 359	98 505	97 689	96 898	96 898	96 898	91 000	91 000	91 000
Waste water management		22 982	122 022	162 523	216 508	198 873	198 873	198 873	258 056	137 000	293 298
Waste management		6 728	16 916	14 497	36 000	80 884	80 884	80 884	21 710	15 412	1 000
<b>Other</b>		<b>355</b>	<b>447</b>	<b>452</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>48 000</b>	<b>18 500</b>	<b>30 500</b>
<b>Total Capital Expenditure - Standard</b>	3	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>
<b>Funded by:</b>											
National Government		144 991	515 570	734 503	671 925	667 655	667 655	667 655	742 884	818 419	911 943
Provincial Government		6 010	—	—	28 857	52 745	52 745	52 745	107 469	106 300	65 000
District Municipality		—	—	—	—	—	—	—	—	—	—
Other transfers and grants		—	—	—	—	—	—	—	—	—	—
<b>Transfers recognised - capital</b>	4	<b>151 001</b>	<b>515 570</b>	<b>734 503</b>	<b>700 782</b>	<b>720 400</b>	<b>720 400</b>	<b>720 400</b>	<b>850 353</b>	<b>924 719</b>	<b>976 943</b>
<b>Public contributions &amp; donations</b>	5	<b>730</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>459</b>	<b>459</b>	<b>459</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Borrowing</b>	6	<b>17 674</b>	<b>18 146</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Internally generated funds</b>		<b>48 059</b>	<b>59 769</b>	<b>109 692</b>	<b>241 226</b>	<b>447 886</b>	<b>447 886</b>	<b>447 886</b>	<b>425 002</b>	<b>309 545</b>	<b>544 126</b>
<b>Total Capital Funding</b>	7	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>

The budget for capital programme is R1.28 billion in the 2015/16 financial year, R1.23 billion and R1.52 billion in the 2016/17 and 2017/18 financial years respectively.

It is pleasing to note the BCMM's capital budget has increased by 9% compared to the 2014/15 revised budget. It is also showing an increasing trend from 2015/16 to 2017/18 financial year.

For the 2015/16 financial year an amount of R258 million has been appropriated for the waste water infrastructure, R265 million for roads transport, R207 million for electricity and R91 million for water. These infrastructure programs represent 64% of the total capital budget. Further breakdown of the capital budget is detailed in table 20 below.

Renewal of existing assets represent 58.4% (R745 million) of the total capital budget while new asset renewal equates to 41.6% (R530 million) in the 2014/15 financial year. Further detail relating to asset classes and proposed capital expenditure is contained in MBRR Table A9, MBRR Tables SA34a, b provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

The following are some of the major projects to be undertaken in the medium-term amongst others:

- **Electricity**

The institution is currently upgrading our electricity grid by building a new Queens Park Zoo Sub-station at a cost of R160 million to improve the energy capacity to the CBD and surrounding areas of East London central. This project is near completion. In addition to this, we are planning a bulk electricity infrastructure upgrade amounting to R650 million, for the entire BCMM area to improve reliability of supply of the BCMM network for both domestic and commercial consumers. This project will be implemented over a period of 20 years in accordance with the Electricity Master Plan. An amount of R90 million has been allocated from own funding for upgrading of existing infrastructure in the 2015/16 financial year. An amount of R18.5 million has been allocated for electrification, street lighting and high mast in BCMM informal dwelling.

- **Sanitation**

A massive multi-year upgrading project of the Umzonyana Treatment Works as part of the wastewater improvement process to the value of approximately R250 million is underway. It is envisaged that this will provide capacity to produce treated water for the supply zone that includes East London CBD and West Bank, potentially covering the

proposed Rocklyff development. The work which is currently underway is the electrical, civil and mechanical engineering works and this project is planned to be completed in 2016/17.

The Zwelitsha Waste Water Treatment Works Upgrade, estimated to cost us R216 million will provide a centralized regional treatment facility for the Inland Region which will service the domestic and business community from Bhisho, Breidbach, Zwelitsha, Phakamisa, Schornville, Ginsberg, etc. The first phase of this project is expected to be completed in 2015/16. The project is divided into 6 phases, the final phase of which is expected to be completed in 2017/18.

This infrastructure investment continues to be a prerequisite for the construction of the R2 billion Provincial Government Office precinct in Bhisho and will contribute to the integration of King Williams Town and Bhisho.

A continuing challenge plaguing the city is the ever increasing cost of maintaining our existing infrastructure. This is due to a number of contributing factors, including urban migration which results in people seeking work opportunities in the city. Our road infrastructure is under immense pressure from heavy duty trucks that go through the city en route to either Port Elizabeth, Cape Town, Mthatha or Durban. In a focused effort to improve the quality of the roads, maintenance will be undertaken in line with service maintenance plans which are envisaged to be ongoing.

- **ROADS**

The upgrading of Mdantsane Road is continuing and has been allocated a budget of R154 million over the MTREF period. The Quenera Beacon Bay Link Road is also continuing and has been allocated a budget of R140 million. Fleet Street upgrade is also progressing and an amount of R50 million has been allocated in the 2015/16 financial year. KWT roads upgrade have been allocated R10 million in the 2015/16 financial year. An amount of R15 million has been set aside for RDP roads in the 2015/16 financial year. An allocation of R80 million from own funds has been made for upgrading various existing roads.

## **1.7 ANNUAL BUDGET TABLES**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the BCMM's 2015/16 budget and MTREF as approved by the Council. BCMM's entity, BCDA is currently not operational though the Board of Directors have been constituted. The board is currently in the process of recruiting staff undertake critical positions of the entity. As a result no budget has been prepared for the entity and BCMM has allocated a grant to BCDA for operational costs.

**Table 17: Budgeted Financial Performance (revenue and expenditure) by Revenue Source and Expenditure Type**

<b><u>REVENUE PER SOURCE</u></b>	<b>2014/2015 ADOPTED BUDGET YR1</b>	<b>2014/2015 M/Y ADJ BUDGET</b>	<b>2015/2016 DRAFT BUDGET YR1</b>	<b>2016/2017 DRAFT BUDGET YR2</b>	<b>2017/2018 DRAFT BUDGET YR3</b>
Assessment Rates	(826 221 072)	(842 851 723)	(935 794 044)	(1 025 630 272)	(1 122 039 517)
Refuse Charges	(251 704 249)	(261 244 311)	(286 062 521)	(312 380 272)	(340 494 497)
Sewerage Charges	(252 868 652)	(270 506 418)	(296 204 528)	(323 455 344)	(352 566 325)
Trade Effluent	(18 339 984)	(15 979 530)	(17 497 585)	(19 107 363)	(20 827 026)
Water Charges	(370 613 268)	(370 613 268)	(424 352 192)	(484 610 203)	(552 455 632)
Electricity Charges	(1 511 514 216)	(1 478 314 550)	(1 658 671 213)	(1 861 028 822)	(2 088 074 059)
Fire Levy	(56 669 204)	(58 068 237)	(63 816 992)	(69 943 424)	(76 518 106)
Fuel Levy	(361 639 000)	(361 639 000)	(370 461 000)	(384 488 000)	(397 824 000)
Grants and Subsidies	(828 531 073)	(929 300 680)	(1 080 563 374)	(1 433 540 493)	(1 235 044 580)
Fines	(9 400 009)	(9 400 009)	(10 293 009)	(11 270 845)	(12 319 034)
Housing Rentals	(140 168)	(140 167)	(153 483)	(168 064)	(183 694)
Other Rentals	(16 872 857)	(16 872 856)	(18 475 778)	(20 230 977)	(22 112 458)
Income Foregone	30 763 671	30 763 671	34 301 493	38 246 164	42 644 473
Other	(287 590 570)	(287 590 568)	(435 764 803)	(463 383 502)	(491 635 246)
<b><u>Total Direct Operating Income</u></b>	<b>(4 761 340 651)</b>	<b>(4 871 757 646)</b>	<b>(5 563 809 030)</b>	<b>(6 370 991 417)</b>	<b>(6 669 449 701)</b>

<b>EXPENDITURE PER CATEGORY</b>	<b>2014/2015 ADOPTED BUDGET YR1</b>	<b>2014/2015 M/Y ADJ BUDGET</b>	<b>2015/2016 DRAFT BUDGET YR1</b>	<b>2016/2017 DRAFT BUDGET YR2</b>	<b>2017/2018 DRAFT BUDGET YR3</b>
Salaries, Wages & Allowances	1 237 215 012	1 241 125 003	1 387 618 913	1 464 987 091	1 546 368 169
Remuneration of Councillors	52 254 296	52 254 295	52 910 192	56 613 904	60 576 877
Debt Impairment	203 074 220	187 074 221	245 009 326	273 185 400	305 967 648
General Expenses	742 832 260	756 273 404	845 263 361	893 291 137	944 625 124
Operating Projects	210 971 670	341 921 003	493 043 923	882 560 900	735 548 900
Bulk Electricity Purchases	1 029 452 182	1 042 380 502	1 190 815 485	1 360 387 611	1 554 106 806
Bulk Water Purchases	172 403 915	172 403 915	188 351 277	205 773 770	224 807 844
Repairs & Maintenance	332 248 819	327 748 811	372 009 710	416 994 682	450 611 983
Finance Charges	59 248 068	59 248 068	54 313 000	49 286 000	44 055 000
Depreciation	710 000 001	709 999 995	728 213 176	588 314 666	573 090 342
<b><u>Total Direct Operating Expenditure</u></b>	<b>4 749 700 442</b>	<b>4 890 429 217</b>	<b>5 557 548 363</b>	<b>6 191 395 160</b>	<b>6 439 758 693</b>
<b><u>(Surplus) / Deficit Excluding Capital Transfers</u></b>	<b>(11 640 208)</b>	<b>18 671 589</b>	<b>(6 260 667)</b>	<b>(179 596 257)</b>	<b>(229 691 007)</b>

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

1. Total revenue is R5.6 billion in 2015/16 and escalates to R6.7 billion by 2017/18. This represents a year-on-year increase of 15 % for the 2015/16 financial year and 5% for the 2016/17 financial year.
2. Revenue to be generated from property rates is R935.8 million in the 2015/16 financial year and increases to R1.1 billion by 2017/18 which represents 17% of the operating revenue base of the City and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 9.6% and 9.4% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R2.4 billion for the 2014/15 financial year and increasing to R3.4 billion by 2017/18. For the 2014/15 financial year services charges amount to 49% of the total revenue base and fluctuates by 3% per annum over the medium-term between 47% and 50%. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that the grant receipts from national government increased by 16% and 33% in the 2015/16 and 2016/17 financial year respectively, however then decreases by 14% for the 2017/18 financial year.
4. Bulk purchases have increased from 2014/15 financial year as a result of increased consumption in the 2015/16 financial year. The amount has increased over the 2015/16 to 2017/18 period escalating from R1.4 billion to R1.8 billion. These average increases of 14% can be attributed to the increase in the cost of bulk electricity from Eskom and water from Amatola Water.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality. The institution has attempted to identify operational efficiencies in other expenditure items by undertaking a line by line analysis to determine where budgeted expenditure can be reduced. This has yielded beneficial results in that general expenditure has been reduced with the largest impact being plant hire and consultants. Ongoing operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



**Table 18: MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Directorate - Executive Support Services		2 416	622	2 290	500	6 729	6 729	6 729	6 200	500	500
Vote 2 - Directorate - Municipal Manager		-	-	-	7 000	6 500	6 500	6 500	21 500	31 891	37 829
Vote 3 - Directorate - Chief Operations Officer		48	36 692	39 321	90 136	156 185	156 185	156 185	211 424	323 360	386 580
Vote 4 - Directorate - Chief Financial Officer		30 533	25 488	2 193	12 350	11 282	11 282	11 282	10 000	10 500	10 500
Vote 5 - Directorate - Corporate Services		-	-	39 267	15 100	23 086	23 086	23 086	21 600	20 200	500
Vote 6 - Directorate - Engineering Services		138 192	402 616	648 609	665 696	768 226	768 226	768 226	820 556	598 000	751 198
Vote 7 - Directorate - Development Planning		23 503	101 455	32 934	54 895	51 543	51 543	56 525	68 221	163 611	225 022
Vote 8 - Directorate - Health & Public Safety		6 810	6 358	14 385	9 800	14 871	14 871	14 871	21 650	28 540	22 655
Vote 9 - Directorate - Community Services		15 962	20 255	65 195	86 530	130 323	130 323	130 323	94 204	57 662	86 285
Vote 10 - Directorate - Miscellaneous		-	-	-	-	-	-	-	-	-	-
Vote 11 - Directorate 11 - Vacant		-	-	-	-	-	-	-	-	-	-
Vote 12 - Directorate 12 - Vacant		-	-	-	-	-	-	-	-	-	-
Vote 13 - Directorate 13 - Vacant		-	-	-	-	-	-	-	-	-	-
Vote 14 - Directorate 14 - Vacant		-	-	-	-	-	-	-	-	-	-
Vote 15 - Directorate 15 - Vacant		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 173 727</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>32 949</b>	<b>26 110</b>	<b>43 749</b>	<b>34 950</b>	<b>47 597</b>	<b>47 597</b>	<b>47 597</b>	<b>59 300</b>	<b>63 091</b>	<b>49 329</b>
Executive and council		2 416	622	2 290	7 500	13 229	13 229	13 229	27 700	32 391	38 329
Budget and treasury office		30 533	25 488	2 193	12 350	11 282	11 282	11 282	10 000	10 500	10 500
Corporate services		-	-	39 267	15 100	23 086	23 086	23 086	21 600	20 200	500
<b>Community and public safety</b>		<b>13 847</b>	<b>44 632</b>	<b>60 197</b>	<b>140 467</b>	<b>208 795</b>	<b>208 795</b>	<b>208 795</b>	<b>305 568</b>	<b>394 150</b>	<b>494 520</b>
Community and social services		5 141	-	4 147	12 500	16 223	16 223	16 223	40 269	17 500	46 460
Sport and recreation		1 849	1 582	2 343	28 030	21 516	21 516	21 516	32 225	24 750	38 825
Public safety		5 973	6 358	13 732	9 800	14 871	14 871	14 871	21 650	28 540	22 655
Housing		48	36 692	39 321	90 136	156 185	156 185	156 185	211 424	323 360	386 580
Health		837	-	653	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>28 217</b>	<b>246 316</b>	<b>357 416</b>	<b>262 895</b>	<b>390 442</b>	<b>390 442</b>	<b>390 442</b>	<b>333 221</b>	<b>343 611</b>	<b>449 922</b>
Planning and development		10 585	101 008	32 934	54 895	51 543	51 543	51 543	68 221	163 611	225 022
Road transport		17 276	143 551	280 275	198 000	327 199	327 199	327 199	265 000	180 000	224 900
Environmental protection		356	1 757	44 207	10 000	11 700	11 700	11 700	-	-	-
<b>Trading services</b>		<b>142 095</b>	<b>275 981</b>	<b>382 380</b>	<b>503 196</b>	<b>521 410</b>	<b>521 410</b>	<b>521 410</b>	<b>529 266</b>	<b>414 912</b>	<b>496 798</b>
Electricity		48 802	65 683	106 855	152 999	144 756	144 756	144 756	158 500	171 500	111 500
Water		63 583	71 359	98 505	97 689	96 898	96 898	96 898	91 000	91 000	91 000
Waste water management		22 982	122 022	162 523	216 508	198 873	198 873	198 873	258 056	137 000	293 298
Waste management		6 728	16 916	14 497	36 000	80 884	80 884	80 884	21 710	15 412	1 000
<b>Other</b>		<b>355</b>	<b>447</b>	<b>452</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>48 000</b>	<b>18 500</b>	<b>30 500</b>
<b>Total Capital Expenditure - Standard</b>	3	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>
<b>Funded by:</b>											
National Government		144 991	515 570	734 503	671 925	667 655	667 655	667 655	742 884	818 419	911 943
Provincial Government		6 010	-	-	28 857	52 745	52 745	52 745	107 469	106 300	65 000
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>151 001</b>	<b>515 570</b>	<b>734 503</b>	<b>700 782</b>	<b>720 400</b>	<b>720 400</b>	<b>720 400</b>	<b>850 353</b>	<b>924 719</b>	<b>976 943</b>
<b>Public contributions &amp; donations</b>	5	<b>730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>459</b>	<b>459</b>	<b>459</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	6	<b>17 674</b>	<b>18 146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>		<b>48 059</b>	<b>59 769</b>	<b>109 692</b>	<b>241 226</b>	<b>447 886</b>	<b>447 886</b>	<b>447 886</b>	<b>425 002</b>	<b>309 545</b>	<b>544 126</b>
<b>Total Capital Funding</b>	7	<b>217 464</b>	<b>593 485</b>	<b>844 194</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>

**Table 19: MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		45,300	57,758	146,018	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Call investment deposits	1	695,947	1,464,211	1,697,298	886,779	790,044	790,044	790,044	1,233,269	1,757,792	2,370,576
Consumer debtors	1	302,407	458,788	596,220	928,937	938,835	938,835	938,835	1,160,451	1,408,259	1,665,640
Other debtors		39,042	36,505	67,100	82,262	82,262	82,262	82,262	90,203	98,188	108,000
Current portion of long-term receivables		12	13	14	10	10	10	10	14	14	14
Inventory	2	137,420	117,116	71,653	138,080	138,080	138,080	138,080	88,000	96,800	106,480
<b>Total current assets</b>		<b>1,220,128</b>	<b>2,134,391</b>	<b>2,578,302</b>	<b>2,116,068</b>	<b>2,029,231</b>	<b>2,029,231</b>	<b>2,029,231</b>	<b>2,651,937</b>	<b>3,441,053</b>	<b>4,330,710</b>
<b>Non current assets</b>											
Long-term receivables		70	57	43	60	60	60	60	60	60	60
Investments		820	857	892	930	930	930	930	-	-	-
Investment property		220,776	320,298	308,191	241,960	241,960	241,960	241,960	374,000	411,400	452,540
Investment in Associate		12,088	0	0	0	0	0	0	0	0	0
Property, plant and equipment	3	11,561,297	10,229,562	10,092,901	11,586,598	11,691,717	11,691,717	11,691,717	11,966,257	12,349,110	12,966,566
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		13,362	12,112	19,175	19,740	19,740	19,740	19,740	20,730	22,800	25,080
Other non-current assets		58,410	59,028	61,816	65,080	65,080	65,080	65,080	68,330	75,160	82,680
<b>Total non current assets</b>		<b>11,866,824</b>	<b>10,621,914</b>	<b>10,483,018</b>	<b>11,914,368</b>	<b>12,019,487</b>	<b>12,019,487</b>	<b>12,019,487</b>	<b>12,429,377</b>	<b>12,858,530</b>	<b>13,526,926</b>
<b>TOTAL ASSETS</b>		<b>13,086,951</b>	<b>12,756,304</b>	<b>13,061,320</b>	<b>14,030,436</b>	<b>14,048,718</b>	<b>14,048,718</b>	<b>14,048,718</b>	<b>15,081,314</b>	<b>16,299,583</b>	<b>17,857,636</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	1,034	-	-	-	-	-	-	-	-	-
Borrowing	4	45,760	41,997	51,657	54,633	54,633	54,633	54,633	54,633	46,097	50,709
Consumer deposits		33,454	36,920	45,519	44,670	44,670	44,670	44,670	49,140	54,050	60,000
Trade and other payables	4	717,065	1,191,840	1,022,144	1,498,150	1,498,150	724,709	724,709	737,100	774,300	773,300
Provisions		116,829	113,922	117,412	137,680	137,680	137,680	137,680	144,560	151,780	167,000
<b>Total current liabilities</b>		<b>914,143</b>	<b>1,384,679</b>	<b>1,236,732</b>	<b>1,735,133</b>	<b>1,735,133</b>	<b>961,692</b>	<b>961,692</b>	<b>985,433</b>	<b>1,026,227</b>	<b>1,051,009</b>
<b>Non current liabilities</b>											
Borrowing		646,503	605,246	601,148	544,028	544,028	544,028	544,028	546,515	500,418	449,709
Provisions		329,922	406,451	391,634	495,110	495,110	495,110	495,110	544,620	599,090	658,800
<b>Total non current liabilities</b>		<b>976,425</b>	<b>1,011,697</b>	<b>992,782</b>	<b>1,039,138</b>	<b>1,039,138</b>	<b>1,039,138</b>	<b>1,039,138</b>	<b>1,091,135</b>	<b>1,099,508</b>	<b>1,108,509</b>
<b>TOTAL LIABILITIES</b>		<b>1,890,568</b>	<b>2,396,377</b>	<b>2,229,514</b>	<b>2,774,271</b>	<b>2,774,271</b>	<b>2,000,830</b>	<b>2,000,830</b>	<b>2,076,568</b>	<b>2,125,735</b>	<b>2,159,518</b>
<b>NET ASSETS</b>	5	<b>11,196,383</b>	<b>10,359,928</b>	<b>10,831,806</b>	<b>11,256,165</b>	<b>11,274,447</b>	<b>12,047,888</b>	<b>12,047,888</b>	<b>13,004,746</b>	<b>14,173,849</b>	<b>15,698,118</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		11,180,335	7,913,290	8,403,746	11,237,435	11,255,717	12,028,528	12,028,528	10,327,810	11,363,066	12,746,796
Reserves	4	16,048	2,446,638	2,428,060	18,730	18,730	19,360	19,360	2,676,936	2,810,783	2,951,322
Minorities' interests		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>11,196,383</b>	<b>10,359,928</b>	<b>10,831,806</b>	<b>11,256,165</b>	<b>11,274,447</b>	<b>12,047,888</b>	<b>12,047,888</b>	<b>13,004,746</b>	<b>14,173,849</b>	<b>15,698,118</b>

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

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

**Table 20: MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		522,514	580,100	672,957	745,363	760,913	760,913	760,913	862,697	945,550	1,034,469
Service charges		1,754,710	1,965,059	2,198,960	2,278,689	2,254,944	2,254,944	2,254,944	2,486,856	2,781,504	3,109,557
Other revenue		131,123	287,662	433,692	553,197	570,413	570,413	570,413	622,502	656,572	690,194
Government - operating	1	722,264	723,457	812,167	825,736	929,301	929,301	929,301	994,118	1,318,857	1,136,241
Government - capital	1	186,251	506,406	734,503	700,782	720,859	720,859	720,859	850,353	924,719	976,943
Interest		82,656	106,184	123,654	106,874	106,874	106,874	106,874	152,531	158,829	165,433
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(2,619,536)	(2,808,957)	(3,308,223)	(3,507,515)	(3,675,516)	(3,675,516)	(3,675,516)	(4,270,263)	(4,997,932)	(5,209,375)
Finance charges		(70,499)	(67,259)	(65,777)	(59,248)	(59,248)	(59,248)	(59,248)	(54,313)	(49,286)	(44,055)
Transfers and Grants	1	(112,388)	(115,922)	(144,964)	(204,013)	(195,638)	(195,638)	(195,638)	(259,749)	(282,677)	(307,271)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>597,097</b>	<b>1,176,732</b>	<b>1,456,969</b>	<b>1,439,866</b>	<b>1,412,901</b>	<b>1,412,901</b>	<b>1,412,901</b>	<b>1,384,731</b>	<b>1,456,136</b>	<b>1,552,136</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		2,610	18,168	767	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		12	13	14	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(37)	(36)	892	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(217,896)	(608,431)	(843,732)	(942,007)	(1,168,745)	(1,168,745)	(1,168,745)	(1,275,354)	(1,734,264)	(2,021,069)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(215,310)</b>	<b>(590,286)</b>	<b>(842,058)</b>	<b>(942,007)</b>	<b>(1,168,745)</b>	<b>(1,168,745)</b>	<b>(1,168,745)</b>	<b>(1,275,354)</b>	<b>(1,734,264)</b>	<b>(2,021,069)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		441,524	(278,943)	(244,040)	-	-	-	-	-	500,000	657,823
Increase (decrease) in consumer deposits		3,466	8,599	(681)	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		(45,020)	5,243	(49,072)	(54,633)	(54,633)	(54,633)	(54,633)	(46,097)	(50,709)	(47,642)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>399,970</b>	<b>(265,100)</b>	<b>(293,793)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(46,097)</b>	<b>449,291</b>	<b>610,181</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at the year begin:	2	740,212	1,521,969	1,843,315	870,044	870,044	870,044	870,044	1,586,460	1,649,739	1,820,902
Cash/cash equivalents at the year end:	2	1,521,969	1,843,315	2,164,433	1,313,269	1,059,567	1,059,567	1,059,567	1,649,739	1,820,902	1,962,150

## **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. It can be seen that the cash levels of the City grew significantly over the prior financial periods.
4. The cash and cash equivalents increases from R1.6 billion for the 2015/16 period escalating to R1.8 billion in the 2016/17 financial year and culminating in R2 billion in the 2017/18 financial year. The substantial increase from R1.6 billion to R2 billion can be attributed to the depreciation that is cash-backed and the city will release this funding in the near future when it's capacity to spend has achieved its desired level.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF ANNUAL BUDGET PROCESS**

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

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

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

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

#### **2.1.1 IDP/Budget Process Overview**

In terms of Section 30 of the Municipal Systems Act no 32 of 2000, *the Executive Mayor of a municipality must in accordance with S 29-*

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

*Section 53 of the Municipal Finance Management Act no 56 of 2003 subsection 1 (b) The Mayor of the Municipality must coordinate the annual revision of the IDP in terms of S34 of the MSA and the preparation of the annual budget and determine how the IDP is to be taken into account/ or revised for the purposes of the budget.*

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

In terms of Section 16 (2) of the Municipal Finance Management Act (MFMA) No 56, 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.”*

Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Executive Mayor has established a Budget Steering Committee, which consists of the Portfolio Holder for Finance (Chairperson) and Senior Managers.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, adoption and review of its integrated development plan. In compliance with this requirement Buffalo City Metropolitan Municipality adopted the plan on 31 July 2013.

**Table 21: Key activities in the review of the 2015/16 IDP and MTREF Budget**

ACTIVITY	TIMEFRAME	TIMEFRAME MET [YES/NO]	REASON FOR DEVIATION
City Manager submits draft SDBIP 14/15 to Executive Mayor	18 June 2014	Yes	N/A
<ul style="list-style-type: none"> <li>Executive Mayor approves SDBIP 14/15 &amp; section 56 Performance Agreements 28 days after the adoption of IDP &amp; Budget</li> </ul>	27 June 2014	Yes	N/A
Publication of 14/15 Institutional SDBIP and directorate SDBIPs <ul style="list-style-type: none"> <li>Advertise</li> <li>Place on website</li> <li>Distribute in libraries</li> </ul>	11 July 2014	Yes	N/A
<ul style="list-style-type: none"> <li>Submit adopted 2014/15 SDBIP to National Treasury and MEC Local Government and Traditional Affairs</li> </ul>	11 July 2014	Yes	N/A
Top Management Meeting: <ul style="list-style-type: none"> <li>Tabling of IDP/Budget/PMS Process Plan for 2015/16 IDP Review</li> </ul>	14 July 2014	Yes	N/A
IDP and Organisational Performance Management Portfolio Committee: <ul style="list-style-type: none"> <li>Tabling of IDP/Budget/PMS Process Plan for 2015/16 IDP Review</li> </ul>	16 July 2014	Yes	N/A
Commence process of reviewing and adopting Delegations Framework as well as IDP & Budget related policies & Bylaws	28 July 2014	Yes	N/A



Special Top Management Meeting: <ul style="list-style-type: none"> <li>Consideration of 13/14 roll over adjustment budget (excluding Conditional Grant Funded Projects)</li> </ul>	28 July 2014	Yes	N/A
<ul style="list-style-type: none"> <li>Submission of 4<sup>th</sup> Quarter SDBIP &amp; Institutional Scorecard 13/14</li> </ul>	30 July 2014	Yes	N/A
Mayoral Committee Meeting <ul style="list-style-type: none"> <li>Tabling of IDP/Budget/PMS Process Plan for 2015/16 IDP Review</li> </ul>	5 August 2014	Yes	N/A
<b>ACTIVITY</b>	<b>TIMEFRAME</b>	<b>TIMEFRAME MET [YES/NO]</b>	<b>REASON FOR DEVIATION</b>
IDP and Organisational Performance Management Portfolio Committee	6 August 2014	Yes	N/A
Review and registration of BCMM stakeholders for participation in the IDP review processes: <ul style="list-style-type: none"> <li>Advertise Representative Forum and invite new stakeholders to register on BCMM database</li> </ul>	6 August 2014	Yes	N/A
Publicize draft process plan on BCMM website, local newspaper and notice boards	8 August 2014	Yes	N/A
Submit draft Annual Report and evidence to Internal Auditors including annual financial statements and financial and non-financial information. [Note that the annual performance report	9 August 2014	Yes	N/A

and the annual financial statements form part of an Annual Report.]			
IDP/Budget/PMS workshop (All Cllrs, Executive Directors, Directors and GMs) <ul style="list-style-type: none"> <li>Draft IDP Review Process Plan 2014/15</li> </ul>	14 August 2014	Yes	N/A
Budget Steering Committee Meeting: <ul style="list-style-type: none"> <li>Consideration of 2013/14 roll over adjustment budget (excluding Conditional Grant Funded Projects)</li> </ul>	15 August 2014	Yes	N/A
Submission of Annual Financial Statements to the Audit Committee	15 August 2014	Yes	N/A
IDP Representative Forum: <ul style="list-style-type: none"> <li>Report 2013/14 Institutional Performance</li> <li>Presentation of process plan</li> <li>Establishment of committees and consultation forums for budget processes</li> </ul>	19 August 2014	Yes	N/A
Submit Annual Report including annual financial statements and Annual Performance Report to the Combined Audit / Performance Committee	23 August 2014	Yes	N/A
<b>Council meeting:</b> <ul style="list-style-type: none"> <li>Adoption of IDP/Budget/PMS process plan for 2015/16 IDP Review</li> <li>Submission of 2014/15 SDBIP</li> </ul>	27 August 2014	Yes	N/A
<b>Council Meeting:</b> <ul style="list-style-type: none"> <li>Approval of 2013/14 roll over adjustment budget (excluding Conditional Grant Funded Projects)</li> <li>Tabling of unaudited annual report</li> </ul>	27 August 2014	Yes	N/A

Completion and submission of Budget Evaluation Checklist to National Treasury	29 August 2014	Yes	N/A
<b>ACTIVITY</b>	<b>TIMEFRAME</b>	<b>TIMEFRAME MET [YES/NO]</b>	<b>REASON FOR DEVIATION</b>
Submission of Conditional Grant Roll-overs to National Treasury	29 August 2014	Yes	N/A
Submission of 2013/14 Annual Financial Statements and unaudited Annual Report	29 August 2014	Yes	N/A
Performance Audit Committee:  Consideration of unaudited Draft Annual Report	29 August 2014	Yes	N/A
IDP and Organisational Performance Management Portfolio Committee	3 September 2014	Yes	N/A
Advertise adopted IDP/Budget/PMS Process Plan  Publication of process plan on BCMM website, local newspaper and notice boards	5 September 2014	Yes	N/A
Submit adopted process plan to MEC for Local Government and Traditional Affairs	5 September 2014	Yes	N/A
BCMM IGR Forum Meeting: <ul style="list-style-type: none"> <li>• Process plan and expectations</li> <li>• Development of Metro Plan of Action</li> </ul>	5 September 2014	No	No, Session was cancelled due to non-confirmation of attendance.
Submit to National Treasury 2013/14 Roll-Over Adjustment Budget in terms of National Treasury Reporting requirements	12 September 2014	Yes	N/A

<ul style="list-style-type: none"> <li>• Advertise 2013/14 Roll-Over Adjustment Budget for public comment</li> <li>• Place 2013/14 Roll-Over Adjustment Budget on BCMM website</li> </ul>	12 September 2014	Yes	N/A
---	-------------------	-----	-----

ACTIVITY	TIMEFRAME	TIMEFRAME MET [YES/NO]	REASON FOR DEVIATION
Mayoral Imbizo (Community consultation process)	15-17 September 2014	No	Consultation process was postponed and convened on 25-31 October 2014
IDP Technical Cluster Meetings: <ul style="list-style-type: none"> <li>• Review progress made in implementation of IDP from 2011-2014</li> </ul>	21-23 September 2014	No	Cluster meetings were postponed and convened on 30 September 2014 and 3-6 October 2014
IDP and Organisational Performance Management Portfolio Committee	30 September 2014	Yes	N/A
IDP Full Cluster Meetings (Led by Political Cluster Champs)	2;3 & 9 October 2014	No	Cluster meetings were postponed and convened on 10-13 October 2014
Auditor-General audits the unaudited Annual Report and submit an audit report to the accounting officer for the municipality / municipal entity. [The Auditor-General's reports are issued during the period of Oct / Nov. Once the AG audit reports have been issued no further changes are allowed as the audit process is completed.]	6 October 2014	Yes	N/A
Top Management Meeting: <ul style="list-style-type: none"> <li>• Consideration of 2013/14 roll over adjustment budget for</li> </ul>	13 October 2014	Yes	N/A

Conditional Grant Funded Projects			
Mayoral Lekgotla Session: <ul style="list-style-type: none"> <li>• 2011-2014 Performance assessment/review</li> <li>• Review of strategic objectives for service delivery and development</li> <li>• Broad capital budget allocations</li> </ul>	15-17 October 2014	Yes	N/A
Budget Steering Committee Meeting: <ul style="list-style-type: none"> <li>• Consideration of 2013/14 roll over adjustment budget for Conditional Grant Funded Projects</li> </ul>	21 October 2014	Yes	N/A
IDP/PMS Portfolio Committee Meeting <ul style="list-style-type: none"> <li>• Table progress report on IDP Review Process</li> </ul>	22 October 2014	Yes	N/A
Councillors session to present outcomes of Mayoral Lekgotla	23-24 October 2014	No	Waiting for a report from the Mayoral Lekgotla in order to proceed with Councillors session
Council meeting – <ul style="list-style-type: none"> <li>• approval of 2012/13 Roll-over Adjustment Budget for Conditional Grant Funded Projects</li> </ul>	29 October 2014	Yes	N/A
Table 2014/15 SDBIP/Institutional 1 <sup>st</sup> quarter reports and MFMA Section 52 (d) report to Council	30 October 2014	Yes	N/A
Submission of the Annual Report 2013/14 to Department of Human Settlements	30 October 2014	Yes	N/A
Submission of 2013/14 1 <sup>st</sup> quarter DoRA reports to Transferring National Departments & National Treasury	30 October 2014	Yes	N/A
IDP Technical Cluster Meetings: <ul style="list-style-type: none"> <li>• Confirmation of IDP Objectives, Strategies, Key Performance Indicators and targets</li> </ul>	4 November 2014	No	Draft 2016/16 section D is placed and was forwarded to directorates for confirmation of IDP objectives, strategies, KPA's and targets
Submit to National Treasury 2013/14 Roll-over Adjustment Budget for Conditional Grant Funded Projects	11 November 2014	Yes	N/A

<ul style="list-style-type: none"> <li>• Advertise 2013/14 Roll-over Adjustment Budget for Conditional Grant Funded Projects for public comment</li> <li>• Place Adjustment Budget on BCMM website</li> </ul>	11 November 2014	Yes	N/A
Budget Workshops – with all Directorates	17-21 November 2014	Yes	N/A
IDP Representative Forum: <ul style="list-style-type: none"> <li>• Presentation of draft 2015/16 IDP and MTREF Budget</li> <li>• Report on 2014/15 SDBIP 1<sup>st</sup> Quarter performance</li> </ul>	24 November 2014	No	The Rep Forum Meeting was postponed to 27 February 2015 as it could not be held prior to the Councillors session which was to consider institutional priorities
IDP/PMS Portfolio Committee Meeting: <ul style="list-style-type: none"> <li>• Consider IDP/Budget/PMS review progress</li> </ul>	19 January 2015	Yes	N/A
IDP Technical Cluster Meetings <ul style="list-style-type: none"> <li>• Confirmation of draft Projects and Programmes</li> </ul>	22-23 January 2015	Yes	However only the Socio-Economic Cluster convened. The IDP/PMS unit is still sourcing suitable dates for the sitting of the remaining clusters.
Submission of 2014/15 SDBIP 2 <sup>nd</sup> quarter reports Section 72 Reports (Mid -year report) to the Executive Mayor	28 January 2015	Yes	N/A
Council Meeting: <ul style="list-style-type: none"> <li>• Consider 2014/15 SDBIP 2<sup>nd</sup> quarter reports (Mid -year report)</li> <li>• Draft Annual Report 2013/14</li> </ul>	28 January 2015	Yes	N/A
City Manager and Section 57 Managers to be assessed	30 January 2015	Yes	N/A
Mayor tables audited Annual Report and financial statements to Council	31 January 2015	Yes	N/A
Top Management Meeting: <ul style="list-style-type: none"> <li>• Consideration of 2014/15 Mid-year adjustment budget</li> </ul>	9 February 2015	Yes	N/A
National Treasury Mid-year Budget and Performance Assessment Review	16 February 2015	Yes	N/A

Audited Annual Report is made public.	2 February 2015	Yes	N/A
Council Workshop (all Cllrs, Directors and GMs): <ul style="list-style-type: none"> <li>Review and confirm 2015/16 Draft IDP and MTREF Budget</li> <li>Budget Related Policy review</li> </ul>	19-21 February 2015	Yes	N/A
Mayoral Committee: <ul style="list-style-type: none"> <li>Considers 2015/16 1<sup>st</sup> draft IDP; MTREF Budget</li> </ul>	25 February 2015		
IDP/Budget/PMS External Representative Forum Meeting: <ul style="list-style-type: none"> <li>Presentation of draft 2015/16 IDP and MTREF</li> </ul>	27 February 2015	No, meeting held on 13 March	Unavailability of representative
BCMM IGR Forum Meeting: <ul style="list-style-type: none"> <li>Presentation of draft 2015/16 IDP and MTREF</li> <li>Draft programmes/projects</li> </ul>	13 March 2015	No, meeting held on 18 March	Unavailability of representative
IDP/PMS Portfolio Committee Meeting: <ul style="list-style-type: none"> <li>Consider IDP/Budget/PMS review progress</li> <li>Preparations for IDP/Budget Road Shows</li> </ul>	18 March 2015	Yes, held on 4 March	
Council Meeting: <ul style="list-style-type: none"> <li>Approve 2014/15 Mid-year Adjustment Budget</li> <li>Approve 2015/16 Draft IDP, SDBIP and MTREF Budget</li> </ul>	25 March 2015	No, meeting held on 31 March	
IDP/Budget Roadshow briefing session	31 March 2015	Yes, held on 19 March	
Oversight committee assessment on Annual Report. This must be concluded within 2 months from the date it was tabled to Council	31 March 2015		
<ul style="list-style-type: none"> <li>Submits to MEC for Local Government and Traditional Affairs, National Treasury 2015/16 Draft IDP, SDBIP and</li> </ul>	1 April 2015		

<p>MTREF Budget</p> <ul style="list-style-type: none"> <li>• Advertise 2015/16 Draft IDP, SDBIP and MTREF Budget for public comment</li> <li>• Place 2015/16 Draft IDP, SDBIP and MTREF Budget on BCMM website</li> </ul>			
<p>IDP/Budget/PMS Technical Committee Meeting:</p> <ul style="list-style-type: none"> <li>• Present state of readiness for IDP/Budget roadshows</li> </ul>	2 April 2015		
<p>IDP Budget Road Shows:</p> <ul style="list-style-type: none"> <li>• Present summarised draft IDP &amp; Budget</li> <li>• BCMM response to key issues raised by wards</li> <li>• Highlight planned projects and programmes</li> </ul>	8-24 April 2015		
<p>Council Workshop on the final IDP/Budget before adoption</p>	3-5 May 2015		
<p>Consultation with Organised Business and Traditional Leadership on the Draft 2015/16 IDP &amp; Budget</p> <ul style="list-style-type: none"> <li>• Business Breakfast</li> <li>• Session with traditional leadership</li> </ul>	7-8 May 2015		
<p>National Treasury Municipal Budget and Benchmark Engagement.</p>	15 May 2015		
<p>Council Meeting:</p> <ul style="list-style-type: none"> <li>• Approval of 2015/16 IDP and MTREF Budget</li> </ul>	28 May 2015		
<p>Publicise BCMM adopted tariffs</p> <ul style="list-style-type: none"> <li>• BCMM website and newspaper</li> <li>• Make public a copy of the tariff book and resolutions for public inspection at municipal offices</li> <li>• Submits to MEC for Co-operative Governance and</li> </ul>	2 June 2015		



Traditional Affairs a copy of the tariff resolution and public advert			
Advertise Adoption of final 2015/16 IDP and Budget ( <i>local newspaper, BCMM website and notice boards</i> )	2 June 2015		
<ul style="list-style-type: none"> <li>• Submit to MEC for Local Government and Traditional Affairs, Provincial Treasury, National Treasury and</li> <li>• Place on BCM web site the final 2015/2016 IDP/ Budget (MTREF)</li> </ul>	11 June 2015		

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The review of the 2015/16 IDP started in September 2014 after the tabling to Council the IDP/Budget Process Plan and the Budget Time Schedule for the 2015/16 MTREF.

The Metro's IDP is the principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Performance Assessment and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each function/directorate had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2015/16 Service Delivery and Budget Implementation Plan. Business planning responds to the Metro's priority needs, reviewed strategic objectives and informs the detail operating budget appropriations and three-year capital programme.

The Draft Service Delivery and Budget Implementation Plan (SDBIP) with Draft Performance Agreements will be submitted to the Executive Mayor after the approval of the IDP and Budget; and the final SDBIP will be tabled to Council for approval with the Performance Agreements before 30 June 2015.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- City growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP

- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 has been taken into consideration in the planning and prioritisation process.

### 2.1.4 Community Consultation

The draft 2015/16 IDP Review and MTREF Budget will be tabled at Council on 31 March 2015. Thereafter the draft documents will be made available for community consultation on the municipality's website, and hard copies will be made available at customer care offices and municipal libraries.

IDP/Budget road shows to present the draft IDP and Budget will take place from 8 – 24 April 2015.

**Table 22: Proposed Schedule of IDP/Budget Road Shows**

**DAY 1: MONDAY, 31 MARCH 2015.**

DAY	WARD	AREAS TO BE COVERED	VENUE & TIME
1(a)	34	Dimbaza, Phola Park	Moses Twebe Community Hall 5.00 pm
	36	Part of Dimbaza, Madakeni, Zabalaza, Nakani, Upper Mngqesha, Mzintshane, Pierie Mission, Gambushe, Pierie Trust, New Rest	
	38	Lenge, Bulembu, Anders Mission, Mantlaneni, Mamata, Mzantsi, Lieveldt, Mxaxo A, Mxaxo B, Nonkcampa, Gwaba, Zikhalini, Dikidikana, Lower Mngqesha, Khayelitsha	
1(b)	35	King Williams Town, Balasi, Balasi Valley, Ethembeni, Zinyoka, Tyutyu Village	KWT War Memorial Hall 5.00pm
	37	Tolofiyeni, King Williams Town, Westbank, Schornville	
	39	Ginsberg, Bonke, Kwalini, Rhayi, Ngxwalane	

	<b>41</b>	Zwelitsha 2,3,4,5,6,7 & 10	City Hall 5.00pm
	<b>43</b>	Bisho, Tyutyu, Ncemera , Hanover	
	<b>44</b>	Sweetwaters, Tshatshu, Breidbach	
<b>1(c)</b>	<b>15</b>	Cambridge Town, Cambridge Township, Highgate, Amalinda, Braelyn ext 8, Morningside	
	<b>16</b>	Amalinda, Haven Hills, Saxillby, Dawn, Amalinda Forest, Summerpride, Rosedale, Winchester Gardens	
	<b>18</b>	Vincent, Bonnie Doon, Woodleigh, Bunkers Hill, Nahoon, Vincent Heights, Nahoon Mouth, Stirling, Nahoon Valley	
	<b>19</b>	Buffalo Flats , Parkside, Pefferville, Second Creek, Mzamo Squatter Camp, New Rest	

**DAY 2: TUESDAY, 1 APRIL 2015.**

DAY	WARD	AREAS TO BE COVERED	VENUE & TIME
2(a)	<b>1</b>	Pefferville, Duncan Village	Gompo 5.00 pm
	<b>2</b>	Gompo, Bhebhelele, St Peters Catholic Church, Clover Catholic Church (Dunga, Mzonyana)	
	<b>6</b>	Parkridge, Eluxolweni	
	<b>7</b>	C-Section, Gompo Town area, Bhebhelele, D-Section	
	<b>8</b>	Duncan village, Gompo, Dip, Gesini	
2(b)	<b>27</b>	Kwelera, Gonubie, Nkwezana, Dwadwa, Sunrise on Sea	Carnegie Hall 5.00 pm
	<b>28</b>	Mzamomhle, Riegerton	
	<b>29</b>	Nompumelelo, Ducats, Abbotsford	

**DAY 3: THURSDAY, 3 APRIL 2015.**

Day	Ward	Areas to be Covered	Venue & Time
3(a)	<b>47</b>	Quigney, Beach, E.L. CBD, Baysville,	City Hall

	<b>3</b>	Belgravia, Sellborne, Berea, Stoney Drift, Panmure, Braelynn, Southernwood	5.00 pm	
	<b>4</b>	Beacon Bay, Nahoon Valley Park, N6 Informal, Abbotsford, Dorchester Heights		
	<b>46</b>	West Bank, Orange Grove, Greenfields, Airport/Santa, Sunnyridge, Leaches Bay, Sunset Bay		
3(b)	<b>11</b>	N.U. 2, 5		Indoor Sport Centre 5.00 pm
	<b>12</b>	Mdantsane Unit 1, Mdantsane Zone, Nazo/Smiling Valley		
	<b>14</b>	Mdantsane NU 3 & 4		
	<b>26</b>	Kwampundu, Ncalukeni, St Mary, Mzonkeshe, Nkqonqweni, Zikwaba, Kwetyana, Thorn Park, Sinqumeni, Ntsonkotha Macleantown, Kwaseya, Esigqibeni, Newbright		
	<b>42</b>	N.U. 1, 2		

**DAY 4: FRIDAY, 4 APRIL 2015.**

Day	Ward	Areas to be Covered	Venue & Time
4(a)	<b>21</b>	Fort Jackson, Golden Highway, Unit 13 & 15	N. U. 15 Community Hall 5.00 pm
	<b>22</b>	N.U. 14, N.U. 16	
	<b>23</b>	Unit 17, CC 18, Potsdam, Thambo Park, Blue rock, Raxanga, Nxamkwana	
	<b>24</b>	Nxamkwana, Mntlabati, Mabaleni, Mbolompeni, Mncotsho, Luxomo, Nkqonqweni, Kanana, Khayelitsha, Khwezi Block 1, Khwezi Block 2, Msintsini	
4(b)	<b>25</b>	Phakamisa, Zwelitsha zone 8, 9, Cliff	Ndevana Community a. pm
	<b>40</b>	Mlakalaka, Ndileka, Godidi, Mimosa, Qongqota, Ekuphumleni, Dongwe, Fort Murray, Tshabo 2	
	<b>45</b>	Skobeni, Ilitha, Berlin, Tshabo 1	

	<b>49</b>	Ndevana	Clements Kadalie Hall 5.00 pm
4(c)	<b>5</b>	Scenery Park	
	<b>9</b>	Amalinda, Soccho, Soney Drift, Braelyn extension 8 & 10, C Section, Duncan Village, C Section extension, Chishurst, Cambridge	
	<b>10</b>	Haven Hill South, Buffalo Flats, Alphendale, Vergenoeg, Egoli, East Bank, Ghost Town, Fynbos informal	
	<b>13</b>	Reeston, Khayelitsha, Chicken Farm, Part of Scenery Park, Thembaletu, Eureka, Arnalton, Part of Highway Gardens, Dice, Hutchinson, Part of Biko Village	

**DAY 5: SATURDAY, 5 APRIL 2015**

Day	Ward	Areas to be Covered	Venue & Time
5(a)	<b>31</b>	Kaisers Beach, Sunny South, Shelford, Winterstrand, Kidd's Beach, Lillyvale, Igoda, Fort Grey, Bongweni, Ntentseni, Bhompini, Willow Park, Ncera Village 1, Ncera Village 2, Ncera Village 3, Airport Phase 1, Ncera Village 9	Kidd's Beach Hall 10.00 am
	<b>32</b>	Thyusha, Dowu, Zikhova, Kampini, Mazikhanye, Ngqinisa, Weltina, Zweliyandila, Open Shaw, Kiwane, Twecwana, Kalkeni, Xesi, Dyam dyam, Phozi, Gqala, New Rest, Mpongo, Sandile, Tsaba, Xhamini, Ncera Village 4, Ncera Village 5, Ncera Village 6, Ncera Village 7	
	<b>33</b>	Needs Camp, Welcome wood, Gwili gwili, Kuni, Twecana, Phumlani, Hill Village, Thembisa, Cornfield, Silverdale, Altile Village, Good Hope	
5(b)	<b>17</b>	N.U. 9, N.U. 6, N.U. 4, Cuba, Eluxolweni	NU 10 Community Hall 14.00 pm
	<b>20</b>	Mdantsane NU 6, 7	
	<b>30</b>	Mdantsane NU 9 & 10	
	<b>48</b>	N.U.11a, 11b, N.U. 12	
	<b>50</b>	N.U. 8, 10	

## 2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

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

- National Development Plan;
- Millennium Development Goals (MDGs);
- 12 Outcomes adopted by National Cabinet in January 2010;
  - BCMM Ward priorities;
  - Priorities from the Mayoral Lekgotla held on 16 – 18 October 2013;

The following table highlights the IDP's six strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 23: IDP'S Six Strategic Objectives**

<b>BCMM1:</b>	<b>To be a financially sound organisation that efficiently manages its resources;</b>
<b>BCMM2:</b>	<b>To be an institutionally efficient and effective City that inclusively works with communities;</b>
<b>BCMM 3:</b>	<b>To generate an enabling environment for an economy that is growing, diversifying, generating increasing number of sustainable employment opportunities and contributing to increased incomes and equality;</b>
<b>BCMM 4:</b>	<b>To produce sustainable infrastructure that support social and economic development;</b>
<b>BCMM 5:</b>	<b>To be a well-structured and capacitated institution that renders effective and efficient services to all by 2016</b>
<b>BCMM 6:</b>	<b>To enhance and protect all environmental assets and natural resources within Buffalo City Metropolitan Municipality by 2016</b>

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

**Table 24: Alignment of BCMM Strategic Objectives with National and Provincial Plans**

National Spatial Development Perspective	National Development Plan	Millennium Development Goals	12 Outcomes	BCMM strategic Objectives
Government spending on fixed investment, beyond the constitutional obligation to provide basic services to all citizens, should therefore be focused on localities of economic growth and/ or economic potential in order to attract private-sector investment, stimulate sustainable economic activities and/or create long-term employment opportunities	<p>Unemployment rate should fall from 27% in 2011 to 14% by 2020 and to 6% by 2030</p> <p>Total employment should rise from 13 million to 24 million</p> <p>The proportion of adults working should rise from 41% to 61%</p> <p>GDP should increase by 2.7 times in real terms, requiring average annual GDP growth of 5.4% over the period</p> <p>GDP per capita should increase from about R50 000 per person in 2010 to R110 000 per person in 2030 in constant prices</p> <p>Public employment programmes should reach 1 million by 2015 and 2million people by 2030</p>	Develop a global partnership for development	<p>Decent employment through inclusive economic growth</p> <p>A skilled and capable workforce to support inclusive growth</p> <p>An efficient, competitive and responsive economic infrastructure network</p>	To generate an enabling environment for an economy that is growing, diversifying, generating increasing number of sustainable employment opportunities and contributing to increased incomes and equality
Economic growth is a prerequisite for the achievement of other policy objectives, key among which would be poverty alleviation	<p>By 2030, the number of households living below R418 a month per person (in 2009 rands) should fall from 39% to zero.</p> <p>The level of inequality as measured by the Gini co-efficient should fall from 0.7 in 2009 to 0.6 in 2030</p>	Eradicate extreme poverty and hunger	Vibrant, equitable and sustainable rural communities and food security	To generate an enabling environment for a growing economy, diversifying, generating increasing number of sustainable employment opportunities & contributing to increased incomes and equality
	<p>All children should have at least two years of pre-school education. This implies about 2 million places</p> <p>About 80% of schools and learners achieve 50% and above in literacy, mathematics and science in grades 3, 6, 9</p> <p>At least 80% of students should complete 12 years of schooling</p> <p>Increase the higher education participation</p>	Achieve universal primary education	Improve the quality of basic education	To be a well-structured and capacitated institution that renders effective and efficient services to all by 2016.



National Spatial Development Perspective	National Development Plan	Millennium Development Goals	12 Outcomes	BCMM strategic Objectives
	<p>rate from 17% to 30% by 2030</p> <p>Increase the number of students eligible to study maths and science at university to 450 000 per year</p>			
	<p>By 2030, life expectancy should reach at least 70 for both men and women</p> <p>Infant mortality rate should decline from 43 to 20 per 1000 live births and the under-five mortality rate should be less than 30 per 1000, from 104 today</p> <p>All HIV – positive people should be on treatment and preventive measures should be widely available.</p> <p>Reduce non-communicable diseases by 28% and deaths from drug abuse, road accidents and violence by 50%</p> <p>Everyone has access to an equal standard of basic health care regardless of their income</p>	<p>Reduce child mortality rate</p> <p>Improve maternal health</p> <p>Combat HIV/AIDS, malaria, and other diseases</p>	<p>Improve health and life expectancy</p>	<p>To produce sustainable infrastructure that support social and economic development</p>
<p>In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres. Infrastructure investment &amp; development spending should primarily support localities that will become major growth nodes in</p>	<p>The proportion of people with access to electricity should rise from 70% in 2010 to 95% by 2030, with no grid options available for the rest.</p> <p>Ensure that all people have access to clean, potable water and that there is enough water for agriculture and industry.</p> <p>By 2030, most South Africans will have affordable access to services and quality environments.</p>		<p>Sustainable human settlements and improved quality of household life</p>	<p>To be a well-structured and capacitated institution that renders effective and efficient services to all by 2016</p>

National Spatial Development Perspective	National Development Plan	Millennium Development Goals	12 Outcomes	BCMM strategic Objectives
SA and the Southern African Development Community region to create regional gateways to the global economy				
<p>Efforts to address past &amp; current social inequalities should focus on people not places. In localities where there are both high levels of poverty and development potential, this could include fixed capital investment beyond basic services to exploit the potential of those localities. In localities with low development potential, government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market intelligence. This will enable people to become more mobile and migrate, if they choose, to localities that are more likely to provide sustainable employment or other economic opportunities.</p>	<p>In 2030, people living in South Africa feel safe and have no fear of crime</p> <p>The Police Service is a well-resourced professional institution staffed by highly skilled officers who value their work, serve the community, safeguard lives and property without discrimination, protect the peaceful against violence and respect the rights of all to equality and justice. Ensure progressively and through multiple avenues that no one lives below a social floor.</p>		<p>All people in South Africa protected and feel safe</p> <p>A response and, accountable, effective and efficient local government system</p>	<p>To enhance and protect all environmental assets and natural resources within Buffalo City Metropolitan Municipality by 2016.</p> <p>To be an institutionally efficient and effective City that inclusively works with communities</p>
	Achieve the peak, plateau and decline	Ensure	Protection and	To enhance and protect all

National Spatial Development Perspective	National Development Plan	Millennium Development Goals	12 Outcomes	BCMM strategic Objectives
	<p>trajectory for greenhouse gas emissions, with the peak being achieved around 2025</p> <p>By 2030, an economy-wide carbon price should be entrenched</p> <p>The installation of 5 million solar water heaters by 2030</p> <p>About 20 000 MW of renewable energy should be contracted by 2030</p>	environmental sustainability	enhancement of environmental assets and natural resources	environmental assets and natural resources within BCMM by 2016
	<p>Intra-regional trade in Southern Africa should increase from 7% to 25% of trade by 2030</p> <p>South Africa's trade with regional neighbours should increase from 15% to 30%</p>		A better South Africa, a better and safer Africa and world	To produce sustainable infrastructure that support social and economic development
	<p>A capable and effective state, able to enhance economic opportunities, support the development of capabilities and intervene to ensure a rising floor of social rights for the poor</p> <p>A corruption-free society, a high adherence to ethics throughout society and a government that is accountable</p>		A development-orientated public service and inclusive citizenship	To be an institutionally efficient and effective City that inclusively works with communities

Over the next five year term the City will concentrate on the 9 strategic focal areas outlined below.

- Institutional Restructuring and Stabilisation;
- Improve Governance;
- Job Creation;
- Build Citizen Confidence;
- Bridge the digital divide;
- Improve performance, compliance, processes and systems;
- Build Sustainable Communities; and
- Financial viability.

These institutional priorities would enable the Metro to strategically position itself to achieve long term goals as dictated by drivers to maximise economic potential. It has been agreed that the Integrated Development Plan and the Metro Growth and Development Strategy need to focus on the main strategic focus areas as economic driver. These are:

- Facilitate growth of SMME Sector;
- Facilitate retention and attraction of investors within BCMM;
- Infrastructure development for economic growth;
- To market the city as a tourist destination in partnership with other stakeholders

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 25: MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>												
BCMM 1: To be a financially sound organisation that efficiently manages its resources	Implementation of the Audit Improvement Plan towards attainment of an unqualified audit	A		850 388	1 169 402	1 521 892	1 719 752	1 735 875	1 735 875	1 920 385	1 991 396	2 082 012
	Develop a legally compliant and efficient Supply Chain Management System											
	Implement revenue enhancement strategies											
	Valuation of Properties											
	Maintain favourable cash management procedures											
	Maintain long term borrowing below NT Threshold											
	Accelerate implementation of grant/capital projects											
BCMM 2: To be an institutionally efficient and effective city that inclusively works with its ...	Promote vulnerable groups' rights within the Metro	B		22 880	3 954	4 400	35 811	36 669	36 669	37 902	31 148	31 148
	Optimise participation of communities in municipal decision making processes											
	Improve communication with BCMM communities and beyond											
	Enhance integrated planning through intergovernmental relations											

BCMM 3: To generate an enabling environment for an economy that is growing, diversifying, generating increasing number of sustainable employment opportunities and contributing to	<p>Implement skills development and capacity building programmes to grow and support BCMM economy</p> <p>Develop and implement economic development policies/initiative/programmes to promote and support growth both</p> <p>Implement the economic infrastructure and capacitation programme</p>	C	965	6 882	5 206	3 439	3 439	3 439	21 272	23 282	25 438
BCMM 4: To deliver sustainable infrastructure that supports social and economic development	<p>Implement lighting programmes to ensure adequate lighting coverage</p> <p>Implement an electrification programme to informal dwellings</p> <p>Improve the condition of roads, stormwater system &amp; associated structures to acceptable standards</p> <p>Compliance of Water Treatment Works with SANS 241 requirements</p> <p>Provide households with access to potable water</p>	D	1 777 307	1 978 954	2 487 223	3 197 800	3 297 743	3 297 743	4 278 787	5 080 014	5 322 164

To provide integrated waste management services																				
Implement DVRI Business Plan																				
Rollout of electrification programme																				
To provide integrated waste management services																				
Provision of formal houses as part of Integrated Sustainable Human Settlements.																				
Implement the Disaster Management Policy Framework																				
Implement BCMM Crime prevention strategy and Traffic Safety Plan																				
Generate Local Spatial Development Frameworks																				

	Implement land acquisition & transfer										
	Implement land release programme										
	Provide integrated and sustainable transport systems by implementing programmes and										
	Provision of basic level of sanitation to households										
	Deliver sustainable infrastructure that support social and economic development										
	Provision of adequate Fire & Rescue facilities in BCMM										
BCMM 5 : To be a well structured and capacitated institution that renders effective	Creation of a functional organisational structure	E	1 009	3 250	5 155	8 309	8 309	8 309	11 851	13 143	14 845
	Reduce time taken to conclude disciplinary cases										
	Improve health and safety of BCMM employees and Councillors										
	Provision of ICT systems and infrastrucutre										



	Development and implementation of employee performance management system										
	Improve time and attendance processes										
	Target recruitment and selection processes in terms of BCMM's employment equity plan										
	Train municipal employees										
BCMM 6: To enhance and protect all environmental assets and natural resources within Buffalo City Metropolitan Municipality 2016-2019	Implement Municipal Health Services Delivery Plan	F	387 052	455 508	423 594	497 011	510 582	510 582	143 965	156 727	170 786
	Implementation of integrated environmental and coastal zone management plans										
	Implement Climate Change Strategy										
	To apply waste management hierarchy which favours waste minimisation.										
	Construct new cells and rehabilitate existing cells										
<b>Allocations to other priorities</b>		2									
<b>Total Revenue (excluding capital transfers and contributions)</b>		1	<b>3 039 601</b>	<b>3 617 949</b>	<b>4 447 470</b>	<b>5 462 122</b>	<b>5 592 616</b>	<b>5 592 616</b>	<b>6 414 162</b>	<b>7 295 711</b>	<b>7 646 393</b>

**Table 26: MBRR Table SA5 - Reconciliation between the IDP Strategic Objectives and budgeted operating expenditure**

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>												
BCMM 1: To be a financially sound organisation that efficiently manages its resources	Implementation of the Audit Improvement Plan towards attainment of an unqualified audit  Develop a legally compliant and efficient Supply Chain Management System  Implement revenue enhancement strategies  Valuation of Properties  Maintain favourable cash management procedures  Maintain long term borrowing below NT Threshold  Accelerate implementation of grant/capital projects	<b>A</b>		231 662	308 794	304 717	381 616	388 248	388 248	451 508	478 280	490 889
BCMM 2: To be an institutionally efficient and effective city that inclusively works with its	Promote vulnerable groups' rights within the Metro	<b>B</b>		133 178	141 983	186 449	245 567	260 941	260 941	188 887	189 951	204 458

	Optimise participation of communities in municipal decision making processes										
	Improve communication with BCMM communities and beyond										
	Enhance integrated planning through intergovernmental relations										
BCMM 3: To generate an enabling environment for an economy that is growing , diversifying , generating increasing number of sustainable employment opportunities and contributing to	Implement skills development and capacity building programmes to grow and support BCMM economy	C	18 059	25 791	22 977	24 278	49 520	49 520	222 961	236 530	353 713
	Develop and implement economic development policies/initiative/programmes to promote and support growth both		-	-	-	-	-	-	-	-	-
	Implement the economic infrastructure and capacitation programme										
BCMM 4: To deliver sustainable infrastructure that supports social and economic development	Implement lighting programmes to ensure adequate lighting coverage	D	2 150 113	2 423 448	2 666 622	3 112 518	3 207 419	3 207 419	3 730 484	4 242 515	4 300 522

Implement an electrification programme to informal dwellings										
Improve the condition of roads, stormwater system & associated structures to acceptable standards										
Compliance of Water Treatment Works with SANS 241 requirements										
Provide households with access to potable water										
To provide integrated waste management services										
Implement DVRI Business Plan										
Rollout of electrification programme										
To provide integrated waste management services										
Provision of formal houses as part of Integrated Sustainable Human Settlements.										
Implement the Disaster Management Policy Framework										

	Implement BCMM Crime prevention strategy and Traffic Safety Plan										
	Generate Local Spatial Development Frameworks										
	Implement land acquisition & transfer										
	Implement land release programme										
	Provide integrated and sustainable transport systems by implementing programmes and										
	Provision of basic level of sanitation to households										
	Deliver sustainable infrastructure that support social and economic development										
	Provision of adequate Fire & Rescue facilities in BCMM										
BCMM 5 : To be a well structured and capacitated institution that renders effective	Creation of a functional organisational structure	E	80 462	88 825	98 171	161 132	164 015	164 015	72 355	75 308	80 169

	Reduce time taken to conclude disciplinary cases										
	Improve health and safety of BCMM employees and Councillors										
	Provision of ICT systems and infrastructure										
	Development and implementation of employee performance management system										
	Improve time and attendance processes										
	Target recruitment and selection processes in terms of BCMM's employment equity plan										
	Train municipal employees										
BCMM 6: To enhance and protect all environmental assets and natural resources within Buffalo City Metropolitan Municipality 2016-2019	Implement Municipal Health Services Delivery Plan	F	633 370	665 179	685 731	824 589	820 285	820 285	891 353	968 811	1 010 007

	<p>Implementation of integrated c environmental and coastal zone management plans</p> <p>Implement Climate Change Strategy</p> <p>To apply waste management hierarchy which favours waste minimisation.</p> <p>Construct new cells and rehabilitate existing cells</p>											
<b>Allocations to other priorities</b>												
<b>Total Expenditure</b>			1	3 246 844	3 654 020	3 964 666	4 749 700	4 890 429	4 890 429	5 557 548	6 191 395	6 439 759

**Table 27: MBRR Table SA6 – Reconciliation between the IDP Strategic Objectives and budgeted Capital**

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>												
BCMM 1: To be a financially sound organisation that efficiently manages its resources	Implementation of the Audit Improvement Plan towards attainment of an unqualified audit  Develop a legally compliant and efficient Supply Chain Management System  Implement revenue enhancement strategies  Valuation of Properties  Maintain favourable cash management procedures  Maintain long term borrowing below NT Threshold  Accelerate implementation of grant/capital projects	<b>A</b>		30 533	25 488	10 982	12 350	12 782	12 782	13 050	13 840	14 755
BCMM 2: To be an institutionally efficient and effective city that inclusively works with its	Promote vulnerable groups' rights within the Metro  Optimise participation of communities in municipal decision making processes	<b>B</b>		2 416	622	3 553	1 000	7 229	7 229	6 200	1 000	1 000



	Improve communication with BCMM communities and beyond										
BCMM 3: To generate an enabling environment for an economy that is growing , diversifying , generating increasing number of sustainable employment opportunities and contributing to	Implement skills development and capacity building programmes to grow and support BCMM economy	C	-	-	16 035	10 000	10 000	10 000	20 000	10 000	30 000
	Develop and implement economic development policies/initiative/programmes to promote and support growth both										
	Implement the economic infrastructure and capacitation programme										
BCMM 4: To deliver sustainable infrastructure that supports social and economic development	Implement lighting programmes to ensure adequate lighting coverage	D	184 514	567 375	779 953	903 557	996 707	996 707	1 214 504	1 189 224	1 474 814
	Implement an electrification programme to informal dwellings										
	Improve the condition of roads, stormwater system & associated structures to acceptable standards										
	Compliance of Water Treatment Works with SANS 241 requirements										

	<p>Provide households with access to potable water</p> <p>To provide integrated waste management services</p> <p>Implement DVRI Business Plan</p> <p>Rollout of electrification programme</p> <p>To provide integrated waste management services</p> <p>Provision of formal houses as part of Integrated Sustainable Human Settlements.</p> <p>Implement the Disaster Management Policy Framework</p> <p>Implement BCMM Crime prevention strategy and Traffic Safety Plan</p> <p>Generate Local Spatial Development Frameworks</p> <p>Implement land acquisition &amp; transfer</p>																		
--	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

	Implement land release programme										
	Provide integrated and sustainable transport systems by implementing programmes and										
	Provision of basic level of sanitation to households										
	Deliver sustainable infrastructure that support social and economic development										
	Provision of adequate Fire & Rescue facilities in BCMM										
BCMM 5 : To be a well structured and capacitated institution that renders effective and efficient services to all	Creation of a functional organisational structure	E	-	-	33 670	15 100	23 266	23 266	21 600	20 200	500
	Reduce time taken to conclude disciplinary cases										
	Improve health and safety of BCMM employees and Councillors										
	Provision of ICT systems and infrastrucutre										

	Development and implementation of employee performance management system										
	Improve time and attendance processes										
	Target recruitment and selection processes in terms of BCMM's employment equity plan										
	Train municipal employees										
BCMM 6: To enhance and protect all environmental assets and natural resources within Buffalo City Metropolitan Municipality 2016-2019	Implement Municipal Health Services Delivery Plan	F	-	-	-	-	-	-	-	-	-
	Implementation of integrated environmental and coastal zone management plans										
	Implement Climate Change Strategy										
	To apply waste management hierarchy which favours waste minimisation.										
	Construct new cells and rehabilitate existing cells										
<b>Allocations to other priorities</b>		3									
<b>Total Capital Expenditure</b>		1	217 464	593 485	844 194	942 007	1 049 985	1 049 985	1 275 354	1 234 264	1 521 069

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

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

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

**Table 28: MBRR Table SA7 - Measurable performance objectives**

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Vote 1 - vote name</b>										
<b>Function 1 - (name)</b>										
<b>Sub-function 1 - (name)</b>										
To ensure universal access to potable water within BCMM	Number of households with access to basic level of water supply	220 000	224 000	0	226 000	228 000	230 000	220 832	223 568	223 568
<b>Sub-function 2 - (name)</b>										
To ensure that households within BCMM have access to basic level of sanitation	Number of households with access to basic level of sanitation service	139 324	143 213	0	146 519	148 519	1 505 519	203 598	205 598	209 262
<b>Sub-function 3 - (name)</b>										
To provide an accessible all weather BCMM road network	Kilometres of roads gravelled	57km	20km	0,0%	83km (Gravel) 26km (surface)	83km (Gravel) 30km (surface)	100km (Gravel) 30km (surface)	150km	150 km	150 km
<b>Function 2 - (name)</b>										
<b>Sub-function 1 - (name)</b>										
To ensure an electricity infrastructure service that is inclusive, safe, reliable, efficient and adequately maintained	Number of new households (RDP) connected	1 000	1 200	0	350	1 500	1 500	1 499	1 501	1 000

## **2.2.1 Performance Indicators and Benchmarks**

### **2.2.1.1 Borrowing management**

The City has a credit rating of A- (Short Term) and A (Long Term) together with a low gearing ratio thus enabling the city to borrow capital to fund its revenue generating infrastructure.

However, the city adopts a conservative approach in its ability to borrow due to repayment constraints associated with operational surpluses.

The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF budget:

*Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steadily decreasing and remain at 1% over the MTREF period. This decrease can be attributed to the fact that no new loans are being entered into and that existing loans are being repaid.

### **2.2.1.2 Safety of capital**

*The debt-to-equity ratio* over the MTREF period reduces from 4% in the 2015/16 period to 3% in the 2017/18 period. The ratio indicates a positive trend as debt is being reduced over the redemption period.

### **2.2.1.3 Liquidity**

*Current ratio* is for the 2015/16 MTREF is 2.69:1; 3.35:1 and 4.12:1 respectively. The city is in a position to repay its current liabilities and thus strives to maintain this ratio above the public sector norm of 1.5:1. Included in the current assets is the city's debt book which has a collection ratio of 92% and the recoverability of this is considered to be obtainable.

*The liquid ratio* for the 2015/16 MTREF is 2.60:1; 3.26:1 and 4.02:1 respectively. The city aims to maintain a consistent stock level over the MTREF period to adequately respond to emergency situations relating to service delivery considerations.

### **2.2.1.4 Revenue Management**

The city has adopted an aggressive Revenue Enhancement Strategy, which includes revenue generation, accuracy of meter reading, regular supplementary valuations, and ensuring all residents receive a correct bill that the city has rendered thereby

contributing to the confidence of the consumers. The current collection rate of 92% in the 2014/15 year is expected to improve over the MTREF period to 93%.

### **2.2.1.5 Creditors Management**

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

### **2.2.1.6 Other Indicators**

Employee costs as a percentage of operating revenue is remaining consistent at 25% for the MTREF period.

- The Electricity distribution losses was 12.46% as at 30 June 2014, this continues to an area of focus to reduce electricity losses. There is a program to electrify informal dwellings which would also assist in reducing illegal connects.
- The City has established a Revenue Protection Unit, the main aim of this unit is to reduce the losses; however there is a limit to what can be done with limited resources in the short term and the extent to which losses can be limited.
- The overall average of non-revenue water amounts to 39.47% at 30 June 2014.
- BCMM has developed a Water Conservation and Water Demand Management (WC/WDM) Strategy, which focuses primarily on reducing the level of non-revenue water to enhance both the financial viability of and water supply sustainability to BCM, is for the 5-year period 2015/2016 to 2020/2021 and requires some R200 million to implement over this period.
- The goals set in terms of this Strategy, are the following:
  - Reduction of non-revenue water:
  - Increased billed metered consumption:
  - Reduction of raw water treatment losses:
  - Ability to undertake detailed water balances:
  - Promotion of water use efficiency
- Repairs and maintenance as a percentage of total operating revenue is on average 7% over the 2015/16 MTREF period.

### **2.2.2 Free Basic Services: Basic Social Services Package for Indigent Households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the City. Only registered indigents qualify for the free basic services.

For the 2015/16 financial year 50 000 registered indigents are targeted to be provided for in the budget for all services including provision of electricity by Eskom in rural areas. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water (R68.30), and 50 kwh of electricity (R57.26).

Registered indigents are to receive the following monthly rebates in the 2015/16 financial year:

- Property Rates – R155.35 (based on a property value of R150 000)
- Refuse Removal – R152.77
- Sewerage Charges - R159.77
- Fire Levy – R34.82

### **2.2.3 Providing Clean Water and Managing Waste Water**

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

The primary responsibility for Water Services Authority includes:

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



providing water services themselves or by selecting, procuring and contracting with external Water Services Providers.

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

### **2.2.3.1 Blue Drop Status**

Buffalo City Metropolitan Municipality is the best performing municipality in Eastern Cape Province with support from Amatole Water Board as Water Services Provider. The Municipal Blue Drop Score of 92.55% was achieved

### **2.2.3.2 Green Drop Status**

The BCMM had 15 of wastewater collector and treatment systems audited. The BCMM Sanitation Department was the best performing municipality in the Eastern Province:

- 0.9% Municipal Green Drop Score
- 1 Green Drop Awards for 2011/12 (East Bank)

Green Drop Comparisons between the larger Municipalities are as detailed:-

- Buffalo City : 80.9%
- Nelson Mandela : 60.0%

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

- Capacity of the existing treatment works is inadequate to cater for current and future water demands
- Aging water infrastructure
- High rate of non-revenue water, which is approximately 40%
- Total required funding to build new Water Treatment Works (Kei Road) and bulk pipe lines in KWT and Bhisho to meet housing backlogs and demand is R400 million.

The summary of total required funding to address the issue of bulk water conveyance and treatment works is detailed in the table below:

**Table 29: Funding required to address issue of bulk water conveyance and treatment works**

<b>PROJECT</b>	<b>SHORT TERM (0-5YRS)</b>	<b>MEDIUM- TERM (5-10YRS)</b>	<b>LONG-TERM (10+YRS)</b>
West Bank Bulk	R 61 949 412	R 130 043 834	R 73 256 280
Umzonyana Gravity	R 147 704 073	R 178 944 434	R 15 288 632
Mdantsane and Dawn Bulk	R 35 861 892	R 131 206 123	R 50 458 453
KWT- Bulk	R 205 154 307	R 71 265 043	R 123 814 081
Nahoon Dam supply augmentation	R 132 000 000		R 242 000 000
<b>TOTAL</b>	<b>R 582 669 684</b>	<b>R 511 459 434</b>	<b>R 504 817 446</b>

The BCMM is undertaking the following to address the challenges facing water services:

- Some of bulk water services infrastructure is inadequate however some of them have been considered under USDG proposed budget.
- Also the implementation of water conservation and water demand management has been considered under own funding.

The following challenges relates to sanitation service:

- Aging sanitation infrastructure whereby the remaining weighted useful life is eight years.
- Some of the Informal Settlements have been serviced with chemical toilets and have now been replaced with semi-permanent ablution facilities and this programme is ongoing under the urban sanitation programme.
- Bulk constraints such as system capacity, hydraulic and biological compliance remain within the conveyance and treatment works.

### **a) Bulk Sewerage Systems & Rural Sanitation**

Sewerage systems in the City are well beyond their design lives, are in poor condition and are operating at capacity. The effect of this situation is that expansion of the city and the housing programme is now severely constrained and the environment is under threat from sewage spills and leakages. The provision of sanitation services is currently being undertaken as follows:

### **b) Rural**

It is anticipated that the level of service for households outside of the Urban Edge will remain at current standards; namely communal standpipes and VIPs (or equivalent). Alternative sanitation technology options are however being investigated to optimise the operation and maintenance implications for BCMM.

The total budget requirement to address rural sanitation backlog mentioned above is R 460 000 000.

### **c) Urban**

The level of service for households within the urban edge will remain as per the current Policy, namely:

- Target level : erf connection and water borne sanitation; and
- Minimum level: yard connection and VIP (or equivalent).

Although the above is the level of service policy of BCMM, the target level of service is tending to be the default option provided.

### **d) Bulk Water Systems & Rural Water Backlog**

The two main towns within BCMM (East London and King Williams Town and their surrounding areas) are experiencing growth at present and yet further growth is anticipated into the future. In addition, the low income housing programme being implemented by the Human Settlement Department will have great impact on the water supply infrastructure, requiring additional capacity to support this development. In the light of the current operational constraints faced by King Williamstown and Gonubie, it is vital to ensure that sufficient resources are located towards the upgrading of the Water Treatment Works (WTW) capacity and bulk infrastructure conveyance. In the consideration the current constraints in All Saints area of KWT and Gonubie an immediate intervention is required to address the issue.

The Water treatment Plants serving BCMM are operated at near capacity for the entire municipality and that is the alarming challenge and table below illustrate that further:

**Table 30: Water Treatment Plants**

<b>Water treatment Plant (WTP)</b>	<b>Current Peak Flows (Mℓ/d)</b>	<b>Flows Design Capacity (Mℓ/d)</b>	<b>Proposed Capacity (Mℓ/d)</b>
<b>KWT</b>	12.8	13	13
<b>Laing</b>	27	33	40
<b>Nahoon</b>	28	34	86
<b>Umzonyana</b>	111	120	120
<b>Kei Road (new for KWT)</b>			38

Currently the city is busy with the augmentation of Umzonyana Wastewater Treatment Works which will feed into the broader city network up to Mdantsane.

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

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

### **2.3.1 Tariff Policy**

In terms of Section 74(1) of the Municipal Systems Act No 32 of 2000, as amended, Council to adopt the draft tariffs policy on 25 March 2015.

### **2.3.2 Rates Policy**

In terms of Section 3 of the Municipal Property Rates Act No. 6 of 2004, the municipality has adopted a rates policy. The policy was approved by Council on 28 May 2014.

### **2.3.3 Credit Control Policy**

The Credit Control and Debt Collection Policy to be adopted by Council on 28 May 2014.

### 2.3.4 Indigent Policy

The Indigent policy was adopted by Council on 28 May 2014.

### 2.3.5 Investment and Cash Management Policy

In terms of Section 13(2) of the Municipal Finance Management Act No. 56 of 2003, the municipality has adopted an investment and cash management policy. The policy was approved by Council on 29 May 2013. Council to adopt the revised draft investment and cash management policy on 31 March 2015. The following additions are made:

#### ***“Credit Rating***

- (a) The Municipality shall invest only with investees having an investment grade rating of [AA] or better;
- (b) Should the investee’s credit rating be downgraded as a result of the sovereign rating being downgraded and fall below the grades specified in (a) above, the municipality shall still be allowed to invest with those investees.
- (c) The municipality shall not invest with an investee whose credit rating was downgraded as result of such investee’s own financial operations.
- (d) The municipality must liquidate an investment where the credit rating falls below the acceptable rate.”

Refer to Annexure F for the full revised draft policy

### 2.3.6 Long-Term Borrowings Policy

A long-term borrowings policy has been developed in compliance with the Municipal Finance and Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations on Debt Disclosure The policy was approved by Council on 29 May 2013. Council to adopt the draft long-term borrowing policy on 31 March 2015. The following changes are made to be aligned with National Treasury Circular 71: Uniform Financial Ratios

<b>Proposed (Circular 71)</b>
-------------------------------

(ii) Debt (Total Borrowings) / Revenue
--

A = B / C x 100; were

- A = Debt (Total Borrowings) / Revenue
- B = (Overdraft + Current Finance Lease Obligation + Non-current Finance Lease

Obligation + Short Term Borrowings + Long term borrowing)

- $C = (\text{Total Operating Revenue} - \text{Operational Conditional Grants})$
- Target = Less than 45%

(iii) Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure

$A = B / C \times 100$ ; were

- A = Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure
- B = Capital Cost(Interest Paid and Redemption)
- C = Total Operating Expenditure and Taxation Expense
- Target = Between 6% - 8%

(vii) Current Ratio

$A = B / C$ ; were

- A = Current Ratio
- B = Current Assets
- C = Current Liabilities
- Norm = Between 1.5 - 2:1

(x) Remuneration as % of Total Operating Expenditure

$A = B / C \times 100$ ; were

- A = Remuneration as % of Total Operating Expenditure
- B = Remuneration (Employee Related Costs and Councillors' Remuneration)
- C = Total Operating Expenditure and Taxation Expense
- Norm = between 25% - 40%

Refer to Annexure F for the full revised draft policy

### **2.3.7 Supply Chain Management Policy**

In terms of Section 111 of the Municipal Finance and Management Act No. 56 of 2003 the municipality must adopt a Supply Chain Management policy. The reviewed policy was approved by Council on 29 May 2013.

### **2.3.8 Asset Management Policy**

The Asset Management policy was adopted on 29 May 2013 and provides guidance on the management of immovable assets (infrastructure, community facilities, public amenities, investment property and associated land and intangible assets). The objective of this policy is for the municipality to implement prevailing accounting standards; and apply asset management practice in a consistent manner and in accordance with legal requirements and recognised good accounting practice.

### **2.3.9 Capital Infrastructure Investment Policy**

The Capital Infrastructure Investment Policy was adopted on 29 May 2014 and the objective is the adequate maintenance of assets so as to provide a return on the city's investment.

### **2.3.10 Funding and Reserves Policy**

The Funding and Reserves policy was adopted by Council on 29 May 2013 and is aimed at ensuring that the Municipality has sufficient and cost-effective funding in order to achieve its long term objectives through the implementation of the medium term operating and capital budgets.

### **2.3.11 Policy on Long-Term Financial Planning**

The Policy on Long Term Financial Planning was adopted by Council on 29 May 2013 and encompasses the development, implementation and evaluation of a plan for the provision of basic municipal services and capital assets.

### **2.3.12 Budget Implementation & Management Policy (Virement Policy)**

The Budget Implementation & Management Policy (Virement Policy) was adopted by Council on 29 May 2013 and is to effectively and efficiently manage the budget transfers to ensure optimum service delivery.

All the above policies are available and can be viewed on Buffalo City Metropolitan Municipality's Website: [www.buffalocity.gov.za](http://www.buffalocity.gov.za).

## **2.4 OVERVIEW OF BUDGET ASSUMPTIONS**

The 2015/16 – 2017/18 annual budget and MTREF was prepared using 2013/14 financial year's audit outcome and lessons learned from the 2014/15 budget and adjustment budget as a base. The guidelines and assumptions as outlined in the MFMA Circulars (74 and 75), National and Provincial Government priorities, including making reference to the Municipal Reporting and Budget Regulations;

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

- Efficient revenue management, which aims to ensure a 93.5% annual collection rate over the medium term for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Move from a flat-rate billing system to all consumers billed according to consumption;
- Implementation of an automated billing system as opposed to a manual meter reading process;
- Regular Supplementary Valuations performed.
- Implementation of a General Valuation every four years in terms of the Municipal Property Rates Act.
- Creating a conducive environment to attract potential investors.
- Review of the Spatial Development Plan to allow for human capital resources to be closer to economic and job opportunities.

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

- Our expenditure strategy is ensuring that capital expenditure is incurred in line with the requirements detailed in the Spatial Development Plan to ensure maximum return to the municipality.
- Re-prioritisation of expenditure to ensure any inefficiencies are eliminated to allow for own-funded capital programme.
- Additional funding to be allocated to the maintenance of the infrastructure.

### **2.4.1 Depreciation**

Buffalo City Metropolitan Municipality is attempting to comply with the guidelines provided by National Treasury in relation to future financial sustainability and has therefore implemented a revaluation policy relating to the roads infrastructure assets. It needs to be recognised in the above example that the whole reason for depreciation is to adequately allocate the cost of providing services against the revenue being generated. It further needs to be recognised within the Local Government environment that the resources being accumulated are to allow for the replacement of the asset



which was originally created. Taking this into account the assumption would be to replace an asset that has reached the conclusion of its useful life will be the responsibility of Government through the various spheres including Local Government or, failing which, will become the responsibility of National Government. The determining factor would be then how much risk is borne by Local Government versus the risk borne by National Government. In order to adequately allow for the replacement of long term assets in the future, and to reduce the risk being placed on National Government to allow for the replacement, Buffalo City Metropolitan Municipality has implemented the revaluation policy for long term road assets. This does have the effect of increasing the monthly tariff to the local consumer, however it will allow for resources to be available to replace infrastructure assets which have reached the end of their useful lives.

As depreciation is an expenditure item which does not result in an outflow of cash, the effect would be to increase the cash resources that exist at a Local Government level. The express purpose of the increase in the cash resources is to allow for the replacement of infrastructure assets in the future. There is a further risk that a perception could be created with increasing cash resources that these are available for current use. Should these resources be utilised in an attempt to expand the city through the creation of additional infrastructure expansion it could have a severe adverse effect on the operations of the institutions in that any expansion will result in an additional depreciation charge as part of the budgeting process and, furthermore, there will be no funding available at a local government level to allow for the replacement of infrastructure assets which is currently in operation. This would place further risk on National Government to be able to fund the replacement of these infrastructure assets.

It does need to be recognised that, even with the revaluation policy, to replace the asset will still require grants from National Government, however the grant assistance would be less than the amount required assuming the cost basis. This can be seen with the example above in that R1.5 billion will be required if the historical cost basis was used versus R1bn utilising the revaluation approach.

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

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

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

There following are the key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets for inflation is set to be 5.6% for the 2015/16 financial year.
- Salaries are set to increase by CPI (5.6% in 2015) as guided in the MFMA Circular 75.
- Water bulk purchases are set to increase by 9.25% as negotiated with Amatola Water Board.
- Electricity bulk purchases are set to increase by 14.24% as per the guidelines received from NERSA.
- The city has adopted an aggressive approach with regards to budget on general expenses where cost containment measures have been put in place. There has been however and increase in the amount allocated for indigent subsidy due to anticipated increase in registered indigent consumers.
- Repairs and maintenance has been increased by 14% and constitute 7% of the total operating expenditure. The city has recognized the target to be reached is 10%, however cognizance should be given to the impact on tariffs in this regard.
- The city approved an Asset Management Policy in the 2012/13 financial year. It was felt that in preparing this policy that the most appropriate valuation model for our roads and storm-water infrastructure as well as municipal properties would be the revaluation approach. The reason for this approach being used was specifically to allow for additional funding to be accumulated to replace and/or refurbish these infrastructure assets in the future. It needs to be recognized that if this approach

was not followed there would be significant risk to the national fiscus and by implication National Treasury to be able to allow for significant additional funding for the replacement of these assets in the future. It is further emphasized that this approach is in line with National Treasury guidelines to ensure the institution remains financially viable. The resulting impact of this policy is a significant increase in depreciation being charged on an annual basis which is placing pressure on our operational budget and by inference our tariffs.

The table below indicate the budget assumptions that were used in preparing the 2015/16 MTREF budget:

**Table 31: 2014/2015 to 2017/2018 Budget Assumptions**

DESCRIPTION	2014/2015	2015/2016	2016/2017	2017/2018
National Treasury Headline Inflation Forecasts	6.20%	5.60%	5.90%	5.60%
Salaries	7.79%	5.60%	5.90%	5.60%
Electricity Purchases	8.06%	14.24%	14.24%	14.24%
Water Purchases	9.30%	9.25%	9.25%	9.25%
Free Basic Electricity	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.
Free Basic Water	6 kl p.m.	6 kl p.m.	6 kl p.m.	6 kl p.m.
Basic Welfare Package	R495.54	R628.26	R691.96	R761.02
Equitable Share Allocation	R656,674,000	R655,141,000	R643,419,000	R649,421,000
Bad Debt Provision	7.20%	7.20%	7.20%	7.20%
Rates	0.00%	9.90%	9.60%	9.40%
Refuse	12.50%	9.50%	9.20%	9.00%
Sewerage	10.50%	9.50%	9.20%	9.00%
Electricity	8.50%	12.20%	12.20%	12.20%
Water	14.75%	14.50%	14.20%	14.00%
Fire Levy	9.50%	9.90%	9.60%	9.40%
Sundry Income	9.50%	9.90%	9.60%	9.40%

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

**Table 32: Indigent Subsidy Package**

	<b>Total Per Household 2014/2015</b>	<b>Total Per Household 2015/2016</b>	<b>Total Per Household 2016/2017</b>	<b>Total Per Household 2017/2018</b>
<b>Rates</b>	103.66	155.35	170.26	186.27
<b>Refuse</b>	155.93	152.77	166.82	181.83
<b>Sewerage</b>	88.78	159.77	174.47	190.17
<b>Fire Levy</b>	33.62	34.82	38.16	41.75
<b><u>Total Monthly Subsidy</u></b>	<b>381.98</b>	<b>502.71</b>	<b>549.72</b>	<b>600.02</b>
<b>Electricity - 50kwh p.m</b>	51.03	57.26	64.25	72.08
<b>Water - 6kl p.m.</b>	59.65	68.30	77.99	88.91
<b><u>Total Poor Relief</u></b>	<b>492.66</b>	<b>628.26</b>	<b>691.96</b>	<b>761.02</b>

The guidance received from National Treasury in respect of DoRA and fuel levy has been included in the 2015/16 MTREF budget. It is noted with some concern the declining nature of Equitable Share across the MTREF period. The institution is concerned as to what impact this would have on the indigent subsidies mentioned above.

**Table 33: Proposed tariff increases over the medium-term**

<b>DESCRIPTION</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
<b>Rates</b>	0.00%	9.90%	9.60%	9.40%
<b>Refuse</b>	12.50%	9.50%	9.20%	9.00%
<b>Sewerage</b>	10.50%	9.50%	9.20%	9.00%
<b>Electricity</b>	8.50%	12.20%	12.20%	12.20%
<b>Water</b>	14.75%	14.50%	14.20%	14.00%
<b>Fire Levy</b>	9.50%	9.90%	9.60%	9.40%
<b>Sundry Income</b>	9.50%	9.90%	9.60%	9.40%

### 2.4.3 Credit rating outlook

Table 34: Credit rating outlook

Security class	Currency	Rating	Annual rating 2012/13	Previous Rating
Short term	Rand	A1-	June 2013	A1-
Long-term	Rand	A	June 2013	A
Outlook	Rand	Positive	June 2013	Positive

The service provider will be engaged by the City shortly to conduct an assessment of the 2013/2014 annual financial statements to review and issue a new credit rating for the City.

The rating definitions are:

- Short term: A1- (**single A one minus**); defined as having a high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
- Long-term: A (**single A**); defined as having high credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.

The City's credit rating remained unchanged from the previous year indicating a financially stable environment.

### 2.4.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in financing arrangements to minimise its interest rate costs and risk. The average interest rate for borrowings is currently 10.18%. The municipality is has budgeted R54 million in the 2015/16 financial year, R49.2 million and R44 million in the two outer years respectively in respect of its existing long term borrowings. The city is investing its cash reserves on various investing institution in line with the MFMA. The interest rate is currently 5.25% on primary bank account and 5.43% on investment call accounts. An amount of R133.6 million has been projected in the 2015/16 financial year, R137 million in the 2016/17 financial year and R141 million in the 2017/18 financial year.

#### **2.4.5 Collection rate for revenue services**

The rate of revenue collection is currently at 92% of annual billings and arrear debt. Stricter control measures of the Credit Control Policy are being enforced, the collection of arrear debt will be utilised as a source of additional cash in-flow for funding future capital infrastructure projects. An amount of R245 million contribution towards bad debts has been provided for the 2014/15 financial year and is based on an average collection ratio of 92%.

#### **2.4.6 Growth in the tax base of the municipality**

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

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

#### **2.4.7 Salary and Wage increases**

The Salary and Wage Collective Agreement regarding salaries/wages came to an end on 30 June 2015. The guidance provided on MFMA Circular 75 has been followed in projecting salary and wage increases of CPI.

#### **2.4.8 Impact of National, Provincial and Local policies**

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

- Accelerate Public Infrastructure Investment;
- Support for special economic zones and manufacturing incentives;
- Further expansion of public works programmes
- Investment in renewable energy
- Overhaul procurement and supply chain management
- Creating jobs and reduce poverty
- Skill development;
- 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.

#### **2.4.9 Ensuring maintenance of existing assets**

Repairs and maintenance has been budgeted 7% of the total operating expenditure. The city has recognised the target to be reached is 10%, however cognizance should be given to the impact on tariffs in this regard. Substantial budget allocation has been made for renewal of existing assets as detailed in the capital program section.

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

It is anticipated that with the establishment of the Enterprise Project Management Office (EPMO) Office capital spending will improve in the MTREF period.

## 2.5 OVERVIEW OF BUDGET FUNDING

The 2015/16 MTREF budget is fully funded utilising receipts from the following funding sources:

- Own Funds
- Division of Revenue Act (National Revenue Fund) including Equitable Share
- Provincial Government
- Fuel levy
- Other Grants and subsidies

### 2.5.1 Proposed Tariff Increases over the Medium-term

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

The table below reflects the proposed tariffs for the 2015/2016 MTREF period.

**Table 35: Proposed tariff increases 2015/16 to 2017/18**

<b>DESCRIPTION</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
<b>Rates</b>	<b>9.90%</b>	<b>9.60%</b>	<b>9.40%</b>
<b>Refuse</b>	<b>9.50%</b>	<b>9.20%</b>	<b>9.00%</b>
<b>Sewerage</b>	<b>9.50%</b>	<b>9.20%</b>	<b>9.00%</b>
<b>Electricity</b>	<b>12.20%</b>	<b>12.20%</b>	<b>12.20%</b>
<b>Water</b>	<b>14.50%</b>	<b>14.20%</b>	<b>14.00%</b>
<b>Fire Levy</b>	<b>9.90%</b>	<b>9.60%</b>	<b>9.40%</b>
<b>Sundry Income</b>	<b>9.90%</b>	<b>9.60%</b>	<b>9.40%</b>



## 2.5.2 Detailed Investment

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

**Table 36: MBRR Table SA15 – Detail Investment Information**

Investment type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>									
<b>Parent municipality</b>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	1,465,068	1,698,190	1,966,369	1,233,269	979,567	979,567	1,569,739	1,740,902	1,882,151
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
<b>Municipality sub-total</b>	<b>1,465,068</b>	<b>1,698,190</b>	<b>1,966,369</b>	<b>1,233,269</b>	<b>979,567</b>	<b>979,567</b>	<b>1,569,739</b>	<b>1,740,902</b>	<b>1,882,151</b>
<b>Entities</b>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank									
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>	<b>1,465,068</b>	<b>1,698,190</b>	<b>1,966,369</b>	<b>1,233,269</b>	<b>979,567</b>	<b>979,567</b>	<b>1,569,739</b>	<b>1,740,902</b>	<b>1,882,151</b>

**Table 37: MBRR Table SA16 – Investment particulars by maturity**

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Closing Balance
Name of institution & investment ID	Yrs/Months										
<b>Parent municipality</b>											
RMB	Various	Short Term / Call	No	Variable	0.0525	0	N/A	Various	244,892	31,573	276,464
Standard Bank	Various	Short Term / Call	No	Variable	0.0525	0	N/A	Various	122,446	15,786	138,232
Stanlib	Various	Short Term / Call	No	Variable	6.26% - 6.27%	0	N/A	Various	122,446	15,786	138,232
ABSA	Various	Short Term / Call	No	Variable	0.0525	0	N/A	Various	244,892	31,573	276,464
Nedbank	Various	Short Term / Call	No	Variable	0.0525	0	N/A	Various	244,892	31,573	276,464
											-
											-
<b>Municipality sub-total</b>									<b>979,567</b>		<b>1,105,858</b>
<b>Entities</b>											
											-
											-
											-
											-
											-
											-
<b>Entities sub-total</b>									<b>-</b>		<b>-</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>									<b>979,567</b>		<b>1,105,858</b>

### 2.5.3 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

**Table 38: MBRR Table A5 - Sources of capital revenue over the MTREF**

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Funded by:</b>											
National Government		205 794	144 991	515 570	671 925	667 655	667 655	667 655	742 884	818 419	911 943
Provincial Government		19 113	6 010	-	28 857	52 745	52 745	52 745	107 469	106 300	65 000
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>224 907</b>	<b>151 001</b>	<b>515 570</b>	<b>700 782</b>	<b>720 400</b>	<b>720 400</b>	<b>720 400</b>	<b>850 353</b>	<b>924 719</b>	<b>976 943</b>
Public contributions & donations	5	800	730	-	-	459	459	459	-	-	-
Borrowing	6	53 728	17 674	18 146	-	-	-	-	-	-	-
Internally generated funds		119 675	48 059	59 769	241 226	447 886	447 886	447 886	425 002	309 545	544 126
<b>Total Capital Funding</b>	7	<b>399 110</b>	<b>217 464</b>	<b>593 485</b>	<b>942 007</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>

### 2.5.4 Details of Borrowings

The repayment of capital and interest (debt services costs) has substantially increased over the past three years. In the 2015/16 MTREF budget no projects are funded from borrowings. However BCMM is currently developing a long-term financial plan which covers a ten-year asset replacement and upgrading programme and this will inform external borrowing for income generating infrastructure assets from the current financial year and onwards. Various funding models will be explored to fund the City's identified catalytic projects.

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

**Table 39: MBRR Table SA17 - Detail of borrowings**

Borrowing - Categorized by type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Parent municipality</b>									
Long-Term Loans (annuity/reducing balance)									
Long-Term Loans (non-annuity)	604,256	597,207	542,574	542,574	542,574	542,574	496,477	445,768	398,126
Local registered stock									
Instalment Credit									
Financial Leases	990	3,941	3,425	3,941	3,941	3,941	3,941	3,941	3,425
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
<b>Municipality sub-total</b>	<b>605,246</b>	<b>601,148</b>	<b>545,999</b>	<b>546,515</b>	<b>546,515</b>	<b>546,515</b>	<b>500,418</b>	<b>449,709</b>	<b>401,551</b>
<b>Entities</b>									
Long-Term Loans (annuity/reducing balance)									
Long-Term Loans (non-annuity)									
Local registered stock									
Instalment Credit									
Financial Leases									
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Borrowing</b>	<b>605,246</b>	<b>601,148</b>	<b>545,999</b>	<b>546,515</b>	<b>546,515</b>	<b>546,515</b>	<b>500,418</b>	<b>449,709</b>	<b>401,551</b>

## 2.5.5 Capital Transfers and Grant Receipts

**Table 40: MBRR Table SA 18 - Capital transfers and grant receipts**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>RECEIPTS:</b>	1, 2									
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		652 686	542 474	619 676	671 925	664 712	664 712	742 884	818 419	911 943
Urban Settlement Development Grant		423 446	499 474	569 797	639 825	639 025	639 025	679 784	715 222	758 942
Infrastructure Skills Development Grant		-	-	100	100	100	100	100	-	-
Energy Efficiency and Demand Management		4 000	10 000	4 579	-	-	-	13 000	5 000	5 000
Public Transport and Systems		180 000	3 000	20 000	-	-	-	-	38 306	82 172
Neighbourhood Development Partnership		-	-	-	5 000	5 000	5 000	20 000	20 000	25 000
Integrated National Electrification Programme		26 895	30 000	25 000	27 000	20 587	20 587	30 000	30 000	30 000
Department of Water Affairs		18 345	-	-	-	-	-	-	-	-
Finance Management		-	-	200	-	-	-	-	-	-
Integrated City Development Grant		-	-	-	-	-	-	-	9 891	10 829
<b>Provincial Government:</b>		30 463	20 880	29 025	28 857	55 432	55 432	107 469	106 300	65 000
Human Settlement Development Grant		30 463	20 880	29 025	18 600	-	-	94 400	106 300	65 000
Human Settlement Development Grant - MPCC		-	-	-	10 069	51 657	51 657	13 069	-	-
Dept of Human Settlement Grant - Special Fund		-	-	-	-	700	700	-	-	-
Dept Sport, Recreation, Arts and Culture (DSRAC)		-	-	-	-	2 686	2 686	-	-	-
Dept of Local Government and Traditional Affairs		-	-	-	189	189	189	-	-	-
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)		-	-	-	-	199	199	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Health Subsidy - Environmental Health</i>										
<b>Other grant providers:</b>		760	272	340	-	716	716	-	-	-
<i>BCMETS Funding</i>		-	-	-	-	257	257	-	-	-
<i>Public Funding</i>		686	272	340	-	-	-	-	-	-
<i>Lieden</i>		74	-	-	-	459	459	-	-	-
<b>Total Capital Transfers and Grants</b>	5	683 910	563 626	649 041	700 782	720 859	720 859	850 353	924 719	976 943

## **2.5.6 Cash Flow Management**

Table 41 below details projected cash flow statement:

**Table 41: MBRR Table A7 - Budget cash flow statement**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		522,514	580,100	672,957	745,363	760,913	760,913	760,913	862,697	945,550	1,034,469
Service charges		1,754,710	1,965,059	2,198,960	2,278,689	2,254,944	2,254,944	2,254,944	2,486,856	2,781,504	3,109,557
Other revenue		131,123	287,662	433,692	553,197	570,413	570,413	570,413	622,502	656,572	690,194
Government - operating	1	722,264	723,457	812,167	825,736	929,301	929,301	929,301	994,118	1,318,857	1,136,241
Government - capital	1	186,251	506,406	734,503	700,782	720,859	720,859	720,859	850,353	924,719	976,943
Interest		82,656	106,184	123,654	106,874	106,874	106,874	106,874	152,531	158,829	165,433
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(2,619,536)	(2,808,957)	(3,308,223)	(3,507,515)	(3,675,516)	(3,675,516)	(3,675,516)	(4,270,263)	(4,997,932)	(5,209,375)
Finance charges		(70,499)	(67,259)	(65,777)	(59,248)	(59,248)	(59,248)	(59,248)	(54,313)	(49,286)	(44,055)
Transfers and Grants	1	(112,388)	(115,922)	(144,964)	(204,013)	(195,638)	(195,638)	(195,638)	(259,749)	(282,677)	(307,271)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>597,097</b>	<b>1,176,732</b>	<b>1,456,969</b>	<b>1,439,866</b>	<b>1,412,901</b>	<b>1,412,901</b>	<b>1,412,901</b>	<b>1,384,731</b>	<b>1,456,136</b>	<b>1,552,136</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		2,610	18,168	767	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		12	13	14	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(37)	(36)	892	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(217,896)	(608,431)	(843,732)	(942,007)	(1,168,745)	(1,168,745)	(1,168,745)	(1,275,354)	(1,734,264)	(2,021,069)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(215,310)</b>	<b>(590,286)</b>	<b>(842,058)</b>	<b>(942,007)</b>	<b>(1,168,745)</b>	<b>(1,168,745)</b>	<b>(1,168,745)</b>	<b>(1,275,354)</b>	<b>(1,734,264)</b>	<b>(2,021,069)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		441,524	(278,943)	(244,040)	-	-	-	-	-	500,000	657,823
Increase (decrease) in consumer deposits		3,466	8,599	(681)	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		(45,020)	5,243	(49,072)	(54,633)	(54,633)	(54,633)	(54,633)	(46,097)	(50,709)	(47,642)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>399,970</b>	<b>(265,100)</b>	<b>(293,793)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(54,633)</b>	<b>(46,097)</b>	<b>449,291</b>	<b>610,181</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at the year begin:	2	740,212	1,521,969	1,843,315	870,044	870,044	870,044	870,044	1,586,460	1,649,739	1,820,902
Cash/cash equivalents at the year end:	2	1,521,969	1,843,315	2,164,433	1,313,269	1,059,567	1,059,567	1,059,567	1,649,739	1,820,902	1,962,150

### **2.5.6.1 Cash/cash equivalent position**

BCMM is also projecting a favourable cash position, which currently projected to be R1 billion at 30 June 2015 and is projected to be R1.6 billion at 30 June 2016 (2017: R1.8 billion and 2018: R1.96 billion).

### **2.5.6.2 Cost Coverage**

The projected cost coverage, including conditional grants is projected to be 7 months at 30 June 2016 and is projected to remain at 7 months over the MTREF period. BCMM maintains a cost coverage of at least 3 months. The average cost coverage over the last 8 months is 8.67 months.

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

The city has adopted the approach to cash back its depreciation on a year-to-year basis in order to renew and/or refurbish its existing infrastructure assets. The projected surplus for the 2015/16 financial year (excluding depreciation offsets) to increase from R6.2 million to R734.5 million.

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

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

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

The rate of revenue collection is currently at 92% of annual billings and arrear debt. Stricter control measures of the Credit Control Policy are being enforced, the collection of arrear debt will be utilised as a source of additional cash in-flow for funding future capital infrastructure projects.

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

An amount of R245 million contribution towards bad debts has been provided for in the 2015/16 financial year of the MTREF and is based on an average collection ratio of 92%.



#### **2.5.6.7 Repairs and maintenance expenditure level**

The city is having a consistent trend of spending above 90% of its repairs and maintenance budget. The allocation of repairs and maintenance is 7% of operating expenditure budget in the MTREF. Substantial own funding has been allocated to renew existing assets

#### **2.5.6.8 Asset renewal/rehabilitation expenditure level**

Details of the City's strategy pertaining to asset management and repairs and maintenance is contained in SA34B.

## 2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

**Table 42: MBRR Table SA19 - Expenditure on transfers and grant programmes**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		590 562	661 669	683 033	698 929	699 729	699 729	714 196	696 620	704 510
Local Government Equitable Share		582 812	650 616	653 660	656 674	656 674	656 674	655 141	643 419	649 421
Urban Settlement Development Grant		4 579	6 232	20 855	33 465	34 265	34 265	33 348	33 148	32 148
Finance Management		1 459	1 500	1 294	1 500	1 500	1 500	1 300	1 300	1 300
EPWP Incentive		–	930	3 278	1 890	1 890	1 890	1 149	–	–
Infrastructure Skills Development Grant		–	1 265	3 946	5 400	5 400	5 400	8 400	9 500	11 000
Department of Water Affairs		1 712	1 126	–	–	–	–	–	–	–
Integrated City Development Grant		–	–	–	–	–	–	5 605	–	–
Municipal Human Settlement Capacity Grant		–	–	–	–	–	–	9 253	9 253	10 641
<b>Provincial Government:</b>		47 061	55 722	125 579	122 746	221 486	221 486	371 830	744 531	537 331
Roads Subsidy - Provincial Roads		–	–	1 871	1 871	1 871	1 871	1 871	1 871	1 871
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)		26	–	–	3 745	3 546	3 546	–	–	–
Department of Environmental Affairs (Greening Award)		–	–	–	–	2 500	2 500	–	–	–
Department of Water Affairs		18 928	7 730	2 313	–	–	–	–	–	–
Local Government & Traditional Affairs		200	–	–	9 101	8 369	8 369	2 000	1 000	1 000
Health Subsidy - ATIC		–	73	2 522	2 522	2 522	2 522	2 522	2 522	2 522
Cooperative Governance and Traditional Affairs		–	–	–	1 049	–	–	–	–	–
Library Subsidy		–	–	3 638	3 638	3 638	3 638	3 638	3 638	3 638
Dept Sport, Recreation, Arts and Culture (DSRAC)		–	–	–	37	37	37	–	–	–
Dept of Land Affairs		50	1	318	777	152	152	–	–	–
Accreditation Capacity Enhancement Grant		–	–	–	–	–	–	–	–	–
Human Settlement Development Grant		27 858	47 918	114 688	99 938	198 783	198 783	361 799	733 500	528 300
Human Settlement Development Grant - MPCC		–	–	–	–	–	–	–	2 000	–
Office of the Premier		–	–	–	67	67	67	–	–	–
<b>District Municipality:</b>		–	1 754	–	–	–	–	–	–	–
<i>Health Subsidy - Environmental Health</i>		–	1 754	–	–	–	–	–	–	–
<b>Other grant providers:</b>		2 394	4 312	3 003	6 856	8 006	8 006	3 329	3 196	3 196
<i>SETA - Skills Development</i>		1 079	3 890	2 795	2 795	2 795	2 795	2 989	3 196	3 196
<i>Donor Funding - Leiden &amp; Galve</i>		421	414	209	136	136	136	–	–	–
<i>Salaida</i>		279	9	–	–	–	–	–	–	–
<i>Trust Funds</i>		16	–	–	2 715	2 782	2 782	–	–	–
<i>Umsobomvu Youth Fund</i>		–	–	–	710	745	745	–	–	–
<i>BCMETS Funding</i>		281	–	–	–	–	–	–	–	–
<i>Donor Funding - European Commission</i>		318	–	–	500	500	500	340	–	–
<i>Vuna Award</i>		–	–	–	–	1 049	1 049	–	–	–
<b>Total operating expenditure of Transfers and Grants:</b>		<b>640 018</b>	<b>723 457</b>	<b>811 614</b>	<b>828 531</b>	<b>929 221</b>	<b>929 221</b>	<b>1 089 354</b>	<b>1 444 347</b>	<b>1 245 037</b>

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		180 391	509 146	727 581	671 925	664 712	664 712	742 884	818 419	911 943
Urban Settlement Development Grant		151 552	465 008	697 889	639 825	639 025	639 025	679 784	715 222	758 942
Infrastructure Skills Development Grant		-	655	23	100	100	100	100	-	-
Municipal Infrastructure Grant (MIG)		2 987	-	-	-	-	-	-	-	-
Energy Efficiency and Demand Management		3 927	10 071	4 578	-	-	-	13 000	5 000	5 000
Public Transport and Systems		1 283	133	-	-	-	-	-	38 306	82 172
Neighbourhood Development Partnership		-	-	-	5 000	5 000	5 000	20 000	20 000	25 000
Integrated National Electrification Programme		20 641	33 278	24 997	27 000	20 587	20 587	30 000	30 000	30 000
Finance Management		-	-	-	-	-	-	-	-	-
Integrated City Development Grant		-	-	94	-	-	-	-	9 891	10 829
<b>Provincial Government:</b>		6 443	6 220	16 634	28 857	55 432	55 432	107 469	106 300	65 000
Disaster Relief Fund		198	-	-	-	-	-	-	-	-
Human Settlement Development Grant		4 100	6 220	9 298	18 600	-	-	94 400	106 300	65 000
Human Settlement Development Grant - MPCC		-	-	-	10 069	51 657	51 657	13 069	-	-
Dept of Human Settlement Grant - Special Fund		-	-	-	-	700	700	-	-	-
Dept Sport, Recreation, Arts and Culture (DSRAC)		1 219	-	7 174	-	2 686	2 686	-	-	-
Dept of Local Government and Traditional Affairs		-	-	162	189	189	189	-	-	-
Provincial Treasury		342	-	-	-	-	-	-	-	-
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)		-	-	-	-	199	199	-	-	-
Dept of Science and Technology		150	-	-	-	-	-	-	-	-
Office of the Premier		433	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>Health Subsidy - Environmental Health</i>										
<b>Other grant providers:</b>		730	205	1 143	-	716	716	-	-	-
BCMET Funding		-	205	1 143	-	257	257	-	-	-
Lieden		730	-	-	-	459	459	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		187 564	515 570	745 358	700 782	720 859	720 859	850 353	924 719	976 943
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		827 581	1 239 027	1 556 972	1 529 313	1 650 079	1 650 079	1 939 707	2 369 066	2 221 980

**Table 43: MBRR Table SA20 - Reconciliation between of transfers, grant receipts and unspent funds**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		182 783	130 094	67 401				-	-	-
Current year receipts		498 527	581 254	647 124	706 873	686 958	686 958	714 196	696 620	704 510
<b>Conditions met - transferred to revenue</b>		<b>551 216</b>	<b>711 349</b>	<b>712 891</b>	<b>706 873</b>	<b>686 958</b>	<b>686 958</b>	<b>714 196</b>	<b>696 620</b>	<b>704 510</b>
Conditions still to be met - transferred to liabilities		130 094	(1)	1 634	-	-	-	-	-	-
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		19 181	31 945	171 470				-	-	-
Current year receipts		136 748	146 363	5 831	207 426	178 208	178 208	371 830	744 531	537 331
<b>Conditions met - transferred to revenue</b>		<b>123 984</b>	<b>6 839</b>	<b>6 439</b>	<b>207 426</b>	<b>178 208</b>	<b>178 208</b>	<b>371 830</b>	<b>744 531</b>	<b>537 331</b>
Conditions still to be met - transferred to liabilities		31 945	171 470	170 861	-	-	-	-	-	-
<b>District Municipality:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		16 515	16 500	15 249				-	-	-
Current year receipts		3 855	5 181	3 656	2 795	3 080	3 080	3 329	3 196	3 196
<b>Conditions met - transferred to revenue</b>		<b>3 871</b>	<b>6 432</b>	<b>4 127</b>	<b>2 795</b>	<b>3 080</b>	<b>3 080</b>	<b>3 329</b>	<b>3 196</b>	<b>3 196</b>
Conditions still to be met - transferred to liabilities		16 500	15 249	14 778	-	-	-	-	-	-
<b>Total operating transfers and grants revenue</b>		<b>679 071</b>	<b>724 619</b>	<b>723 457</b>	<b>917 094</b>	<b>868 246</b>	<b>868 246</b>	<b>1 089 354</b>	<b>1 444 347</b>	<b>1 245 037</b>
<b>Total operating transfers and grants - CTBM</b>	2	<b>178 539</b>	<b>186 718</b>	<b>187 274</b>	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		63 071	5 841	216 773				-	-	-
Current year receipts		288 670	652 686	542 474	676 426	796 299	796 299	742 884	818 419	911 943
<b>Conditions met - transferred to revenue</b>		<b>198 209</b>	<b>118 480</b>	<b>509 146</b>	<b>676 426</b>	<b>796 299</b>	<b>796 299</b>	<b>742 884</b>	<b>818 419</b>	<b>911 943</b>
Conditions still to be met - transferred to liabilities		153 531	540 047	250 101	-	-	-	-	-	-
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		23 025	11 948	10 727				-	-	-
Current year receipts		354	30 463	6 220	29 025	44 711	44 711	107 469	106 300	65 000
<b>Conditions met - transferred to revenue</b>		<b>11 431</b>	<b>31 684</b>	<b>6 220</b>	<b>29 025</b>	<b>44 711</b>	<b>44 711</b>	<b>107 469</b>	<b>106 300</b>	<b>65 000</b>
Conditions still to be met - transferred to liabilities		11 948	10 727	10 727	-	-	-	-	-	-
<b>District Municipality:</b>										
Balance unspent at beginning of the year		1 979	1 979	1 979	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		1 979	1 979	1 979	-	-	-	-	-	-
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		14 612	144	67				-	-	-
Current year receipts		800	760	205	-	1 859	1 859	-	-	-
<b>Conditions met - transferred to revenue</b>		<b>15 267</b>	<b>837</b>	<b>205</b>	<b>-</b>	<b>1 859</b>	<b>1 859</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities		144	67	67	-	-	-	-	-	-
<b>Total capital transfers and grants revenue</b>		<b>224 907</b>	<b>151 001</b>	<b>515 570</b>	<b>705 450</b>	<b>842 869</b>	<b>842 869</b>	<b>850 353</b>	<b>924 719</b>	<b>976 943</b>
<b>Total capital transfers and grants - CTBM</b>	2	<b>167 603</b>	<b>552 821</b>	<b>262 875</b>	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>903 979</b>	<b>875 621</b>	<b>1 239 027</b>	<b>1 622 544</b>	<b>1 711 115</b>	<b>1 711 115</b>	<b>1 939 707</b>	<b>2 369 066</b>	<b>2 221 980</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		<b>346 142</b>	<b>739 538</b>	<b>450 149</b>	-	-	-	-	-	-

## 2.7 COUNCILLOR AND EMPLOYEE BENEFITS

**Table 44: MBRR Table SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		30 978	26 569	27 566	31 286	31 286	31 286	31 903	34 136	36 525
Pension and UIF Contributions		1 855	2 627	2 833	3 303	3 303	3 303	3 328	3 561	3 811
Medical Aid Contributions		795	1 031	1 368	1 524	1 524	1 524	1 856	1 986	2 125
Motor Vehicle Allowance		7 076	10 414	10 796	12 907	12 907	12 907	12 944	13 850	14 820
Cellphone Allowance		—	—	—	—	—	—	—	—	—
Housing Allowances		2 262	2 690	2 525	3 234	3 234	3 234	2 879	3 081	3 297
Other benefits and allowances		—	—	—	—	—	—	—	—	—
<b>Sub Total - Councillors</b>		<b>42 966</b>	<b>43 331</b>	<b>45 088</b>	<b>52 254</b>	<b>52 254</b>	<b>52 254</b>	<b>52 910</b>	<b>56 614</b>	<b>60 577</b>
<b>% increase</b>	4		<b>0.9%</b>	<b>4.1%</b>	<b>15.9%</b>	—	—	<b>1.3%</b>	<b>7.0%</b>	<b>7.0%</b>
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		5 840	4 154	3 537	8 717	8 717	8 717	15 026	15 867	16 756
Pension and UIF Contributions		854	590	667	1 580	1 580	1 580	2 734	2 886	3 046
Medical Aid Contributions		79	48	103	205	205	205	266	281	297
Overtime		—	—	—	—	—	—	—	—	—
Performance Bonus		—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance		884	651	808	2 277	2 277	2 277	2 738	2 891	3 053
Cellphone Allowance	3	—	—	—	—	—	—	—	—	—
Housing Allowances	3	36	4	—	77	77	77	83	83	83
Other benefits and allowances	3	2 039	1 267	959	1 621	1 621	1 621	2 273	2 400	2 534
Payments in lieu of leave		—	—	—	—	—	—	—	—	—
Long service awards		—	—	—	33	33	33	36	38	40
Post-retirement benefit obligations	6	—	—	—	—	—	—	—	—	—
<b>Sub Total - Senior Managers of Municipality</b>		<b>9 733</b>	<b>6 715</b>	<b>6 074</b>	<b>14 510</b>	<b>14 510</b>	<b>14 510</b>	<b>23 157</b>	<b>24 447</b>	<b>25 810</b>
<b>% increase</b>	4		<b>(31.0%)</b>	<b>(9.5%)</b>	<b>138.9%</b>	—	—	<b>59.6%</b>	<b>5.6%</b>	<b>5.6%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		596 333	606 290	654 048	775 458	778 785	778 785	834 220	880 936	930 268
Pension and UIF Contributions		115 507	118 568	126 960	144 765	145 867	145 867	159 776	168 564	177 831
Medical Aid Contributions		40 331	42 170	46 769	57 614	58 141	58 141	95 965	101 339	107 014
Overtime		50 916	62 099	80 707	57 128	57 148	57 148	60 348	63 728	67 297
Performance Bonus		—	—	—	—	—	—	—	—	—
Motor Vehicle Allowance		17 834	16 766	17 823	25 328	24 793	24 793	27 147	28 667	30 272
Cellphone Allowance	3	—	—	—	—	—	—	—	—	—
Housing Allowances	3	3 734	3 504	3 219	7 313	7 300	7 300	10 061	10 061	10 061
Other benefits and allowances	3	84 466	92 356	156 712	125 372	125 001	125 001	152 610	161 445	170 460
Payments in lieu of leave		25 320	20 868	22 094	13 000	13 000	13 000	7 307	7 819	8 366
Long service awards		12 194	13 225	14 840	16 727	16 580	16 580	17 028	17 982	18 989
Post-retirement benefit obligations	6	—	—	—	—	—	—	—	—	—
<b>Sub Total - Other Municipal Staff</b>		<b>946 633</b>	<b>975 846</b>	<b>1 123 172</b>	<b>1 222 705</b>	<b>1 226 615</b>	<b>1 226 615</b>	<b>1 364 462</b>	<b>1 440 540</b>	<b>1 520 558</b>
<b>% increase</b>	4		<b>3.1%</b>	<b>15.1%</b>	<b>8.9%</b>	<b>0.3%</b>	—	<b>11.2%</b>	<b>5.6%</b>	<b>5.6%</b>
<b>Total Parent Municipality</b>		<b>999 331</b>	<b>1 025 891</b>	<b>1 174 333</b>	<b>1 289 469</b>	<b>1 293 379</b>	<b>1 293 379</b>	<b>1 440 529</b>	<b>1 521 601</b>	<b>1 606 945</b>

**Table 45: MBRR Table SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	616 356	106 558	304 346			1 027 260
Chief Whip		1	577 833	–	385 222			963 056
Executive Mayor		1	770 445	14 096	499 534			1 284 075
Deputy Executive Mayor		1	616 356	92 453	318 451			1 027 260
Executive Committee		9	5 200 500	668 729	2 798 271			8 667 500
Total for all other councillors		104	24 121 244	4 302 111	11 517 685			39 941 040
<b>Total Councillors</b>	8	117	31 902 735	5 183 948	15 823 509			52 910 192
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	2 327 222	500 965	569 481	–		3 397 669
Chief Finance Officer		1	963 820	235 482	384 446	–		1 583 749
Director of Engineering Services		1	1 139 719	234 515	372 022	–		1 746 256
Director of Public Safety and Health		1	1 116 450	202 833	426 974	–		1 746 256
Director Of Community Services		1	1 132 778	222 799	390 680	–		1 746 256
Other		8	8 345 706	1 785 077	2 805 570	–		12 936 354
<i>List of each official with packages &gt;= senior manager</i>								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
								–
<b>Total Senior Managers of the Municipality</b>	8,10	13	15 025 694	3 181 671	4 949 174	–		23 156 539

**Table 46: MBRR Table SA24 – summary of personnel numbers**

Summary of Personnel Numbers	Ref	2013/14			Current Year 2014/15			Budget Year 2015/16		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)	4	117	–	117	117	–	117	117	–	117
Board Members of municipal entities	5	–	–	–	–	–	–	–	–	–
<b>Municipal employees</b>										
Municipal Manager and Senior Managers	3	10	–	10	12	2	10	12	2	10
Other Managers	7	39	21	18	40	23	17	42	25	17
Professionals		161	161	–	162	162	–	193	193	–
<i>Finance</i>		67	67	–	65	65	–	96	96	–
<i>Spatial/town planning</i>		10	10	–	10	10	–	10	10	–
<i>Information Technology</i>		3	3	–	3	3	–	3	3	–
<i>Roads</i>		3	3	–	3	3	–	3	3	–
<i>Electricity</i>		8	8	–	8	8	–	8	8	–
<i>Water</i>		5	5	–	5	5	–	5	5	–
<i>Sanitation</i>		4	4	–	4	4	–	4	4	–
<i>Refuse</i>		1	1	–	1	1	–	1	1	–
<i>Other</i>		60	60	–	63	63	–	63	63	–
Technicians		285	285	–	288	288	–	288	288	–
<i>Finance</i>		9	9	–	9	9	–	9	9	–
<i>Spatial/town planning</i>		15	15	–	15	15	–	15	15	–
<i>Information Technology</i>		13	13	–	13	13	–	13	13	–
<i>Roads</i>		6	6	–	6	6	–	6	6	–
<i>Electricity</i>		10	10	–	10	10	–	10	10	–
<i>Water</i>		27	27	–	27	27	–	27	27	–
<i>Sanitation</i>		16	16	–	16	16	–	16	16	–
<i>Refuse</i>		7	7	–	7	7	–	7	7	–
<i>Other</i>		182	182	–	185	185	–	185	185	–
Clerks (Clerical and administrative)		1 177	1 142	35	1 249	1 218	31	1 269	1 238	31
Service and sales workers		890	878	12	689	677	12	689	677	12
Skilled agricultural and fishery workers		213	213	–	212	212	–	212	212	–
Craft and related trades		383	383	–	382	382	–	382	382	–
Plant and Machine Operators		750	750	–	749	749	–	749	749	–
Elementary Occupations		1 415	1 415	–	1 419	1 419	–	1 419	1 419	–
<b>TOTAL PERSONNEL NUMBERS</b>	9	<b>5 440</b>	<b>5 248</b>	<b>192</b>	<b>5 319</b>	<b>5 132</b>	<b>187</b>	<b>5 372</b>	<b>5 185</b>	<b>187</b>
<b>% increase</b>					(2.2%)	(2.2%)	(2.6%)	1.0%	1.0%	–
<b>Total municipal employees headcount</b>	6, 10	<b>5 323</b>	<b>5 248</b>	<b>75</b>	<b>5 202</b>	<b>5 132</b>	<b>70</b>	<b>5 255</b>	<b>5 185</b>	<b>70</b>
Finance personnel headcount	8, 10	<b>634</b>	<b>622</b>	<b>12</b>	<b>686</b>	<b>674</b>	<b>12</b>	<b>739</b>	<b>727</b>	<b>12</b>
Human Resources personnel headcount	8, 10	<b>187</b>	<b>183</b>	<b>4</b>	<b>197</b>	<b>193</b>	<b>4</b>	<b>197</b>	<b>185</b>	<b>12</b>

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

**Table 47: MBRR Table SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - Directorate - Executive Support Services		-	533	730	3 858	4 076	11 064	231	5 511	2 421	3 355	22 960	(48 540)	6 200	500	500
Vote 2 - Directorate - Municipal Manager		-	21	13	-	-	-	-	4	6	30	93	21 333	21 500	31 891	37 829
Vote 3 - Directorate - Chief Operations Officer		-	5 375	1 732	3 053	1 723	4 030	299	777	2 077	3 124	4 767	184 468	211 424	323 360	386 580
Vote 4 - Directorate - Chief Financial Officer		5	293	303	817	529	884	220	1 462	1 440	925	2 385	736	10 000	10 500	10 500
Vote 5 - Directorate - Corporate Services		-	10	164	917	67	761	359	187	(150)	302	521	18 463	21 600	20 200	500
Vote 6 - Directorate - Engineering Services		2 281	20 769	17 379	42 825	32 393	33 461	17 258	19 516	38 818	53 688	44 369	497 800	820 556	598 000	751 198
Vote 7 - Directorate - Development Planning		100	1 253	2 485	2 307	4 837	6 624	1 820	4 146	4 218	6 550	7 533	26 349	68 221	163 611	225 022
Vote 8 - Directorate - Health & Public Safety		93	1 512	2 425	2 746	2 509	5 365	2 191	5 896	1 330	3 204	4 046	(9 665)	21 650	28 540	22 655
Vote 9 - Directorate - Community Services		59	1 855	622	440	700	2 286	235	834	902	840	1 477	83 955	94 204	57 662	86 285
<b>Capital multi-year expenditure sub-total</b>	2	<b>2 538</b>	<b>31 622</b>	<b>25 852</b>	<b>56 963</b>	<b>46 833</b>	<b>64 476</b>	<b>22 612</b>	<b>38 333</b>	<b>51 060</b>	<b>72 017</b>	<b>88 150</b>	<b>774 900</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - Directorate - Executive Support Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Directorate - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Directorate - Chief Operations Officer		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Directorate - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Directorate - Corporate Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Directorate - Engineering Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Directorate - Development Planning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Directorate - Health & Public Safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Directorate - Community Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	2	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure</b>	2	<b>2 538</b>	<b>31 622</b>	<b>25 852</b>	<b>56 963</b>	<b>46 833</b>	<b>64 476</b>	<b>22 612</b>	<b>38 333</b>	<b>51 060</b>	<b>72 017</b>	<b>88 150</b>	<b>774 900</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>



**Table 48: MBRR Table SA29 - Budgeted monthly capital expenditure (standard classification)**

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital Expenditure - Standard</b>	1															
<b>Governance and administration</b>		5	836	1 196	5 592	4 671	12 710	810	7 160	3 711	4 582	25 866	(7 840)	59 300	63 091	49 329
Executive and council		–	533	730	3 858	4 076	11 064	231	5 511	2 421	3 355	22 960	(27 040)	27 700	32 391	38 329
Budget and treasury office		5	293	303	817	529	884	220	1 462	1 440	925	2 385	736	10 000	10 500	10 500
Corporate services		–	10	164	917	67	761	359	187	(150)	302	521	18 463	21 600	20 200	500
<b>Community and public safety</b>		152	8 479	3 799	5 413	3 934	9 692	2 055	4 687	5 159	6 234	10 032	245 932	305 568	394 150	494 520
Community and social services		–	855	1 252	1 894	1 432	2 542	1 454	1 885	1 982	1 819	3 228	21 926	40 269	17 500	46 460
Sport and recreation		93	395	197	63	120	888	98	1 204	307	468	689	27 703	32 225	24 750	38 825
Public safety		–	1 854	568	417	653	2 109	175	674	137	761	1 174	13 130	21 650	28 540	22 655
Housing		–	5 375	1 732	3 034	1 723	3 988	299	777	2 077	3 124	4 767	184 529	211 424	323 360	386 580
Health		59	1	50	5	7	165	29	147	657	63	175	(1 357)	–	–	–
<b>Economic and environmental services</b>		458	7 282	13 492	10 531	18 407	16 993	7 071	10 153	21 427	27 161	31 003	169 243	333 221	343 611	449 922
Planning and development		100	1 263	2 407	2 307	4 702	6 663	1 753	4 432	4 248	6 581	6 485	27 279	68 221	163 611	225 022
Road transport		358	5 861	10 857	7 770	13 459	10 110	5 238	3 374	17 074	20 143	24 427	146 330	265 000	180 000	224 900
Environmental protection		–	158	228	454	245	221	81	2 347	105	436	91	(4 366)	–	–	–
<b>Trading services</b>		1 923	15 012	7 263	26 380	19 592	25 016	11 311	16 166	20 134	29 102	19 331	338 035	529 266	414 912	496 798
Electricity		28	27	233	6 435	4 179	6 198	5 669	6 573	4 537	12 034	7 315	105 270	158 500	171 500	111 500
Water		1 358	7 334	3 626	1 467	3 381	11 372	11 052	4 989	7 737	8 811	7 501	22 372	91 000	91 000	91 000
Waste water management		536	7 548	2 657	18 143	11 321	5 731	(5 969)	4 144	8 924	7 776	4 477	192 768	258 056	137 000	293 298
Waste management		–	104	747	334	712	1 715	558	460	(1 064)	481	38	17 625	21 710	15 412	1 000
<b>Other</b>		–	12	101	9 047	230	65	1 365	166	629	4 938	1 918	29 530	48 000	18 500	30 500
<b>Total Capital Expenditure - Standard</b>	2	2 538	31 622	25 852	56 963	46 833	64 476	22 612	38 333	51 060	72 017	88 150	774 900	1 275 354	1 234 264	1 521 069
<b>Funded by:</b>																
National Government													742 884	742 884	818 419	911 943
Provincial Government													107 469	107 469	106 300	65 000
District Municipality													–	–	–	–
Other transfers and grants													–	–	–	–
<b>Transfers recognised - capital</b>		–	–	–	–	–	–	–	–	–	–	–	850 353	850 353	924 719	976 943
<b>Public contributions &amp; donations</b>													–	–	–	–
<b>Borrowing</b>													–	–	–	–
<b>Internally generated funds</b>													425 002	425 002	309 545	544 126
<b>Total Capital Funding</b>		–	–	–	–	–	–	–	–	–	–	–	1 275 354	1 275 354	1 234 264	1 521 069

**Table 49: MBRR Table SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17
<b>Cash Receipts By Source</b>													1		
Property rates	718 090	579	(1 043)	(213)	(1 207)	13 714	17 031	19 652	20 962	22 272	24 892	26 202	860 931	943 580	1 032 276
Property rates - penalties & collection charges	256	260	260	253	251	260	29	34	36	39	43	45	1 767	1 970	2 193
Service charges - electricity revenue	50 380	191 883	127 095	118 421	116 817	111 588	105 273	121 469	129 567	137 665	153 861	161 959	1 525 978	1 712 144	1 921 026
Service charges - water revenue	820	61 366	13 127	39 818	33 697	26 121	28 009	32 318	34 472	36 627	40 936	43 091	390 404	445 841	508 259
Service charges - sanitation revenue	22 527	21 645	20 484	20 656	19 995	19 644	21 275	24 548	26 185	27 821	31 094	32 731	288 606	315 158	343 522
Service charges - refuse revenue	19 809	19 780	19 473	19 666	20 233	19 740	18 782	21 671	23 116	24 561	27 450	28 895	263 178	287 390	313 255
Service charges - other	4 965	2 670	2 695	2 459	2 999	4 915	(262)	(302)	(322)	(342)	(382)	(402)	18 691	20 970	23 495
Rental of facilities and equipment	835	817	745	930	907	810	1 572	1 814	1 935	2 056	2 298	2 419	17 139	18 767	20 512
Interest earned - external investments	923	11 165	11 200	10 701	10 515	10 455	8 836	10 196	10 876	11 555	12 915	13 594	122 930	126 416	130 006
Interest earned - outstanding debtors	1 910	1 816	1 691	2 140	2 238	2 335	2 271	2 621	2 795	2 970	3 319	3 494	29 601	32 413	35 427
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	651	540	456	304	641	265	860	992	1 058	1 124	1 256	1 322	9 470	10 369	11 334
Licences and permits	1 288	1 057	1 067	1 387	1 246	1 037	1 767	2 039	2 175	2 311	2 583	2 719	20 675	22 639	24 744
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	327 897	2	1 315	2 506	31 796	245 266	50 094	57 800	61 654	65 507	73 214	77 067	994 118	1 318 857	1 136 241
Other revenue	25 371	130 046	12 872	23 655	25 977	129 731	29 584	34 135	36 410	38 686	43 237	45 513	575 219	604 797	633 604
<b>Cash Receipts by Source</b>	<b>1 175 723</b>	<b>443 626</b>	<b>211 438</b>	<b>242 683</b>	<b>266 106</b>	<b>585 884</b>	<b>285 122</b>	<b>328 987</b>	<b>350 919</b>	<b>372 852</b>	<b>416 716</b>	<b>438 649</b>	<b>5 118 704</b>	<b>5 861 312</b>	<b>6 135 894</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	(0)	17	(0)	(0)	(0)	(0)	110 544	127 550	136 054	144 557	161 564	170 067	850 353	924 719	976 943
Contributions recognised - capital & Contributed assets													-		
Proceeds on disposal of PPE													-		
Short term loans													-		
Borrowing long term/refinancing													-	500 000	657 823
Increase (decrease) in consumer deposits													-		
Decrease (increase) in non-current debtors													-		
Decrease (increase) other non-current receivables													-		
Decrease (increase) in non-current investments													-		
<b>Total Cash Receipts by Source</b>	<b>1 175 723</b>	<b>443 642</b>	<b>211 438</b>	<b>242 683</b>	<b>266 106</b>	<b>585 884</b>	<b>395 665</b>	<b>456 537</b>	<b>486 973</b>	<b>517 409</b>	<b>578 280</b>	<b>608 716</b>	<b>5 969 057</b>	<b>7 286 031</b>	<b>7 770 660</b>

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Cash Payments by Type</b>																
Employee related costs	92 517	97 500	94 025	95 083	97 503	100 042	105 423	121 642	129 752	137 861	154 080	162 190	1 387 619	1 464 987	1 546 368	
Remuneration of councillors	3 663	3 664	3 650	3 658	3 619	3 619	4 035	4 656	4 966	5 277	5 897	6 208	52 910	56 614	60 577	
Finance charges	-	-	-	-	-	-	7 061	8 147	8 690	9 233	10 319	10 863	54 313	49 286	44 055	
Bulk purchases - Electricity	295	311 381	80 860	97 995	94 747	89 125	67 134	77 462	82 626	87 790	98 118	103 282	1 190 815	1 360 388	1 554 107	
Bulk purchases - Water & Sewer	-	-	-	-	-	-	24 486	28 253	30 136	32 020	35 787	37 670	188 351	205 774	224 808	
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contracted services	888	1 483	2 174	1 402	571	221	1 935	2 232	2 381	2 530	2 828	2 976	21 622	23 481	25 453	
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers and grants - other	664	11 868	13 604	14 180	13 969	19 125	24 224	27 951	29 814	31 678	35 404	37 268	259 749	282 677	307 271	
Other expenditure	35 800	103 595	96 080	121 879	146 377	117 760	104 969	121 118	129 193	137 267	153 416	161 491	1 428 946	1 886 689	1 798 062	
<b>Cash Payments by Type</b>	<b>133 827</b>	<b>529 491</b>	<b>290 393</b>	<b>334 197</b>	<b>356 786</b>	<b>329 892</b>	<b>339 266</b>	<b>391 461</b>	<b>417 558</b>	<b>443 656</b>	<b>495 851</b>	<b>521 948</b>	<b>4 584 326</b>	<b>5 329 895</b>	<b>5 560 701</b>	
<b>Other Cash Flows/Payments by Type</b>																
Capital assets	114 782	108 405	70 144	86 724	91 826	57 391	84 939	89 275	106 237	178 550	140 289	146 793	1 275 354	1 734 264	2 021 069	
Repayment of borrowing	-	-	13 208	-	-	9 194	-	-	13 831	-	-	9 864	46 097	50 709	47 642	
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Cash Payments by Type</b>	<b>248 609</b>	<b>637 896</b>	<b>373 745</b>	<b>420 921</b>	<b>448 612</b>	<b>396 477</b>	<b>424 205</b>	<b>480 736</b>	<b>537 627</b>	<b>622 205</b>	<b>636 139</b>	<b>678 605</b>	<b>5 905 777</b>	<b>7 114 868</b>	<b>7 629 411</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>927 114</b>	<b>(194 253)</b>	<b>(162 308)</b>	<b>(178 238)</b>	<b>(182 505)</b>	<b>189 407</b>	<b>(28 539)</b>	<b>(24 199)</b>	<b>(50 654)</b>	<b>(104 797)</b>	<b>(57 859)</b>	<b>(69 889)</b>	<b>63 280</b>	<b>171 163</b>	<b>141 248</b>	
Cash/cash equivalents at the month/year begin:	1 586 460	2 513 574	2 319 320	2 157 013	1 978 775	1 796 269	1 985 676	1 957 137	1 932 938	1 882 284	1 777 488	1 719 628	1 586 460	1 649 739	1 820 902	
Cash/cash equivalents at the month/year end:	2 513 574	2 319 320	2 157 013	1 978 775	1 796 269	1 985 676	1 957 137	1 932 938	1 882 284	1 777 488	1 719 628	1 649 739	1 649 739	1 820 902	1 962 150	

**Table 50: MBRR Table SA36 - Detailed capital budget per municipal vote**

Vote 1 - Executive Support Services	2010 Projects	Various		Community	Stadiums	27.905681 -33.00703	622	-	-	-	-	-	Various	Renewal
	Mayoral Projects	Various		Community	Infrastructure	27.904451 -33.01469	-	-	-	-	-	-	Various	Renewal
	Building Upgrade	Various		Buildings	Buildings(Councillors Office)	27.880826 -33.00644	-	-	1 948	-	-	-	Various	Renewal
	Office Furniture & Equipment	Various		Other Assets	Office Equipment	27.903766 -33.01394	-	3 553	2 996	5 000	500	500	Various	New
	Other	Various		Other Assets	Other Assets	27.903766 -33.01394	-	-	1 784	-	-	-	Various	New
	Vehicles	Various		Vehicles	Vehicles					1 200	-	-	Various	New
Vote 2 - Municipal Manager's Office	Office Furniture & Equipment	Various		Other Assets	Office Equipment	27.903766 -33.01394	-	-	500	1 500	2 000	2 000	Various	New
	Computer Equipment	Various		Other Assets	Computers	27.903766 -33.01394	-	-	1 000	-	-	-	Various	New
	Other	Various		Other Assets	Other Assets	27.903766 -33.01394	-	-	5 000	20 000	29 891	35 829	Various	New
Vote 3 - Chief Operation's Officer	Housing	Various		Housing	Housing	27.7799 -32.9650612	36 692	-	155 383	211 274	322 860	386 080	Various	New
	Office Furniture & Equipment	Various		Other Assets	Office Equipment	27.90387 -33.0139	-	-	802	150	500	500	Various	New
	DVRI	Various		Other Assets	Other Assets	27.90387 -33.0140	-	-	-	-	-	-	Various	New
Vote 4 - Directorate of Finance	Building Upgrade	Various		Buildings	Buildings(KWT & Mdt Office)	27.904759 -33.01871	25 488	-	350	-	-	-	Various	New
	Computer Equipment	Various		Other Assets	Computers / CCTV Camera	27.904759 -33.01871	-	-	-	-	-	-	Various	New
	Office Furniture & Equipment	Various		Other Assets	Office Equipment	27.904759 -33.01871	-	10 982	932	-	500	500	Various	New
	Asset Replacements	Various		Other Assets	Other Assets	27.904759 -33.01871	-	-	10 000	10 000	10 000	10 000	Various	New
Vote 5 - Directorate of Corporate Services	Computer Equipment	Various		Other Assets	Computers	27.90546 -33.018527	-	33 670	18 016	21 600	20 200	500	Various	New
	Office Furniture & Equipment	Various		Other Assets	Office Equipment	27.90546 -33.018527	-	-	500	-	-	-	Various	New
	Other	Various		Other Assets	Other Assets	27.90546 -33.018527	-	-	2 320	-	-	-	Various	New
	Building Upgrade	Various		Other Assets	Office Equipment	27.90546 -33.018527	-	-	2 100	-	-	-	Various	Renewal
	Asset Replacements	Various		Other Assets	General vehicles		-	-	150	-	-	-		

<b>Vote 6 - Directorate of Engineering Services</b>													
Roads	Various	Infrastructure	Roads	27.914219 -33.01736	143 551	349 727	327 199	265 000	180 000	224 900	Various	New & Renew:	
Sewerage	Various	Infrastructure	Sewerage	27.441562 -32.93237	122 022	-	198 873	258 056	137 000	293 298	Various	New & Renew:	
Electricity	Various	Infrastructure	Electricity reticulation	27.420754 -32.89993	65 683	105 583	119 458	158 500	171 500	111 500	Various	New & Renew:	
Street Lighting	Various	Infrastructure	Street Lighting	27.420754 -32.89993	-	-	-	-	-	-	Various	New & Renew:	
Vehicles	Various	Other Assets	Vehicles	27.90476 -33.018727	-	-	-	-	-	-	Various	New	
Water	Various	Infrastructure	Water reticulation	27.855071 -33.01168	71 359	84 058	96 898	91 000	91 000	91 000	Various	New & Renew:	
Computer Equipment	Various	Other Assets	Computers	27.90476 -33.018727	-	-	-	-	-	-	Various	New	
Office Furniture & Equipment	Various	Other Assets	Office Equipment	27.90476 -33.018727	-	-	500	-	500	500	Various	New	
Building Upgrade	Various	Buildings	Buildings	27.90476 -33.018727	-	-	-	-	-	-	Various	New & Renew:	
BCMM Fleet	Various	Vehicles	Vehicles	27.90476 -33.018727	-	4 863	25 298	48 000	18 000	30 000	Various	New	
<b>Vote 7 - Directorate of Development Planning</b>													
Land	Various	Infrastructure	Land	27.951105 -32.94493	-	-	5 500	-	-	-	Various	New & Renew:	
Transportation Infrastructure	Various	Infrastructure	Trks,Bus terminals & Tax	27.912074 -33.00784	101 008	16 035	19 275	30 000	97 806	121 672	Various	New & Renew:	
Office Furniture & Equipment	Various	Other Assets	Office Equipment	27.90476 -33.0187	-	-	500	-	500	500	Various	New	
Markets	Various	Other Assets	Buildings	27.90513 -33.01762	-	-	-	-	-	-	Various	New & Renew:	
LED	Various	Other Assets	LED	27.90476 -33.0187	-	-	10 000	20 000	10 000	30 000	Various	New & Renew:	
Other	Various	Other Assets	ty Hall and Payments Ha	27.90546 -33.01852	-	-	10 873	-	-	-	Various	New & Renew:	
Other	Various	Other Assets	Other Assets	27.82927 -32.9833	447	-	5 395	10 821	32 255	55 500	Various	New & Renew:	
Other	Various	Other Assets	Buildings	-	-	-	-	3 000	20 250	16 250	Various	New & Renew:	
Computer Equipment	Various	Other Assets	Computers	-	-	-	-	4 400	2 800	1 100	Various	New	
<b>Vote 8 - Directorate of Health &amp; Public Services</b>													
Land & Buildings	Various	Other Assets	d & Buildings/ Fire Station	27.908672 -33.01911	-	-	-	-	-	-	Various	New & Renew:	
Land & Buildings	Various	Other Assets	& Buildings/ Traffic Buil	27.387147 -32.87921	-	-	4 353	-	-	-	Various	New & Renew:	
Clinics	Various	Community	Clinics	-	-	-	216	-	-	-	Various	New & Renew:	
Vehicles	Various	Other Assets	Vehicles	27.387147 -32.87921	-	-	532	-	-	-	Various	New & Renew:	
Office Furniture & Equipment	Various	Other Assets	Office Equipment	27.908672 -33.01911	-	-	500	-	500	500	Various	New & Renew:	
Plant & Equipment	Various	Other Assets	Plant & Equipment	27.908672 -33.01911	6 358	5 937	5 270	12 650	22 040	18 155	Various	New & Renew:	
Computer Equipment	Various	Other Assets	Computers	27.908672 -33.01911	-	-	-	-	-	-	Various	New & Renew:	
Other	Various	Other Assets	Other Assets	27.908672 -33.01911	-	-	-	-	-	-	Various	New & Renew:	
Specialised Vehicles	Various	Other Assets	Vehicles(Fire Engines)	27.908672 -33.01911	-	-	4 000	9 000	6 000	4 000	Various	New	
<b>Vote 9 - Directorate of Community Services</b>													
Refuse	Various	Community	Waste Management	27.39765 -32.896927	16 916	173 657	79 815	21 710	15 412	1 000	0	New	
Sportsfields	Various	Community	Sportsfields	27.73973 -32.937927	-	-	18 916	21 200	19 750	12 750	0	Renewal	
Halls	Various	Community	Community halls	27.73973 -32.937927	-	-	11 975	27 069	9 000	9 000	0	Renewal	
Recreational Facilities	Various	Community	Recreational Facilities	27.73973 -32.937927	-	-	3 000	13 725	5 000	31 775	0	New & Renew:	
Plant & equipment	Various	Other Assets	Plant & equipment	27.73973 -32.937927	-	56 128	668	-	-	-	0	New	
Office Furniture & Equipment	Various	Other Assets	Office Equipment	27.73973 -32.937927	1 582	-	500	-	500	500	0	New	
Computer Equipment	Various	Other Assets	Computers	27.73973 -32.937927	-	-	-	8 000	8 000	8 000	0	New	
Plant & equipment	Various	Other Assets	Cemetries	27.73973 -32.937927	1 757	-	11 700	-	-	18 260	0	New & Renew:	
Sportsfields	Various	Community	Swimming Pool	27.73973 -32.937927	-	-	-	2 500	-	5 000	0	New & Renew:	
Parks	Various	Community	Parks	27.73973 -32.937927	-	-	3 685	-	-	-	0	New & Renew:	
Asset Replacements	Various	Other Assets	Plant & equipment	27.73973 -32.937927	-	-	63	-	-	-	0	New	
<b>Parent Capital expenditure</b>	<b>1</b>				<b>593 485</b>	<b>844 194</b>	<b>1 168 745</b>	<b>1 275 354</b>	<b>1 234 264</b>	<b>1 521 069</b>			

## **2.9 ANNUAL BUDGET AND SDBIP'S – INTERNAL DEPARTMENTS**

In terms of Section 53(1)(c)(ii) the Mayor of a Municipality must take all reasonable steps to ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget.

Once the draft budget has been approved by Council on 31 March 2015, the Service Delivery Budget and Implementation Plan will be submitted to the Mayor for consideration and approval by Council.

## **2.10 ANNUAL BUDGET AND SDBIPS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS**

The Buffalo City Metropolitan Municipality entity being Buffalo City Development Agency (BCDA) is currently being resuscitated after it was not operational for some time. The Board of Directors have been appointed and they are in the process of recruiting individuals with the required skills to serve the entity.

## **2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

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

## **2.12 CAPITAL EXPENDITURE DETAILS**

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

**Table 51: MBRR Table SA34a - Capital expenditure on new assets by asset class**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	<b>1</b>									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		<b>166 835</b>	<b>504 323</b>	<b>710 192</b>	<b>225 500</b>	<b>271 349</b>	<b>271 349</b>	<b>158 210</b>	<b>277 718</b>	<b>267 172</b>
Infrastructure - Road transport		37 593	253 915	345 781	110 000	113 740	113 740	20 000	80 000	40 000
<i>Roads, Pavements &amp; Bridges</i>		37 593	253 915	345 781	110 000	113 740	113 740	20 000	80 000	40 000
<i>Storm water</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		45 177	55 173	98 209	45 500	39 087	39 087	66 500	63 500	63 500
<i>Generation</i>		-	-	-	-	-	-	-	-	-
<i>Transmission &amp; Reticulation</i>		45 177	55 173	98 209	45 500	39 087	39 087	66 500	63 500	63 500
<i>Street Lighting</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Water		62 613	74 565	87 476	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>		62 613	74 565	87 476	-	-	-	-	-	-
Infrastructure - Sanitation		21 450	120 669	170 238	-	-	-	-	-	-
<i>Reticulation</i>		21 450	120 669	170 238	-	-	-	-	-	-
<i>Sewerage purification</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	8 488	70 000	118 522	118 522	71 710	134 218	163 672
<i>Waste Management</i>		-	-	8 488	36 000	79 815	79 815	21 710	15 412	1 000
<i>Transportation</i>	2	-	-	-	24 000	28 707	28 707	30 000	108 806	132 672
<i>Gas</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	3	-	-	-	10 000	10 000	10 000	20 000	10 000	30 000
<b>Community</b>		<b>6 763</b>	<b>15 988</b>	<b>56 128</b>	<b>22 000</b>	<b>24 960</b>	<b>24 960</b>	<b>35 069</b>	<b>17 000</b>	<b>24 000</b>
Parks & gardens		-	-	-	2 000	3 685	3 685	-	-	7 000
Sportsfields & stadia		-	-	5 264	-	-	-	-	-	-
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		4 797	5 340	4 395	10 000	11 275	11 275	27 069	9 000	9 000
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		1 966	834	1 481	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		-	-	-	-	-	-	-	-	-
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	9 814	44 988	10 000	10 000	10 000	8 000	8 000	8 000

<b>Heritage assets</b>				2 555								
Buildings												
Other	9			2 555								
<b>Investment properties</b>					89 536	155 685	155 685	211 274	322 860	386 080		
Housing development					89 536	155 685	155 685	211 274	322 860	386 080		
Other												
<b>Other assets</b>				40 639	73 175	47 819	65 150	95 178	95 178	125 375	109 281	113 419
General vehicles				22 752	36 339	16 457	18 600	28 160	28 160	48 450	21 850	39 150
Specialised vehicles	10						4 000	4 000	4 000	7 600	4 000	4 000
Plant & equipment				4 564	9 749	6 654	3 500	9 565	9 565	8 675	16 890	10 590
Computers - hardware/equipment										40 650	36 650	17 190
Furniture and other office equipment				8 369	8 409	19 714	28 550	41 142	41 142			
Abattoirs												
Markets												
Civic Land and Buildings						2 555						
Other Buildings				4 865	18 678	2 438	5 500	7 312	7 312			
Other Land												
Surplus Assets - (Investment or Inventory)												
Other				88			5 000	5 000	5 000	20 000	29 891	42 489
<b>Agricultural assets</b>												
<i>List sub-class</i>												
<b>Biological assets</b>												
<i>List sub-class</i>												
<b>Intangibles</b>				3 227		27 501						
Computers - software & programming				3 227		27 501						
Other ( <i>list sub-class</i> )												
<b>Total Capital Expenditure on new assets</b>	1			217 464	593 485	844 194	402 186	547 173	547 173	529 928	726 859	790 671
<b>Specialised vehicles</b>							4 000	4 000	4 000	7 600	4 000	4 000
Refuse												
Fire							4 000	4 000	4 000	7 600	4 000	4 000
Conservancy												
Ambulances												



**Table 52: MBRR Table SA34b - Capital expenditure on the renewal of existing assets by asset class**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	<b>1</b>									
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	-	491 396	496 429	496 429	686 056	436 000	617 198
Infrastructure - Road transport		-	-	-	88 000	91 459	91 459	245 000	100 000	184 900
<i>Roads, Pavements &amp; Bridges</i>		-	-	-	88 000	91 459	91 459	245 000	100 000	184 900
<i>Storm water</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	89 199	89 199	89 199	92 000	108 000	48 000
<i>Generation</i>		-	-	-	-	-	-	-	-	-
<i>Transmission &amp; Reticulation</i>		-	-	-	89 199	89 199	89 199	92 000	108 000	48 000
<i>Street Lighting</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	97 689	98 139	98 139	91 000	91 000	91 000
<i>Dams &amp; Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>		-	-	-	97 689	98 139	98 139	91 000	91 000	91 000
Infrastructure - Sanitation		-	-	-	216 508	217 632	217 632	-	-	-
<i>Reticulation</i>		-	-	-	216 508	217 632	217 632	-	-	-
<i>Sewerage purification</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	258 056	137 000	293 298
<i>Waste Management</i>		-	-	-	-	-	-	258 056	137 000	293 298
<i>Transportation</i>	2	-	-	-	-	-	-	-	-	-
<i>Gas</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	3	-	-	-	-	-	-	-	-	-
<b>Community</b>		-	-	-	28 030	31 101	31 101	30 700	24 750	38 250
Parks & gardens		-	-	-	-	-	-	-	-	-
Sportsfields & stadia		-	-	-	24 792	27 863	27 863	22 700	19 750	17 750
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	3 239	3 239	3 239	8 000	5 000	20 500
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		-	-	-	-	-	-	-	-	-
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-

<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Other assets</b>		-	-	-	20 395	21 768	21 768	28 671	46 655	74 950
General vehicles		-	-	-	-	-	-	-	-	-
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		-	-	-	-	-	-	-	-	-
Furniture and other office equipment		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	20 395	21 768	21 768	24 221	46 655	68 200
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	4 450	-	6 750
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on renewal of existing</b>	1	-	-	-	539 821	549 299	549 299	745 427	507 405	730 398
<b>Specialised vehicles</b>		-	-	-	-	-	-	-	-	-
Refuse		-	-	-	-	-	-	-	-	-
Fire		-	-	-	-	-	-	-	-	-
Conservancy		-	-	-	-	-	-	-	-	-
Ambulances		-	-	-	-	-	-	-	-	-
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	0.0%	57.3%	50.1%	50.1%	58.4%	41.1%	48.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	0.0%	76.0%	77.4%	77.4%	102.4%	86.2%	127.4%

## **2.13 LEGISLATION COMPLIANCE STATUS**

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

### **1. In year reporting**

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

### **2. Internship programme**

The City is participating in the Municipal Financial Management Internship programme and has trained ten (10) interns. Of the ten (10) interns, two (2) have been appointed permanently employed since 2013.

### **3. Budget and Treasury Office**

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

### **4. Audit Committee**

An Audit Committee has been established and is fully functional.

### **5. Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the draft 2015/16 MTREF in compliance with MFMA, Section 53(1)(c).

### **6. Annual Report**

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

### **7. National Treasury Competency Programme**

BCMM senior management have already undergone training as required in the National Treasury Competency Programme and has now ventured into cascading this programme down to junior managerial levels of staff.

### **8. Policies**

Policies are available on the BCMM website at [www.buffalocity.gov.za](http://www.buffalocity.gov.za)

### **9. Councillors Remuneration**

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

## 2.14 CITY MANAGER'S QUALITY CERTIFICATE

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

Print Name **ANDILE FANI**

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature \_\_\_\_\_

Date \_\_\_\_\_

**ANNEXURES:**

C: 2015/16 MTREF Capital Projects

D: 2015/16 MTREF Operating Projects

E: 2015/16 Tariffs

F: Finance Policies

G: MFMA Circular 74 and 75

H: A Schedule Budget and Supporting Tables