

# MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS 2017/2018 TO 2019/2020



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## 1.1. 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 proposed budget for the 2017/18 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 2017/18 medium term expenditure framework, consisting of a **R925 million** 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 introduce a cost reflective tariff, 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.

Drought impact continues to be a reality for the district, which has seen diminishing revenue due to the drought conservative use and other measures. Whilst we experienced rain during the summer, citizens are still encouraged to exercise a conservative reached comfort levels.

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.

### **COMMENTS OF THE FINANCE PORTFOLIO COMMITTEE**

At a meeting of the Finance Portfolio Committee held on 12 May 2017, the Democratic Alliance opposed approving the budget since the concerns they have raised previously on the budget have not been addressed. Their concerns were presented as follows:

- The Municipality is too grant dependent and the Municipality needs to enhance revenue collection
- Tariff increases were above CPIX
- Allocation of funding to core functions – if sponsorship can be sourced for Mandela Marathon which is a one day event, can the same effort not be applied to source funding for community services, particularly fire services where there is a serious need for staffing capacity, machinery and equipment. Mandela Marathon needs to be a self-funding event.

The Chairperson acknowledged the concerns and requested Management to craft an action plan to overcome the challenges relating to funding of emergency services.

Management also indicated that there has been a decrease in grant dependency and that there have been funding initiatives in community services department but acknowledged the need for improvement.

Further Management re iterated that the increase in tariffs cannot be CPIX only as the direct costs of funding water operations have increases which are above inflation rates. The municipality has simply transferred actual cost increase rate and CPIX to the lowest consumption band as opposed to just CPIX which is not an accurate indicator of cost increases in the provision of water services.

### **1.2. RESOLUTIONS**

It is recommended that the Executive Committee recommends to full Council the approval:  
THAT

- 2.1. The proposed Tariff increases at a sliding scale, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000 with effect from 01 July 2017).
- 2.2. The tariffs increase for the supply of water to a minimum of R 9.4 per KL increasing on a sliding scale based on consumption to a maximum of R 34.48 per KL.
- 2.3. The tariffs increase for the sanitation services to a minimum of R 4.89 increasing at a sliding scale based on consumption to a maximum of R10.5
- 2.4. the multi- year 2017/2018 to 2019 /2020 annual budget and single capital appropriations for the 2017/2018 annual budget be:
  - 2.4.1. Total Revenue of R 925 million.
  - 2.4.2. Total Operating Expenditure of R 738 million.
  - 2.4.3. Total Capital Expenditure of R 201 million.
  - 2.4.4. Surplus of R 156 million

### **1.3. EXECUTIVE SUMMARY**

The proposed budget 2017/2018 is represented by funding to the value of R925 m which is split between operating revenue of R724m and R201m in capital funding. This shows an increase in income of **2%** from the adjusted budget 2016/2017. The change in operating income is mainly boosted by an increase of **87%** in service charges with an introduction of the phased in cost reflective tariff structure. This has significantly influenced the sustenance of income even though there has been a significant reduction in other major funding sources of the budget. Both the Mandela Marathon sponsorship and Orio funding which collectively made up +R14m in operating income in 2016/2017 has been reduced to nil in the proposed budget until such time that there is certainty to the allocations in the 2017/2018 financial year. Borrowings which are a funding source for the capital budget have been reduced by R73m in the 2017/2018 as the implementation of the related projects approaches completion in the 2017/2018 financial year.

The operating expenditure proposed is R738m which reflects an increase of **9%** from the adjusted budget 2016/2017. Capital expenditure has reduced by **17%** in the 2017/2018 budget as no front loading will be pursued and lower borrowings will be utilised to finance the capital investment programme. **22%** 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

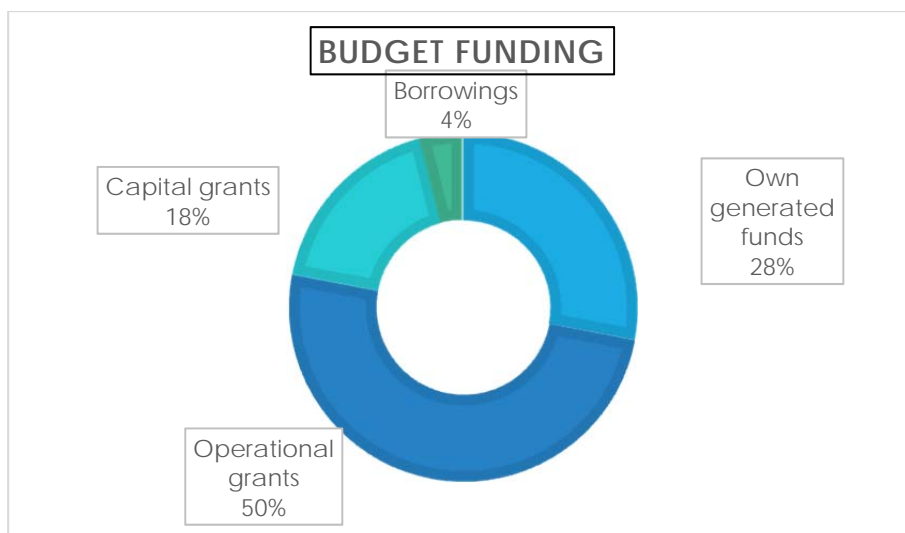
DC22 uMgungundlovu - Table A1 Budget Summary										
Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	132,685	116,303	125,439	159,650	122,461	122,461	122,461	228,996	339,878	359,591
Investment revenue	10,413	12,260	17,019	7,080	11,000	11,000	11,000	12,000	8,000	8,000
Transfers recognised - operational	348,651	376,281	441,938	434,490	432,840	432,840	432,840	462,884	488,308	530,340
Other own revenue	22,371	21,426	22,380	42,872	55,297	55,297	55,297	20,150	23,279	24,694
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>514,120</b>	<b>526,271</b>	<b>606,777</b>	<b>644,093</b>	<b>621,599</b>	<b>621,599</b>	<b>621,599</b>	<b>724,030</b>	<b>859,465</b>	<b>922,625</b>
Employee costs	157,176	176,152	181,062	191,692	200,462	200,462	200,462	228,194	241,657	255,673
Remuneration of councillors	9,944	10,836	10,937	13,189	10,756	10,756	10,756	11,086	11,740	12,421
Depreciation & asset impairment	56,330	83,433	55,713	31,800	51,800	51,800	51,800	46,713	49,470	52,339
Finance charges	2,976	2,433	8,458	14,081	7,000	7,000	7,000	23,019	24,377	25,791
Materials and bulk purchases	71,336	76,619	105,045	102,828	119,562	119,562	119,562	111,034	117,585	124,405
Transfers and grants	-	-	-	16,733	-	-	-	-	-	-
Other expenditure	249,096	287,811	312,956	241,922	288,172	288,172	288,172	318,305	337,085	356,814
<b>Total Expenditure</b>	<b>546,858</b>	<b>637,285</b>	<b>674,172</b>	<b>612,246</b>	<b>677,753</b>	<b>677,753</b>	<b>677,753</b>	<b>738,351</b>	<b>781,914</b>	<b>827,443</b>
<b>Surplus/(Deficit)</b>	<b>(32,738)</b>	<b>(111,014)</b>	<b>(67,395)</b>	<b>31,847</b>	<b>(56,154)</b>	<b>(56,154)</b>	<b>(56,154)</b>	<b>(14,321)</b>	<b>77,551</b>	<b>95,182</b>
Transfers and subsidies - capital (monetary allocation)	184,442	228,862	270,672	149,865	171,072	171,072	171,072	166,766	212,590	226,351
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>151,704</b>	<b>117,848</b>	<b>203,277</b>	<b>181,712</b>	<b>114,918</b>	<b>114,918</b>	<b>114,918</b>	<b>152,445</b>	<b>290,141</b>	<b>321,533</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>151,704</b>	<b>117,848</b>	<b>203,277</b>	<b>181,712</b>	<b>114,918</b>	<b>114,918</b>	<b>114,918</b>	<b>152,445</b>	<b>290,141</b>	<b>321,533</b>

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 scaled down capital expenditure and is focused on the replenishment of reserves hence a cash surplus of R32m which is aimed at rebuilding reserves through depreciation.

Table 2

	Original Budget 2016 /2017	Adjustment Budget 2016 /2017	2017/2018	2018/2019	2019/2020
Total Funding	893,640,708.00	902,146,438.00	925,074,297.00	1,072,054,839.00	1,072,054,839.00
Operating Expenditure	(612,246,088.00)	(677,752,765.00)	(738,351,000.00)	(776,165,405.00)	(821,182,999.00)
<b>Available for Capital Expenditure</b>	<b>281,394,620.00</b>	<b>224,393,673.00</b>	<b>186,723,297.00</b>	<b>295,889,434.00</b>	<b>250,871,840.00</b>
Capital Expenditure	(201,268,000.00)	(242,586,897.00)	(201,043,637.00)	(212,590,000.00)	(226,351,000.00)
<b>Operating Surplus / Deficit</b>	<b>80,126,620.00</b>	<b>(18,193,224.00)</b>	<b>(14,320,340.00)</b>	<b>83,299,434.00</b>	<b>24,520,840.00</b>
ADD Back Depreciation	31,800,000.00	51,800,000.00	46,713,431.00	49,469,523.00	52,338,756.00
<b>Cash Surplus</b>	<b>111,926,620.00</b>	<b>33,606,776.00</b>	<b>32,393,091.00</b>	<b>132,768,957.00</b>	<b>76,859,596.00</b>

68% of the budget funding will be coming from grants and only 28% from own generated funds which indicated a reduction in grant dependency by 3%.



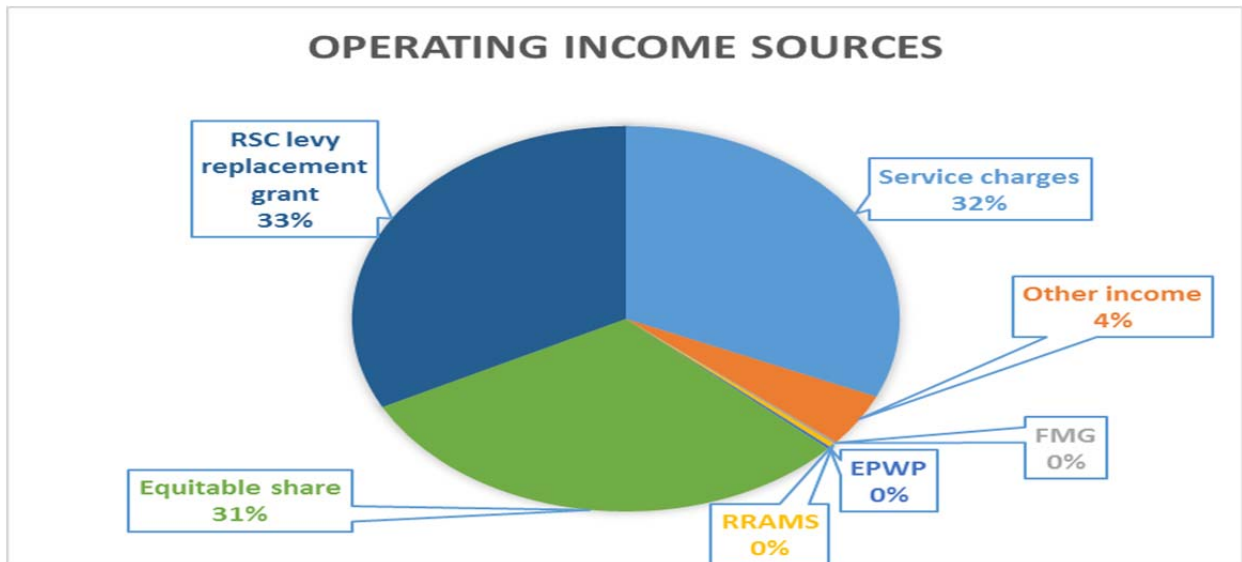
In response to National Treasury's Circular 85, which encourages Municipalities to maintain tariffs that increases at levels that reflect appropriate balance between the affordability to the poorer households and other consumers while ensuring the sustainability of the municipality, the uMgungundlovu District Municipality has embarked in a tariff review structure that strive to achieve a cost reflective tariff.

#### 1.4. OPERATING REVENUE FRAMEWORK

The municipality has a total operating income of R724 m derived as reflected in table 3. 36% of operating income will be generated internally with service charges representing 32% of operating income. Equitable share and RSC levy replacement grant will contribute 31% and 33% respectively 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

Operatng Income	Category	2017/2018	
Service charges	Own generated funds	228,996,600.00	32%
Other income	Own generated funds	32,150,060.00	4%
FMG	Operational grant	1,250,000.00	0.2%
RRAMS	Operational grant	2,526,000.00	0.3%
EPWP	Operational grant	1,428,000.00	0.2%
Equitable share	Operational grant	221,842,000.00	31%
RSC levy replacement grant	Operational grant	235,838,000.00	33%
		<b>724,030,660.00</b>	



The municipality is in 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**



Household/Domestic							
	Consumption	2016/2017	Rand Value	2017 /2018	Rand Value	Change Tariff	% Change
0 - 6	263 683	7.74	2 040 906.42	9.4	2 477 660.39	1.66	21.4
6 -15	1 009 853	11.55	11 663 802.15	15.02	15 162 942.80	3.47	30
16 -25	1 003 083	12.72	12 759 215.76	17.81	17 862 902.06	5.09	40
26 -35	528 108	17.49	9 236 608.92	24.49	12 931 252.49	7	40
36 -60	714 981	23.32	16 673 356.92	33.81	24 176 367.53	10.49	45
60 +	1 434 324	28.4	40 734 801.60	41.18	59 065 462.32	12.78	45
			<b>93 108 691.77</b>		<b>131 676 587.59</b>		
Basic charge	30 000	16.5	495 000.00	23.04	691 069.50	6.54	39.61
Flat rate	3 909	100	390 900.00	139.61	545 735.49	39.61	39.61
			<b>885 900.00</b>		<b>1 236 804.99</b>		
<b>TOTAL HOUSEHOLDS</b>			<b>93 994 591.77</b>		<b>132 913 392.58</b>		
<b>Business /Commercial</b>							
0 -999999	3 616 260	14.09	50 953 103.40	20.43	73 881 999.93	6.34	45
<b>Builder/Construction Sites</b>	23 115	28.4	656 466.00	41.18	951 875.70	12.78	45
<b>NGO's (Public benefit)</b>	21 024	7.74	162 725.76	10.84	227 816.06	3.1	40
Basic charge	3 475	27.5	95 562.50	38.5	133 787.50	11	40
<b>WSA</b>		Cost + 5% Admin Fee					
<b>TOTAL COMMERCIAL</b>			<b>51 867 857.66</b>		<b>75 195 479.19</b>		
<b>Total Water</b>			<b>145 862 449.43</b>		<b>208 108 871.78</b>	<b>62 246 422.35</b>	

**TABLE 5. PROPOSED SANITATION TARIFF INCREASES, DOMESTIC AND BUSINESS**

Sewerage Tariff	Consumption	2016/2017	Rand Value	2017 /2018	Rand Value	Change Tariff	% Change
<b>Household/Domestic</b>							
	<b>Consumption</b>	<b>2016/2017</b>					
0 - 6	25 728	4.35	111 916.80	5.28	135 867.00	0.93	21.4
7 -15	430 089	6.47	2 782 675.83	8.41	3 617 478.58	1.94	30
16 -25	304 809	7.42	2 261 682.78	10.39	3 166 355.89	2.97	40
26+	519 652	8.65	4 494 989.80	12.54	6 517 735.21	3.89	45
					<b>13 437 436.68</b>		
<b>Business /Commercial</b>							
0 -999999999	322 928	8.65	2 793 327.20	12.54	4 050 324.44	3.89	45
NGO's (public benefit)	21 024	4.35	91 454.40	5.28	111 025.64	0.93	21.4
					<b>4 161 350.08</b>		
<b>TOTAL SANITATION</b>							
					<b>17 598 786.76</b>		
<b>Disposal at waste water treatment plant</b>							
0 -999999999	540 000	4.2	<b>2 268 000.00</b>	<b>6.09</b>	<b>3 288 600.00</b>		

As can be seen, from Table 4 and 5, the more conservative the consumption, the lesser the proposed tariff increase. The lowest average increase is 21.4 % which equates to the transfer of the proposed 15 % increase by the Bulk Water service provider –uMgeni and the average CPI Inflation rate of 6.1% as recommended by the National Treasury. A proposed 40% 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 21.4 %. With the

introduction of the block inclining tariff, the Municipality has managed to raise its revenues by R 62.4 million on average based on 2016 /2017 tariffs and projected consumption patterns.

### 1.5. OPERATING EXPENDITURE FRAMEWORK

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. Table 6 below reflects an allocation of R 458 million to Technical Services Department which translate to just a little below 62 % of the operational budget which reflects and in line with the main focus of the municipality.

Table 6

Comparison : Adjustment Budget and 2017 /2018 Allocation					
Department	Adjustment Budget	% OPEX	2017 /2018 Allocation	% OPEX	change
Community Services	113,853,558.00	17%	126,492,743.00	17%	11%
Corporate Services	60,785,399.00	9%	52,582,631.00	7%	-13%
Financial Services	43,049,662.00	6%	48,316,924.00	7%	12%
Municipal Manager's Office	46,739,203.00	7%	52,488,374.00	7%	12%
Technical Services	413,324,944.00	61%	458,470,279.00	62%	11%
	<b>677,752,766.00</b>	<b>100</b>	<b>738,350,951.00</b>	<b>100</b>	<b>9%</b>

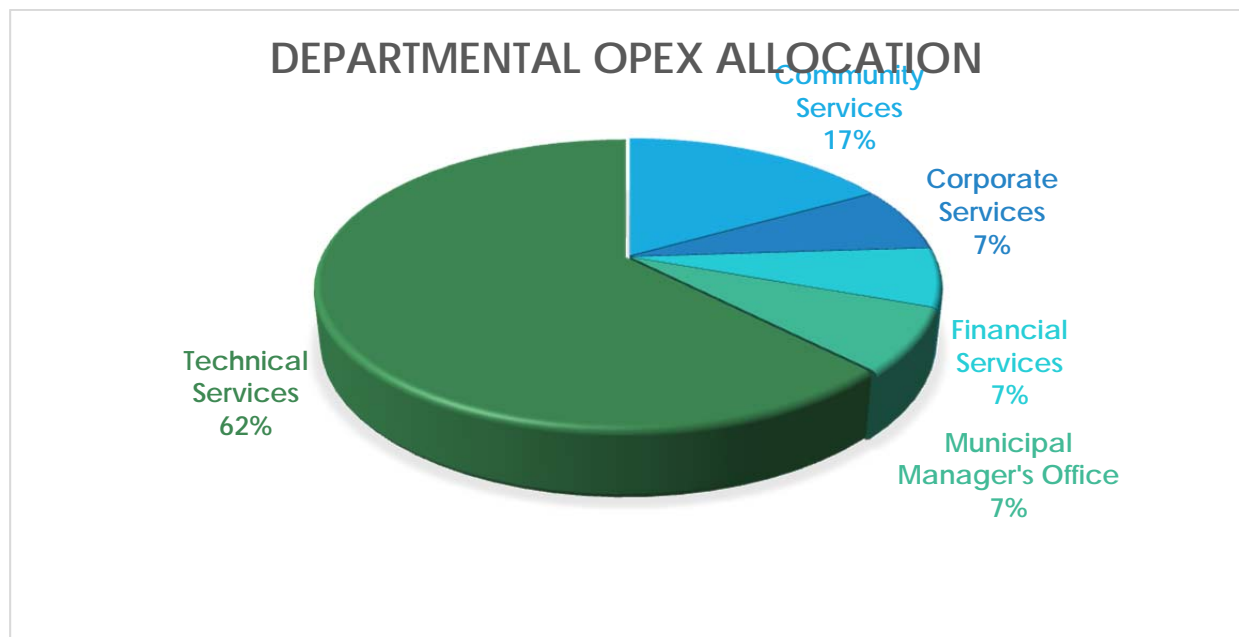


Table 6 above reflect the consistent high allocation of financial resources to the core function department. For the 2017/2018 proposed budget, all departments will increase their allocation from 2016/2017 adjusted budget by an average 12% with the exception of corporate services which will reduce by 13% from prior year allocation.

Overall, the operational budget increased by 9% from the proposed 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 7.86% and the repayment of R 23 million interest due for servicing the DBSA Loan.

The main expenditure categories for the operational expenditure are outlined in Table 7 below with Employee costs & councilor remuneration taking an allocation of 33%, followed by bulk water purchases at 15% then provision for bad debt at 11% and lastly water tanker hire at 8%. These costs collectively represent **66%** 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.

Table 7

<b>Main Operational Expenditure Items</b>	<b>Amount</b>	<b>Contribution</b>
Salaries	228,193,897.00	31%
Councillor Remuneration	11,085,909.00	2%
Capital Charges	46,713,431.00	6%
Provision for Doubtful Debt	78,997,680.49	11%
Bulk Water Purchases	111,033,989.00	15%
Water Tanker Hire	59,773,857.40	8%
Vacuum Tanker Hire	3,223,756.80	0%
Water Quality and Process Management	32,011,153.72	4%
Operations and Maintenance Excluding Salaries	37,388,031.81	5%
Motor Vehicle Hire and Running Costs	13,000,000.00	2%
Security	6,500,000.00	1%
Consultants	8,958,286.00	1%
Telephones	4,725,463.04	1%
Licences	2,500,000.00	0%
Sports Promotion	3,320,000.00	0%
Art and Culture Promotion	1,266,000.00	0%
Rural Development and Heritage Alignment	1,369,500.00	0%
Youth Development Programmes	4,100,000.00	1%
Mandela Day Marathon	3,000,000.00	0%
Development Agency	3,500,000.00	0%
Protective Clothing	3,500,000.00	0%
Maintenance Buildings and Equipment	4,000,000.00	1%
Interest Payable	23,019,000.00	3%
Tourism Programmes and Promotion	2,200,000.00	0%
Communication Programmes	1,985,000.00	0%
Intergovernmental Relations	2,898,000.00	0%
Local Economic Development	2,150,000.00	0%
Insurance - General	700,000.00	0%
Insurance - GroupLife	3,100,000.00	0%
Employee Wellness and Assistance Programmes	750,000.00	0%
Staff Development and Training	1,250,000.00	0%
Women Development Programmes	340,000.00	0%
Children Programmes	220,000.00	0%
Senior Citizens and People Living with Disabilities	802,300.00	0%
Rural Assets Management Grant Expenditure	2,526,000.00	0%
Expanded Public Works Grant Expenditure	1,428,000.00	0%
<b>Other Expenditure</b>	26,821,696.00	4%
	<b>738,350,951.26</b>	<b>100%</b>

*Contracted services & operations and maintenance*

Table 8, reflects the categories of contracted services that the municipality has and plans to renew during the 2017/2018 financial year. The contracts are reviewed before the expiry date and performance is monitored on monthly bases. The contracted services will make up **38%** of the operating budget which is above the norm as set by treasury of at least 5%.

In the prior year contracted services represented 19% 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%. The sharp increase in contracted services contribution to total opex is due to bulk water purchases being classified as contracted services and the costs represent 40% of total contracted services. Excluding the bulk water purchases the contracted services would amount to 23% of total operating expenditure.

The operations and maintenance excluding salaries related to maintenance is at 5.1 % and when including salaries of R 70.6 million for Technical Services, the repairs and maintenance related expenditure increases to R 108 million which equates to 14.7 % of the operational budget. The treasury guidance is to at least set aside 8% of the value of Property Plant and Equipment. With the budget proposed the district will set aside 10% of the budget for repairs and maintenance which is above the norm as set by treasury. This budget is mainly to respond to planned maintenance situations as it is heavily contributed from salaries. The district is also in the process of developing a maintenance plan.

Table 8

<b>CONTRACTED SERVICE</b>	<b>AMOUNT</b>	
Water Tanker Hire	59,773,857.00	21%
Vacuum Tanker Hire	3,223,757.00	1%
Water Quality and Process Management	32,011,154.00	11%
Operations and Maintenance Waste Water Excluding Salaries	23,420,219.00	8%
Operations and Maintenance Water Excluding Salaries	13,967,813.00	5%
Motor Vehicle Hire and Running Costs	13,000,000.00	5%
Security	6,500,000.00	2%
Consultants -Other	5,483,286.00	2%
Consultants Information Technology	3,475,000.00	1%
Telephones	4,725,463.00	2%
Licences	2,500,000.00	1%
Bulk Water Purchases	111,033,989.00	40%
<b>TOTAL</b>	<b>279,114,538.00</b>	

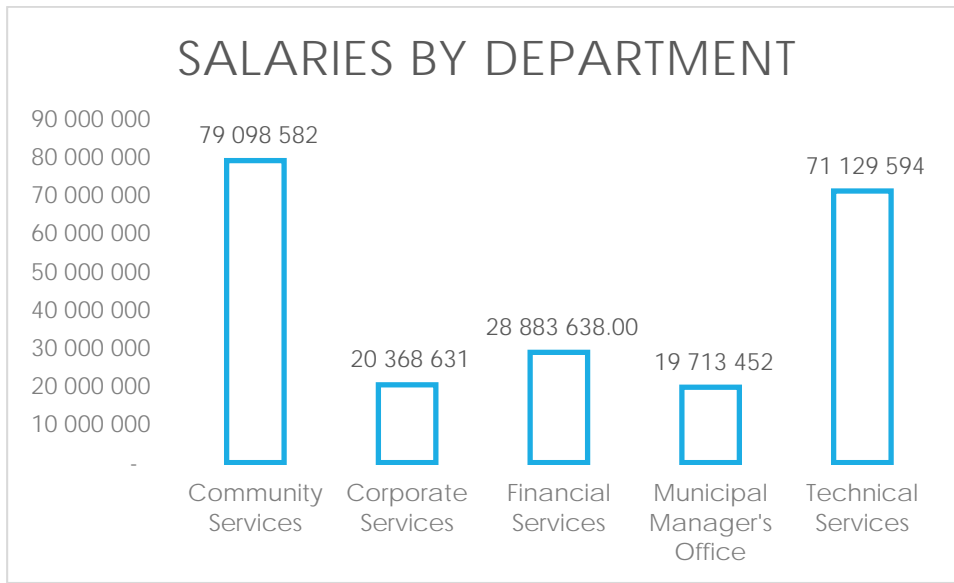
*Salaries and Councillors allowances*

Salaries are at 31 % of the operational budget, combined with Councilor remuneration, the salaries budget is at 33 % which is within the norm.

The salaries budget is split as follows:

Table 9

Department	Salaries	Post-Employment Benefit	Total Salaries
Community Services	79 098 582		79 098 582
Corporate Services	20 368 631		20 368 631
Financial Services	28 883 638	9 000 000	37 883 638
Municipal Manager's Office	19 713 452		19 713 452
Technical Services	71 129 594		71 129 594
	<b>219 193 897</b>	<b>9 000 000</b>	<b>228 193 897</b>



A total of R 219 million is the payroll budget and a total of R 9 million is the post-employment benefit provision according to the policy however the position of the vacant Executive Manager Corporate Services has been budgeted for.

#### *Social investment programmes*

1.4% of the total operating budget will be invested in social development programmes as follows;

Programme	Amount	%
Sports Promotion	3,320,000.00	33%
Art and Culture Promotion	1,266,000.00	13%
Youth Development Programs	4,100,000.00	41%
Women Development Programmes	340,000.00	3%
Children Programmes	220,000.00	2%
Senior Citizens and People Living with Disabilities	802,300.00	8%
	<b>10,048,300.00</b>	

#### **Drinking Water Quality**

The blue and green drop full assessments are conducted every 2 years, the last assessment being in 2014. . For the green drop, the full assessment covers the evaluation of the process control, waste water quality monitoring, submission of waste water quality results , effluent quality compliance , waste water quality risk management, by laws, waste treatment capacity and waste water assets management.

The Water Services Act, Act 108 of 1997 requires that the Water Services Authority must monitor the water drinking quality supplied to its consumers which must be in compliance with the requirements of SANS 241: Drinking Water.

The evaluation of the blue and green drop statuses is based on the following:

- a) The green drop is based on the cumulative risk ratio where a score below 50% is regarded as low risk by the Department of Water and Sanitation.
- b) The blue drop status on the other side is awarded to water supply systems that reaches a bench mark score of 95 % against the blue drop criteria.

For the last assessment occurred, the green drop status, it only focused on the following areas:

- i. Operational Capacity of waste water treatment plant.
- ii. Process Control Skills.
- iii. Waste water quality compliance and availability.
- iv. Implementation of waste water risk abatement plan

The outcomes for the schemes varied between 24% and 65% which is regarded as low to moderate risk position. The blue drop status dropped from 92.42% in 2012 to 89.94% and this score requires the following corrections:

- 1) The development and implementation of the water safety plan – which carries 35% score towards a blue drop score.
- 2) Investment in the filling of critical water care positions that looks after the treatment process management.

To improve on our systems and enhance our Blue / Green Drop status, the Municipality has entered into a service level agreement with uMgeni Water to service and maintain our Waster Water plants and to evaluate, and monitor the drinking water quality on daily basis.The quality of drinking water was certified safe to drink.

The green drop progress assessment results and the regulatory impression and overall CRR risk position indicate that all plants reside in low and moderate risk positions since the CCR ranges between 24% and 65%.

## **1.6. CAPITAL EXPENDITURE**

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

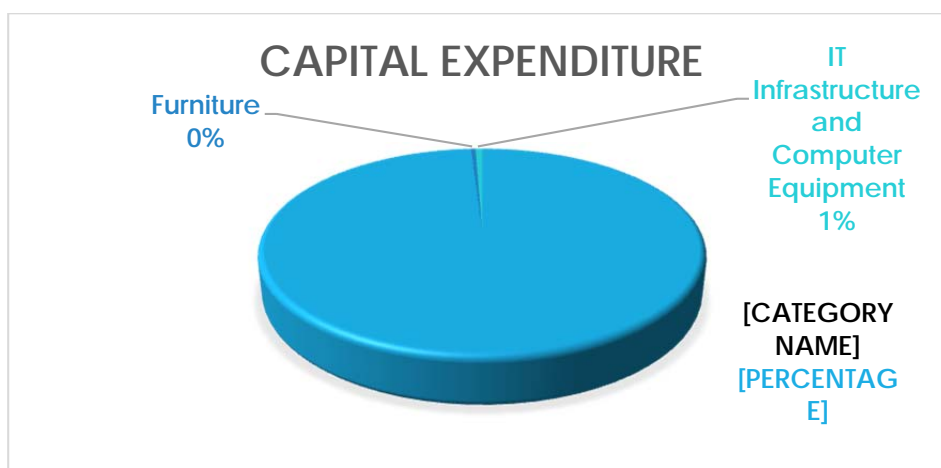
Almost 100% of the capital budget is allocated to the water function, which is aimed to advance the implementation of projects and ensure limited service interruptions and new capital investment in the service where the service delivery is a backlog.

Capital Project List 2017/2018						
Project name	Asset classification	Municipal Vote	Municipal area	Municipal ward	Funding source	Amount
Umshwathi regional bulk Water supply	Water Assets	Technical Services	Umshwathi LM	All wards	WSIG	62,998,000.00
Manzamnyama water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Nkanyezini water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Manyavu water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Maqongo water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 1	MIG	24,950,000.00
Hilton AC pipe replacement	Water Assets	Technical Services	Ungeni LM	ward 6	Borrowings	32,327,639.00
IT infrastructure	IT infrastructure & computer equipment	Executive and Council	uMgungundlovu DM	Municipal offices	Internal funding	1,200,000.00
Furniture	Furniture and fittings	Corporate Services	uMgungundlovu DM	Municipal offices	Internal funding	750,000.00
Rural Roads Asset Management strategy	Project expense	Technical Services	uMgungundlovu DM	All of UMDM	RRAMS	2,526,000.00
						<b>203,569,637.00</b>
Less non capital assets						(1,200,000.00)
						(750,000.00)
						(2,526,000.00)
<b>Total capital asset investment</b>						<b>199,093,637.00</b>

The total capital budget is R203.6 million which according to Table 13, which 97.8% will be spent on water related assets. An amount of R 2.5 million will be expensed as it relates to expenditure that cannot be capitalized due to the nature of the assets being acquired leaving a balance of R 201 million.

Due to financial management and avoidance in over investing on the service, the municipality will limit the investment on capital infrastructure implementation to be grant funded and the balance of the draw down loan which will be received during the 2017 financial year. The Mkhambathini area projects have been identified for prioritization in the 2016/2017 budget as the areas with highest number of water tanker hire and as such as part of the district strategy to reduce water tankering the areas can give quick wins in reducing water tanker dependency.

For institutional development and improvement of work flow efficiencies, the municipality anticipates to invest R 1.2 million for the upgrade of its ICT infrastructure.



## **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:

- 1.6.1 Projected inflation rate of 6.1 % for the 2017 /2018 financial year, 5.9% and 5.8% for both the outer years 2019 – 2020.
- 1.6.2 15% increase in bulk water cost from uMgeni Water.
- 1.6.3 Projected 7.2% increase in electricity charges.
- 1.6.4 7.36 % increase in employee costs in line with the Bargaining Council Agreement.
- 1.6.5 Job evaluation results have a R4 million financial implication.
- 1.6.6 No increases in the number of water tankers to be hired.
- 1.6.7 A minimum of 65% collection rate on service charges will be maintained.
- 1.6.8 Repayment of R23 million in interest charges repayable from the 2017/2018 budget year.

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

- MFMA Circular 85, 86 and the Provincial Treasury Circular PT /MF 6 OF 2016/217
- The slow economic growth conditions,
- Reduced services consumption due to drought and the urgency of the introduction of a cost reflective tariff for the water business to ensure sustainability.
- 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**

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.

#### **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme. Due to resignations, currently the Municipality has 1 (one) intern undergoing training in various divisions of the Financial Services Department. Of the five interns four have been appointed permanently (2 x buyers, Project Finance Officer and Creditors Clerk).The Municipality is the process of re filing the vacant positions for the interns.

#### **Budget and Treasury Office**

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

#### **Audit Committee**

An Audit Committee has been established and is fully functional.



### **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.

## **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 Finance Committee for uMgungundlovu District Municipality is the Budget Steering Committee and it consists of the Municipal Manager, senior officials of the municipality and representations from the political leadership under the leadership of the Mayor.

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 the IDP and budget time schedule on 06 September 2016. Key dates applicable to the process were:

- **July 2016** – 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 2015/16 MTREF;
- **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **January 2017** - 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 2017** – Multi-year budget proposals are submitted to the Management Committee for endorsement;
- **27 January 2017** - Council considers the 2016/17 Mid-year Review and Budget Implementation;
- **February 2017** - Council considers the 2016/17 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 2017** - Tabling in Council of the draft 2017/18, IDP and 2017/18 MTREF for public consultation;
- **April 2017** – Public consultation;
- **8 May 2017** - Closing date for written comments;
- **8 to 15 May 2017** – finalisation of the 2017/18 IDP and 2017/18 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
- **26 May 2017** - Tabling of the 2017/18 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

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

As part of the compilation of the 2017 /2018 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 2017 /2018 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 2016 /2017 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

2016/17 Financial Year	2017/18 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

# REPORT OF THE PUBLIC PARTICIPATION / IZIMBIZO ON THE IDP AND BUDGET 2017

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## 1. INTRODUCTION



**Figure 1 uMshwathi imbizo**

The Newspaper advert appeared on the Natal Witness and Echo Newspapers of ...April 2017 respectively. It called for the public's comments and inputs on the Drafts IDP and Budget 2017/2018. As shown on figure 1 below, the Honourable Mayor, Deputy Mayor, Speaker, Chief Whip supported by the Executive Committee and Councillors embarked on mass public consultations meetings at the above-mentioned municipalities within the District. The izimbizo were not held only at Richmond and Msunduzi. However, the District did hold the Oversight meetings on the Annual Report at these municipalities and also participated at their own public participation meetings in order to hear the views of communities and present the uMDM's programmes.

On 25 November 2016, the District also held an IDP Forum meeting where NGOs, CBOs, SoEs and Government Departments gave their inputs into the new IDP and Budget process. The outcome of the IDP Forum meetings was submitted to Council Structures as a separate Report.

Furthermore, the District's Mayors' Forum took a decision that Izimbizo were to be held jointly between the District and its LMs where possible. However, the LMs would still visit individual Wards in order to present and hear communities' views on the drafts IDP and Budget before they are adopted by the respective Municipal Councils.

**Table 1 Public Participation meetings/Izimbizo on IDP/Budget 2017/2018-by uMgungundlovu District Mayor**

<b>LOCAL MUNICIPALITY ALL COMMENCE AT 09H00</b>	<b>DATE</b>	<b>VENUE</b>
uMshwathi Local Municipality	05 April 2017	Cool Air Community Hall (Ward 7)
uMngeni Local Municipality	08 April 2017	Mpophomeni Sports Ground (next to the Police Station) (Ward 11)
Impendle Local Municipality	19 April 2017	Thusong Centre (Ward 3)
Mkhambathini Local Municipality	30 April 2017	Abebhuzi Sportsground (Ward 2)
Mpofana Local Municipality	06 May 2017	Bruntville Sportsground

## 1. Report per Local Municipality Imbizo

The report below per LM is semi-detailed, however all the issues can be grouped as summarized in the Matrix below as:

**Table 2 summary of issues categorized**

<p><b>INFRASTRUCTURAL</b></p> <ul style="list-style-type: none"> <li>▪ Employment at water projects</li> <li>▪ Wastage of water to be stopped</li> <li>▪ Poor roads</li> <li>▪ Housing</li> <li>▪ Electricity backlogs and need for infills</li> <li>▪ Interruptions in water supply</li> <li>▪ VIP toilets filling-up</li> <li>▪ Community halls, crèches,</li> </ul>	<p><b>ECONOMIC</b></p> <ul style="list-style-type: none"> <li>• Speed-up radical economic transformation: help with CoOps</li> <li>• Release of land for industrialization, agriculture, etc.</li> <li>• Job opportunities</li> <li>• Prioritize women and youth employment</li> <li>• Fast-track rural development</li> <li>• Indigent registers</li> <li>• Water meters to be accurate</li> <li>• Bursaries for learners and students</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>• Programmes for the elderly to be prioritized and budgeted for</li> <li>• Budget for Artists</li> <li>• Women and People with Disabilities</li> <li>• Communication to improve at all levels</li> <li>• Crime prevention and reduction to increase</li> <li>• Reduce Poverty</li> </ul>	<p><b>CROSS-CUTTING</b></p> <ul style="list-style-type: none"> <li>• Ward Councillors requested to hold regular meetings with communities and take issues up to the District</li> <li>• Need Operation Sukuma Sakhe to address most of the cross-cutting socio-economic issues</li> </ul>

It is noted most of the above matters were also noted in 2016 and are implemented in the current SDBIP and Budget. The new IDP and Budget will work at continuation and enhancement and also to accommodate the new areas. It should be noted that the above priority areas will be implemented

over the next five years. Furthermore, some need to be delivered by the Local Municipalities like housing, electricity and also some need partnerships with National and Provincial Government structures.

### 1.1. uMshwathi Local Municipality

Firstly, this was fully a joint Imbizo between the Local Municipality and the District Municipality. Therefore the Local Mayor presented first and she was followed by the District Mayor.

#### uMshwathi LM highlights:

The LM has R100 000 per Ward and have called for community proposals. Special programmes include: Agri-parks, RASET, Ward 1 Storm water -, Ward 4: sports field, upgrade kwaNtanzi road- Ward 5: R1.4 Bhamshela Taxi Rank, R1.9 million D11006, Ward 9, Ward 1-2 Transfeed-R5.5. Million, street lights, R1.7 mil crèche, community halls-across the Wards, Ward 7 R11 sports ground-from National Govt. Human Settlements Programme also presented.

Also projects by Sector Depts. Like DoT-re-gravelling

Cross-cutting: Learnerships /Internships

#### Water

uMshwathi system is not powerful as previously it was designed for Wartburg- Swayimane –need R2 billion to fulfil all. Work with Umgeni Water-a pipe from PMB-Mpolweni-Dalton-Ozwathini/Kwa Nondabuka. All will cost R2billion-in progress. With available funding-how to connect. Now a pipe to Mpolweni reservoir –it took 04 years-Council Resolution –Mpolweni, Albert Falls, Trsutfeed-Reservoir, Nadi-from borehole-now a reservoir. By end of June-Lindokuhle-Mpolweni-Swayimani-Brynsville-the reservoir at Wartburg to take water to Brynsville-R70 million by Umgeni Water / the partnership. Also the Swayimani community to get water. Also Trustfeed will get water from the new reservoirs. Significant impact will come through uMshwathi Regional Bulk , Mt Elias-there will be an elevated tank-to gravitate to Mtulwa-3 years from now R110 million, R100 million. Kwa Nondabuka, Mantobelo-Appelsboch-hospital to get water from the dam. Previously disadvantaged contractors will receive 30% of the work.

#### Sanitation

Business plan-R200 million, also the waste water treatment works-about to commence

Speaker said: Ward Cllrs to work on the issues raised -10 members and at War Rooms (B2B)-all will be discussed at the Wards.

Ndlela did the Vote of thanks.

#### Table 3 umshwathi municipality

ISSUES	RESPONSE
<b>WARD NUMBER: 1</b>	
Mike Zondi-commended the Municipality-water and sanitation programme, on youth-primary school. Mr PE Ngcobo-from farming areas-they need security of tenure	To be discussed at Ward meetings – see above
<b>WARD NUMBER: 2</b>	
Thandeka: commend the development-youth development-on learnership-they want to know on which financial year and ant tangible programmes	To be discussed at Ward meetings-see above
<b>WARD NUMBER: 3</b>	
-5 VDs-problem with electricity-last year during door to door promised its coming-Emtulwa, Mt Elias -akukho lutho: Kwa Toiltles-no development	To be discussed at Ward meetings-see above
<b>WARD NUMBER: 4</b>	
Mrs Dladla -NtanzieMgobandlovu-Ward 4-problem with	To be discussed at Ward meetings-see above

ISSUES	RESPONSE
toilets –KwaNtanzi, electricity, subsidized houses, Ntanzi road.	
<b>WARD NUMBER: 5</b>	
<b>WARD NUMBER: 6</b>	
Mzikayise kwa Janobe –no water they drink with animals  Mr. M Ngubane-people selling water have reported before and don't see a follow-up-those who don't have money don't get water. Also please increase the jojo tanks at the Wards. Also Imbizo must visit all Wards. On Disaster Management: they gave details-but officials put it on a data base yet there are delays. On learnerships those trained must be given employment-contractors must not import workers from outside. Also on the crèche.	To be discussed at Ward meetings
<b>WARD NUMBER:7 to 14 (to be incorporated )</b>	
<b>WARD NUMBER:9</b>	

## 2. uMngeni Municipality



### ***uMngeni Local Municipality***

**12 April 2017**

<b><u>NAME &amp; SURNAME</u></b>	<b><u>WARD NUMBER</u></b>	<b><u>COMMENTS</u></b>



Dintle Mogale	Ward 1	Request for addition of water tanks since the community is only serviced by one water tank.
Lindiwe Zitha	Ward 1	Addition of water tanks and also new septic tanks
Mrs Mtolo	Ward 1	Request for a communal septic tank.
Thabo Mofokeng	Ward 3	Request for trucks that pull up waste to visit every house, some other houses are left unserved. Request for water tanks to be fenced and also for our meters to be repaired.
Philile Ndlovu	Ward 4	Jo O-jo tanks trucks come regularly however we have few water tanks, we request for additional water tanks and also request for toilets the ones we currently using are full.
Nosipho Mchunu	Ward 4	Shortage of water or water cut are constant problem we therefore request that during these times the district send a water truck to service the community.
Thandanani Luvuno	Ward 8	Environment champs to be adopted by local municipalities as a broad programs. Establish street theatre to educate people about saving water. Due to water shortage/ water cuts people stay without water for more than 3 months we request that the district takes necessary measures to solve this problem.
Cllr Nkuna	Ward 4	Ward four had toilets build out of blocks and most of them got full and others have collapsed. There are 52 households in the community and are in need of the VIP toilets, I therefore request that this matter takes priority. <i>Alighton farm community:</i> there are 12 houses in this farm and they are using unhealthy toilets and are getting full every now and again, request for VIP toilets. <i>Lidgetton:</i> people from these households are using unhealthy pit toilets and have run out of space and conditions are very unhygienic, the kind of septic tanks that were placed in these houses are very small they never functioned and most of them blocked as early after they were placed. The turnaround time for honey suckers at times takes too long whiles people sitting with spilling tankers and human waste flowing in their yard, I further request that this issue takes priority.
Thokozani Ndlovu	Ward 8	District officials introduced a water and sanitation program, we would like to know exactly when they are coming back to us. No sanitation facilities and water.
Nelisiwe Msomi	Ward 9	We are in need of toilets.
Bazooka Ncube	Daigle farm	No infrastructure in terms of water and sanitation
Mlondi Cele	Ward 10	Request for uMgungundlovu to partner with DUCT in

		the community in regards to saving water, reporting burst pipe or leakages. There is a high water loss.
Thembalani Mnikathi	Ward 11	We don't have water

### 3. iMpendle Local Municipality

**19 April 2017**

Thandaza Nkabinde	Ward 1	How far is the sanitation program
Zanele Funeka	Ward 2	We don't understand how the meter reading is done, meter readings are never done but when the statement comes, it brings up a very high amount, how is billing done.
Qutshini Mashange		for water provision in our local garage
Zipho Zuma	Ward 2	Water cuts are a major issue as well as the billing we do not understand how the district is billing us because no one ever comes to take any meter readings.
Zanele Funenga	Ward 3	We would like the district to inform us of any water cuts happen so we can spare ourselves some water.
Cele	Ward 4	Request for ward connections, we can afford to pay R550 monthly.

### 4. Mkhambathini Local Municipality

**30 April 2017**

Thembeke Mcandi	Ward	Request for a water tank
Ntombifuthi Magwaza	Ward 7	Water shortage is a constant issue, we report but we do not get any assistance.
Zweli	Ward 7	It is 2017 and we are still using water cans, we need taps with running water
Sphiwe Khetha	Ward 5	Requesting for taps even if it is one per street.
Mrs. Mzolo	Ward 2	We have no water supply, request for addition of water tanks.
Themba Mbanjwa	Mlazi road	What will be the time frame for water and sanitation programs
Phumla Mthetwa	Ward 1	Request for new toilets Request for the district or our local municipality to train people on how to maintain our toilets.

## 5. Mpfana Municipality

**Table 4 Matrix on issues raised by communities and responses of the leadership**

ISSUES	RESPONSE
<b>WARD NUMBER: 1</b>	
Toilets at Rosetta and project through Umgeni pipeline and treatment plant. While they wait for the housing development.	
Qinisela Zuma-in all previous terms-they have not been appearing in the IDP yet there are Ward Committees. They appreciate the water and toilets. But on land care project that came through Isilo it came to the wrong place and not where it is needed.	
Mabutho Dladla-on farm dwellers	The LM does take note of the communities that reside on the farms.
Mr Mkhize :Ward 1 He lives in a shack in Bruntville area-still he lives there with his children	He is in the Lakeview housing list and for jobs e Clinic. Was in Group Five.
<b>WARD NUMBER: 2</b>	
Richard Mkhize-the elderly people don't have tracksuits, houses are mud houses, poor access roads. They have land-but problem is water. They have gardens-but water is a problem. Also there is weak Cellphone network at Mpfana area.	On Human Settlements the programme is not the same as in urban areas due to the ITB's land.
Mr. Mtatazeli Qoma- since 2010 he registered for housing he has been on the waiting list-he's been told he is on top of the list.	On Mr Qoma-housing-now at Summer Hill he has no house-on Rural housing may be its because has been all over
Rosetta housing needs	At Rosetta the comment is noted, the housing is a priority. The Human Settlements Dept. does now allow housing before piped water.
Cellphone network is a problem at Mpfana area	The Cellphone network is a priority of the LM
<b>WARD NUMBER: 3</b>	
Mr Israel Ndlovu- Housing project is said to be a priority-e.g. where is the promised housing project. They need to be respected-at Phumlas-the housing project is stalled e.g. at hostel.	At Phumlas on 15 May 2017 the contractor will come back for the housing project.
Mfundo Zuma-on radical economic transformation-can't even secure a piece of land on industrial sites-even town planner-say it's privately owned or belong to the municipality. They wrote a letter to MM.	The comment on radical economic transformation is upheld and to be implemented through the summit. The LM is committed to its urgency.
Mabutho Dladla-on youth development it's not only about sports, what about arts. They request to form Co-Ops-also the	The MM committed to attend to this with Manager L.E.D.

ISSUES	RESPONSE
artists that perform here are paid too little-the M.E.C. had a problem-they are given R500 but supposed to get R5000 where is the other money.	
<b>Rosetta</b>	
<b>WARD NUMBER: 4</b>	
Emgqula: no title deed, toilets, electricity. Need to know who to liaise with.	At Vrystad farm-there was a plan-but there was a dispute by the Mhlongo family and the plan was disturbed. A letter was written to the District to attend to the toilets. On
Mrs. Mfuphi-commends the water tanker that services their area. They can see electricity coming but request it to be fast-tracked. Requested	The commendation is noted. Although it's still through a jojo tank, however there are efforts to improve. On electricity the municipality is still in the process. On outages they are being dealt with. The LM does not have a licence for this Ward , but they are also connecting people although its Eskom's area
Ntombifikile Sibiyi-no water, roads, network, electricity-children travel 15 kms by bakkies to school at R300 per month. They compete with donkeys, cattle for water. They have land for housing but there is no grazing land. The issue of transport	
Enoch Behngu-D774-the road needs to be upgraded up to D 509, Yashwana, Sgubuda and Zwelisha needs access road. Some roads have been washed away by storm water and they need a tar road. On water: they at least see a change but they want a schedule on water tankers-so that the drivers can be monitored. Sgubudo not even one jojo tank. A need for maintenance. On electricity they request: addition on electricity since the houses are scattered. Cellphone network-they don't have it at all.	The LM to work on access roads and that they work with the DoT. On Rondeboch the DoT took over and also on the maintenance budget like to hire a grader.
Buselaphi: Esidudu-Jojo is far and they need a crèche as the one they have is not to the standard. The subsidy they get from the DSD is not sufficient. They have a Co-Op.	The issue of water will be attended to by the District and that of the crèche by the LM
<b>WARD NUMBER: 5</b>	
Mr. Phumulani Ngubane Musicians at Mooiriver –need support as they feel they are neglected, they need support like with instruments and uniforms. Mabutho-artists are supposed to be paid according to the Department of Arts and Culture rates (R5000 not R500)	The LM will have programmes and the grants in aid vote need to be revived and allocate the appropriate funding for the artists. In future the District and LM will ensure that local artists are paid accordingly.
Mr. Mzo Ndlovu-raised concerns on consultation, the disclaimer on Mpofana LM they are still waiting that they will be told when the Region and District will do investigation?	The Mpofana leadership advised that this matter is being addressed. The programme on pipe

ISSUES	RESPONSE
<p>There are allegations of corruption on funds that were meant for Ward 5. They asked for officials to come to Ward 5 and no one came. They are saying this is the first time they are called. There are water interruptions-last time it was greed there will be new pipes on water. When water is interrupted-even the jojo tank does not reach everyone.</p>	<p>replacement is ongoing and implemented throughout the District.</p>
<p>Mondli Mtshali e Grove-issues from the farms need attention e.g. Sierra Range-at Grove. The water tanker driver does not respect community may he be changed before the community man-handle him.</p>	<p>At Mpofana generally electrification is going well-one of the few LMs to reduce consumption of electricity-the LM received R6million-on energy reduction: change of globes, streetlights, etc. Request cooperation Mr Kamanda-was sent to deal with the matter on the housing development and for the uMDM to provide water-there is going to be an SLA between the UMDM and the LM. A farms housing project will be implemented.</p>
<p><b>General comments</b></p> <p>Jonas Makhi Middle feed-they have electricity but it's not connected, bad houses-that are collapsing, they request houses.</p> <p>Mr K Sokhela kwaMqenula-commends the District on water programme, although there are challenges on water tankers. On boreholes-he had hoped it was water per households- so they still request water to come into all houses. He noted the Deputy Mayor's commitment that by 2021 all houses will have on the yard water connections. They installed electricity by themselves as the community and some of the Mqenula communities lag behind on electrification. He also wants to form a Co-Op and needs assistance to form that Co-Op since he has an idea. There's a land towards Howick to form a Truck stop.</p> <p>Mpofana Mayor: on water tankers schedule-request the community to allow the water tanker drivers to work and not to pay drivers money. They appreciate the new water tanker after the partnership between the uMDM and CoGTA.</p> <p>Also the Mayor responded to Mabutho's issue to develop artists. The LM commits to fund events. Ubaba that need a house-can he submit his details. The Lakeview project at Ward 5 will be implemented and others and the rural housing.</p> <p>Speaker: noted the complaints-at Ward 4-they will work with the Ward Cllrs and also on the pipes replacement. In the entire District-not current budget but designs are there.</p> <p>On Mabutho-artists are supposed to be paid R500 not R5000-the uMDM appointed a service provider for these izimbizo-we wanted to use community halls not marquees-it depends on our planning-to be able to pay artists better.</p> <p>The matter raised by Jonas-needs to be attended to by Sukumasakhe- its urgent.</p>	

## **2.5 OVERVIEW OF BUDGET RELATED POLICIES**

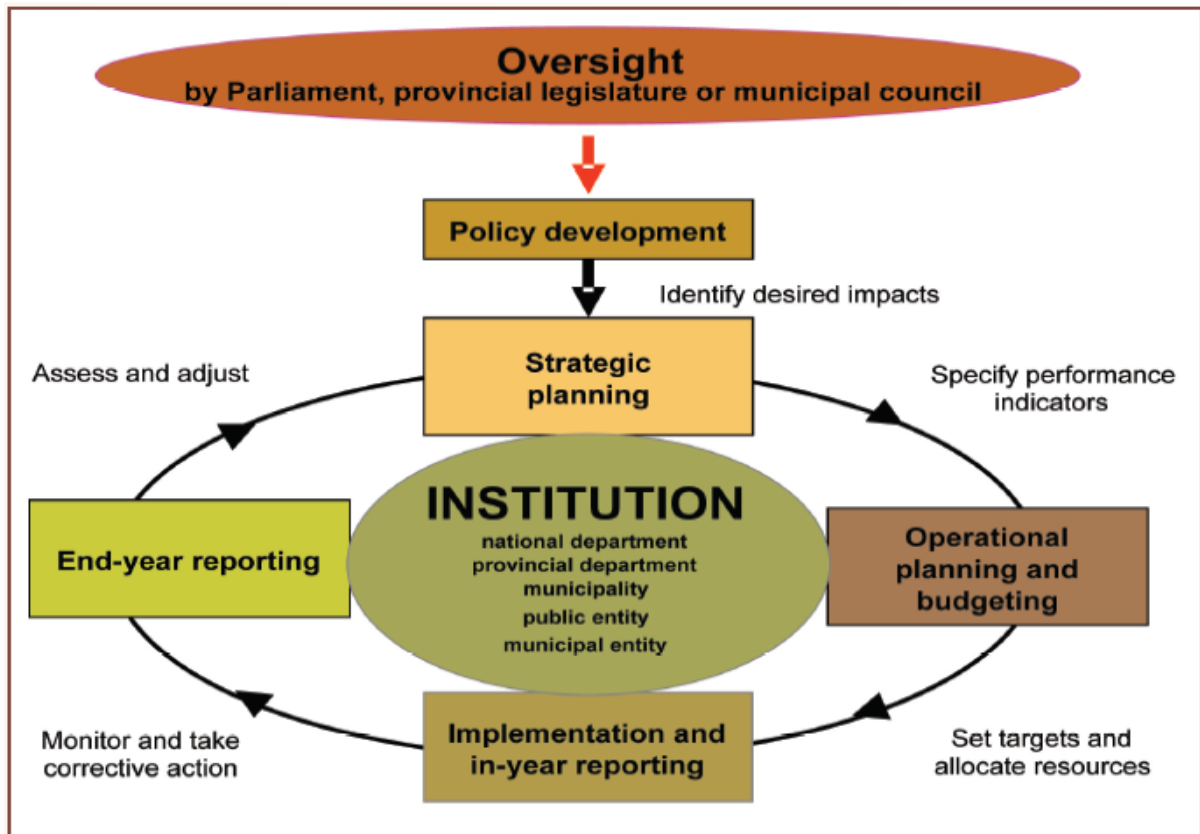
The following budget related policies were reviewed and are being used:

- I. Budget Policy
- II. Supply Chain Management Policy
- III. Borrowing Policy
- IV. Post Retirement Provision Policy
- V. Debtors and Credit Control Policy

## **2.7 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality uses the performance management system of which system is in line with the requirements of the National Treasury and Department of Cooperative Governance and Traditional Affairs which is constantly refined as the integrated planning process unfolds and the requirements evolves. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is indirectly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly through the oversight report during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The municipality has a functional oversight committee and functional war rooms. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting and exceeding expectations of our communities and relevant stakeholders. The municipality therefore has adopted an integrated performance management system which encompasses:

- Back to back basics reporting
- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

### 3 SUMMARY OF KEY FINANCIAL RATIOS

#### Key Financial Ratios

##### ASSET MANAGEMENT

Capital Expenditure to Total Expenditure

Repairs & Maintenance as % of PPE & IP

##### LIABILITY MANAGEMENT

Capital Cost as % of Operating Revenue (Excl Front loading)

Total Borrowings as % of Revenue (Excl Front loading)

##### EFFICIENCY

Net Operating Surplus Margin

##### EXPENDITURE MANAGEMENT

Remuneration as % of Total Operating Expenditure

Contracted Services % of Total Operating Expenditure

	Audited	Audited	Audited	Forecast
Norm	2013/2014	2014/2015	2015/2016	2017/2018
10% - 20%	17%	27%	32%	22%
8%	1%	2%	1%	10%
6% - 8%	1%	3%	3%	6%
45%	12%	57%	42%	46%
= or > 0%	19%	-6%	-2%	5%
25% - 40%	30%	29%	28%	32%
2% - 5%	26%	21%	23%	38%



## 2.9 Municipal manager's quality certificate

I, TLS Khuzwayo, Municipal Manager of uMgungundlovu District Municipality, hereby certify that the Medium Term Revenue and Expenditure Forecasts for 2017/2018 and documentation have been prepared in accordance with the Municipal Finance Management Act, 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      SIBUSISO KHUZWAYO

Signature      \_\_\_\_\_

Date      \_\_\_\_\_