

CONSOLIDATED ADJUSTMENT MEDIUM TERM EXPENDITURE AND REVENUE BUDGET REPORT 2020/2021



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1. MAYOR'S REPORT

At the beginning of our term of office, Council adopted the Ten Point Plan as our strategic compass that will elevate and enhance our service delivery through to our 2021 vision. As a water services authority, we are also mandated to provide water and sanitation services in 6 of the 7 local municipalities under our area of jurisdiction. One local municipality, Msunduzi Municipality, is a water services authority in its own right.

Our budget for the 2020/2021 financial year, being the last budget in our term of office, demonstrates Council desire to further the development of infrastructure to provide basic services to all our people despite the negative effects of the CoVid 19 pandemic. This adjustment budget strives to demonstrate the compassion the Municipality has for its citizens.

The 2020/21 adjusted medium term expenditure framework, consisting of a **R1.160 Billion** consolidated budget, has been developed in order to accelerate transformation towards an inclusive economy and participation by all. The additional funding of R 41.2 million received as the additional Equitable Share from the National Treasury, will positively impact on the ability of this municipality to respond and mitigate the impact of the pandemic by providing critical infrastructure to our communities.

As a progressive municipality, we also aim to give hope to our youth through skills based training, provide economic opportunities and an enabling environment for businesses to flourish. Despite the fact that this adjustment budget is crafted under tough economic times it is envisaged to steer the District through the tough economic environment we operate in and is also underpinned by cost containment measures which will allow a cost conscious spending.

As the District we have had challenges upgrading our old and frail infrastructure thus experiencing large volumes of water losses. The municipality together with stakeholders such as the Department of Water Affairs & Sanitation and Umgeni Water have committed to allocate resources in ensuring 100% access to basic services is accomplished. The bulk of our funding has been allocated to the provision of water. There is also provision made for VIP sanitation in order to improve the quality and dignity of life for our people.

Our plans and strategies are linked with the National Development Plan, and Vision 2030. We are forging ahead to ensure that we serve our citizens with quality services, while cognisance of our external environment (such as rising costs of petrol, tariff increases, drought, unemployment, etc.).

While we strive to provide services to our communities, we also need to collect revenue from those who can afford to pay for services rendered. Our focus is to encourage and educate our communities about the importance of paying for services and improve on strategies on collection of revenue due to the Municipality which will assist the municipality to re-invest to other municipal projects. This will ensure that we render services on a sustainable basis. We also encourage qualifying citizens to apply for indigent support through the Indigent Register Programme, as this tremendously assists the district in identifying households who cannot afford the services provided and thus provide relief. Going forward, a lot of emphasis will be placed on our revenue raising capabilities as well as the whole revenue management value chain. We need to start to steer the district away from being dependant on grants and begin to raise our own revenue in order to finance our operations.

Every effort has been put when crafting this adjustment budget for it to be funded. It is unfortunate that, even after all the frills have been cut, contracts reduced and or cancelled and prioritisation of the service delivery and people first programmes, the budget remains unfunded. The unfunded position of the budget has been assessed by the Provincial Treasury

and the crafting of the financial recovery strategy to be approved by Council was recommended.

As the result, this adjustment budget is submitted with a financial recovery strategy that aims at resuscitating the financial viability of the municipality.

We therefore call upon all councillors and officials of the municipality as well as citizens of the District to each play our part and make the vision of universal access to services within our District a reality.

2. EXECUTIVE SUMMARY

The Operating Revenue is estimated at **R976.8 Million** and projected to increase to **R1.101 Billion** over the MTREF period. Operating income for the 2020/21 financial year is projected to increase by no more than **2.0%** taking into account the projected impact of the Covid 19 pandemic.

Of the operating revenue, **35.5%** will be funded from service charges. This shows a shift in grant dependency with grants contributing **62.9%** of operating income from 74% as per adjusted budget 2019/20.

The increase in tariff charges of 4.5% as approved by Council in May was line with CPIX forecast and has not yielded a significant increase in revenue from service charges.

Following the call by national government to control government spending, the expenditure budget has been kept to the bare necessities. The Operating Expenditure is proposed at **R794.754 Million** which reflects a reduction of R 17 million to the original budget.

Of the total operating expenditure, **R283.763 Million (35.70%)** has been allocated to Employee Related Costs including Councillor Allowances. Contracted services contribute **19.65% (R156.178 Million)** of the total operating costs bill. As part of the expenditure cut exercise, the departments are continuously reviewing the contracted services in an effort to reduce these. The reduction of contracted services might in the long run lead to the increase in other areas of expenditure, such as employee related costs.

Capital expenditure is set to increase by **22.4%** from **R183.797 Million** of the original budget to **R225.032 Million**. There are no expected borrowings to finance the capital investment programme. A total of **20.13%** of the total budget will be spent on the capital investment programme, which is a proposition in line with the treasury guide of at least 10%-20% of capital expenditure to total expenditure.

DC22 uMgungundlovu - Table B1 Adjustments Budget Summary - 09 Oct 2020

Description	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
	Original Budget	Prior Adjusted 1	Accum. Funds 2	Multi-year capital 3	Unfore. Unavoid. 4	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
	A	A1	B	C	D	E	F	G	H		
R thousands											
Financial Performance											
Property rates	-	-	-	-	-	-	-	-	-	-	-
Service charges	335 018	-	-	-	-	-	-	-	335 018	353 264	413 261
Investment revenue	528	-	-	-	-	-	-	-	528	557	582
Transfers recognised - operational	300 569	-	-	-	-	-	41 235	41 235	341 804	315 792	347 208
Other own revenue	300 777	-	-	-	-	-	(1 371)	(1 371)	299 406	326 027	348 026
Total Revenue (excluding capital transfers and contributions)	936 892						39 864	39 864	976 756	995 639	1 109 078
Employee costs	249 673	-	-	-	-	-	20 307	20 307	269 980	265 228	335 901
Remuneration of councillors	13 599	-	-	-	-	-	183	183	13 782	13 902	14 541
Depreciation & asset impairment	43 774	-	-	-	-	-	-	-	43 774	46 135	49 480
Finance charges	27 550	-	-	-	-	-	-	-	27 550	27 550	28 817
Materials and bulk purchases	185 526	-	-	-	-	-	(15 435)	(15 435)	170 091	209 766	214 947
Transfers and grants	9 929	-	-	-	-	-	(3 429)	(3 429)	6 500	10 618	11 106
Other expenditure	282 115	-	-	-	-	-	(19 038)	(19 038)	263 077	365 138	373 310
Total Expenditure	812 166	-	-	-	-	-	(17 411)	(17 411)	794 754	938 336	1 028 103
Surplus/(Deficit)	124 726	-	-	-	-	-	57 275	57 275	182 001	57 303	80 975
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	184 081	-	-	-	-	-	(284)	(284)	183 797	198 258	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	308 807	-	-	-	-	-	56 991	56 991	365 798	255 561	80 975
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	308 807	-	-	-	-	-	56 991	56 991	365 798	255 561	80 975
Capital expenditure & funds sources											
Capital expenditure	350 490	-	-	-	-	-	99 574	99 574	450 064	506 859	491 014
Transfers recognised - capital	175 245	-	-	-	-	-	8 552	8 552	183 797	253 430	245 507
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	41 235	41 235	41 235	-	-
Total sources of capital funds	175 245	-	-	-	-	-	49 787	49 787	225 032	253 430	245 507
Financial position											
Total current assets	112 464	-	-	-	-	-	1 035 945	1 035 945	1 148 409	118 650	144 512
Total non current assets	175 245	-	-	-	-	-	49 787	49 787	225 032	253 430	245 507
Total current liabilities	25 486	-	-	-	-	-	-	-	25 486	26 888	28 125
Total non current liabilities	-	-	-	-	-	-	-	-	-	170 836	178 694
Community wealth/Equity	308 807	-	-	-	-	-	(284)	(284)	308 523	255 561	80 975
Cash flows											
Net cash from (used) operating	(684 645)	-	-	-	-	-	929 667	929 667	245 022	(777 513)	(876 185)
Net cash from (used) investing	(175 245)	-	-	-	-	-	(49 787)	(49 787)	(225 032)	(253 430)	(245 507)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	(859 890)	-	-	-	-	-	879 880	879 880	19 990	(1 030 943)	(1 121 692)
Cash backing/surplus reconciliation											
Cash and investments available	8 737	-	-	-	-	-	1 035 945	1 035 945	1 044 681	9 217	9 641
Application of cash and investments	25 486	-	-	-	-	-	(21 910)	(21 910)	3 576	26 888	28 125
Balance - surplus (shortfall)	(16 750)	-	-	-	-	-	1 057 855	1 057 855	1 041 105	(17 671)	(18 484)
Asset Management											
Asset register summary (WDV)	59 100	-	-	-	-	-	-	-	59 100	-	-
Depreciation & asset impairment	43 774	-	-	-	-	-	-	-	43 774	46 135	49 480
Renewal and Upgrading of Existing Assets	24 552	-	-	-	-	-	41 235	41 235	65 787	33 000	30 000
Repairs and Maintenance	6 000	-	-	-	-	-	-	-	6 000	5 500	5 000
Free services											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

Summarily the budget can be reconciled as reflected in the below table.

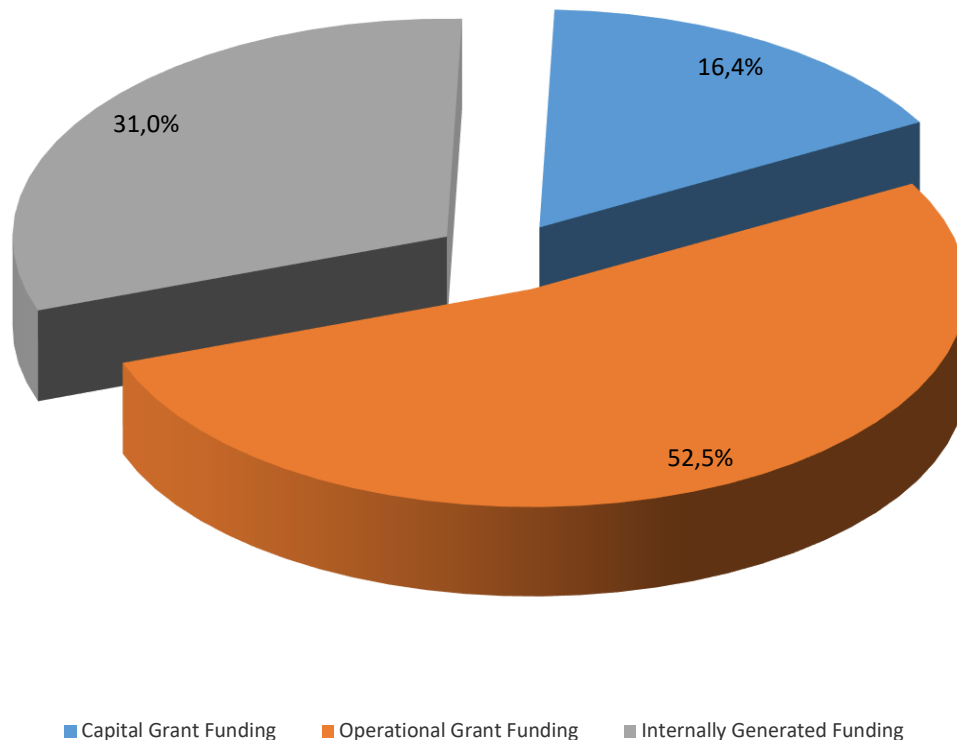
The proposed budget has limited capital expenditure to **R225.032 Million** of which **100%** of capital expenditure will be funded from grants.

TABLE 2: EXECUTIVE SUMMARY BUDGET ESTIMATES

ADJUSTMENT BUDGET ESTIMATES FOR THE 2020/21 TO 2022/23 MTREF PERIOD				
	2020/21 MTREF			
	Budget 2020/21	Adjustment Budget 2020/21	Budget 2021/22	Budget 2022/23
Operating Revenue	935 580 586	976 815 586	995 678 749	1 101 717 814
Operating Expenditure	795 168 736	794 754 496	836 936 874	887 252 231
Operating Surplus / (Deficit)	140 411 850	182 061 090	158 741 875	214 465 583
Capital Transfers Recognized	183 797 000	183 797 000	197 959 000	205 276 000
Surplus / (Deficit) for the year	324 208 850	365 858 090	356 700 875	419 741 583
Capital Funding	183 797 000	183 797 000	197 959 000	205 276 000
LESS: Capital Expenditure	183 797 000	225 032 000	197 959 000	205 276 000
Budget Cash Surplus	140 411 850	182 061 090	158 741 875	214 465 583
ADD: Non-Cash Items	127 520 702	127 520 702	160 822 198	150 695 417
Net Budget Cash Position	267 932 552	309 581 792	319 564 073	365 160 999

Below is an illustration of the funding elements to the budget, which reflects 68.9% contribution from grants and 31% from internally generated funding.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY 2020/2021 Adjustment Budget Funding



3. ADJUSTMENT BUDGET ASSUMPTIONS

The Municipality concluded that the following assumptions be made when compiling the Adjustment Budget Estimates for the 2020/2021 MTREF period:

1. At least a 40% collection rate will be maintained for the water and sanitation billings taking into account the impact of Covid 19 and its anticipated negative impact;
2. The salaries budget increase to be limited to recruitment of operations and maintenance staff and revenue staff to aid in the improvement in service delivery and collection;
3. Increase of in staff salaries of 6.25% based on the negotiated settlement currently applicable and implemented;
4. Councilors allowances budget be adjusted with 4.9% to allow for a cost of living adjustment;
5. The operational expenditure budget will limit and minimize increases due to cost cutting measures and only expenditure items critical to service delivery will be provided for;
6. Contracts to be reviewed to ensure efficiency of services and costs;
7. Funding for capital programme to be limited to grants as there are no reserves to fund capital expenditure;

8. An additional amount of R 41 235 000 will be received in a form of the Equitable Share to fund Covid 19 response capital projects.
9. A 21% increase in bulk water cost from uMngeni Water.
10. A projected 7.2% increase in electricity charges.
11. The water tanker hire contract to be reviewed and reduced.

Other factors that have been considered in the preparation of the adjustment budget are:

- The slow economic growth conditions,
- Aged infrastructure and the lack of resources to replace and maintain the infrastructure.

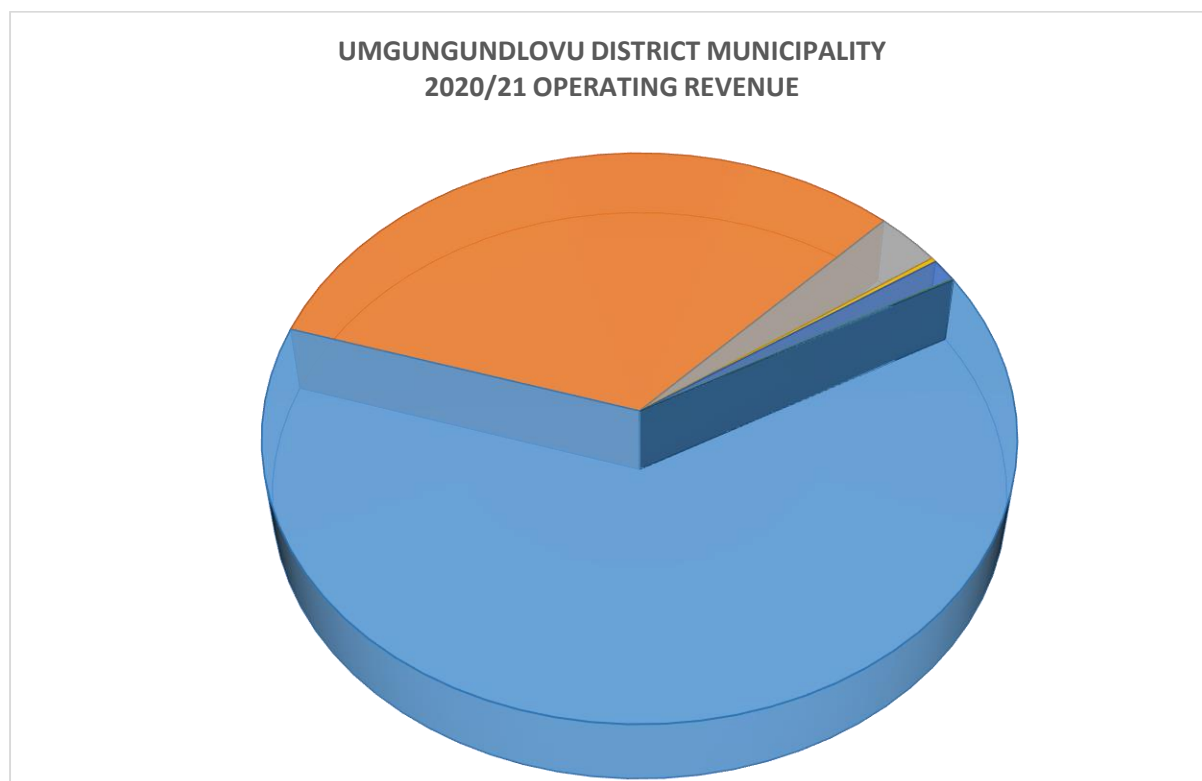
4. OPERATING REVENUE FRAMEWORK

The total operating revenue for the adjustment 2020/21 financial year is estimated to be **R976 Million** as reflected in Table 3. Internally generated revenue is expected to provide **31%** of operating revenue (2019/20: **29%**) with service charges representing **35.8%** of operating income. Equitable share and RSC levy replacement grant and other operating grants will contribute **62.9%** of total operating revenue (2019/20: **59.5%**). Other income is derived from investment income, interest on late payments, other service charges and other revenue as reflected in Table 3.

TABLE 3 : OPERATING REVENUE

DC22 uMgungundlovu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 09 Oct 2020

Description	Ref	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	305 965	-	-	-	-	-	-	-	305 965	316 477	370 964
Service charges - sanitation revenue	2	29 053	-	-	-	-	-	-	-	29 053	36 786	42 297
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		528	-	-	-	-	-	-	-	528	557	582
Interest earned - outstanding debtors		11 936	-	-	-	-	-	-	-	11 936	14 368	13 785
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		300 569	-	-	-	-	-	41 235	41 235	341 804	315 792	347 208
Other revenue	2	288 841	-	-	-	-	-	(1 371)	(1 371)	287 470	311 659	334 241
Gains		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		936 892	-	-	-	-	-	39 864	39 864	976 756	995 639	1 109 078

TABLE 3: OPERATING REVENUE ESTIMATES

OPERATING REVENUE ESTIMATES FOR THE 2020/21 TO 2022/23 MTREF PERIOD				
	2020/21 MTREF			
	Budget 2020/21	Adjustment Budget 2020/21	Budget 2021/22	Budget 2022/23
Transfers and Subsidies	588 039 346	629 274 346	627 450 828	674 049 422
Service Charges - Water Revenue	303 630 919	303 630 919	314 015 854	368 099 952
Service Charges - Sanitation Revenue	29 052 696	29 052 696	36 786 038	42 297 102
Service Charges - Other charges	2 334 540	2 334 540	2 461 636	2 863 992
Interest Earned - Outstanding Debtors	11 935 586	11 935 586	14 367 881	13 785 234
Interest Earned - External Investments	527 500	527 500	596 512	622 112
Rental of Facilities	-	-	-	-
Other Revenue	-	-	-	-
	935 520 586	976 755 586	995 678 749	1 101 717 814

Water and Sanitation Service Charges

The municipality implemented the cost reflective tariffs for its services and strives to uplift its operations from being grant reliant to be self-funding and self-reliant.

It is prudent budgeting and financial practise to charge a cost reflective tariff for a service rendered in order to be able to recover the costs of providing the service, taking into account the all costs incurred such as the cost of bulk services, cost of asset renewal & replacement, to allow for the growth of the service and a tariff that promotes conservative consumption.

As part of the revenue enhancement strategy, the Municipality had to revisit its tariff structure and propose the phasing in of a cost reflective tariff. It is not possible to implement cost reflective tariff charges immediately as this would mean increases of as much as 69.5% and this was deemed not to be practical.

The tariff increases are structured such that they promote conservative consumption, taking into account the affordability of the service to our indigent and poor households also taking into account the sustainability of the service.

The introduction of a tariff that promotes conservation and conservative methods will assist in response to the prevailing drought calamity that the country is facing. The proposed increase on the tariff structure, is based on the inclining block tariff model, which suggests steeper tariffs being charged for high consumption and has been kept to the forecast inflation rate.

Environmental Health Services

The municipality is also responsible for environmental health matters as designated in the Municipal Structures Act.

The following aspects were considered when the tariffs for environmental health were decided upon:

- i. Users and consumers of municipal services should be treated equitable in the application of the tariffs.
- ii. The amount individual users or consumers pay for services should generally be in proportion to their use of that service.
- iii. Tariffs of charges must reflect the costs reasonably associated with rendering the service.
- iv. Tariffs of charges must be set at levels that facilitate financial sustainability of the service.

Service	Applicable Legislation	Tariffs – 2020/21
1. Issuing of health certificate for accommodation establishment	UMDM EH Bylaws, 2017 Section 90(f)	R 350
2. Issuing of health certificate for hairdressing/beauty/cosmetology	UMDM EH Bylaws, 2017 Section 107(f)	R 350
3. Issuing of health certificate for child care facility	UMDM EH Bylaws, 2017 Section 55(2)(f)	R 350
4. Offensive trade permit	UMDM EH Bylaws, 2017 Section 83(l)	R 1100
5. Issuing of a certificate for the introduction of milk and/or milk products into the municipal area for human consumption	UMDM EH Bylaws, 2017 Sect 49 (i)	R 550
6. Annual renewal of the certificate for the introduction of milk and/or milk products into the municipal area for human consumption	UMDM EH Bylaws, 2017 Section 49 (ii)	R 350
7. Re-inspection of food premises for the removal of a prohibition	Regulation 638 of 22 June 2018 Section 4	R 550
8. Issuing of an export certificate	R638 under FCD Act, 1972	R 550
9. Issuing of a destruction of food certificate	R328 under FCD Act 1972	R 250
10. Processing of certificate of acceptability for food premises	R638 under FCD Act	R350
11. Processing of Certificate of Competence	R363 of the National Health Act, 2003	R1100
12. Renewal of certificate of competence	R363 of the National Health Act, 2003	R 500
13. Processing of provisional certificate of competence	R363 of the National Health Act, 2003	R 500

The municipality is satisfied that the current bylaws do not need a review.

Fire and Emergency Services

The municipality is also responsible for fire and emergency services matters as designated by the Municipal Structures Act.

Except where specifically provided for, these tariffs determine the fees payable by a Controlling Authority, Governing Body or any other person in terms of Section 10 (1) of the Fire Brigade Services Act 99 of 1987 on whose behalf the Fire and Rescue Services of the uMgungundlovu District Council is applied outside or inside the area of jurisdiction of the Council:

- (a) For the attendance of services
- (b) For the use of the services and any equipment, or
- (c) For any material consumed

General Comments:

- i. Any Fire, Rescue or other emergency incident involving property or activities of the uMgungundlovu District Municipality shall not attract charges;
- ii. Any incident of a humanitarian nature or request for assistance of a humanitarian nature shall not attract charges;
- iii. Services performed in the assistance of Community projects or departmental public relations exercises and displays shall not attract charges;
- iv. The applicable attendance rate charge shall be calculated from the time that the first arriving appliance is in attendance at an incident until the last departing appliance leaves the scene at the conclusion of the incident, due allowances being made for breakdown or mishap or time occupied by relief personnel;
- v. When the time used to calculate the applicable attendance rate charge is less than 30 minutes no charge shall be raised.

Fire and Rescue Services						2019/20	2020/21	
						Incl. Vat	Incl. Vat	% Incr
Tariff of Charges for Services Rendered at Fire and Special Service Incidents								
1	For Services Rendered at Incidents Classified as Fire and Rescue:							
	per hour or part thereof							
1.1	Structural					R 1 788.18	R 1 897.26	6.10%
1.2	Transport					R 1 424.34	R 1 511.22	6.10%
1.3	Fire – Vegetation, Grass, Bush, Rubbish or Plantation					R 1 162.40	R 1 233.31	6.10%
1.4	Fire – Hazmat					R 1 788.18	R 1 897.26	6.10%
1.5	Fire – Other					R 1 112.33	R 1 180.18	6.10%
1.6	Special Service – Transport					R 891.74	R 946.14	6.10%
1.7	Special Service – Structural					R 891.74	R 946.14	6.10%
1.8	Special Service – Hazmat					R 1 788.18	R 1 897.26	6.10%
1.9	Special Service – Water					R 891.74	R 946.14	6.10%
1.10	Special Service – Other					R 891.74	R 946.14	6.10%
1.11	Out of Area							
	Applicable rate as per incident plus 50% of applicable category plus charge							
1.12	For consumables used at any incident							
	Cost of consumables used plus 15%							
2	Tariff of Charges in respect of the attendance & employment of Special Appliances and Plant to Fire & Rescue incidents							
	For the attendance and employment (per hour or part thereof) of a:							
2.1	High Rise Fire fighting Appliance					R 891.74	R 946.14	6.10%
2.2	Water Foam Carrier					R 891.74	R 946.14	6.10%
2.3	Foam Tanker and / or Foam Service Vehicle					R 891.74	R 946.14	6.10%
2.4	Mobile Lighting Unit					R 891.74	R 946.14	6.10%
3	Tariff of Charges in respect of the employment of Outside Agencies at any incident							
	For costs incurred as a result of the employment of an outside agency in:							
3.1	the mitigation of any incident					Cost incurred plus 15% of applicable charge		
4	Tariff of Charges in respect of Fire Prevention Services							
4.1	For the attendance of staff at stage/theatre performances standby duty and the like, per staff member							
	First Hour					R 178.35	R 189.23	6.10%
	Per Hour thereafter					R 95.43	R 101.25	6.10%
4.2	For scheduled inspections, consultations, inspections of safety exits & appliances in public buildings							
	First Hour					R 178.35	R 189.23	6.10%
	Per Hour thereafter					R 87.61	R 92.95	6.10%
4.3	For the monitoring of direct alarm links – per alarm p.m.					R 134.54	R 142.75	6.10%
4.4	For a certified copy of a fire report - per copy					R 178.35	R 189.23	6.10%
4.5	For issuing a certificate of Registration - per certificate					R 42.24	R 44.82	6.11%
4.6	For issuing a certificate of Competence – per certificate					R 445.87	R 473.07	6.10%
4.7	For a copy of a Fire Investigation Report - per copy					R 663.33	R 703.79	6.10%
10	Tariff of Charges in respect of Various Miscellaneous Services and Hire Charges							
	per hour or part thereof in respect of 10.1 – 10.4							
10.1	Hire of Portable Pump and related equipment					R 331.67	R 351.90	6.10%
10.2	Hire of Extension Ladder					R 331.67	R 351.90	6.10%
10.3	Gaining Access/Lock-Outs					R 331.67	R 351.90	6.10%
10.4	Miscellaneous Service – per service					R 331.67	R 351.90	6.10%
10.5	In addition to the above applicable charge, mileages for out of area call- outs are as follows - per km							
	Heavy duty vehicles					R 8.29	R 8.80	6.10%
	Light duty vehicles					R 4.98	R 5.28	6.10%

5. OPERATING EXPENDITURE FRAMEWORK

The total operational expenditure budget is proposed at **R794.754 Million**.

The core business for the municipality is to provide sustainable and quality drinking water and decent sanitation services. This is evident on the allocation of funds to the Technical Services Department. The demands for expenditure far exceeded the available resources and the departments are to exercise cost containment within existing contracts to ensue sustainability. The cost containment measures are to ensure that the municipality tables a funded budget and equally one that is focused on the core business of the municipality.

TABLE 6: ADJUSTMENT OPERATING EXPENDITURE ESTIMATES

DC22 uMgungundlovu - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 09 Oct 2020

Description	Ref	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands	1											
Revenue By Source												
Property rates	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	305 965	-	-	-	-	-	-	-	305 965	316 477	370 964
Service charges - sanitation revenue	2	29 053	-	-	-	-	-	-	-	29 053	36 786	42 297
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	-	-	-	-	-	-	-
Interest earned - external investments		528	-	-	-	-	-	-	-	528	557	582
Interest earned - outstanding debtors		11 936	-	-	-	-	-	-	-	11 936	14 368	13 785
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		300 569	-	-	-	-	-	41 235	41 235	341 804	315 792	347 208
Other revenue	2	288 841	-	-	-	-	-	(1 371)	(1 371)	287 470	311 659	334 241
Gains		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		936 892	-	-	-	-	-	39 864	39 864	976 756	995 639	1 109 078
Expenditure By Type												
Employee related costs		249 673	-	-	-	-	-	20 307	20 307	269 980	265 228	335 901
Remuneration of councillors		13 599	-	-	-	-	-	183	183	13 782	13 902	14 541
Debt impairment		83 747	-	-	-	-	-	-	-	83 747	114 687	102 438
Depreciation & asset impairment		43 774	-	-	-	-	-	-	-	43 774	46 135	49 480
Finance charges		27 550	-	-	-	-	-	-	-	27 550	27 550	28 817
Bulk purchases		154 532	-	-	-	-	-	-	-	154 532	162 752	165 902
Other materials		30 994	-	-	-	-	-	(15 435)	(15 435)	15 559	47 014	49 045
Contracted services		156 178	-	-	-	-	-	(18 333)	(18 333)	137 844	205 935	202 083
Transfers and subsidies		9 929	-	-	-	-	-	(3 429)	(3 429)	6 500	10 618	11 106
Other expenditure		42 191	-	-	-	-	-	(705)	(705)	41 486	44 515	68 788
Losses		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		812 166	-	-	-	-	-	(17 411)	(17 411)	794 754	938 336	1 028 103

Overall, the operational budget decreased by 2.1% from the 2019/20 adjustment budget, a rate which is way below the inflation rate.

The main expenditure categories for the operational expenditure budget are Employee costs & councilor remuneration taking an allocation of 35.7%, followed by bulk water purchases and contracted services at 21.4% and 17.3% respectively, debt impairment contributions at 10.5% then depreciation and asset impairment at 5.5%. These costs collectively represent **83%** of total operational expenditure budget. The Municipality is exploring other avenues on reducing its contracted services in efforts to reduce unnecessary and over provision of some services which may lead to wastages.

Contracted services & operations and maintenance

The contracted services will make up **17.3%** of the operating expenditure budget which is above the norm as set by treasury of at least 5%, however is reduced from the prior year figure of 19.2% contribution.

In the prior year, contracted services represented 19.2% of the budget and this is mainly because of the nature of services provided by the district, in the main being free basic service which relates to water delivered through water tanks. If contracted services were converted to employee costs it would equally increase the employee costs threshold above the norm of 25%-40% and the other impact of cancellation of contracted services will lead to increased operational costs such as maintenance of vehicles, increased fuel expenditure and insurance amongst others.

Employee Related Costs and Councilors Allowances

Employee Related Costs are at **35.7%** of the operational budget, combined with Councilor Remuneration, which is within the norm of 25%-40% of salaries to total operating expenditure. The salaries budget will make way for the employment of staff within Technical Services operational and maintenance support and in the Revenue office to ensure that the water business is fully supported internally with capacity to respond to its basic requirements such as meter reading, restrictions and disconnections and further responding to burst pipes and water service emergencies.

6. FINANCIAL RECOVERY STRATEGY

6.1 PURPOSE

The purpose of the recovery plan is to submit to council recommendations on how to respond to the financial situation of the municipality with intended results that will result to the uMgungundlovu District Municipality to be a sustainable, effective and efficient municipality by :

- a) Reviewing and implementing revenue enhancement, generation and collection systems to maximize and sustain revenue streams for the municipality.
- b) Reviewing and implementing cash management strategies to mitigate cash flow challenges.
- c) Enhancing and revitalization of customer care, improve responsiveness to customer enquiries and accurate billing by increasing the data cleansing activities on the ground.
- d) Implementing cost containment measures and phasing out non-essential goods and services.

6.2 BACKGROUND

MFMA Circular 74 and 89 highlights the importance of municipalities tabling funded budgets or where budgets are not funded, the municipality must table to Council a plan on how and when will the budget be funded.

The 2020 /2021 first draft budget was tabled to Council in March 2018 and was submitted to both National and Provincial Treasuries and was evaluated as funded.

Due to the impact of Covid 19 pandemic the collection rate had to be assumed to reduce for the upcoming short to medium term, and taking into account the un audited annual financial statements which reflected more than R 180 million anticipated creditors, the tabled budget was re assessed in August 2020 under stress test and was found to be unfunded.

The National Treasury further allocated an amount of R 41.2 million to the municipality for the implementation of Covid Relief projects, which necessitated for the Municipality to table an adjustment budget to include the new allocation and was also an opportunity to table a recovery strategy for the municipality as required by circulars 74 and 89.

6.3 RESPONSE TO TREASURY COMMENTS AND COMMENTS FROM THE MEC FOR FINANCE:

The comment raised by the Provincial Treasury when conducting a high level assessment on the 2020 /2021 Approved tabled Budget was that the proposed adjustment budget was still unfunded.

The main reason for the budget to be unfunded is the inherited creditors from the previous financial year which amounts to close to R 216 million.

As a result, and in consultation with the National Treasury, the municipality was advised to table the unfunded budget with a financial recovery plan

6.4 FINANCIAL RECOVERY: REVENUE ENHANCEMENT, DEBT MANAGEMENT, COST CONTAINMENT AND CASH FLOW MANAGEMENT PLAN.

6.4.1 REVENUE RAISING STRATEGIES

The drive was reintroduced since June 2018 and has been ongoing ever since, as a joint initiative between all departments. The municipality engaged the Development Bank of Southern Africa as a strategic partner to fund the revenue enhancement and collection strategy. The main purpose and principal strategic objective of the joint effort is to sustain and re-engineer the processes of revenue raising, improve customer relations, collection and effective debt management to address and reduce the risk of financial distress. The project has since been completed and the close out report has been signed between the partners. The next stage of the project which is the roll out the entire District.

The main focus areas and key deliverables for the project were:

a. Effective communication and Customer Care

- Creating a sound and effective communication strategy for our customers.
- Enhance levels of customer care and increase responsiveness in addressing billing and other service delivery queries
- Improve efficiency at our customer contact points and
- Improve accessibility of customer access points
- Improve and intensify the indigent customer registration drive

b. Meter reading which involves

- Improve capacity of human capital to improve efficiency and accuracy,
- Effective management of meter readers,
- Improve data collection and data integrity.
- Identification and verification of meters.

- Meter location
- Meter replacements
- GIS Integration with the billing system.

c. Billing

- Correct customer information / details
- Ensure accuracy of billing,
- Timeous posting of statements

The consumption patterns observed during the 2018 /2019 adjustment budget per consumption category are expected to remain the same if not reduce , except for the more than 60 kl per month consumption category, which is recommended that its increased by a limited 15% resulting from the identification of new meters and including consumers on the ground but not on the debtors book. The increase of 15% is not anticipated to increase cost of bulk purchase as the customers are already receiving the service, but are not billed for it. Another strategic partner which is uMgeni Water has pledged assistance to the municipality in a form of a fixing all leaks and change of meters in the Mpophomeni area. This will reduce unaccounted for water and also reduce non revenue water as the meters will be replaced and or repairs for effective and correct billing which result in reliable billing information.

6.4.2 REVENUE COLLECTION STRATEGIES – DEBT MANAGEMENT

The 2020 /2021 original budget assumption is that the Municipality will collect 40 % of its raised bills. The implementation of a revised revenue collection strategy which amongst other involves restrictions and disconnections is expected to yield a minimum collection rate of about 61 % in the first 2 months of the 2020 /2021 financial year .

With the implementation of the revenue raising strategies, the municipality anticipates to increase the quantity and quality of bills. The approved water and sanitation revenue budget translates to an increase in internal revenue , but the impact of that increased revenue is being eroded by the historic increase in expenditure and delay in payments which lead to the Municipality closing off the 2019 /2020 financial year with elevated creditors. As part of the financial recovery, the municipality has considered to not revise this assumption up.

Previously, the municipality implemented a debt amnesty drive in efforts to encourage customers to pay and settle their bills and the project did bear fruit during the effective period. A need to re-introduce the debt amnesty drive has been identified, with an extension as a pre requisite that customers verify their information and be linked to a billable meter.

The municipality introduced the meter restrictions, disconnections and meter verification during the month of July 2020 and the municipality collected

6.4.3 REVENUE COLLECTION PLANNED APPROACH

The municipality has established a Revenue Enhancement and Collections Committee with a specific purpose to look into and address the financial and institutional challenges faced by the municipality contributing to reduced collection rate. The Committee is constituted by members of staff from the following sections /departments:

- a. Community Services including Planning and GIS
- b. Technical Services
- c. Financial Services
- d. Municipal Manager's Office including Water Services Authority and Intergovernmental Relations.

The committee has identified challenges contributing to the reduced revenue collection and have divided a tackling strategy into three (3) phases which are:

- Short term phase which concentrates on collection from Government, Organs of State and Businesses.
- Medium term which concentrate on stabilizing and improving the billing system, improving the quality of billing data and customer care and indigent support.
- Long term phase which involves data cleansing , meter replacements and policy changes. This phase involves re verification of customers, changes to policies such as the account holder will be in the name of the property owner, flats to have bulk meters and body corporate responsible for individualized collections and the revitalization of the indigent support applications process etc.

6.5 COST CONTAINMENT MEASURES.

The municipality has committed to reducing its unnecessary operational expenditure, concentrate of core business expenditure, limit or stagger and prioritize filling of posts to those that affect statutory compliances. Further, as part of cost containment measures, the municipality is reviewing all its contracts with an effort to reduce unnecessary services within the contract. As part of cost containment measures, and consideration that water and sanitation the core business, where minor repairs to the meter and or reticulation are identified, they are fixed on the spot to reduce unaccounted for water and eventually reduce the cost of bulk water purchase.

The following are expenditure items that are regarded as non – essentials for the municipality and should be cut:

- a) Interest charged on invoices. This line item is regarded as fruitless and wasteful. Members of staff are to take necessary care with relation to payments to suppliers and strive not to delay payments. This line expenditure, where possible must be recovered from the responsible individual if there were no valid reasons for delaying payment.
- b) Legal Costs. Resources from other organs of state must be utilized prior to the use of private legal firms.
- c) Use of council vehicles. This expenditure item should be strictly used for municipal business and business trips.
- d) Insurance Top up costs / excess. A task team to be established to follow up on all insurance claims. Where negligence can be proven, the excess fee must be recovered from the responsible individual.
- e) Stationery including print paper. As much as possible the Heads of departments must devise a strategy to control stationery, where working paperless is possible, it must be adopted.
- f) Travelling – Domestic. Unless trips are funded by the hosting department or company, and where travelling does not involve improvement improved efficiency of the individual such as changes to law or standards, travelling is not recommended.
- g) Travelling – International. This item of expenditure is not recommended unless with the discretion of Council, International trips can be approved by Council with specific special circumstances.
- h) Catering for meetings – Outside Stakeholders. Unless meetings started before 07h00 or travelling for a meeting was before 06h00, catering for other meetings

will be discontinued. Meetings are recommended to be held between 08h00 - 13 h00 and 14h00 – 16h 30.

- i) Catering – Municipal Meetings. This has been cancelled and will remain not available . Meetings are recommended to be held between 08h00 – 13h 00 and 14h00 – 16h30 to allow staff members to attend to their lunch.
- j) Telephones. All telephone lines are to be limited to R 200 per month and any increases required to be motivated to the Municipal Manager and cannot be more than R 500 for the month. The following land lines will have telephone limits of R 500 per month:
 - Executive Managers
 - Supply Chain Department
 - Debt Collection and Credit Control
 - Free Basic Services Department

Adopt cost containment measures in compliance to Circular 82

7. CAPITAL EXPENDITURE

The commitment by the municipality to invest in the provision of quality services can be identified by the allocation of funds to the essential service – which is water provision.

Of the capital budget, **93.5%** of the capital budget is directed to water infrastructure, **5.3%** towards sanitation, **1.13%** for rural road asset management system which reflects that the capital investment is responsive to the municipalities core functions.

In response to Covid 19 pandemic, the National Treasury has allocated an additional R 41.2 million to the Municipality through the Equitable Share. This additional funding is to be ring fenced and solely used for the construction of infrastructure programs aimed at mitigating the impacts of the pandemic.

TABLE 7: CAPITAL EXPENDITURE PROGRAMME

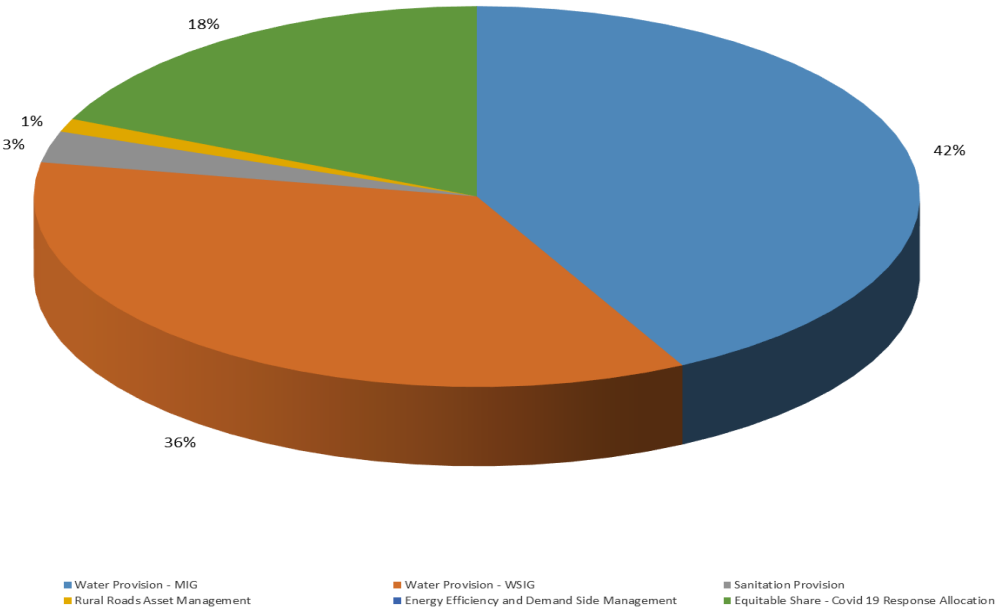
The capital expenditure program is proposed to be allocated to the following projects over the 2020/21 MTREF period:

CAPEX Summary						
Projects		Budget 2019/20	Budget 2020/21	Adjustment Budget 2020/21	Budget 2021/22	Budget 2022/23
Water Provision - MIG	MIG	95 444 000.00	85 394 000.00	95 245 000.00	78 487 522.00	85 088 522.00
Water Provision - WSIG	WSIG	80 000 000.00	80 000 000.00	80 000 000.00	85 000 000.00	80 560 000.00
Sanitation Provision	MIG	6 500 000.00	15 851 000.00	6 000 000.00	31 778 478.00	31 778 478.00
Rural Roads Asset Management	RRAMS	2 681 000.00	2 552 000.00	2 552 000.00	2 693 000.00	2 849 000.00
Energy Efficiency and Demand Side Management	EEDSM		-		-	5 000 000.00
Equitable Share - Covid 19 Response Allocation				41 235 000.00		
		184 625 000.00	183 797 000.00	225 032 000.00	197 959 000.00	205 276 000.00

TABLE 8: CAPITAL EXPENDITURE PROJECTS

		Budget 2020/21	Adjustment Budget 2020/21	Budget 2021/22	Budget 2022/23
Water Provision					
Nkanyezini Water	MIG	23 452 449.00	23 452 449.00	33 000 000.00	20 000 000.00
Manzamyama Water	MIG	500 000.00	500 000.00	-	
Mpolweni, Thokozani, Claridge	MIG	20 000 000.00	20 000 000.00	40 000 000.00	40 000 000.00
Trust Feeds Phase 1	MIG	12 000 000.00	12 000 000.00	7 000 000.00	
Maqonqo Water	MIG	300 000.00	300 000.00		
Manyavu Water	MIG	300 000.00	300 000.00		
Hilton AC	MIG	-	-		
Merrivale AC	MIG	-	-		
Enguga Entshayabantu & Macksam CWSS Phase 5	MIG	6 922 951.00	6 922 951.00	3 000 000.00	20 000 000.00
Mbhava & Mpethu Swayimane Water Supply Phase 2	MIG	20 000 000.00	20 000 000.00	4 168 824.00	
KwaMathwanya Water Reticulation	MIG	11 769 600.00	11 769 600.00	80 176.00	
		95 245 000.00	95 245 000.00	87 249 000.00	80 000 000.00
Water Provision					
District Wide Sanitation - Covid 19 Response	ES		6 000 000.00		
Nguga Water Supply - Covid -19 Response	ES		7 000 000.00		
Mathwanya Water Supply - Covid 19 Response	ES		15 000 000.00		
Mbhava Water Supply - Covid 19 Response	ES		13 235 000.00		
			41 235 000.00		
Water Provision					
Nadi - Efaye Phase 2(uMshwathi Regional Bulk)	WSIG	28 800 000.00	28 800 000.00		
Mtulwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk)	WSIG	300 000.00	300 000.00		
Nadi to Ekhamanzi Phase 3B	WSIG	30 000 000.00	30 000 000.00	-	-
Greater Efaye	WSIG	20 900 000.00	20 900 000.00	85 000 000.00	70 560 000.00
Ozwathini	WSIG		-		10 000 000.00
		80 000 000.00	80 000 000.00	85 000 000.00	80 560 000.00
		-		-	-
Sanitation Provision					
uMshwath VIP Backlog Toilets	MIG	1 000 000.00	1 000 000.00	4 920 000.00	4 920 000.00
Impendle VIPBacklog Toilets	MIG	1 000 000.00	1 000 000.00	4 000 000.00	4 920 000.00
Mkhambathini VIP Backlog Toilet	MIG	1 000 000.00	1 000 000.00	2 920 000.00	4 920 000.00
Umgengi VIP Backlog Toilets	MIG	1 000 000.00	1 000 000.00	2 000 000.00	4 920 000.00
Richmond VIP Backlog Toilets	MIG	1 000 000.00	1 000 000.00	2 000 000.00	49 210 000.00
Mpofana VIP Backlog Toilet	MIG	1 000 000.00	1 000 000.00	7 177 000.00	7 177 000.00
		6 000 000.00	6 000 000.00	23 017 000.00	76 067 000.00
Rural Roads Asset Management					
Planning of Rural Roads Maintenance	RRAMS	2 836 000.00	2 552 000.00	2 693 000.00	2 849 000.00
		2 836 000.00	2 552 000.00	2 693 000.00	2 849 000.00

ADJUSTED CAPITAL EXPENDITURE PROGRAMME - 2020/21



8. RESOLUTIONS

1. Council approves the proposed consolidated adjusted budget estimates for the 2020/21 – 2022/23 MTREF period as follows:

- a) The proposed consolidated budget funding of **R1 160 552 586** be approved for the 2020/21 financial year as well as **R1 193 637 748** and **R1 306 993 813** as estimated for the 2021/22 as well as the 2022/23 financial years, respectively, to be funded from the following:

	2020/21	2021/22	2022/23
Operating Revenue	<i>R976 755 586</i>	<i>R995 678 749</i>	<i>R1 101 717 814</i>
Grant Funding	<i>R183 797 000</i>	<i>R197 959 000</i>	<i>R 205 276 000</i>

- b) The proposed consolidated expenditure appropriations of **R1 019 786 736** be approved for the 2020/21 financial year as well as **R1 034 895 874** and **R1 092 528 231** as estimated for the 2021/22 as well as the 2022/23 financial years, respectively, and be allocated as follows:

	2020/21	2021/22	2022/23
Operating Expenditure	<i>R794 754 736</i>	<i>R836 936 874</i>	<i>R887 252 231</i>
Capital Programme	<i>R225 032 000</i>	<i>R197 959 000</i>	<i>R205 276 000</i>

- c) The capital expenditure programme of **R225 032 000** be approved for the 2020/21 financial year as well as **R197 959 000** and **R205 276 000** for the 2021/22 as well as the 2022/23 financial years respectively and funded from the following sources:

	2020/21	2021/22	2022/23
MIG	<i>R101 245 000</i>	<i>R110 266 000</i>	<i>R116 867 000</i>
WSIG	<i>R 80 000 000</i>	<i>R 85 000 000</i>	<i>R 80 560 000</i>
RRAMS	<i>R 2 552 000</i>	<i>R 2 693 000</i>	<i>R 2 849 000</i>

2. 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;
3. Council adopts the Financial Recovery Strategy.
4. The Accounting Officer publishes the adopted adjustment budget .

PART 2 - SUPPORTING DOCUMENTATION

2.1 BUDGET ADJUSTMENT ASSUMPTIONS AND KEY BUDGET FACTORS

The following key factors were considered in the preparation of the proposed adjustment budget:

1. At least a 50% collection rate will be maintained for the water and sanitation billings, for the purposes of the budget and taking into account the impact of Covid , the collection rate is placed at 40 % ;
2. The salaries budget increase to be limited to recruitment of operations and maintenance staff and revenue staff to aid in the improvement in service delivery and collection;
3. Increase in staff salaries of 6.25% based on the negotiated settlement currently applicable;
4. Councilors allowances budget be adjusted with 4.9% to allow for a cost of living adjustment;
5. The operational expenditure budget will limit and minimize increases due to cost cutting measures , taking into account the proposed financial recovery strategy and comments from Provincial Treasury and only expenditure items critical to service delivery will be provided for;
6. Contracts to be reviewed to ensure efficiency of services and costs;
7. Funding for capital programme to be limited to grants as there are no reserves to fund capital expenditure;
8. The SDBIP targets with financial implications to be deferred to after first quarter to relieve pressure on the budget and also measure performance against the first quarter before expenditure is engaged.
9. A 21% increase in bulk water cost from uMgeni Water.
10. A projected 7.2% increase in electricity charges.
11. Reduction in the number of water tankers to be hired.

Other factors that have been considered in the preparation of the budget are:

- The slow economic growth conditions,
- Aged infrastructure and the lack of resources to replace and maintain the infrastructure.

2.2 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

In year reporting and Statutory returns

Reporting to National and Provincial Treasuries in a compliant and prescribed electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has been adhered to and includes monthly published financial performance on the Municipality's website. The municipality has also submitted all statutory returns as per

MFMA and MSCOA and at submission of this budget for council consideration the submissions on the treasury portal were reflecting a successfully uploaded.

Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme. The programme is intended to empower graduates with on the job training and also build capacity for the local government sector. The municipality employs five interns for a period of two year

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA. The position of the CFO has been advertised and the recruitment processes are almost completed.

Service Delivery and Implementation Plan

The original SDBIP document has been approved in May. The additional capital projects as a result of additional funding received are to be included on the revised SDBIP.

Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

MFMA Training

Various managers and staff have completed the MFMA training and the training will continue in line with the skills development plan. The managers who have not fully met the minimum competency requirements have signed performance agreement which includes milestones for the completion of the outstanding unit standards.

2.3 OVERVIEW OF THE ADJUSTMENT BUDGET PROCESS

In terms of section 52 & 53 of the MFMA requires the Mayor of the municipality to provide guidance over the fiscal and financial affairs of the municipality and during the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Executive Committee, the Finance Portfolio Committee, the Senior Managers and the IDP Manager together form the Budget Steering Committee. This allows for the fair representation of the different council committees which are mandated with oversight on council business.

The primary aims of the Budget Steering Committee is to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the budget and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Budget Process Overview

In terms of section 28 of the MFMA the Municipality may revise an approved annual budget through an adjustment budget . The adjustment budget must adjust the revenue and expenditure estimates and may appropriate additional revenues that have become available.

Further, through the adjustment budget, the municipality may correct any errors in the annual budget.

When tabling an adjustment budget, it must be accompanied by :

- a) Explanations how the adjustment affects the annual budget
- b) Motivation for any material changes
- c) Impact of any increased spending
- d) And any other supporting documents.

The municipality submitted the adjustment budget data strings to both the National and Provincial Treasuries for assessment and comments. This adjustment budget takes into account the recommendations of the Provincial Treasury to assist the municipality to return to a stable financial path .

The following anticipated key deadline dates are expected to adhered to for the remainder of the 2020/ 2021 financial year .

- **January 2021** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2021** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2021** – Multi-year budget proposals are submitted to the Management Committee for endorsement;
- **22 January 2021** - Council considers the 2020/21 Mid-year Review and Budget Implementation;
- **February 2021** - Council considers the 2020/21 Mid-year Adjustments Budget;
- **March 2021** - 2021/22 Recommendations of the proposed budget estimates are communicated to the Budget Steering Committee, the Executive Committee and to the respective departments;
- **26 March 2021** - Tabling in Council of the draft 2021/22 IDP and budget estimates for public consultation;
- **April 2021** – Public consultation;
- **28 May 2021** - Tabling of the 2021/22 MTREF before Council for consideration and approval.

2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The following key factors and planning strategies have informed the compilation of the 2020/21 original MTREF and also considered for the 2020/ 2021 adjustment budget :

- Growth of the District
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Anticipated Covid 19 impact
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- Improved and sustainable service delivery

IDP Strategic Objectives / Budget Priority Areas

2020/21 MTREF	2020/21 ADJUSTMENT MTREF
1. Provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation	2. Economic growth and development that leads to sustainable job creation
3.1 Fight poverty and build clean, healthy, safe and sustainable communities through Integrated Social Services for empowered and sustainable communities.	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
3.2 Responsive integrated and co-ordinated Disaster Management focusing on prevention or reducing risks of disasters, preparedness , rapid and effective response to disaster and post disaster recovery.	3.2 Integrated Social Services for empowered and sustainable communities
	3.3 Mitigate impact of Covid 19 Pandemic
	3.4 Strengthen Disaster mitigation and response mechanisms
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1 Promote sound governance	5.1 Promote sound governance
5.2 Ensure financial sustainability	5.2 Ensure good financial management
5.3 Optimal institutional transformation to ensure capacity to achieve set objectives	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
5.4 Financial Sustainability	5.4 Financial Sustainability

In order to ensure integrated and focused service delivery between all spheres of government, the municipality aligned its adjustment budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development,

economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Within the uMgungundlovu District, the priorities of providing sustainable, good quality water and decent sanitation services were identified as part of the IDP review process and budget allocation which is directly aligned to that of the national and provincial priorities.

Further the municipality identified the following priorities:

- Establishment of the uMgungundlovu Economic Development Agency
- Fight poverty and build clean, healthy, safe and sustainable communities – Allocation for Environmental Health and Environmental Services.
- Integrated Social Services for empowered and sustainable communities -, Special Communities such as Children, Elderly, People with Disabilities etc.
- Improve and strengthen Disaster response and mitigation mechanism .
- Implement enabling measures to limit and combat the recurring of the Covid 19 pandemic.
- Promote sound governance and transparency
- Ensure financial sustainability through reviewing the use of contracted services, implementation of cost cutting measures and continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

2.5 OVERVIEW OF BUDGET RELATED POLICIES

The following budget related policies were reviewed and no comments were received during the consultation process:

- I. Budget Policy
- II. Supply Chain Management Policy
- III. Tariff Policy
- IV. Banking and investment Policy

The Credit Control and Debt management policy is under review for implementation during the 2020/ 2021 financial year.

Disaster Management Framework and the Disaster Management Plan is being developed for approval by Council in March 2021.

2.6 FINANCIAL RECOVERY STRATEGY

The purpose of the recovery plan is to submit to council recommendations on how to respond to the financial situation of the municipality with intended results that will result to the uMgungundlovu District Municipality to be a sustainable , effective and efficient municipality by :

- e) Reviewing and implementing revenue enhancement, generation and collection systems to maximize and sustain revenue streams for the municipality.
- f) Reviewing and implementing cash management strategies to mitigate cash flow challenges.
- g) Enhancing and revitalization of customer care, improve responsiveness to customer enquiries and accurate billing by increasing the data cleansing activities on the ground.
- h) Implementing cost containment measures and phasing out non essential goods and services.

Municipal Manager's Quality Certificate

I Dr RMB Ngcobo, Municipal Manager of uMgungundlovu District Municipality, hereby certify that the Adjustment Medium Term Revenue and Expenditure budget and Documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name Raymond M B Ngcobo

Signature _____

Date 09 October 2020