DRAFT ANNUAL BUDGET OF

MTHONJANENI LOCAL MUNICIPALITY 2018/19

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

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1. DEFINITIONS

(1) In this Budget Report, unless the context indicates otherwise –

''accounting officer''

(a) in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act, 2003; and include a person acting as the accounting officer;

''allocation'', in relation to a municipality, means -

(a) a municipality's share of the local government's equitable share referred to in section 214(1)*(a)* of the Constitution;

(b) an allocation of money to a municipality in terms of section 214(1)*(c)* of the Constitution;

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

''annual Division of Revenue Act'' means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;

''approved budget'' means an annual budget -

(a) Approved by a municipal council; or

(b) Approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;

''basic municipal service'' means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

''budget-related policy'' means a policy of a municipality affecting or affected by the annual budget of the municipality, including -

(a) The tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) The credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

''budget year'' means the financial year for which an annual budget is to be approved in terms of section 16(1) of the Municipal Finance Management Act, 2003.;

''chief financial officer'' means a person designated in terms of section 80(2)*(a)* of the Municipal Finance Management Act, 2003.

''councillor'' means a member of a municipal council;

"CPI" means Consumer price Index.

''current year'' means the financial year which has already commenced, but not yet ended;

''debt'' means -

(a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

''delegation'', in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

''district municipality'' means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

"COGTA" means Cooperative Governance and Traditional Affairs

"**EXCO"** means Executive Committee of the Council of the Municipality

"GFS" means General Financial Statistic.

''financial year'' means a year ending on 30 June;
"IDP" means Integrated Development Plan
"In year reports, in relation to-
(a) a municipality means
  (i) a monthly budget statement of the municipality contemplated in section 71(1) of the MFMA
  (ii) a Quarterly report on the implementation of the budget and financial state of affairs of the municipality contemplated in section 52(d) of the act;
  (iii) a mid-year budget and performance assessment of the municipality contemplated in section 72 of the act.
''investment'', in relation to funds of a municipality, means -
(a) The placing on deposit of funds of a municipality with a financial institution; or
(b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;
''lender'', in relation to a municipality, means a person who provides debt finance to a municipality;
''local community'' has the meaning assigned to it in section 1 of the Municipal Systems Act;
''local municipality'' means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;
''long-term debt'' means debt repayable over a period exceeding one year;
"MANCO" means management committee of the municipality
"MFMA" Municipal Finance Management Act, No. 56 of 2003
"MFMA Regulations or (MBRR)"means regulations relating to Municipal Budget and Reporting
"MTEF" means Medium Term Expenditure Framework
''mayor'', in relation to -
(a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
(b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;
''month'' means one of the 12 months of a calendar year;
''municipality'' -
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or *(b)* when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);
''municipal service'' has the meaning assigned to it in section 1 of the Municipal Systems Act;
''Municipal Systems Act'' means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
''municipal tariff'' means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;
''municipal tax'' means property rates or other taxes, levies or duties that a municipality may impose;
''National Treasury'' means the National Treasury established by section 5 of the Public Finance Management Act;
''past financial year'' means the financial year preceding the current year;
"NER", means the National Electricity Regulator;
''Provincial Treasury'' means a treasury established in terms of section 17 of the Public Finance Management Act;
''quarter'' means any of the following periods in a financial year:

(a) 1 July to 30 September;
(b) 1 October to 31 December;
(c) 1 January to 31 March; or
(d) 1 April to 30 June;

"Quality certificate", in relation to

(a) a municipality, means a certificate issued and signed by the municipal manager of the municipality confirming the accuracy and reliability of the contents of a document prepared or issued by the municipality

"SDBIP" means Service Delivery Budget Implementation Plan

''standards of generally recognised accounting practice'' means an accounting practice complying with standards applicable to municipalities or municipal entities and issued in terms of Chapter 11 of the Public Finance Management Act;

''vote'' means -

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1 Part 1 – Draft Annual Budget

1.1 Mayor's Report

Honourable Speaker, Amakhosi , Deputy Mayor, Members of the Executive Committee, Councillors, Municipal Manager, Officials and valuable members of our community. It gives me great pleasure to present to Council the 2018/2019 draft annual budget and the outer subsequent years. The 2018/19 budget has been hard as we are constantly required to do more with fewer resources. Our municipality is working hard and is on course in order to comply with Municipal Regulations on a Standard Chart of Accounts (Mscoa) which became effective from 01 July 2017.

The Gross Domestic Product is forecast at 1.5 per cent in 2018. But the projected rate of growth is not sufficient to reduce unemployment or impact significantly on poverty and inequality. Mthonjaneni Municipality, like all other Municipalities and the whole country, has no doubt that the continuing of economic downturn in our country, severe drought and high unemployment have conspired to create a very difficult situation for us indeed. The top priority of this budget is to give relief and better service delivery to the people of Mthonjaneni Municipality.

The Municipality's core business is enhancing service delivery for our communities. Despite the limited resources at the disposal of the municipality this budget seeks to better service delivery. We are aware of the challenges being faced by our people.

As we all know, the Municipality's infrastructure is aging, therefore, it becomes more critical that council is able to balance its finances in such a way that we are able to maintain the infrastructure and assets that we have. To this end the municipality is continuously seeking alternative sources of funds to renew this archaic infrastructure. The homes to the majority of our people lack basic necessities like electricity and running water. It is therefore imperative that this Council puts the foot on the pedal of seeking partnership with other organisations and in pursuit of improving the lives of our people as it is evident from the budget that we cannot do everything on our own with the limited financial resources we have.

The Municipality faces many challenges, chiefly the thin revenue base of the municipality. Despite these hurdles in front of us we are pleased to have put together a balanced budget under the circumstances. As the Council of Mthonjaneni Municipality we are committed to improving efficiency and implementation of sound financial management. In this regard the 2018/19 budget is being funded mainly from Government grants and own revenue.

Summary of draft annual budget 2018/19 is a follows:

Description	BUDGET 2018/2019	BUDGET 2019/2020	BUDGET 2020/2021
Operational Revenue	R 127.7 million	R 135.5 million	R 142.9 million
Capital Revenue	R32.7 million	R34.0 million	R25.8 million
Total Revenue	**R 160.4 million**	**R 169.5 million**	**R168.7 million**
Operational Expenditure	R 123.8 million	R 127.1 million	R 132.3 million
Capital Expenditure	R36.3 million	R 42.4 million	R 36. 4 million
Total Expenditure	**R160.4 million**	**R 169.5 million**	**R 168.7 million**
Surplus	***R282.6 thousand***	***R4.3 million***	***R 6.9 million***

The planned projects for 2018/19 in terms of the Municipal Infrastructure and Electrification grants allocations are as follows :

No.	Project Description	Source of funding	Amount
1.	Urban Roads upgrade and Rehabilitation phase 5	MIG	11.1 Million
2.	Gobihlala Creche ward 2	MIG	R 972 thousand
3.	Mpemvu Community hall - ward 4	MIG	R 2.8 million
4.	Ntombokazi Community hall - ward 12	MIG	R 2.8 million
5.	Soqiwa Village electrification , ward 3, with 85 connections and Makhasaneni electrification , ward 7 with 161 connections	INEP	R 12 million
6.	Thubalethu Phase 1 Electrification , ward 2 with 500 connections	INEP	R 3 million

The municipality will continue to assist the indigent communities with burial assistance.

In conclusion, I would like to thank all the Councillors for their invaluable contributions in this budget, the Municipal Manager, the Heads of Departments and all staff members who made the budget process a success .Honourable Councillors with those few words I have pleasure in placing the 2018/2019 draft capital and operating budget for consideration and approval. It is now time to work smarter, harder and faster in delivering on our core mandate. Your continued support is a testimony and affirmation that we can do better in improving the quality of lives of our communities.

I thank you!. Siyathokoza

SBK BIYELA

1.2 Council Resolutions

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the municipality for the financial year 2018/19; and indicative allocations for the two projected outer years 2019/20 and 2020/21; and the multi-year and single year capital appropriations be approved.

2. That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, that tariffs for electricity, Refuse removal, Property rates and other Services as set out in Annexure A be approved with effect from 1 July 2018.

3. That the Municipality's budget related policies remain unchanged.

1.3 Executive Summary

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

MFMA Circular No. 89 for the 2018/19 MTREF states that the National Treasury's macroeconomic projections show that per capita income will continue to stagnate unless appropriate financial decisions are taken. This implies that a new course of action is required to break the cycle of weak growth, escalating government debt, increasing unemployment and declining investment and business confidence.
It is important to note that the 2017 projected Gross Domestic Product (GDP) growth forecast of 1.3 per cent in the 2017/18 budget was revised down to 0.7 percent. The rate of recovery will be slow and at this time, it is anticipated that growth of 1.9 per cent may be reached by 2020.

Consequently, municipal revenues and cash flows are expected to remain under pressure in 2018/19 and ***so municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts.***
The Municipality should carefully consider affordability of tariff increases; especially as it relates to domestic consumer while considering the level of services versus the associated cost. The Municipality should also pay particular attention to managing revenue effectively and carefully evaluate all spending decision. The ***Municipality must implement cost containing measures in terms of MFMA circular 82 as adopted by Council to eliminate non – priority spending***

National Treasury's MFMA Circulars no. 89 and no. 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 summarised as follows:

- The ongoing difficulties in the national and local economy;
- Wage increases for municipal staff that continues to exceed consumer inflation.

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

- The 2017/18 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget were adopted as upper limits for the new baselines for the 2018/19 draft annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- 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.

1.4 Operating Revenue Framework

For Mthonjaneni Local Municipality to continue improving the quality of service provided to its citizens it needs to generate the required revenue. In these tough 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 exceeds available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy
- Effective revenue management
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 0f 2004) (MPRA)

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

Table 1 Operating Revenue Framework

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	8,040	9,817	8,648	13,165	13,165	13,165	–	13,850	14,833	15,649
Service charges - electricity revenue	2	19,449	19,167	22,702	22,375	22,375	22,375	–	25,512	26,908	28,388
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1,128	1,354	1,086	1,164	1,164	1,164	–	1,521	1,600	1,688
Service charges - other			634	672					–	–	–
Rental of facilities and equipment		366	247	507	252	252	252		171	171	180
Interest earned - external investments		2,901	3,284	3,146	3,335	3,335	3,335		1,200	1,266	1,336
Interest earned - outstanding debtors									–	–	–
Dividends received									–	–	–
Fines, penalties and forfeits		18,232	24,309	20,000	21,400	21,400	21,400		5,000	5,260	5,549
Licences and permits		2,360	2,070	2,516	2,693	2,693	2,693		2,881	3,031	3,198
Agency services									–		
Transfers and subsidies		37,767	44,680	77,172	76,584	79,370	79,370		76,447	81,245	85,721
Other revenue	2	4,911	964	1,867	3,545	3,545	3,545	–	1,133	1,177	1,242
Gains on disposal of PPE			416	608					–	–	–
Total Revenue (excluding capital transfers and contributions)		**95,155**	**106,944**	**138,925**	**144,513**	**147,299**	**147,299**	**–**	**127,714**	**135,490**	**142,950**

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

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. Interest comprises of; interest on primary bank account as well as interest earned from call investment accounts.

The Transfers recognized – operating and capital was informed by the government gazette no. 41432 dated 9 February 2018 that talks about Equitable share transfers to municipalities in terms of section 38 (2) of the Division of Revenue Act.

It should be also noted that the anticipated total revenue (excluding capital transfers and contributions) amounts to R 127.7 million to cover budgeted operating expenditure amounting to R 123.8 million.

Table 2 Operating Transfers and Grants Receipts

KZN285 Mthonjaneni - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		**36,783**	**43,957**	**76,022**	**75,813**	**75,813**	**75,813**	**75,637**	**80,399**	**85,721**
Local Government Equitable Share		31,674	38,963	63,837	67,317	67,317	67,317	70,979	77,549	82,871
Finance Management		1,800	1,800	2,738	2,850	2,850	2,850	2,850	2,850	2,850
Municipal Systems Improvement		934	930		–	–	–	–	–	–
EPWP Incentive		2,375	2,264	2,161	2,222	2,222	2,222	1,808	–	–
Demarcation Transition Grant				7,286	3,424	3,424	3,424	–	–	–
Provincial Government:		**661**	**723**	**738**	**771**	**771**	**771**	**–**	**–**	**–**
Community libraries Service grant					771	771	771	–	–	–
Provincialisation of Libraries		661	723	738				–	–	–
District Municipality:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
[insert description]										
Other grant providers:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
[insert description]										
Total Operating Transfers and Grants	5	**37,444**	**44,680**	**76,760**	**76,584**	**76,584**	**76,584**	**75,637**	**80,399**	**85,721**

The above table shows the operating transfers and grants for Mthonjaneni Local Municipality 2018/19 as published in the Division of Revenue Act and Provincial Gazette of transfers and of funds to municipalities. The municipality has budgeted for only the transfers that are gazetted.

The diagram below shows the revenue by source through pie chart in terms of how much percentages does each revenue source contributes to total operating revenue of Mthonjaneni Local Municipality.

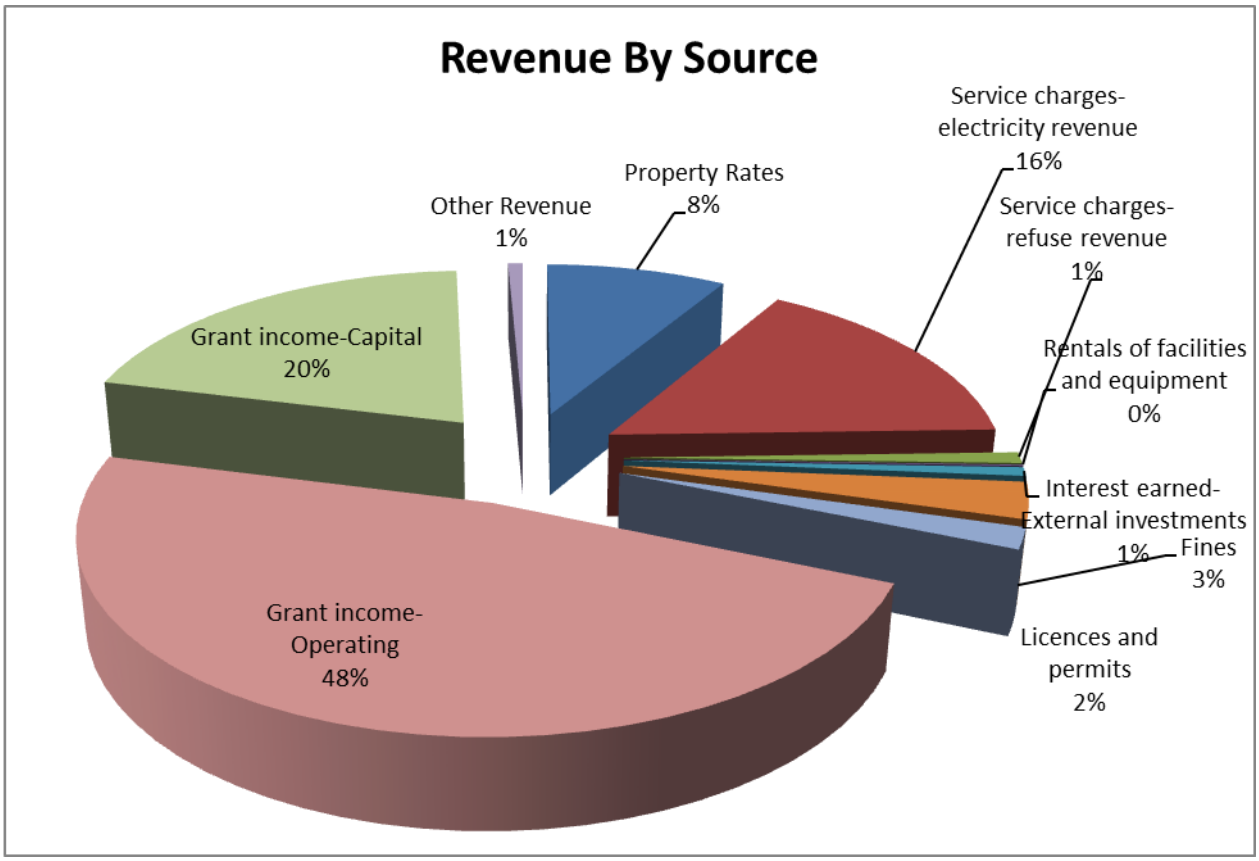

Figure 1 Main operational revenue categories for 2018/19 Draft annual budget.

1.5 Operating Expenditure Framework

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

- Balanced budget constrains (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;
- 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 high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure)

Table 3 Summary of operating expenditure by Expenditure by type

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	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
Expenditure By Type											
Employee related costs	2	23,722	24,982	42,317	46,818	44,516	44,516	–	46,402	48,411	50,509
Remuneration of councillors		2,944	3,168	6,107	8,131	7,674	7,674		7,886	7,984	8,089
Debt impairment	3	2,410	–	11,130	2,000	2,000	2,000		2,300	2,350	2,479
Depreciation & asset impairment	2	4,693	5,809	3,700	5,809	5,809	5,809	–	5,252	5,527	5,817
Finance charges									–	–	–
Bulk purchases	2	18,194	19,079	22,304	23,800	24,307	24,307	–	24,500	25,848	27,269
Other materials	8	2,766	7,776	10,131	5,837	1,444	1,444		1,552	1,953	2,038
Contracted services		2,366	2,159	3,073	4,684	22,550	22,550	–	18,528	16,732	17,331
Transfers and subsidies		–	–	1,189	580	–	–	–	–	–	–
Other expenditure	4, 5	27,151	44,560	38,948	24,276	17,506	17,506	–	17,421	18,312	18,791
Loss on disposal of PPE		1,124									
Total Expenditure		**85,369**	**107,533**	**138,900**	**121,935**	**125,806**	**125,806**	**–**	**123,842**	**127,116**	**132,324**

The budgeted allocation for employee related costs for 2018/19 financial year totals to R 46.4 million, which equals 38 per cent of the total operating expenditure.

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 2018/19 Municipality's budget.

Provision for depreciation has been informed by Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriation in this regard totals to R 5.2 million for 2018/19 financial year of which it translate to 4 per cent of the total operating expenditure.

Other material comprises of amongst others the purchase of fuel and other repairs and maintenance work.

Contracted services has been widened in terms of the Mscoa classification and includes amongst others the costs of, security services, catering services, contracted repairs and maintenance services, leased vehicles, event coordinators . As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced.

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.

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

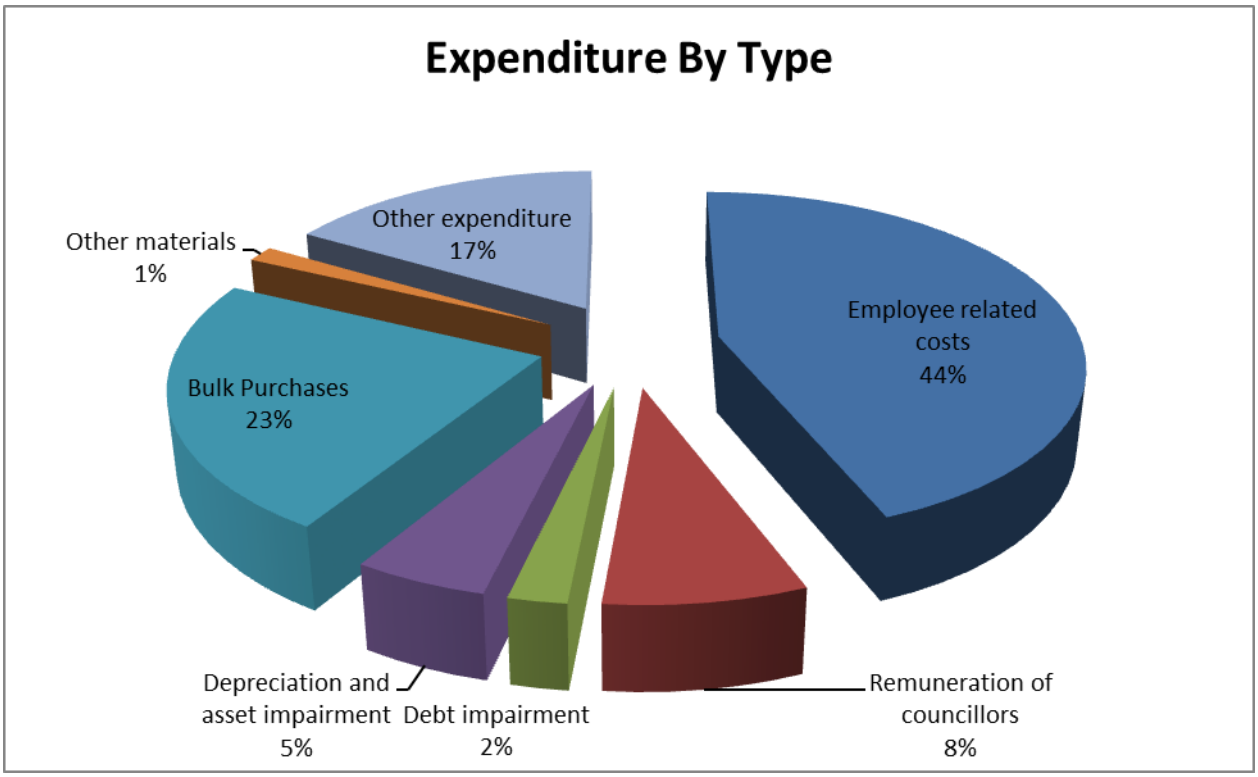

Figure 2 Main operational expenditure categories for the 2018/19 Draft annual budget

Table 4 Operational repairs and maintenance

SA34C

KZN285 Mthonjaneni - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	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
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		710	865	4,055	–	–	–	–	–	–
Roads Infrastructure		330	465	3,655	–	–	–	–	–	–
Roads		330	465	3,655						
Repairs and Maintenance	14									
Employee related costs								–	–	–	–
Other materials								–	–	4,876	5,228
Contracted Services								–	–	–	–
Other Expenditure								–	–	–	–
Total Repairs and Maintenance Expenditure	15	–	–	–	–	–	–	–	–	4,876	5,228

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered as a direct expenditure driver but an outcome of certain other expenditure, such as remuneration, purchases of materials and contracted services. Mthonjaneni Local Municipality is aware of the Municipal Budget and Reporting Regulations which states that priority must be given to operational repairs and maintenance but because of its capacity and a small number of assets that the municipality owns the budgeted amount is reflected on the table above so small.

1.5.1 Free Basic Services

The free basic service assists households that are poor or face other circumstances that limit their ability to pay for services. To receive this service the households are required to register in terms of the Municipality's Indigent Policy. The qualification criterion in terms of the municipality's Indigent policy is that, the household joint gross income should not exceed two times the government old age pension grant.

1.6 Annual Budget Tables – Parent Municipality

The following ages 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 recommended to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 5 MBRR Table A1 – Budget Summary

KZN285 Mthonjaneni - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	**8,040**	9,817	8,648	13,165	13,165	13,165	–	13,850	14,833	15,649
Service charges	20,577	21,156	24,461	23,539	23,539	23,539	–	27,032	28,507	30,075
Investment revenue	2,901	3,284	3,146	3,335	3,335	3,335	–	1,200	1,266	1,336
Transfers recognised - operational	37,767	44,680	77,172	76,584	79,370	79,370	–	76,447	81,245	85,721
Other own revenue	25,869	28,007	25,498	27,890	27,890	27,890	–	9,185	9,639	10,169
Total Revenue (excluding capital transfers and contributions)	95,155	106,944	138,925	144,513	147,299	147,299	–	127,714	135,490	142,950
Employee costs	23,722	24,982	42,317	46,818	44,516	44,516	–	46,402	48,411	50,509
Remuneration of councillors	2,944	3,168	6,107	8,131	7,674	7,674	–	7,886	7,984	8,089
Depreciation & asset impairment	4,693	5,809	3,700	5,809	5,809	5,809	–	5,252	5,527	5,817
Finance charges	–	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	20,960	26,855	32,435	29,637	25,751	25,751	–	26,052	27,800	29,307
Transfers and grants	–	–	1,189	580	–	–	–	–	–	–
Other expenditure	33,051	46,719	53,152	30,960	42,055	42,055	–	38,250	37,393	38,601
Total Expenditure	85,369	107,533	138,900	121,935	125,806	125,806	–	123,842	127,116	132,324
Surplus/(Deficit)	9,785	(589)	25	22,578	21,493	21,493	–	3,872	8,374	10,625
Transfers and subsidies - capital (monetary alloc	15,492	21,022	27,399	26,278	26,278	26,278	–	32,749	34,033	25,820
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	25,277	20,433	27,424	48,856	47,771	47,771	–	36,621	42,407	36,445
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	25,277	20,433	27,424	48,856	47,771	47,771	–	36,621	42,407	36,445
Capital expenditure & funds sources										
Capital expenditure	**21,182**	33,624	34,242	39,683	49,423	49,423	–	36,339	38,072	29,451
Transfers recognised - capital	**15,610**	20,904	27,399	26,278	26,278	26,278	–	32,749	34,033	25,820
Public contributions & donations	**–**	–	–	–	–	–	–	–	–	–
Borrowing	**–**	–	–	–	–	–	–	–	–	–
Internally generated funds	**5,572**	12,720	6,843	13,405	23,145	23,145	–	3,590	4,039	3,631
Total sources of capital funds	**21,182**	33,624	34,242	39,683	49,423	49,423	–	36,339	38,072	29,451
Financial position										
Total current assets	**69,181**	67,309	123,032	57,638	57,638	57,638	–	–	–	–
Total non current assets	**164,519**	192,735	195,458	192,735	192,735	192,735	–	–	–	–
Total current liabilities	**6,558**	10,203	25,643	10,203	10,203	10,203	–	–	–	–
Total non current liabilities	**4,946**	4,946	2,746	7,212	7,212	7,212	–	–	–	–
Community wealth/Equity	**222,196**	244,895	290,100	232,958	232,958	232,958	–	–	–	–
Cash flows										
Net cash from (used) operating	**24,304**	26,839	27,424	31,696	16,875	16,875	–	19,402	33,303	28,171
Net cash from (used) investing	**(21,182)**	(33,628)	(34,242)	(26,278)	(49,423)	(49,423)	–	(35,339)	(38,062)	(29,451)
Net cash from (used) financing	**–**	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	**49,259**	42,470	35,652	25,484	(6,551)	(6,551)	–	(22,488)	(27,247)	(28,526)
Cash backing/surplus reconciliation										
Cash and investments available	**49,259**	42,470	55,500	32,799	32,799	32,799	–	–	–	–
Application of cash and investments	**(2,622)**	13,076	(48,983)	(6,187)	(2,080)	(2,080)	–	–	–	–
Balance - surplus (shortfall)	**51,881**	29,394	104,483	38,986	34,879	34,879	–	–	–	–
Asset management										
Asset register summary (WDV)	**132,371**	267,276	224,103	192,736	192,736	192,736		–	–	–
Depreciation	**4,693**	5,809	3,700	–	–	–		–	–	–
Renewal of Existing Assets	**–**	–	–	–	–	–		–	–	–
Repairs and Maintenance	**1,867**	3,048	6,822	–	–	–		–	–	–

Explanatory notes to MBRR Table B1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspective (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 services delivery backlogs.
3. Financial management reforms emphasize 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.

Table 6 MBRR Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN285 Mthonjaneni - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	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
Revenue - Functional										
Governance and administration		–	–	7,286	90,706	93,486	93,486	89,435	97,084	103,324
Executive and council		–	–	7,286	–	–	–	–	–	–
Finance and administration		–	–	–	90,706	93,486	93,486	89,435	97,084	103,324
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		30	–	1,821	810	24,902	24,902	8,725	9,173	8,785
Community and social services		30	–	1,821	810	810	810	844	882	38
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	24,093	24,093	7,881	8,291	8,747
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		34,400	39,653	41,415	47,260	23,167	23,167	20,268	18,758	19,585
Planning and development		–	–	–	4,889	–	–	–	–	–
Road transport		34,400	39,653	41,415	42,371	23,167	23,167	20,268	18,758	19,585
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		22,959	28,640	32,290	32,015	32,015	32,015	42,034	44,509	37,077
Energy sources		21,831	27,286	31,202	30,851	30,851	30,851	40,512	42,908	35,388
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		1,128	1,354	1,088	1,164	1,164	1,164	1,522	1,601	1,689
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	57,389	68,294	82,813	170,791	173,571	173,571	160,463	169,523	168,770
Expenditure - Functional										
Governance and administration		29,058	44,912	67,079	51,377	56,769	56,769	55,300	56,555	58,379
Executive and council		7,574	10,284	22,659	16,713	19,377	19,377	18,060	18,446	18,902
Finance and administration		21,484	34,629	44,420	34,664	36,865	36,865	35,662	36,503	37,840
Internal audit		–	–	–	–	527	527	1,579	1,607	1,636
Community and public safety		9,774	9,593	27,047	14,064	23,307	23,307	20,174	20,324	21,234
Community and social services		9,774	9,593	22,732	10,651	11,938	11,938	9,175	8,758	9,094
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	4,315	3,413	11,369	11,369	11,000	11,565	12,140
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		20,379	28,793	16,633	28,667	17,213	17,213	19,529	19,878	20,747
Planning and development		–	–	–	17,791	1,231	1,231	3,102	2,722	2,822
Road transport		20,379	28,793	16,633	10,876	15,982	15,982	16,427	17,156	17,925
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		26,158	24,235	28,141	27,827	28,517	28,517	28,838	30,360	31,965
Energy sources		24,224	22,394	26,259	25,946	26,691	26,691	26,883	28,318	29,832
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		1,934	1,842	1,882	1,882	1,826	1,826	1,955	2,041	2,132
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	85,369	107,533	138,900	121,935	125,806	125,806	123,842	127,116	132,324
Surplus/(Deficit) for the year		(27,980)	(39,240)	(56,087)	48,856	47,765	47,765	36,621	42,407	36,445

Explanatory notes to Table A2 – Budget Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.

Table 7: MBRR Table A3 – Budgeted Financial performance (revenue and expenditure by municipal vote)

KZN285 Mthonjaneni - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		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
Revenue by Vote	1									
Vote 1 - Exacutive and Council		–	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager		–	–	7,286	90,700	–	–	–	–	–
Vote 3 - Finance and administration		53,257	59,673	83,511	6	–	–	89,435	97,084	103,324
Vote 4 - Community and social services		30	–	37	–	–	–	844	882	38
Vote 5 - Public safety		–	–	–	–	–	–	7,881	8,291	8,747
Vote 6 - Planning and development		–	–	–	–	–	–	–	–	–
Vote 7 - Road transport		20,599	370	22,516	–	–	–	20,268	18,758	19,585
Vote 8 - Energy sources		13,802	39,283	20,684	–	–	–	40,512	42,908	35,388
Vote 9 - Waste management		1,128	1,354	1,088	–	–	–	1,522	1,601	1,689
Vote 10 - [Name of sub-vote]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**88,815**	**100,681**	**135,122**	**90,706**	**–**	**–**	**160,463**	**169,523**	**168,770**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Exacutive and Council		7,574	10,284	8,272	–	–	–	13,003	13,347	13,692
Vote 2 - Municipal Manager		–	–	14,387	–	–	–	6,635	6,705	6,846
Vote 3 - Finance and administration		21,484	34,629	27,526	–	–	–	35,662	36,503	37,840
Vote 4 - Community and social services		9,774	9,593	17,870	–	–	–	9,175	8,758	9,094
Vote 5 - Public safety		–	–	4,315	–	–	–	11,000	11,565	12,140
Vote 6 - Planning and development		–	–	–	–	–	–	3,102	2,722	2,822
Vote 7 - Road transport		7,344	17,951	11,393	–	–	–	16,427	17,156	17,925
Vote 8 - Energy sources		13,035	10,842	26,995	–	–	–	26,883	28,318	29,832
Vote 9 - Waste management		1,934	1,842	1,882	–	–	–	1,955	2,041	2,132
Vote 10 - [Name of sub-vote]		24,224	22,394	26,259	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**85,369**	**107,533**	**138,900**	**–**	**–**	**–**	**123,842**	**127,116**	**132,324**
Surplus/(Deficit) for the year	2	**3,446**	**(6,853)**	**(3,778)**	**90,706**	**–**	**–**	**36,621**	**42,407**	**36,445**

Explanatory notes to MBRR Table A3 – Budgeted Financial Performance (revenue and expenditure per 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 organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 8: MBRR Table A4 – Budgeted Financial Performance (revenue and expenditure)

KZN285 Mthonjaneni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	8,040	9,817	8,648	13,165	13,165	13,165	–	13,850	14,833	15,649
Service charges - electricity revenue	2	19,449	19,167	22,702	22,375	22,375	22,375	–	25,512	26,908	28,388
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1,128	1,354	1,086	1,164	1,164	1,164	–	1,521	1,600	1,688
Service charges - other			634	672					–	–	–
Rental of facilities and equipment		366	247	507	252	252	252		171	171	180
Interest earned - external investments		2,901	3,284	3,146	3,335	3,335	3,335		1,200	1,266	1,336
Interest earned - outstanding debtors									–	–	–
Dividends received									–	–	–
Fines, penalties and forfeits		18,232	24,309	20,000	21,400	21,400	21,400		5,000	5,260	5,549
Licences and permits		2,360	2,070	2,516	2,693	2,693	2,693		2,881	3,031	3,198
Agency services									–		
Transfers and subsidies		37,767	44,680	77,172	76,584	79,370	79,370		76,447	81,245	85,721
Other revenue	2	4,911	964	1,867	3,545	3,545	3,545	–	1,133	1,177	1,242
Gains on disposal of PPE			416	608					–	–	–
Total Revenue (excluding capital transfers and contributions)		**95,155**	**106,944**	**138,925**	**144,513**	**147,299**	**147,299**	**–**	**127,714**	**135,490**	**142,950**
Expenditure By Type											
Employee related costs	2	23,722	24,982	42,317	46,818	44,516	44,516	–	46,402	48,411	50,509
Remuneration of councillors		2,944	3,168	6,107	8,131	7,674	7,674		7,886	7,984	8,089
Debt impairment	3	2,410	–	11,130	2,000	2,000	2,000		2,300	2,350	2,479
Depreciation & asset impairment	2	4,693	5,809	3,700	5,809	5,809	5,809	–	5,252	5,527	5,817
Finance charges									–	–	–
Bulk purchases	2	18,194	19,079	22,304	23,800	24,307	24,307	–	24,500	25,848	27,269
Other materials	8	2,766	7,776	10,131	5,837	1,444	1,444		1,552	1,953	2,038
Contracted services		2,366	2,159	3,073	4,684	22,550	22,550	–	18,528	16,732	17,331
Transfers and subsidies		–	–	1,189	580	–	–	–	–	–	–
Other expenditure	4, 5	27,151	44,560	38,948	24,276	17,506	17,506	–	17,421	18,312	18,791
Loss on disposal of PPE		1,124									
Total Expenditure		**85,369**	**107,533**	**138,900**	**121,935**	**125,806**	**125,806**	**–**	**123,842**	**127,116**	**132,324**
Surplus/(Deficit)		**9,785**	**(589)**	**25**	**22,578**	**21,493**	**21,493**	**–**	**3,872**	**8,374**	**10,625**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		15,492	21,022	27,399	26,278	26,278	26,278		32,749	34,033	25,820
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**25,277**	**20,433**	**27,424**	**48,856**	**47,771**	**47,771**	**–**	**36,621**	**42,407**	**36,445**
Taxation											
Surplus/(Deficit) after taxation		**25,277**	**20,433**	**27,424**	**48,856**	**47,771**	**47,771**	**–**	**36,621**	**42,407**	**36,445**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**25,277**	**20,433**	**27,424**	**48,856**	**47,771**	**47,771**	**–**	**36,621**	**42,407**	**36,445**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**25,277**	**20,433**	**27,424**	**48,856**	**47,771**	**47,771**	**–**	**36,621**	**42,407**	**36,445**

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

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

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. Interest comprises of; interest on primary bank account as well as interest earned from call investment accounts.

Explanatory notes for material movements have been provided as stated above under section, 1.5 – Operating expenditure framework.

Table 9: MBRR Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding sources

KZN285 Mthonjaneni - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	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
Single-year expenditure *to be appropriated*	2										
Vote 1 - Exacutive and Council		223	1,689	960	–	–	–	–	40	60	85
Vote 2 - Municipal Manager		–	–	22	–	–	–	–	40	60	85
Vote 3 - Finance and administration		7	596	61	–	–	–	–	235	594	656
Vote 4 - Community and social services		596	8,483	163	–	–	–	–	100	205	235
Vote 5 - Public safety		–	–	–	–	–	–	–	2,175	150	200
Vote 6 - Planning and development		–	–	–	–	–	–	–	–	–	–
Vote 7 - Road transport		–	756	197	–	–	–	–	18,409	19,143	19,540
Vote 8 - Energy sources		14,692	7,716	22,339	–	–	–	–	15,840	17,700	8,450
Vote 9 - Waste management		–	–	1,700	–	–	–	–	500	150	200
Vote 10 - [Name of sub-vote]		5,664	14,383	1,700	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**21,182**	**33,624**	**27,142**	**–**	**–**	**–**	**–**	**37,339**	**38,062**	**29,451**
Total Capital Expenditure - Vote		**21,182**	**33,624**	**27,142**	**–**	**–**	**–**	**–**	**37,339**	**38,062**	**29,451**
Capital Expenditure - Functional											
Governance and administration		**230**	**2,286**	**1,206**	**5,344**	**9,841**	**9,841**	**–**	**315**	**724**	**826**
Executive and council		223	1,689	982	5,045	9,602	9,602		80	130	170
Finance and administration		7	596	224	299	239	239		235	594	656
Internal audit									–	–	–
Community and public safety		**596**	**9,239**	**3,220**	**121**	**517**	**517**	**–**	**1,275**	**355**	**435**
Community and social services		596	8,483	3,220	11	59	59		100	205	235
Sport and recreation					–						
Public safety			756		110	458	458		1,175	150	200
Housing											
Health											
Economic and environmental services		**14,692**	**7,716**	**19,316**	**18,728**	**18,628**	**18,628**	**–**	**18,409**	**19,143**	**19,540**
Planning and development					450	450	450				
Road transport		14,692	7,716	19,316	18,278	18,178	18,178		18,409	19,143	19,540
Environmental protection					–						
Trading services		**5,664**	**14,383**	**10,500**	**15,490**	**20,438**	**20,438**	**–**	**16,340**	**17,850**	**8,650**
Energy sources		5,664	14,383	8,800	14,240	20,399	20,399		15,840	17,700	8,450
Water management											
Waste water management											
Waste management				1,700	1,250	39	39		500	150	200
Other											
Total Capital Expenditure - Functional	3	**21,182**	**33,624**	**34,242**	**39,683**	**49,423**	**49,423**	**–**	**36,339**	**38,072**	**29,451**
Funded by:											
National Government		15,610	20,904	27,399	26,278	26,278	26,278		32,749	34,033	25,820
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	**15,610**	**20,904**	**27,399**	**26,278**	**26,278**	**26,278**	**–**	**32,749**	**34,033**	**25,820**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		5,572	12,720	6,843	13,405	23,145	23,145		3,590	4,039	3,631
Total Capital Funding	7	**21,182**	**33,624**	**34,242**	**39,683**	**49,423**	**49,423**	**–**	**36,339**	**38,072**	**29,451**

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

1. Table A5 is a breakdown of the capital programs in relation to capital expenditure by municipal vote (multi – year and single – year appropriations); capital expenditure by standard classification; and funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. Mthonjaneni Municipality capital budget is set at R 35.4 million in order to address backlogs of electricity in some other wards that are within the jurisdiction of Mthonjaneni Local Municipality and also to address to the infrastructure backlogs.

3. The capital programs of Mthonjaneni Municipality is funded mainly from national & provincial grants and subsidies and a small portion from internally generated funds.

Table 10: MBRR Table A6 – Budgeted Financial Position

KZN285 Mthonjaneni - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		5 805	1 827	30 000	4 074	4 074	4 074		9 473	9 473	9 473
Call investment deposits	1	43 454	40 644	25 500	28 725	28 725	28 725	–	16 524	16 524	16 524
Consumer debtors	1	3 711	4 435	46 128	4 435	4 435	4 435	–	4 283	4 283	4 283
Other debtors		15 730	19 944	21 068	19 944	19 944	19 944		26 594	26 594	26 594
Current portion of long-term receivables				–	–	–	–		–	–	–
Inventory	2	481	460	336	460	460	460		419	419	419
Total current assets		**69 181**	**67 309**	**123 032**	**57 638**	**57 638**	**57 638**	**–**	**57 293**	**57 293**	**57 293**
Non current assets											
Long-term receivables											
Investments											
Investment property		2 408	2 368	2 510	2 368	2 368	2 368		2 327	2 327	2 327
Investment in Associate											
Property, plant and equipment	3	159 720	187 606	187 715	187 606	187 606	187 606	–	281 254	281 254	281 254
Agricultural											
Biological		2 265	2 662	5 136	2 662	2 662	2 662		2 793	2 793	2 793
Intangible		125	99	98	99	99	99		81	81	81
Other non-current assets		1	1	–	1	1	1		1	1	1
Total non current assets		**164 519**	**192 735**	**195 458**	**192 735**	**192 735**	**192 735**	**–**	**286 456**	**286 456**	**286 456**
TOTAL ASSETS		**233 700**	**260 044**	**318 490**	**250 373**	**250 373**	**250 373**	**–**	**343 749**	**343 749**	**343 749**
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		1 019	1 026	1 216	1 026	1 026	1 026		1 052	1 052	1 052
Trade and other payables	4	5 053	8 768	2 804	8 768	8 768	8 768	–	12 922	12 922	12 922
Provisions		486	409	21 624	409	409	409		579	579	579
Total current liabilities		**6 558**	**10 203**	**25 643**	**10 203**	**10 203**	**10 203**	**–**	**14 553**	**14 553**	**14 553**
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		4 946	4 946	2 746	7 212	7 212	7 212	–	7 379	7 379	7 379
Total non current liabilities		**4 946**	**4 946**	**2 746**	**7 212**	**7 212**	**7 212**	**–**	**7 379**	**7 379**	**7 379**
TOTAL LIABILITIES		**11 504**	**15 149**	**28 390**	**17 415**	**17 415**	**17 415**	**–**	**21 932**	**21 932**	**21 932**
NET ASSETS	5	**222 196**	**244 895**	**290 100**	**232 958**	**232 958**	**232 958**	**–**	**321 817**	**321 817**	**321 817**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		222 196	244 895	290 100	232 958	232 958	232 958		321 817	321 817	321 817
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**222 196**	**244 895**	**290 100**	**232 958**	**232 958**	**232 958**	**–**	**321 817**	**321 817**	**321 817**

Explanatory notes to Table A6 – Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for 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 ready converted to cash, or liabilities immediately required to be met from cash, appear first.
3. 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.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budget Financial Position.

Table 11: MBRR Table A7 – Budgeted Cash Flow Statement

KZN285 Mthonjaneni - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		7,185	6,331	9,901	7,125	4,683	4,683		4,683	7,552	8,005
Service charges		27,892	22,331	23,788	21,957	16,615	16,615		16,615	23,274	24,671
Other revenue				24,918	10,543	7,446	7,446		4,982	7,349	7,818
Government - operating	1	49,618	44,680	77,172	76,584	79,371	79,371		75,637	80,399	85,721
Government - capital	1	15,610	45,867	27,399	26,278	26,278	26,278		32,749	34,033	25,820
Interest		2,901	3,284	3,146	3,335	314	314		1,200	1,266	1,336
Dividends						–	–		–	–	–
Payments											
Suppliers and employees		(78,903)	(95,654)	(126,581)	(113,546)	(117,832)	(117,832)		(116,464)	(120,570)	(125,199)
Finance charges				(11,130)					–	–	–
Transfers and Grants	1			(1,189)	(580)				–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**24,304**	**26,839**	**27,424**	**31,696**	**16,875**	**16,875**	**–**	**19,402**	**33,303**	**28,171**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments					13,405				–	–	–
Payments											
Capital assets		(21,182)	(33,628)	(34,242)	(39,683)	(49,423)	(49,423)		(35,339)	(38,062)	(29,451)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(21,182)**	**(33,628)**	**(34,242)**	**(26,278)**	**(49,423)**	**(49,423)**	**–**	**(35,339)**	**(38,062)**	**(29,451)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing									–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**3,122**	**(6,789)**	**(6,818)**	**5,418**	**(32,548)**	**(32,548)**	**–**	**(15,937)**	**(4,758)**	**(1,279)**
Cash/cash equivalents at the year begin:	2	**46,137**	**49,259**	**42,470**	20,066	25,997	25,997		**(6,551)**	**(22,488)**	**(27,247)**
Cash/cash equivalents at the year end:	2	**49,259**	**42,470**	**35,652**	**25,484**	**(6,551)**	**(6,551)**	**–**	**(22,488)**	**(27,247)**	**(28,526)**

Table 12: MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN285 Mthonjaneni - 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		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	49,259	42,470	35,652	25,484	(6,551)	(6,551)	–	(22,488)	(27,247)	(28,526)
Other current investments > 90 days		0	0	19,848	7,315	39,350	39,350	–	22,488	27,247	28,526
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**49,259**	**42,470**	**55,500**	**32,799**	**32,799**	**32,799**	**–**	**–**	**–**	**–**
Application of cash and investments											
Unspent conditional transfers		295	177	–	177	177	177	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	(7,758)	(3,341)	(65,096)	(6,364)	(2,257)	(2,257)	–	–	–	–
Other provisions		4,841	16,240	16,113							
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		**(2,622)**	**13,076**	**(48,983)**	**(6,187)**	**(2,080)**	**(2,080)**	**–**	**–**	**–**	**–**
Surplus(shortfall)		**51,881**	**29,394**	**104,483**	**38,986**	**34,879**	**34,879**	**–**	**–**	**–**	**–**

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 that is likely to result from the implementation of the budget.

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.

Table 13: MBRR Table A9 – Asset Management

KZN285 Mthonjaneni - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		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
CAPITAL EXPENDITURE										
Total New Assets	1	–	–	–	**39,883**	**39,883**	**39,883**	–	–	–
Roads Infrastructure		–	–	–	18,278	18,278	18,278	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	12,490	12,490	12,490	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	1,250	1,250	1,250	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	***32,018***	***32,018***	***32,018***	–	–	–
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	6,400	6,400	6,400	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	***6,400***	***6,400***	***6,400***	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	250	250	250	–	–	–
Intangible Assets		–	–	–	***250***	***250***	***250***	–	–	–
Computer Equipment		–	–	–	**128**	**128**	**128**	–	–	–
Furniture and Office Equipment		–	–	–	**537**	**537**	**537**	–	–	–
Machinery and Equipment		–	–	–	**550**	**550**	**550**	–	–	–
Total Capital Expenditure	4									
Roads Infrastructure		–	–	–	18,278	18,278	18,278	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	12,490	12,490	12,490	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	1,250	1,250	1,250	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	***32,018***	***32,018***	***32,018***	–	–	–
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	6,400	6,400	6,400	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	***6,400***	***6,400***	***6,400***	–	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	250	250	250	–	–	–
Intangible Assets		–	–	–	***250***	***250***	***250***	–	–	–
Computer Equipment		–	–	–	**128**	**128**	**128**	–	–	–
Furniture and Office Equipment		–	–	–	**537**	**537**	**537**	–	–	–
Machinery and Equipment		–	–	–	**550**	**550**	**550**	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class		–	–	–	**39,883**	**39,883**	**39,883**	–	–	–

Table 14: MBRR Table A10 – Basic service delivery measurement

KZN285 Mthonjaneni - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		2,817	2,817	2,817	2,817	2,817	2,817	2,817	3,099	3,409
Piped water inside yard (but not in dwelling)		5,394	5,394	5,394	5,394	5,394	5,394	5,394	5,933	6,527
Using public tap (at least min.service level)	2	807	807	807	807	807	807	807	888	976
Other water supply (at least min.service level)	4	47	47	47	47	47	47	47	52	57
Minimum Service Level and Above sub-total		9,065	9,065	9,065	9,065	9,065	9,065	9,065	9,972	10,969
Using public tap (< min.service level)	3	807	807	807	807	807	807	807	888	976
Other water supply (< min.service level)	4	47	47	47	47	807	807	807	888	976
No water supply		–	–	–	–	807	807	807	888	976
Below Minimum Service Level sub-total		854	854	854	854	2,421	2,421	2,421	2,663	2,929
Total number of households	5	**9,919**	**9,919**	**9,919**	**9,919**	**11,486**	**11,486**	**11,486**	**12,635**	**13,898**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,605	3,965
Flush toilet (with septic tank)		–	–	–	–	–	–	–	–	–
Chemical toilet		3,064	3,064	3,064	3,064	3,064	3,064	3,064	3,370	3,707
Pit toilet (ventilated)		8,131	8,131	8,131	8,131	8,131	8,131	8,131	8,944	9,839
Other toilet provisions (> min.service level)		1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,400	1,540
Minimum Service Level and Above sub-total		15,745	15,745	15,745	15,745	15,745	15,745	15,745	17,320	19,051
Bucket toilet		1,273	1,273	1,273	1,273	1,273	1,273	1,273	1,400	1,540
Other toilet provisions (< min.service level)		8,131	8,131	8,131	8,131	8,131	8,131	8,131	8,944	9,839
No toilet provisions		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		9,404	9,404	9,404	9,404	9,404	9,404	9,404	10,344	11,379
Total number of households	5	**25,149**	**25,149**	**25,149**	**25,149**	**25,149**	**25,149**	**25,149**	**27,664**	**30,430**
Energy:										
Electricity (at least min.service level)		386	386	386	386	386	386	386	425	467
Electricity - prepaid (min.service level)		13,412	13,412	13,412	13,412	13,412	13,412	13,412	14,753	16,229
Minimum Service Level and Above sub-total		13,798	13,798	13,798	13,798	13,798	13,798	13,798	15,178	16,696
Electricity (< min.service level)		315	315	315	315	315	315	315	347	381
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		78	78	78	78	78	78	78	86	94
Below Minimum Service Level sub-total		393	393	393	393	393	393	393	432	476
Total number of households	5	**14,191**	**14,191**	**14,191**	**14,191**	**14,191**	**14,191**	**14,191**	**15,610**	**17,171**
Refuse:										
Removed at least once a week		3,273	3,273	3,273	3,273	3,273	3,273	3,600	3,960	–
Minimum Service Level and Above sub-total		3,273	3,273	3,273	3,273	3,273	3,273	3,600	3,960	–
Removed less frequently than once a week		58	58	58	58	58	58	58	64	70
Using communal refuse dump		1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,559	1,715
Using own refuse dump		11,147	11,147	11,147	11,147	11,147	11,147	11,147	12,262	13,488
Other rubbish disposal		145	145	145	145	145	145	145	160	175
No rubbish disposal		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		12,767	12,767	12,767	12,767	12,767	12,767	12,767	14,044	15,448
Total number of households	5	**16,040**	**16,040**	**16,040**	**16,040**	**16,040**	**16,040**	**16,367**	**18,004**	**15,448**
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent households**)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent** household per month)		–	–	–	1,440	1,440	1,440	–	–	–
Refuse (removed once a week **for indigent households**)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		**–**	**–**	**–**	**1,440**	**1,440**	**1,440**	**–**	**–**	**–**
Revenue cost of subsidised services provided (R'000)	9									
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)										
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		–	–	–	1,422	1,422	1,422	–	–	–
Water **(in excess of 6 kilolitres per indigent household per month)**		–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**		–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**		–	–	–	–	–	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		**–**	**–**	**–**	**1,422**	**1,422**	**1,422**	**–**	**–**	**–**

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 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 MMC for Finance.

The primary aims of the Budget Steering Committees 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 various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 31 August 2017.
Key dates applicable to the process were:

- August 2017 – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2018/19 MTREF;
- November 2017 – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- January 2018 – Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- January 2018 – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- 25 January 2018 – Council consider the 2017/18 Mid-year Review and Adjustments Budget;
- February 2018 – Recommendations of the Mayoral Committee are communicated to the Budget steering Committee, and on the respective departments.
- 29 March 2018 – Tabling in Council of the draft 2018/19 IDP and 2018/19 MTREF for public consultation;
- April 2018 – Public consultation;
- May 2018 – closing date for written comments;

- May 2018 – finalization of the IDP and MTREF, taking into consideration comments received from the public, comments from Provincial Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- May 2018 – tabling of the 2017/18 MTREF before Council for consideration and approval.

2.1.2 Community Consultation

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and the municipal library.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

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

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

Integrated development planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy
- National and Provincial spatial development perspectives;

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated

planning process unfolds. The municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

2.4 Overview of budget related-policies

Banking and Investment Policy

The policy is aimed at gaining the highest possible return on investment, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

Rates Policy

The purpose of this policy is to:

- Comply with the provisions of section 3 of the Municipal Property Rates Act, (Act No. 6 of 2004)
- Give effect to the principles outlined above;
- Determine the methodology and to prescribe procedures for the implementation of the Act;
- Determine criteria to be applied for the levying of differential rates for different categories of properties

Supply Chain Management Policy

Mthonjaneni Local Municipality may not act otherwise than in accordance with this supply chain management policy when –

a) procuring goods or services;
b) disposing of goods no longer needed;
c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
d) selecting external mechanism referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.5 Overview of budget funding

Mthonjaneni Local Municipality's budget is funded in accordance with section 18 of the Municipal Finance Management Act, (Act No. 56 of 2003) whist states that:

(1) An annual budget may only be funded from –
  a) realistically anticipated revenues to be collected;
  b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  c) borrowed funds, but only for the capital budget referred to in section 17 (2)

(2) Revenue projections in the budget must be realistic, taking into account –
  a) Projected revenue for the current year based on collection levels to date; and
  b) Actual revenue collected in previous financial years.

Table 15: Draft annual to Expenditure on allocations and grant programmes

KZN285 Mthonjaneni - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		**20,575**	**36,783**	**45,814**	**75,813**	**75,813**	**75,813**	**75,637**	**80,399**	**85,721**
Local Government Equitable Share		17,035	31,674	38,963	67,317	67,317	67,317	70,979	77,549	82,871
Finance Management		1,650	1,800	1,800	2,850	2,850	2,850	2,850	2,850	2,850
Municipal Systems Improvement		890	934	930	–	–	–	–	–	–
EPWP Incentive		1,000	2,375	2,264	2,222	2,222	2,222	1,808	–	–
Demarcation Transition Grant				1,857	3,424	3,424	3,424	–	–	–
Provincial Government:		**634**	**661**	**723**	**771**	**771**	**771**	**–**	**–**	**–**
Community libraries Service grant		120	126	170	771	771	771			
Provincialisation of Libraries		514	535	553						
District Municipality:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
[insert description]										
Other grant providers:		**–**	**500**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
GOGTA			500							
Total operating expenditure of Transfers and Grants		**21,209**	**37,944**	**46,537**	**76,584**	**76,584**	**76,584**	**75,637**	**80,399**	**85,721**
Capital expenditure of Transfers and Grants										
National Government:		**12,487**	**15,610**	**20,904**	**26,278**	**26,278**	**26,278**	**32,749**	**34,033**	**25,820**
Municipal Infrastructure Grant (MIG)		12,487	12,610	12,904	18,278	18,278	18,278	17,749	18,033	18,820
						–				
						–				
						–				
						–				
integrated national eletrification grant (INEG)			3,000	8,000	8,000	8,000	8,000	15,000	16,000	7,000
Provincial Government:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other capital transfers/grants [insert description]										
District Municipality:		**265**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
UTHUNGULU		265								
Other grant providers:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
[insert description]										
Total capital expenditure of Transfers and Grants		**12,752**	**15,610**	**20,904**	**26,278**	**26,278**	**26,278**	**32,749**	**34,033**	**25,820**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		**33,961**	**53,554**	**67,441**	**102,862**	**102,862**	**102,862**	**108,386**	**114,432**	**111,541**

Table 16: Draft annual budget to councilor allowances and employee benefits

KZN285 Mthonjaneni - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	FALSE	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		1,569	2,085	1,898	5,603	4,224	4,224	4,436	4,666	4,923
Pension and UIF Contributions		251	314	333	–	634	634	634	667	703
Medical Aid Contributions		34	43	44	–	65	65	65	69	72
Motor Vehicle Allowance		676	403	734	1,868	1,641	1,641	1,641	1,726	1,821
Cellphone Allowance		206	259	316	570	1,020	1,020	1,020	1,073	1,132
Housing Allowances					–	–	–	–	–	–
Other benefits and allowances		107	40	42	90	90	90	90	95	100
Sub Total - Councillors		**2,843**	**3,143**	**3,366**	**8,131**	**7,674**	**7,674**	**7,886**	**8,296**	**8,752**
% increase	4		**10.5%**	**7.1%**	**141.5%**	**(5.6%)**	**–**	**2.8%**	**5.2%**	**5.5%**
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2,608	2,875	2,721	3,621	3,034	3,034	3,198	3,364	3,549
Pension and UIF Contributions		39	43		9	9	9	9	9	10
Medical Aid Contributions					–	–	–	–	–	–
Overtime					–	–	–	–	–	–
Performance Bonus			252	525	507	585	585	482	507	535
Motor Vehicle Allowance	3			686	881	827	827	752	791	835
Cellphone Allowance	3			24	–	11	11	18	19	20
Housing Allowances	3				–	72	72	72	76	80
Other benefits and allowances	3	641	591	4	–	163	163	201	211	223
Payments in lieu of leave					116	–	–	–	–	–
Long service awards					–	–	–	–	–	–
Post-retirement benefit obligations	6				–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		**3,287**	**3,761**	**3,959**	**5,134**	**4,701**	**4,701**	**4,732**	**4,979**	**5,252**
% increase	4		**14.4%**	**5.3%**	**29.7%**	**(8.4%)**	**–**	**0.7%**	**5.2%**	**5.5%**
Other Municipal Staff										
Basic Salaries and Wages		11,892	14,443	17,098	27,419	24,811	24,811	25,982	26,929	27,846
Pension and UIF Contributions		1,697	1,945	2,279	3,739	3,706	3,706	3,744	3,939	4,156
Medical Aid Contributions		695	980	1,231	1,853	2,220	2,220	2,222	2,337	2,466
Overtime		848	1,017	1,157	1,490	1,144	1,144	1,213	1,276	1,346
Performance Bonus			140		2,085	2,041	2,041	2,181	2,295	2,421
Motor Vehicle Allowance	3	597	629	660	2,676	3,067	3,067	3,067	3,227	3,404
Cellphone Allowance	3				–	156	156	161	169	179
Housing Allowances	3		47		29	29	29	29	30	32
Other benefits and allowances	3	573	724	931	1,600	2,637	2,637	3,070	3,230	3,407
Payments in lieu of leave					795	–	–	–	–	–
Long service awards		60	37	250	–	–	–	–	–	–
Post-retirement benefit obligations	6			100	–	–	–	–	–	–
Sub Total - Other Municipal Staff		**16,362**	**19,961**	**23,706**	**41,685**	**39,811**	**39,811**	**41,669**	**43,433**	**45,257**
% increase	4		**22.0%**	**18.8%**	**75.8%**	**(4.5%)**	**–**	**4.7%**	**4.2%**	**4.2%**
Total Parent Municipality		**22,493**	**26,865**	**31,031**	**54,949**	**52,186**	**52,186**	**54,288**	**56,707**	**59,261**

BUDGET SUMMARY	Budget year 2018/19	Budget year 2019/20	Budget year 2020/21	% Percentage
Revenue by Source				
Property Rates	13,849,653.64	14,833,114.99	15,648,936.31	9%
Service charges-electricity revenue	25,511,585.63	26,907,670.97	28,387,592.88	16%
Service charges-refuse revenue	1,520,876.81	1,599,601.18	1,687,579.25	1%
Rentals of facilities and equipment	170,836.13	170,836.13	180,232.12	0%
Interest earned-External investments	1,200,000.00	1,266,000.00	1,335,630.00	1%
Fines	5,000,000.00	5,260,000.00	5,549,300.00	3%
Licences and permits	2,881,069.16	3,030,884.76	3,197,583.42	2%
Grant income-Operating	76,447,000.00	81,245,000.00	85,721,000.00	48%
Grant income-Capital	32,749,000.00	34,033,000.00	25,820,000.00	20%
Other Revenue	1,132,948.70	1,177,055.34	1,241,793.38	1%
	160,462,970.06	**169,523,163.37**	**168,769,647.35**	**100%**
Expenditure by Type				
Employee related costs	46,401,894.06	48,411,106.39	50,509,469.47	37%
Remuneration of councillors	7,885,706.38	7,984,302.75	8,089,005.20	6%
Debt impairment	2,300,000.00	2,350,000.00	2,479,250.00	2%
Depreciation and asset impairment	5,252,206.00	5,527,206.00	5,817,331.00	4%
Bulk Purchases	24,500,000.00	25,847,500.00	27,269,112.50	20%
Other materials	1,552,125.00	1,952,747.50	2,038,044.25	1%
Other expenditure	17,421,327.90	18,311,527.40	18,791,107.12	14%
Contracted Services	18,528,349.77	16,731,603.90	17,331,007.42	15%
	123,841,609.11	**127,115,993.95**	**132,324,326.97**	**100%**
Surplus/ (Deficit)	**36,621,360.95**	**42,407,169.42**	**36,445,320.39**	
Capital Expenditure	**36,339,000.00**	**38,071,900.00**	**29,450,790.00**	
Net Surplus/ (Deficit)	**282,360.95**	**4,335,269.42**	**6,994,530.39**	

CAPITAL EXPENDITURE				
VOTE DESCRIPTION	**FUNDING SOURCE**	**BUDGET 2018-19**	**BUDGET 2019-20**	**BUDGET 2020-21**
Municipal Manager				
Computer Equipment	INTERNAL FUNDS	20,000.00	40,000.00	50,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	20,000.00	30,000.00	35,000.00
		40,000.00	**70,000.00**	**85,000.00**
Mayoral and Council				
Computer Equipment	INTERNAL FUNDS	20,000.00	30,000.00	40,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	20,000.00	30,000.00	45,000.00
		40,000.00	**60,000.00**	**85,000.00**
Administrative and Corporate Support				
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	20,000.00	74,800.00	82,280.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	-	12,100.00	13,310.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	20,000.00	132,000.00	145,200.00
Transport Assets	INTERNAL FUNDS	-	-	-
		40,000.00	**218,900.00**	**240,790.00**
Budget and Treasury Office				
Intangible Assets	INTERNAL FUNDS	100,000.00	150,000.00	160,000.00
Expenditure:Operational Cost:Assets less than the	INTERNAL FUNDS	35,000.00	70,000.00	80,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	30,000.00	75,000.00	85,000.00
Furniture and Office Equipment	INTERNAL FUNDS	30,000.00	80,000.00	90,000.00
		195,000.00	**375,000.00**	**415,000.00**
Community Services				
Computer Equipment	INTERNAL FUNDS	30,000.00	70,000.00	80,000.00
Furniture and Office Equipment	INTERNAL FUNDS	30,000.00	80,000.00	90,000.00
		60,000.00	**150,000.00**	**170,000.00**
Libraries				
Furniture and Office Equipment	INTERNAL FUNDS	25,000.00	35,000.00	40,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	15,000.00	20,000.00	25,000.00
		40,000.00	**55,000.00**	**65,000.00**
Electricity Services				
Infrastructure Assets	INTERNAL FUNDS		-	-
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	100,000.00	200,000.00	150,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	140,000.00	150,000.00	100,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	150,000.00	350,000.00	300,000.00
Other Assets	NATIONAL GOVERNMENT		-	-
Assets:Non-current Assets:Property, Plant and Eq	NATIONAL GOVERNMENT	10,000,000.00	10,000,000.00	5,000,000.00
Assets:Non-current Assets:Property, Plant and Eq	NATIONAL GOVERNMENT	5,000,000.00	6,000,000.00	2,000,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	-		
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	250,000.00	500,000.00	500,000.00
Machinery and Equipment	INTERNAL FUNDS		-	-
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	100,000.00	350,000.00	300,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	100,000.00	150,000.00	100,000.00
Transport Assets	INTERNAL FUNDS	-	-	-
		15,840,000.00	**17,700,000.00**	**8,450,000.00**
Roads				
Infrastructure Assets	NATIONAL GOVERNMENT			
Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Roads Infrastructure:Cost:Decommissioning, Restoration and Similar Liabilities- Rural Roads	NATIONAL GOVERNMENT	10,000,000.00	10,000,000.00	10,000,000.00
Assets:Non-current Assets:Property, Plant and Eq	NATIONAL GOVERNMENT	7,749,000.00	8,033,000.00	8,820,000.00
Computer Equipment	INTERNAL FUNDS	30,000.00	60,000.00	70,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	30,000.00	50,000.00	50,000.00
Transport Assets	INTERNAL FUNDS	600,000.00	1,000,000.00	600,000.00
		18,409,000.00	**19,143,000.00**	**19,540,000.00**
Fire Fighting				
Furniture and Office Equipment	INTERNAL FUNDS	30,000.00	20,000.00	30,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	100,000.00	80,000.00	100,000.00
Transport Assets - Engine Truck	INTERNAL FUNDS	1,000,000.00	-	-
		1,130,000.00	**100,000.00**	**130,000.00**
Licensing and Protection Services				
Computer Equipment	INTERNAL FUNDS	25,000.00	20,000.00	30,000.00
Assets:Non-current Assets:Property, Plant and Eq	INTERNAL FUNDS	20,000.00	30,000.00	40,000.00
		45,000.00	**50,000.00**	**70,000.00**
Solid Wasre Removal				
Assets:Non-current Assets:Property, Plant and Equipment:Cost Model:Solid Waste Infrastructure:Cost:Acquisitions (Refuse Bins/Skips)	INTERNAL FUNDS	500,000.00	150,000.00	200,000.00
		500,000.00	**150,000.00**	**200,000.00**
		36,339,000.00	**38,071,900.00**	**29,450,790.00**