

2017/18 – 2019/20 MEDIUM TERM FINANCIAL PLAN (MTREF)

Executive summary

Section 26 of Chapter 5, of the Local Government Municipal Systems Act, No 32 of 2000, prescribes the core components of the Integrated Development Plan. Section 26 (h) requires the inclusion of a financial plan which should include a budget projection for at least the next three years. This financial plan aims to determine the financial affordability and -sustainability levels of the City over the medium term.

The City's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the IDP. It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.

The 2017/18 MTREF coincides with the new term of office, a new IDP, new strategic objectives, a new Organisational Development Transformation Plan (ODTP) and a differentiated approach to budgeting.

The Long term financial plan (LTFP) model developed to determine the appropriate mix of financial parameters and assumptions within which the City should operate to facilitate budgets are affordable and sustainable at least ten years into the future, was specifically more challenging this time round.

Financial Strategic Approach

The 2017/18 MTREF representing the first year of the City's five-year IDP coupled with a new ODTP approach required a change in focus areas of the City's Capital and Operating investment. The budget development brief for the 2017/18 MTREF can be summarised as follows:

- Not business as usual
- Affordable, but sustainable tariff increase package
- Executive Mayor Budget briefing
- Budget hearings with political involvement
- Specific areas of focus per strategies and political directive
- Zero-based approach to budget elements
- Area based service delivery will inform and influence resource allocations
- Giving effect to ODTP

The 11 priority areas to elevate the 5 strategic focus areas of the City's draft IDP (2017/18 – 2021/22) and which influenced the financial considerations provided for in the MTREF had to be clearly demonstrated during the budget hearings by directorates. They had to further demonstrate/indicate:

- How the budget gives effect to the transformational priorities and strategies:
 - City Development Strategy
 - Draft Integrated Development Plan

- Economic Growth and Social Development Strategy
- Integrated Human Settlements Framework
- Integrated Public Transport Network
- Transit Orientated Development strategic framework, and
- Integrated Zones
- that projects are within Spatial Targeting zone/nodes
- to what extent catalytic or flagship projects are incorporated and supported in budgets
- what current partnership exist with SOEs, government departments, private sector and NGOs
- what cost containment measures were implemented to give effect to MFMA circular 82
- that at least 40% of capital resources are allocated for upgrading and renewal of existing infrastructure
- that proposed projects are tender or demand plan ready.

Financial Modelling and Key Planning Drivers

The principles applied to the MTREF in determining and maintaining an affordability envelope included:

- A differentiated approach in applying parameters in the operating budget based on trends of previous expenditure, cost containment considerations and strategic needs;
- A 100% capital expenditure implementation rate assumed;
- Credible collection rates based on collection achievements to date and incorporating improved success anticipated in selected revenue items;
- national and provincial allocations as per the 2017 Division of Revenue Act and the 2017 Provincial Government gazette; and
- giving effect to cost containment measures

The ODTP came into effect 1 January 2017 which required the 2016/17 mid-year Adjustment budget to incorporate the new organisational structure. This together with the appointment of new senior management resulted in a later start than normal to the budget process with budget hearings taking place in January / early February 2017.

Economic outlook / external factors

Over the past year there were various international developments placing uncertainty on the future of both the global and domestic economies. These uncertainties relate to politics and policy changes, specifically referring to the new US administration and the expected outcome of the Brexit vote.

According to BER and the 2017 Budget review GDP is expected to grow at levels higher than 1 per cent from 2017. This growth can be attributed to several developments which include improved labour relations, stabilisation of electricity supply, improved global conditions and rising consumer and business confidence.

The Rand ended 2016 at a substantially stronger level than projected which according to BER is as a result of SA's investment grade credit rating remaining intact, better performance of exports commodity prices, stability in the euro-dollar exchange rate and the improved current account deficit. The 2017 R/\$ exchange rate is projected at R13.74/US\$.

A rise in Brent crude oil was evident towards the end of last year after the oil cartel agreed to reduce output. It is however expected that the OPEC output for 2017 may not be much different to the output experienced in 2016 and US oil output could make a comeback in 2017. BER projects that Brent crude oil will reach around \$60/bbl. by the end of 2017. The oil price will further be affected by the 2017 Budget review. At the 2017 budget speech it was announced that the general fuel levy will increase by 30c/litre which will affect the end consumer price of oil further.

Inflation outlook for the years ahead is also projected to improve. BER forecasts that the CPI inflation rate of 6.8% recorded in December 2016 will be the peak for the current cycle. Improved grain crops, a stable currency and revised weights for CPI is expected to ensure a more favourable inflation outcome. CPI is therefore projected below 6% over the future years. The City's CPI projection is based on BER calendar year projection of 5.8% for 2017, 5.6% for 2018 and 5.4% for 2019.

National and Provincial influences

Attention was given to National and Provincial influences and guidelines. National Treasury issued two circulars to guide municipalities on the preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) and should be read with previous annual budget circulars.

- a) National Treasury MFMA circular No. 85 issued December 2016
The key focus of the circular is the implementation of municipal Standard Chart of Accounts (mSCOA) and addressing municipal revenue generation challenges.

Some of the key points from the circular:

- The tabled 2017/18 MTREF budget & IDP will be assessed in March 2017 for mSCOA compliance.
- With regards to the Integrated Development Plan (IDP):
 - IDP should be drafted taking into account key global and national policies and priorities including the Sustainable Development Goals, the NDP, the Integrated Urban Development Framework and the Back-to-Basics Programme
 - IDP should reflect catalytic programmes and projects to be implemented by all spheres as well as SOE.
 - On the Revenue Budget, municipalities to maintain tariff increases:
 - at levels that reflect appropriate balance between affordability and sustainability
 - and increases higher than CPI to be justified
 - Attention to differential incidence of tariff increases across all consumer groups

- On funding choices and management issues, with the current declining trend of the ability of customers to pay for services, municipalities must consider:
 - effectiveness of revenue management processes and procedures
 - pay special attention to cost containment measures
 - the affordability of providing FBS to all households
 - curb consumption of Water and Electricity by indigents, not to exceed their allocation
- b) National Treasury MFMA circular No. 86 issued March 2017
- The key focus of the circular is the implementation of municipal Standard Chart of Accounts (mSCOA) and the grant allocations as per the 2017 Budget Review.
- Some of the key points from the circular:
- Local government conditional grants and additional allocations as per the Division of Revenue Act to be included in municipalities budgets
 - The impact of the updated Eskom bulk tariff increases to be included in the municipalities budgets
 - mSCOA compliance in respect of the tabled 2017/18 MTREF and IDP submission required the data string uploaded to the LG Database portal to meet the following requirements:
 - no mapping;
 - correct use of all segments;
 - seamless integration of core system with sub-systems
 - integrated budgeting facility directly linked to the IDP and SDBIP facilities on the system
- c) Updated MFMA Circular 82 on Cost Containment measures were also issued and considered in the preparation of the 2017/18 budget. the amendment refers to rates set for domestic hotel accommodation and flights
- d) Various mSCOA circulars have been issued in the 2016/17 financial year to prepare municipalities in ensuring compliance at the prescribed dates.
- e) The Division of Revenue Act information was incorporated in the 2017/18 budget to be tabled.

Expenditure analysis – a three-year preview

The City adopted a differentiated budgeting approach for the 2017/18 MTREF. The principles of cost containment and elimination of wasteful expenditure, reprioritisation of spending and attainment of savings were the technical themes of the budget. The approach in differentiation was supported by expenditure trends and considering impending needs to support City strategy.

The following assumptions and parameters were made in the drafting of the 2017/18 MTREF:

a) General inflation outlook and its impact on municipal activities

CPI projected for the City is 5.7% for 2017/18 and 5.5% for the two outer years of the MTREF period. These projections are based on the BER and are lower than National Treasury's projections of 6.4% for the 2017/18 financial year. These levels are within the South African Reserve Bank (SARB) inflation targeting range of between 3% to 6% range.

b) Contracted Services, Overtime and Operational Cost

A differentiated approach in applying parameters to expenditure elements in the abovementioned categories were introduced in the 2017/18 MTREF.

This included the reduction of the 2016/17 base on some elements and CPI or no growth for the 2017/18 financial year. The differentiated was based on the nature of the work that the service provides and expenditure trends.

c) Interest rates for borrowing and investment of funds

Borrowing interest rates are factored in at a rate of 12% over the 2017/18 MTREF and an average investment rate of 7% is forecast over the 2017/18 MTREF period.

d) Collection rate for Property Rates and Service charges

In accordance with relevant legislation and national directives, the City's projected revenue recovery rates are based on realistic and sustainable trends. In calculating the debt impairment, the following collection rates were applied to Property Rates and Service charges:

Table 1 Collection Rates

Service	Base Budget 2016/17	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rates	96.00%	96.00%	96.00%	96.00%
Electricity	98.00%	98.00%	98.00%	98.00%
Water	88.00%	82.00%	82.00%	82.00%
Sanitation	89.00%	86.00%	86.00%	86.00%
Refuse	92.00%	93.00%	93.00%	93.00%

The Electricity collection rate remains constant at 98% over the 2017/18 MTREF. This is mainly attributed to the vigorous implementation of prepaid meters and the revenue protection initiative.

It is projected that the Refuse collection rate will improve from 92% in 2016/17 to 93% over the 2017/18 MTREF. This is due to ongoing debt management initiatives implemented.

Water and Sanitation actual collection rate outcome over the past years was lower than anticipated. The budgeted collection rate for both Water and Sanitation was therefore reduced to more realistic rates for the 2017/18 MTREF. The projected collection rate for Water is 82% and Sanitation is 86% over the MTREF period.

The Property Rates collection rate is projected to remain at 96% this is supported by previous years' outcomes.

e) Salary increases

Salaries, wages and related staff cost expenses

The three-year salary and wage collective agreement concluded in 2015 comes to an end in the 2017/18 financial year.

In terms of the agreement, the salary and wage increases are to be annually calculated for all three years using the average CPI for the period 1 February of the previous year to 31 January of the forecasted budget year + 1%. This formula was used in determining the staff cost provisions of the MTREF. In addition, provision was made for an incremental allowance of 2% to cater for performance and other notch increases.

In the absence of an agreement for the outer years the same methodology was applied to project the salary increases for future years, the forecasted increases are:

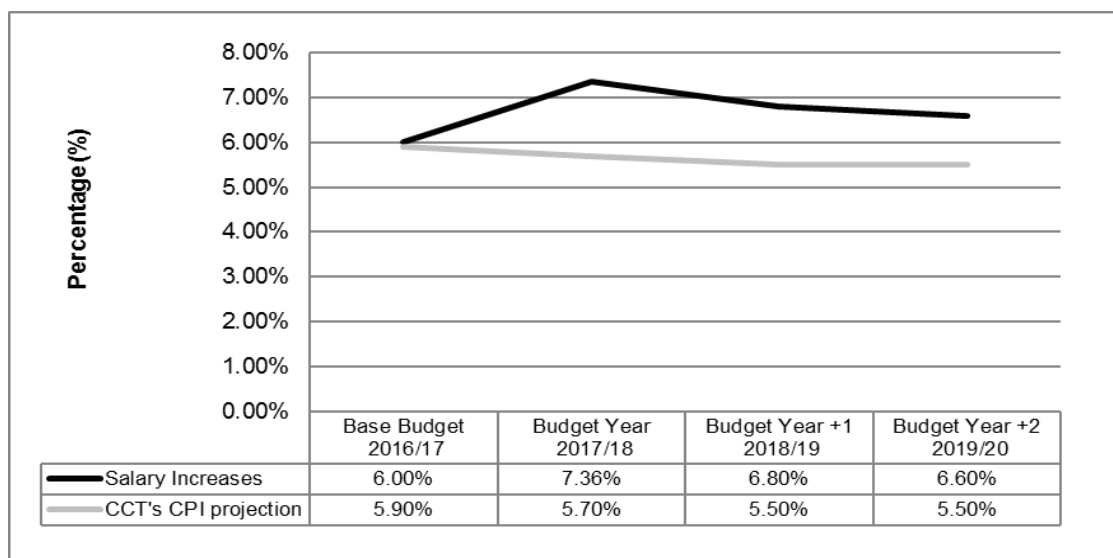


Figure 1 Correlation between the City's CPI and the salary increase over the MTREF

f) Ensuring maintenance of existing assets

A differentiated approach in applying parameters to expenditure elements relating to repairs and maintenance were introduced in the 2017/18 MTREF. This was differentiated based on the nature of the work that the service provides. The following varying parameters were applied:

- 10% reduction to 2016/17 base with no increase for 2017/18 financial year – to support services
- A CPI increase to services which although their main function is not providing repairs & maintenance the nature of their business and facilities requires a proper maintenance provision
- CPI + 1% applied to services which requires the securing the health of their assets
National Treasury circulars 55 and 70 set the ratio of operational repairs and maintenance to asset value (write down value of the municipality's property, plant and equipment (PPE) at 8%. The City averages 9.1% over the 2017/18 MTREF.

**g) Operating financing of capital
Depreciation**

Calculation of depreciation on new capital expenditure is based on variables such as asset class and lifespan, depending on the nature of the asset. An annual capital expenditure implementation rate of 100% was assumed. Depreciation of existing assets is calculated based on simulated SAP data that reflect actual values per annum. Assets under construction (AUC) are calculated based on asset class lifespan and projected capitalisation dates.

Borrowing and credit rating outlook

The City's borrowing is done in terms of chapter 6 of the MFMA and the City's borrowing policy, where a long term loan will only be entered into if it's affordable and sustainable. It is influenced by the capital investment requirement over the 2017/18 MTREF. The City needs a credit rating to demonstrate its ability to meet its short and long term financial obligations. Potential lenders also use it to assess the City's credit risk, which in turn affects the pricing of any subsequent loans taken. Factors used to evaluate the creditworthiness of municipalities include the economy, debt, finances, politics, management and institutional framework.

On 4 April 2017, Moody's placed the City of Cape Town's long-term global scale issuer rating on review for downgrade. The decision reflects the close operational and financial linkages between the national government and municipalities and follows the potential weakening of the South African government's credit profile, in particular in the country's institutional, economic and fiscal strength, as captured by Moody's recent decision to place South Africa's Baa2 government bond ratings on review for downgrade. The City of Cape Town's national scale ratings of Aaa.za/P-1.za were not affected by the action.

The City is rated at the high end of the range of South African municipalities rated by Moody's. The City's relative position reflects debt levels that are lower than the median of other metropolitan cities. Cape Town compares favourably with the other metros in South Africa in terms of budgetary performance and management, and displays robust cash holdings. The City's rating outlook is as follows:

Table 2 Credit rating outlook

Category	Currency	Current Rating 6 April 2017	Previous Rating 13 January 2017	Previous Rating 11 May 2016
Outlook	-	Rating under review	Negative	Negative
NSR Issuer Rating	Rand	Aaa.za	Aaa.za	Aaa.za
NSR ST Issuer Rating	Rand	P-1.za	P-1.za	P-1.za
NSR Senior Unsecured	Rand	Aaa.za	Aaa.za	Aaa.za

The definitions of the rating categories are:

- Stable Outlook – reflects that a credit rating assigned to an issuer is unlikely to change;
- Negative Outlook - reflects that a credit rating assigned to an issuer which may be lowered;

- Rating under Review - a review indicates that a rating is under consideration for a change in the near term;
- NSR Issuer Rating – Aaa.za - Issuers or issues rated Aaa.za demonstrate the strongest creditworthiness relative to other domestic issuers;
- NSR ST Issuer Rating – P-1.za – Issuers (or supporting institutions) rated Prime-1 have the strongest ability to repay short-term senior unsecured debt obligations relative to other domestic issuers; and
- NSR Senior Unsecured – Aaa.za - Issuers or issues rated Aaa.za demonstrate the strongest creditworthiness relative to other domestic issuers.

Capital investment

No further additional or consequential operational costs flowing from the City's capital investment programme were provided for. It is assumed that these will be catered for via efficiency gains, revenue multiplying affects and the prioritisation of existing operational resources.

h) Capital Expenditure

The total capital budget included for the MTREF period is as follows:

Table 3 Capital Budget over MTREF

Funding Source	Budget Year 2017/18 R' 000	Budget Year+1 2018/19 R' 000	Budget Year +2 2019/20 R' 000
CGD	2 353 735	2 188 936	2 294 102
CRR	1 722 544	965 878	930 917
Revenue	89 834	19 986	22 646
EFF	2 992 706	3 503 855	3 707 679
TOTAL	7 158 819	6 678 655	6 955 344

Revenue analysis – a three-year preview

a) Growth or decline in municipal tax base

Electricity

Electricity has projected shrinkage in sales revenue over the 2017/18 MTREF, shrinkage of 1% is projected for 2017/18 and 0.5% for the two outer years. The shrinkage is as a result of continued expected energy saving plans thus reducing consumption.

Refuse

The average growth over the last 3 years shows that a 2% service growth for Refuse is sustainable over the 2017/18 MTREF. The growth is driven by the growth in the requirement for this service.

Water and Sanitation

Growth projected for Water and Sanitation over the next two years has been projected at negative growth of 0.33% for 2017/18 and 0.55% for 2018/19. The projected shrinkage is due to the expected physical reduction in water usage as a result of the current water restrictions and permanent reductions that is expected to follow due to actions taken by customers during the current period of drought.

No growth is projected for 2019/20. Future population growth is due to be offset by:

- Continued roll-out of Water Demand Management Device allowing customers to manage their water use; and
- Sales of Treated Effluent for irrigation purposes.

Property Rates

The Rates growth parameter is attributed to a revenue quantum increase of 6% and a growth of 0.5% for 2017/18. The revenue quantum increase is as a result of the impact of the General Valuation, the over provision of objections and the benefit of the implementation of real time supplemental valuations. The growth in property value is expected to be 0.5% over the MTREF period.

b) Major tariffs and charges: Rates and Trading services

The adverse impact of the current economic climate, the demand for new and upgraded infrastructure, savings initiatives and lower demand for services made tariff increases at higher-than-CPI levels inevitable.

National Treasury Circular 85 of December 2016 stated the following: “National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore, municipalities are now required to justify all increases in excess of the 6.1 per cent projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups”.

The circular also requires municipalities to ensure that any drought penalty tariffs are provided for in their tariff policy and / or to incorporate the penalty tariffs in the Inclining Block Tariff (IBT) structure. With the City being in the throes of a disaster due to the drought conditions, restriction tariffs have already been implemented in the 2016/17 financial year and will continue into the 2017/18 financial year.

In addition, National Treasury encourages municipalities to ensure tariffs that are cost-reflective. The City has therefore included the following revenue increases in the 2017/18 MTREF:

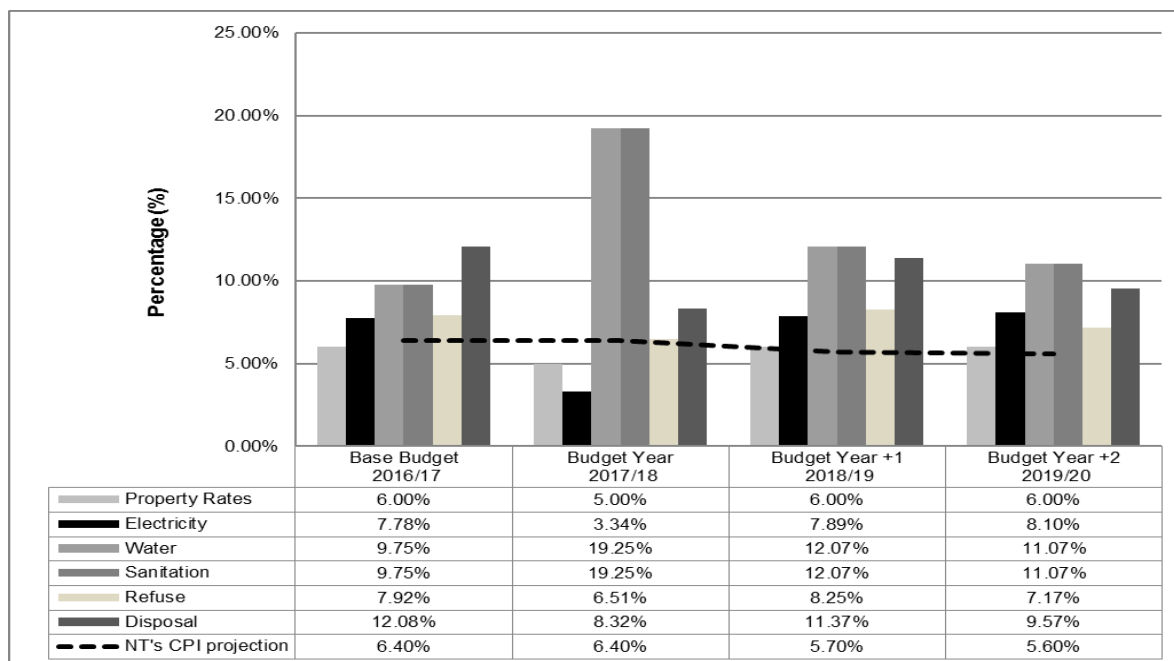


Figure 2 Revenue parameters for 2017/18 MTREF period

Electricity

NERSA approved a 2.2% Eskom increase for the last year of the Third Multi-Year Price Determination (MYPD3) period 2017/18. The reason for the lower percentage increase is due to the base adjustments made in the preceding years as a result of the approved Regulatory Clearing Account (RCA) balances for Eskom. As a result of the RCA 12.7% was approved for 2015/16 and 9.4% for 2016/17 instead of the annual 8% increase which was provided for in the MYPD3. The approved 2.2% therefore takes into account the adjustments already provided for in previous years thus maintaining the allowable revenue increases of the MYPD3. Eskom is making application to NERSA as it foresees financial sustainability risks considering the increase approved.

The nature of business for this service is the purchasing and redistribution of electricity, where bulk purchases averages 61.6% of the service's total budget. The electricity average tariff increase is therefore partly attributed to the NERSA approved Eskom increase on bulk purchases, which is 0.31% for the 2017/18 financial year and in the absence of an agreement 8% for the two outer years. In addition, the higher than CPI increases on other expenditure items and the reducing Electricity sales place a further financial strain on the service.

Based on this and to ensure affordability the electricity average increases are 3.34%, 7.89% and 8.10%, respectively, over the 2017/18 MTREF. These increases will also further cater for the continual operating costs of the service and for the investments in new infrastructure.

Solid Waste

Solid Waste consists of 3 services of which two are Tariff funded and one funded by Property Rates. The tariff funded services consists of Disposal and Refuse.

The Disposal average increase for 2017/18 is at 8.32% the increase for the two outer years are 11.37% and 9.57% respectively. This increase is required for capital investment and its related operating expenses. The capital investment includes amongst other, the development of material recovery facilities, landfill and transfer station infrastructure, the construction of a drop off site and the purchasing of land for the regional land fill site. Operational cost included for material recovery facilities, Swartklip & Faure drop offs and regional landfill site.

The Refuse average increase for 2017/18 is 6.51%, 8.25% for 2018/19 and 7.17% for 2019/20. The average increase will allow, amongst other, the service to comply with the NEMWA waste minimisation requirements by increasing the removal of recycling at the source and upgrade the solid waste depot facilities.

Water and Sanitation

In light of MFMA Circular 85, current drought condition experienced and other budgetary requirements the Water and Sanitation average increases are set at 19.25% for 2017/18, 12.07% for 2018/19 and 11.07% for 2019/20. The higher than CPI increases is due to various factors, including:

- Continuing aggressive capital programmes to ensure water security, implementation of augmentation schemes, extensions to wastewater treatment plants, appropriate capacity levels and asset replacements programmes to ensure proper asset management;
- The lower collection ratio;
- The anticipated shrinkage in sales; and
- Acceleration of the repairs and maintenance programme as well as staffing strategy to ensure that service delivery and responsiveness expectations are met.

In addition, due to the current climatic conditions, Water and Sanitation recommended level 4 restrictions for the 2017/18 financial year maintaining a revenue neutral status. Additional funding materialised will be earmarked for once-off emergency expenditure, potential impact of the increases on the collection rate as well as Contribution to Capital Replacement Reserve (CRR) to fund future capital programmes.

Finally, to buffer the average increases the free basic Water and Sanitation allocation currently provided to non-indigent customers have been discontinued. The pricing for step 1 of the Domestic category will be phased in over the next two years.

Property Rates

An average Property Rates increase of 5% is proposed for the 2017/18 financial year with an increase of 6% proposed for the two outer years. This lower than CPI increase is as a result of the increase in the Property Rates revenue quantum achieved with the 2015 General valuation and supplemental valuations. The increase allows for recurring operating costs, budget realities and investments in new infrastructure for Rates funded services.

Housing rental (Council rental properties)

The monthly rental charge for the City's housing rental properties is based on a rate per square meter applied to the size of the unit being rented coupled with a set of

premiums/deductions based on the location, maintenance level, facilities et al of the specific property for which the rent is charged.

Through addressing the economic challenges faced by many poorer communities residing in, particularly, the City's rental stock, the average total monthly rental charge percentage increase associated with the City's rental properties has been retained at an affordable level and is based on an annual increase of 6.25% (where the unit has a separate water meter) or 10.40% (for those units which include water in the rental charge) for 2017/18.

The annual rental charge percentage increase, acknowledging the ongoing multi-year implications of inflation on the costs associated with the management of rental properties including, inter alia, maintenance of the properties, administrative costs is not directly aligned to the full economic cost of operating the rental units and operates on a City of Cape Town subsidized basis for the financial differential between the economic cost recovery based rental (CPI linked) and the actual amount charged.

Tenants who were in occupation of the City's rental properties in 2007 receive a subsidy of 20% of the rental charge being the final portion of the phase out program which was not fully implemented by the City to facilitate affordability of long standing tenants. This key initiative, reflected within the City's Housing Debt Management Policy, supports affordable rentals to many poor communities and supports the City's initiatives in terms of its housing debt collection drives whilst supporting the City's housing debtor book that it does not unduly increase due to, potentially, unreachable charges.

The proposed 2017/18 housing rental charge is in line with previous annual rental increases and is again aimed at ensuring affordability for the City's poorer communities. The rental rate (per square meter per month) is R9.69 (where the unit has a separate water meter) or a rental charge (including water charge where applicable) of R14.76 per square meter per month.

The City's housing premiums and deductions charge structure addressing the variations in the City's diverse rental properties remains as follows:

Discounts on account

- Outside toilet (R20 per month)
- External Water (R30 per month)
- No ceiling (R15 per month)

Premiums on account

- Saleable unit (R4,50 per month)
- Well maintained (R5 per month)
- Local environment (R3,50 per month)
- Well located (R5 per month)
- Hot water cylinder (R4 per month).

A surcharge for tenants earning a monthly income above the rental income threshold (R3 500) is charged as follows at a stepped rate of 8% for those earning R3 501 – R7 500 and

10% for those earning R7 501 – R10 000. Tenants who earn more than R10 000 per month will pay a surcharge of 25% of any amount above R10 000. A two (2) year lease agreement will be signed which will not be renewed if the income remains more than R10 000.

2017 Division of Revenue Act and Fuel levy

Equitable Share

The reviewed Equitable Share formula provide a subsidy for the provision of free basic water, electricity, sanitation and refuse removal services for the poor. It also provides funds for the institutional costs of municipalities and a community services component which provides funding towards the provision of core municipal services not included under basic services. To ensure that the funds for institutional costs and non-trading services are targeted at poorer municipalities, the formula applies a revenue-adjustment factor reflecting municipalities' ability to generate their own revenue. The revised formula used data from the 2011 Census which are to be updated annually to reflect estimates of population growth and projected increases in the cost of services such as water and electricity.

Equitable share provisions included in the budget are based on the 2017 Division of Revenue Act. The following equitable share amounts were allocated to the City:

2017/18 -	R2.293 billion
2018/19 -	R2.582 billion
2019/20 -	R2.836 billion

Fuel levy

The general fuel levy is legislated by the Taxation Laws Amendment Act, Act 17 of 2009 which provides that each metro's share should be announced in the Government Gazette. The amounts in respect of fuel levy sharing for each metro are therefore published annually by way of a notice in the Government Gazette.

The fuel levy allocation is based on the latest available fuel sales figures within the jurisdiction of the City as a metro. The following amounts were allocated to the City as per the 2017/18 allocation letter received from National Treasury:

2017/18 -	R2.418 billion
2018/19 -	R2.617 billion
2019/20 -	R2.825 billion

Major parameters

The following table summarises the major parameters applied to the Operating budget:

Table 4 Summary of parameters applied to Operating Budget

	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CPI	5.70%	5.50%	5.50%
COLLECTION RATES			
Rates	96.00%	96.00%	96.00%
Electricity	98.00%	98.00%	98.00%
Water	82.00%	82.00%	82.00%
Sanitation	86.00%	86.00%	86.00%
Refuse	93.00%	93.00%	93.00%
Housing	56.00%	57.00%	57.50%
REVENUE PARAMETERS			
Rates	5.00%	6.00%	6.00%
Electricity	3.34%	7.89%	8.10%
Water	19.25%	12.07%	11.07%
Sanitation	19.25%	12.07%	11.07%
Refuse	6.51%	8.25%	7.17%
Disposal	8.32%	11.37%	9.57%
GROWTH PARAMETERS			
Rates	6.50%	0.50%	0.50%
Electricity	-1.00%	-0.50%	-0.50%
Water	-0.33%	-0.55%	0.00%
Sanitation	-0.33%	-0.55%	0.00%
Refuse	2.00%	2.00%	2.00%
EXPENDITURE PARAMETERS:			
Salary increase			
Salary increase (SALGBC Agreement)	7.36%	6.80%	6.60%
Increment provision	2.00%	2.00%	2.00%
Operational cost	Differentiated	Differentiated	Differentiated
Repairs & Maintenance	Differentiated	Differentiated	Differentiated
Interest Rates			
Interest paid	12.00%	12.00%	12.00%
Interest on investment	7.00%	7.00%	7.00%
Other:			
Capital (EFF component) expenditure	R2.993bn	R3.504bn	R3.708bn
Equitable Share Allocation	R2.293bn	R2.582bn	R2.836bn
Fuel levy	R2.418bn	R2.617bn	R2.825bn