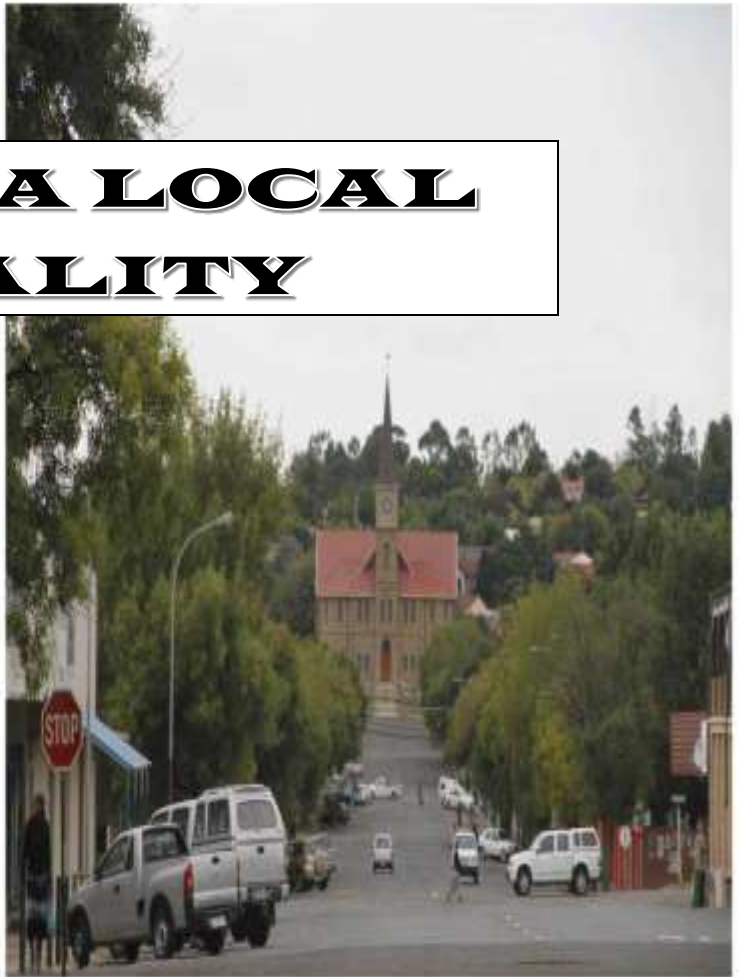




# **NKETOANA LOCAL MUNICIPALITY**



DRAFT ANNUAL BUDGET OF

# NKETOANA LOCAL MUNICIPALITY

2018/19 TO 2020/21  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS

**Copies of this document can be viewed:**

- **Finance department**
- **All public libraries within the municipality**
- **At [www.Nketoana.fs.gov.za](http://www.Nketoana.fs.gov.za)**

## Table of Contents

<b>PART 1 – ANNUAL BUDGET .....</b>	<b>2</b>
1.1 MAYOR’S REPORT .....	2
1.2 COUNCIL RESOLUTION .....	9
1.3 EXECUTIVE SUMMARY .....	12
1.4 OPERATING REVENUE FRAMEWORK .....	14
1.5 OPERATING EXPENDITURE FRAMEWORK.....	26
1.6 CAPITAL EXPENDITURE .....	31
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY.....	33
<b>PART 2 – SUPPORTING DOCUMENTATION .....</b>	<b>55</b>
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	55
2.2 BUDGET PROCESS OVERVIEW .....	56
2.3 COMMUNITY CONSULTATION, IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN .....	57
2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET AND IDP AND STRATEGIC OBJECTIVES .....	57
2.5 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....	60
2.6 OVERVIEW OF BUDGET RELATED-POLICIES .....	63
2.7 OVERVIEW OF BUDGET ASSUMPTIONS .....	65
2.8 OVERVIEW OF BUDGET FUNDING.....	65
2.9 COUNCILLORS AND EMPLOYEE BENEFITS.....	70
2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW .....	69
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	73
2.12 LEGISLATION COMPLIANCE STATUS .....	73
2.13 MUNICIPAL MANAGER’S QUALITY CERTIFICATE .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>

## Abbreviations and Acronyms

AMR	Automated Meter Reading	MFMG	Municipal Financial Management Grant
ASGISA	Accelerated and Shared Growth Initiative	MFMA	Municipal Financial Management Act
BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MM	Municipal Manager
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
DBSA	Development Bank of South Africa	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
DWA	Department of Water Affairs	MSIG	Municipal Systems Improvement Grant
EPIP	Environmental Protection and Infrastructure Programme	MTEF	Medium-term Expenditure Framework
EPWP	Expanded Public Works Programme	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services	NERSA	National Electricity Regulator South Africa
GDP	Gross domestic product	NGO	Non-Governmental organisations
GFS	Government Financial Statistics	NKPIs	National Key Performance Indicators
GRAP	General Recognised Accounting Practice	OP	Operational Plan
HR	Human Resources	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	RBIG	Restructuring Bulk Grant
kl	kilolitre	SALGA	South African Local Government Association
Km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
KWh	kilowatt		
l	Litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### Introduction

Speaker, members of the Executive Mayoral Committee, councillors, municipal manager, directors, municipal officials and representatives of the public and media.

This is my 2st budget as Executive Mayor and it's a privilege to present it to you.

I am concerned about the trend of shrinking government income against a fast-growing indigent population. The fact that national government is reducing its financial obligations to municipalities while poverty escalates, is a setback. However, the country is experiencing tough economic challenges which increasingly compel us to be dependent on our own financial sources.

Only those municipalities who endeavor to strategically and proactively manage their sustainability will survive.

Although the compilation of this year's budget was difficult and complex, it offers hope for the future.

Electricity and water have become more costly and the difference between municipal and ESKOM rates has increased. This exposed the Municipality financially.

With the increase of service costs, consumers reduced their consumption and therefore our income decreased.

During our last strategic session key priorities were identified for our council. This budget takes the priorities into account:

- Financial stability.
- Effective management of the migration phenomenon.
- Deteriorating infrastructure.
- Growing public expectations of the municipality.
- Control of troubled communities.

#### Key Service Delivery Improvements

- **Office of the Municipal Manager**
  - Functional Audit Committee
  - Establish a Risk Committee
  - Establish mSCOA Steering Committee and Project Team
- **Department Corporate Services**
  - Filling of critical, vacant posts.

- Training of employees.
- Supply of fleet to departments.
- **Department Community Services and LED (policies reviewed and new policies develop)**
  - Mamafubedu Sports Facility (Complete)
  - Ntha Park (Complete)
- **Department Technical Services**
  - Electricity
    - 64 Infill households were connected in Ntha Ext.5.
    - Two Substations Switchgears were upgraded (Reitz Main and Lindley Main Substations.
    - 400m, 11KV line was constructed in Ntha Ext.5, during Phase 3 Electrification.
    - 03 Electrician Apprentices were appointed.
    - Daily repairs and Maintenance of Electricity Infrastructure was being done.
  - New Roads
  - Water
    - Improved maintenance
    - Communal taps were installed where necessary
    - The quality of water and management of sanitation has improved substantially with the appointment of the Manager Water and Sanitation. Blue drop has been improved from 18.57% in 2012 to 71% in 2014.
- **Department Financial Services**
  - Revenue enhancement strategy developed and approved
  - Special intervention in order to prevent fruitless and unauthorized expenditure
  - Started with financial recovery plan in cooperation with National Treasury
  - Increasing the indigent threshold to accommodate more people who were struggling with paying their municipal accounts
    - Campaigns held in different areas in order to register indigents
    - Providing Free Basic Services only to the indigents

## CHALLENGES

- **Office of the Municipal Manager**
  - The PMS is well accepted by senior management but must now be cascaded down to lower levels of employment to experience the full benefit of a fully implemented PMS.
  - In the compilation/review of the IDP, Public Participation is always a challenge and the commitment of Council to this process is needed. The lack of several master plans in the municipality has a serious impact on the reliability assessment of the IDP.

- Sector plans to be in place a serious concern, especially taking into consideration the compilation of the new IDP for the cycle starting 2018-2019
- **Department Corporate Services**
  - Some critical, vacant posts remain unfilled.
  - Not all employees were given training.
- **Department Community Services and LED (policies reviewed and new policies develop)**
  - Shortage of staff
  - Operating fleet not in working conditions
  - Shortage of tools, machinery and equipment
  - Shortage of dustbins for households
  - Funding that has been reduced for upgrading of sports facilities.
  - Finalization of Port Arlington township establishment
  - Acquisition of a Cemetery software
  - Late or non-funding of approved projects(impact: Consistency with SDBIP)
  - Lack of human/capital resource to implement the sector plans
  - Lack of by-laws
  - Non-availability of a credible SDF
  - Non-availability of a Transport Master Plan
  - Investor confidence caused by water and electricity capacity
  - Lack of marketing strategy
  - Lack of business skills
  - Lack of research skills
  - Lack of synergy between the departments in addressing women and youth economic development
- **Department Technical Services**
  - Water and Sanitation
    - Lindley clean water reservoir is leaking. The consultant was appointed for assessment.
    - Meintjies clean water reservoir is leaking; a quotation will be obtained from Gertuck to fix this reservoir.
    - The Reitz Waste Water Treatment Works is overloaded, the plant is unable to treat the amount of waste water inflow.
    - The department is short-staffed; as a result, there is a delay in executing most of the planned projects.
    - The department is in short of vehicles, which forces other teams to share vehicles.
    - There is a delay in purchasing of material, which is affecting the service delivery.
    - There is high water demand in Reitz; as a result the reservoirs are no longer getting full.
    - Most of toilets in Petsana are leaking; which is resulting in serious water loss.
  - Electricity and Mechanical

- 81 of 145 infill sites could not be electrified during Phase 3 Electrification of Ntha Ext.5 as their owners did not occupy them.
- Ageing Electricity Infrastructure needing upgrading and refurbishment
- Meter tempering resulting in Distribution losses
- Shortage of Qualified Personnel (Electricians and Mechanics).
  
- Roads and Stormwater
  - Delays in Procurement of Vehicle Parts.
  - Shortage of qualified Mechanics.
  - Transport – trucks needs tyres, roadworthy and license fees to be paid; Requests were handed in for approval and purchases,
  - Consider hiring of yellow fleet for gravelling program.
  - Labour intensive – not enough labour to perform as required.
  - Require EPWP workers temporary.
  - Lack of internal and external funding due to financial constraints.
  - Apply for funding at District Council and MIG
  - In need of pedestrian vibrating roller, 3 x plate compactors and 2 x tamper rammers; Requests handed in for approval of purchases.
  
- **Department Financial Services**
  - Increasing collection rate
  - Implementing full credit control and debt collection on the areas supplied by Eskom
  - Recovery plan

The majority of municipalities in South Africa are unable to become and remain financially self-sufficient.

Although we understand that the state of the South African economy is limiting the ability of national government to subsidies and support local government and to meet its obligations towards municipalities, we are still deeply concerned about the inability of national government to address challenges impacting on our economic growth.

Growth will only occur when corruption, crime, poor governance, financial mismanagement, etc. have successfully been addressed by the national government. Only then will we see increased revenue streaming into the state coffers and only then will government be able to meet its obligations towards local government.



## INFLUENCE ON THE BUDGET

The budget is based on a number of council resolutions of which I want to highlight the following:

- The electricity tariff increase is subject to approval by NERSA.
- The poor receive support through Indigent Subsidies which entail free basic services such as 6kl water, 50KwH electricity as well as free refuse removal and sewerage services.
- The first R100 000 on all residential properties are exempt from property rates for persons older than 60 years and earning less than R6 400 per month. The exemption is applicable to all households earning less than R4 801.

## BUDGET BACKGROUND NOTES

The MTREF for 2018/19 to 2020/21 were compiled in accordance with the requirements of the relevant legislation, of which the following are the most important:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- The Municipal Structures Act, Act 117 of 1998;
- The Municipal Systems Act, Act 32 of 2000;
- The Municipal Finance Management Act, Act 56 of 2003;
- The Municipal Budget and Reporting Regulations promulgated on 17 April 2009; and
- The Division of Revenue Act

The Revenue and Expenditure Projections assumed inflation-linked annual adjustments over the MTREF. The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

- Increased costs associated with bulk water and electricity, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Reprioritization of capital projects and operating expenditure within the financial affordability limits of the budget, taking the cash position into account;
- Salary increases for municipal staff exceeding consumer inflation, and the requirement to fill unfunded vacant, critical and essential positions in accordance with the Salary and Wage Collective Agreement;
- The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020
- CPI over the medium term is projected at 5.3%, 5.4% and 5.5%.
- The fuel price is subject to all the variables including the currency volatility and other risks facing the emerging markets.
- Above-inflation increases in bulk purchase tariffs, ESKOM 7.32%.
- Limited income base and no growth in the revenue base.
- Relief for indigent households.
- Unfunded mandates.

- The municipality is obliged in terms of legislation to conduct a municipal valuation of all properties in the municipal area at a cost of R3,6 million of which only R1 million could be included in the forthcoming year, with the balance to be financed in the outer year of the MTREF.

The authority's strategic focus areas, which are reflected in the budget, are financial sustainability, good governance, institutional development, basic service delivery and local economic development and growth.

## KEY POINTS OF THE BUDGET

<b>Budget</b>	<b>2017/18 R'000</b>	<b>2018/19 R'000</b>	<b>% Increase / (Decrease)</b>
Operating Revenue Budget	308 675	330 016	6.9
Operating Expenditure Budget	346 207	356 541	2.9
Capital Budget	98 761	64 927	-34.3

The revenue budget increased with 6.9 per cent or R21, 340 million from R308, 675 million as per adjustment budget to R330, 016 million in the 2018/19 financial year. The total expenditure budget amount to R356, 541 million compared to the revenue budget of R330, 016 million hence an **operational surplus of R26, 526 million**. And it is expected to decrease with 8 per cent or **R1, 978 million** and further grow with 32 per cent or **R6, 014 million** over the medium term.

The property rates accounts for 6.4 per cent of the total revenue base of the municipality (R21, 068 million). Revenue from property rates is expected to increase by 6 per cent from adjustment budget of R19, 876 million in 2017/18 financial year to R21, 068 million in 2018/19 financial year, and the revenue is expected to grow further with an average of 6.9 per cent over the MTREF period. The decrease in operating grants of R7, 787 and capital grants decrease with R33 million (34%)

Tariff increases:

- Property rates 6%
- Electricity 6.8%
- Water 6%
- Sewerage 6%
- Solid waste 6%

Drafting this budget was not easy and required exceptional expertise, hard work and dedication. It required open minds and clear thinking.

This is a draft budget and subject to review. It will soon be presented and discussed with key stakeholders and contributors to the revenue of this Municipality as well as the community in general.

However, I think we developed a document that serves the best interest of the municipality and our entire constituency.

I thank the Municipal Manager, his Directors and personnel for their inputs.

I thank the members of my Executive Mayoral Committee and Council for their hard work.

I thank my Heavenly Father without whom nothing is possible.

Mister Speaker, I now table this budget to Council for public consultation.

I thank you  
Maditswako Teresia Mokoena  
Executive Mayor

## 1.2 Council Resolution

---



### **NKETOANA LOCAL MUNICIPALITY (FS 193)**

**Item Number** : 156/03(Special Council 04/04/2018)  
**Heading** : Draft Annual Budget 2018/19 to 2020/2021  
**Department** : Finance

#### **Purpose**

The purpose of the report is to table the Draft Annual Budget for 2018/19 for approval by council.

#### **Background**

Section 16 of the Municipal Finance Management Act of 2003 states that municipalities must for each financial year approve an annual budget for the municipality before the start of that financial year

Section 17 of the MFMA further states that

- 1) An annual budget of a municipality must be in a prescribed format
  - a) Setting out the realistically anticipated revenue for the budget year from each revenue source
  - b) Appropriating expenditure for the budget year under the different votes of the municipality
  - c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget
  - d) Setting out
    - i) Estimated revenue and expenditure by vote for the current year ; and
    - ii) Actual revenue and expenditure by vote for the financial year preceding the current year ; and
  - e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed
- 2) Annual budget must generally be divided into a capital and an operating budget in accordance with international best practices, as may be prescribed.

- 3) When an annual budget is tabled in terms of section 16(2) it must be accompanied by the following documents
  - a) Draft resolutions
    - i) approving the budget of the budget of the municipality
    - ii) Imposing any tax municipal tax and setting any municipal tariffs as maybe
    - iii) Approving any other matter that maybe prescribed
  - b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan.
  - c) A projection of cash flow for the budget year revenue source , broken down per month,
  - d) Any proposed amendments to the municipality's integrated development plan in terms of section 34 of the Municipal Systems Act
  - e) Any proposed amendments to the budget –related policies of the municipality
  - f) Particulars of the municipality's investments
  - g) Any prescribed budget information on municipal entities under the sole or shared control of the municipality
  - h) Particulars of new municipal entities which the municipality intends to establish or in which the municipality intend to participate
  - i) Particulars of all proposed service delivery agreements including material amendments to existing service delivery agreements
  - j) Particulars of any proposed allocations or grants by the municipality to-
    - i)other municipalities
    - ii)any municipal entities and other external mechanism assisting the municipality in the exercise of its functions or powers
    - iii)any other organs of state
    - iv)any organization or bodies referred to in section 67 (1)
  - k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
    - i)each political office bearer of the municipality
    - ii)councilors of the municipality; and
    - iii)the municipal manager; chief financial; each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager.
  - l) The proposed cost for the budget year to a municipal entity under the sole or shred control of the municipality of the salary , allowances and benefits of –
    - i) each member of the entity's board of directors; and
    - ii)the chief executive officer and each senior manager of the entity;
  - m) Any other supporting documentation as maybe prescribed

Section 24 of the MFMA further states that:

- 1) the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget
- 2) An annual budget –
  - a) Must be approved before the start of the budget year
  - b) Is approved by the adoption by the council of a resolution referred to in section 17(3) (a) (i) and

- c) Must be approved together with the adoption of the resolution as may be necessary –
  - i) Imposing any municipal tax for the budget year
  - ii) Setting any municipal tariffs for the budget year
  - iii) Approving measurable performance objectives for the revenue from each source and for each vote in the budget
  - iv) Approving any changes to the municipality's integrated plan ; and
  - v) Approving any changes to the municipality's budget related policies
- 3) The accounting Officer of the municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

### **Annual Budget 2017/18 process**

The annual budget of the municipality was consolidated taking into consideration all the departments' needs. The total revenue budget is R330 015 680 this includes operational grants. Total operating expenditure is R 356 541 751 including Repairs and Maintenance, Depreciation and Debt impairment. The operational budget is at a deficit of R26 526 071. This is mainly due to Depreciation and Debt Impairment of R 58 872 591 and R55 027 046 respectively.

Draft Capital Budget 2018/19 total budget of R 64 927 000, with the whole capital Budget being fully funded by grants.

### **Tariffs**

We have proposed a 6% increase on all tariffs of the municipality which is in line with the CPI, except for electricity which is 7%

The departments have also proposed new tariffs in an effort to generate more revenue.

Water and Electricity, the municipality is using the IBT i.e. step tariff, meaning that the more services the consumers consume the more they pay.

The ANNEXTUREs attached for further detail.

- Draft A1 Schedule of 2018/2019 (Budget)
- Draft Capital Budget 2018/2019
- Draft Tariff List 2018/2019
- Circular 91 of National Treasury
- Draft Budget related Policies

### **Resolved:**

- That COUNCIL approve the Draft Annual budget 2018/2019 in order to enable the consultations on the draft annual budget from all stake holders.

### 1.3 Executive Summary

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

The Nketoana's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The Nketoana has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Nketoana has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 82 and 91 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2018/19 MTREF can be summarized as follows:

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

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- ❖ The 2017/18 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- ❖ Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- ❖ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards

being cost reflective, and should take into account the need to address infrastructure backlogs;

- ❖ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

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

**Table 1 Consolidated Overview of the 2017/18 MTREF**

<b>Budget</b>	<b>2016/17 R'000</b>	<b>2017/18 R'000</b>	<b>2018/19 R'000</b>	<b>2019/20 R'000</b>
Operating Revenue Budget	308, 675	330, 016	349, 817	342,988
Operating Expenditure Budget	346, 208	356, 542	374, 369	389, 344
Capital Budget	98, 761	64, 927	68, 863	72, 952

Total operating revenue has grown by 6.9 per cent or R21 340 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 6 and 6 per cent respectively, equating to a total revenue growth of R370 million over the MTREF when compared to the 2018/19 financial year.

Total operating expenditure for the 2018/19 financial year has been appropriated at R356 million and translates into a budgeted deficit of R26 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 2.9 per cent in the 2018/19 budget and by 5 and 5 per cent for each of the respective outer years of the MTREF.

The capital budget of R64 million for 2018/19 is 34 per cent less when compared to the 2017/18 Adjustment Budget. The capital program decreases to R64 Million in the 2018/19 financial year and then further decreases in 2020/21 to R72 million. The Capital Budget will be fully funded from Capital grants.



## 1.4 Operating Revenue Framework

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

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

- ❖ National Treasury's guidelines and macroeconomic policy;
- ❖ Growth in the Municipality and continued economic development; SMME development
- ❖ Efficient revenue management, which aims to ensure at least 75% annual collection rate for property rates and other key service charges;
- ❖ Electricity tariff increases of 6.8% as per the tariff increase guidelines from NERSA;
- ❖ Achievement of full cost recovery of specific user charges especially in relation to trading services; this is still a challenge especially on the non-profit making departments
- ❖ Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- ❖ The municipality's Property Rates Policy approved in terms of the MPRA Act no 6 of 2004;
- ❖ Increase ability to extend new services and recover costs;
- ❖ Municipality revenue enhancement strategy
- ❖ Credit and debt control policy
- ❖ The municipality's Indigent Policy and rendering of FBS; and
- ❖ Tariff policies of the Municipality.
- ❖ Financial recovery plan

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	R e f	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	15 835	16 613	19 538	20 341	19 876	19 876	19 876	21 068	22 332	23 672
Service charges - electricity revenue	2	41 781	46 084	49 524	49 940	50 563	50 563	50 563	53 727	56 951	60 368
Service charges - water revenue	2	38 736	44 261	47 532	51 324	52 064	52 064	52 064	55 521	58 853	62 384
Service charges - sanitation revenue	2	15 902	19 500	20 313	21 135	21 180	21 180	21 180	22 524	23 876	25 308
Service charges - refuse revenue	2	14 837	18 506	19 402	20 169	20 659	20 659	20 659	21 898	23 212	24 605
Service charges - other											
Rental of facilities and equipment		357	332	363	393	578	578	578	628	666	706
Interest earned - external investments		583	1 102	1 203	1 304	1 304	1 304	1 304	1 382	1 465	1 553
Interest earned - outstanding debtors		20 201	24 392	36 727	39 421	39 440	39 440	39 440	41 807	44 315	46 974
Dividends received						-	-	-		-	-
Fines, penalties and forfeits		205	216	237	330	330	330	330	650	689	730
Licences and permits						-	-	-		-	-
Agency services						-	-	-		-	-
Transfers and subsidies		82 879	85 569	81 702	82 580	82 580	82 580	82 580	90 367	95 789	101 536
Other revenue	2	5 374	10 418	16 549	16 774	20 102	20 102	20 102	20 442	21 669	22 969
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>236 690</b>	<b>266 993</b>	<b>293 088</b>	<b>303 712</b>	<b>308 675</b>	<b>308 675</b>	<b>308 675</b>	<b>330 016</b>	<b>349 817</b>	<b>370 806</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	Current Year 2017/18		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
<b>Revenue By Source</b>								
Property rates	19 876	6.44%	21 068	6.38%	22 332	6.38%	23 672	6.38%
Service charges - electricity revenue	50 563	16.38%	53 727	16.28%	56 951	16.28%	60 368	16.28%
Service charges - water revenue	52 064	16.87%	55 521	16.82%	58 853	16.82%	62 384	16.82%
Service charges - sanitation revenue	21 180	6.86%	22 524	6.83%	23 876	6.83%	25 308	6.83%
Service charges - refuse revenue	20 659	6.69%	21 898	6.64%	23 212	6.64%	24 605	6.64%
Service charges - other								
Rental of facilities and equipment	578	0.19%	628	0.19%	666	0.19%	706	0.19%
Interest earned - external investments	1 304	0.42%	1 382	0.42%	1 465	0.42%	1 553	0.42%
Interest earned - outstanding debtors	39 440	12.78%	41 807	12.67%	44 315	12.67%	46 974	12.67%
Dividends received								
Fines	330	0.11%	650	0.20%	689	0.20%	730	0.20%
Licences and permits								
Agency services								
Transfers recognised - operational	82 580	26.75%	90 367	27.38%	95 789	27.38%	101 536	27.38%
Other revenue	20 102	6.51%	20 442	6.19%	21 669	6.19%	22 969	6.19%
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>308 675</b>	<b>100.00%</b>	<b>330 016</b>	<b>100.00%</b>	<b>349 817</b>	<b>100.00%</b>	<b>370 806</b>	<b>100.00%</b>
Total revenue from rates and service charges	164 341	53.24%	174 740	52.95%	185 224	52.95%	196 338	52.95%

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Nketoana. Rates and service charge revenues comprise more than one and half thirds of the total revenue mix. In the 2017/18 financial year, revenue from rates and services charges totalled R164 million or 53.2 per cent. This increases to R174 million, R185 million and R196 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in

Property rates is the five largest revenue source totalling 6 per cent or R21 million rand and increases to R24 million by 2020/21. The third largest sources is 'interest earned from outstanding debtors' which clearly shows that we have a lot of outstanding debtors.

Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R82 million in the 2017/18 financial year and steadily increases to R101 million by 2020/21. Note that the year-on-year growth for the 2018/19 financial year is 27.38 per cent and then increases to 27.38 and 27.38 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>									
–									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	81 545	83 055	81 702	82 580	82 580	82 580	90 367	99 425	108 171
Local Government Equitable Share	79 011	80 525	79 054	79 880	79 880	79 880	87 543	96 073	104 320
Finance Management	1 600	1 600	1 625	1 700	1 700	1 700	1 770	2 235	2 667
Municipal Systems Improvement	934	930	–	–	–	–	–	–	–
EPWP Incentive			1 023	1 000	1 000	1 000	1 054	1 117	1 184
<b>Total Operating Transfers and Grants</b>	<b>81 545</b>	<b>83 055</b>	<b>81 702</b>	<b>82 580</b>	<b>82 580</b>	<b>82 580</b>	<b>90 367</b>	<b>99 425</b>	<b>108 171</b>

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Nkeoana. Discounting the impact of these price increases in lower consumer tariffs will erode the Nketoana's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The

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

### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality'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 rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done 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:

- ❖ All residential properties with a market value of less than amount as annually determined by the Municipality are exempted from paying rates, Famers gets up to 75% rebate on property rates. For 2018/19 financial year the maximum deduction is determined as R20 000, the impermissible rates of R15 000 contemplated in terms of (Section 17(1)(h) of the MPRA) is included in the amount referred to the above as annually determined by the municipality. The remaining R5 000 is an important part of council's indigent report and aimed primarily at alleviating poverty.
- ❖ Municipality's Property Rates Act determines all other issues in relation to exempt properties and rebates

**Below is the proposed property rates to levy for the 2018/19 financial year:**

<b>PROPERTY RATES</b>	<b>Tariff 2017/18</b>	<b>Tariff 2018/19</b>	<b>% Increase</b>
Business, Commercial, and Industries	0.0048910	0.0051845	6%
Residential Property	0.0048910	0.0051845	6%
Property owned by the state or an organ of state	0.0332729	0.0352693	6%
Farming land used for bona fide farming	0.0019229	0.0020382	6%
Public Service Infrastructure	0.0019229	0.0020382	6%
Vacant land irrespective of zoning	0.0097819	0.0103688	6%
Mining Property	0.0048910	0.0051845	6%
Education	0.0332729	0.0352693	6%
Religious	0.0000000	0.0000000	6%

**NB: The approved tariff list is attached**

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

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 cost reflective from 2014.

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

**Proposed Water Tariffs****Metered Water****Residential, Flats, Church and old ages, commercial, government institution**

	Tariff 2017/18	Tariff 2018/19	%
<b>All excluding industries and Departmental</b>			
Service Fee (per Month)	172.29	184.22	6%
Consumption – 0 to 10k (per kl)	8.64	9.24	6%
Consumption – 11 to 15kl ( per kl)	13.83	14.79	6%
Consumption – 16 to 20kl (per kl)	18.94	20.26	6%
Consumption – 21 to 25kl ( per kl)	23.27	24.88	6%
Consumption – 26 and more ( per kl)	26.59	28.44	6%
Free Basic Services Indigents 6kl (per kl)	0.00	0.00	6%

	Tariff 2017/18	Tariff 2018/19	%
<b>Industries</b>			
Service Fee (per month)	223.23	238.69	6%
Consumption 0 to 200kl (per kl)	14.48	15.48	6%
Consumption 201 and more (per kl)	26.24	28.06	6%
Additional Availability charge : Farms/Smallholdings	223.23	238.69	6%

	Tariff 2017/18	Tariff 2018/19	%
<b>Departmental</b>			
Service Fee (per month)	136.15	145.58	6%
Consumption (per month)	11.90	12.72	6%

**1.4.3 Sale of Electricity and Impact of Tariff Increases****Eskom bulk tariff increases**

The National Energy Regulator of South Africa (NERSA) published their “Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year” on 28 February 2018. The guideline includes an update to the average cost structure used to determine the municipal tariff increase. It also sets out proposed timeframes for the approval of municipal tariffs. NERSA invites comments on the guideline to be submitted by 20 March 2018.

The NERSA document proposes a 6.84 per cent guideline increase for municipal electricity tariffs for 2018/19. This is based on a bulk tariff increase for municipalities of 7.32 per cent.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2018/19 MTREF budget.

It should be noted that the guideline increase for municipal tariffs and the bulk tariff increase that Eskom will charge municipalities are both lower than the 8 per cent used to calculate the free basic electricity subsidies provided through the local government equitable share formula.

#### 1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2018 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
  - ❖ Free sanitation (Free basic (residential) -100%) will be applicable to registered indigents; and
  - ❖ The total revenue expected to be generated from rendering this service amounts to R21 million for the 2017/18 financial year.

The proposed tariffs for sanitation are as follows:

##### Waterborne – Residential including churches and old age

	Tariff 2017/18	Tariff 2018/19	%
Per toilet/urinal per month	76.73	82.04	6%
Minimum per month	145.03	155.08	6%
Additional availability charge	145.03	155.08	6%

##### Business including schools

	Tariff 2017/18	Tariff 2018/19	%
Per toilet/urinal per month	148.32	158.60	6%
Minimum per month	148.32	158.60	6%
Additional availability charge	148.32	158.60	6%

##### Industries



	Tariff 2017/18	Tariff 2018/19	%
Per toilet/urinal per month	148.32	158.60	6%
Minimum per month	148.32	158.60	6%
Additional availability charge	148.32	158.60	6%

### Departmental

	Tariff 2017/18	Tariff 2018/19	%
Per toilet/urinal per month	64.09	68.53	6%
Minimum per month	128.09	136.96	6%

### Septic-tank Residential (including churches, old ages)

	Tariff 2017/18	Tariff 2018/19	%
Per suction	782.57	836.80	6%
Farms/small holding suction fee plus 10%			

### Businesses (includes schools, government institutions)

	Tariff 2017/18	Tariff 2018/19	%
Per suction	865.85	925.85	6%
Farms/small holding suction fee plus 10%			

### Industries

	Tariff 2017/18	Tariff 2018/19	%
Per suction	187.99	201.02	6%

### Departmental

	Tariff 2017/18	Tariff 2018/19	%
Per suction	782.57	836.81	6%

**1. VIP Toilets and Buckets**

For the household using VIP toilets the service will be charged for cleaning of VIP toilets 836.80 per suction

**2. Availability Charge**

The following availability charge shall be payable in respect of vacant stands:

Per residential stand per month 239.45

Per Non-residential stand per month 340.79

**3. Charges for work carried out by the municipality:**

Re-inspection fee per connection	801.23
Sealing opening per connection	1 201.84
Re-opening sealed connection	1 201.84
Alterations to gullies, per gulley	1 138.64
Removing blockages on private dwelling	320.49

**1.4.5 Waste Removal and Impact of Tariff Increases**

The proposed tariffs for waste removal are as follows:

	Tariff 2017/18	Tariff 2018/19	%
<b>Residential (Including churches, old age homes, etc.)</b>			
Per Bin (per month)	172.64	184.60	6%
<b>Business (Office Blocks )</b>			
Per Bin (per month)	211.02	225.64	6%
Farms/Smallholdings - The "Bin" fee & additional 10%			
<b>Business (Retail )</b>	<b>Tariff 2017/18</b>	<b>Tariff 2018/19</b>	<b>%</b>

Per Bin (per month)	871.89	932.31	6%
Farms/Smallholdings - The "Bin" fee & additional 10%			
<b>Business (Include schools, government institutions, etc.)</b>			
Per Bin (per month)	959.08	1 025.54	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			
<b>Industries</b>			
Per Bin (per month)	1 246.81	1 333.21	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			
<b>Departmental</b>			
Per Bin (per month)	172.64	184.60	6%
Farms/Smallholdings - The "Bin" fee & additional cost (Labour, fuel, etc.) & 10%			

#### 1.4.6 Overall impact of tariff increases on households

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to at a maximum of 6 percent as per the Inflation.

Table 12 MBRR Table SA14 – Household bill

FS193 Nketoana - Supporting Table SA14 Household bills

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent							% incr.			
<b>Monthly Account for Household - 'Middle Income Range'</b>										
<b>Rates and services charges:</b>										
Property rates	327.42	347.07	367.89	390.33	390.33	390.33	6.0%	413.75	438.58	464.89
Electricity: Basic levy	77.33	86.76	93.39	95.15	95.15	95.15	6.8%	101.62	107.72	114.18
Electricity: Consumption	927.12	1 040.23	1 119.70	1 140.75	1 140.75	1 140.75	6.8%	1	1 291.42	1 368.91
Water: Basic levy	117.44	129.17	142.09	150.75	150.75	150.75	6.0%	218.32	169.39	179.55
Water: Consumption	332.15	372.05	409.26	434.22	434.22	434.22	6.0%	159.80	487.89	517.16
Sanitation	102.58	112.84	119.61	126.90	126.90	126.90	6.0%	460.27	142.59	151.15
Refuse removal	122.11	134.32	142.38	151.07	151.07	151.07	6.0%	134.52	169.74	179.92
Other							6.0%	160.13		
<b>sub-total</b>	<b>2 006.15</b>	<b>2 222.44</b>	<b>2 394.31</b>	<b>2 489.18</b>	<b>2 489.18</b>	<b>2 489.18</b>	<b>6.4%</b>	<b>2</b>	<b>2 807.32</b>	<b>2 975.76</b>
VAT on Services								<b>648.41</b>		
<b>Total large household bill:</b>	<b>2 006.15</b>	<b>2 222.44</b>	<b>2 394.31</b>	<b>2 489.18</b>	<b>2 489.18</b>	<b>2 489.18</b>	<b>6.4%</b>	<b>2</b>	<b>2 807.32</b>	<b>2 975.76</b>
<b>% increase/-decrease</b>		<b>10.8%</b>	<b>7.7%</b>	<b>4.0%</b>	<b>-</b>	<b>-</b>		<b>6.4%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>										
<b>Rates and services charges:</b>										
Property rates	167.12	177.15	187.78	199.23	199.23	199.23	6.0%	211.18	223.86	237.29
Electricity: Basic levy	77.33	86.76	93.39	95.15	95.15	95.15	6.8%	101.62	107.72	114.18
Electricity: Consumption	316.72	355.36	382.51	389.70	389.70	389.70	6.8%	416.20	441.17	467.64
Water: Basic levy	117.44	129.17	142.09	150.75	150.75	150.75	6.0%	159.80	169.39	179.55
Water: Consumption	105.00	274.85	302.34	320.78	320.78	320.78	6.0%	340.02	360.43	382.05
Sanitation	102.58	112.84	119.61	126.90	126.90	126.90	6.0%	134.52	142.59	151.15
Refuse removal	122.11	134.32	142.38	151.07	151.07	151.07	6.0%	160.13	169.74	179.92
Other										
<b>sub-total</b>	<b>1 008.30</b>	<b>1 270.45</b>	<b>1 370.09</b>	<b>1 433.58</b>	<b>1 433.58</b>	<b>1 433.58</b>	<b>6.3%</b>	<b>1</b>	<b>1 614.88</b>	<b>1 711.78</b>
VAT on Services								<b>523.47</b>		
<b>Total small household bill:</b>	<b>1 008.30</b>	<b>1 270.45</b>	<b>1 370.09</b>	<b>1 433.58</b>	<b>1 433.58</b>	<b>1 433.58</b>	<b>6.3%</b>	<b>1</b>	<b>1 614.88</b>	<b>1 711.78</b>
<b>% increase/-decrease</b>		<b>26.0%</b>	<b>7.8%</b>	<b>4.6%</b>	<b>-</b>	<b>-</b>		<b>6.3%</b>	<b>6.0%</b>	<b>6.0%</b>
			- 0.70	- 0.41	- 1.00	-				
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>										
<b>Rates and services charges:</b>										
Property rates	13.64	14.46	15.33	16.26	16.26	16.26	6.0%	17.24	18.27	19.37

Electricity: Basic levy	77.33	86.76	93.39	95.15	95.15	95.15	6.8%	101.62	107.72	114.18
Electricity: Consumption	38.92	43.67	47.00	47.89	47.89	47.89	6.8%	51.14	54.21	57.47
Water: Basic levy	117.44	129.17	142.09	150.75	150.75	150.75	6.0%	159.80	169.39	179.55
Water: Consumption	35.34	38.88	42.77	45.38	45.38	45.38	6.0%	48.10	50.99	54.04
Sanitation	102.58	112.84	119.61	126.90	126.90	126.90	6.0%	134.52	142.59	151.15
Refuse removal	122.11	134.32	142.38	151.07	151.07	151.07	6.0%	160.13	169.74	179.92
Other										
sub-total	507.36	560.10	602.57	633.40	633.40	633.40	6.2%	672.55	712.90	755.67
VAT on Services										
Total small household bill:	507.36	560.10	602.57	633.40	633.40	633.40	6.2%	672.55	712.90	755.67
% increase/-decrease		10.4%	7.6%	5.1%	-	-	6.2%	6.2%	6.0%	6.0%

## 1.5 Operating Expenditure Framework

The Nketoana Local Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

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

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

**Table 5 Summary of operating expenditure by standard classification item**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>										
Employee related costs	74 799	80 810	86 156	93 591	97 963	97 963	97 963	104 950	110 197	114 605
Remuneration of councillors	6 677	6 892	8 750	9 083	9 502	9 502	9 502	10 166	10 675	11 101
Debt impairment	108 568	83 419	40 340	49 931	54 966	54 966	54 966	55 027	57 778	60 090
Depreciation & asset impairment	57 015	58 503	58 503	59 673	58 873	58 873	58 873	58 873	61 816	64 289
Finance charges	8 339	10 202	17 575	17 836	17 836	17 836	17 836	17 845	18 737	19 487
Bulk purchases	38 935	43 818	55 383	50 456	50 456	50 456	50 456	53 861	56 554	58 817
Other materials	15 405	18 427	9 564	10 188	8 755	8 755	8 755	9 010	9 461	9 839
Contracted services	10 759	11 400	6 768	9 163	6 773	6 773	6 773	7 130	7 487	7 786
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	42 416	54 686	53 085	36 999	41 085	41 085	41 085	39 680	41 663	43 330
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>362 911</b>	<b>368 157</b>	<b>336 124</b>	<b>336 918</b>	<b>346 208</b>	<b>346 208</b>	<b>346 208</b>	<b>356 542</b>	<b>374 369</b>	<b>389 344</b>

The budgeted allocation for employee related costs for the 2018/19 financial year totals R104 million, which equals 29 per cent of the total operating expenditure. The Salary and Wage Collective Agreement for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage.

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

The provision of debt impairment was determined based on an annual collection rate of 75 per cent and the Debt Write-off Policy of the Nketoana. For the 2018/19 financial year this amount equates to R55 million and escalates to R60 million by 2020/21. 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 has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R58 million for the

2018/19 financial and equates to 17 per cent of the total operating expenditure. Note that the methodology which was applied by the Assets consultants when they were re-doing the Fixed Asset Register resulted in the total depreciation expense going down from the previous financial years

Finance charges consist primarily of the repayment of Eskom Interest and interest on long-term borrowing (cost of capital). Finance charges make up 5.01 per cent (R17 million) of operating expenditure and increases to R19 million by 2020/21.

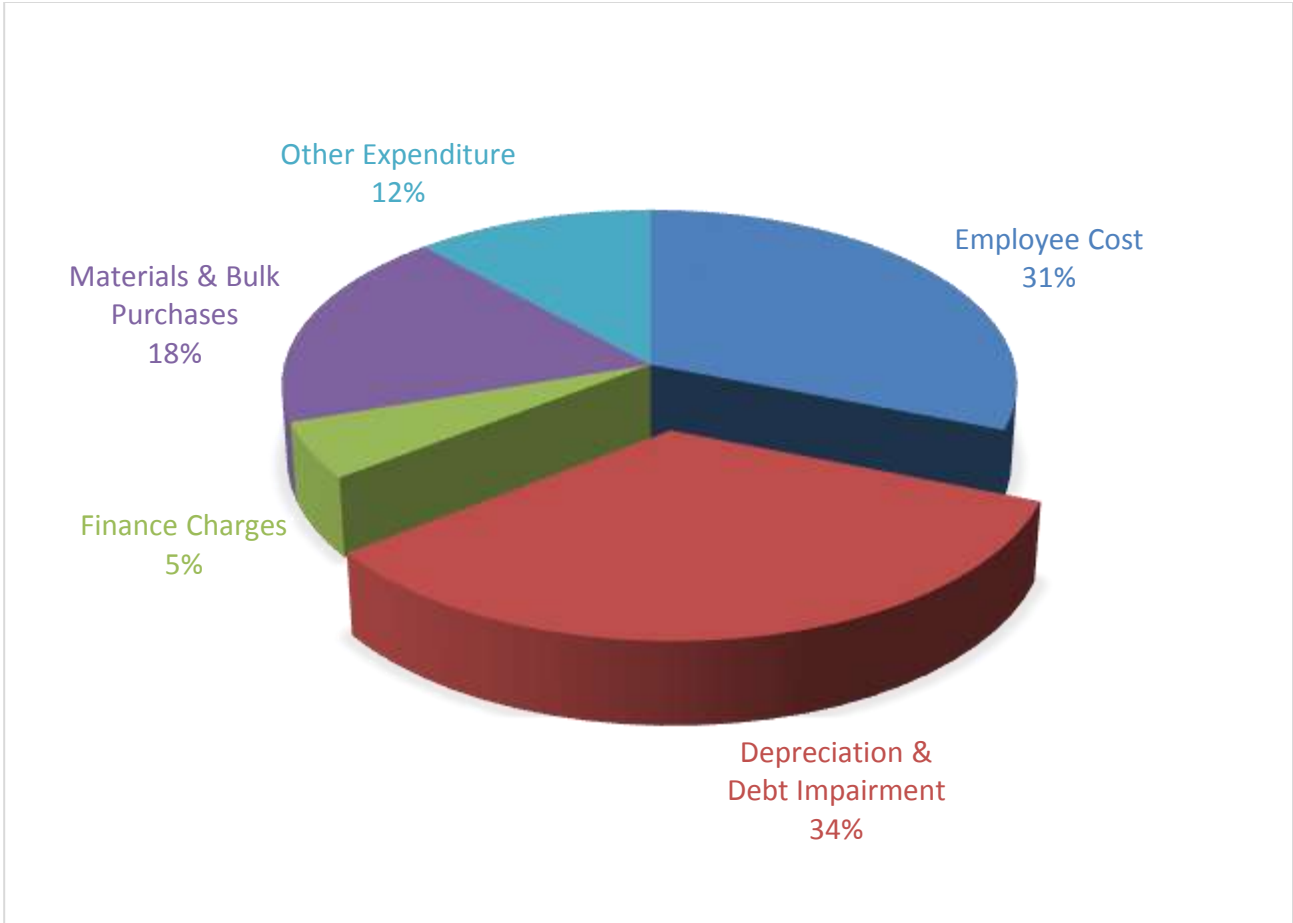
Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWAF. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others the purchase of fuel, diesel, and materials for maintenance when doing the repairs internally. For 2018/19 the appropriation against this group of expenditure is 2.53 per cent (9 million) and continues to stay flat at 2.53 per cent for the two outer years

Contracted services has been identified as the item where the municipality can save a lot of money, because some of the departments are still deciding on the option to buy fleet where necessary. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure totals R7 million and has escalated by just 2.0 per cent. For the two outer years it stays flat at 2.0 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 11 per cent for 2018/19 and curbed at 11.0 cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2018/19 financial year.



**Main operational expenditure categories for the 2018/19 financial**



**Table 6 Repairs and maintenance per asset class**

Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Depreciation</b>	57 015	58 503	58 503	59 673	58 873	58 873	58 873	62 405	66 149
<b>Repairs and Maintenance by Asset Class</b>	<b>15 405</b>	<b>18 427</b>	<b>9 564</b>	<b>10 188</b>	<b>8 755</b>	<b>8 755</b>	<b>9 010</b>	<b>9 551</b>	<b>10 124</b>
Roads Infrastructure	3 396	3 114	1 820	2 541	1 372	1 372	2 462	2 610	2 766
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	2 650	2 628	2 481	1 852	1 756	1 756	1 553	1 646	1 745
Water Supply Infrastructure	4 992	3 836	2 502	3 430	2 250	2 250	2 810	2 979	3 157
Sanitation Infrastructure	2 295	2 047	560	312	476	476	650	689	730
Solid Waste Infrastructure	778	849	200	270	201	201	240	254	270
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>14 111</b>	<b>12 476</b>	<b>7 563</b>	<b>8 405</b>	<b>6 055</b>	<b>6 055</b>	<b>7 715</b>	<b>8 178</b>	<b>8 669</b>
Community Facilities	-	724	530	836	2 438	2 438	790	837	888
Sport and Recreation Facilities	-	-	30	85	1	1	80	85	90
<b>Community Assets</b>	<b>-</b>	<b>724</b>	<b>560</b>	<b>921</b>	<b>2 439</b>	<b>2 439</b>	<b>870</b>	<b>922</b>	<b>978</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>1 391</b>	<b>801</b>	<b>243</b>	<b>243</b>	<b>345</b>	<b>366</b>	<b>388</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	1 293	5 227	50	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>1 293</b>	<b>5 227</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	62	17	17	80	85	90
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>72 420</b>	<b>76 930</b>	<b>68 067</b>	<b>69 860</b>	<b>67 627</b>	<b>67 627</b>	<b>67 883</b>	<b>71 956</b>	<b>76 273</b>

For the 2018/19 financial year, 85.63 per cent or R7.7 million of total repairs and maintenance will be spent on infrastructure assets. Water infrastructure has received a significant proportion of this allocation totalling 31.19 per cent (R2.8 million), followed by

road infrastructure at 27.3 per cent (R2.4 million), Electricity at 17.2 per cent (R1.5) and sanitation at 7.21 per cent (R650 thousand). Community assets has been allocated R240 thousands of total repairs and maintenance equating to 2.6 per cent.

### 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 Nketoana's Indigent Policy. The target is to register 6000 or more indigent households during the 2018/19 financial year, a process reviewed annually.

The municipality is reviewing the Indigent policy, the threshold of indigent is R4 000, we believe that this will assist the poorest of the poor within our community. There was also an outcry for NGO's especially that takes care of people with disabilities, and also the Old age residents were included in this policy. The said organisations will receive a rebate depending on the consumption of their water and electricity. This resulted from the door-to-door campaign that was made by councillors.

It is important to note that the current outstanding debt is not caused by the poor people as they are being subsidized on their full accounts. The debt is caused by those who earn above the R4 000 per month bracket and who are not paying. The motivation for the selected list of residents to start the collection process with is thus aimed at professional people, business, agriculture, etc. as their income is above the basic norm. 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.

## 1.6 Capital expenditure

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

**Table 7 2018/19 Medium-term capital budget per vote**

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Vote 1 - EXECUTIVE AND COUNCIL	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Vote 2 - FINANCE AND ADMINISTRATION	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Vote 3 - COMMUNITY SERVICES	5 865	5.94%	1 205	1.86%	1 278	1.86%	1 354	1.86%
Vote 4 - WASTE MANAGEMENT	386	0.39%	425	0.65%	450	0.65%	477	0.65%
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Vote 6 - ROADS TRANSPORT	17 158	17.37%	8 568	13.20%	9 082	13.20%	9 627	13.20%
Vote 7 - WATER	47 849	48.45%	24 691	38.03%	26 173	38.03%	27 743	38.03%
Vote 8 - ELECTRICITY	5 000	5.06%	1 547	2.38%	1 640	2.38%	1 738	2.38%

Vote 9 - WASTE WATER	22 502	22.78%	28 491	43.88%	30 200	43.88%	32 012	43.88%
<b>Total Capital Expenditure - Vote</b>	<b>98 761</b>	<b>100.00%</b>	<b>64 927</b>	<b>100.00%</b>	<b>68 823</b>	<b>100.00%</b>	<b>72 952</b>	<b>100.00%</b>

For 2018/19 the total amount of R64 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R68 Million and R72 Million respectively for each of the financial years. Waste water receives the highest allocation of R28 million in 2018/19 which equates to 43.88 per cent followed by Water infrastructure at 38.03 per cent, R20 million and then Roads Transport at 13.2 per cent, R8 million.

Total of new assets represent 36.8 per cent or R64 million of the total capital budget while asset renewal equates to 63.3 per cent or R40 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Ntha: paving - R 5 195 837
- Leratswana: Stormwater Infrastructure: R1 521 955
- Leratswana: Stormwater Infrastructure: R8 211 417
- Petsana: Upgrading of sports facility – R255 420
- Ntha: Sports Facilities: 950 000
- Petsana: Upgrading of 1.3km gravel roads to paved roads (Phase 2)- R 249 090
- Mamafubedu: Upgrading of 1.3km gravel roads to paved roads – (Phase) R 249 090
- Mamafubedu: Development of solid waste disposal site – R 424 545
- Reitz WTW: Upgrading of raw water pump station and High Lift Pump Station - (Phase 1B) – R 20 279 103
- Highmast Lights; R1 547 057
- Nketoana: Installation of Bulk and Zonal Water Meters: R3 421 692
- Reitz/ Petsana: Upgrading of water pumps and motors: R1 548 796
- Construction of 40 km 315mm mPVC Bulk Water Supply Pump Line from Reitz to Petrus Steyn - (Phase 2D: 12km) – R16 566 788
- Groundwater study in Nketoana and Development of Boreholes in Arlington and Petrus Steyn (Phase 3) –R 623 370
- Upgrading of water pump stations in Lindley and Arlington – R 2 530 738.97

## 1.7 Annual Budget Tables - Parent Municipality

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

### Table 17 MBRR Table A1 - Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	15 835	16 613	19 538	20 341	19 876	19 876	19 876	21 068	22 332	23 672
Service charges	111 256	128 351	136 770	142 569	144 465	144 465	144 465	153 672	162 892	172 665
Investment revenue	583	1 102	1 203	1 304	1 304	1 304	1 304	1 382	1 465	1 553
Transfers recognised - operational	82 879	85 569	81 702	82 580	82 580	82 580	82 580	90 367	95 789	101 536
Other own revenue	26 137	35 359	53 875	56 918	60 450	60 450	60 450	63 527	67 338	71 379
	236 690	266 993	293 088	303 712	308 675	308 675	308 675	330 016	349 817	370 806
<b>Total Revenue (excluding capital transfers and contributions)</b>										
Employee costs	74 799	80 810	86 156	93 591	97 963	97 963	97 963	104 950	110 197	114 605
Remuneration of councillors	6 677	6 892	8 750	9 083	9 502	9 502	9 502	10 166	10 675	11 101
Depreciation & asset impairment	57 015	58 503	58 503	59 673	58 873	58 873	58 873	58 873	61 816	64 289
Finance charges	8 339	10 202	17 575	17 836	17 836	17 836	17 836	17 845	18 737	19 487
Materials and bulk purchases	54 339	62 245	64 947	60 643	59 210	59 210	59 210	62 871	66 015	68 656
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	161 742	149 505	100 193	96 093	102 825	102 825	102 825	101 837	106 928	111 206
<b>Total Expenditure</b>	362 911	368 157	336 124	336 918	346 208	346 208	346 208	356 542	374 369	389 344
<b>Surplus/(Deficit)</b>	(126 221)	(101 164)	(43 036)	(33 207)	(37 532)	(37 532)	(37 532)	(26 526)	(24 552)	(18 538)
Transfers recognised - capital	62 157	59 865	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(64 064)	(41 300)	21 182	65 554	61 229	61 229	61 229	38 401	44 270	54 414
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	(64 064)	(41 300)	21 182	65 554	61 229	61 229	61 229	38 401	44 270	54 414
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	45 598	59 577	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Transfers recognised - capital	44 176	58 035	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1 422	1 541	-	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	45 598	59 577	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952

<b>Financial position</b>										
Total current assets	23 035	25 304	362 149	369 814	369 814	369 814	369 814	317 262	336 298	356 475
Total non current assets	1 025 331	1 026 074	1 021 373	1 047 427	1 047 427	1 047 427	1 047 427	1 008 064	1 068 427	1 132 411
Total current liabilities	137 876	181 295	166 484	173 147	173 147	173 147	173 147	224 872	237 233	251 236
Total non current liabilities	26 559	27 416	309 250	315 435	315 435	315 435	315 435	25 564	31 080	30 267
Community wealth/Equity	883 932	842 667	907 788	928 659	928 659	928 659	928 659	1 074 890	1 136 411	1 207 384
<b>Cash flows</b>										
Net cash from (used) operating	49 195	60 901	12 867	102 988	91 247	91 247	91 247	82 264	87 200	92 432
Net cash from (used) investing	(45 255)	(59 271)	–	(98 761)	(98 761)	(98 761)	(98 761)	(64 927)	(68 823)	(72 952)
Net cash from (used) financing	(1 349)	(813)	(8 504)	(341)	(3 855)	(3 855)	(3 855)	(2 235)	(2 369)	(2 511)
Cash/cash equivalents at the year end	1 710	2 527	11 632	6 413	1 013	1 013	1 013	16 115	32 123	49 091
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	2 908	3 104	21 756	16 167	16 167	16 167	16 167	16 216	17 188	18 220
Application of cash and investments	107 058	153 913	83 978	(48 269)	(23 028)	(23 028)	(23 028)	15 765	16 788	17 873
Balance - surplus (shortfall)	(104 149)	(150 809)	(62 222)	64 437	39 196	39 196	39 196	450	401	346
<b>Asset management</b>										
Asset register summary (WDV)	1 022 836	1 023 526	605 197	1 040 469	1 040 469	1 040 469	1 040 469	1 061 279	1 124 956	1 192 453
Depreciation & asset impairment	57 015	58 503	58 503	59 673	58 873	58 873	58 873	58 873	62 405	66 149
Renewal of Existing Assets	–	–	7 827	46 675	53 979	53 979	53 979	40 991	43 451	46 058
Repairs and Maintenance	15 405	18 427	9 564	10 188	8 755	8 755	8 755	9 010	9 551	10 124
<b>Free services</b>										
Cost of Free Basic Services provided	26 529	20 103	43 280	48 220	51 672	51 672	54 764	54 764	58 049	61 532
Revenue cost of free services provided	1 452	1 882	22 359	23 435	23 900	23 900	25 334	25 334	26 854	28 465
<b>Households below minimum service level</b>										
Water:	8	8	7	7	7	7	8	8	8	9
Sanitation/sewerage:	4	4	4	4	4	4	5	5	5	5
Energy:	14	14	13	13	13	13	14	14	15	16
Refuse:	5	5	5	5	5	5	5	5	5	6

### Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Nketoana's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance,

Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted

**Table 18 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b><u>Revenue - Standard</u></b>									
<b><i>Governance and administration</i></b>	120 054	132 741	94 446	87 219	89 502	89 502	93 451	99 058	105 002
Executive and council	-	-	19 521	8 546	8 546	8 546	8 616	9 133	9 681
Budget and treasury office	120 054	132 741	74 924	78 673	80 956	80 956	84 835	89 925	95 320
Corporate services	-	-	-	-	-	-	-	-	-
<b><i>Community and public safety</i></b>	7 115	4 336	36 275	15 253	11 229	11 229	12 799	13 566	14 380
Community and social services	-	-	27 769	9 210	8 491	8 491	8 535	9 047	9 590
Sport and recreation	6 910	4 120	8 269	5 613	2 358	2 358	3 564	3 777	4 004
Public safety	205	216	237	430	380	380	700	742	787
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<b><i>Economic and environmental services</i></b>	12 311	15 780	22 564	25 456	11 664	11 664	21 225	22 499	23 849
Planning and development	2	-	6 636	4 621	4 662	4 662	4 664	4 944	5 241
Road transport	12 309	15 780	15 928	20 835	7 002	7 002	16 561	17 555	18 608
Environmental protection	-	-	-	-	-	-	-	-	-
<b><i>Trading services</i></b>	153 752	172 431	202 319	272 843	246 805	246 805	321 116	340 383	360 806
Electricity	45 436	49 324	53 737	57 572	55 662	55 662	61 488	65 177	69 087
Water	62 544	69 819	80 958	130 280	116 503	116 503	150 289	159 307	168 865
Waste water management	30 862	32 469	38 874	48 227	35 402	35 402	66 574	70 568	74 802

Waste management	14 910	20 819	28 750	36 764	39 238	39 238	42 766	45 332	48 051
<i>Other</i>	-	-	1 702	1 702	1 702	1 702	1 702	1 804	1 912
<b>Total Revenue - Standard</b>	<b>293 232</b>	<b>325 289</b>	<b>357 306</b>	<b>402 473</b>	<b>360 902</b>	<b>360 902</b>	<b>450 293</b>	<b>477 311</b>	<b>505 950</b>
<b>Expenditure - Standard</b>									
<b>Governance and administration</b>	<b>89 894</b>	<b>123 126</b>	<b>110 300</b>	<b>82 708</b>	<b>94 287</b>	<b>94 287</b>	<b>93 288</b>	<b>98 248</b>	<b>102 803</b>
Executive and council	20 653	23 466	26 475	24 702	27 290	27 290	29 514	31 284	33 162
Budget and treasury office	69 241	99 660	83 825	58 006	66 997	66 997	63 774	66 963	69 642
Corporate services	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	<b>7 363</b>	<b>5 870</b>	<b>22 170</b>	<b>24 183</b>	<b>28 341</b>	<b>28 341</b>	<b>29 740</b>	<b>31 227</b>	<b>32 476</b>
Community and social services	-	-	17 228	18 202	21 880	21 880	22 128	23 234	24 163
Sport and recreation	338	504	475	595	418	418	562	590	613
Public safety	7 026	5 366	4 467	5 386	6 042	6 042	7 051	7 403	7 699
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>47 023</b>	<b>56 393</b>	<b>46 761</b>	<b>51 386</b>	<b>48 888</b>	<b>48 888</b>	<b>51 248</b>	<b>53 811</b>	<b>55 963</b>
Planning and development	2 058	8 105	3 311	3 270	3 489	3 489	4 008	4 208	4 376
Road transport	44 965	48 288	43 450	48 116	45 399	45 399	47 241	49 603	51 587
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>203 500</b>	<b>173 312</b>	<b>155 825</b>	<b>177 518</b>	<b>225 822</b>	<b>225 822</b>	<b>236 344</b>	<b>248 161</b>	<b>258 088</b>
Electricity	73 309	69 950	67 524	71 959	74 995	74 995	78 608	82 538	85 839
Water	58 910	58 957	45 176	56 073	84 925	84 925	89 204	93 664	97 410
Waste water management	40 697	22 441	22 605	25 744	33 339	33 339	34 667	36 401	37 857
Waste management	30 584	21 965	20 521	23 742	32 564	32 564	33 865	35 559	36 981
<i>Other</i>	833	605	1 068	1 124	1 096	1 096	1 272	1 336	1 389
<b>Total Expenditure - Standard</b>	<b>348 614</b>	<b>359 306</b>	<b>336 124</b>	<b>336 918</b>	<b>398 433</b>	<b>398 433</b>	<b>411 892</b>	<b>432 782</b>	<b>450 719</b>
<b>Surplus/(Deficit) for the year</b>	<b>(55 382)</b>	<b>(34 017)</b>	<b>21 182</b>	<b>65 554</b>	<b>(37 532)</b>	<b>(37 532)</b>	<b>38 401</b>	<b>44 529</b>	<b>55 230</b>

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

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Water, Waste water and waste management functions, but not the Electricity Services. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
- Because the tariffs of electricity are regulated by Nersa and as a result the electricity department has been operating on a deficit. The municipality had a meeting with Nersa

and presented electricity department situation in an effort to get assistance or alternatively to have higher tariffs and it was concluded that the municipality must first do a Cost of Supply study. The municipality submitted the 1<sup>st</sup> draft of the cost of supply to Nersa and it appeared on the study that for the electricity department to generate a surplus, our tariffs must increase by 86.2 percent.

5. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate and Finance Services.

**Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue by Vote</b>									
Vote 1 - EXECUTIVE AND COUNCIL	–	–	19 521	8 546	8 546	8 546	8 616	9 133	9 681
Vote 2 - FINANCE AND ADMINISTRATION	120 054	132 741	74 924	78 673	80 956	80 956	84 835	89 925	95 320
Vote 3 - COMMUNITY SERVICES	12 730	5 905	36 275	15 253	17 094	17 094	12 799	13 566	14 380
Vote 4 - WASTE MANAGEMENT	14 910	20 819	28 750	36 764	39 624	39 624	42 766	45 332	48 051
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	2	–	4 460	4 460	4 501	4 501	4 504	4 774	5 061
Vote 6 - ROADS TRANSPORT	12 309	15 780	15 928	20 835	24 160	24 160	16 561	17 555	18 608
Vote 7 - WATER	62 544	69 819	80 958	130 280	139 005	139 005	150 289	159 307	168 865
Vote 8 - ELECTRICITY	45 436	49 324	53 737	57 572	60 662	60 662	61 488	65 177	69 087
Vote 9 - WASTE WATER	30 862	32 469	38 874	48 227	83 251	83 251	66 574	70 568	74 802
Vote 10 - HOUSING	–	–	3 877	1 862	1 862	1 862	1 862	1 974	2 093
<b>Total Revenue by Vote</b>	<b>298 847</b>	<b>326 857</b>	<b>357 306</b>	<b>402 473</b>	<b>459 663</b>	<b>459 663</b>	<b>450 293</b>	<b>477 311</b>	<b>505 950</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - EXECUTIVE AND COUNCIL	20 653	23 466	26 475	24 702	27 290	27 290	29 514	30 989	32 229
Vote 2 - FINANCE AND ADMINISTRATION	69 241	99 660	83 825	58 006	66 997	66 997	63 774	66 963	69 642
Vote 3 - COMMUNITY SERVICES	21 660	14 721	22 170	24 183	28 341	28 341	29 740	31 227	32 476
Vote 4 - WASTE MANAGEMENT	30 584	21 965	20 521	23 742	32 564	32 564	33 865	35 559	36 981
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	2 058	8 105	2 348	2 336	2 260	2 260	2 597	2 727	2 836
Vote 6 - ROADS TRANSPORT	44 965	48 288	43 450	48 116	45 399	45 399	47 241	49 603	51 587
Vote 7 - WATER	58 910	58 957	45 176	56 073	84 925	84 925	89 204	93 664	97 410
Vote 8 - ELECTRICITY	73 309	69 950	67 524	71 959	74 995	74 995	78 608	82 538	85 839
Vote 9 - WASTE WATER	40 697	22 441	22 605	25 744	33 339	33 339	34 667	36 401	37 857
Vote 10 - HOUSING	833	605	2 031	2 057	2 324	2 324	2 683	2 817	2 930
<b>Total Expenditure by Vote</b>	<b>362 911</b>	<b>368 157</b>	<b>336 124</b>	<b>336 918</b>	<b>398 433</b>	<b>398 433</b>	<b>411 892</b>	<b>432 487</b>	<b>449 787</b>
<b>Surplus/(Deficit) for the year</b>	<b>(64 064)</b>	<b>(41 300)</b>	<b>21 182</b>	<b>65 554</b>	<b>61 229</b>	<b>61 229</b>	<b>38 401</b>	<b>44 824</b>	<b>56 163</b>



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

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

**Table 20 Surplus/ (Deficit) calculations for the trading services**

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2019/20
<b>ELECTRICITY</b>									
Total Revenue (Inc capital grants and Transfers)	45 436	49 324	53 737	57 572	60 662	60 662	61 488	65 177	69 087
Operating Expenditure	73 309	69 950	67 524	71 959	74 995	74 995	<b>78 608</b>	82 538	85 839
<b>Surplus(Deficit) for the year</b>	<b>(27 873)</b>	<b>(20 626)</b>	<b>(13 786)</b>	<b>(14 387)</b>	<b>(14 332)</b>	<b>(14 332)</b>	<b>(17 120)</b>	<b>(17 361)</b>	<b>(16 752)</b>
<b>Percentage Surplus (Deficit)</b>	<b>-38%</b>	<b>-29%</b>	<b>-20%</b>	<b>-20%</b>	<b>-19%</b>	<b>-19%</b>	<b>-22%</b>	<b>-21%</b>	<b>-20%</b>
<b>WATER</b>									
Total Revenue (Inc capital grants and Transfers)	62 544	69 819	80 958	130 280	139 005	139 005	150 289	159 307	168 865
Operating Expenditure	58 910	58 957	45 176	56 073	84 925	84 925	<b>89 204</b>	93 664	97 410
<b>Surplus(Deficit) for the year</b>	<b>3 633</b>	<b>10 862</b>	<b>35 782</b>	<b>74 207</b>	<b>54 081</b>	<b>54 081</b>	<b>61 086</b>	<b>65 643</b>	<b>71 455</b>
<b>Percentage Surplus (Deficit)</b>	<b>6%</b>	<b>18%</b>	<b>79%</b>	<b>132%</b>	<b>64%</b>	<b>64%</b>	<b>68%</b>	<b>70%</b>	<b>73%</b>

2. The electricity department is operating on a deficit and as such cannot subsidise other non-revenue generating departments. It is also burdening the operating budget of the municipality. This is mainly due to the tariffs of electricity which are not cost reflective.
3. The electricity trading deficit is decreasing over the 2018/19 MTREF from 22 per cent or R17 million in 2017/18 to 20 per cent by 2020/21.
4. The surplus on the water account remains relatively high over the MTREF translating into a surplus of 68 per cent, 70 per cent and 73 per cent for each of the respective financial years over the MTREF.
5. Note that the surpluses on these trading accounts are supposed to be utilised as an internal funding source *used to cross-subsidise other municipal services*. At the moment only the water surplus is used as electricity is operating on a deficit.

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>										
Property rates	15 835	16 613	19 538	20 341	19 876	19 876	19 876	21 068	22 332	23 672
Service charges - electricity revenue	41 781	46 084	49 524	49 940	50 563	50 563	50 563	53 727	56 951	60 368
Service charges - water revenue	38 736	44 261	47 532	51 324	52 064	52 064	52 064	55 521	58 853	62 384
Service charges - sanitation revenue	15 902	19 500	20 313	21 135	21 180	21 180	21 180	22 524	23 876	25 308
Service charges - refuse revenue	14 837	18 506	19 402	20 169	20 659	20 659	20 659	21 898	23 212	24 605
Service charges - other										
Rental of facilities and equipment	357	332	363	393	578	578	578	628	666	706
Interest earned - external investments	583	1 102	1 203	1 304	1 304	1 304	1 304	1 382	1 465	1 553
Interest earned - outstanding debtors	20 201	24 392	36 727	39 421	39 440	39 440	39 440	41 807	44 315	46 974
Dividends received					-	-	-		-	-
Fines	205	216	237	330	330	330	330	650	689	730
Licences and permits					-	-	-		-	-
Agency services					-	-	-		-	-
Transfers recognised - operational	82 879	85 569	81 702	82 580	82 580	82 580	82 580	90 367	95 789	101 536
Other revenue	5 374	10 418	16 549	16 774	20 102	20 102	20 102	20 442	21 669	22 969
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>236 690</b>	<b>266 993</b>	<b>293 088</b>	<b>303 712</b>	<b>308 675</b>	<b>308 675</b>	<b>308 675</b>	<b>330 016</b>	<b>349 817</b>	<b>370 806</b>
<b>Expenditure By Type</b>										
Employee related costs	74 799	80 810	86 156	93 591	97 963	97 963	97 963	104 950	110 197	114 605
Remuneration of councillors	6 677	6 892	8 750	9 083	9 502	9 502	9 502	10 166	10 675	11 101
Debt impairment	108 568	83 419	40 340	49 931	54 966	54 966	54 966	55 027	57 778	60 090
Depreciation & asset impairment	57 015	58 503	58 503	59 673	58 873	58 873	58 873	58 873	61 816	64 289
Finance charges	8 339	10 202	17 575	17 836	17 836	17 836	17 836	17 845	18 737	19 487
Bulk purchases	38 935	43 818	55 383	50 456	50 456	50 456	50 456	53 861	56 554	58 817
Other materials	15 405	18 427	9 564	10 188	8 755	8 755	8 755	9 010	9 461	9 839
Contracted services	10 759	11 400	6 768	9 163	6 773	6 773	6 773	7 130	7 487	7 786
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	42 416	54 686	53 085	36 999	41 085	41 085	41 085	39 680	41 663	43 330
Loss on disposal of PPE					-	-	-		-	-
<b>Total Expenditure</b>	<b>362 911</b>	<b>368 157</b>	<b>336 124</b>	<b>336 918</b>	<b>346 208</b>	<b>346 208</b>	<b>346 208</b>	<b>356 542</b>	<b>374 369</b>	<b>389 344</b>
<b>Surplus/(Deficit)</b>	<b>(126 221)</b>	<b>(101 164)</b>	<b>(43 036)</b>	<b>(33 207)</b>	<b>(37 532)</b>	<b>(37 532)</b>	<b>(37 532)</b>	<b>(26 526)</b>	<b>(24 552)</b>	<b>(18 538)</b>
Transfers recognised - capital	62 157	59 865	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributed assets										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(64 064)</b>	<b>(41 300)</b>	<b>21 182</b>	<b>65 554</b>	<b>61 229</b>	<b>61 229</b>	<b>61 229</b>	<b>38 401</b>	<b>44 270</b>	<b>54 414</b>
Taxation										

Surplus/(Deficit) after taxation	(64 064)	(41 300)	21 182	65 554	61 229	61 229	61 229	38 401	44 270	54 414
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(64 064)	(41 300)	21 182	65 554	61 229	61 229	61 229	38 401	44 270	54 414
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(64 064)	(41 300)	21 182	65 554	61 229	61 229	61 229	38 401	44 270	54 414

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

1. Total revenue is R330 Million in 2018/19 and escalates to R370 Million by 2020/21. This represents a year-on-year increase of 6.9 per cent for the 2018/19 financial year and a flat 6 per cent for the two outer years.
2. Revenue to be generated from property rates is R21 Million in the 2018/19 financial year and increases to R23 million by 2020/21 which represents 6.3 per cent of the operating revenue base of Nketoana. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent 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 Nketoana totalling R153 million for the 2017/18 financial year and increasing to R172 million by 2020/21. For the 2018/19 financial year services charges amount to 47 per cent of the total revenue base and grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operational includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 9 per cent and 6 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. Bulk purchases increases from 2019/20 to 2020/21 period at 5 and 4 percent respectively from R56 million to R58 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Single-year expenditure to be appropriated</b>										
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION	8 930	7 754	-	-	-	-	-	-	-	-
Vote 3 - COMMUNITY SERVICES	-	-	16 300	4 109	5 865	5 865	5 865	1 205	1 278	1 354
Vote 4 - WASTE MANAGEMENT	1 516	8 943	376	7 690	386	386	386	425	450	477
Vote 5 - LOCAL ECONOMIC DEVELOPMENT	-	-	-	-	-	-	-	-	-	-
Vote 6 - ROADS TRANSPORT	11 094	12 648	5 127	13 833	17 158	17 158	17 158	8 568	9 082	9 627
Vote 7 - WATER	14 597	19 661	32 011	47 849	47 849	47 849	47 849	24 691	26 173	27 743
Vote 8 - ELECTRICITY	5 300	2 842	-	5 000	5 000	5 000	5 000	1 547	1 640	1 738
Vote 9 - WASTE WATER	4 160	7 729	10 403	20 279	22 502	22 502	22 502	28 491	30 200	32 012
<b>Capital single-year expenditure sub-total</b>	<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>
<b>Total Capital Expenditure - Vote</b>	<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>
<b>Capital Expenditure - Standard</b>										
<b>Governance and administration</b>	<b>8 930</b>	<b>7 754</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council										
Budget and treasury office	8 930	7 754								
Corporate services										
<b>Community and public safety</b>	<b>-</b>	<b>-</b>	<b>16 300</b>	<b>4 109</b>	<b>5 865</b>	<b>5 865</b>	<b>5 865</b>	<b>1 205</b>	<b>1 278</b>	<b>1 354</b>
Community and social services			12 389	855	855	855	855			
Sport and recreation			3 911	3 255	5 010	5 010	5 010	1 205	1 278	1 354
Public safety										
Housing										
Health										
<b>Economic and environmental services</b>	<b>11 094</b>	<b>12 648</b>	<b>5 127</b>	<b>13 833</b>	<b>17 158</b>	<b>17 158</b>	<b>17 158</b>	<b>8 568</b>	<b>9 082</b>	<b>9 627</b>
Planning and development										
Road transport	11 094	12 648	5 127	13 833	17 158	17 158	17 158	8 568	9 082	9 627
Environmental protection										
<b>Trading services</b>	<b>25 574</b>	<b>39 174</b>	<b>42 790</b>	<b>80 819</b>	<b>75 738</b>	<b>75 738</b>	<b>75 738</b>	<b>55 154</b>	<b>58 463</b>	<b>61 970</b>
Electricity	5 300	2 842	-	5 000	5 000	5 000	5 000	1 547	1 640	1 738
Water	14 597	19 661	32 011	47 849	47 849	47 849	47 849	24 691	26 173	27 743
Waste water management	4 160	7 729	10 403	20 279	22 502	22 502	22 502	28 491	30 200	32 012
Waste management	1 516	8 943	376	7 690	386	386	386	425	450	477
<b>Other</b>										
<b>Total Capital Expenditure - Standard</b>	<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>
<b>Funded by:</b>										
National Government	44 176	58 035	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952

Provincial Government										
District Municipality										
Other transfers and grants										
<b>Transfers recognised - capital</b>	44 176	58 035	64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Public contributions & donations										
Borrowing										
<b>Internally generated funds</b>	1 422	1 541								
<b>Total Capital Funding</b>	<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>

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

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R98 million for the 2017/18 financial year and drops to R97 million and R73 million respectively for the two outer years.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Nketoana. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital grants. For 2018/19, capital transfers totals 97 million and drops to 73 million by 2019/20.

**Table 23 MBRR Table A6 - Budgeted Financial Position**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	2 908	3 104	4 878					48	51	54
Call investment deposits	–	–	16 878	16 167	16 167	16 167	16 167	16 167	17 137	18 166
Consumer debtors	15 822	17 709	306 077	317 271	317 271	317 271	317 271	298 508	316 418	335 403
Other debtors	1 954	2 119	13 342	14 142	14 142	14 142	14 142	1 825	1 934	2 050
Current portion of long-term receivables	1 764	1 764	20 312	21 531	21 531	21 531	21 531	8	9	9
Inventory	587	608	663	703	703	703	703	705	748	793
<b>Total current assets</b>	<b>23 035</b>	<b>25 304</b>	<b>362 149</b>	<b>369 814</b>	<b>369 814</b>	<b>369 814</b>	<b>369 814</b>	<b>317 262</b>	<b>336 298</b>	<b>356 475</b>
<b>Non current assets</b>										
Long-term receivables	2 019	2 019	2 099	2 225	2 225	2 225	2 225	2 019	2 019	2 019
Investments										
Investment property	13 878	13 878	8 442	14 155	14 155	14 155	14 155	13 967	14 805	15 693
Investment in Associate			4 478	4 568	4 568	4 568	4 568	4 892	5 186	5 497
Property, plant and equipment	1 004 476	1 004 970	1 006 102	1 026 224	1 026 224	1 026 224	1 026 224	986 570	1 045 764	1 108 510
Agricultural										
Biological	50	25	25	25	25	25	25	38	40	42
Intangible	73	66	66	66	66	66	66	49	52	55
Other non-current assets	4 836	5 118	162	165	165	165	165	530	562	595
<b>Total non current assets</b>	<b>1 025 331</b>	<b>1 026 074</b>	<b>1 021 373</b>	<b>1 047 427</b>	<b>1 047 427</b>	<b>1 047 427</b>	<b>1 047 427</b>	<b>1 008 064</b>	<b>1 068 427</b>	<b>1 132 411</b>
<b>TOTAL ASSETS</b>	<b>1 048 366</b>	<b>1 051 378</b>	<b>1 383 522</b>	<b>1 417 242</b>	<b>1 417 242</b>	<b>1 417 242</b>	<b>1 417 242</b>	<b>1 325 326</b>	<b>1 404 724</b>	<b>1 488 886</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft										
Borrowing	1 399	1 531	7 829	7 986	7 986	7 986	7 986	2 189	1 189	1 029
Consumer deposits	1 305	1 349	1 423	1 509	1 509	1 509	1 509	1 402	1 486	1 575
Trade and other payables	134 622	177 994	156 659	163 653	163 653	163 653	163 653	216 174	229 144	242 893
Provisions	550	422	572					5 108	5 414	5 739
<b>Total current liabilities</b>	<b>137 876</b>	<b>181 295</b>	<b>166 484</b>	<b>173 147</b>	<b>173 147</b>	<b>173 147</b>	<b>173 147</b>	<b>224 872</b>	<b>237 233</b>	<b>251 236</b>
<b>Non current liabilities</b>										
Borrowing	8 570	8 274	7 829	7 986	7 986	7 986	7 986	6 903	11 298	9 298
Provisions	17 989	19 142	301 421	307 449	307 449	307 449	307 449	18 661	19 781	20 968
<b>Total non current liabilities</b>	<b>26 559</b>	<b>27 416</b>	<b>309 250</b>	<b>315 435</b>	<b>315 435</b>	<b>315 435</b>	<b>315 435</b>	<b>25 564</b>	<b>31 080</b>	<b>30 267</b>
<b>TOTAL LIABILITIES</b>	<b>164 435</b>	<b>208 711</b>	<b>475 734</b>	<b>488 583</b>	<b>488 583</b>	<b>488 583</b>	<b>488 583</b>	<b>250 436</b>	<b>268 313</b>	<b>281 502</b>
<b>NET ASSETS</b>	<b>883 932</b>	<b>842 667</b>	<b>907 788</b>	<b>928 659</b>	<b>928 659</b>	<b>928 659</b>	<b>928 659</b>	<b>1 074 890</b>	<b>1 136 411</b>	<b>1 207 384</b>

COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	883 932	842 667	907 788	928 659	928 659	928 659	928 659	1 074 890	1 136 411	1 207 384
Reserves	-	-	-	-	-	-	-			
TOTAL COMMUNITY WEALTH/EQUITY	883 932	842 667	907 788	928 659	928 659	928 659	928 659	1 074 890	1 136 411	1 207 384

## Explanatory notes to Table A6 - Budgeted Financial Position

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

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) 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 24 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges	15 835	16 674	19 538	14 238	9 295	9 295	9 295	15 801	16 749	17 754
Service charges	54 706	69 184	-	99 798	88 550	88 550	88 550	115 254	122 169	129 499
Other revenue	583	1 102	17 148	14 027	16 104	16 104	16 104	21 720	23 023	24 405
Government - operating	139 772	153 428	81 702	82 580	82 580	82 580	82 580	90 367	95 789	101 536
Government - capital			64 218	98 761	98 761	98 761	98 761	64 927	68 823	72 952
Interest			37 930	28 899	2 336	2 336	2 336	32 737	34 701	36 783
Dividends				-	-	-	-	-	-	-
<b>Payments</b>										
Suppliers and employees	(153 362)	(169 284)	(206 168)	(217 480)	(197 461)	(197 461)	(197 461)	(240 697)	(255 139)	(270 447)
Finance charges	(8 339)	(10 202)	(1 500)	(17 835)	(8 918)	(8 918)	(8 918)	(17 845)	(18 916)	(20 051)
Transfers and Grants								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>49 195</b>	<b>60 901</b>	<b>12 867</b>	<b>102 988</b>	<b>91 247</b>	<b>91 247</b>	<b>91 247</b>	<b>82 264</b>	<b>87 200</b>	<b>92 432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	36	587	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	287	(310)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments				-	-	-	-	-	-	-
<b>Payments</b>										
Capital assets	(45 578)	(59 549)		(98 761)	(98 761)	(98 761)	(98 761)	(64 927)	(68 823)	(72 952)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(45 255)</b>	<b>(59 271)</b>	<b>-</b>	<b>(98 761)</b>	<b>(98 761)</b>	<b>(98 761)</b>	<b>(98 761)</b>	<b>(64 927)</b>	<b>(68 823)</b>	<b>(72 952)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans				-	-	-	-	-	-	-
Borrowing long term/refinancing				-	-	-	-	-	-	-
Increase (decrease) in consumer deposits			132	145	145	145	145	165	175	185
<b>Payments</b>										
Repayment of borrowing	(1 349)	(813)	(8 637)	(486)	(4 000)	(4 000)	(4 000)	(2 400)	(2 544)	(2 697)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 349)</b>	<b>(813)</b>	<b>(8 504)</b>	<b>(341)</b>	<b>(3 855)</b>	<b>(3 855)</b>	<b>(3 855)</b>	<b>(2 235)</b>	<b>(2 369)</b>	<b>(2 511)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 592</b>	<b>817</b>	<b>4 363</b>	<b>3 886</b>	<b>(11 369)</b>	<b>(11 369)</b>	<b>(11 369)</b>	<b>15 102</b>	<b>16 008</b>	<b>16 969</b>
Cash/cash equivalents at the year begin:	(881)	1 710	7 269	2 527	12 381	12 381	12 381	1 013	16 115	32 123
Cash/cash equivalents at the year end:	1 710	2 527	11 632	6 413	1 013	1 013	1 013	16 115	32 123	49 091



**Table 25 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

FS193 Nketoana - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	1 710	2 527	11 632	6 413	1 013	1 013	1 013	16 115	32 123	49 091
Other current investments > 90 days		1 198	577	10 124	9 754	15 155	15 155	15 155	101	(14 934)	(30 871)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>2 908</b>	<b>3 104</b>	<b>21 756</b>	<b>16 167</b>	<b>16 167</b>	<b>16 167</b>	<b>16 167</b>	<b>16 216</b>	<b>17 188</b>	<b>18 220</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		1 091	92	2 270	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	105 966	153 821	81 708	(48 269)	(23 028)	(23 028)	(23 028)	15 765	16 788	17 873
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>107 058</b>	<b>153 913</b>	<b>83 978</b>	<b>(48 269)</b>	<b>(23 028)</b>	<b>(23 028)</b>	<b>(23 028)</b>	<b>15 765</b>	<b>16 788</b>	<b>17 873</b>
<b>Surplus(shortfall)</b>		<b>(104 149)</b>	<b>(150 809)</b>	<b>(62 222)</b>	<b>64 437</b>	<b>39 196</b>	<b>39 196</b>	<b>39 196</b>	<b>450</b>	<b>401</b>	<b>346</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2017/18 MTREF provide for a further net surplus in cash of R39 million for the 2017/18 financial year
4. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals a positive R450 thousand as at the end of the 2018/19 financial year and escalates to a dropped R346 thousand by 2020/21.
6. The cash in-flow of the municipality is based on the collection rate of 75%, with our current collection rate projected to go to 65% percent in the 2017/2018 financial year.
7. The repayment of outstanding Eskom account and other repayment plans have been allocated the 18.3 million in the 2018/2019 financial year.

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2018/19 to 2020/20 the shortfall deteriorated from R450 thousand to R346 thousand.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the tabled 2018/19 MTREF will be funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a deficit of R104 million in 2014/15 to a surplus of R450 million by 2018/19.

### Table 10 MBRR Table A9 - Asset Management

FS193 Nketoana - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	45 598	59 577	56 391	52 086	44 782	44 782	23 936	25 372	26 894
<i>Roads Infrastructure</i>		11 094	12 648	1 211	1 288	1 288	1 288	1 352	1 433	1 519
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		5 300	2 842	-	-	-	-	1 547	1 640	1 738
<i>Water Supply Infrastructure</i>		14 597	19 661	32 011	42 253	42 253	42 253	-	-	-
<i>Sanitation Infrastructure</i>		4 160	7 729	10 403	-	-	-	20 612	21 849	23 159
<i>Solid Waste Infrastructure</i>		9 024	8 943	376	7 690	386	386	425	450	477
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>44 176</b>	<b>51 823</b>	<b>44 001</b>	<b>51 231</b>	<b>43 928</b>	<b>43 928</b>	<b>23 936</b>	<b>25 372</b>	<b>26 894</b>
Community Facilities		-	6 213	12 389	855	855	855	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-

<b>Community Assets</b>	-	6 213	12 389	855	855	855	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	1 403	1 514	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	1 403	1 514	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	20	28	-	-	-	-	-	-	-
<b>Intangible Assets</b>	20	28	-	-	-	-	-	-	-
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
<b>Libraries</b>	-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	7 827	46 675	53 979	53 979	40 991	43 451	46 058
<i>Roads Infrastructure</i>	-	-	3 916	12 545	15 870	15 870	7 216	7 649	8 108
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	5 000	5 000	5 000	-	-	-
<i>Water Supply Infrastructure</i>	-	-	-	5 596	5 596	5 596	28 491	30 200	32 012
<i>Sanitation Infrastructure</i>	-	-	-	20 279	22 502	22 502	4 080	4 324	4 584
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	3 916	43 421	48 969	48 969	39 786	42 173	44 704
Community Facilities	-	-	3 911	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	3 255	5 010	5 010	1 205	1 278	1 354
<b>Community Assets</b>	-	-	3 911	3 255	5 010	5 010	1 205	1 278	1 354
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-

Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>Total Upgrading of Existing Assets</b>	6	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4									
<i>Roads Infrastructure</i>		11 094	12 648	5 127	13 833	17 158	17 158	8 568	9 082	9 627
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		5 300	2 842	-	5 000	5 000	5 000	1 547	1 640	1 738
<i>Water Supply Infrastructure</i>		14 597	19 661	32 011	47 849	47 849	47 849	28 491	30 200	32 012

Sanitation Infrastructure		4 160	7 729	10 403	20 279	22 502	22 502	24 691	26 173	27 743
Solid Waste Infrastructure		9 024	8 943	376	7 690	386	386	425	450	477
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>44 176</b>	<b>51 823</b>	<b>47 918</b>	<b>94 652</b>	<b>92 896</b>	<b>92 896</b>	<b>63 722</b>	<b>67 545</b>	<b>71 598</b>
Community Facilities		-	6 213	16 300	855	855	855	-	-	-
Sport and Recreation Facilities		-	-	-	3 255	5 010	5 010	1 205	1 278	1 354
<b>Community Assets</b>		<b>-</b>	<b>6 213</b>	<b>16 300</b>	<b>4 109</b>	<b>5 865</b>	<b>5 865</b>	<b>1 205</b>	<b>1 278</b>	<b>1 354</b>
<b>Heritage Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings		1 403	1 514	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		<b>1 403</b>	<b>1 514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		20	28	-	-	-	-	-	-	-
<b>Intangible Assets</b>		<b>20</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Computer Equipment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Furniture and Office Equipment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Machinery and Equipment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transport Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Libraries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Zoo's, Marine and Non-biological Animals</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Roads Infrastructure		749 465	737 232	341 665	368 449	368 449	368 449	375 818	398 367	422 269
Storm water Infrastructure					-	-	-	-	-	-
Electrical Infrastructure		5 300	2 842	9 300	68 088	68 088	68 088	69 449	73 616	78 033
Water Supply Infrastructure		83 414	100 478	220 062	225 105	225 105	225 105	229 607	243 384	257 987
Sanitation Infrastructure		4 160	7 729	17 876	196 125	196 125	196 125	200 048	212 050	224 773
Solid Waste Infrastructure		160 734	148 963	(1 039)	15 422	15 422	15 422	15 731	16 674	17 675
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
<b>Infrastructure</b>		<b>1 003 073</b>	<b>997 244</b>	<b>587 865</b>	<b>873 189</b>	<b>873 189</b>	<b>873 189</b>	<b>890 652</b>	<b>944 092</b>	<b>1 000 737</b>
Community Facilities		-	6 213	(7 191)	20 507	20 507	20 507	20 917	22 172	23 503
Sport and Recreation Facilities										
<b>Community Assets</b>		<b>-</b>	<b>6 213</b>	<b>(7 191)</b>	<b>20 507</b>	<b>20 507</b>	<b>20 507</b>	<b>20 917</b>	<b>22 172</b>	<b>23 503</b>
<b>Heritage Assets</b>										
Revenue Generating										

Non-revenue Generating										
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		13 878	13 878	8 442	14 155	14 155	14 155	14 439	15 305	16 223
Housing										
<b>Other Assets</b>		<b>13 878</b>	<b>13 878</b>	<b>8 442</b>	<b>14 155</b>	<b>14 155</b>	<b>14 155</b>	<b>14 439</b>	<b>15 305</b>	<b>16 223</b>
<b>Biological or Cultivated Assets</b>		<b>50</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>27</b>	<b>28</b>
Servitudes		73	66	66	66	66	66	67	71	75
Licences and Rights										
<b>Intangible Assets</b>		<b>73</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>67</b>	<b>71</b>	<b>75</b>
<b>Computer Equipment</b>		<b>5 761</b>	<b>6 102</b>	<b>15 991</b>	<b>132 528</b>	<b>132 528</b>	<b>132 528</b>	<b>135 179</b>	<b>143 289</b>	<b>151 887</b>
<b>Furniture and Office Equipment</b>										
<b>Machinery and Equipment</b>										
<b>Transport Assets</b>										
<b>Libraries</b>										
<b>Zoo's, Marine and Non-biological</b>										
<b>Animals</b>										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	<b>1 022 836</b>	<b>1 023 526</b>	<b>605 197</b>	<b>1 040 469</b>	<b>1 040 469</b>	<b>1 040 469</b>	<b>1 061 279</b>	<b>1 124 956</b>	<b>1 192 453</b>
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation</b>	7	57 015	58 503	58 503	59 673	58 873	58 873	58 873	62 405	66 149
<b>Repairs and Maintenance by Asset Class</b>	3	<b>15 405</b>	<b>18 427</b>	<b>9 564</b>	<b>10 188</b>	<b>8 755</b>	<b>8 755</b>	<b>9 010</b>	<b>9 551</b>	<b>10 124</b>
Roads Infrastructure		3 396	3 114	1 820	2 541	1 372	1 372	2 462	2 610	2 766
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		2 650	2 628	2 481	1 852	1 756	1 756	1 553	1 646	1 745
Water Supply Infrastructure		4 992	3 836	2 502	3 430	2 250	2 250	2 810	2 979	3 157
Sanitation Infrastructure		2 295	2 047	560	312	476	476	650	689	730
Solid Waste Infrastructure		778	849	200	270	201	201	240	254	270
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>14 111</b>	<b>12 476</b>	<b>7 563</b>	<b>8 405</b>	<b>6 055</b>	<b>6 055</b>	<b>7 715</b>	<b>8 178</b>	<b>8 669</b>
Community Facilities		-	724	530	836	2 438	2 438	790	837	888
Sport and Recreation Facilities		-	-	30	85	1	1	80	85	90
<b>Community Assets</b>		<b>-</b>	<b>724</b>	<b>560</b>	<b>921</b>	<b>2 439</b>	<b>2 439</b>	<b>870</b>	<b>922</b>	<b>978</b>
<b>Heritage Assets</b>		<b>-</b>	<b>-</b>	<b>1 391</b>	<b>801</b>	<b>243</b>	<b>243</b>	<b>345</b>	<b>366</b>	<b>388</b>
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings		1 293	5 227	50	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		<b>1 293</b>	<b>5 227</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Computer Equipment	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	62	17	17	80	85	90	
Machinery and Equipment	-	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>72 420</b>	<b>76 930</b>	<b>68 067</b>	<b>69 860</b>	<b>67 627</b>	<b>67 627</b>	<b>67 883</b>	<b>71 956</b>	<b>76 273</b>	

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

**Table 11 MBRR Table A10 - Basic Service Delivery Measurement**

FS193 Nketoana - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2016/17			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		7 992	8 202	8 366	8 533	8 533	8 533	9 045	9 588	10 163
Piped water inside yard (but not in dwelling)		2 232	2 232	2 254	2 299	2 299	2 299	2 437	2 584	2 739
Using public tap (at least min.service level)	2	1 691	1 083	1 094	1 116	1 116	1 116	1 183	1 254	1 329
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		11 915	11 517	11 714	11 948	11 948	11 948	12 665	13 425	14 231
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		7 873	7 873	7 005	7 145	7 145	7 145	7 574	8 028	8 510
<i>Below Minimum Service Level sub-total</i>		7 873	7 873	7 005	7 145	7 145	7 145	7 574	8 028	8 510
<b>Total number of households</b>	5	<b>19 788</b>	<b>19 390</b>	<b>18 719</b>	<b>19 094</b>	<b>19 094</b>	<b>19 094</b>	<b>20 239</b>	<b>21 454</b>	<b>22 741</b>
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		15 597	14 322	15 597	15 909	15 909	15 909	16 863	17 875	18 948
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		15 597	14 322	15 597	15 909	15 909	15 909	16 863	17 875	18 948
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		4 191	4 191	4 191	4 275	4 275	4 275	4 531	4 803	5 091
<i>Below Minimum Service Level sub-total</i>		4 191	4 191	4 191	4 275	4 275	4 275	4 531	4 803	5 091
<b>Total number of households</b>	5	<b>19 788</b>	<b>18 513</b>	<b>19 788</b>	<b>20 184</b>	<b>20 184</b>	<b>20 184</b>	<b>21 395</b>	<b>22 678</b>	<b>24 039</b>
<b>Energy:</b>										
Electricity (at least min.service level)		3 498	3 498	3 638	3 711	3 711	3 711	3 933	4 169	4 419
Electricity - prepaid (min.service level)		2 486	2 486	2 585	2 637	2 637	2 637	2 795	2 963	3 141
<i>Minimum Service Level and Above sub-total</i>		5 984	5 984	6 223	6 348	6 348	6 348	6 729	7 132	7 560
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		13 804	13 804	12 835	13 092	13 092	13 092	13 877	14 710	15 592
<i>Below Minimum Service Level sub-total</i>		13 804	13 804	12 835	13 092	13 092	13 092	13 877	14 710	15 592
<b>Total number of households</b>	5	<b>19 788</b>	<b>19 788</b>	<b>19 058</b>	<b>19 440</b>	<b>19 440</b>	<b>19 440</b>	<b>20 606</b>	<b>21 842</b>	<b>23 153</b>
<b>Refuse:</b>										
Removed at least once a week		14 402	14 402	14 975	15 275	15 275	15 275	16 191	17 162	18 192
<i>Minimum Service Level and Above sub-total</i>		14 402	14 402	14 975	15 275	15 275	15 275	16 191	17 162	18 192
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		4 813	4 813	4 701	4 795	4 795	4 795	5 083	5 388	5 711
<i>Below Minimum Service Level sub-total</i>		4 813	4 813	4 701	4 795	4 795	4 795	5 083	5 388	5 711
<b>Total number of households</b>	5	<b>19 215</b>	<b>19 215</b>	<b>19 676</b>	<b>20 070</b>	<b>20 070</b>	<b>20 070</b>	<b>21 274</b>	<b>22 550</b>	<b>23 903</b>
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		5 925	4 773	6 181	6 500	6 500	6 500	7 000	7 200	7 600
Sanitation (free minimum level service)		5 925	4 773	6 181	6 500	6 500	6 500	7 000	7 200	7 600
Electricity/other energy (50kwh per household per month)		5 925	4 773	6 181	6 500	6 500	6 500	7 000	7 200	7 600



Refuse (removed at least once a week)		5 925	4 773	6 181	6 500	6 500	6 500	7 000	7 200	7 600
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		9 230	6 895	28 175	31 144	33 338	33 338	35 005	37 106	39 332
Sanitation (free sanitation service to indigent households)		6 648	5 022	6 041	6 815	7 388	7 388	7 757	8 223	8 716
Electricity/other energy (50kwh per indigent household per month)		2 945	2 369	2 034	2 329	2 329	2 329	2 867	3 039	3 221
Refuse (removed once a week for indigent households)		7 706	5 818	7 030	7 931	8 617	8 617	9 134	9 682	10 263
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		<b>26 529</b>	<b>20 103</b>	<b>43 280</b>	<b>48 220</b>	<b>51 672</b>	<b>51 672</b>	<b>54 764</b>	<b>58 049</b>	<b>61 532</b>
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		20 000	20 000	20 000	15 000	15 000	15 000	15 000	15 000	15 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)				-						
Sanitation (Rand per household per month)		97	103	109	109	109	109	116	122	130
Electricity (kwh per household per month)		50	50	53	53	53	53	56	60	63
Refuse (average litres per week)		85	85	89	89	89	89	94	100	106
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)		674	715	780	827	827	827	876	929	985
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		778	1 167	21 579	22 608	23 073	23 073	24 457	25 925	27 480
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates	6									
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>		<b>1 452</b>	<b>1 882</b>	<b>22 359</b>	<b>23 435</b>	<b>23 900</b>	<b>23 900</b>	<b>25 334</b>	<b>26 854</b>	<b>28 465</b>

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 7000 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase to 7 600 in 2020/21.
3. It is anticipated that these Free Basic Services will cost the municipality R54 million in 2018/19, increasing to R61 million in 2020/21. This is covered by the municipality’s equitable share allocation from national government.
4. In addition to the Free Basic Services, Nketoana also ‘gives’ households R24 million in free services in 2018/19, and it increases to R27 million in 2020/21. This ‘tax expenditure’ needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the ‘free services’ represent about 7 per cent of total operating revenue

## **Part 2 – Supporting Documentation**

### **2.1 Overview of the Annual Budget Process**

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

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

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

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of 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.

## 2.2 Budget Process Overview

### BUDGET TIMELINE 2018/2019 Budget

Budget Activity	Timeline	Responsible Person
1. Budget Steering Committee.	06 <sup>th</sup> September 2017	Mayor
2. Situation Analysis / Data Collection of IDP 2018/2019	1 <sup>st</sup> September 2017 – 31 <sup>st</sup> December 2017	Manager IDP
3. Preparation of Budget Guidelines	11 <sup>th</sup> – 22 <sup>nd</sup> September 2017	CFO
4. 1 <sup>st</sup> Quarter Budget Assessment Report	13 <sup>th</sup> October 2017	BTO
5. Budget Steering Committee Meeting.	11 <sup>th</sup> January 2018	Mayor
6. 2 <sup>nd</sup> Quarter Budget Assessment Report and Submission of Half Yearly Budget Report.	19 <sup>th</sup> January 2018	BTO
7. Table 2017-2018 Mid Term Budget Performance and Assessment Report to Council.	25 <sup>th</sup> January 2018	Mayor
8. Obtain Comments on the New Tariffs.	30 <sup>th</sup> January 2018	Mayor
9. Mid –Budget Performance and Assessment Visit	January – February 2018	CFO/MM
10. Projects – Planning the Future	01 <sup>st</sup> – 27 <sup>th</sup> February 2018	Manager IDP
11. Mid-Year Budget Performance and Assessment Engagements (Treasury)	24 <sup>th</sup> February 2018	CFO/MM
12. Table 2017-2018 Adjustment Budget to Council.	28 <sup>th</sup> February 2018	Mayor
13. Submit the 2018-2019 Draft Budget to the Mayor.	07 <sup>th</sup> – 16 <sup>th</sup> March 2018	CFO/MM
14. Budget Steering Committee Meeting	21 <sup>st</sup> March 2018	Mayor
15. Finalize the 2018-2019 Draft Budget	23 <sup>rd</sup> March 2018	CFO/MM
16. Council Meeting to Table the Draft Budget.	28 <sup>th</sup> March 2018	Mayor
17. Obtain Comments from the public on Draft Budget 2017/18	01 <sup>st</sup> -30 <sup>th</sup> April 2018	Mayor
18. Budget and Benchmark Assessment	April - May 2018	CFO/MM
19. Budget Steering Committee Meeting	09 <sup>th</sup> May 2018	Mayor
20. Finalize budget and tariffs for 2018-2019	18 <sup>th</sup> May 2018	CFO/MM
21. Submit Final Draft budget 2018-2019 to the Mayor.	22 <sup>nd</sup> May 2018	MM
22. Table Final 2018-2019 Budget for Approval	30 <sup>th</sup> May 2018	Council

*There were no major deviations from the key dates set out in the Budget Time Schedule tabled in Council.*

## **2.3 Community Consultation, IDP and Service Delivery and Budget Implementation Plan**

The 2018/19 MTREF budget was tabled before council on 04 April 2018 and for community consultation.

The municipality will be consulting all the stakeholders on the budget.

## **2.4 Overview of alignment of annual budget and IDP and strategic objectives**

In order to ensure integrated and focused service delivery between all spheres of government it was important for Nketoana Local Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building clean, healthy, safe, and sustainable communities, financial viability, and sound institutional governance.

Local priorities were identified as part of the IDP review process, which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide roads and storm water;
  - Provide stands;
  - Maintaining the infrastructure of the Municipality.
  
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
  
3. Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Extending waste removal services and ensuring effective city cleansing;

- Ensuring all waste water treatment works are operating optimally;
- Working with Police to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

4. Good governance, financial viability and institutional governance:

- Reviewing the use of contracted services;
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan;
- Publishing the outcomes of all tender processes on the municipal website;
- To create financially sustainable and accountable municipality.

**Table 12 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

FS193 Nketoana - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Local Economic Development	To create employment opportunities in the Nketoana	3 266	2 599	2 348	2 444	3 824	3 824	3 536	3 748	3 973
Urban Planning	To ensure an effective urban planning that will promote proper spatial planning to address sustainable development and social cohesion	3 692	2 141	2 031	2 055	2 324	2 324	2 683	2 844	3 014
Institutional Building	To facilitate institutional transformation and development in the Nketoana local municipality	17 532	25 188	26 475	27 296	27 290	27 290	29 514	31 284	33 162
Municipal Financial viability and Management	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	103 963	112 640	43 431	63 175	66 997	66 997	63 774	67 601	71 657
Traffic and Parking	To ensure effective traffic management and parking in the Nketoana municipal area	6 036	9 944	4 467	5 690	6 042	6 042	7 051	7 474	7 922
Sanitation	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	29 205	27 176	28 646	27 175	33 339	33 339	34 667	36 747	38 952

Refuse Removal	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	20 672	17 500	27 551	27 400	32 564	32 564	33 865	35 897	38 051
Electricity Reticulation	To Ensure that 100% of households in Nketoana Municipal area have access to electricity	60 271	59 912	69 558	81 450	74 995	74 995	78 608	83 324	88 323
Water	To ensure that 100% of households in formal and informal settlement in the Nketoana Municipal area have access to basic level of water	42 508	41 400	73 351	35 855	35 061	35 061	36 312	38 490	40 800
Municipal Roads and Storm Water	To ensure that the Internal Roads in the Nketoana Municipal area are maintained and/ upgraded to facilitate economic and social activity required for the sustainable development	68 277	60 512	43 450	48 302	45 061	45 061	47 241	50 075	53 080
Parks and Cemeteries	To ensure effective management of graveyards and cemeteries in the Nketoana Municipal area	6 773	8 640	14 342	15 423	18 056	18 056	18 592	19 708	20 890
Sport and Recreational Facilities	To ensure access to quality sport and recreational facilities in the Nketoana municipal area	714	504	475	654	654	654	700	742	787
<b>Allocations to other priorities</b>										
<b>Total Expenditure</b>		<b>362 911</b>	<b>368 157</b>	<b>336 124</b>	<b>336 919</b>	<b>346 208</b>	<b>346 208</b>	<b>356 542</b>	<b>377 934</b>	<b>400 610</b>

**Table 31 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Strategic Objective	Goal	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Local Economic Development	To create employment opportunities in the Nketoana									
Urban Planning	To ensure an effective urban planning that will promote proper spatial planning to address sustainable development and social cohesion									
Institutional Building	To facilitate institutional transformation and development in the Nketoana local municipality									

Municipal Financial viability and Management	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	8 930	7 754							
Traffic and Parking	To ensure effective traffic management and parking in the Nketoana municipal area								-	-
Sanitation	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	4 160	7 729	10 403	20 279	22 502	22 502	28 491	30 200	32 012
Refuse Removal	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	1 516	8 943	376	7 690	386	386	425	450	477
Electricity Reticulation	To Ensure that 100% of households in Nketoana Municipal area have access to electricity	5 300	2 842	-	5 000	5 000	5 000	1 547	1 640	1 738
Water	To ensure that 100% of households in formal and informal settlement in the Nketoana Municipal area have access to basic level of water	14 597	19 661	32 011	47 849	47 849	47 849	24 691	26 173	27 743
Municipal Roads and Storm Water	To ensure that the Internal Roads in the Nketoana Municipal area are maintained and/ upgraded to facilitate economic and social activity required for the sustainable development	11 094	12 648	5 127	13 833	17 158	17 158	8 568	9 082	9 627
Parks and Cemeteries	To ensure effective management of graveyards and cemeteries in the Nketoana Municipal area			12 389	855	855	855	-	-	-
Sport and Recreational Facilities	To ensure access to quality sport and recreational facilities in the Nketoana municipal area	-	-	3 911	3 255	5 010	5 010	1 205	1 278	1 354
<b>Allocations to other priorities</b>										
<b>Total Capital Expenditure</b>		<b>45 598</b>	<b>59 577</b>	<b>64 218</b>	<b>98 761</b>	<b>98 761</b>	<b>98 761</b>	<b>64 927</b>	<b>68 823</b>	<b>72 952</b>

## 2.5 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 Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the intergraded planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance, which in turn is directly linked to the HOD's performance.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- ❖ Planning (setting goals, objectives, targets and benchmarks);
- ❖ Monitoring (regular monitoring and checking on the progress against plan);
- ❖ Measurement (indicators of success);
- ❖ Review (identifying areas requiring change and improvement);
- ❖ Reporting (what information, to whom, from whom, how often and for what purpose); and
- ❖ Improvement (making changes where necessary).

#### FS193 Nketoana - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>EXECUTIVE AND COUNCIL</b>	To ensure good governance and public participation in the Nketoana local municipality	2.0%	3.0%							
Municipal Manager		2.0%	2.0%							
Speakers office		1.0%	0.5%	0.5%	2.5%	2.5%	2.5%	2.7%	2.8%	3.0%
Mayors office										
<b>FINANCE AND ADMIN</b>	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	14.0%	11.0%	11.0%	13.0%	13.0%	13.0%	13.8%	14.6%	15.5%
Finance		4.0%	7.0%							
Corporate services										
<b>COMMUNITY SERVICES AND SOCIAL</b>	Routine maintenance of recreational facilities, cemeteries and traffic control of traffic	2.0%	2.0%							
Parks and Cemetery		1.0%	1.0%	1.0%	3.0%	3.0%	3.0%	3.2%	3.4%	3.6%
Traffic and fire services		0.3%	0.2%							
Sports		2.0%	0.5%							
other community and social				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>SOLID WASTE MANAGEMENT</b>	Number of credible IWMPs developed	10.0%	7.0%	7.0%	2.5%	2.5%	2.5%	2.7%	2.8%	3.0%
Refuse removal				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>LOCAL ECONOMIC DEVELOPMENT</b>	Number of job opportunities created	0.5%	0.7%							



<i>Economic Development</i>		0.2%	0.3%	0.3%	2.3%	2.3%	2.3%	2.4%	2.6%	2.7%
<b>Tourism</b>										
<b>ROADS AND STROM WATER</b>	Number of projects completed according to quality and quantity specifications	16.0%	21.0%							
<b>Roads</b>										
<b>Stormwater</b>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>WATER</b>	Number of households with access to at least RDP level of water, provision of water into the Nketoana as a whole	14.0%	12.0%							
<i>Water</i>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>ELECTRICITY</b>	Number of households with access to basic level of electricity	23.0%	21.0%	21.0%						
<i>Electricity</i>										
				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>WASTE MANAGEMENT</b>	Number of households with access to basic level of sanitation	10.0%	7.0%							
<i>Waste Water Management</i>				0.0%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
<b>HOUSING</b>	Number of credible SDF's developed and approved, sector plans approved and number of housing demand database	0.5%	0.7%	0.7%	2.7%	2.7%	2.7%	2.9%	3.0%	3.2%
<i>Urban and planning and housing</i>										

## 2.6 Overview of budget related-policies

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

- **Credit control and debt collection Policy**

It was also brought to the attention of the Council that outstanding debt (excluding rates that expires after 30 years), do expire after three (3) years under certain conditions.

A workshop was held by the Council and Management on, inter alia, the Revenue Policies. All approved policies were accepted by Council except for the postponement of the implementation of the 30/70% debt collection via the pre-paid electricity system as per the Credit Control and Debt Collection policy. The latest changes on the policies/by-laws were tabled to in Council on 04 April 2018.

- **Fixed Asset Management Policy**

The utilization and management of property, plant and equipment is the prime mechanism by which a municipality can fulfil its constitutional mandates for :

- ✓ Delivery of sustainable services,
- ✓ Social and economic development,
- ✓ Promoting safe and healthy environments; and
- ✓ Providing the basic needs to the community.

As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment.

- **Supply Chain Management Policy**

The Supply Chain Management Policy was tabled in Council in April 2018. There was also another policy which was tabled with the SCM Policy which is the SCM Policy for Infrastructure & Delivery Management

MFMA Circular No 77: Model SCM Policy for Infrastructure Delivery Management provides guidance to municipalities and municipal entities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption.

- **Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Nketoana's system of delegations. The Budget and Virement Policy was tabled in Council for review in April 2018 in respect of both Operating and Capital Budget Fund Transfers.

- **Banking and Investment Policy**

The Nketoana's banking and Investment Policy was also tabled in Council in April 2018. The aim of the policy is to ensure that the Nketoana's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

- **Tariff Policy**

The Nketoana's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

- **Indigent Policy**

The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the council and to provide procedures and guidelines for the subsidization of basic service (s) charges to its indigent households, using the council's budgetary provisions and/or funds received from central government in accordance with prescribed policy guidelines.

- **Property Rates Policy**

This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy. Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

## 2.7 Overview of budget assumptions

Key budget assumptions municipality used is as follows:

- The municipality is expected to budget based on its strength to collect revenue
- Repairs and Maintenance as this will assist in the life span of an asset
- Refrain from budgeting for luxury furniture and non-priorities such as excessive catering ( MFMA circular 82)
- Increase the labour force by way of implementing EPWP programmes
- CPI 5.3% MFMA circular 91
- New tariffs have been proposed by the departments and they are also going to be provided with targets in order to ensure proper implementation of tariffs
- The municipality is going to consider the possibility of buying the new Compact Track and TLB in an effort to decrease contracted costs.
- The electricity tariffs have been applied for at Nersa at the 6.8 percentage increase.
- The repayment of plan has been provided for on the budget of 2018/2019 with R18.3 million being for repayment of arrears debt.
- The municipality has established the cash flow committee in an effort to properly manage the payments being made and ensure that there are no critical supplier not being paid.
- The municipality is anticipating to reach the 75 percent collection on the 2018/2019 financial year.
- There is also a system of debt collection the municipality bought which is going to be assisting with the debt collection. The system will assist the municipality by issuing final notice to summons and will also be in showing how much the municipality will be collecting from outstanding debt.

## 2.8 Overview of budget funding

In terms of DoRA allocation, there is an Unconditional grant of R90 million for 2018/19 financial year, R99 million and R108 million respectively for 2019/20 and 2020/21.

Capital budget is funded by MIG of R24 million and RBIG of R 40 million

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>									
-									
<b><u>Operating Transfers and Grants</u></b>									
<b>National Government:</b>	82 649	84 163	81 702	82 580	82 580	82 580	90 367	3 448	3 956
Local Government Equitable Share	79 011	80 525	79 054	79 880	79 880	79 880	87 543	96	104
Finance Management	1 600	1 600	1 625	1 700	1 700	1 700	1 770	2 235	2 667
Municipal Systems Improvement	934	930	-	-	-	-	-	-	-
EPWP Incentive	1 104	1 108	1 023	1 000	1 000	1 000	1 054	1 117	1 184
Other transfers/grants [insert description]									
<b>Provincial Government:</b>	-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]									
<b>District Municipality:</b>	-	-	-	-	-	-	-	-	-
[insert description]									
<b>Other grant providers:</b>	-	-	-	-	-	-	-	-	-
[insert description]									
<b>Total Operating Transfers and Grants</b>	<b>82 649</b>	<b>84 163</b>	<b>81 702</b>	<b>82 580</b>	<b>82 580</b>	<b>82 580</b>	<b>82 580</b>	<b>89 385</b>	<b>95 923</b>
<b><u>Capital Transfers and Grants</u></b>									
<b>National Government:</b>	-	62 773	64 218	98 761	98 761	98 761	64 927	38 572	76 516
Municipal Infrastructure Grant (MIG)		24 633	24 218	25 755	25 755	25 755	24 927	25 372	26 602
Regional Bulk Infrastructure		30 000	40 000	68 006	68 006	68 006	40 000	10 000	45 000
Integrated National Electrification Programme		3 240	-	5 000	5 000	5 000	-	3 200	4 914
ACIP		-	4 900						
<b>Provincial Government:</b>	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
<b>District Municipality:</b>	-	-	-	-	-	-	-	-	-
[insert description]									
<b>Other grant providers:</b>	-	-	-	-	-	-	-	-	-
[insert description]									

<b>Total Capital Transfers and Grants</b>	-	62 773	64 218	98 761	98 761	98 761	64 927	38 572	76 516
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	82 649	146 936	145 920	181 341	181 341	181 341	181 341	186 427	169 323

## 2.9 Councillor and employee benefits

We have budgeted 7% in terms of salary increase for both staff and councillors in absence of the guidelines from SALGA.

Summary of Employee and Councillor remuneration	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	A	B	C	D	E	F	G	H	I
-									
<b><u>Councillors (Political Office Bearers plus Other)</u></b>									
Basic Salaries and Wages	3 755	4 332	4 592	6 701	6 727	6 727	7 198	7 630	8 088
Pension and UIF Contributions	530	613	650	445	897	897	960	1 018	1 079
Medical Aid Contributions	-	42	44	15	15	15	16	17	18
Motor Vehicle Allowance	1 341	1 037	1 099	1 176	1 180	1 180	1 263	1 339	1 419
Cellphone Allowance	359	340	361	502	504	504	539	571	606
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	269	299	317	213	178	178	190	202	214
<b>Sub Total - Councillors</b>	<b>6 255</b>	<b>6 663</b>	<b>7 063</b>	<b>9 053</b>	<b>9 501</b>	<b>9 501</b>	<b>10 166</b>	<b>10 776</b>	<b>11 423</b>
<b>% increase</b>		<b>6.5%</b>	<b>6.0%</b>	<b>28.2%</b>	<b>5.0%</b>	<b>-</b>	<b>7.0%</b>	<b>6.0%</b>	<b>6.0%</b>
<b><u>Senior Managers of the Municipality</u></b>									
Basic Salaries and Wages	7 044	4 661	4 949	5 246	5 246	5 246	5 614	5 950	6 307
Pension and UIF Contributions		147	156	166	166	166	177	188	199
Medical Aid Contributions	239	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-	-
Performance Bonus	941	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	824	918	975	1 034	1 034	1 034	1 106	1 172	1 243
Cellphone Allowance	50	119	127	134	134	134	144	152	162
Housing Allowances	15	268	285	302	302	302	323	342	363
Other benefits and allowances	1 926	221	234	248	248	248	266	282	299
Payments in lieu of leave		65	70	74	74	74	79	84	89
Long service awards									
Post-retirement benefit obligations									
<b>Sub Total - Senior Managers of Municipality</b>	<b>11 039</b>	<b>6 401</b>	<b>6 796</b>	<b>7 204</b>	<b>7 204</b>	<b>7 204</b>	<b>7 708</b>	<b>8 171</b>	<b>8 661</b>
<b>% increase</b>		<b>(42.0%)</b>	<b>6.2%</b>	<b>6.0%</b>	<b>-</b>	<b>-</b>	<b>7.0%</b>	<b>6.0%</b>	<b>6.0%</b>
<b><u>Other Municipal Staff</u></b>									

Basic Salaries and Wages	30 630	40 592	41 157	43 279	43 279	43 279	55 430	58 756	62 281
Pension and UIF Contributions	6 340	8 360	8 728	8 065	8 065	8 065	8 865	9 396	9 960
Medical Aid Contributions	1 632	2 152	2 247	2 456	2 456	2 456	2 696	2 858	3 029
Overtime	1 532	4 337	2 562	3 402	3 402	3 402	7 414	7 859	8 331
Performance Bonus	3 428	3 227	3 369	3 623	3 623	3 623	3 496	3 706	3 929
Motor Vehicle Allowance	1 303	2 294	2 395	2 594	2 594	2 594	1 989	2 108	2 235
Cellphone Allowance	857	303	316	340	340	340	249	264	279
Housing Allowances	46	201	210	225	225	225	684	725	768
Other benefits and allowances	2 964	2 192	2 289	4 009	4 009	4 009	5 060	5 364	5 685
Payments in lieu of leave		433	452						
Long service awards	1 235	344	359						
Post-retirement benefit obligations									
<b>Sub Total - Other Municipal Staff</b>	<b>49 967</b>	<b>64 435</b>	<b>64 083</b>	<b>67 992</b>	<b>67 992</b>	<b>67 992</b>	<b>85 882</b>	<b>91 035</b>	<b>96 498</b>
<b>% increase</b>		<b>29.0%</b>	<b>(0.5%)</b>	<b>6.1%</b>	<b>-</b>	<b>-</b>	<b>26.3%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>Total Parent Municipality</b>	<b>67 261</b>	<b>77 499</b>	<b>77 942</b>	<b>84 248</b>	<b>84 697</b>	<b>84 697</b>	<b>102 643</b>	<b>108 802</b>	<b>115 330</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>67 261</b>	<b>77 499</b>	<b>77 942</b>	<b>84 248</b>	<b>84 697</b>	<b>84 697</b>	<b>102 643</b>	<b>108 802</b>	<b>115 330</b>
<b>% increase</b>		<b>15.2%</b>	<b>0.6%</b>	<b>8.1%</b>	<b>0.5%</b>	<b>-</b>	<b>21.2%</b>	<b>6.0%</b>	<b>6.0%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>61 006</b>	<b>70 836</b>	<b>70 879</b>	<b>75 196</b>	<b>75 196</b>	<b>75 196</b>	<b>93 591</b>	<b>99 206</b>	<b>105 158</b>

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
<b>Councillors</b>	3							
Speaker	4		433,341	25,419	171,849			630,608
Chief Whip			237,850		133,905			371,755
Executive Mayor			518,984	54,465	205,431			778,880
Deputy Executive Mayor								-
Executive Committee			664,849	48,700	328,556			1,042,105
Total for all other councillors				150,787	859,068			1,009,855
<b>Total Councillors</b>	8	-	<b>1,855,023</b>	<b>279,370</b>	<b>1,698,810</b>			<b>3,833,203</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			940,970	255,487	322,651			1,519,108
Chief Finance Officer			607,587	160,942	150,040			918,569
Director Coporate Services			926,645	-	158,312			1,084,957
Director Community Services			878,770	35,296	112,400			1,026,466
Director Infrustructure Services			732,131	3,569	255,996			991,696
								-

<i>List of each official with packages &gt;= senior manager</i>								
Manager IDP and PMS			339,550	159,684	71,796	28,296		599,326
Manager Internal Audit and Risk management			339,550	99,384	119,820	28,296		587,050
Manager Budget and Treasury				-	-			-
Manager Income			339,550	94,332	90,060	28,296		552,238
Manager Budget and Expenditure			339,550	53,220	76,944	28,296		498,010
Manager Supply Chain			339,550	59,136	81,456	28,296		508,438
Manager LED			339,550	71,268	124,800	28,296		563,914
Manager Tourism			339,550	79,356	118,896	28,296		566,098
Manager Records			339,550	92,544	118,548	28,296		578,938
Manager Human Resources			339,550	80,554	134,148	28,296		582,548
Manager Parks and Cemetery and Solid waste			339,550	63,396	58,956	28,296		490,198
Manager Waste Water and Water			339,550	94,644	118,896	28,296		581,386
Manager Electricity			339,550	59,988	126,084	28,296		553,918
<b>Total Senior Managers of the Municipality</b>	8,10	-	<b>8,160,700</b>	<b>1,462,800</b>	<b>2,239,803</b>	<b>339,550</b>		<b>12,202,853</b>
<b>A Heading for Each Entity</b>	6,7							
List each member of board by designation								
Manager Urban and Planning			339,550	83,916	133,332	28,296		585,094
Manager Roads			339,550	108,108	135,168	28,296		611,122
Manager Traffic, Fire and Safety			339,550	90,876	135,168	28,296		593,890
<b>Total for municipal entities</b>	8,10	-	<b>1,018,649</b>	<b>282,900</b>	<b>403,668</b>	<b>84,887</b>		<b>1,790,105</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	-	<b>11,034,372</b>	<b>2,025,070</b>	<b>4,342,281</b>	<b>424,437</b>		<b>17,826,161</b>

The municipality does not have an entity. We put information on this sheet due to lack of space, the document did not allow us to insert the lines or edit it. We had to capture this information that will reflect all other managers to be consistent with the organisational structure as it stands currently.

## 2.10 Monthly targets for revenue, expenditure and cash flow



FS193 Nketoana - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20
<b>Cash Receipts By Source</b>													1		
Property rates	1 125	1 057	1 006	1 001	987	1 206	1 465	1 356	1 145	1 307	1 356	2 791	15 801	16 749	17 754
Service charges - electricity revenue	1 786	1 745	2 415	2 786	2 855	2 762	3 808	4 543	4 851	4 148	4 527	4 071	40 296	42 713	45 276
Service charges - water revenue	1 997	1 999	1 895	1 995	2 848	2 749	2 990	3 000	2 978	2 986	2 999	13 208	41 641	44 140	46 788
Service charges - sanitation revenue	733	659	846	836	857	1 057	1 249	1 069	1 259	1 186	833	6 311	16 893	17 907	18 981
Service charges - refuse revenue	1 077	1 066	1 056	1 059	1 046	1 077	1 056	1 057	1 023	1 046	1 077	4 784	16 424	17 409	18 454
Service charges - other												-	-	-	-
Rental of facilities and equipment	17	12	33	25	13	70	74	71	72	74	98	68	628	666	706
Interest earned - external investments	96	87	100	89	115	128	113	110	109	100	125	211	1 382	1 465	1 553
Interest earned - outstanding debtors	987	995	1 057	1 070	1 387	2 500	2 056	3 656	4 800	4 811	4 956	3 082	31 355	33 236	35 230
Dividends received												-	-	-	-
Fines, penalties and forfeits	9	10	13	12	12	15	16	18	26	40	28	455	650	689	730
Licences and permits												-	-	-	-
Agency services												-	-	-	-
Transfer receipts - operational	22 592		22 592			22 592			22 591			(0)	90 367	95 789	101 536
Other revenue	726	813	859	940	1 267	1 258	1 288	1 390	1 355	1 345	1 100	8 102	20 442	21 669	22 969
<b>Cash Receipts by Source</b>	<b>31 142</b>	<b>8 442</b>	<b>31 871</b>	<b>9 811</b>	<b>11 385</b>	<b>35 414</b>	<b>14 114</b>	<b>16 269</b>	<b>40 210</b>	<b>17 043</b>	<b>17 097</b>	<b>43 082</b>	<b>275 879</b>	<b>292 432</b>	<b>309 978</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	13 731		13 731			13 731			23 734			(0)	64 927	68 823	72 952

Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												-	-	-	
Proceeds on disposal of PPE												-	-	-	
Short term loans												-	-	-	
Borrowing long term/refinancing												-	-	-	
Increase (decrease) in consumer deposits												165	165	175	
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>44 873</b>	<b>8 442</b>	<b>45 602</b>	<b>9 811</b>	<b>11 385</b>	<b>49 145</b>	<b>14 114</b>	<b>16 269</b>	<b>63 944</b>	<b>17 043</b>	<b>17 097</b>	<b>43 247</b>	<b>340 971</b>	<b>361 429</b>	<b>383 115</b>

<b>Cash Payments by Type</b>															
Employee related costs	9 010	8 203	8 541	8 158	8 404	8 746	9 010	8 556	8 746	9 010	8 556	10 012	104 950	111 247	117 922
Remuneration of councillors	805	849	844	843	835	845	844	848	856	847	856	894	10 166	10 776	11 423
Finance charges	300	300	400	400	400	400	400	460	1 460	1 430	1 456	10 439	17 845	18 916	20 051
Bulk purchases - Electricity	2 533	2 700	2 501	3 855	3 945	4 123	4 989	4 256	5 588	5 855	2 989	9 759	53 091	56 277	59 654
Bulk purchases - Water & Sewer	39	79	80	60	50	79	79	60	79	100	83	(16)	770	816	865
Other materials	289	156	450	408	269	386	433	339	463	796	525	4 497	9 010	9 551	10 124
Contracted services	34	21	21	41	41	76	66	51	61	51	71	6 602	7 130	7 558	8 011
Transfers and grants - other municipalities												-	-	-	-
Transfers and grants - other												-	-	-	-
Other expenditure	1 570	1 458	3 895	3 149	4 182	3 589	3 486	3 485	2 016	3 582	3 049	6 218	39 680	42 060	44 584
<b>Cash Payments by Type</b>	<b>14 578</b>	<b>13 764</b>	<b>16 731</b>	<b>16 912</b>	<b>18 124</b>	<b>18 244</b>	<b>19 306</b>	<b>18 055</b>	<b>19 270</b>	<b>21 670</b>	<b>17 583</b>	<b>48 405</b>	<b>242 642</b>	<b>257 201</b>	<b>272 633</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	4 025	4 853	4 421	4 095	4 997	5 732	5 870	5 052	5 113	6 683	6 345	7 741	64 927	68 823	72 952
Repayment of borrowing	200	200	200	200	200	200	200	200	200	200	200	200	2 400	2 544	2 697
Other Cash Flows/Payments	3 400	1 550	1 550	450	450	2 088	450	550	3 762	550	550	550	15 900	16 854	17 865
<b>Total Cash Payments by Type</b>	<b>22 203</b>	<b>20 367</b>	<b>22 902</b>	<b>21 657</b>	<b>23 771</b>	<b>26 264</b>	<b>25 826</b>	<b>23 857</b>	<b>28 344</b>	<b>29 102</b>	<b>24 678</b>	<b>56 896</b>	<b>325 869</b>	<b>345 421</b>	<b>366 147</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>22 670</b>	<b>(11 926)</b> <sup>(11)</sup>	<b>22 700</b>	<b>(11 846)</b> <sup>(11)</sup>	<b>(12 386)</b>	<b>22 881</b>	<b>(11 712)</b>	<b>(7 588)</b> <sup>(7)</sup>	<b>35 599</b>	<b>(12 060)</b> <sup>(12)</sup>	<b>(7 581)</b>	<b>(13 649)</b> <sup>(13)</sup>	<b>15 102</b>	<b>16 008</b>	<b>16 969</b>
Cash/cash equivalents at the month/year begin:	1 013	23 683	11 757	34 457	22 610	10 224	33 105	21 393	13 805	49 404	37 344	29 763	1 013	16 115	32 123
Cash/cash equivalents at the month/year end:	23 683	11 757	34 457	22 610	10 224	33 105	21 393	13 805	49 404	37 344	29 763	16 115	16 115	32 123	49 091

## 2.11 Contracts having future budgetary implications

We anticipate spending 100% of Conditional grants allocated to the municipality

## 2.12 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.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has 5 interns undergoing training in various divisions of the Financial Services Department which has started in October 2016 which will run until September 2018

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA. There is however a high shortage of personnel in the budget and reporting division and there are no permanent staff.

4. Audit Committee

The new audit committee has been appointed from July 2017 to June 2020

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be in line with MFMA

6. Annual Report

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

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality internal centre which is Finance department in this regard and training is on-going.

**2.13 Municipal manager's quality certificate**

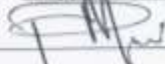
**Municipal Manager's quality certificate**



I, Mzwandile Penwell Manzi municipal manager of Nketoana Local Municipality, hereby certify that the Draft Annual Budget 2018/19 to 2020/21 and supporting documentation have been prepared in accordance with Municipal Finance Management Act and the regulations made under the Act, and that the Draft Annual Budget 2018/19 to 2020/21 and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print Name: Mzwandile Penwell Manzi

Municipal manager of Nketoana Local Municipality

Signature: 

Date: 04/04/2018