

MEDIUM TERM EXPENDITURE AND REVENUE BUDGET REPORT 2018/2019



Table of Contents

- 1. Mayor's Report**
- 2. Executive Summary**
- 3. Budget Assumptions**
- 4. Resolutions**

PART 2 SUPPORTING DOCUMENTATION

- 5. Operating Revenue Framework**
- 6. Operating Expenditure Framework**
- 7. Capital Expenditure**
- 8. Cashflow**
- 9. B Schedules as per MBRR**
- 10. 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 new 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. As we commence in the first year of our 5 year Integrated Development Plan, we plan to implement and institutionalise the following:

Our budget for the 2018/2019 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 2016/17 medium term expenditure framework, consisting of a **R1 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 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 including our old and frail infrastructure thus experiencing large volumes of lost revenue. uMDM together with stakeholders such as the Department of Water Affairs & Sanitation, 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. While the Hilton/ Merrivale Asbestos Replacement will start bearing fruits in the coming financial year. The unaccounted water loss that costs the municipality millions per annum will be significantly reduced by a large percentage.

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, 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, 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 provides relief.

The past six financial year record speaks volumes. uMDM 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 2016 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 is projected to increase by **20%**. The change in operating income is mainly boosted by an increase of **56%** 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.

37% of the operating income will be funded from service charges which is an increase from 29% in 2017/2018. This shows a shift in grant dependency with grants contributing **60%** of operating income from 68% as per adjusted budget 2017/2018.

The operating expenditure proposed is R808m which reflects an increase of **4%** from the adjusted budget 2017/2018. Capital expenditure is set to increase by **8%** in the 2018/2019 budget and no borrowings will be utilised to finance the capital investment programme. **20%** of the budget will be spent on the capital investment which is a proposition better than the treasury guide of at least 10%-20% of capex to total expenditure.

Table 1

DC22 uMgungundlovu - Table A1 Consolidated Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	116 303	125 457	124 229	228 996	196 388	196 388	196 388	306 911	369 992	446 114
Investment revenue	12 260	17 019	15 432	12 000	4 000	4 000	4 000	2 500	2 638	2 783
Transfers recognised - operational	376 281	446 162	455 382	462 884	465 297	465 297	465 297	492 260	529 440	578 991
Other own revenue	21 426	22 380	34 554	20 150	22 850	22 850	22 850	25 400	27 608	11 297
Total Revenue (excluding capital transfers and contributions)	526 271	611 019	629 597	724 030	688 535	688 535	688 535	827 071	929 678	1 039 185
Employee costs	176 152	181 326	198 159	228 194	221 547	221 547	221 547	250 246	251 629	265 469
Remuneration of councillors	10 836	10 937	10 239	11 086	12 266	12 266	12 266	12 266	12 941	13 653
Depreciation & asset impairment	83 433	55 713	61 522	46 713	36 713	36 713	36 713	51 000	53 805	56 764
Finance charges	2 433	10 253	19 738	23 019	23 419	23 419	23 419	22 609	23 852	25 164
Materials and bulk purchases	76 619	106 637	121 186	111 034	121 234	121 234	121 234	139 150	146 803	154 877
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	288 002	309 628	334 512	318 305	359 330	359 330	359 330	333 376	346 965	366 048
Total Expenditure	637 475	674 497	745 356	738 351	774 511	774 511	774 511	808 648	835 996	881 975
Surplus/(Deficit)	(111 204)	(63 478)	(115 759)	(14 321)	(85 975)	(85 975)	(85 975)	18 423	93 682	157 210
Transfers and subsidies - capital (monetary allocations)	228 862	270 672	152 696	166 766	166 766	166 766	166 766	202 528	211 944	223 845
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	117 658	207 194	36 937	152 445	80 791	80 791	80 791	220 951	305 626	381 055
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	117 658	207 194	36 937	152 445	80 791	80 791	80 791	220 951	305 626	381 055
Capital expenditure & funds sources										
Capital expenditure	228 862	270 672	152 696	213 716	213 716	213 716	213 716	207 528	211 944	223 845
Transfers recognised - capital	228 862	270 672	152 696	166 766	166 766	166 766	166 766	202 528	211 944	223 845
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	46 950	-	-	-	5 000	-	-
Total sources of capital funds	228 862	270 672	152 696	213 716	166 766	166 766	166 766	207 528	211 944	223 845

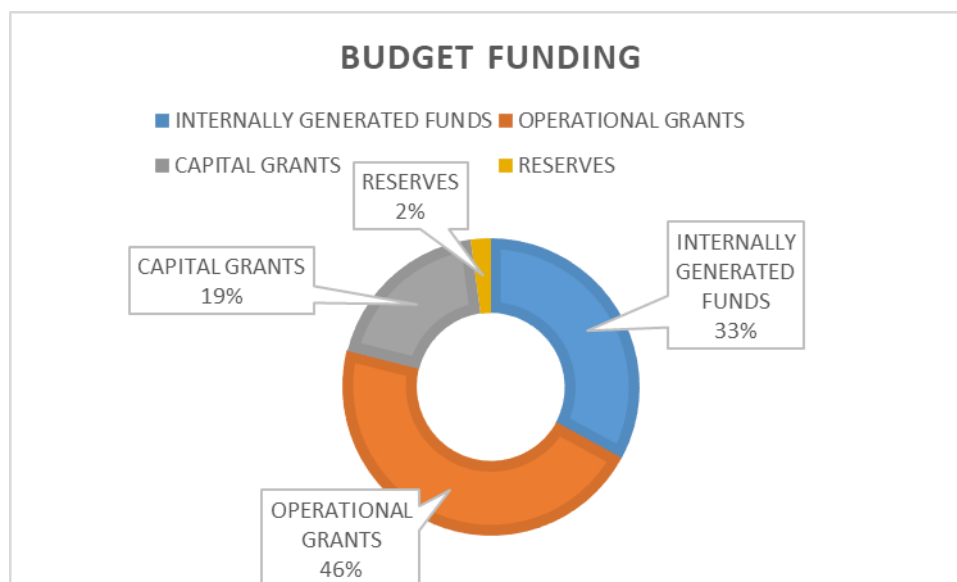
Summarily the budget can be reconciled as reflected in the below table. It must be noted that Council has in the prior years utilised reserves to fast track implementation of the capital investment programme.

The proposed budget has limited capital expenditure within R207 million of capital expenditure of which **98%** of capital being funded from grants and 2% from internally generated funding. The projection beyond 2018/2019 if the cost reflective tariff increase would be a net cash position of R72 million and R157 million provided the operating costs are maintained with only CPI increases and capital expenditure being maintained within grant allocations.

Table 2

DRAFT BUDGET 2018/2019			
	2018/2019	2019/2020	2020/2021
OPERATING INCOME	827 071 000,00	935 812 000,00	1 067 716 000,00
OPERATING EXPENDITURE	(808 648 000,00)	(917 125 000,00)	(967 573 000,00)
OPERATING SURPLUS/(DEFICIT)	18 423 000,00	18 687 000,00	100 143 000,00
CAPITAL TRANSFERS RECOGNISED	202 528 000,00	211 944 000,00	223 845 000,00
SURPLUS/(DEFICIT) FOR THE YEAR	220 951 000,00	230 631 000,00	323 988 000,00
CAPITAL FUNDING	207 528 000,00	211 944 000,00	223 845 000,00
CAPITAL TRANSFERS	202 528 000,00	211 944 000,00	223 845 000,00
RESERVES	5 000 000,00		
LESS CAPITAL EXPENDITURE	(207 528 000,00)	(211 944 000,00)	(223 845 000,00)
NET CASH SURPLUS	13 423 000,00	18 687 000,00	100 143 000,00
ADD: NON CASH DEPRECIATION	51 000 000,00	53 805 000,00	56 764 000,00
NET CASH POSITION	64 423 000,00	72 492 000,00	156 907 000,00

Below is an illustration of the funding elements to the budget which reflects 65% contribution from grants and 33% from internally generated funding and only 2% from reserves.



3. Budget assumptions

After the completion and the finalisation of the Budget Implementation Assessment, the Municipality concluded that the following assumptions be made when compiling the Budget Adjustment for the 2016/2017 financial year.

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; Increase is staff salaries of 7,5% estimated based on the negotiations at hand.
3. Councillors allowances budget to remain the same as that of 2017/2018.
4. The operational expenditure budget will limit and minimise increase due to cost cutting measures and as the revenue budget will be decreased.
5. Contracts to be review to ensure efficiency of services and costs
6. Funding for capital programme to be limited to grants and only R5 million to be provided from internal resources for the procurement of fire machinery and fire engine.
7. 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.
8. 15% increase in bulk water cost from uMgeni Water.
9. Projected 7.2% increase in electricity charges.
10. 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.

4. Resolutions

That Exco recommends to full council for the approval of;

1. The adjusted budget for 2018/2019
2. The budget funding of R1 billion
3. The operating expenditure of R808 million
4. The operating revenue of R827million
5. The capital funding of R202million
6. The capital expenditure of R207 million
7. The surplus of R221 million
8. The operating surplus of R18 million

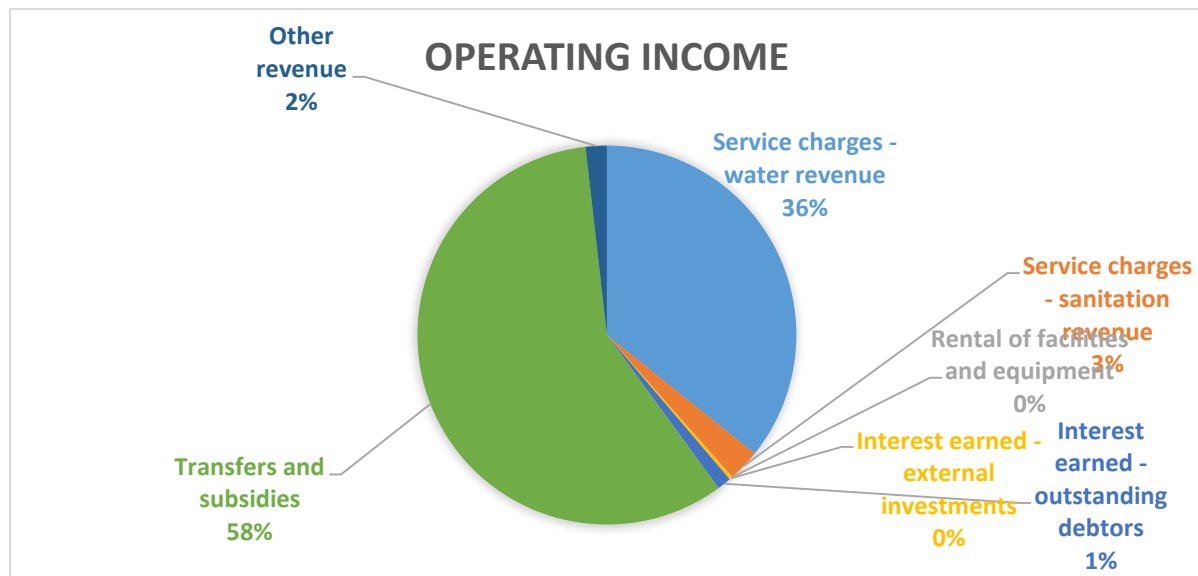
5. OPERATING REVENUE FRAMEWORK

The municipality has a total operating income of **R827m** derived as reflected in table 3. **40%** of operating income will be generated internally with service charges representing **37%** of operating income. Equitable share and RSC levy replacement grant and other operating grants will contribute 60% towards operations. Other income is derived from investment income, interest on late payments, other service charges and other revenue as reflected in table A4 of the budget tables.

Table 3

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source	1										
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	105 752	112 952	111 577	208 109	174 001	174 001	174 001	284 070	343 725	415 907
Service charges - sanitation revenue	2	10 552	11 699	12 329	17 599	19 099	19 099	19 099	22 841	26 267	30 207
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other			806	323	3 289	3 289	3 289	3 289			
Rental of facilities and equipment		296	202	205	250	250	250	250	150	158	167
Interest earned - external investments		12 260	17 019	15 432	12 000	4 000	4 000	4 000	2 500	2 638	2 783
Interest earned - outstanding debtors		17 218	18 153	23 308	5 000	5 000	5 000	5 000	10 000	10 550	11 130
Dividends received											
Fines, penalties and forfeits											
Licences and permits											
Agency services											
Transfers and subsidies		376 281	446 162	455 382	462 884	465 297	465 297	465 297	492 260	529 440	578 991
Other revenue	2	3 911	4 026	11 041	14 900	17 600	17 600	17 600	15 250	16 900	-
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		526 271	611 019	629 597	724 030	688 535	688 535	688 535	827 071	929 678	1 039 185



The municipality is in year 2 of the process of implementing a cost reflective tariff and strives to uplift its operations from being grant reliant to be self - funding and self – reliant. The proposed tariff has been structured as below.

The National Treasury encourages Municipalities to charge a cost reflective tariff to be able to recover its costs of providing the service, taking into account 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 raising strategy, the Municipality had to revisit its tariff structure and propose the phasing in of a cost reflective tariff. 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 the 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 to high consumption customers and businesses.

The proposed tariff structure is as follows:

TABLE 4. PROPOSED WATER TARIFF INCREASES, DOMESTIC AND BUSINESS

UMGUNGUNDLOVU DISTRICT MUNICIPALITY TARIFF STRUCTURE 2018/2019				
Household/Domestic	2017/2018	Consumption	Water tariff	
			21%-45%	Rand value 2018/2019
0 - 6	9,4	210 946	11,37	2 399 304
7 - 15	15,02	807 882	21,78	17 594 871
16 - 25	17,8	802 466	25,81	20 711 658
26 - 35	24,5	422 486	35,53	15 008 829
36 - 60	33,8	571 985	49,01	28 032 975
60 +	41,2	1 147 459	59,74	68 549 213
				152 296 850
Basic charge	23,05	30 939	33,42	12 408 705
Flat rate	139,6	3 939	209,40	9 897 919
				174 603 474
Business /Commercial	2017/2018			Rand Value 2018/2019
0 - 999999	20,43	3 616 260	29,62	107 126 278
Builder/Construction Site	41,18		53,53	
NGO's (Public benefit)	10,84		14,09	
WSA	Bulk Cost per kl plus admin fee			
Basic charge	38,5	3 494	55,83	2 340 630,60
Total Water				284 070 382,58

TABLE 5. PROPOSED SANITATION TARIFF INCREASES, DOMESTIC AND BUSINESS

Household/Domestic	2017/2018	Consumption	Sanitation tariff	
			21%-45%	Rand value
0 - 6	5,28	25 728	6,39	164 371,05
7 - 15	8,41	430 089	11,35	4 883 015,46
16 - 25	10,39	304 809	14,55	4 433 751,71
26+	12,54	519 652	18,18	9 448 832,32
				18 929 970,54
Business /Commercial	2017/2018	Consumption		Rand value
0 - 9999999999	8,65	322 928	12,11	3 910 658,08
NGO's (public benefit)	4,35		5,66	
				3 910 658,08
Total Sanitation				22 840 628,62

As can be seen, from Table 4 and 5, the more conservative the consumption, the lesser the proposed tariff. The lowest average increase is 21 % which equates to the transfer of the proposed 15 % increase by the Bulk Water service provider –uMgeni and the average CPI Inflation rate of 6%. A proposed 45% increase for the high domestic users and 45% increase for businesses. The Non Profit Organisations will benefit from the increase equivalent to the low consumption customers which is 21%. With the introduction of the block inclining tariff, the Municipality has managed to raise its revenues by R110 million on average based on 2017/2018 tariffs and projected consumption patterns.

6. OPERATING EXPENDITURE FRAMEWORK

The total operational budget is proposed at R808 million. This represents an increase of 4% from 2017/2018 operational expenditure. The contribution towards each department is allocated as 62% to technical services, 16% to community services and economic development and planning, 8% to corporate services and 7% towards the MMs office respectively.

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.

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

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type											
Employee related costs	2	176 152	181 328	198 159	228 194	221 547	221 547	221 547	250 246	251 629	265 469
Remuneration of councillors		10 836	10 937	10 239	11 086	12 266	12 266	12 266	12 266	12 941	13 653
Debt impairment	3	66 034	50 253	61 030	78 998	78 998	78 998	78 998	97 544	102 909	108 569
Depreciation & asset impairment	2	83 433	55 713	61 522	46 713	36 713	36 713	36 713	51 000	53 805	56 764
Finance charges		2 433	10 253	19 738	23 019	23 419	23 419	23 419	22 609	23 852	25 164
Bulk purchases	2	76 619	105 045	121 186	111 034	121 234	121 234	121 234	139 150	146 803	154 877
Other materials	8		1 593								
Contracted services		132 147	156 871	142 307	168 081	198 779	198 779	198 779	160 800	169 644	178 974
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	89 630	102 444	114 492	71 226	81 554	81 554	81 554	75 033	74 412	78 505
Loss on disposal of PPE		190	60	16 684							
Total Expenditure		637 475	674 497	745 356	738 351	774 511	774 511	774 511	808 648	835 996	881 975

Overall, the operational budget increased by 4% from the proposed adjustment budget, a rate which is below the inflation rate due to the increase on some items 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 and general operational and maintenance costs bulk cost.

The main expenditure categories for the operational expenditure are Employee costs & councilor remuneration taking an allocation of 31%, followed by bulk water purchases at 17% then provision for bad debt at 12% and contracted services at 27%. These costs collectively represent **88%** of total opex. 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 **27%** of the operating budget which is above the norm as set by treasury of at least 5%, however is reduced from prior year 38% contribution.

In the prior year contracted services represented 38% 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 Councillors allowances

Salaries are at 29% of the operational budget, combined with Councilor remuneration, the salaries budget is at 32% 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

	OPEX BUDGET 2018/2019
	Final Budget
CORPORATE SERVICES	21 289 427
COMMUNITY AND ECONOMIC DEVELOPMENT AND PLANNING	91 586 515
FINANCIAL SERVICES	45 203 572
TECHNICAL SERVICES	65 143 491
COUNCILLORS REMUNERATION	12 266 430
OFFICE OF THE MM	26 409 040
	261 898 475

7. CAPITAL EXPENDITURE

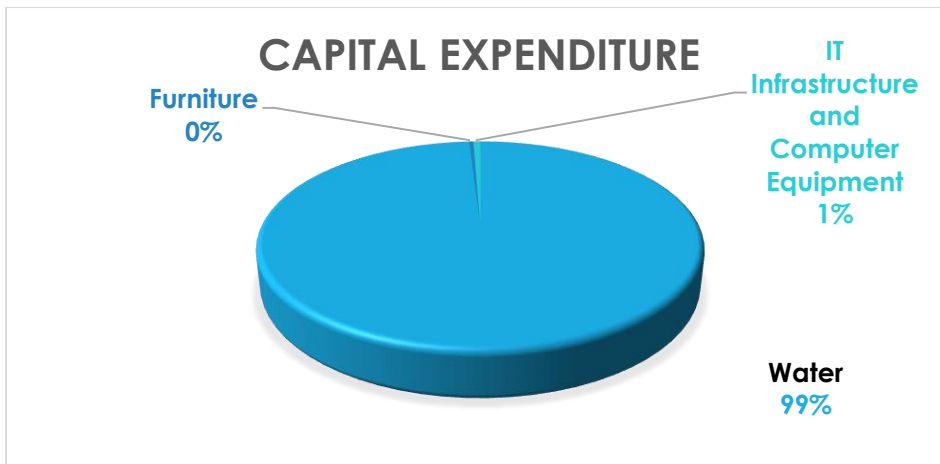
The commitment by the municipality to invest in the provision of quality services can be identified by the allocation of funds to the essential service – which is water provision.

92% of the capital budget is directed to water infrastructure, 5% towards sanitation, 2% for fire equipment. The capital investment is responsive to the municipalities core function and demand in service by the communities.

Table 10

CAPITAL ITEM	AMOUNT	%
WATER	191 528 000,00	92,3%
SANITATION	11 000 000,00	5,3%
FIRE TRUCK AND ENGINE	5 000 000,00	2,4%
	207 528 000,00	

Project name	FUNDING	Amount
Nkanyezini water supply scheme	MIG	26 742 766,55
Manyavu water supply scheme	MIG	19 136 358,90
Manzamnyama water supply scheme	MIG	32 855 357,92
Secondary bulk Phase 2 Nadi-Efaye	WSIG	40 350 000,00
Secondary bulk Phase 3A Mtulwa Mt Elias	WSIG	24 804 000,00
Secondary bulk Phase 3B Ekhamanzi	WSIG	26 546 000,00
Upgrade of Maqongqo water supply scheme	MIG	8 093 516,63
Trust Feeds Phase 1	MIG	13 000 000,00
Fire Engines and Fire Truck	RESERVES	5 000 000,00
Sanitation	WSIG	11 000 000,00
		207 528 000,00



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:

- Projected inflation rate of 6.1 % for the 2018/2019 financial year, 5.5% and 5.8% for both the outer years 2019 – 2020.
- 15% increase in bulk water cost from uMgeni Water.
- Projected 7.2% increase in electricity charges.
- 7.5 % increase in employee costs in line with the Bargaining Council Agreement.
- No increases in the number of water tankers to be hired.
- A minimum of 65% collection rate on service charges will be maintained.
- Repayment of R23 million in interest charges repayable from the 2018/2019 budget year.
- Water operations and maintenance and revenue management and collection vacancies to be prioritised in the filling of vacancies.

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.

Audit Committee

The Audit committee term expired in December 2017 and the municipality is in the process of establishing a new committee. An interim committee was set up post the expiry of the outgoing committee's term.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/ 2018 MTREF in May 2017.

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 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political 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 of the district is the Budget Steering Committee with the addition of the senior managers, IDP Manager and the Budget and reporting manager who is currently seconded to the office of the MM as the Manager special programmes. Tjis 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 2016) 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 August 2017. Key dates applicable to the process were:

- **July 2017** – 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 prioritisation criteria for the compilation of the 2018/19 MTREF;
- **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2018** - 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 2018** – Multi-year budget proposals are submitted to the Management Committee for endorsement;
- **25 January 2018** - Council considers the 2017/18 Mid-year Review and Budget Implementation;
- **February 2018** - Council considers the 2017/18 Mid-year Adjustments Budget; 2017/2018 Recommendations of the proposed budget estimates are communicated to the Budget Steering Committee, and to the respective departments. ;

- **31 March 2018** - Tabling in Council of the draft 2018/19, IDP and 2018/19 MTREF for public consultation;
- **April 2018** – Public consultation;
- **8 May 2018**- Closing date for written comments;
- **8 to 15 May 2018** – finalisation of the 2018/19 IDP and 2018/19 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
- **31 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

The public consultations were deferred to May in order to align with the schedule of consultations by the local municipalities. This was to ensure that the district partners with the local municipalities to ensure synergy and cost saving in the consultation programmes.

PUBLIC CONSULTATION

The public consultation programme was successfully concluded on 16 May 2018 with the following communities visited; umshwathi, Impendle, Mkhambathini, umgeni, Mpofana and Richmond. Of the issues raised by the communities the following issues were sharply raised; high tariff increase, sanitation and water access for communities. The municipality has considered the comments however due to limited resources is not able to respond to the demands in one budget. The service delivery demands also speak to the improvement of current service provision which departments are to consider in the servicing of the communities. The water tariff increase whilst it may be high cannot be reviewed down as the municipality must achieve a cost reflective tariff for the services it provides. The tariff has for some years been below the cost of providing the service and as such the increases must seek to match the costs and also keep up with the high input cost increases. In ensuring that costs are contained the budget proposed requires cost containment from departments and also careful consideration of efficiencies in the services provided.

2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

As part of the compilation of the 2018/2019 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability and aligned to the IDP. The following key factors and planning strategies have informed the compilation of the 2018/2019 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 2017/2018 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

2017/18 Financial Year	2018/19 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building 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
4. Fostering participatory democracy and adherence to 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. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
	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 quality 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

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

No comments were received relating to the policies and as such the policies are submitted with the budget for consideration of adoption by the council.

1. Municipal Manager's Quality Certificate

I Dr R 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 _____

Signature _____

Date _____