

MEDIUM TERM EXPENDITURE AND REVENUE ADJUSTMENT BUDGET REPORT 2019/2020



Table of Contents

- 1. Mayor's Report**
- 2. Executive Summary**
- 3. Budget Assumptions**
- 4. Resolutions**
- 5. Operating Revenue Framework**
- 6. Operating Expenditure Framework**
- 7. Capital Expenditure**
- 8. Cashflow**

PART 2 SUPPORTING DOCUMENTATION

- 9. A Schedules as per MBRR**
- 10. Detailed Budget Supporting Schedules**
- 11. Quality Certificate**

1. MAYOR'S REPORT

As a Water Services Authority, we are mandated to provide uninterrupted water supply and access to sanitation to all our 6 Local Municipalities within our District. As Council we have adopted the Ten Point Plan as our strategic compass that will elevate and enhance our service delivery through to our 2021 vision.

Our budget for the 2019/2020 financial year demonstrates the positive achievements of the past 16 years of local government transformation and continues to lay a firm foundation for the future of the District.

The 2019/20 medium term expenditure framework, consisting of a **R1.001 Billion** consolidated budget, has been developed in order to accelerate transformation towards an inclusive economy and participation by all. Through this 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 tough economic times this adjustment budget will steer the district through the drought crisis 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 invested resources in ensuring 100% access to basic services is accomplished. This includes projects such as uMshwathi Bulk Water Project, which will see over 50 000 households accessing uninterrupted water supply.

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.).

Our focus will be to aggressively collect revenue through households and businesses who owe the Municipality. We also encourage our citizens to be responsible citizens who pay for services rendered and/received to further re-invest to other municipal projects. 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.

The past six financial year record speaks volumes. The municipality continues with the record of acquiring clean audits and practicing sound financial management. This was made possible by the past Political Leadership, Administration and staff that led diligently, transparent, with honour and accountability.

The Mandela Day Marathon which is the champion programme of the district, has grown in leaps & bounds over the year with 2018 seeing over 10 000 participants. The race is indeed one of the fastest growing marathons in Africa drawing international attention, and the district prides itself for the social cohesion, tourism and economic impact it has on not only the district but beyond.

2. EXECUTIVE SUMMARY

Operating income has been adjusted downwards **3.76%**. The change in operating income is mainly due to a decrease of **10%** in service charges with the continued phasing in of the cost reflective tariff structure. This has significantly influenced the sustenance of income even though there has been a significant reduction in other funding sources of the budget such as the reduction in financial management grant by R250 000 with national treasury phasing out the grant.

Of the operating revenue, **37%** will be funded from service charges which is an increase from 34% in 2019/20 original budget. This shows a shift in grant dependency with grants contributing **62%** of operating income from 66% as per adjusted budget 2019/20 original budget.

The operating expenditure proposed is **R816.613 Million** that reflects an increase of 0.55% from the special adjusted budget 2019/20. There will be no changes to the capital expenditure in the 2019/20 adjustment budget and no borrowings will be utilised to finance the capital investment programme. A total of **18.3%** of the 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.

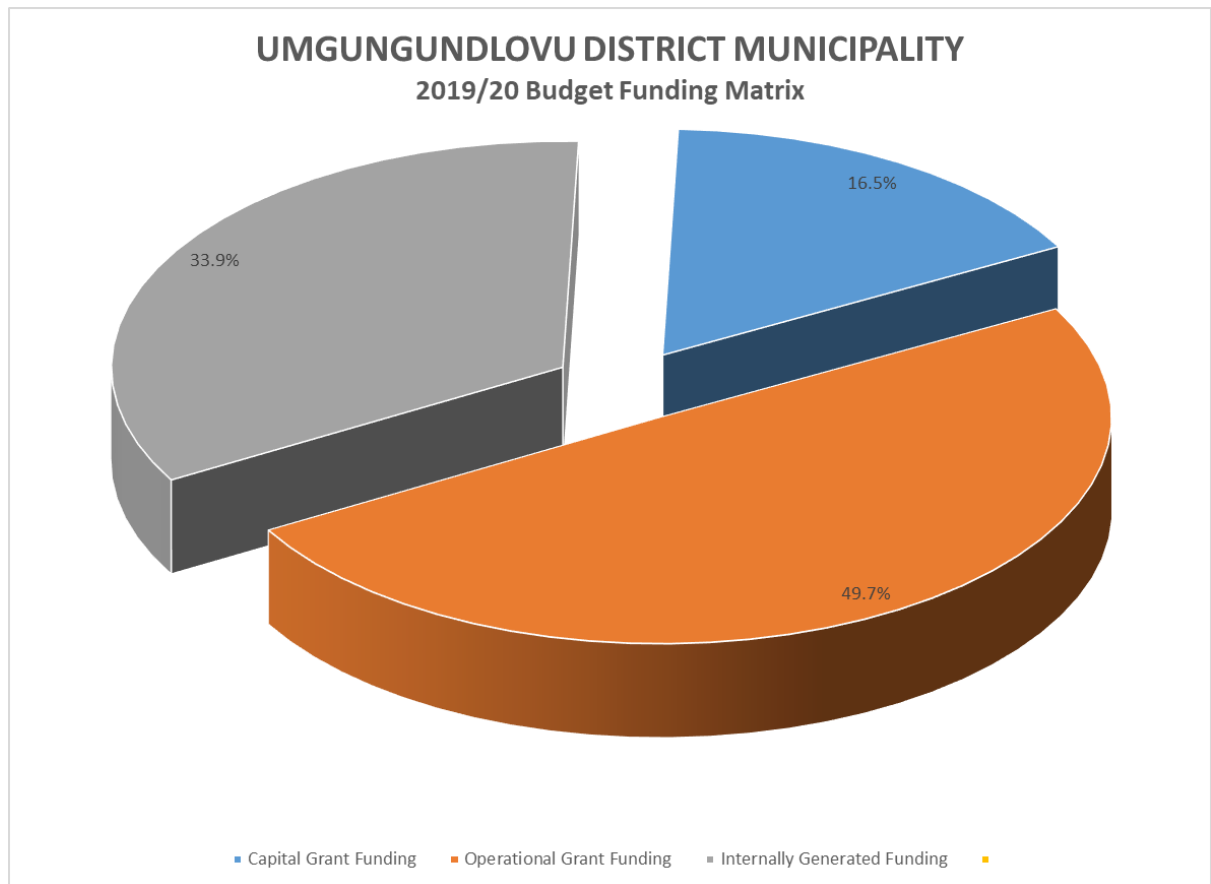
Summarily the budget can be reconciled as reflected in the below table. It must be noted that Council has in the prior years utilised reserves to fast track implementation of the capital investment programme.

The proposed budget has limited capital expenditure to **R184.625 Million** of which **100%** of capital expenditure will be funded from grants. The projection beyond 2019/20 if the cost reflective tariff increase would be a net cash position of R74 million and R118 million provided the operating costs are maintained with only CPI increases and capital expenditure being maintained within grant allocations.

TABLE 2: EXECUTIVE SUMMARY BUDGET ESTIMATES

BUDGET ESTIMATES FOR THE 2019/20 TO 2021/22 MTREF PERIOD								
	2018/19 MTREF		2019/20 MTREF					
	Original Budget	Adjustment Budget	Original Budget 2019/20	Special ADJ Budget 2019/20	Normal ADJ Budget 2019/20	Budget 2020/21	Budget 2021/22	
Operating Revenue	824 540 000	761 442 608	936 086 078	936 086 078	900 921 399	1 046 533 682	1 173 038 569	
Operating Expenditure	806 117 000	802 851 685	913 303 867	818 303 867	816 612 918	932 547 309	1 013 198 584	
Operating Surplus / (Deficit)	18 423 000	(41 409 077)	22 782 211	117 782 211	84 308 481	113 986 373	159 839 985	
Capital Transfers Recognized	205 059 000	205 059 000	184 625 000	184 625 000	184 625 000	200 631 000	214 204 000	
Surplus / (Deficit) for the year	223 482 000	163 649 923	207 407 211	302 407 211	268 933 481	314 617 373	374 043 985	
Capital Funding	205 059 000	205 059 000	184 625 000	184 625 000	184 625 001	200 631 000	214 204 000	
Capital Transfers	205 059 000	205 059 000	184 625 000	184 625 000	184 625 000	200 631 000	214 204 000	
Reserves	-	-	-	-	1	-		
LESS: Capital Expenditure	205 059 000	205 059 000	184 625 000	184 625 000	184 625 000	200 631 000	214 204 000	
Budget Cash Surplus	18 423 000	(41 409 077)	22 782 211	117 782 211	84 308 480	113 986 373	159 839 985	
ADD: Non-Cash Items	148 543 757	92 192 000	150 089 069	92 589 069	108 500 000	173 728 968	209 844 061	
Net Budget Cash Position	166 966 757	50 782 923	172 871 280	210 371 280	192 808 480	287 715 341	369 684 047	

Below is an illustration of the funding elements to the budget which reflects 66.1% contribution from grants and 33.9% from internally generated funding.



3. BUDGET ASSUMPTIONS

The Municipality concluded that the following assumptions be made when compiling the Adjustment Budget Estimates for the 2019/2020 MTREF period:

1. At least a 65% collection rate will be maintained for the water and sanitation billings;
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 and collection;
3. Increase in staff salaries of 7,5% estimated based on the negotiations at hand;
4. Councillors allowances budget be adjusted with 5.5% to allow for a cost of living adjustment;
5. The operational expenditure budget will limit and minimise 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. 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. 21% increase in bulk water cost from uMgeni Water.
10. Projected 7.2% increase in electricity charges.
11. No increases in the number of water tankers to be hired.

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

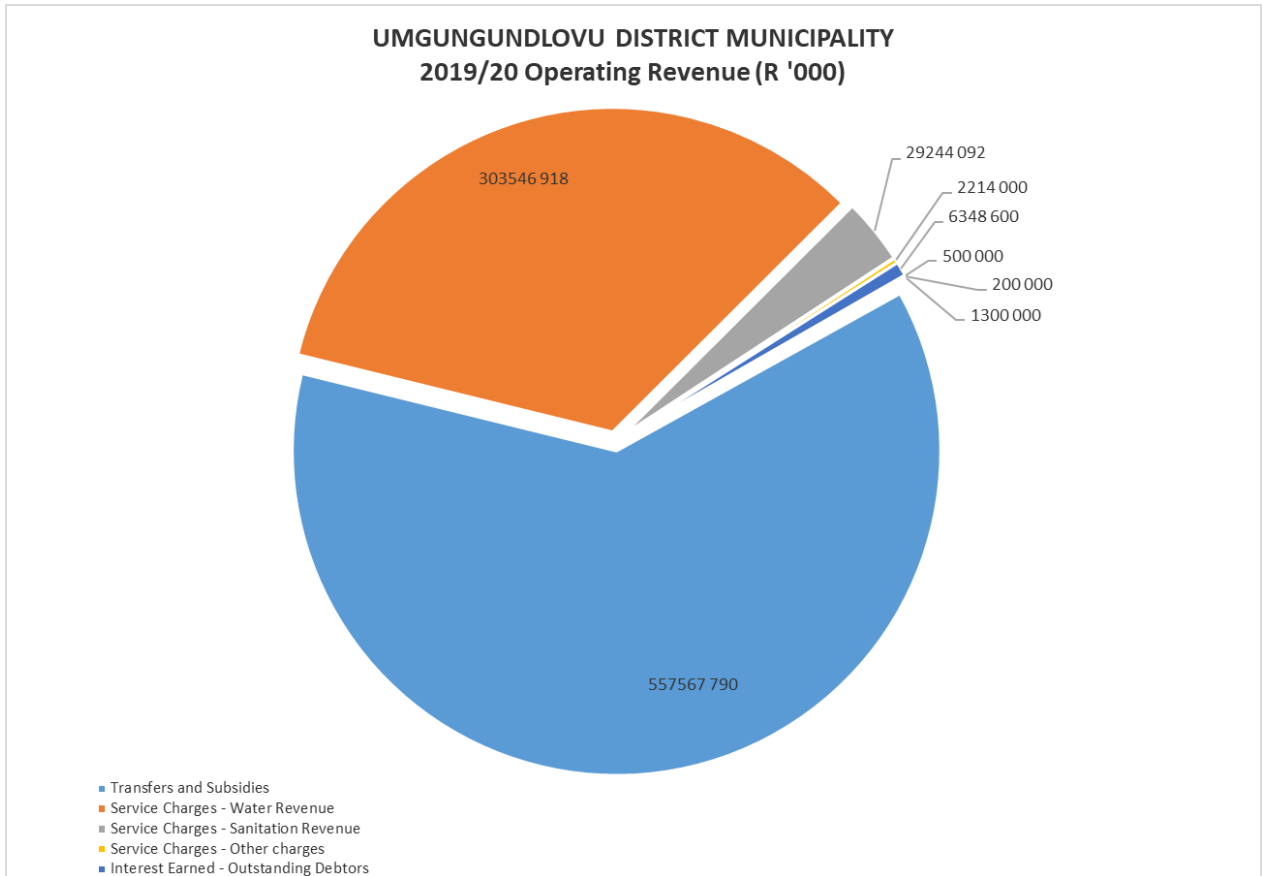
- The slow economic growth conditions,
- Aged infrastructure and the lack of resources to replace and maintain the infrastructure.

4. OPERATING REVENUE FRAMEWORK

The total operating revenue for the 2019/20 financial year is estimated to be **R900.921 Million** as reflected in Table 3. Internally generated revenue is expected to provide **40.5%** of operating revenue (2018/19: **40%**) with service charges representing **39.8%** of operating income. Equitable share and RSC levy replacement grant and other operating grants will contribute **59.5%** of total operating revenue (2018/19: **60%**). 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 ESTIMATES

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2020/21 Adjusted Budget	+2 2021/22 Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Property rates	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	337 274	-	-	-	-	-	-	-	337 274	408 810	495 519
Service charges - sanitation revenue	2	32 493	-	-	-	-	-	-	-	32 493	39 385	47 739
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		200								200	211	223
Interest earned - external investments		500								500	528	557
Interest earned - outstanding debtors		5 291								5 291	8 571	10 801
Dividends received												
Fines, penalties and forfeits		2 460								2 460	2 595	2 738
Licences and permits												
Agency services												
Transfers and subsidies		556 568								556 568	585 208	628 980
Other revenue	2	1 300	-	-	-	-	-	-	-	1 300	1 372	1 447
Gains on disposal of PPE												
Total Revenue (excluding capital transfers and contributions)		936 086	-	-	-	-	-	-	-	936 086	1 046 680	1 188 003



The municipality is in the process of implementing 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.

The proposed tariff structure is as follows:

TABLE 4. PROPOSED WATER TARIFF INCREASES, DOMESTIC AND BUSINESS

<u>UMGUNGUNDLOVU DISTRICT MUNICIPALITY TARIFF STRUCTURE 2019/2020</u>						
<u>Water Supply Tariffs</u>						
<u>Household/Domestic</u>						
	<u>2018/2019</u>	<u>2019/2020</u>	<u>Consumption</u>	<u>Rand Value 2019/2020</u>	<u>Percentage</u>	
0 - 6	11.37	13.08	329 029	4 302 218.69	15%	
7 - 15	21.78	25.26	958 614	24 219 190.99	16%	
16 - 25	25.81	30.20	905 592	27 346 795.54	17%	
26 - 35	35.53	41.93	383 059	16 059 901.80	18%	
36 - 60	49.01	58.81	469 243	27 597 119.32	20%	
60 +	59.74	72.29	1 206 610	87 220 286.49	21%	
				186 745 512.82		
Basic charge	33.42	38.433	31 292	14 431 745.23	15%	
Flat rate	209.4	240.81	3 952	11 420 173.44	15%	
<u>Business /Commercial</u>	<u>2018/2019</u>	<u>2019/2020</u>		<u>Rand Value 2019/2020</u>		
0 - 999999	29.62	35.84	4 200 000	150 528 840.00	21%	
<u>Builder/Construction Sites</u>	53.53			-		
<u>NGO's (Public benefit)</u>	14.09	16.2035	41 292	669 074.92	15%	
<u>WSA</u>	Bulk Cost per kl plus admin fee	Bulk Cost per kl plus admin fee		-		
Basic charge	55.83	64.2	1 569	1 208 757.60	15%	
<u>Total Water</u>			Total Water Billing Revenue	8 526 300		365 004 104.02
			LESS: Revenue Foregone			0.00
			Toat Water Service Charges			365 004 104.02

TABLE 5. PROPOSED SANITATION TARIFF INCREASES, DOMESTIC AND BUSINESS

<u>Sewerage Tariff</u>						
						Sewer
Household/Domestic						
		2018/2019	2019/2020	Consumption	Rand Value 2019/2020	
0 - 6		6.39	7.35	29 721	218 404.77	15%
7 - 15		11.35	13.17	498 281	6 560 367.65	16%
16 - 25		14.55	17.02	385 975	6 570 645.41	17%
26+		18.18	21.45	639 938	13 728 205.95	18%
					27 077 623.78	
Business /Commercial						
		2018/2019	2019/2020	Consumption	Rand Value 2019/2020	
0 - 999999999		12.54	15.17	356 928	5 415 811.32	21%
NGO's (public benefit)		5.66				
					5 415 811.32	
Total Sanitation				1 553 915	34 953 435.09	
Total Water and sanitation					399 957 539.11	
Disposal at waste water treatment plant						
		2018/2019	2019/2020	Rand Value 2019/2020		
0 - 999999999		7.13	8.20	2 460 000.00		

As can be seen, from Table 4 and 5, the more conservative the consumption, the lesser the proposed tariff. The lowest average increase is 15% which takes into account cost recovery while ensuring a minimum increase as possible while promoting conservative consumption. The tariff charged to high domestic users as well as the business tariff is proposed to increase by 21%. The Non Profit Organisations will benefit from the increase equivalent to the low consumption customers which is 15%.

5. OPERATING EXPENDITURE FRAMEWORK

The total operational expenditure budget is proposed at **R822.862 Million**. This represents an increase of 0.55% from the 2019/20 original operational expenditure budget. The allocation for each department is allocated as 61.2% to technical services, 17.8% to Community Services and Economic Development and Planning, 9.8% to Corporate Services, 5.5% to Financial Services and 5.8% towards the Municipal Managers office.

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 ensure 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.

Description	Ref	Budget Year 2019/20									Budget Year	Budget Year
		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	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Expenditure By Type												
Employee related costs		283 677	-	-	-	-	-	(22 100)	(22 100)	261 577	299 279	315 739
Remuneration of councillors		12 941							-	12 941	13 653	14 404
Debt impairment		107 589						(57 500)	(57 500)	50 089	128 891	162 540
Depreciation & asset impairment		42 500	-	-	-	-	-	-	-	42 500	44 838	47 304
Finance charges		27 550						(1 498)	(1 498)	26 052	27 550	27 550
Bulk purchases		142 500	-	-	-	-	-	-	-	142 500	150 338	158 606
Other materials									-	-		
Contracted services		204 857	-	-	-	-	-	(11 500)	(11 500)	193 357	211 967	215 165
Transfers and subsidies		5 084							-	5 084	6 500	7 000
Other expenditure		86 607	-	-	-	-	-	(8 399)	(8 399)	78 208	89 021	106 552
Loss on disposal of PPE									-	-		
Total Expenditure		913 304	-	-	-	-	-	(100 997)	(100 997)	812 307	972 037	1 054 860

Overall, the operational adjustment budget increased by 0.55% from the 2019/20 adjustment budget, a rate which is below the inflation rate even though some items have increased above the 6.1% CPI projection such as salaries at 7.5% and the repayment of R 22 million interest due for servicing the DBSA Loan, bulk water purchases at 21% and general operational and maintenance costs. The proposed budget also addresses anomalies which were not considered when the adjustment budget was prepared.

The main expenditure categories for the operational expenditure budget are Employee costs & councilor remuneration taking an allocation of 32.5%, followed by contracted services at 22.4%, bulk water purchases at 15.6% then provision for doubtful debt and impairment at 11.8%. These costs collectively represent **82.3%** 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 **22.4%** 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 27% contribution.

In the prior year contracted services represented 27% of the budget and this is mainly because of the nature of services provided by the district. If contracted services were converted to employee costs it would equally increase the employee costs threshold above the norm of 25%-40%.

Salaries and Councilors allowances

Salaries are at **31%** of the operational budget, combined with Councilor remuneration, the salaries budget is at **32.48%** 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.

The salaries budget is split as follows:

TABLE 9: EMPLOYEE RELATED COSTS AND COUNCILOR ALLOWANCES

EMPLOYEE RELATED COSTS AND COUNCILOR ALLOWANCES						
				2019/20 MTREF		
			<u>Special ADJ</u>	<u>Normal ADJ</u>		
			<u>Budget 2019/20</u>	<u>Budget 2019/20</u>	<u>Budget 2020/21</u>	<u>Budget 2021/22</u>
COUNCILOR ALLOWANCES			12 941 084	12 941 100	13 652 843	14 403 750
OFFICE OF THE MUNICIPAL MANAGER		▼	30 087 856	28 523 385	35 089 234	37 019 141
FINANCIAL SERVICES		▼	40 380 459	37 890 446	44 210 372	46 641 943
CORPORATE SERVICES		▼	23 422 407	20 726 101	26 027 053	27 458 540
TECHNICAL SERVICES		▼	76 625 592	76 151 062	86 300 120	91 046 627
COMMUNITY SERVICES		▼	91 060 514	88 990 071	107 652 275	113 573 150
		▼	274 517 912	265 222 165	312 931 897	330 143 151

6. 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.

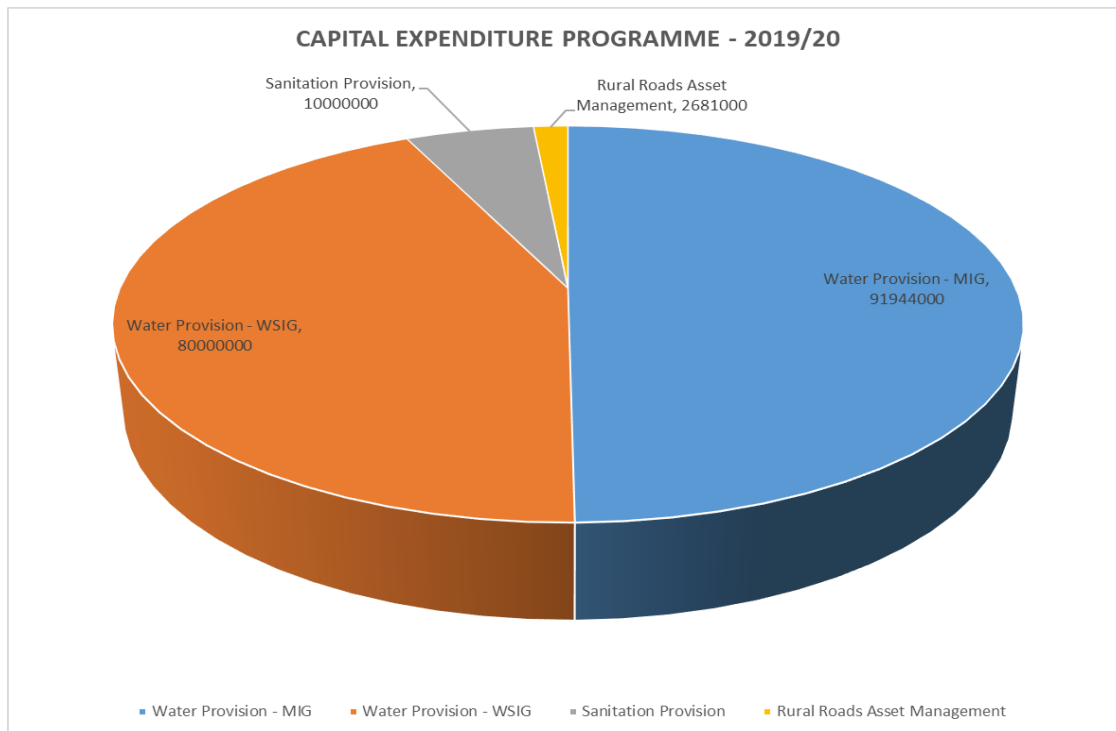
93.1% of the capital budget is directed to water infrastructure, **5.4%** towards sanitation, **1.5%** for rural road asset management system. The capital investment is responsive to the municipalities core functions.

TABLE 10: CAPITAL EXPENDITURE PROGRAMME

Project Name	Funding Source	2019/20 MTREF				
		Budget 2019/20	Adjustment Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Allocation
CAPEX Summary						
Projects						
Water Provision - MIG	MIG	91 944 000	91 944 000	91 944 000	78 487 522	262 375 522
Water Provision - WSIG	WSIG	80 000 000	80 000 000	90 000 000	95 000 000	265 000 000
Sanitation Provision	MIG	10 000 000	10 000 000	15 851 000	37 724 478	63 575 478
Rural Roads Asset Management	RRAMS	2 681 000	2 681 000	2 836 000	2 992 000	8 509 000
		184 625 000	184 625 000	200 631 000	214 204 000	599 460 000

The capital expenditure program is proposed to be allocated to the following projects over the 2019/20 MTREF period:

Project Name	Funding Source	2019/20 MTREF				
		Budget 2019/20	Adjustment Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Allocation
Water Provision						
Nkanyezini Water	MIG	32 560 276	13 919 241	53 642 007		67 561 247
Manzamyama Water	MIG	34 383 724	32 904 602			32 904 602
Manyavu Water	MIG		6 634 149			6 634 149
Mpolweni, Thokozani, Claridge	MIG	5 000 000	13 897 860	38 301 993		52 199 853
Maqongo Bulk Water Scheme	MIG		5 214 482			5 214 482
Merrievale Hieghts Pipe Replacement	MIG		2 035 634			2 035 634
Hilton AC Pipe Replacement			4 721 355			4 721 355
Trust Feeds Phase 1	MIG	20 000 000	12 616 679			12 616 679
Gengeshe Water Supply Scheme	MIG				29 884 930	29 884 930
Upgrading of Mooi River bulk mains	MIG				5 440 513	5 440 513
Upgrading of Thendele Water supply scheme	MIG				13 923 000	13 923 000
Upgrading of Rosetta water supply	MIG				29 239 079	29 239 079
		91 944 000	91 944 000	91 944 000	78 487 522	262 375 522
Water Provision						
Nadi - Efaye Phase 2(uMshwathi Regional Bulk)	WSIG	41 878 809	41 878 809	22 180 000	22 500 000	86 558 809
Mtulwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk)	WSIG	1 696 474	1 696 474			1 696 474
Nadi to Ekhamanzi Phase 3	WSIG	36 424 717	36 424 717	22 820 000	27 500 000	86 744 717
Montobello & Harburg				45 000 000	45 000 000	90 000 000
		80 000 000	80 000 000	90 000 000	95 000 000	265 000 000
Sanitation Provision						
uMshwath VIP Backlog Toilets	MIG	2 000 000	2 000 000	2 600 000	4 920 000	9 520 000
Impendle VIP Backlog Toilets	MIG	1 000 000	1 000 000	2 600 000	4 920 000	8 520 000
Mkhambathini VIP Backlog Toilet	MIG	2 000 000	2 000 000	2 600 000	4 920 000	9 520 000
Umngeni VIP Backlog Toilets	MIG	2 000 000	2 000 000	2 600 000	4 920 000	9 520 000
Richmond VIP Backlog Toilets	MIG	2 000 000	2 000 000	2 600 000	4 921 478	9 521 478
Mpofana VIP Backlog Toilet	MIG	1 000 000	1 000 000	2 851 000	13 123 000	16 974 000
		10 000 000	10 000 000	15 851 000	37 724 478	63 575 478
Rural Roads Asset Management						
Planning of Rural Roads Maintenance	RRAMS	2 681 000	2 681 000	2 836 000	2 992 000	8 509 000
		2 681 000	2 681 000	2 836 000	2 992 000	8 509 000



7. RESOLUTIONS

1. Council considers the proposed budget estimates for the 2019/20 – 2021/22 MTREF period as follows:

a) The proposed budget funding of **R1 085 546 399** be approved to be funded from the following:

Operating Revenue	R900 921 399
Grant Funding	R184 625 000

b) The proposed expenditure appropriations of **R1 007 487 918** be approved and be allocated as follows:

Operating Expenditure	R822 862 918
Capital Programme	R184 625 000

c) The capital expenditure programme of **R184 625 000** be approved and funded from the following sources:

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

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

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

Water Supply Tariffs

Household/Domestic						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
0 - 6	11.37	13.08	329 029	4 302 218.69	15%	
7 - 15	21.78	25.26	958 614	24 219 190.99	16%	
16 - 25	25.81	30.20	905 592	27 346 795.54	17%	
26 - 35	35.53	41.93	383 059	16 059 901.80	18%	
36 - 60	49.01	58.81	469 243	27 597 119.32	20%	
60 +	59.74	72.29	1 206 610	87 220 286.49	21%	
				186 745 512.82		
Basic charge	33.42	38.433	31 292	14 431 745.23	15%	
Flat rate	209.4	240.81	3 952	11 420 173.44	15%	
Business /Commercial						
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	Percentage	
0 - 999999	29.62	35.84	4 200 000	150 528 840.00	21%	
Builder/Construction Sites	53.53			-		
NGO's (Public benefit)	14.09	16.2035	41 292	669 074.92	15%	
WSA	Bulk Cost per kl plus admin fee	Bulk Cost per kl plus admin fee		-		
Basic charge	55.83	64.2	1 569	1 208 757.60	15%	

Sewerage Tariff

Household/Domestic					Sewer
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	
0 - 6	6.39	7.35	29 721	218 404.77	15%
7 - 15	11.35	13.17	498 281	6 560 367.65	16%
16 - 25	14.55	17.02	385 975	6 570 645.41	17%
26+	18.18	21.45	639 938	13 728 205.95	18%
				27 077 623.78	
Business /Commercial					
	2018/2019	2019/2020	Consumption	Rand Value 2019/2020	
0 - 999999999	12.54	15.17	356 928	5 415 811.32	21%
NGO's (public benefit)	5.66				
				5 415 811.32	
Disposal at waste water treatment plant					
	2018/2019	2019/2020	Rand Value 2019/2020		
0 - 999999999	7.13	8.20	2 460 000.00		

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

PART 2 - SUPPORTING DOCUMENTATION

2.1 BUDGET ASSUMPTIONS AND KEY BUDGET FACTORS

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

1. At least a 65% collection rate will be maintained for the water and sanitation billings;
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 and collection;
3. Increase in staff salaries of 7,5% estimated based on the negotiations at hand;
4. Councillors allowances budget be adjusted with 5.5% to allow for a cost of living adjustment;
5. The operational expenditure budget will limit and minimise 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. 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. 21% increase in bulk water cost from uMngeni Water.
10. Projected 7.2% increase in electricity charges.
11. No increases 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 electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved 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. Due to resignations and contract expiry the municipality is in the process to fill the vacancies of interns. The programme is intended to empower graduates with on the job training and also build capacity for the local government sector.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2019/20 MTREF in May 2019.

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 ALIGNMENT OF ANNUAL BUDGET WITH IDP

The following key factors and planning strategies have informed the compilation of the 2019/20 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 2018/2019 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities

- The need for tariff increases to achieve cost reflection versus the ability of the community to pay for services;
- Improved and sustainable service delivery

IDP Strategic Objectives / Budget Priority Areas

2018/19 MTREF	2019/20 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.

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.
- 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

Municipal Manager's Quality Certificate

I Dr RMB 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 _____

Date 28 FEBRUARY 2020