

**REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPAL
COUNCIL**



File Reference : Author : L.M. AFRICA
Report Number: Designation: ACTING CHIEF FINANCIAL OFFICER

For consideration

1st Level – Portfolio Committee : 16/04/2019
2nd Level – Budget Steering Committee : 23/05/2019
3rd Level – EXCO : 28/05/2019
4th Level – Council : 31/05/2019

**SUBJECT: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK :2019/20 –
2021/22**

DATE : 31 MAY 2019

1. STRATEGIC OBJECTIVE

To obtain Council approval of the draft Medium Term Revenue and Expenditure Framework budget estimates for the 2019/20 – 2021/22 MTREF period in terms of Section 16(2) of the Local Government Municipal Finance Management Act, 56 of 2003.

2. LEGISLATIVE REQUIREMENTS

Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA)
Municipal Budget & Reporting Regulations (GN 393 in GG32141 dated 17 April 2009)

3. ATTACHMENTS

Draft MTREF Budget Estimates 2019/20.

4. BACKGROUND

In terms Section 16 of the MFMA, the Mayor of the Municipality must table the draft annual budget, 90 days before the start of the financial year. The budget assumptions and policies which have a direct impact to the tabled budget must also be prepared and submitted for approval as required by Section 21 (1) (a) of the MFMA.

5. DISCUSSION

The budget estimates for the 2019/20 MTREF period have been prepared and is tabled to Council for consideration.

An overview of the draft budget as proposed reveals the following:

BUDGET ESTIMATES FOR THE 2019/20 TO 2021/22 MTREF PERIOD						
	2018/19 MTREF		2019/20 MTREF			
	<u>Original Budget</u>	<u>Adjustment Budget</u>	<u>Budget 2019/20</u>	<u>Budget 2020/21</u>	<u>Budget 2021/22</u>	
Operating Revenue	824 540 000	761 442 608	936 086 078	1 046 679 982	1 173 192 915	
Operating Expenditure	806 117 000	802 851 685	913 303 867	972 036 509	1 054 859 690	
Operating Surplus / (Deficit)	18 423 000	(41 409 077)	22 782 211	74 643 473	118 333 226	
Capital Transfers Recognized	205 059 000	205 059 000	184 625 000	200 631 000	214 204 000	
Surplus / (Deficit) for the year	223 482 000	163 649 923	207 407 211	275 274 473	332 537 226	
Capital Funding	205 059 000	205 059 000	184 625 000	200 631 000	214 204 000	
Capital Transfers	205 059 000	205 059 000	184 625 000	200 631 000	214 204 000	
Reserves	-	-	-	-	-	
LESS: Capital Expenditure	205 059 000	205 059 000	184 625 000	200 631 000	214 204 000	
Budget Cash Surplus	18 423 000	(41 409 077)	22 782 211	74 643 473	118 333 226	
ADD: Non-Cash Items	148 543 757	92 192 000	150 089 069	173 728 968	209 844 061	
Net Budget Cash Position	166 966 757	50 782 923	172 871 280	248 372 441	328 177 287	

Operating revenue is projected to increase by **13.5% (R111 546 078)** when compared to the 2018/19 original budget or by 22.9% when compared to the adjustment budget.

Operating expenditure on the other hand is projected to increase by **13.3% (R107 186 867)** when compared to the 2018/19 original budget.

While the budget estimates as proposed appear to be funded, the following items have not been provided for in the budget as there was simply no funding to provide for them:

- 1) Employee Related Costs (Standby Review) R7 500 000
- 2) Municipal Demarcation Process (Metro status) R4 000 000

A number of various expenditure items have not been provided for at the level departments requested as there wasn't enough funding to cover all the envisaged costs.

Furthermore, when Provincial Treasury assessed the municipality's 2018/19 budget, they came to a conclusion that the municipality started the 2018/19 financial year with a R77.1 mil cash deficit. This has not been provided for / factored into this draft budget.

Capital budget

The capital budget is 100% funded from grants with the bulk of the funding coming from the Municipal Infrastructure Grant (MIG)

CAPITAL EXPENDITURE PROGRAMME FOR THE 2019/20 MTREF PERIOD					
Project Name	Funding Source	2019/20 MTREF			
		Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Allocation
Water Provision					
Nkanyezini Water	MIG	32 560 276.00	53 642 006.63		86 202 282.63
Manzamyama Water	MIG	34 383 724.00			34 383 724.00
Mpolweni, Thokozani, Claridge	MIG	5 000 000.00	38 301 993.37		43 301 993.37
Trust Feeds Phase 1	MIG	20 000 000.00			20 000 000.00
Gengeshe Water Supply Scheme	MIG			29 884 930.00	29 884 930.00
Upgrading of Mooi River bulk mains	MIG			5 440 513.00	5 440 513.00
Upgrading of Thendele Water supply scheme	MIG			13 923 000.00	13 923 000.00
Upgrading of Rosetta water supply	MIG			29 239 079.00	29 239 079.00
		91 944 000.00	91 944 000.00	78 487 522.00	262 375 522.00
Water Provision					
Nadi - Efaye Phase 2(uMshwathi Regional Bulk)	WSIG	41 878 808.80	22 180 000.00	22 500 000.00	86 558 808.80
Mtulwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk)	WSIG	1 696 474.20			1 696 474.20
Nadi to Ekhamanzi Phase 3	WSIG	36 424 717.00	22 820 000.00	27 500 000.00	86 744 717.00
Montobello & Harburg			45 000 000.00	45 000 000.00	90 000 000.00
		80 000 000.00	90 000 000.00	95 000 000.00	265 000 000.00
Sanitation Provision					
uMshwath VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Impendle VIPBacklog Toilets	MIG	1 000 000.00	2 600 000.00	4 920 000.00	8 520 000.00
Mkhambathini VIP Backlog Toilet	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Umnjeni VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Richmond VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 921 478.00	9 521 478.00
Mpofana VIP Backlog Toilet	MIG	1 000 000.00	2 851 000.00	13 123 000.00	16 974 000.00
		10 000 000.00	15 851 000.00	37 724 478.00	63 575 478.00
Rural Roads Asset Management					
Planning of Rural Roads Maintenance	RRAMS	2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00
		2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00
CAPEX Summary					
Projects					
Water Provision - MIG	MIG	91 944 000.00	91 944 000.00	78 487 522.00	262 375 522.00
Water Provision - WSIG	WSIG	80 000 000.00	90 000 000.00	95 000 000.00	265 000 000.00
Sanitation Provision	MIG	10 000 000.00	15 851 000.00	37 724 478.00	63 575 478.00
Rural Roads Asset Management	RRAMS	2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00
		184 625 000.00	200 631 000.00	214 204 000.00	599 460 000.00
Funding					
Municipal Infrastructure Grant (MIG)		101 944 000.00	107 795 000.00	116 212 000.00	325 951 000.00
Water Services Infrastructure Grant (WSIG)		80 000 000.00	90 000 000.00	95 000 000.00	265 000 000.00
RRAMS		2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00
		184 625 000.00	200 631 000.00	214 204 000.00	599 460 000.00

While the allocation for MIG has increased, the allocation for the Water Services Infrastructure Grant (WSIG) has been reduced.

Tariffs and Service Charges

Considering the ever rising costs of providing water and sanitation increases, the following increases are proposed for water and sanitation services:

<u>Water Supply Tariffs</u>						
Household/Domestic						
	2018/2019		2019/2020	Consumption	Rand Value 2019/2020	Percentage
0 - 6	11.37		13.08	329 029	4 302 218.69	15%
7 - 15	21.78		25.26	958 614	24 219 190.99	16%
16 - 25	25.81		30.20	905 592	27 346 795.54	17%
26 - 35	35.53		41.93	383 059	16 059 901.80	18%
36 - 60	49.01		58.81	469 243	27 597 119.32	20%
60 +	59.74		72.29	1 206 610	87 220 286.49	21%
					186 745 512.82	
Basic charge	33.42		38.433	31 292	14 431 745.23	15%
Flat rate	209.4		240.81	3 952	11 420 173.44	15%
Business /Commercial						
	2018/2019		2019/2020		Rand Value 2019/2020	
0 - 999999	29.62		35.84	4 200 000	150 528 840.00	21%
Builder/Construction Sites	53.53				-	
NGO's (Public benefit)	14.09		16.2035	41 292	669 074.92	15%
WSA	Bulk Cost per kl plus admin fee		Bulk Cost per kl plus admin fee		-	
Basic charge	55.83		64.2	1 569	1 208 757.60	15%
Sewerage Tariff						
Household/Domestic						
	2018/2019		2019/2020	Consumption	Rand Value 2019/2020	
0 - 6	6.39		7.35	29 721	218 404.77	15%
7 - 15	11.35		13.17	498 281	6 560 367.65	16%
16 - 25	14.55		17.02	385 975	6 570 645.41	17%
26+	18.18		21.45	639 938	13 728 205.95	18%
					27 077 623.78	
Business /Commercial						
	2018/2019		2019/2020	Consumption	Rand Value 2019/2020	
0 - 999999999	12.54		15.17	356 928	5 415 811.32	21%
NGO's (public benefit)	5.66					
					5 415 811.32	
Disposal at waste water treatment plant						
	2018/2019	2019/2020	Rand Value 2019/2020			
0 - 999999999	7.13	8.20	2 460 000.00			

6. FINANCIAL IMPLICATIONS AND COMMENTS

The proposed budget estimates project a **22.9%** increase in operating revenue while operating expenditure increases by **13.8%** when compared to the 2018/19 adjustment budget as adopted by Council. In order to continue to be able to provide services sustainably, an increase to the services charges will become necessary. The increase will range from **15% to 21%** (18.5% on average) depending on the class of consumer and the consumption band at which the consumer is billed.

7. LEGAL IMPLICATIONS AND COMMENTS

The Mayor of the municipality is required in terms of Sec 16 (2) of the MFMA to table the draft budget to Council 90 days before the start of the financial year (30 March).

Sec 22 of the MFMA further requires the Accounting Officer to make public the draft budget as well as submit it to Provincial Treasury and National Treasury in order to facilitate a consultation process on the proposed budget as required by Sec 23 of the MFMA.

The Council is required in terms of Sec 24 of the MFMA to consider adoption of the proposed budget, after due consultation, not later than 30 days before the start of the financial year (31 May)

8. RECOMMENDATIONS

It is recommended that the Executive Committee recommends to Council **THAT:**

1. Council considers the proposed budget estimates for the 2019/20 – 2021/22 MTREF period as follows:
 - a) The proposed budget funding of **R1 120 711 078** be approved to be funded from the following:

Operating Revenue	R936 086 078
Grant Funding	R184 625 000
 - b) The proposed expenditure appropriations of **R1 097 928 867** be approved and be allocated as follows:

Operating Expenditure	R913 303 867
Capital Programme	R184 625 000
 - c) The capital expenditure programme of **R184 625 000** be approved and funded from the following sources:

MIG	R101 944 000
WSIG	R 80 000 000
RRAMS	R 2 681 000

d) The funding allocation for UMEDA be approved at R5 085 500 for the 2019/20 financial year and provisionally pegged at R6 500 000 and R7 000 000 for the 2020/21 and 2021/22 financial years respectively;

e) The tariff charges for water and sanitation be increased as follows:

Water Supply Tariffs						
Household/Domestic						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
0 - 6	11.37	13.08	329 029	4 302 218.69	15%	
7 - 15	21.78	25.26	958 614	24 219 190.99	16%	
16 - 25	25.81	30.20	905 592	27 346 795.54	17%	
26 - 35	35.53	41.93	383 059	16 059 901.80	18%	
36 - 60	49.01	58.81	469 243	27 597 119.32	20%	
60 +	59.74	72.29	1 206 610	87 220 286.49	21%	
				186 745 512.82		
Basic charge	33.42	38.433	31 292	14 431 745.23	15%	
Flat rate	209.4	240.81	3 952	11 420 173.44	15%	
Business /Commercial						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
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Builder/Construction Sites	53.53			-		
NGO's (Public benefit)	14.09	16.2035	41 292	669 074.92	15%	
WSA	Bulk Cost per kl plus admin fee		Bulk Cost per kl plus admin fee			
Basic charge	55.83	64.2	1 569	1 208 757.60	15%	
Sewerage Tariff						
Household/Domestic						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
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26+	18.18	21.45	639 938	13 728 205.95	18%	
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Business /Commercial						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
0 - 999999999	12.54	15.17	356 928	5 415 811.32	21%	
NGO's (public benefit)	5.66					
				5 415 811.32		
Disposal at waste water treatment plant						
	2018/2019	2019/2020	Rand Value 2019/2020			
0 - 999999999	7.13	8.20	2 460 000.00			

2. The approved budget estimates be made public in the manner envisaged by Chapter 4 of the Local Government: Municipal Systems Act;

3. The Accounting Officer submit the draft budget as well as all supporting schedules and documentation as required by Sec 17(3) of the MFMA to both the Provincial and National Treasuries.

Authored by:

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