

12424

## ADOPTED 2018/19 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

*This report served before the Financial Services Portfolio Committee on 25 May 2018. The recommendations were supported.*

### PURPOSE

To submit to Council for approval, the Adopted 2018/19 Budget and Medium Term Revenue and Expenditure Framework (MTREF).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial and Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

### BACKGROUND

The Municipal Finance Management Act (MFMA), 2003 (No 56 of 2003) issues clear guidelines on the contents of the Budget Framework Plan. The Budget Framework Plan for the City of uMhlathuze has been adapted to incorporate these guidelines.

Section 17 of the Act highlights the following issues relating to the contents of the annual budget.

- “1) The annual budget must be a schedule in the **prescribed format** which should include the following:
- a) 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 year;
  - d) setting out-
    - (i) both 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.*
  - e) *A statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.*
- 2) *The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, 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 municipality;*
    - (ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*
    - (iii) *Approving any other matter that may be 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 by revenue source, broken down per month;*
  - d) *any proposed amendments to the municipality's integrated development plan following the annual review of the 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 all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;*
  - i) *particulars of any 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 mechanisms assisting the municipality in the exercise of its functions or powers;*
    - (iii) *any other organs of state; and*
    - (iv) *any organisations 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) *councillors of the municipality; and*
- (iii) *the municipal manager, the chief financial officer, 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 shared control of the municipality of the salary, allowances and benefits of-*
  - (i) *each member of the entity's board of directors;*
  - (ii) *the chief executive officer and each senior manager of the entity; and*
- m) *any other supporting documentation as may be prescribed."*

National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

Specifically for the 2018/19 Budget, Circulars No 89 **(DMS 1246242) Annexure L1** issued on 8 December 2017 and 91 **(DMS 1263389)** issued on 7 March 2018 **Annexure L2** are included as part of this report. **These circulars need to be read thoroughly by both the Council and the Administration.**

## DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 22 (b) (i) of the MFMA in both printed and electronic formats.

National Treasury endeavours to ensure that municipalities prepare a budget document that provides concise and understandable financial and non-financial information which will ensure that informed decisions are made to promote effective financial management and service delivery. By ensuring that the allocation of financial resources is aligned to service delivery targets it will be clear what services are being promised when budgets are approved.

National Treasury decided to create a template called "Batho Pele City" as a guide for municipal officials responsible to produce their real municipal budget documents.

The aim of the “Batho Pele” Budget Guide is to provide more detailed guidance on the format and content of a municipal budget so as to ensure full compliance with both the letter and the spirit of Schedule A of the Municipal Budget and Reporting Regulations. The “Batho Pele” Budget is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality’s budget documents. The Chief Financial Officer has found this template to be very comprehensive and useful for many aspects of assessing financial performance and service delivery monitoring, hence subscribes to the guide fully.

## NATIONAL TREASURY BENCHMARK ENGAGEMENT

In terms of the requirements of the Municipal Finance Management Act and as part of its oversight role over Local Government finances, the National Treasury is responsible for reviewing and commenting on the tabled budgets of all non-delegated municipalities prior to their adoption by the respective Municipal Councils.

The tabled budgets of these municipalities are rigorously assessed in terms of quality and compliance with the prescriptions of the MFMA and the Municipal Budget and Reporting Regulations.

From a quality perspective, the budget is assessed in accordance with three criteria, namely:

- **Credibility:** to determine if the budget is **funded** in terms of Section 18 of the MFMA and whether the City adopted a budget process with evidence of sufficient political oversight and public participation. Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. The budget brings effect to Council priorities and hence these priorities should be financially sustainable and Council must ensure that its priorities are affordable from a budgeting perspective. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.
- **Relevance:** to test if the budget is aligned to the reviewed Integrated Development Plan (IDP) of the municipality and the extent to which national and provincial priorities, including MFMA Circulars 85 and 86, were considered.
- **Sustainability:** to determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial that the budget is a **multi-year budget** over the MTREF.

The 2018/19 Budget Engagement and Municipal Benchmark exercise was held at the National Treasury’s Budget Council Room in Pretoria on 16<sup>th</sup> May 2018.

Furthermore, National Treasury has evaluated Council as an emerging metro and the following aspects were applied as a measurement tool:

- Financial health
- Service delivery
- Institutional
- Governance

The following are the outcomes of NT's assessment:

***Financial health: Excellent***

- Funded budget (credible, relevant, sustainable)
- Budgeted surplus doubtful based audit outcome
- Funding mix OK, but loans are excessive
- Revenue growth not credible, review debt impairment
- Long term financial plan should be underpinned LT Growth
- Implement robust revenue enhancement strategy new wards

***Service delivery: laying essential foundations***

- Challenges with service in newly demarcated wards
- Ingonyama Trust issues impending development
- Implement radical capital investment programme
- Maintain R&M processes and expenditure
- Invest borrowed funds in the right places

***Institutional: stable***

- Review the city organogram to align with current strategy
- Productive engagements with national and provincial departments and traditional leaders
- Stable municipality over the years irrespective of change in political leadership

***Governance: stable***

- Active MPAC and Audit Committee
- Good relations with traditional leaders
- Good and stable interface between political and administrative leadership
- Consistent clean audit outcome for the past 5 years

National Treasury assesses the budgets of 17 non-delegated municipalities. For the 2018/19 MTREF, Council was placed **first** under the secondary cities, followed by George Municipality and then Sol Plaatje Municipality.

Arising from the engagement the following **recommendations** or resolutions were proposed:

1. Do an overlay of the maps showing National, provincial, private sector and municipal interventions and investments in the municipal space, especially the catalytic projects;
2. The municipality must implement a capital prioritisation model in order to have a planning LED budget;
3. Spatial development framework well-articulated and in line with provincial and national strategies;
4. Implement robust revenue enhancement strategies in the ITB areas;
5. Review of some clauses in the regulations, if they affect the economy of the City;
6. Treatment of debt impairment and bad debts in the AFS in line with MBRR to be reviewed;
7. Increase capital budget on trading services;

8. Set up a meeting between the IUDF team, DTI and the municipality on the issue of the smelter;
9. Resolution of the ownership of the desalination plant between DWS and the municipality. Contact Public Finance and Accountant General regarding the matter;
10. Land invasions Public Works, Rural Development and Transnet is intransigent. Contact Estelle Coetzee of DPW;
11. The issue of ECD issue should be resolved as whether it is a Department of Social Development, Education or municipal function. To notify Wendy's Policy Unit to attend to the issue;
12. Tomorrow 17 May 2018 there will be a telephonic conference to resolve cash flow issue between the CFO and National Treasury; and
13. List of all costs of unfunded mandates (not the self-inflicting ones).

National Treasury's recommendations or resolutions arising from the Benchmark Engagement were responded to by Municipal Manager and the Chief Financial Officer during the engagement. Some of these recommendations will be implemented in the in the 2018/19 financial year.

#### CONSOLIDATED OVERVIEW:

**Table 1 Consolidated Overview of the 2018/19 MTREF:**

Description R thousands	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
Total Operating Revenue	2 773 940	3 054 874	3 240 633	3 473 628
Total Operating Expenditure	2 832 926	3 016 497	3 207 989	3 442 297
<b>Surplus/ (Deficit) for the year</b>	<b>(58 985)</b>	<b>38 377</b>	<b>32 644</b>	<b>31 331</b>
<b>Total Capital Expenditure</b>	<b>570 505</b>	<b>525 161</b>	<b>531 999</b>	<b>550 712</b>
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>3 403 430</b>	<b>3 541 657</b>	<b>3 739 988</b>	<b>4 024 339</b>

**Table 2 - 2018/19 Proposed Tariff increases:**

Categories	Percentage increase (%)
Property rates	7%
Electricity	5.09%
Water	7%
Refuse	8%
Sewer	7%

The following tables summarise the expenditure and revenue budgets by category and source respectively:

**Table 3 Percentage proportion in revenue by main revenue source:**

Description R thousand	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	%
<b>Revenue By Source</b>								
Property rates	445 589	16.1%	474 453	15.5%	501 849	15.5%	531 960	15.3%
Service charges - electricity revenue	1 378 874	49.7%	1 579 530	51.7%	1 671 088	51.6%	1 787 953	51.5%
Service charges - water revenue	310 516	11.2%	337 842	11.1%	357 411	11.0%	386 049	11.1%
Service charges - sanitation revenue	93 197	3.4%	99 625	3.3%	105 398	3.3%	111 722	3.2%
Service charges - refuse revenue	94 737	3.4%	80 372	2.6%	85 029	2.6%	89 955	2.6%
Rental of facilities and equipment	8 008	0.3%	8 449	0.3%	8 871	0.3%	9 347	0.3%
Interest earned - external investments	50 059	1.8%	55 000	1.8%	58 000	1.8%	60 000	1.7%
Interest earned - outstanding debtors	3 221	0.1%	3 398	0.1%	3 568	0.1%	3 782	0.1%
Fines, penalties and forfeits	3 542	0.1%	4 087	0.1%	4 292	0.1%	4 506	0.1%
Licences and permits	3 609	0.1%	3 808	0.1%	3 998	0.1%	4 198	0.1%
Agency services	7 390	0.3%	7 797	0.3%	8 186	0.3%	8 677	0.2%
Transfers and subsidies	328 710	11.8%	356 638	11.7%	386 385	11.9%	426 009	12.3%
Other revenue	46 488	1.7%	43 875	1.4%	46 558	1.4%	49 470	1.4%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2 773 941</b>	<b>100%</b>	<b>3 054 874</b>	<b>100%</b>	<b>3 240 633</b>	<b>100%</b>	<b>3 473 628</b>	<b>100%</b>
Total revenue from rates and service charges	2 322 914	83.7%	2 571 823	84.2%	2 720 775	84.0%	2 907 638	83.7%

**Table 4 Percentage proportion in revenue by main expenditure type:**

Description R thousand	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	%
<b>Expenditure By Type</b>								
Employee related costs	716 066	25.3%	812 123	26.9%	881 891	27.5%	964 278	28.0%
Remuneration of councillors	29 533	1.0%	31 881	1.1%	34 273	1.1%	36 845	1.1%
Debt impairment	26 388	0.9%	26 513	0.9%	28 103	0.9%	29 790	0.9%
Depreciation & asset impairment	376 848	13.3%	376 066	12.5%	408 532	12.7%	446 488	13.0%
Finance charges	73 401	2.6%	67 884	2.3%	70 846	2.2%	79 421	2.3%
Bulk purchases	933 178	32.9%	1 000 945	33.2%	1 041 966	32.5%	1 101 044	32.0%
Other materials	103 521	3.7%	114 233	3.8%	121 087	3.8%	127 746	3.7%
Contracted services	295 182	10.4%	312 731	10.4%	331 867	10.3%	351 554	10.2%
Transfers and subsidies	12 161	0.4%	12 534	0.4%	13 286	0.4%	14 016	0.4%
Other expenditure	266 647	9.4%	261 588	8.7%	276 140	8.6%	291 116	8.5%
<b>Total Expenditure</b>	<b>2 832 926</b>	<b>100%</b>	<b>3 016 497</b>	<b>100%</b>	<b>3 207 989</b>	<b>100%</b>	<b>3 442 297</b>	<b>100%</b>

The following tables represent the 2018/19 Adopted Capital Budget:

**Table 5 Capital Funding:**

Vote Description  R thousand	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
<b>Funded by:</b>				
National Government	147 739	121 374	157 485	168 078
Provincial Government	–	7 850	8 243	8 655
District Municipality	–	–	–	–
Other transfers and grants	–	–	–	–
<b>Transfers recognised - capital</b>	<b>147 739</b>	<b>129 224</b>	<b>165 728</b>	<b>176 733</b>
<b>Public contributions &amp; donations</b>	–	–	–	–
<b>Borrowing</b>	109 969	310 000	–	310 000
<b>Internally generated funds</b>	312 798	85 937	366 271	63 979
<b>Total Capital Funding</b>	<b>570 505</b>	<b>525 161</b>	<b>531 999</b>	<b>550 712</b>



**Table 6 2018/19 Medium-term capital budget per Vote:**

Vote Description R thousand	urrent Year 2017/	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital Expenditure - Functional</b>				
<b>Governance and administration</b>	<b>126 644</b>	<b>102 236</b>	<b>75 552</b>	<b>71 736</b>
Executive and council	119			
Finance and administration	126 525	102 236	75 552	71 736
<b>Community and public safety</b>	<b>70 964</b>	<b>80 981</b>	<b>54 711</b>	<b>66 326</b>
Community and social services	45 551	55 463	19 013	28 957
Sport and recreation	18 770	24 958	35 049	36 788
Public safety	6 642	559	650	581
<b>Economic and environmental services</b>	<b>117 493</b>	<b>137 876</b>	<b>122 733</b>	<b>119 275</b>
Planning and development	13 558	3 953	3 622	2 696
Road transport	103 195	133 723	118 901	116 176
Environmental protection	740	200	210	403
<b>Trading services</b>	<b>255 404</b>	<b>204 068</b>	<b>279 003</b>	<b>293 374</b>
Energy sources	91 917	85 472	99 273	105 014
Water management	82 506	68 773	111 169	118 326
Waste water management	78 490	48 123	66 061	67 527
Waste management	2 492	1 700	2 500	2 507
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Capital Expenditure - Functional</b>	<b>570 505</b>	<b>525 161</b>	<b>531 999</b>	<b>550 712</b>

The following pertinent issues were raised during the community consultation process. Minutes of the various meetings have been prepared and have been included as **Annexure M (DMS 1275821)**.

- Pedestrian bridges;
- Water losses – community reporting issues- delays in resolving issues;
- Rural sports facilities;
- Provision of community sportfields;
- Community Waste Skips;
- Streetlights in high crime areas;
- Street lighting not being maintained;
- Provision of speed humps and traffic calming measures;
- Information on Property valuation process to be communicated;
- Improvements to stormwater drainage systems;
- Improved communication with regards to water interruption etc.;
- Multi-purpose centres to be fully utilised;
- Electricity supply in Eskom supply areas;
- Provision of halls clinics and libraries;
- RDP Housing;
- Water storage tanks (Jo-Jo tanks);
- Additional water tankers provision required;
- Road signage and marking to be improved;
- Roads maintenance and upgrading of existing roads and
- Feedback to community on progress on projects;
- Improvement to airport required;
- Cleaning of greenbelts to improve security and reduce crime; and
- Public W-Fi.

The following Annexures are included under separate cover and form part of this report:

- **Annexure A (DMS 1270724)** - Budget report that has been prepared using the “Batho Pele City” template;
- **Annexure B1 - B56 (DMS 1267997)** - Municipal Annual Budget and MTREF Supporting Tables;
- **Annexure C (DMS 1279709)** - Tariffs of Charges;
- **Annexure D1 (DMS 1253740)** - Rates Policy;
- **Annexure D2 (DMS 1253740)** - Tariff Policy;
- **Annexure E (DMS 1276864)** - 2018/19 Adopted Capital Budget;
- **Annexure F (DMS 1276864)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1276864)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each Vote;
- **Annexure H1 - H6 (DMS 1276864)** Component 3: Draft annual projections of service delivery targets and performance indicators for each Vote;
- **Annexure I (DMS 1276864)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1276864)** Component 4: Ward information for operating expenditure;
- **Annexure K (DMS 1276864)** Component 5: Detailed capital works plan broken down by ward over three years;
- **Annexure L1 (DMS 1276864)** - MFMA Budget circular number 89 dated 8 December 2017; and
- **Annexure L2 (DMS 1276864)** - MFMA Budget circular number 91 dated 7 March 2018;

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications.

## **FINANCIAL IMPLICATIONS**

This is dealt with in detail throughout the Budget Report.

## **LEGAL IMPLICATIONS**

This is dealt throughout the report with references to various Acts and Regulations.

## **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

The recommendations are supported.

The Chief Financial Officer has been provided under the Executive Summary contained in **Annexure “A” (DMS 1270724)**.

## COMMENTS OF THE CHIEF OPERATING OFFICER

Component 3 2018/19 Adopted MTREF - SDBIP on **DMS 1276594** has been updated in draft format to be finalised and aligned with the Individual Departmental Performance Scorecards for final approval before 31 July 2018. (As per practice annually given the tight timelines and non-alignment of the applicable legislation)

### RECOMMENDED THAT:

1. the Adopted Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the municipality for the Financial Year 2018/19 and indicative for the projected outer years 2019/20 and 2020/21 be approved as set out in the Budget Report (**DMS 1270724**) and in the Budget tables A1 - A10 (**Annexure B1 - B13**) (**DMS 1267997**);
2. the 2012-2017 Integrated Development Plan (IDP) (Final) (**DMS 1134690**) be incorporated into the Adopted 2018/19 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Adopted 2018/19 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals and the Municipal Regulation on Standard Chart of Accounts (mSCOA) (Government Gazette 37577 dated 22 April 2014) for the City of uMhlathuze be approved as follows:

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<b>Surplus/ (Deficit) for the year</b>	<b>(58 985)</b>	<b>38 377</b>	<b>32 644</b>	<b>31 331</b>
Total Capital Expenditure	570 505	525 161	531 999	550 712
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>3 403 430</b>	<b>3 541 657</b>	<b>3 739 988</b>	<b>4 024 339</b>

It be further noted that this Budget in as far as the Municipal's administration ability and financial system capability allowed, is Project based.

4. the following table setting out the surplus/(deficit) across the services be approved:

Description R thousand	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
<b>Electricity and Energy Sources</b>				
Surplus/(Deficit) for the year	208 207	298 334	323 667	352 732
<b>Percentage Surplus</b>	15.0%	18.8%	19.2%	19.6%
<b>Water</b>				
Surplus/(Deficit) for the year	(58 126)	(8 705)	(5 644)	4 210
<b>Percentage Surplus</b>	(13.3%)	(1.9%)	(1.1%)	0.8%
<b>Waste water management</b>				
Surplus/(Deficit) for the year	(502)	(47 214)	(44 676)	(46 123)
<b>Percentage Surplus</b>	-0.2%	(19.5%)	(17.0%)	(16.2%)
<b>Waste management</b>				
Surplus/(Deficit) for the year	8 960	(18 854)	(13 302)	(13 227)
<b>Percentage Surplus</b>	5.8%	(12.9%)	(8.5%)	(7.8%)
<b>Other Services</b>				
Surplus/(Deficit) for the year	(217 523)	(185 184)	(227 402)	(266 262)
<b>Percentage Surplus</b>	(38.1%)	(30.5%)	(35.8%)	(39.5%)
<b>Total</b>				
<b>Surplus/(Deficit) for the year</b>	<b>(58 985)</b>	<b>38 377</b>	<b>32 644</b>	<b>31 331</b>

5. the Draft Service Delivery and Budget Implementation Plan (SDBIP) 2018/19 (**DMS 1276594**) as submitted be approved;
6. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2018/19 financial year is approved:

Category	Proposed tariff (from 1 July 2018)	Ratio to Residential Tariff
	<b>C</b>	
Residential Properties	0,0097	1 : 1
Business / Commercial	0,0204	1 : 2,10
Industrial	0,0213	1 : 2,20
Agricultural Properties	0,0024	1 : 0,25
Public Service Purposes (State Owned)	0,0112	1 : 1,10
Public Service Infrastructure	0,0024	1 : 0,25
Public Benefit Organisation Properties	0,0024	1 : 0,25
Mining Properties	0,0224	1 : 2,30
Vacant Land	0,0171	1 : 2

7. on application by the relevant rate payers the following rebates be applied subject to the provisions contained in the Rates Policy:

- Agricultural properties - 5%
- Non Profit Organisations - 20%

8. the following in terms of the 2018/19 Property Rates Ratios be approved:
  - Vacant Land Category – Revised ratio 1:2
9. the Rates Policy as contained in **Annexure D1 (DMS 1253740)** be approved;
10. in addition to the statutory R15 000 reduction in the valuation on residential properties a further reduction of R105 000 of the valuation on all developed residential properties valued at R400 000 and below be made;
11. in addition to the reductions in recommendation (9) above and subject to the criteria set out in the Property Rates Policy an additional R150 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;
12. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R120 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R120 000 on the following basis:
  - a) Properties valued between R120 001 and R170 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
  - b) Properties valued at R170 001 and higher will pay the normal tariff.
13. the amendment of the Tariff of Charges as per Annexure C (**DMS 1269709**) be approved;
14. the Tariff Policy as per Annexure D2 (**DMS 1276864**) be approved;
15. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
16. the property rates and tariff adjustments as set out above be dealt in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;
17. the contribution of R 298 million from Electricity Trading Service to Rates and General and other Trading Services referred to in the Electricity Tariff of Charges, as per Annexure C (**DMS 1269709**) as the Local Government Levy be approved;
18. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve account;

19. in terms of various policies the following increases in allowances are submitted to Council for approval:

	Approved 2017/18 Tariffs	Proposed Tariffs - 2018/19
	R	R
Standby - Travel allowance	96	101
Standby - Subsistence allowance	63	66
<b>Subsistence allowances</b>		
Daily allowance	136	143
Overnight allowance	181	191
Own accommodation	249	263
Interview candidates	65	69
<b>Accommodation</b>		
All employees	1 134	1 196
All councillors and Section 56 employees	1 900	2 005
Municipal Manager, Mayor/ Deputy Mayor, Speaker and Municipal Chief Whip	3 170	3 344
Ward committee members	1 274	1 344
<b>Indigent Burial Assistance</b>		
Adult	2 500	2 638
Child (1 day to 15 years)	1 900	2 005
Stillborn / foetus	1 300	1 372

20. should there be any unspent conditional grants received from the National Fiscus at year end, Council hereby requests that the Municipal Manager via letters to the respective transferring officers apply for a roll-over of funds received in **2017/18** financial year to the next financial year, namely the 2018/19 financial year;
21. Council note the two cents per kilowatt hour tariff on **all business** consumers for the purposes of an Energy Saving Reserve. These reserves shall only be used strictly for energy saving initiatives as per Council Resolution number 10872 dated 25 May 2016 (RPT 160350), that are included in the approved Budget.
22. although Council has an approved Virement Policy, in terms of this 2018/19 MTREF Budget appropriation, no virements (transfers) will be allowed out of:
- All Repairs and Maintenance Projects unless approval has been sort jointly between the Municipal Manager and the Chief Financial Officer;
  - Purchase of Bulk Electricity and Bulk Water Projects;
  - Operations and Maintenance Contracts provisions for Water and Sanitation services; and
  - Other virements (transfers) from line items indicated as impermissible in terms of the approved virement policy.
23. Council approves the borrowing of R310 million for the 2018/19 budget year and a further R310 million for 2020/21 for capital expenditure, however requirements of MFMA Section 46 will still be followed.