



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# **COUNCIL AGENDA – 25 MARCH 2015**

## **VOLUME 2**

### **ITEM C 03/03/15**

**TABLING OF DRAFT BUDGET 2015/16 - 2017/18**

*UKUDANDALAZISWA KOHLAHLO-LWABIWO-  
MALI OLULUYILO LOWAMA-2015/16 – 2017/18*

**TER TAFELLEGGING VAN KONSEPBEGROTING  
VIR 2015/16 – 2017/18**

**RECOMMENDATION**

**&**

**INDEX TO BUDGET DOCUMENT**

ITEM NUMBER: C 03/03/15

*RECOMMENDATION FROM THE EXECUTIVE MAYOR: 19 MARCH 2015*

**MC 57/03/15      TABLING OF DRAFT BUDGET 2015/2016 - 2017/2018**

The Executive Deputy Mayor/ Mayco Member for Finance, Ald. I Neilson highlighted the total budget quantum for the 2015/16 year in terms of the operating and capital budgets, as well as some of the reasons for the significant increases in expenditure.

It is **RECOMMENDED** that:

- (a) as legislatively prescribed, the draft budget be tabled by the Executive Mayor
- (b) the tabled budget will be subjected to a public participation process, as legislatively prescribed, during April 2015.



REPORT TO COUNCIL

DATE

1. ITEM NUMBER : **C 03/03/15**

2. SUBJECT

**TABLING OF DRAFT BUDGET 2015/16 – 2017/18**

F1369

**ONDERWERP**

**TERTAFELLEGGING VAN KONSEPBEGROTING VIR 2015/16 – 2017/18**

**ISIHLOKO**

**UKUDANDALAZISWA KOHLAHLO-LWABIWO-MALI OLULUYILO LOWAMA-  
2015/16 – 2017/18**

3. STRATEGIC INTENT

- **Opportunity City**

Objective 1.2: Provide and maintain economic and social infrastructure to ensure infrastructure-led growth and development.

- **Well-run City**

Objective 5.3: Ensure financial prudence, with clean audits by the Auditor-General.

4. PURPOSE

Tabling of the City's 2015/16 – 2017/18 draft annual budget.

5. FOR NOTING BY / FOR DECISION BY

This report is for consideration/decision by:

- Council

6. EXECUTIVE SUMMARY

Council must annually adopt a budget for operating revenue and expenditure, capital expenditure and cash flow. Council must also set rates and service charges in order to ensure that sufficient revenue is generated to match proposed expenditure.

The format for adopting municipal budgets is prescribed in the Municipal Finance Management Act (MFMA), its Regulations and National Treasury Circulars, which require the adoption and noting of a range of issues.

003

The City's draft budget for 2015/16 – 2017/18 must reflect the revised Integrated Development Plan (IDP).

## 7. RECOMMENDATIONS

Not delegated: for noting by Council:

- a) As legislatively prescribed the draft budget is tabled by the Executive Mayor.
- b) The tabled budget will be subjected to a public participation process, as legislatively prescribed, during April 2015.

Nie gedelegeer nie: vir kennisname deur die Raad:

- a) Soos deur die wet voorgeskryf, die konsepbegroting deur die uitvoerende burgemeester ter tafel gelê word.
- b) *Die begroting wat ter tafel gelê is, gedurende April 2015 aan 'n proses van openbare deelname onderwerp word soos deur die wet voorgeskryf.*

Azigunyaziswanga: isigqibo seseBhunga:

- a) Njengoko kuqulunqiwe ngokomthetho, makudandalaziswe uhlahlo-lwabiwo-mali oluluyilo nguSodolophu weSigqeba.
- b) Uhlahlo-lwabiwo-mali oludandalazisiweyo luyakuthi luxhomekeke kwinkqubo yentatho-nxaxheba yoluntu, njengoko kuqulunqiwe ngokomthetho, kwisithuba sango-Epreli 2015.

## 8. DISCUSSION/CONTENTS

Council must annually adopt a Budget for operating revenue and expenditure, capital expenditure and cash flow. Council must also set rates and service charges in order to ensure that sufficient revenue is generated to match proposed expenditure.

The format for adopting municipal Budgets is prescribed in the Municipal Finance Management Act, its Regulations and National Treasury Circulars, which require the adoption and noting of a range of issues.

The City's draft budget for 2015/16 - 2017/18 includes the revised Integrated Development Plan (IDP), as legislatively prescribed.

MFMA Section 17 and National Treasury MFMA Budget Circulars provide directives and guidelines for submitting municipal budgets to Councils for adoption. Annexure A to this report represents the documentation in compliance thereto and is submitted for consideration.

### 8.1. Sustainability Implications

Does the activity in this report have any sustainability implications for the City? No  Yes

### 8.2. Legal Implications

None.

### 8.3. Staff Implications

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No

Yes

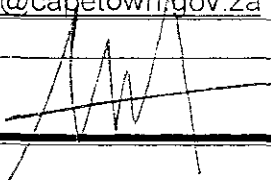
### 8.4. Other Services Consulted

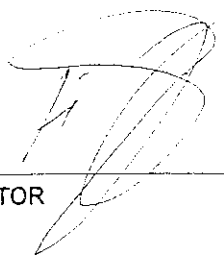
None

## ANNEXURES

Annexure A: City of Cape Town – draft budget 2015/16 to 2017/18

### FOR FURTHER DETAILS CONTACT:

NAME	Johan Steyl
CONTACT NUMBERS	0214002121
E-MAIL ADDRESS	johan.steyl@capetown.gov.za
DIRECTORATE	Finance
SIGNATURE : DIRECTOR (Delete if not necessary)	



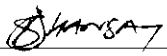
EXECUTIVE DIRECTOR  
(Kevin Jacoby)

Comment:

NAME

DATE

17/03/2015



LEGAL COMPLIANCE

[Compulsory to Insert name]

NAME

TEL

DATE

A.S. NIAMSAY

(021) 400 4536

17-03-15

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

Comment:

FOR NOTING

A. G. R. *ni*

EXECUTIVE DIRECTOR: COMPLIANCE AND  
AUXILIARY SERVICES (ED: CAS)

SUPPORTED FOR ONWARD SUBMISSION  
TO MAYOR  / MAYCO  / COUNCIL

NOT SUPPORTED

REFERRED BACK

DATE

17 / 3 / 15

COMMENT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*

MAYORAL COMMITTEE MEMBER

COMMENT:

NAME

JD NELSON

DATE

11/3/15

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

P. de Lille

EXECUTIVE MAYOR

SUPPORTED FOR ONWARD SUBMISSION TO MAYCO  / COUNCIL

PC RECOMMENDATION

RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT

ALTERNATIVE RECOMMENDATION TO BE REFLECTED BELOW

APPROVED I.T.O. DELEGATED AUTHORITY

NOTED

REFUSED

REFERRED BACK

DATE

17/3/15

COMMENT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



# BUDGET INDEX

Doc page  
(Number at  
bottom of page)

Folio page  
(Number at top  
centre of page)

<b>Part 1 - Annual Budget</b>	<b>1</b>	<b>12</b>
<b>Council Resolutions</b>	<b>1</b>	<b>12</b>
1.1 Executive Summary	2	13
1.2 Operating Revenue Framework	10	21
1.3 Operating Expenditure Framework	21	32
1.4 Capital Expenditure	25	36
1.5 Annual Budget Tables	28	39
<b>Part 2 – Supporting Documentation</b>	<b>48</b>	<b>59</b>
2.1 Overview of annual budget process	48	59
2.2 Overview of alignment of annual budget with IDP	50	61
2.3 Measurable performance objectives and indicators	54	65
2.4 Overview of budget related-policies	63	74
2.5 Overview of budget assumptions applied to the 2015/16 MTREF	64	75
2.6 Overview of budget funding	79	90
2.7 Ward Allocations	91	102
2.8 Expenditure on grants and reconciliations of unspent funds	92	103
2.9 Allocations and grants made by the municipality	94	105
2.1 Councillor and employee benefits	95	106
2.11 Monthly targets for revenue, expenditure and cash flow	98	109
2.12 Annual budgets – internal departments	107	118
2.13 Annual budget and service delivery agreement – Cape Town Convention Centre (CTICC)	157	168
2.14 Contracts having future budgetary implications	164	175
2.15 Capital expenditure details	167	178
2.16 Legislation compliance status	176	187
2.17 Other supporting documents	177	188
2.18 Consolidated budget tables	189	200

## List of tables

Table 1	Year-on-year growth of expenditure components	2	13
Table 2	Year-on-year growth on Staff Cost	4	15
Table 3	Year-on-year growth on Revenue categories	6	17
Table 4	Average Tariff increases for the 2015/16 MTREF	6	17
Table 5	Year-on-year increase/(decrease) in capital funding sources	7	18
Table 6	Extract of new projects in the draft 2015/16 Capital Budget	10	21
Table 7	Summary of Revenue classified by main revenue sources	11	22
Table 8	Revenue by source as a percentage of total budget	11	22
Table 9	Operating Transfers and Grant Receipts	13	24
Table 10	Proposed Water Tariffs	16	27
Table 11	Proposed Sanitation Tariffs	16	27
Table 12	Comparison between current water charges and proposed increases (domestic consumption)	17	28
Table 13	Comparison between current sanitation charges and proposed increases (domestic consumption)	17	28
Table 14	Comparison between current waste removal fees and increases	18	29
Table 15	Comparison between current electricity charges and increases (domestic consumption)	19	30
Table 16	MBRR Table SA14 - Household bills	20	31
Table 17	Summary of operating expenditure by standard classification	21	32
Table 18	Operational repairs and maintenance	23	34
Table 19	2015/16 MTREF capital budget per vote	25	36
Table 20	MBRR Table A1 - Budget Summary	29	40
Table 21	MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)	31	42
Table 22	MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	33	44
Table 23	Surplus / (Deficit) calculations for the trading services	34	45
Table 24	MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	35	46
Table 25	MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source	38	49
Table 26	MBRR Table A6 - Budgeted Financial Position	40	51
Table 27	MBRR Table A7 - Budgeted Cash Flow Statement	42	53
Table 28	MBRR Table A8 - Cash Backed Reserves / Accumulated Surplus Reconciliation	43	54

		Doc page (Number at bottom of page)	Folio page (Number at top centre of page)
Table 29	MBRR Table A9 - Asset Management	44	55
Table 30	MBRR Table A10 - Basic Service Delivery Measurement	46	57
Table 31	MBRR Table SA4 - Reconciliation between the IDP strategic objective and budgeted revenue	52	63
Table 32	MBRR Table SA5 - Reconciliation between the IDP and strategic objectives and budgeted operating expenditure	53	64
Table 33	MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure	54	65
Table 34	MBRR Table SA8 - Performance indicators and benchmarks	57	68
Table 35	Wastewater Treatment Facility Capital Budget	62	73
Table 36	Wastewater Treatment Facility Operating Budget	62	73
Table 37	Collection Rates	69	80
Table 38	Credit rating outlook	73	84
Table 39	Capital Budget over MTREF	77	88
Table 40	Summary of parameters applied to Operating Budget	78	89
Table 41	Breakdown of the operating revenue over the medium-term	79	90
Table 42	MBRR Table SA15 - Detailed investment information	80	91
Table 43	MBRR Table SA16 - Investment particulars by maturity	81	92
Table 44	Sources of capital revenue over the MTREF	82	93
Table 45	MBRR Table SA17 - Detail of borrowing	83	94
Table 46	MBRR Table SA18 - Capital transfers and grants receipts	84	95
Table 47	MBRR Table A7 - Budgeted cash flow statement	85	96
Table 48	MBRR Table A8 - Cash backed reserves / accumulated surplus reconciliation	86	97
Table 49	MBRR Table SA10 - Funding Compliance measurement	87	98
Table 50	MBRR Table SA19 - Expenditure on transfers and grant programmes	92	103
Table 51	MBRR Table SA22 – Summary of councillor and staff benefits	95	106
Table 52	MBRR Table SA23 - Salaries, allowances and benefits (political office bearers / councillors / senior officials) for the 2015/16 financial year	96	107
Table 53	MBRR Table SA24 - Summary of personnel numbers	97	108
Table 54	MBRR Table SA25 - Budgeted monthly revenue and expenditure	98	109
Table 55	MBRR Table SA26 - Budgeted monthly revenue and expenditure (municipal vote)	100	111
Table 56	MBRR Table SA27 - Budgeted monthly revenue and expenditure (standard classification)	101	112
Table 57	MBRR Table SA28 - Budgeted monthly capital expenditure (municipal vote)	103	114
Table 58	MBRR Table SA29 - Budgeted monthly capital expenditure (standard classification)	104	115
Table 59	MBRR Table SA30 - Budgeted monthly cash flow	105	116
Table 60	City Health - operating revenue by source, expenditure by type and total capital expenditure	109	120
Table 61	City Manager - operating revenue by source, expenditure by type and total capital expenditure	111	122
Table 62	Community Services - operating revenue by source, expenditure by type and total capital expenditure	115	126
Table 63	Compliance and Auxiliary Services - operating revenue by source, expenditure by type and total capital expenditure	118	129
Table 64	Corporate Services - operating revenue by source, expenditure by type and total capital expenditure	121	132
Table 65	Energy, Environment & Spatial Planning - operating revenue by source, expenditure by type and total capital expenditure	124	135
Table 66	Finance - operating revenue by source, expenditure by type and total capital expenditure	126	137
Table 67	Human Settlements - operating revenue by source, expenditure by type and total capital expenditure	131	142
Table 68	Safety and Security - operating revenue by source, expenditure by type and total capital expenditure	134	145
Table 69	Social and Early Childhood Development - operating revenue by source, expenditure by type and total capital expenditure	139	150
Table 70	Tourism, Events and Economic Development - operating revenue by source, expenditure by type and total capital expenditure	142	153
Table 71	Transport for Cape Town - operating revenue by source, expenditure by type and total capital expenditure	145	156
Table 72	Water & Sanitation - operating revenue by source, expenditure by type and total capital expenditure	149	160

		Doc page (Number at bottom of page)	Folio page (Number at top centre of page)
Table 73	Solid Waste Management - operating revenue by source, expenditure by type and total capital expenditure	152	163
Table 74	Cape Town Electricity - operating revenue by source, expenditure by type and total capital expenditure	156	167
Table 75	CTICC – Service Delivery Agreement	158	169
Table 76	CTICC - Table D1 Budget Summary	159	170
Table 77	CTICC - Table D2 Budgeted Financial Performance (revenue and expenditure)	160	171
Table 78	CTICC - Table D3 Capital Budget by vote and funding	161	172
Table 79	CTICC - Table D4 Budgeted Financial Position	162	173
Table 80	CTICC – Table D5 Budgeted Cash Flow	163	174
Table 81	MBRR Table SA33 - Contracts having future budgetary implications	164	175
Table 82	Projects having future budgetary implications	165	176
Table 83	MBRR Table SA34a - Capital expenditure on new assets by asset class	167	178
Table 84	MBRR Table SA34b - Capital expenditure on the renewal of existing assets by asset class	168	179
Table 85	MBRR Table SA34c - Repairs and maintenance expenditure by asset class	169	180
Table 86	MBRR Table SA35 - Future financial implication of the capital budget	170	181
Table 87	MBRR Table SA36 - Detailed capital budget per municipal vote	171	182
Table 88	MBRR Table SA37 - Projects delayed from previous financial year/s	175	186
Table 89	MBRR Table SA1 - Supporting detail to budgeted financial position	177	188
Table 90	MBRR Table SA2 - Matrix financial performance budget (revenue source / expenditure type and department)	179	190
Table 91	MBRR Table SA3 - Supporting detail to Statement of Financial Position	181	192
Table 92	MBRR Table SA9 - Social, economic and demographic statistics and assumptions	183	194
Table 93	MBRR Table SA32 - List of external mechanisms	184	195
Table 94	Schedule of Service Delivery Standards	187	198
Table 95	Consolidated Budget Summary	189	200
Table 96	Consolidated Budgeted Financial Performance (revenue and expenditure)	190	201
Table 97	Consolidated Budgeted Financial Position	191	202
Table 98	Consolidated Budgeted Cash Flows	192	203

#### List of figures

Figure 1	Main operational expenditure categories for the 2015/16 financial year	22	33
Figure 2	Capital Infrastructure Programme	28	39
Figure 3	Revenue by source	36	47
Figure 4	Expenditure by type	37	48
Figure 5	Depreciation in relation to repairs and maintenance over the MTREF	45	56
Figure 6	IDP and Budget link	52	63
Figure 7	Cycle and process of the performance objectives and indicators	55	66
Figure 8	Consumer price index projections adopted in the MTREF	66	77
Figure 9	Consumer Price Index over recent and future years (projected)	67	78
Figure 10	Interest rates over the MTREF	69	80
Figure 11	Provision of bad debts – 2013/14 to 2017/18	70	81
Figure 12	Correlation between the City's CPI and the salary increase over the MTREF	71	82
Figure 13	Increasing expenditure trend on repairs and maintenance from 2013/14 and projected to 2017/18	72	83
Figure 14	Revenue parameters for 2015/16 MTREF period	74	85
Figure 15	Breakdown of operating revenue over the 2015/16 MTREF	79	90
Figure 16	Sources of capital revenue for the 2015/16 financial year	82	93
Figure 17	Growth in outstanding borrowings (long-term liabilities)	83	94
Figure 18	Cash and cash equivalents / cash backed reserves and accumulated funds	87	98

#### List of Annexures

Annexure 1	MULTI YEAR CAPITAL APPROPRIATIONS BY VOTE	-	204
Annexure 2	DRAFT PROPERTY (TAX) RATES	-	336
Annexure 3	DRAFT SPECIAL RATING AREAS (SRA) POLICY, SRA ADDITIONAL RATE (INCLUDING CITY IMPROVEMENT DISTRICTS) AND SRA BY-LAW	-	341
Annexure 4	REVISED CONSUMPTIVE TARIFFS, RATES AND BASIC CHARGES FOR ELECTRICITY SERVICES, WATER SERVICES AND WASTE MANAGEMENT SERVICES	-	378
Annexure 5	DRAFT RATES POLICY	-	392
Annexure 6	DRAFT TARIFFS, FEES AND CHARGES BOOK	-	423

	Doc page (Number at bottom of page)	Folio page (Number at top centre of page)
Annexure 7	DRAFT TARIFF POLICIES	- 1015
Annexure 8	DRAFT CREDIT CONTROL AND DEBT COLLECTION POLICY	- 1092
Annexure 9	DRAFT GRANT-IN-AID POLICY	- 1157
Annexure 10	AMENDMENTS TO THE FIVE YEAR 2012/13 – 2016/17 INTEGRATED DEVELOPMENT PLAN (IDP) (2015/16 REVIEW)	- 1176
Annexure 11	GRANTS, SUBSIDIES AND CONTRIBUTIONS TO EXTERNAL ORGANISATIONS	- 1226
Annexure 12	OPERATING AND CAPITAL WARD ALLOCATION PROJECTS SUPPORTED BY SUB COUNCILS	- 1238
Annexure 13	MUNICIPAL ENTITY – SCHEDULE D (ANNUAL BUDGETS AND SUPPORTING DOCUMENTS)	- 1285
Annexure 14	MUNICIPAL ENTITY – BUSINESS PLAN	- 1308
Annexure 15	OVERVIEW OF BUDGET ASSUMPTIONS APPLIED TO THE 2015/16 MTREF REQUIRED TO BE INCLUDED IN ANNEXURE 10 (IDP)	- 1397
Annexure 16	ICONIC AND OTHER EVENTS TO BE HOSTED BY THE CITY IN 2015/16	- 1414
Annexure 17	DRAFT FARE POLICY FOR CONTRACTED, ROAD-BASED PUBLIC TRANSPDRT DRAFT POLICY ON CONTRIBUTIONS TO THE CITY OF CAPE TOWN	- 1416
Annexure 18	INDIVIDUAL PRDJECTS WITH A TOTAL PROJECT COST IN EXCESS OF R50 MILLION (TO GIVE EFFECT TO SECTION 19(1) (B) OF THE MFMA)	- 1457
Annexure 19	NATIONAL TREASURY CIRCULARS 74 AND 75 – MUNICIPAL BUDGET CIRCULARS FOR THE 2015/16 MTREF	- 1465
Annexure 20	CITY MANAGER’S QUALITY CERTIFICATE	- 1510