

**REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPAL  
COUNCIL**



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Report Number:	Designation:	CHIEF FINANCIAL OFFICER

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For consideration

1 <sup>st</sup> Level – Finance Portfolio Committee	: 20/05/2021
2 <sup>nd</sup> Level – EXCO	: 21/05/2021
3 <sup>rd</sup> Level – Council	: 28/05/2021

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**SUBJECT: MEDIUM TERM EXPENDITURE AND REVENUE BUDGET REPORT  
2021/22**

**DATE: 27 MAY 2021**

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## 1. MAYOR'S REPORT

In terms Section 16 of the MFMA, the Mayor of the Municipality must table the final 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. Where a municipality has entities under its control, then the Mayor must table a consolidated budget incorporating the entities.

The budget estimates for the 2021/2022 MTREF period is presented to Council for consideration for approval.

National Treasury encourages that municipalities have a strategy led budget which makes sure that there is a long-term financing strategy, the budget is spatialised and mSCOA fully implemented amongst others.

The preparation of the 2021 /2012 Medium Term Revenue and Expenditure Framework has adopted a spatial planning approach, prioritisation and budgeting tools to filter programmes and projects to be submitted for approval amongst competing priorities with almost equal weight.

The impact of Covid 19 and general payment habits for the services by our communities have had a negative impact on the provision of the services in a sustainable manner to our communities. Through the evaluation of our 2020 /2021 Original Budget by the National and Provincial Treasuries, it was established that the municipality had the following challenges:

- i. High unfunded creditors as at 30 June 2020.
- ii. High long-outstanding debtors.
- iii. Average collection rate calculated at 40%.
- iv. Unfunded budget.
- v. Cash Flow budgeting incorrect and over-stated.
- vi. m SCOA implementation lagging with validation errors.

To remedy the situation, the Municipality was requested to table a special adjustment budget with a realistic budget funding plan striving to reflect the staggered improvement of the financial position of the municipality.

A six-year budget funding plan was approved by Council in November 2020 with an intention to bring the municipality to healthy and positive cash flows, implementation of debt management and credit control strategies to achieve required levels of collection as prescribed by the National Treasury.

The 2021 /2022 budget has been prepared under enormous pressure taking into account the following assumptions.

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.

The 2021/2022 medium term expenditure framework, consisting of a R1.045 Billion consolidated budget, has been developed with an intention to accelerate transformation towards an inclusive economy, ease and mitigate the negative impact of the Covid 19 pandemic and participation by all.

Our skills development unit is working with other sector departments to implement training programs that aim to give hope to our youth, offering skills-based training to facilitate participation in economic opportunities and take advantage of the enabling environment for businesses to flourish. Despite the fact that this budget is crafted under tough economic times and the outbreak of COVID-19 throughout our communities, this budget 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 and enhanced revenue collections to ensure business growth and sustainability.

Due to limited funding available, as the District we have had challenges upgrading our old and frail infrastructure and high levels of illegal connections thus experiencing large volumes of water losses. The municipality together with stakeholders such as the Department of Water Affairs & Sanitation and Umgeni Water have invested resources in ensuring 100% access to basic services is accomplished. The municipality funds its capital projects using capital grants which the bulk of our funding has been allocated to the provision of water. There is also a provision made for the eradication of the construction backlog on the VIP toilets in order to provide sanitation facilities to improve the quality and dignity of life for our people.

Our outcomes led planning and strategies are linked with the National Development Plan, and Vision 2030 taking into account planning guidelines from the National Treasury such as MFMA circular 88 and its addendums. 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, food, electricity, bulk tariff increases, easing drought conditions, unemployment, etc.).

While we strive to provide services to our communities under these challenging times, we also need to collect revenue from those who can afford to pay for services rendered. Our focus is to collect revenue through households and businesses who owe the Municipality. We encourage our citizens to be responsible citizens who pay for services rendered/received to further re-invest to other municipal projects. This will ensure that we render services in a sustainable manner. 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.

Moving forward, the municipality will place a lot of emphasis on revenue raising, revenue protection, revenue collection strategies and 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 and fund revitalisation of existing infrastructure. We, therefore, call upon all councillors and officials of the municipality as well as citizens of the District to each play their part and make the vision of universal access to services within our District a reality.

The Operating Revenue is estimated at R992.9 Million and projected to increase to R1.093 Billion over the MTREF period ending 2023/ 2024.

Of the operating revenue, 37% will be funded from service charges which is a decrease from 37.4% in 2020/21 adjustment budget. The grants contributing 63% of operating income from 62.60% as per adjusted budget 2020/21. One of the contributors to the reduction of grants to be received in the reduction of the Equitable Share allocation by the National Treasury.

The proposed increase in tariff charges of 7.5% which is above average CPI but in line with the proposed 7% increase by the Bulk water service provider. It is forecasted that the increase will not yield 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 R849.995 Million which reflects a decrease of 1.2% from the adjusted budget 2020/21. Of the total operating expenditure, R279.10 Million (33%) has been allocated to Employee Related Costs. Contracted services contribute 16% (R135.373 Million) of the total operating costs bill. The user departments have continuously reviewed the contracted services in an effort to reduce these costs. The anticipated increase in the operational expenditure is budgeted for employee related costs.

Capital expenditure is set to decrease by 13% from R225.032 Million in the 2020/21 adjustment budget to R195,479 Million in the 2021/22 budget. There are no expected borrowings to finance the capital investment programme. A total of 18.7% 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.

The proposed budget has limited capital expenditure to the value of R195.479 Million of which 100% of the capital expenditure will be funded by grants. As the municipality strives to implement a cost reflective tariff and the allocation of operational grants, the municipality will have a total of R994 Million operational funds.

## **2. ASSUMPTIONS**

When preparing the 2021/2022 budget estimates, the following assumptions were taken into consideration:

1. The average CPI is 3.9 for the period 01 July 2021 to 28 February 2022.
2. The bulk water service provider will be allowed a maximum 7% inflation increase.
3. The employee related costs will be allowed a maximum 3.9% inflation increase.
4. Critical positions will be filled, and the strategic position of the Technical Services Executive Manager will be filled.
5. Contracts' review will lead to a reduced expenditure.
6. Interest rates will remain the same if not drop – Interest to service the long-term loan will not increase.
7. Average collection rate will remain at 40% initially, gradually increasing with the full implementation of revenue collection strategies.

### 3. RESOLUTIONS

It is recommended that Council considers for approval the proposed first draft budget estimates for the 2021/22 MTREF period as follows:

- a) The proposed budget funding of R1 188 408 174 be approved to be funded from the following:

Operating Revenue	R 992 929 174
Grant Funding	R 807 330 000

- b) The proposed expenditure appropriations of R 1 045 474 164 be approved and be allocated as follows:

Operating Expenditure	R 849 995 164
Capital Programme	R 195 479 000

- c) The capital expenditure programme of R195 479 000 be approved and funded from the following sources:

MIG	R107 893 000
WSIG	R 85 000 000
RRAMS	R 2 586 000

- d) The funding allocation for UMEDA be approved at R 7 958 074 for the 2021/22 financial year.
- e) The draft tariff of charges be adopted by Council be increased by a minimum of 7%.
- f) The approved draft budget estimates be made public in the manner envisaged by Chapter 4 of the Local Government: Municipal Systems Act.
- g) 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.

#### 4. CAPITAL EXPENDITURE

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

Project Name	Funding Source	2020/21 MTREF	2021/22 MTREF			
		Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/2024	Total Allocation
Water Provision						
Nkanyezini Water	MIG	23 452 449.00	21 000 000.00	46 548 485.34	27 949 762.33	118 950 696.67
Manzanyama Water	MIG	500 000.00	-	-	-	500 000.00
Mpolweni, Thokozani, Claridge	MIG	20 000 000.00	51 314 785.70	43 410 806.60	94 274 237.67	208 999 829.97
Trust Feeds Phase 1	MIG	12 000 000.00	10 770 603.08	16 134 259.52	-	38 904 862.60
Maqonqo Water	MIG	300 000.00	172 140.43	-	-	472 140.43
Manyavu Water	MIG	300 000.00	-	-	-	300 000.00
Hilton AC	MIG	-	-	-	-	-
Merrivale AC	MIG	-	-	-	-	-
Enguba Entshayabantu & Macksam CWSS Phase 5	MIG	6 922 951.00	636 168.77	277 462.49	-	7 836 582.26
Mbhava & Mpethu Swayimane Water Supply Phase 2	MIG	20 000 000.00	6 699 302.02	2 545 000.00	-	29 244 302.02
KwaMathwanya Water Reticulation	MIG	11 769 600.00	3 000 000.00	-	-	14 769 600.00
Mpofana Bulk- Mpofana village	MIG	-	5 000 000.00	-	-	5 000 000.00
Cedara Water -bulk main link	MIG	-	5 300 000.00	-	-	5 300 000.00
		95 245 000.00	103 893 000.00	108 916 013.95	122 224 000.00	430 278 013.94
Water Provision						
Nadi - Efaye Phase 2(uMshwathi Regional Bulk )	WSIG	28 800 000.00	-	-	-	28 800 000.00
Mtshwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk )	WSIG	300 000.00	-	-	-	300 000.00
Nadi to Ekhamarzi Phase 3B	WSIG	30 000 000.00	-	-	-	30 000 000.00
Greater Efaye	WSIG	20 900 000.00	85 000 000.00	70 560 000.00	75 650 000.00	252 110 000.00
Ozathini	WSIG	-	-	10 000 000.00	-	10 000 000.00
		80 000 000.00	85 000 000.00	80 560 000.00	75 650 000.00	321 210 000.00
Sanitation Provision						
uMshwathi VIP Backlog Toilets	MIG	-	666 667.00	-	-	666 667.00
Impendle VIP Backlog Toilets	MIG	-	666 667.00	-	-	666 667.00
Mkhambathini VIP Backlog Toilet	MIG	-	666 667.00	-	-	666 667.00
Umgweni VIP Backlog Toilets	MIG	-	666 667.00	-	-	666 667.00
Richmond VIP Backlog Toilets	MIG	-	666 667.00	-	-	666 667.00
Mpofana VIP Backlog Toilet	MIG	-	666 667.00	-	-	666 667.00
District Wide Sanitation - Covid 19 Response	ES	6 000 000.00	-	-	-	6 000 000.00
Nguga Water Supply - Covid -19 Response	ES	7 000 000.00	-	-	-	7 000 000.00
Mathwanya Water Supply - Covid 19 Response	ES	15 000 000.00	-	-	-	15 000 000.00
Mbhava Water Supply - Covid 19 Response	ES	13 235 000.00	-	-	-	13 235 000.00
		41 235 000.00	4 000 002.00	-	-	45 235 002.00
Rural Roads Asset Management						
Planning of Rural Roads Maintenance	RRAMS	2 552 000.00	2 586 000.00	2 714 000.00	2 717 000.00	7 852 000.00
		2 552 000.00	2 586 000.00	2 714 000.00	2 717 000.00	7 852 000.00
CAPEX Summary						
Projects						
Water Provision - MIG	MIG	85 394 000.00	103 893 000.00	108 916 013.95	122 224 000.00	420 427 013.94
Water Provision - WSIG	WSIG	80 000 000.00	85 000 000.00	80 560 000.00	75 650 000.00	321 210 000.00
Sanitation Provision	MIG	15 851 000.00	4 000 002.00	-	-	19 851 002.00
Rural Roads Asset Management	RRAMS	2 552 000.00	2 586 000.00	2 714 000.00	2 717 000.00	10 569 000.00
Water Provision - Covid-19 Response	ES	35 235 000.00	-	-	-	35 235 000.00
Sanitation Provision - Covid-19 Response	ES	6 000 000.00	-	-	-	6 000 000.00
Energy Efficiency and Demand Side Management	EEDSM	-	-	4 000 000.00	-	4 000 000.00
		225 032 000.00	195 479 002.00	196 190 013.95	200 591 000.00	817 292 015.94
Funding						
Municipal Infrastructure Grant (MIG)		101 245 000.00	107 893 002.00	108 916 013.95	122 224 000.00	440 278 015.94
Water Services Infrastructure Grant (WSIG)		80 000 000.00	85 000 000.00	80 560 000.00	75 650 000.00	321 210 000.00
Rural Roads Asset Management		2 552 000.00	2 586 000.00	2 714 000.00	2 717 000.00	10 569 000.00
Covid-19 Response		41 235 000.00	-	-	-	41 235 000.00
Energy Efficiency and Demand Side Management		-	-	4 000 000.00	-	4 000 000.00
		225 032 000.00	195 479 002.00	196 190 013.95	200 591 000.00	817 292 015.94

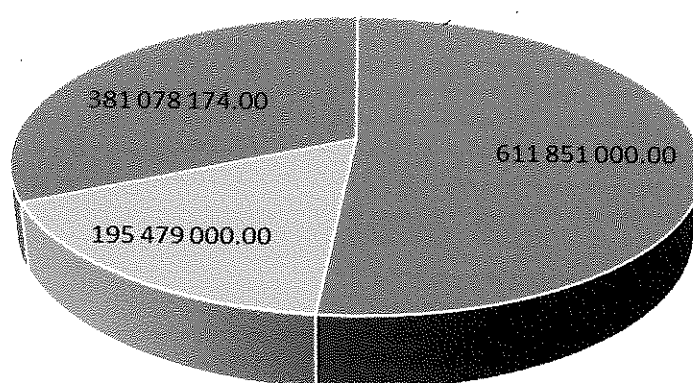
## 5. OPERATING REVENUE FRAMEWORK

DC22 uMgungundlovu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Fore
<b>Revenue By Source</b>							
Property rates	2	-	-	-	-	-	
Service charges - electricity revenue	2	-	-	-	-	-	
Service charges - water revenue	2	156 195	224 849	262 180	305 965	317 965	
Service charges - sanitation revenue	2	20 808	28 433	22 907	29 053	29 053	
Service charges - refuse revenue	2	-	-	-	-	-	
Rental of facilities and equipment		246	257	11	-	-	
Interest earned - external investments		10 074	8 090	6 091	528	528	
Interest earned - outstanding debtors		30 057	39 000	46 835	11 936	55 936	
Dividends received		-	-	-	-	-	

The total anticipated revenue for the 2021/2022 financial year amounts to R1.188 billion. The municipality is grant reliant with a total of 63% revenue streams from grants.

National Grants -Operational	611 851 000.00	51.48
National Grants - Capital	195 479 000.00	16.45
Internally Generated Funds	381 078 174.00	32.07
<b>TOTAL</b>	<b>1 188 408 174.36</b>	<b>100</b>



- National Grants -Operational
- National Grants - Capital
- Internally Generated Funds

## Tariffs and Service Charges – Water and Sanitation

While everything possible is done to reduce the costs of operating for services and to avoid tariff increases, it is sometimes inevitable that one will have to increase tariff charges in order to recover the cost of providing a service. It is therefore proposed that tariffs be increased by 7.5% for household, commercial and availability charges. Considering the ever-rising costs of providing water and sanitation, the following increases are proposed for water and sanitation services:

UMGUNGUNDLOVU DISTRICT MUNICIPALITY TARIFF STRUCTURE 2021/2022					
Water Supply Tariffs					
Household/Domestic					
Band	2019/2020	2020/2021	2021/2022	Consumption	Rand Value
0 - 6	13.08	13.66	14.69	319 029	4 686 118.02
7 - 15	25.26	26.40	28.38	858 814	24 374 725.57
16 - 25	30.20	31.56	33.92	715 592	24 275 271.60
26 - 35	41.93	43.81	47.10	363 559	17 122 882.23
36 - 60	58.81	61.46	66.07	429 243	28 359 196.69
60 +	72.29	75.54	81.20	847 810	68 845 233.63
Basic charge	38.43	42.28	45.45	31 292	1 422 128.23
Flat rate	240.81	251.65	270.52	3 952	1 069 094.78
					<b>170 154 650.76</b>
<b>Business /Commercial</b>					
0 - 999999	35.84	37.81	40.65	3 887 000	157 995 926.15
<b>Builder/Construction Sites</b>					
<b>NGO's (Public benefit)</b>	16.20	17.09	18.38	42 292	777 191.39
<b>WSA</b>	Bulk Cost per kl plus admin fee	Bulk Cost per kl plus admin fee			
Basic charge	64.20	70.62	75.92	1 569	119 112.99
<b>Total Water</b>				<b>7 463 339</b>	<b>329 046 881.29</b>



<b>Sewerage Tariff</b>					
<b>Household/Domestic</b>					
	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>Consumption</b>	<b>Rand Value</b>
0 - 6	7.35	7.68	8.26	29 721	245 350.46
7 - 15	13.17	13.76	14.79	488 281	7 221 849.45
16 - 25	17.02	17.79	19.12	366 975	7 017 947.08
26+	21.45	22.42	24.10	439 958	10 602 587.37
<b>Business /Commercial</b>	<b>2019/2020</b>	<b>2020/2021</b>		<b>Consumption</b>	
0 - 999999999	15.17	16.01	17.21	356 928	6 142 207.01
NGO's (public benefit)					
Disposal at waste water treatment plant					31 375 196.91
0 - 999999999	8.20	8.65	9.29	320 000	2 973 880.00
<b>Total Sanitation</b>				<b>2 001 863</b>	<b>34 349 076.91</b>

<b>Sewerage Tariff</b>					
<b>Household/Domestic</b>					
	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>Consumption</b>	<b>Rand Value</b>
0 - 6	7.35	7.68	8.26	29 721	245 350.46
7 - 15	13.17	13.76	14.79	488 281	7 221 849.45
16 - 25	17.02	17.79	19.12	366 975	7 017 947.08
26+	21.45	22.42	24.10	439 958	10 602 587.37
<b>Business /Commercial</b>	<b>2019/2020</b>	<b>2020/2021</b>		<b>Consumption</b>	
0 - 999999999	15.17	16.01	17.21	356 928	6 142 207.01
NGO's (public benefit)					
Disposal at waste water treatment plant					31 375 196.91
0 - 999999999	8.20	8.65	9.29	320 000	2 973 880.00
<b>Total Sanitation</b>				<b>2 001 863</b>	<b>34 349 076.91</b>

The rate per kilo litre charged by the bulk service provider for the 2020/2021 financial year is R9.45, anticipated to increase to a maximum of R10.12. The proposed lowest tariff to be charged by the municipality for water supply is R14.69 per kilo litre.

## Tariffs and Service Charges - Environmental Health Services

Service	Applicable Legislation	Tariffs – 2020/21
1. Issuing of health certificate for accommodation establishment	UMDM EH Bylaws, 2017 Section 90(f)	R 385
2. Issuing of health certificate for hairdressing/beauty/cosmetology	UMDM EH Bylaws, 2017 Section 107(f)	R 385
3. Issuing of health certificate for child-care facility	UMDM EH Bylaws, 2017 Section 55(2)(f)	R 385
4. Offensive trade permit	UMDM EH Bylaws, 2017 Section 83(l)	R 1 210
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 605
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 385
7. Re-inspection of food premises for the removal of a prohibition	Regulation 638 of 22 June 2018  Section 4	R 605
8. Issuing of an export certificate	R638 under FCD Act, 1972	R 605
9. Issuing of a destruction of food certificate	R328 under FCD Act 1972	R 275
10. Processing of certificate of acceptability for food premises	R638 under FCD Act	R 385
11. Processing of Certificate of Competence	R363 of the National Health Act, 2003	R 1 210
12. Renewal of certificate of competence	R363 of the National Health Act, 2003	R 550
13. Processing of provisional certificate of competence	R363 of the National Health Act, 2003	R 550

## Tariffs and Service Charges – Fire and Emergency Services

UMGUNGUNDLOVU DISTRICT MUNICIPALITY : COMMUNITY SERVICES				
Fire and Rescue Services				
	2019/20 Incl. Vat	2020/21 Incl. Vat	2021/22 Incl. Vat	% Incr
<p>Except as is specifically otherwise provided, 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:</p> <p>(a) For the attendance of services (b) For the use of the services and any equipment, or (c) For any material consumed</p> <p>Any person who feels aggrieved by an assessment of the charges raised may within 14 days after receipt of that assessment object in writing against that assessment as such, or the amount thereof, to the Municipal Manager of the uMgungundlovu District Council, whereby the Council may confirm, alter or revoke the assessment.</p> <p>Tariff of Charges for Services Rendered at Fire and Special Service Incidents</p>				
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	R 2 086.99	10.00%
1.2 Transport	R 1 424.34	R 1 511.22	R 1 662.34	10.00%
1.3 Fire – Vegetation, Grass, Bush, Rubbish or Plantation	R 1 162.40	R 1 233.31	R 1 356.64	10.00%
1.4 Fire – Hazmat	R 1 788.18	R 1 897.26	R 2 086.99	10.00%
1.5 Fire – Other	R 1 112.33	R 1 180.18	R 1 298.20	10.00%
1.6 Special Service – Transport	R 891.74	R 946.14	R 1 040.75	10.00%
1.7 Special Service – Structural	R 891.74	R 946.14	R 1 040.75	10.00%
1.8 Special Service – Hazmat	R 1 788.18	R 1 897.26	R 2 086.99	10.00%
1.9 Special Service – Water	R 891.74	R 946.14	R 1 040.75	10.00%
1.10 Special Service – Other	R 891.74	R 946.14	R 1 040.75	10.00%
1.11 Out of Area	R 891.74	R 946.14	R 1 040.75	10.00%
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	R 1 040.75	10.00%
2.2 Water Foam Carrier	R 891.74	R 946.14	R 1 040.75	10.00%
2.3 Foam Tanker and / or Foam Service Vehicle	R 891.74	R 946.14	R 1 040.75	10.00%
2.4 Mobile Lighting Unit	R 891.74	R 946.14	R 1 040.75	10.00%
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 the mitigation of any incident				
3.1	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	R 208.15	10.00%
Per Hour thereafter	R 95.43	R 101.25	R 111.38	10.00%
4.2 For scheduled inspections, consultations, inspections of safety exits & appliances in public buildings				
First Hour	R 178.35	R 189.23	R 208.15	10.00%
Per Hour thereafter	R 87.61	R 92.95	R 102.25	10.00%
4.3 For the monitoring of direct alarm links – per alarm p.m.	R 134.54	R 142.75	R 157.03	10.00%
4.4 For a certified copy of a fire report - per copy	R 178.35	R 189.23	R 208.15	10.00%
4.5 For issuing a certificate of Registration - per certificate	R 42.24	R 44.82	R 49.30	10.00%
4.6 For issuing a certificate of Competence – per certificate	R 445.87	R 473.07	R 520.38	10.00%
4.7 For a copy of a Fire Investigation Report – per copy	R 663.33	R 703.79	R 774.17	10.00%
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 364.83	R 401.32	10.00%
10.2 Hire of Extension Ladder	R 331.67	R 364.83	R 401.32	10.00%
10.3 Gaining Access/Lock-Outs	R 331.67	R 364.83	R 401.32	10.00%
10.4 Miscellaneous Service – per service	R 331.67	R 364.83	R 401.32	10.00%
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 9.12	R 10.03	10.00%
Light duty vehicles	R 4.98	R 5.48	R 6.02	10.00%

## **6. FINANCIAL RECOVERY: REVENUE ENHANCEMENT, DEBT MANAGEMENT, COST CONTAINMENT AND CASH FLOW MANAGEMENT PLAN.**

### **6.1 REVENUE RAISING STRATEGIES**

The drive as reintroduced since June 2018 has been on going 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 by the partners. The next stage of the project is the roll out to the entire District.

The 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;
- Improve accessibility of customer access points; and
- Improve and intensify the indigent customer registration drive.

#### **b. Meter reading which includes:**

- 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; and
- GIS Integration with the billing system.

#### **c. Billing**

- Correct customer information / details;
- Ensure accuracy of billing; and
- Timeous posting of statements.

The consumption patterns observed during the 2019/2020 adjustment budget per consumption category are expected to remain the same if not reduce, except for the more than 60 KI per month consumption category, which is recommended that it is 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, namely uMngeni Water, has pledged assistance to the municipality in the form of fixing all leaks and change of meters in the Mpophomeni area. This will reduce unaccounted water and reduce non-revenue water as the meters will be replaced and/or repaired for effective and correct billing which results in reliable billing information.

## **6.2 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 approximately 61% in the first 2 months of the 2021/2022 financial year.

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

## **6.3 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; and
- d. The 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 as follows:

- Short term phase which concentrates on collection from Government, Organs of State and Businesses.
- Medium term which concentrates 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.

## 7. OPERATING EXPENDITURE FRAMEWORK

### 7.1. 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 of suppliers within 30 days and strive not to delay payments. This expenditure, as far as possible, must be recovered from the responsible individual if there were no valid reasons for delays in 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 far 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 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 it is at 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 meetings will be discontinued. Meetings are recommended to be held between 08h00 -13h00 and 14h00 – 16h30.
- i) Catering: Municipal Meetings - this has been cancelled and will remain unavailable. Meetings are recommended to be held between 08h00 – 13h00 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 are 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
- k) The municipality has adopted the cost containment measures in compliance to Circular 82.

## 7.2 OPERATIONAL COSTS

Employee Related Costs	279 118 346.65	32.84
Fixed Costs	9 117 482.00	1.07
Grant Funded Programmes / Projects	2 299 000.00	0.27
Contracted Services	134 724 592.94	15.85
Operational Cost - Other Expenditure	24 515 892.20	2.88
Remuneration of Councillors	13 083 107.00	1.54
Debt Impairment Contributions	45 000 000.00	5.29
Depreciation and Asset Impairment	44 590 371.38	5.25
Finance Charges [Interest Paid]	20 119 571.41	2.37
Bulk Water Purchases	277 426 800.00	32.64
	<b>849 995 163.58</b>	

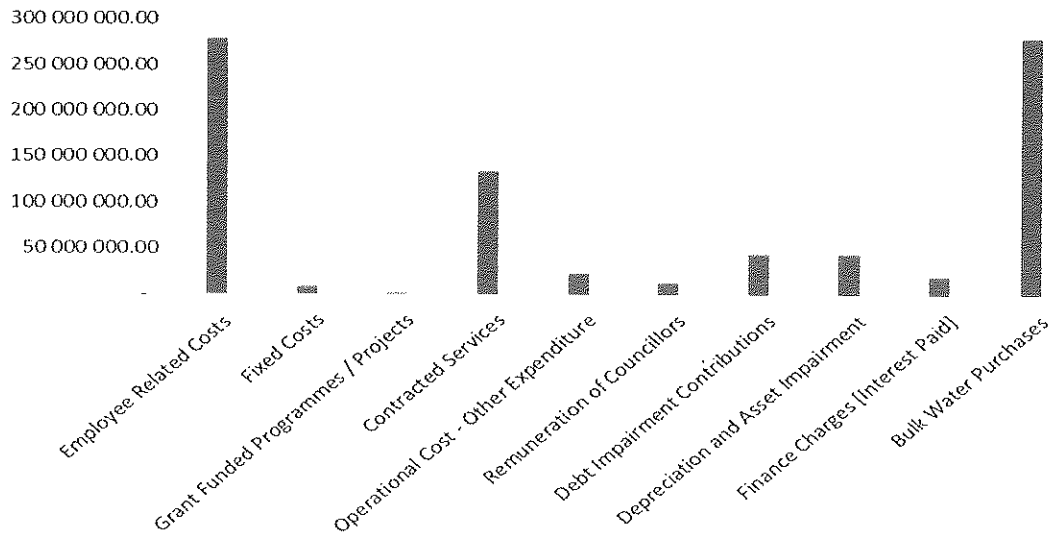
The operational expenditure has decreased by an average of 0.42%. The major contributor of the operational expenditure is the employee related costs at 32.84% followed by the bulk water purchase at 32.64%

**DC22 uMgungundlovu - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Forecast
<b>R thousand</b>	<b>1</b>						
<b>Expenditure By Type</b>							
Employee related costs	2	208 837	241 960	256 531	249 673	269 980	
Remuneration of councillors		10 958	11 628	11 606	13 599	13 782	
Debt impairment	3	139 702	221 071	169 656	83 747	43 747	
Depreciation & asset impairment	2	40 947	46 642	54 113	43 774	43 774	
Finance charges		35 321	11 502	25 509	27 550	27 550	
Bulk purchases - electricity	2	-	-	-	-	-	



## Major Expenditure Items



### BUDGET ESTIMATES FOR THE 2020/21 TO 2022/23 MTREF PERIOD

	2021/22 MTREF					
	Budget 2020/21	Adjustment Budget 2020/21	Adjustment Budget 2020/21-B schedule	Budget 2021/22	Budget 2022/23	Budget 2022/23
<b>REVENUE</b>						
Operating Grants & Transfers Received	588 039 346.00	628 353 346.00	628 453 346.00	611 851 000.00	653 369 000.00	678 825 000.00
National	576 111 000.00	616 425 000.00	616 425 000.00	611 851 000.00	653 369 000.00	678 825 000.00
Equitable Share	284 570 000.00	325 805 000.00	325 805 000.00	296 893 000.00	317 928 000.00	321 403 000.00
Levy Replacement Grant	287 470 000.00	287 470 000.00	287 470 000.00	311 659 000.00	334 241 000.00	356 222 000.00
Finance Management Grant	1 000 000.00	1 000 000.00	1 000 000.00	1 000 000.00	1 200 000.00	1 200 000.00
EPWP Incentive Grant	3 071 000.00	2 150 000.00	2 150 000.00	2 299 000.00	-	-
Economic opp	-	-	-	-	-	-
Provincial	11 928 346.00	11 928 346.00	12 028 346.00	-	-	-
EDIEA: Pietermaritzburg Airport	2 500 000.00	2 500 000.00	2 500 000.00	-	-	-
Umgenti Resilience	9 428 346.00	9 428 346.00	9 428 346.00	-	-	-
Title Deeds Restoration Grant	-	-	100 000.00	-	-	-
Disaster relief fund	-	-	-	-	-	-
Local govern	-	-	-	-	-	-
Capital Grants and Transfers Received	183 797 000.00	183 797 000.00	183 797 000.00	195 479 000.00	195 141 000.00	204 591 000.00
National	183 797 000.00	183 797 000.00	183 797 000.00	195 479 000.00	195 141 000.00	204 591 000.00
Municipal Infrastructure Grant (MIG)	101 245 000.00	101 245 000.00	101 245 000.00	107 893 000.00	116 867 000.00	122 224 000.00
Water Services Infrastructure Grant (WSIG)	80 000 000.00	80 000 000.00	80 000 000.00	85 000 000.00	75 560 000.00	75 650 000.00
Rural Roads Asset Management System Grant (RRAMS)	2 552 000.00	2 552 000.00	2 552 000.00	2 586 000.00	2 714 000.00	2 717 000.00
Energy Efficiency and Demand Side Management Grant (EEDSM)	-	-	-	-	-	4 000 000.00
<b>TOTAL GRANTS &amp; TRANSFERS</b>	<b>771 836 346.00</b>	<b>812 150 346.00</b>	<b>812 250 346.00</b>	<b>807 330 000.00</b>	<b>848 510 000.00</b>	<b>883 416 000.00</b>
Internally Generated Revenue	347 481 240.48	347 481 240.48	375 481 240.48	381 078 174.36	397 083 457.68	414 554 679.81
Service Charges - Water Revenue	303 630 918.60	303 630 918.60	309 630 918.60	332 853 237.50	346 833 073.47	362 093 278.70
Service Charges - Sanitation Revenue	29 052 695.88	29 052 695.88	29 052 695.88	31 231 647.86	32 543 377.07	33 975 285.66
Service Charges - Other charges	2 334 540.00	2 334 540.00	2 334 540.00	2 509 630.50	2 615 034.98	2 730 096.52
Interest Earned - Outstanding Debtors	11 935 586.00	11 935 586.00	33 935 586.00	13 935 586.00	14 520 880.61	15 159 799.36
Interest Earned - External Investments	527 500.00	527 500.00	527 500.00	548 072.50	571 091.55	596 219.57
Rental of Facilities	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-
<b>TOTAL GRANT AND INTERNAL GENERATED REVENUE</b>	<b>1 119 317 586.48</b>	<b>1 159 631 586.48</b>	<b>1 187 731 586.48</b>	<b>1 188 408 174.36</b>	<b>1 245 593 457.68</b>	<b>1 297 970 679.81</b>
<b>OPERATING REVENUE FRAMEWORK</b>	<b>935 520 586.48</b>	<b>975 834 586.48</b>	<b>1 003 934 586.48</b>	<b>992 929 174.36</b>	<b>1 050 452 457.68</b>	<b>1 093 379 679.81</b>

OPERATING EXPENDITURE PROGRAMME	791 497 596.48	791 497 596.48	860 316 255.97	849 995 163.58	890 811 728.66	933 749 702.60
Employee Related Costs	272 010 575.98	272 010 575.98	272 010 575.98	279 118 346.85	295 661 723.50	308 845 189.24
Medical Aid Contributions	14 559 478.35	14 559 478.35	14 559 478.35	12 469 453.60	13 014 610.65	13 583 071.71
Pension Fund Contributions	32 815 254.21	32 815 254.21	32 815 254.21	31 631 151.72	32 959 660.10	34 389 885.14
Unemployment Insurance Fund	987 801.08	987 801.08	987 801.08	839 052.86	874 293.05	912 947.93
Leave Gratuities Contributions	-	-	-	-	-	-
Long Service Awards	2 227 152.35	2 227 152.35	2 227 152.35	2 167 362.00	7 140 414.41	7 440 311.82
Cellular and Telephone Allowances	1 852 362.45	1 852 362.45	1 852 362.45	1 512 774.07	1 576 310.38	1 645 668.26
Travelling Allowances	23 446 162.03	23 446 162.03	23 446 162.03	21 553 892.80	22 459 156.30	23 447 359.18
Fire Brigade	-	-	-	9 350 303.88	9 743 016.64	10 171 709.37
Housing Benefits	1 243 572.11	1 243 572.11	1 243 572.11	1 222 398.00	1 273 738.72	1 329 783.22
Rental Subsidies	27 348.00	27 348.00	27 348.00	163 692.00	170 567.06	178 072.01
Acting and Post Related Allowances	2 158 002.06	2 158 002.06	2 158 002.06	778 243.10	810 929.30	846 610.18
Standby Allowances	5 908 576.48	5 908 576.48	5 908 576.48	12 299 929.00	12 750 563.42	13 311 588.62
Tool Allowances	127 200.00	127 200.00	127 200.00	-	-	-
Uniforms	144 927.21	144 927.21	144 927.21	76 579.44	79 795.78	83 306.80
Non-Structured Allowances	21 200.00	21 200.00	21 200.00	8 437 666.44	8 792 048.43	9 178 898.56
Basic Salaries	164 200 722.50	164 200 722.50	164 200 722.50	150 729 306.67	157 059 937.34	164 197 200.85
Bonuses	12 118 939.72	12 118 939.72	12 118 939.72	12 906 926.96	13 449 087.90	14 040 774.69
Bargaining Council	65 857.80	65 857.80	65 857.80	59 756.40	66 542.96	69 470.85
Group Life	2 150 000.00	2 150 000.00	2 150 000.00	2 185 000.00	2 276 770.00	2 376 974.88
Post-Retirement Benefits	5 925 800.00	5 925 800.00	5 925 800.00	6 852 605.00	7 140 414.41	7 440 311.82
Skills Development Levy	2 030 219.64	2 030 219.64	2 030 219.64	1 817 255.78	1 893 579.86	1 976 897.52
Workmens compensation	-	-	-	2 044 996.93	2 130 886.80	2 224 345.82
Remuneration of Councillors	13 782 254.09	13 782 254.09	13 782 254.09	13 083 107.00	13 632 597.49	14 232 431.78
Debt Impairment Contributions	83 747 055.10	83 747 055.10	83 747 055.10	45 000 000.00	46 890 000.00	48 953 160.00
Depreciation and Asset Impairment	43 773 646.50	43 773 646.50	43 773 646.50	44 580 371.38	45 405 431.27	51 194 353.78
Finance Charges [Interest Paid]	27 550 000.00	27 550 000.00	27 550 000.00	20 119 571.41	18 771 274.44	13 677 957.64
Bulk Water Purchases	154 532 000.00	154 532 000.00	254 520 000.00	277 426 800.00	302 395 212.00	329 610 781.00
Transfers and Grants	6 500 000.00	6 500 000.00	6 500 000.00	7 958 074.00	10 379 652.00	10 379 652.00
CAPEX Expensed	1 107 140.00	1 107 140.00	1 107 140.00	1 159 408.00	1 208 103.14	1 261 259.67
Grant Funded Projects / Programmes	14 999 346.00	14 999 346.00	14 999 346.00	2 299 000.00	0.00	0.00
EPWP Incentive Grant	3 071 000.00	3 071 000.00	3 071 000.00	2 299 000.00	-	-
EDTEA: Pietermaritzburg Airport	2 500 000.00	2 500 000.00	2 500 000.00	-	-	-
Ungeni Resilience Programme (URP)	9 428 346.00	9 428 346.00	9 428 346.00	-	-	-
Contracted Services	152 413 515.82	152 413 515.82	146 658 325.31	134 724 592.94	132 679 625.00	132 160 524.89
Water Tanker Hire	54 000 000.00	54 000 000.00	54 000 000.00	45 000 000.00	42 000 000.00	39 000 000.00
Motor Vehicle Hire and Running Costs	12 012 175.00	12 012 175.00	12 012 175.00	8 408 522.50	5 885 965.75	5 885 965.75
Water Quality Process Management	2 522 950.00	2 522 950.00	2 522 950.00	2 663 302.00	2 775 160.68	2 897 267.75
ICT Consultant Fees	1 000 000.00	1 000 000.00	1 000 000.00	5 000 000.00	5 210 000.00	5 439 240.00
Security Services	15 823 172.42	15 823 172.42	10 348 974.82	7 244 282.08	7 548 541.93	7 880 677.77
Water & Sanitation Operations & Maintenance	42 000 000.00	42 000 000.00	42 000 000.00	33 000 000.00	34 386 000.00	35 898 984.00
Telecommunications	2 375 750.00	2 375 750.00	2 375 750.00	1 781 812.50	1 856 648.63	1 938 341.16
Licence Fees	2 215 500.00	2 215 500.00	3 934 507.09	4 087 952.86	4 259 646.88	4 447 071.34
Insurance - General	1 003 000.00	1 003 000.00	1 003 000.00	1 089 273.00	1 197 336.32	-
Municipal Services (Water & Electricity)	2 947 100.00	2 947 100.00	2 947 100.00	3 166 877.00	3 299 885.83	3 445 080.81
Fire & Rescue Services	1 371 000.00	1 371 000.00	1 371 000.00	1 400 000.00	1 458 800.00	1 522 987.20
Meter Reading Services	-	-	-	-	-	-
Materials (PPE & Repairs & Maintenance)	15 142 868.40	15 142 868.40	13 142 868.40	15 882 571.00	16 549 638.98	17 277 821.10
Fire Engine Hire	-	-	-	6 000 000.00	6 252 000.00	6 527 088.00
Operational Cost - Other Expenditure	21 082 063.00	21 082 063.00	15 667 913.00	24 515 892.20	23 788 109.81	23 434 392.60
SALGA Affiliation Fee	3 158 188.00	3 158 188.00	3 158 188.00	3 407 778.00	3 550 904.00	3 728 449.91
Audit Fees & Audit Committee	2 645 700.00	2 645 700.00	2 645 700.00	4 322 850.00	4 504 409.70	4 702 603.73
Sports Promotion	1 990 150.00	1 990 150.00	-	0.00	0.00	0.00
Mandela Day Marathon	100 000.00	100 000.00	-	0.00	0.00	0.00
Personnel Protective Clothing (PPE)	3 045 775.00	3 045 775.00	3 045 775.00	1 000 000.00	1 042 000.00	1 087 848.00
Legal Fees	2 800 000.00	2 800 000.00	2 800 000.00	10 000 000.00	8 500 000.00	7 500 000.00
Environmental Health	517 500.00	517 500.00	117 500.00	500 000.00	500 000.00	500 000.00
Disaster Management & Environ Management	2 587 500.00	2 587 500.00	587 500.00	2 000 000.00	2 084 000.00	2 175 696.00
Printing and Stationery	1 263 000.00	1 263 000.00	1 263 000.00	884 100.00	921 232.20	961 766.42
Clearing Material	416 500.00	416 500.00	268 500.00	276 893.00	288 523.03	301 218.04
Actuarials	-	-	-	40 000.00	41 680.00	43 513.92
Public Participation	106 000.00	106 000.00	212 000.00	293 150.00	305 462.30	318 902.64
Financial Management grant	-	-	-	1 000 000.00	1 200 000.00	1 200 000.00
Rental of Premises	750 000.00	750 000.00	400 000.00	440 000.00	484 000.00	532 400.00
Occupational Health & Safety	530 000.00	530 000.00	-	0.00	0.00	0.00
Training & Development	-	-	-	-	-	-
Staff Recruitment	316 500.00	316 500.00	316 500.00	333 908.00	347 932.00	363 241.00
Advertising	-	-	-	15 213.20	15 882.58	16 581.41
Postage	857 250.00	857 250.00	857 250.00	2 000.00	2 084.00	2 171.53
TOTAL EXPENDITURE	975 294 596.48	1 016 529 596.48	1 085 348 255.97	1 045 474 163.58	1 085 952 728.66	1 134 340 702.60
BUDGET SURPLUS / (DEFICIT)	144 022 990.00	143 101 990.00	102 383 330.51	142 934 010.78	159 640 729.03	163 629 977.20

## PART 2: SUPPORTING DOCUMENTATION

8.

DC22 uMgungundlovu - Table A1 Budget Summary

Description	2017/18	2018/19	2019/20	Current Year 20		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Forecast
<b>R thousands</b>						
<b>Financial Performance</b>						
Property rates	-	-	-	-	-	
Service charges	177 003	253 282	285 087	335 018	347 018	3
Investment revenue	10 074	8 090	6 091	528	528	
Transfers recognised - operational	433 487	493 081	543 973	300 569	383 039	3
Other own revenue	36 251	40 088	47 812	300 777	343 506	3
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>656 816</b>	<b>794 541</b>	<b>882 963</b>	<b>936 892</b>	<b>1 074 091</b>	<b>10</b>
Employee costs	208 837	241 960	256 531	249 673	269 980	2
Remuneration of councillors	10 958	11 628	11 606	13 599	13 782	
Depreciation & asset impairment	40 947	46 642	54 113	43 774	43 774	
Finance charges	35 321	11 502	25 509	27 550	27 550	
Inventory consumed and bulk purchases	-	-	-	30 994	17 259	
Transfers and grants	-	13	2 736	9 929	6 500	
Other expenditure	387 481	471 684	410 955	282 115	195 028	1
<b>Total Expenditure</b>	<b>683 544</b>	<b>783 429</b>	<b>761 450</b>	<b>657 634</b>	<b>573 873</b>	<b>5</b>
<b>Surplus/(Deficit)</b>	<b>(26 729)</b>	<b>11 112</b>	<b>121 513</b>	<b>279 258</b>	<b>500 217</b>	<b>5</b>
Transfers and subsidies - capital (monetary)						

DC22 uMgungundlovu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Fore
<b>R thousand</b>	<b>1</b>						
<b>Revenue By Source</b>							
Property rates	2	-	-	-	-	-	
Service charges - electricity revenue	2	-	-	-	-	-	
Service charges - water revenue	2	156 195	224 849	262 180	305 965	317 965	3
Service charges - sanitation revenue	2	20 808	28 433	22 907	29 053	29 053	2
Service charges - refuse revenue	2	-	-	-	-	-	
Rental of facilities and equipment		246	257	11	-	-	
Interest earned - external investments		10 074	8 090	6 091	528	528	
Interest earned - outstanding debtors		30 057	39 000	46 835	11 936	55 936	1
Dividends received		-	-	-	-	-	
Fines, penalties and forfeits		4 960	-	473	-	-	
Licences and permits		-	-	-	-	-	
Agency services		-	-	-	-	-	
Transfers and subsidies		433 487	493 081	543 973	300 569	383 039	31
Other revenue	2	988	832	493	288 841	287 570	21
Gains		-	-	-	-	-	
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>656 816</b>	<b>794 541</b>	<b>882 963</b>	<b>936 892</b>	<b>1 074 091</b>	<b>1 074</b>
<b>Expenditure By Type</b>							
Employee related costs	2	208 837	241 960	256 531	249 673	269 980	21
Remuneration of councillors		10 958	11 628	11 606	13 599	13 782	
Debt impairment	3	139 702	221 071	169 656	83 747	43 747	1
Depreciation & asset impairment	2	40 947	46 642	54 113	43 774	43 774	1
Finance charges		35 321	11 502	25 509	27 550	27 550	1
Bulk purchases - electricity	2	-	-	-	-	-	
Inventory consumed	8	-	-	-	30 994	17 259	
Contracted services		198 975	209 728	192 245	156 178	118 320	1
Transfers and subsidies		-	13	2 736	9 929	6 500	
Other expenditure	4, 5	48 805	40 885	49 053	42 191	32 961	
Losses		-	-	-	-	-	
<b>Total Expenditure</b>		<b>683 544</b>	<b>783 429</b>	<b>761 450</b>	<b>657 634</b>	<b>573 873</b>	<b>573</b>
<b>Surplus/Deficit</b>		<b>(26 728)</b>	<b>(88 888)</b>	<b>(78 487)</b>	<b>(28 742)</b>	<b>(49 782)</b>	<b>(50)</b>

## 9. OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide guidance in 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 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2020) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in September 2020. Key dates applicable to the process were:

- **July 2020** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2021/22 MTREF;
- **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;
- **28 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;
- **30 March 2021** - Tabling in Council of the draft 2021/22 IDP and budget estimates for public consultation;

- **April 2021** – Public consultation and roll out of indigent registration and indigent status review;
- **07 May 2021** - Closing date for written comments;
- **10 to 14 May 2021**– finalization of the 2021/22 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National and Provincial Treasuries, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2021** - Tabling of the 2021/22 MTREF before Council for consideration and approval.

## **OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The following key factors and planning strategies have informed the compilation of the 2021/22 MTREF:

- Growth of the District;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2020/2021 adjustments budget and performance against the SDBIP;
- Financial Recovery Strategy;
- Debtor payment levels;
- Loan servicing and investment possibilities;
- The need for tariff increases to achieve cost reflection versus the ability of the community to pay for services; and
- Improved and sustainable service delivery.

## IDP Strategic Objectives / Budget Priority Areas

2020/2021 MTREF		2021/22 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	3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities	3.2	Integrated Social Services for empowered and sustainable communities
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 financial sustainability
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 it was important for the municipality to align its 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.

Furthermore, 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.;
- 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.

## FINANCIAL VIABILITY AND MANAGEMENT SWOT ANALYSIS

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• There are financial strategies and revised policies in place.</li> <li>• All municipal financial statements received unqualified audit opinions. There are plans to deal with the matters raised.</li> <li>• Municipal Manager Forum ensures planning and integration - CFO Forum.</li> <li>• There are various revenue enhancement strategies being implemented.</li> <li>• District Area Finance Forum sees to Financial Viability, Policy and Tariff Standardisation and GRAP compliance.</li> <li>• G-talk - ICT and District Network.</li> <li>• Internal Audit Committee - Compliance and Auditor-General's audit opinion follow.</li> <li>• Audit Committee - Meets at least four times a year.</li> <li>• Performance Audit Committee - Meets at least 2 times a year.</li> <li>• Oversight Committee - Meets at least 4 times a year.</li> <li>• Resources for Risk Assessment have been allocated.</li> <li>• Debtors' database updated.</li> <li>• Policies approved and updated e.g. Indigent Policy.</li> <li>• Integrated Financial Management System in place.</li> <li>• Improvement of Financial Management and allocation and sharing of resources - capacity building.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• There are limited finances for meeting unlimited service delivery needs.</li> <li>• The Family as a whole need to be increasing and enhancing its revenue base.</li> <li>• Ageing infrastructure.</li> <li>• Indigent customers - registers need improvement and consistency.</li> <li>• Debtors' management.</li> <li>• Internal controls and policy implementation to improve</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Grant funding</li> <li>• Loan facility to Fast-track basic service delivery.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Illegal connections leading to non-accounted for services.</li> <li>• Disputes on Valuation Rolls and the affordability of rates.</li> <li>• Non-payment of services, or very low debt collection rate due to domestic and commercial.</li> </ul>



## **OVERVIEW OF BUDGET RELATED POLICIES**

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

### **I. Budget Policy**

## 10. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Dr MRB Ngcobo, Municipal Manager of uMgungundlovu District Municipality, hereby certify that the 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**

A handwritten signature in black ink, appearing to read 'R. Ngcobo', is written over a horizontal line.

**Date**

28 May 2021