

uMgungundlovu District Municipality



ANNUAL BUDGET OF

uMgungundlovu District Municipality

2014/15, 2015/16, 2016/17
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

BPC	Budget Planning Committee		Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	City Manager	MSA	Municipal Systems Act
CPI	Consumer Price Index	MTEF	Medium-term Expenditure Framework
CRRF	Capital Replacement Reserve Fund	MTREF	Medium-term Revenue and Expenditure Framework
DBSA	Development Bank of South Africa	NERSA	National Electricity Regulator South Africa
DoRA	Division of Revenue Act	NGO	Non-Governmental organisations
DWA	Department of Water Affairs	NKPIs	National Key Performance Indicators
EE	Employment Equity	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GDS	Gauteng Growth and Development Strategy	PPE	Property Plant and Equipment
GFS	Government Financial Statistics	PPP	Public Private Partnership
GRAP	General Recognised Accounting Practice	PTIS	Public Transport Infrastructure System
HR	Human Resources	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

Annual Budget

1. MAYOR'S FOREWORD

As Mayor of this significant and strategically located District, the second largest municipality in KwaZulu-Natal, the Capital City of the Province, with a rich history, it gives me pleasure that we have made the lives of our people better as we promised. As a District Municipality, we also have a good story to tell. We have made strides in ensuring the most basic services to all our citizens are provided.

We have ensured that we have provided water and sanitation, our core service. Our district population grew by 2.2% (Stats SA 2011), while the province's increased by 7%. The critical and important focus from the Census 2011 data is service delivery backlog in terms of water and sanitation, and unemployment (which is high in youth).

Our corporate strategy shifted from water centric to citizen centric. Last month, our President delivered a broad report to the people of South Africa, on the first 20 years of our freedom achievements accomplished by our Government of National Unity, and that we still need to be do more to move South Africa forward. This translates to offering further services to over our 1 million citizens within uMgungundlovu District Municipality. Those services include environmental health services which we took over from July 2012 as well as economic development.

The backlog for the District in sanitation as per data, is sitting at 4%, when this financial year budget is implemented the backlog will be at 2% or even lower. While on the other end, the backlog for water is at 9% and when budget is implemented it will be at 5%. For the first time, and this is a symbolic milestone for us as the District Municipality, to have a budget exceeding R1 billion rands.

This budget will be implemented accordingly to all projects and programmes aimed at making our people's lives better.

We are aware that we have not reached all areas of the District. These are some of the challenges that give us sleepless nights. Frail infrastructure, natural disasters and population growth contribute in further burdening frail infrastructure, and that also escalates unbudgeted expenses and costs to the municipality.

We are partly relieved though that one of the projects that will ensure consistent water supply is the uMshwathi Bulk Water Supply project. The first phase of the project commenced January 2014. In a year from now, community members will see the fruits of the project.

We are also pleased that our Premier Senzo Mchunu announced a number of infrastructural projects to be built within our region. These include Msunduzi electricity related developments which was allocated R5, 5 million and will provide financial support to the Msunduzi Municipality

with regard to the electrification of informal settlements in order to combat illegal connections. These will also contribute towards job creation within our District.

Indeed, we have a good story to tell. The stakeholder relations established with international donor agencies like the United Nations sponsored Adaptation Fund and also the DBSA as the funding agency that will assist in an effort to leverage additional resources to fulfil our statutory obligations. Projects like the District Growth and Development Plan, the iconic Mandela Day Marathon and Climate Change Response Strategy are our contribution towards making a better life for our beloved Citizens. At the moment, the Municipality has major plans in investing in our youth to respond to skill shortages and unemployment.

We have pleasure to advise that this Municipality has been selected by the National Treasury as the pilot Municipality in KZN for the introduction and implementation of the Standard Chart of Accounts (SCOA)

Indeed we have a good story to tell....

2. Council Resolutions

In terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) consider for tabling of the annual budget of the municipality for the financial year 2014/ 2015; the Indicative estimates for the two projected outer years 2015/2016 and 2016/ 2017 and the multi-year capital appropriations:

2.1 The Full Council, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) recommends for approval :

2.1.1 The annual budget of the municipality for the financial year 2014 / 2015 and the multi-year and single-year capital appropriations as set out as follows:

2.1.2 Budgeted Financial Performance (revenue and expenditure by standard classification) R 1.1 billion and R648.2 million respectively.

2.1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A2

2.1.4 Budgeted Financial Performance (revenue by source and expenditure by type)
Table A4

3. The Full Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) recommends for approval and adopts with effect from 1 July 2014:

3.1 the tariffs increases of 7.5 % for the supply of water

3.2 the tariffs increases of 7.5 % for sanitation services

4. To give proper effect to the municipality's annual budget, the Council recommends for approval:

4.1 That cash reserves for the Municipality be utilised to finance Operational Assets and operational activities amounting to R 65 million.

3. Executive Summary

The application of sound financial management principles for the compilation of the financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No.70 issued in December 2013 and previous budget circulars were used to guide the compilation of the 2014 / 2015 MTREF.

The main challenges experienced during the compilation of the 2014 / 2015 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from uMgeni Water and Local Municipalities / Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Salary increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – funding of the capital borrowings.

The following budget principles and guidelines directly informed the compilation of the 2014 / 2015 MTREF:

- The 2013 /2014 Adjustments Budget priorities and targets,
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Water Tariff increases taking into account that the Municipal services must be able to sustain themselves by covering the future costs of repairs and maintenance related to the infrastructure that facilitate the service, need to address infrastructure backlogs, and promotes conservative consumption by introducing the Inclining block tariff and cost of bulk purchases.
 - Increase in inflation marginally to 5, 7% in 2013/2014 from 5, 6 % in 2012. This change is evident in the January 2014 decision by the Reserve bank to increase its Repo rate by half a percent to increase to 5,5%.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014 / 2015 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014 / 2015 MTREF

	Adjustments Budget	Budget Year	Budget Year	Budget Year
	2013/2014	2014/2015	2015/2016	2016/2017
	<i>R million</i>	<i>R million</i>	<i>R million</i>	<i>R million</i>
Total Revenue	673 969	1 137 378	1 002 855	1 064 582
Total Operating Expenditure	565 443	648 193	687 084	728 309
<i>(Surplus)/Deficit for the year</i>	108 525	489 185	548 861	588 430
Total Capital Expenditure	253 401	391 679	133 336	236 913
Loan Funding	100 000	335 000	0	0

Total revenue has grown by 68.7% for the 2014 / 2015 financial year when compared to the 2013 /2014 Adjustments Budget. For the two outer years, revenue is anticipated to reduce as the Municipality will reduce amounts to be borrowed from DBSA as MIG front loading.

Total operating expenditure for the 2014 / 2015 financial year has been appropriated at R648.2 million and translates into a budgeted surplus of R489 million.

The capital budget has increased due to the implementation of projects and the first tranche of loan withdrawals of R 70 million been received from DBSA.

4. Operating Revenue Framework

For uMgungundlovu District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. As a municipality, we have come a long way with our efforts to generate own revenue.

The Municipality continues to rely on grants to fund both its operational expenditure and capital expenditure as the income generated from trading services is not sufficient to facilitate profits and growth of the service.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The main sources of funding for the municipality are own revenues and operational grants which consists of:

- a) Equitable share inclusive of RSC Levy Replacement Grant
- b) Revenues generated from trading services : - water and sanitation services
- c) Other own income sources
 - c.1. Interest received from investments

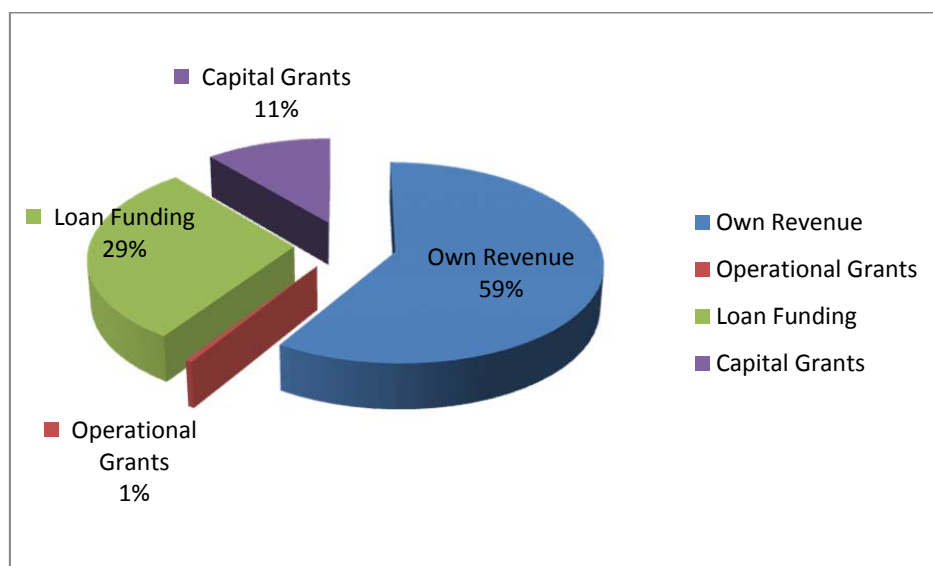
- c.2. Interest received from late payments
- c.3. Grants received in the previous years.

Sources of funding

Table 2

Own Revenue	669,805,999
Operational Grants	5,505,000
Loan Funding	335,000,000
Capital Grants	127,067,000
Total Revenue	1,137,377,999

Graph 1



As a Municipality we strive to take into consideration the recommendations of the National Treasury and balance it with the affordability of our consumers and the continuing financial crisis that has engulfed the world.

During the 2013/2014 financial year, the Municipality has had to review its band structure and tariff structures.

The Table below depicts the average consumption per block tariff as revised in 2013/2014 financial year.

Table 3

Band Structure	Average Consumption	% of Consumption
0- 6	173,502	2.84
7-15	694,989	11.37
16 -25	503,360	8.23
26 -35	425,177	6.95
36 -60	635,135	10.39
61 +	2,133,189	34.88
Businesses & Government	1,549,697	25.34
Total Consumption	6,115,049	100.00

What can be observed is that customers who consume above 61kl per month are on average consuming 35% of our purchases. This category consumes 10% more than businesses. To encourage efficiency use and incentivize conservative consumption, the 0-6 kl/pm band structure pays 28% of what this (61kl +) category is paying.

As National Treasury recommends, Municipalities are expected to have cost reflective tariff for the 2014/2015 MTEF. As the uMgungundlovu we are unable to charge a cost reflective tariff to enable us to break even or even make profit from our trading services due to affordability of our consumers.

During the determination of the proposed tariff increase, the following were taken into account:

- | | | |
|------|-------------------------------------|------|
| i. | Bulk water tariff increase | 7.2% |
| ii. | Salary increase | 6.8% |
| iii. | Nersa Recommendation for ESKOM | 7.3% |
| iv. | O&M Guide for Infrastructure Assets | 8 % |

The above factors were considered into the tariff determination and were incorporated as follows:

Table 4

Increase Considerations		Weight as a tariff	Proposed Tariff
Bulk Water Tariff Increase	7.20%	50%	3.6%
Salary Increase	6.80%	5%	0.34%
Electricity Increase - NERSA	7.30%	5%	0.365%
O/M Guide for infrastructure	8%	40%	3.2%
		100%	7.5%

After the above factors were taken into consideration, the proposed tariff increase for both water and sanitation tariffs is 7.505 %.

SA continue to face economic and fiscal constraints and this requires government to be more efficient and effective in its use of public resources in order to meet its service delivery targets and objectives.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

Water and Sanitation Income

With the proposed tariff increases for both water and sanitation services, the Municipality will raise its revenues as follows:

Water

Table 5

Band Structure	Average Consumption	Current tariff	Proposed Tariff	Sales Current Tariff	Sales Proposed Tariff
0- 6	173,502	6.17	6.63	1,070,507	1,150,849
7-15	694,989	9.22	9.91	6,407,799	6,888,704
16 -25	503,360	10.12	10.88	5,094,003	5,476,308
26 -35	425,177	12.38	13.31	5,263,691	5,658,731
36 -60	635,135	18.57	19.96	11,794,457	12,679,631
61 +	2,133,189	21.67	23.30	46,226,206	49,695,482
Total Domestic				75,856,663	81,549,706
Businesses & Government	1,549,697	10.75	11.56	16,659,243	17,909,519
Total Consumption	6,115,049			92,515,906	99,459,224

Sanitation:**Table 6**

Band Structure	Average Consumption	Current tariff	Proposed Tariff	Sales Current Tariff	Sales Proposed Tariff
0- 6	173,502	3.5	3.76	607,257	652,832
7-15	694,989	5.2	5.59	3,613,943	3,885,169
16 -25	503,360	5.75	6.18	2,894,320	3,111,539
26 +	3,193,501	6.6	7.10	21,077,107	22,658,943
Domestic Total	4,565,352			28,192,626	30,308,483
Businesses & Government	1,549,697	6.6	7.10	10,228,000	10,995,612
Sanitation Income				38,420,627	41,304,095
TOTAL WATER & SANITATION					140 763 319

The Municipality will not revisit the band structures but will remain as approved at midterm in 2013/ 2014 as a result, the increase in both water and sanitation income is equivalent to a 7.505 % increase as affected by the tariff increase only.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, tanker hiring, petrol, diesel, chemicals, etc.

The current challenge facing the uMgungundlovu District is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

The following table is a summary of the 2014 / 2015 MTREF (classified by main revenue source):

Table 7 Summary of revenue classified by main revenue source**Budgeted Financial Performance (revenue)**

Description	R ef	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audite d Outco me	Audite d Outco me	Audite d Outco me	Origina l Budget	Adjuste d Budget	Full Year Foreca st	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	39,968	44,282	94,388	95,391	87,890	87,890	87,890	99,459	104,830	110,491
Service charges - sanitation revenue	2	-	-	23,748	4,762	4,626	4,626	4,626	41,304	43,535	45,885
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other						6	6	6	6	6	6
Rental of facilities and equipment						-	-	-	-	-	-
Interest earned - external investments		7,147	4,802	16,688	12,000	12,000	12,000	12,000	15,310	16,136	17,008
Interest earned - outstanding debtors		-	-	-	-	16,343	16,343	16,343	8,000	8,432	8,887
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		249,460	264,612	301,021	381,416	380,350	380,350	380,350	372,311	399,618	432,576
Other revenue	2	9,097	68,537	15,338	22,057	23,267	23,267	23,267	70,407	20,000	21,080
Gains on disposal of PPE				427					-		
Total Revenue (excluding capital transfers and contributions)		305,673	382,233	451,610	515,626	524,481	524,481	524,481	606,797	592,557	635,928

5. Operating Expenditure Framework

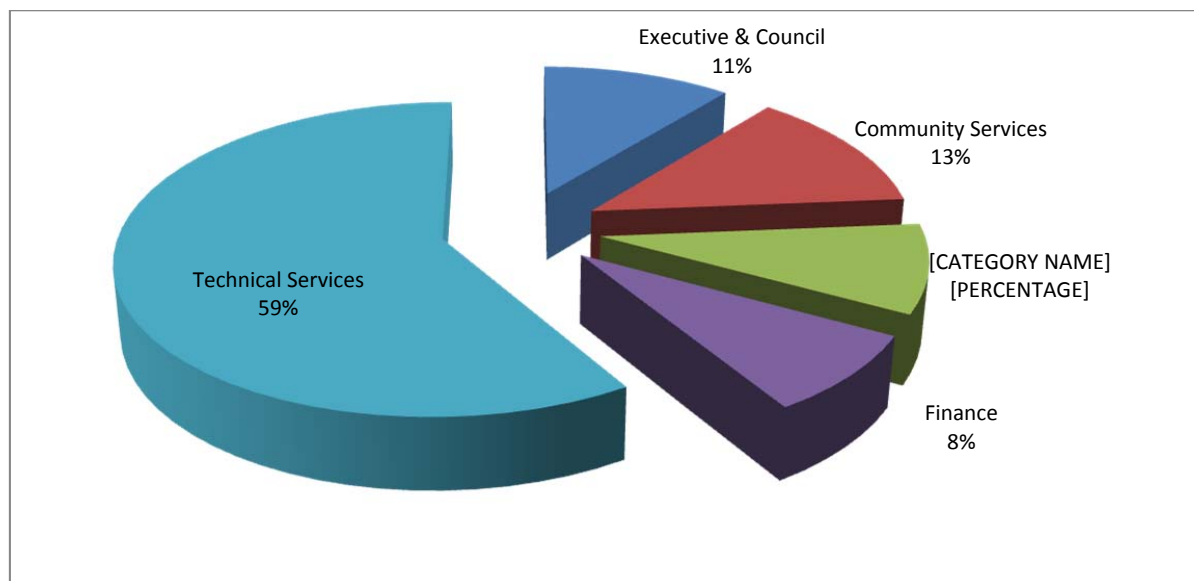
The core business of the Municipality is to provide water and sanitation functions. As a result, the Technical services department is allocated with 59 % (R 381.6 million) of the budget. The balance of the allocations are as follows:

Table 8

Department	Budget Allocated	% of the Budget
Executive & Council	70,791,683	11%
Community Services	82,803,584	13%

Corporate Services	59,772,475	9%
Finance	53,264,940	8%
Technical Services	381,559,807	59%
Total	648,192,489	100%

Graph 2: Departmental Operation Budget Split



Although the provision of water and sanitation services is the core business of the municipality, the service continues to run at a loss. The rate of operational expenditure in relation to the service is growing faster than the service.

The ageing infrastructure, increase in petrol prices and general inflation rate continues to erode the value of money whilst the municipality strives to provide quality services at affordable prices and comply with the requirements as stipulated by DWA and adherence to safety measures.

Besides being a water centric municipality, we have adopted and aligned our strategies and financial resources in line with the NDP's integrated approach which priorities the allocation of public resources within a sustainable framework for economic and social transformation.

The plan aims to accelerate growth, eliminate poverty and reduce inequalities by 2030. Broad-based economic growth remains the cornerstone of government's approach to job creation, public employment programs which contribute directly to reducing joblessness especially amongst our youth. These initiatives play an important role in promoting economic activity among the unemployed, and fulfill a wide range of social, economic and environmental objectives.

Unemployment is the most pressing challenge facing the country and the compensation for employees has grown faster than the inflation rate and faster than almost all kinds of expenditure, this is evident with the salaries budget constituting 31.28 % of the operational budget. The economy has created 5,9 million jobs since 1996 at an average annual growth rate of 2.9%. As the UMDM, our LED programs and labour intensive capital projects contribute towards the reduction of unemployment and poverty in our communities.

As a municipality, we are investing 13 % of our operational budget to Community Services as this department deals with communities and social welfare of our communities.

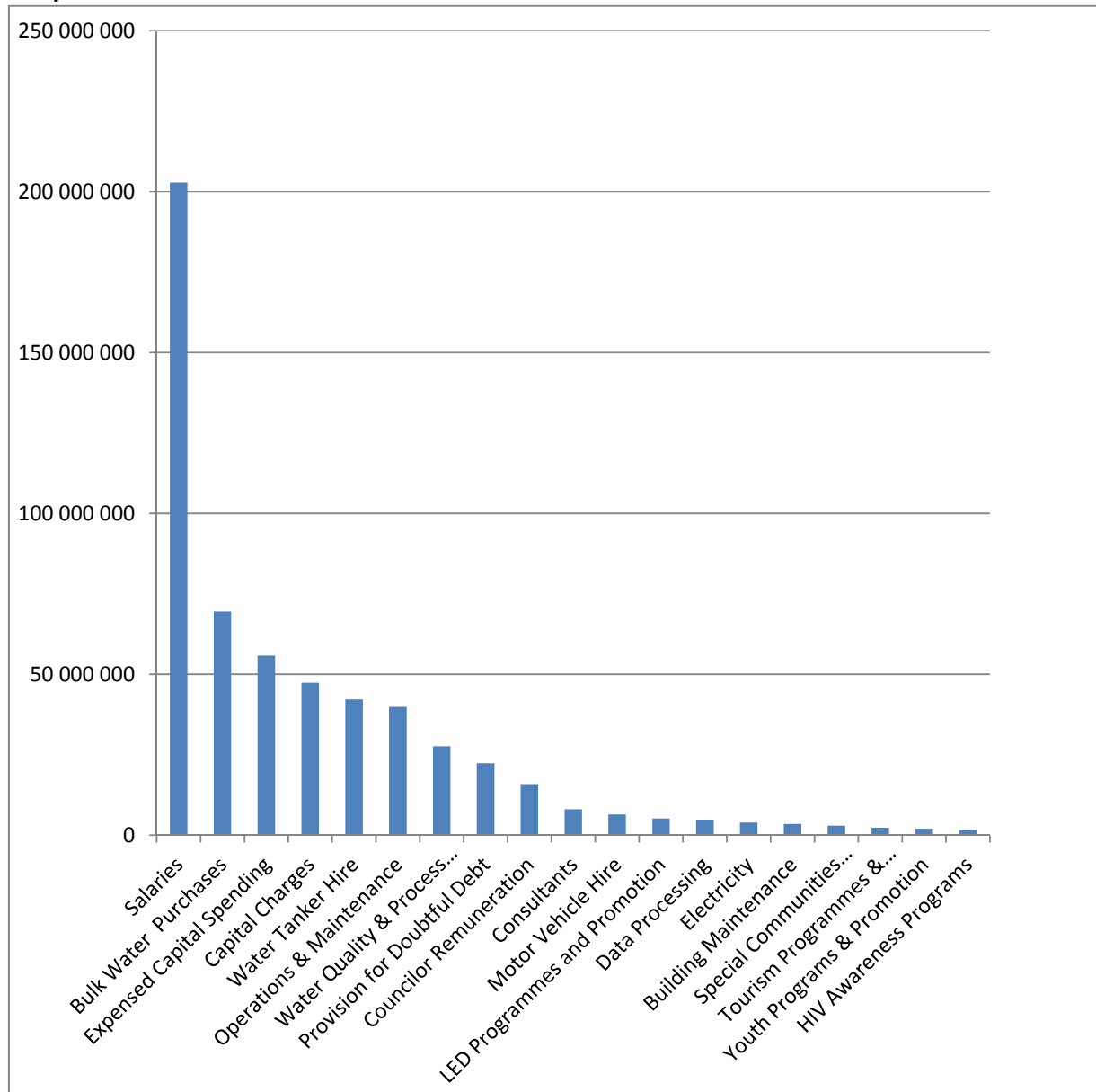
Table 9**Budgeted Financial Performance (expenditure)**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type	-										
Employee related costs	2	102,890	130,261	151,411	149,697	149,697	149,697	149,697	202,741	214,905	227,800
Remuneration of councillors		7,852	7,201	9,466	15,579	13,300	13,300	13,300	15,878	16,831	17,841
Debt impairment	3	54,404	29,130	57,373	30,929	30,929	30,929	30,929	22,372	23,714	25,137
Depreciation & asset impairment	2	47,318	78,453	80,075	58,725	58,725	58,725	58,725	47,391	50,235	53,249
Finance charges		3,024	1,460	1,919	2,000	2,000	2,000	2,000			
Bulk purchases	2	39,680	43,385	63,346	61,800	65,300	65,300	65,300	69,524	73,695	78,117
Other materials	8				28,689	26,050	26,050	26,050	1,200	1,272	1,348
Contracted services		50,661	39,373	152,157	38,395	57,246	57,246	57,246	70,470	74,698	79,180
Transfers and grants		-	-	-	9,232	9,232	-	-	-	-	-
Other expenditure	4,5	49,273	131,045	-	148,856	152,965	152,965	152,965	218,617	231,734	245,638
Loss on disposal of PPE		(2,205)		926							
Total Expenditure		352,897	460,307	516,674	543,901	565,444	556,212	556,212	648,193	687,085	728,310

Table 10

Operational Expenditure	Amount	% of the Budget
Salaries	202,740,535	31.28
Bulk Water Purchases	69,524,000	10.73
Expensed Capital Spending	55,819,408	8.61
Capital Charges	47,391,264	7.31
Water Tanker Hire	42,190,000	6.51
Operations & Maintenance	39,861,132	6.15
Water Quality & Process Management	27,614,000	4.26
Provision for Doubtful Debt	22,371,638	3.45
Councillor Remuneration	15,878,383	2.45
Consultants	8,060,000	1.24
Motor Vehicle Hire	6,445,952	0.99
LED Programmes and Promotion	5,175,000	0.80
Data Processing	4,850,000	0.75
Electricity	3,908,150	0.60
Building Maintenance	3,500,000	0.54
Special Communities Programmes	2,940,000	0.45
Tourism Programmes & Promotion	2,320,000	0.36
Youth Programs & Promotion	2,000,000	0.31
HIV Awareness Programs	1,580,000	0.24
Other Expenditure	84,023,027	12.96
	648,192,489	

Graph 3



To address losses that are experienced by the municipality, a need to increase spending on day to day operational maintenance and assets revitalization has been identified. As a result, in total, the municipality has invested about 10.41 % of its operational expenditure on operations and maintenance.

The trading loss of the water and sanitation function can be depicted as follows:

Table 11

Trading Services	
Income Generated	140,763,319
Less : Expenditure	326,491,201
Salaries	65,237,215
Operations and Maintenance	261,253,986
Bulk Water Purchases	69,524,000
Vehicle Hire	6,445,952
Water Tanker Hire	42,190,000
Vacuum Hire Tanker	3,926,000
Operation & Water Loss, Quality Management	69,405,132
Capital Charges / Depreciation	47,391,264
Bad Debt Provision	22,371,638
Surplus/ Deficit	<u>-185,727,882</u>

As can be seen above, the function must generate at least R 326.5 million for it to break even. For the function to breakeven, the following tariffs will have to be charged:

Table 12

Water							
Band Structure	Average Consumption	Proposed Tariff	Break even Tariff	Subsidy	Proposed Sales	Breakeven Sales	Subsidy
0- 6	173,502	6.63	15.38	8.75	1,150,849	2,669,317.88	1,518,469
7-15	694,989	9.91	22.99	13.08	6,888,704	15,977,892.63	9,089,189
16 -25	503,360	10.88	25.23	14.35	5,476,308	12,701,934.24	7,225,626
26 -35	425,177	13.31	30.87	17.56	5,658,731	13,125,052.66	7,466,321
36 -60	635,135	19.96	46.30	26.34	12,679,631	29,409,564.67	16,729,934
61 +	2,133,189	23.30	54.03	30.74	49,695,482	115,265,381.84	65,569,899
Businesses & Government	1,549,697	11.56	26.81	15.25	17,909,519	41,547,376.57	23,637,858
Sanitation							
0- 6	173,502	3.76	8.73	4.96	652,832	1,514,199.77	861,368
7-15	694,989	5.59	12.97	7.38	3,885,169	9,011,392.80	5,126,224
16 -25	503,360	6.18	14.34	8.16	3,111,539	7,217,008.09	4,105,469
26 +	3,193,501	7.10	16.46	9.36	22,658,943	52,555,919.47	29,896,976
Businesses & Government	1,549,697	7.10	16.46	9.36	10,995,612	25,508,012.62	14,512,401
TOTAL					140,763,319	326,503,053	185,739,734

As can be seen from the above table, customers are paying 43.1 % of the breakeven tariff and the municipality is funding 56.9 %. Over the next 5 years, the municipality is expected to turn around the situation and customers may expect to pay at least 80% of the breakeven tariff.

6. Capital Budget

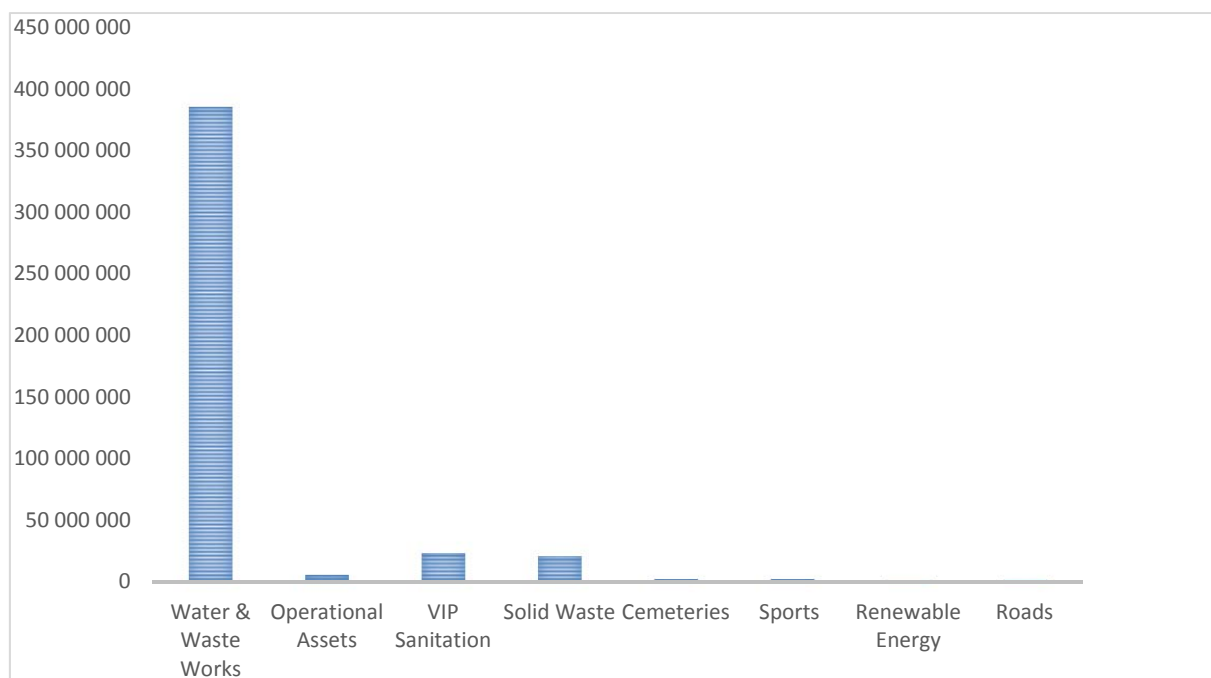
Spending on capital projects implementation is a priority for the uMgungundlovu District Municipality as part of efforts to addressing infrastructure backlogs and improving quality of life for our communities.

The municipality plans to spend a total of R 447.5 million on capital spending. The capital spending is spilt as follows:

Table 13

Water & Waste Works	385,378,530	86.1
Operational Assets	6,300,000	1.4
VIP Sanitation	24,541,972	5.5
Solid Waste	21,553,972	4.8
Cemeteries	3,400,000	0.8
Sports	3,020,464	0.7
Renewable Energy	1,000,000	0.2
Roads	2,303,000	0.5
TOTAL	447 497 938	

Graph 4



Due to improved projects implementation, the Municipality has had to apply for a loan of R 335 million which was approved by DBSA to front load the MIG allocation. As a result, an amount of R 70 million has been received as the first tranche for the municipality to implement the revitalization of infrastructure networks (AC Pipes) in various local municipalities. The funding for the various projects is as follows:

Table 14

Funding Source	Amount
Roll Over Grants	99 797 938
DBSA Loan	335 000 000
Internal Funding	12 700 000

The yearly MIG allocation will be used to finance the loan from DBBSA hence, the allocation has not been allocated any expenditure to fund.

The agreement between the municipality and DBSA is that the municipality will pay an interest rate equal to six monthly Johannesburg Interbank Agreed Rate (JIBAR) plus 186 basis points which is estimated to be 7.4% as at 28 February 2014. This rate, is in fact part of the cost of providing water and should be taken into consideration when determining the tariff increase.

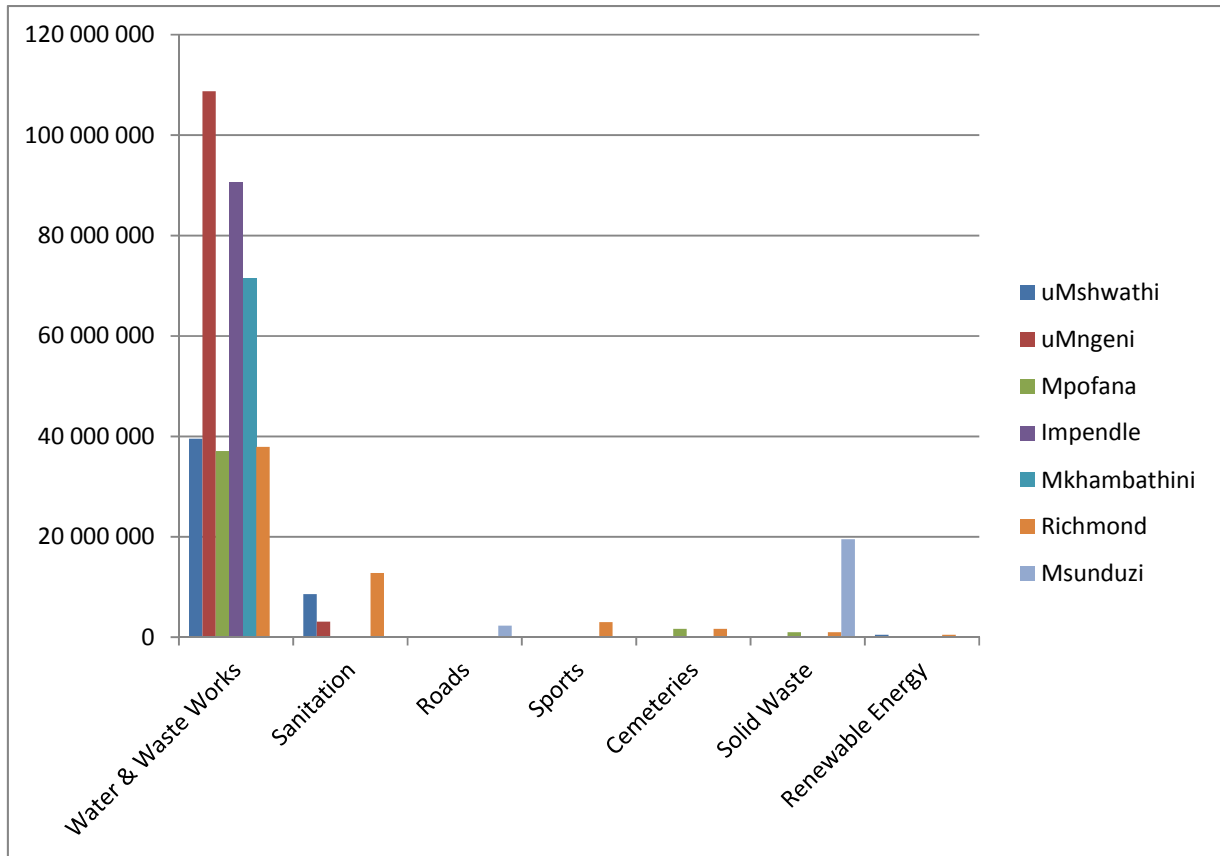
Although financial resources are limited, the municipality strives to reach all of its communities. The budget is split as follows, per local municipality:

Capital Expenditure per Local Municipality

Table 15

	Water & Waste Works	Sanitation	Roads	Sports	Cemeteries	Solid Waste	Renewable Energy
uMshwathi	39,543,805	8,596,806					500,000
uMngeni	108,746,721	3,128,160					
Mpofana	37,087,008				1,700,000	1,000,000	
Impendle	90,608,170						
Mkhambathini	71,482,207						
Richmond	37,910,619	12,817,006		3,020,464	1,700,000	1,000,000	500,000
Msunduzi			2,303,000			19,553,972	
	385,378,530	24,541,972	2,303,000	3,020,464	3,400,000	21,553,972	1,000,000

Graph 5



7. Municipal Manager's quality certificate

I, municipal manager of uMgungundlovu District Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Signature _____

Date _____