



nelson mandela bay  
PORT ELIZABETH | UITENHAGE | DESPATCH

2015/16 – 2017/18

BUDGET

# Pressures on Budget

- Developmental
- Financial
- Engineering
- Economic Development
- Business Community
- Opposition
- Punctuality

# Budget Overview

R thousands	Adjustments Budget 2014/15	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	8,277,494	8,874,926	9,690,332	10,692,057
Total Operating Expenditure	8,724,352	8,792,291	9,475,862	10,322,943
Surplus/(Deficit)	(446,858)	82,635	214,470	369,114
Total Capital Expenditure	1,467,888	1,480,389	1,516,694	1,585,893

	2015/16	2016/17	2017/18
	R(million)	R(million)	R(million)
Operating surplus	82,635	214,470	369,114
Less: Adjusted Budget proposals	<u>42,500</u>	<u>40,700</u>	<u>43,800</u>
<b>Adjusted Operating surplus</b>	<b>40,135</b>	<b>173,770</b>	<b>325,314</b>

	Financial Year 2008/09	Financial Year 2009/10
<b>Cash Spent on Capital Goods</b>	R2.3 billion	R2.3 billion
<b>Paid for by</b>		
Specific Government Grants received	R1.0 billion	R1.0 billion
Bankloans raised (repaid)	+R0.07 billion	R1.1 billion
Entire cash surplus on Operating Account appropriated	R0.35 billion	R0.06 billion
To be funded ex Cash Reserves	R1.0 billion	R0.26 billion
Cash at Beginning of Year	R1.9 billion	R0.9 billion
Cash at End of Year	R0.9 billion	R0.6 billion

# **The Cash Required of the Nelson Mandela Bay Municipality is set out in the following formula:**

CASH REQUIRED = Consumer Deposits held, plus  
Unspent Conditional Grants, plus  
Provisions to be backed by cash, plus  
Working Capital Required

<b>CASH REQUIREMENT NMBM ALL R million</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Consumer Deposits	R100m	R100m	R100m	R100m
Unspent Conditional Grants and Reserves to be Backed by Cash	R169m	R179m	R190m	R202m
Working Capital Required*	R850m	R909m	R930m	R1.040m
<b>TOTAL CASH REQUIREMENT</b>	<b>R1.119m</b>	<b>R1.188m</b>	<b>R1.220m</b>	<b>R1.342m</b>
<b>LESS CASH AVAILABLE</b>	<b>R865m</b>	<b>R752m</b>	<b>R656m</b>	<b>R635m</b>
<b>CASH SHORTFALL</b>	<b>R254m</b>	<b>R436m</b>	<b>R564m</b>	<b>R707m</b>

\*Annual Operating Expenses plus Annual Capital Spending divided by twelve – approximately one month of spending held as cash

## The 2014 financial statement reflects the following:

Current assets		3 191 055 129
Less short term investments	2 526 748	
Less investment deposits	1 421 480 088	
Less bank	128 555 305	1 552 562 141
		1 638 492 988
Financed from:		
Current liabilities	2 260 579 295	
Less unconditional grants	-260 757 148	
Less curr portion of long-term liab	-112 968 098	1 886 854 049
		- 248 361 061



	Nelson Mandela Bay Municipality										
All Rmil	2006/7	2007/8	2008/9		2011/12	2012/13	2013/14	2015/16	2016/17	2017/18	2018/18
Cash and Investment Deposits	R1.697	1.907	1.528		1.160	1.522	1.553	865.8	752.0	656.0	635.1
Trade Creditors	R1.376	1.684	1.431		1.874	1.863	1.887	1.756.1	1.882.0	1991.0	2.108.0
Cash as % of Creditors	123%	113.5%	107.5%		62%	81%	82%	49%	40%	33%	30%

All Rmil	Nelson Mandela Bay Municipality		City of Cape Town	
	2014/15	2016/17	2014/15	2015/16
Cash Flow from Operating Activities	+R1.090	+R1.526	+R5.055	R4.064
Cash Flow from Investment Activities	-R1.690	-R1.535	-R7.300	-R5.874
(Capital Spending	-R1.690	-R1.535	-R5.280	-R5.716)
Cash Flow from Financing Activities	-R105	-R1.4	+R1.224	+R1.298.4
(Load Taken Up	0	0	+R1.500	+R1.500)
NETT CASH FLOW	-R87	-R113	-R1.020	-R512

<u>Cash flows</u>	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Net cash from (used) operating	1,964,969	1,709,703	1,788,784	1,445,779	1,090,112	1,090,112	1,962,658	2,051,575	2,208,810
Net cash from (used) investing	(1,156,681)	(1,258,852)	(1,661,008)	(1,276,757)	(1,671,058)	(1,671,058)	(1,467,889)	(1,499,433)	(1,562,054)
Net cash from (used) financing	(77,058)	(89,509)	(97,970)	(112,968)	(105,779)	(105,779)	(104,093)	(93,920)	86,409)
<b><u>Cash/cash equivalents at the year end</u></b>	<b>1,158,887</b>	<b>1,520,229</b>	<b>1,550,035</b>	<b>1,176,931</b>	<b>865,837</b>	<b>865,837</b>	<b>1,256,513</b>	<b>1,714,736</b>	<b>2,275,083</b>
<b><u>Cash backing/surplus reconciliation</u></b>									
Cash and investments available	1,160,370	1,522,131	1,552,562	1,176,951	865,837	865,837	1,256,513	1,741,736	2,275,083
Application of cash and investments	977,139	1,086,439	952,131	908,806	632,005	632,005	979,654	993,964	1,042,733
<b>Balance – surplus (shortfall)</b>	<b>183,232</b>	<b>435,692</b>	<b>600,431</b>	<b>268,145</b>	<b>233,832</b>	<b>233,832</b>	<b>276,859</b>	<b>720,772</b>	<b>1,232,350</b>

Percentage Increases Proposed (NMBM&CT)	Nelson Mandela Bay Municipality			City of Cape Town		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Property Tax	9.5	10.0	10.5(+33%)	10.8	6.6	7.7(+27%)
Water Tariffs	13.0	13.0	13.0(+44%)	11.0	11.0	11.0(+36%)
Sanitation	12.0	12.0	13.0 (+42%)	11.0	11.0	11.0(+37%)
Refuse	11.0	12.0	13.0(+40%)	8.3	6.3	5.1(+21%)
Electricity	12.2	12.2	12.2(+41%)	10.8	13.1	13.0(+41%)

Percentage increase in Municipal Bills to 3 average households	Nelson Mandela Bay Municipality			City of Cape Town		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Middle Income House (Erf 1000m <sup>2</sup> , house 150m <sup>2</sup> )	11.5	11.7	11.3 (+39%)	7.8	5.8	7.8 (+23%)
Affordable House (Erf 300m <sup>2</sup> , house 48m <sup>2</sup> )	11.9	12.0	2.3 (+41%)	7.9	7.9	7.9 (+25%)
Indigent/RDP House (Erf 300m <sup>2</sup> , house 48m <sup>2</sup> )	12.0	12.3	12.9 (+42%)	7.4	7.5	7.5 (+24%)

Rmil	2015/16	2016/17	2017/18
Property Tax	R31.9 R83.0	R35.1 R91.3	R38.8 R100.9
Water	R78.4	R88.5	R100.5
Sanitation	R115.3	R130.4	R147.2
Electricity	R45.5	R52.0	R58.2
Refuse Removal	R78.4	R87.9	R98.3
<b>TOTAL</b>	<b>R433.6</b>	<b>R485.1</b>	<b>R544.9</b>
Equitable Share Grant ex National Government	R774.6	R790.0	R834.6
Subsidy Granted as Percentage of Equitable Share Grant	56%	61%	65%

# Issues

- **Budget Info Accessibility**
- **Debtors Collections**
- **Water and Sanitation Issues**
  - **Nooitgedacht**
  - **Fish Water Flats**
  - **Bucket Eradication**
  - **Water Losses**
  - **Desalination**
- **Electricity Losses**
- **IPTS / BRT**
- **NM Bay Stadium**

# Issues Continued

- Spending of budget
- Financial Statements – Unqualified Audit
- Co-ordination between IDP and Budget
- Broader Documentation Coordination
  - Budget
  - IDP
  - Built Environment Performance Plan
  - Annual Review
  - Strategic Development Review and Scenarios