

MEDIUM TERM EXPENDITURE AND REVENUE BUDGET REPORT 2019/2020



UMGUNGUNDLOVU
UMASIPALA WESIFUNDA
DISTRICT MUNICIPALITY
DISTRIK MUNISIPALITEIT

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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. As we continue with our 5-year Integrated Development Plan, we plan to implement and institutionalise the following:

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 **R1.090 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 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.

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.

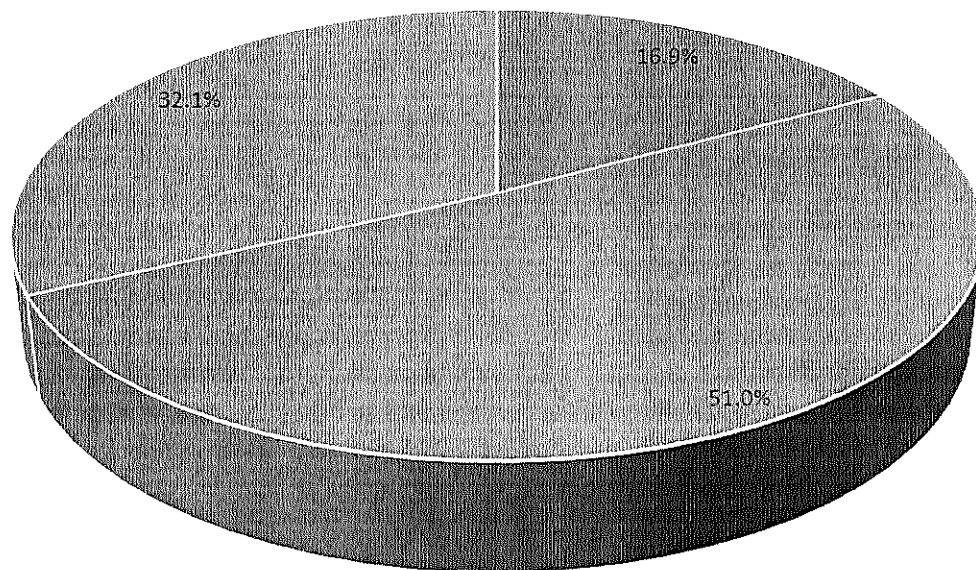
The proposed budget has limited capital expenditure within R207 million of capital expenditure of which 98% of capital being funded from grants and 2% from internally generated funding. The projection beyond 2018/2019 if the cost reflective tariff increase would be a net cash position of R72 million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

TABLE 2: EXECUTIVE SUMMARY BUDGET ESTIMATES

BUDGET ESTIMATES FOR THE 2019/20 TO 2021/22 MTREF PERIOD					
	2018/19 MTREF		Budget 2019/20	2019/20 MTREF	
	Original Budget	Adjustment Budget		Budget 2020/21	Budget 2021/22
Operating Revenue	824 540 000.00	761 442 608.00	906 215 540.54	954 086 722.82	1 018 146 515.54
Operating Expenditure	806 117 000.00	802 851 685.00	905 303 867.07	952 036 508.70	1 014 859 689.65
Operating Surplus / (Deficit)	18 423 000.00	(41 409 077.00)	911 673.47	2 050 214.12	3 286 825.90
Capital Transfers Recognized	205 059 000.00	205 059 000.00	184 625 000.00	200 631 000.00	214 204 000.00
Surplus / (Deficit) for the year	223 482 000.00	163 649 923.00	185 536 673.47	202 681 214.12	217 490 825.90
Capital Funding	205 059 000.00	205 059 000.00	184 625 000.00	200 631 000.00	214 204 000.00
Capital Transfers	205 059 000.00	205 059 000.00	184 625 000.00	200 631 000.00	214 204 000.00
Reserves	-	-	-	-	-
LESS: Capital Expenditure	205 059 000.00	205 059 000.00	184 625 000.00	200 631 000.00	214 204 000.00
Budget Cash Surplus	18 423 000.00	(41 409 077.00)	911 673.47	2 050 214.12	3 286 825.90
ADD: Non-Cash Items	148 543 757.00	92 192 000.00	142 089 069.42	153 728 968.24	169 844 061.50
Net Budget Cash Position	166 966 757.00	50 782 923.00	143 000 742.89	155 779 182.36	173 130 887.39

Below is an illustration of the funding elements to the budget which reflects 67.9% contribution from grants and 32.1% from internally generated funding.

Budget Funding Matrix



■ Capital Grant Funding ■ Operational Grant Funding ■ Internally Generated Funding

3. Budget assumptions

The Municipality concluded that the following assumptions be made when compiling the 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. 15% 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 budget are:

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

4. 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 090 840 541** be approved to be funded from the following:

Operating Revenue	R906 215 541
Grant Funding	R184 625 000

b) The proposed expenditure appropriations of **R1 089 928 867** be approved and be allocated as follows:

Operating Expenditure	R905 303 867
Capital Programme	R184 625 000

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

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

d) The tariff charges for water and sanitation be increased as detailed in the report.

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

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

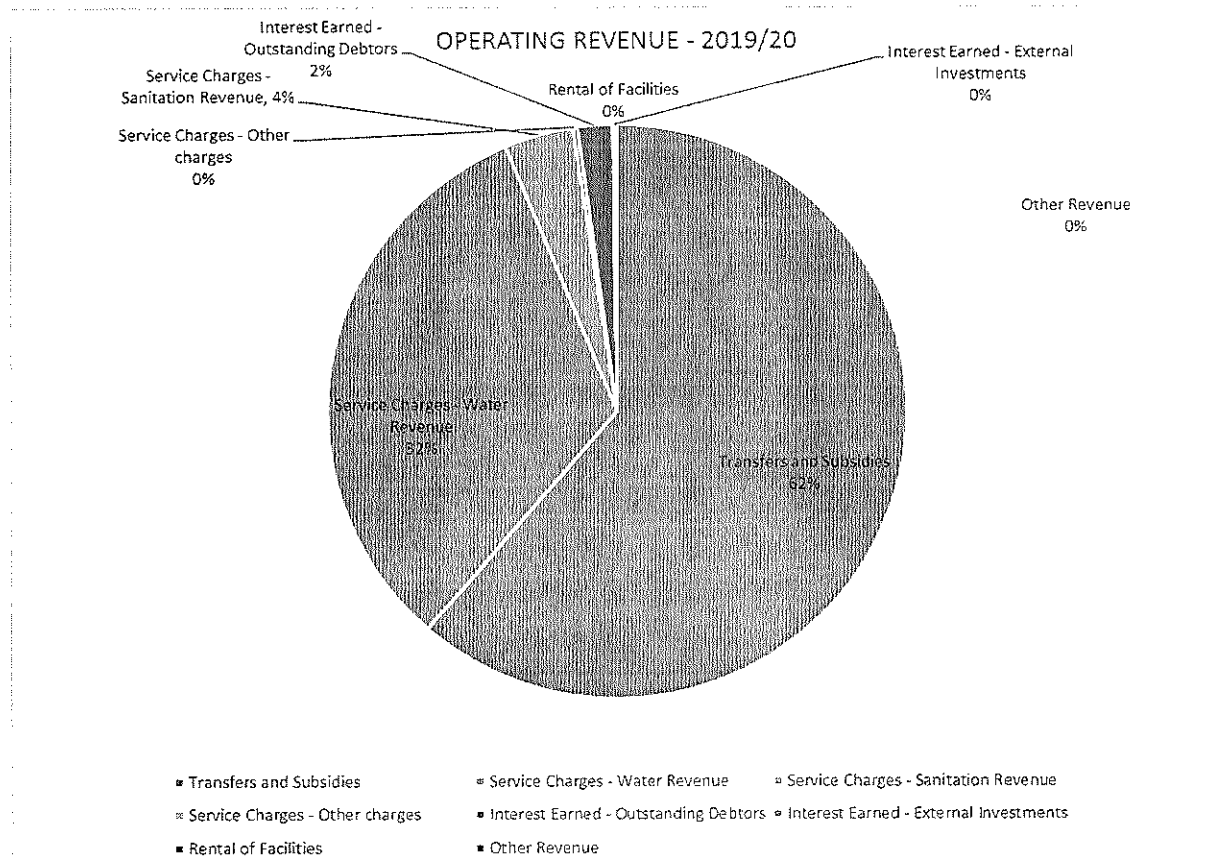
5. OPERATING REVENUE FRAMEWORK

The total operating income for the 2019/20 financial year is estimated to be **R906.2 mil** as reflected in Table 3. Internally generated revenue is expected to provide **38.6%** of operating revenue (2018/19: **40%**) with service charges representing **36.4%** of operating income. Equitable share and RSC levy replacement grant and other operating grants will contribute **61.4%** 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

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

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	112 952	111 577	-	284 070	188 911	174 001	174 001	292 444	308 528	325 497
Service charges - sanitation revenue	2	11 699	12 329	-	22 841	24 857	19 099	19 099	34 953	36 876	38 904
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		806	323	-	-	-	3 289	3 289	2 460	2 595	2 738
Rental of facilities and equipment		202	205	-	150	186	250	250	200	211	223
Interest earned - external investments		17 019	15 432	-	2 500	600	4 000	4 000	500	528	657
Interest earned - outstanding debtors		18 153	23 308	-	10 000	33 090	5 000	5 000	17 790	18 769	19 801
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		446 162	455 382	-	489 729	512 279	465 297	465 297	556 568	585 208	628 980
Other revenue	2	3 246	11 041	-	15 250	1 520	-	-	1 300	1 372	1 447
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		810 239	629 597	-	824 540	761 443	670 935	670 935	906 216	954 087	1 018 147



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

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

The proposed tariff structure is as follows:

TABLE 4. PROPOSED WATER TARIFF INCREASES, DOMESTIC AND BUSINESS

Water Supply Tariffs						
Household/Domestic						
	2018/2019		2019/2020	Consumption	Rand Value 2019/2020	Percentage
0 - 6	11.37		13.08	529 029	6 917 318.69	15%
7 - 15	21.78		25.26	1 358 614	34 325 116.04	16%
16 - 25	25.81		30.20	1 105 592	33 386 345.50	17%
26 - 35	35.53		41.93	383 059	16 059 905.99	18%
36 - 60	49.01		58.81	469 243	27 597 119.32	20%
60 +	59.74		72.29	1 305 610	94 448 826.49	21%
					212 734 632.03	
Basic charge	33.42		38.433	31 292	14 431 745.23	15%
Flat rate	209.4		240.81	3 952	11 420 173.44	15%
Business /Commercial						
	2018/2019		2019/2020		Rand Value 2019/2020	
0 - 999999	29.62		13.08	4 200 000	54 917 100.00	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%
Total Water					295 381 483.23	
					LESS: Revenue Foregone	2 937 577.00
					Toat Water Service Charges	292 443 906.23

TABLE 5. PROPOSED SANITATION TARIFF INCREASES, DOMESTIC AND BUSINESS

Sewerage Tariff						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 - 9999999999	12.54	15.17	356 928	5 415 811.32	21%	
NGO's (public benefit)	5.66			5 415 811.32		
				34 953 435.09		
Total Sanitation				34 953 435.09		
Total Water and sanitation				330 334 918.32		

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%.

6. OPERATING EXPENDITURE FRAMEWORK

The total operational expenditure budget is proposed at **R905.3 mil**. This represents an increase of 12.3% from the 2018/2018 operational expenditure budget. The allocation for each department is allocated as 60.9% to technical services, 17.9% to community services and economic development and planning, 9.8% to corporate services, 5.5% to financial services and 5.8% towards the MMs 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 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	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	181 328	198 159	-	250 246	269 246	221 547	221 547	283 677	299 279	315 739
Remuneration of councillors		10 937	10 239		12 479	12 266	12 266	12 266	12 941	13 653	14 404
Debt impairment	3	50 253	61 030		97 544	57 192	78 998	78 998	99 589	108 891	122 540
Depreciation & asset impairment	2	55 713	61 522	-	51 000	35 000	36 713	36 713	42 500	44 838	47 304
Finance charges		10 253	19 738		22 609	27 546	23 419	23 419	27 550	27 550	27 550
Bulk purchases	2	105 045	121 186	-	139 150	139 150	121 234	121 234	142 500	150 338	158 606
Other materials	8	1 593									
Contracted services		172 603	142 307	-	165 300	180 447	177 773	177 773	204 857	211 957	215 165
Transfers and subsidies		-	-		4 000	6 300	-	-	5 084	6 500	7 000
Other expenditure	4, 5	60 347	93 249	-	63 790	75 704	71 215	71 215	86 607	89 021	106 552
Loss on disposal of PPE		60	16 684								
Total Expenditure		648 132	724 113	-	806 117	802 852	743 166	743 166	905 304	952 037	1 014 860

Overall, the operational budget increased by 12.8% from the 2018/19 adjustment budget, a rate which is above 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, bulk water purchases at 15% and general operational and maintenance costs.

The main expenditure categories for the operational expenditure budget are Employee costs & councilor remuneration taking an allocation of 31.3%, followed by contracted services at 22.6%, bulk water purchases at 15.7% then provision for bad debt at 11%. These costs collectively represent **80.6%** 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 **22.6%** 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 29% of the operational budget, combined with Councilor remuneration, the salaries budget is at 31.3% 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

	2019/20 MTREF		
	Budget 2019/20	Budget 2020/21	Budget 2021/22
COUNCILOR ALLOWANCES	12 941 083.65	13 652 843.25	14 403 749.63
OFFICE OF THE MUNICIPAL MANAGER	33 259 937.00	35 089 233.54	37 019 141.38
FINANCIAL SERVICES	41 905 566.00	44 210 372.13	46 641 942.60
CORPORATE SERVICES	24 670 192.00	26 027 052.56	27 458 540.45
TECHNICAL SERVICES	81 801 062.00	86 300 120.41	91 046 627.03
COMMUNITY SERVICES	102 040 071.00	107 652 274.91	113 573 150.02
	296 617 911.65	312 931 896.79	330 143 151.11

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.

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.

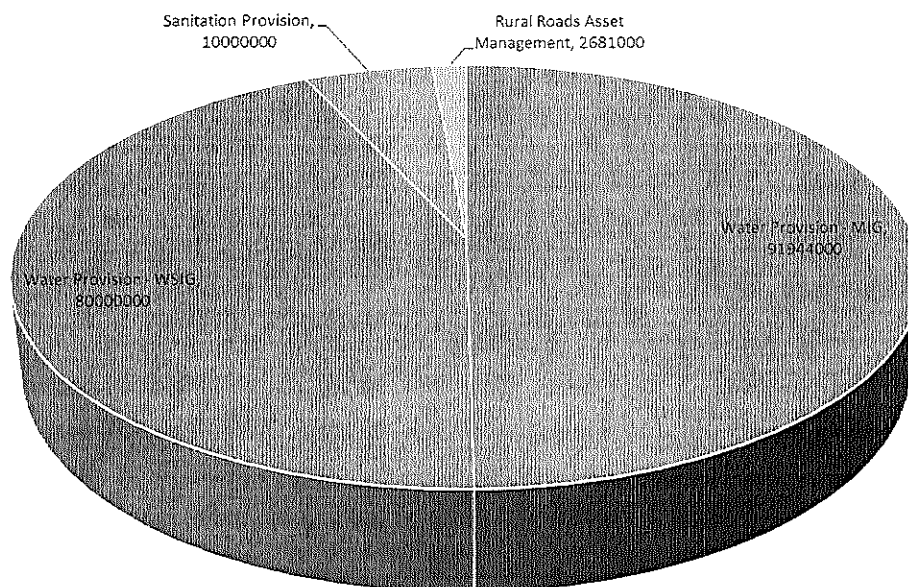
TABLE 10: CAPITAL EXPENDITURE PROGRAMME

Project Name	Funding Source	2019/20 MTREF			Total Allocation	
		Budget 2019/20	Budget 2020/21	Budget 2021/22		
CAPEX Summary						
Projects						
Water Provision - MiG	MiG	91 944 000.00	91 944 000.00	78 487 522.00	262 375 522.00	49.8%
Water Provision - WSiG	WSiG	80 000 000.00	90 000 000.00	95 000 000.00	265 000 000.00	43.3%
Sanitation Provision	MiG	10 000 000.00	15 851 000.00	37 724 478.00	63 575 478.00	5.4%
Rural Roads Asset Management	RRAMS	2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00	1.5%
		184 625 000.00	200 631 000.00	214 204 000.00	599 460 000.00	100.0%

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	Budget 2020/21	Budget 2021/22	Total Allocation
Water Provision					
Nkanyezini Water	MIG	32 560 276.00	53 642 006.63		86 202 282.63
Manzamyama Water	MIG	34 383 724.00			34 383 724.00
Mpolweni, Thokozani, Claridge	MIG	5 000 000.00	38 301 993.37		43 301 993.37
Trust Feeds Phase 1	MIG	20 000 000.00			20 000 000.00
Gengeshe Water Supply Scheme	MIG			29 884 930.00	29 884 930.00
Upgrading of Mooi River bulk mains	MIG			5 440 513.00	5 440 513.00
Upgrading of Thendele Water supply scheme	MIG			13 923 000.00	13 923 000.00
Upgrading of Rosetta water supply	MIG			29 239 079.00	29 239 079.00
		91 944 000.00	91 944 000.00	78 487 522.00	262 375 522.00
Water Provision					
Nadi - Eraye Phase 2(uMshwathi Regional Bulk)	WSIG	41 878 808.80	22 180 000.00	22 500 000.00	86 558 808.80
Mtshwa & Mt. Alias Phase 3A (uMshwathi Regional Bulk)	WSIG	1 696 474.20			1 696 474.20
Nadi to Ekhamanzi Phase 3	WSIG	36 424 717.00	22 820 000.00	27 500 000.00	86 744 717.00
Montobello & Harburg			45 000 000.00	45 000 000.00	90 000 000.00
		80 000 000.00	90 000 000.00	95 000 000.00	265 000 000.00
Sanitation Provision					
uMshwathi VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Impendle VIP Backlog Toilets	MIG	1 000 000.00	2 600 000.00	4 920 000.00	8 520 000.00
Mkhambathini VIP Backlog Toilet	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Umgweni VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 920 000.00	9 520 000.00
Richmond VIP Backlog Toilets	MIG	2 000 000.00	2 600 000.00	4 921 478.00	9 521 478.00
Mpofana VIP Backlog Toilet	MIG	1 000 000.00	2 851 000.00	13 123 000.00	16 974 000.00
		10 000 000.00	15 851 000.00	37 724 478.00	63 575 478.00
Rural Roads Asset Management					
Planning of Rural Roads Maintenance	RRAMS	2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00
		2 681 000.00	2 836 000.00	2 992 000.00	8 509 000.00

CAPITAL EXPENDITURE PROGRAMME - 2019/20



Water Provision - MIG
 Water Provision - WSIG
 Sanitation Provision
 Rural Roads Asset Management

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. 15% 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 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 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 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 2018. Key dates applicable to the process were:

- **July 2018** – 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 2019/20 MTREF;

- **January 2019** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2019** - 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 2019** – Multi-year budget proposals are submitted to the Management Committee for endorsement;
- **25 January 2019** - Council considers the 2018/19 Mid-year Review and Budget Implementation;
- **February 2019** - Council considers the 2018/19 Mid-year Adjustments Budget;
- **March 2019** - 2019/20 Recommendations of the proposed budget estimates are communicated to the Budget Steering Committee, the Executive Committee and to the respective departments;
- **29 March 2019** - Tabling in Council of the draft 2019/20 IDP and budget estimates for public consultation;
- **April 2019** – Public consultation;
- **10 May 2018** - Closing date for written comments;
- **10 to 17 May 2019** – finalization of the 2019/20 IDP and 2019/20 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 2019** - Tabling of the 2019/20 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

2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH 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 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

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.