

SUNDAYS RIVER VALLEY MUNICIPALITY



**DRAFT MTREF BUDGET FOR 2019/20
FINANCIAL YEAR**

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SUNDAY'S RIVER VALLEY LOCAL MAYORS BUDGET SPEECH

Honourable Speaker

Executive members

Councillors

Officials

I greet you all in the name of service delivery.

The 2019/2020 draft budget comes at a time where the President of the Republic of South Africa has called for a stimulus package and the implementation of the recovery plan in order to stimulate the economy.

The municipality understands that local government plays a pivotal part in the turnaround of the current economy. The following remedies must be applied, ensuring we respond positively to the call when draft:

- fiscal prudence
- renewed attitude towards revenue management,
- improvement of governance and financial management to support service delivery
- and the long awaited plan to infuse consequence management for maladministration

Despite economic and fiscal challenges, the municipality's budget is prepared from realistically anticipated revenue. Given the stagnant growth in the municipal revenue basket, the municipality had to prioritise on project expenditure, cut out spending not aligned to IDP and National key objectives and implement stringent cost-containment measures.

In conclusion, I would like to inform the community that Sundays River Valley Municipality will improve their efforts to limit non-priority spending and remains committed in improving its service delivery. I also would like to express my appreciation to my fellow Council members, the Acting Municipal Manager, The Chief Financial Officer and all other staff for their support, cooperation and hard work during the preparation of the budget as well as IDP.

I Thank You

COUNCIL RESOLUTION

1. That in terms of the section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the Sundays River Valley Municipality for the financial year 2019/20; and indicative allocations for the two projected outer years 2020/21; and 2021/22; and the multi-year and single-year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial performance (revenue and expenditure by municipal vote and standard classification);
 - 1.2. Budgeted Financial performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
 - 2.1. Budgeted Financial position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of Section 42(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by sources, are approved with effect from 1 July 2019
4. That the draft budget be approved subject to the proposals made by the Mayor to be considered in the final budget.

1.3 EXECUTIVE SUMMARY

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

National Treasury's MFMA Circular No. 94 used to guide the compilation of the 2019/20 MTREF.

The main challenges experienced during the compilation of the draft 2020 MTREF budget can be summarised as follows:

- On-going national and local economy difficulties
- Collection rate not being at the desired levels to ensure cash backed budget is approved
- The need to prioritise projects and expenditure within the existing resources given the continued cash flow challenges within the municipality
- The increased cost (above consumer inflation) of bulk electricity water, is placing upwards pressure on the municipal service tariffs which is unfavourable for residents
- Implementation of SCOA overwhelmed the budgeting process as the mSCOA versions keeps on changing and the budget has to be compliant with the 6.3 mSCOA classification framework
- Wage increases for municipal staff and Bulk purchases that continue to exceed consumer inflation

The following budget principles and guidelines directly influenced the compilation of the draft annual budget of 2019/20:

- The 2018/19 Adjustment budget priorities and targets
- The base line allocations contained in the Adjustment budget were adopted as upper limits for the new base line for the 2019/20 draft annual budget
- Tariff and property rates increase should be affordable, cover the cost of bulk services and not exceed consumer inflation except where there are price increase in inputs beyond the municipality's control
- There will be no budget allocated to national or provincial funded projects unless the grants to the municipality are gazetted in the Division of Revenue Act
- The funding constraints with regards to the low available funding for the Capital Budget through the Cash backed Reserve

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/20 draft budget:

Table 1 : Consolidated Overview of the 2019/20 MTREF

Description	2019 Medium Term Revenue & Expenditure Framework				
	AFS 2017/18	Final Budget 2018/19	Original Budget Year 2019/20	Original Budget Year 2020/21	Original Budget Year 2021/22
R thousand					
Total Revenue	(271 676)	(279 005)	(276 658)	(261 890)	(279 551)
Total Expenditure	196 134	303 714	254 335	272 501	290 352
(Surplus)/Deficit for the year	(75 542)	24 709	(9 803)	(2 460)	58 955
Total Capital Expenditure	98 686	104 559	87 628	54 568	58 744

Total operating revenue has decreased by 0.5 percent or R 1.1million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue will decrease by 5.6 percent in the 2020/21 budget and increase by 6.5 per cent in the 2021/22 budget.

Total operating expenditure for the 2019/20 financial year has been appropriated at R 254 335 million and translates into a budgeted surplus of R9.8 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has decreased by 16 per cent in the 2019/20 budget and gradually increases by 9 per cent for each of the respective outer years of the MTREF.

The capital budget of the municipality has decreased by R16.9million or by 16 per cent for the 2019/20 financial year when compared to the 2018/19 Adjustment Budget. A substantial portion of the capital budget will be funded from government grant transfers. The balance will be funded from internally generated funds provided all anticipated revenues are received.

1.4 OPERATING REVENUE FRAMEWORK

For the municipality to achieve its set targets in terms of service delivery it needs to generate sufficient revenue. Strong revenue management is thus critical in these tough economic times.

The Municipality's revenue management strategy includes the following key components:

- Growth in the revenue base;
- Efficient revenue management and debt management
- Improved municipal revenue policies, billing and collection practices
- Ensuring fully cost reflective tariffs for trading services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.

Table below is a summary of the draft 2019/20 MTREF (classified by main revenue source):

Table 2: Summary of Revenue classified by main revenue source

Description	2019 Medium Term Revenue & Expenditure Framework					
	R thousand	AFS 2017/18	Final Budget 2018/19	Original Budget Year 2019/20	Original Budget Year 2020/21	Original Budget Year 2021/22
Revenue By Source						
Property rates	(35 121)	(41 407)	(43 560)	(45 912)	(48 391)	
Service charges - electricity revenue	(21 124)	(25 061)	(26 890)	(28 826)	(30 902)	
Service charges - water revenue	(12 268)	(19 947)	(20 985)	(22 118)	(23 312)	
Service charges - sanitation revenue	(4 607)	(6 574)	(3 328)	(3 508)	(3 698)	
Service charges - refuse revenue	(8 571)	(6 615)	(6 986)	(7 363)	(7 761)	
Rental of facilities and equipment	(55)	(68)	(69)	(73)	(77)	
Interest earned - external investments	(1 498)	(1 293)	(1 360)	(1 496)	(1 645)	
Interest earned - outstanding debtors	(8 245)	(10 675)	(11 238)	(11 845)	(12 485)	
Dividends received						
Fines, penalties and forfeits	(2 768)	(3 162)	(3 328)	(3 508)	(3 697)	
Licences and permits	(1 666)	(1 693)	(1 723)	(1 816)	(1 914)	
Agency services	(2 576)	(2 859)	(3 007)	(3 170)	(3 341)	
Transfers and subsidies	(72 928)	(77 994)	(85 167)	(93 006)	(107 020)	
Other revenue	(608)	(561)	(597)	(630)	(664)	
Gains on disposal of PPE		(300)				
Total Revenue (excluding capital transfers and contributions)	(172 033)	(198 209)	(208 238)	(223 269)	(244 905)	

Explanatory Notes

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2018/19 financial year, revenue from rates and services charges totalled R99.6 million. This increases to R101.7 million in 2019/20, and will grow at an average annual rate of 5.8 per cent in the respective outer financial years of the MTREF. This growth is mainly attributable to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. National treasury has insisted that the municipalities must budget for the collection rate and not on accruals so to ensure that the budget is cash backed.

Interest earned for outstanding debtors has been budgeted using the 2018/19 final budget baseline. Furthermore, it would be best practice for Council to write off outstanding debt where the likelihood of generating this income is low i.e. indigent households frequently. These foreseen write offs, will affect the final interest earned amount in the final budget and become more realistic at the end.

Cost Reflective Tariffs

Tariff setting is a pivotal part of budget compilation. National treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Sundays River Valley has maintained an increase of 5.2% in line with the CPI but this is not a good measure for the municipality as the gap between cost drivers and tariff levies steadily widens.

The percentage increases of both Eskom bulk tariffs are relatively beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

The municipality is currently working with the District municipality to ensure we set tariffs appropriately. This will ensure we are able to generate sufficient revenue to attend to service delivery backlogs and create financial sustainability. The municipality should therefore prepare itself to make hard decisions when the final report is released regarding the current state of tariffs, should the need arise.

Annexure is attached for the proposed tariff increase.

Transfers recognised as operational receipts is the second largest revenue source totalling 41 per cent or R85,1 million rand and increases to R93 million by 2021/22. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3: Operating Transfers and Grant Receipts

EC106 Sundays River Valley - Transfers and grant receipts			
Description	2019/20 Medium Term Revenue & Expenditure Framework		
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand			
RECEIPTS:			
<u>Operating Transfers and Grants</u>			
National Government:	108 676	94 377	103 722
Local Government Equitable Share	79 777	86 565	94 146
EPWP Incentive	1 019		
Integrated National Electrification Programme	25 000	4 500	6 000
Finance Management	2 880	3 312	3 576
District Municipality:	1 390	1 439	1 583
Environmental Health	1 390	1 439	1 583
Fire			
Provincial Government	1 341	1 415	1 415
LIBRARY	1 341	1 415	1 415
Other	250	275	300
LGSETA	250	275	300
Total Operating Transfers and Grants	111 657	97 506	107 020
<u>Capital Transfers and Grants</u>			
National Government:	25 612	26 856	28 646
Municipal Infrastructure Grant (MIG)	25 612	26 856	28 646
Provincial Government	17 808	7 265	-
Small Town Revitalization	17 808	7 265	
Total Capital Transfers and Grants	43 420	34 121	28 646
TOTAL RECEIPTS OF TRANSFERS & GRANTS	155 077	131 627	135 666

**Note figures contained within tables are derived from Division of Revenue Act 2018*

1.5 OPERATING EXPENDITURE FRAMEWORK

The municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- The balanced budget approach by limiting operating expenditure to the operating revenue;
- Strict adherence to the principle of "no budget allocations without a project implementation plan"; and
- Operational gains and efficiencies will be directed to funding the capital budget and other core services

The following table is a high level summary of the 2019/20 draft budget and MTREF (classified by main type of operating expenditure)

Table 4: Summary of Operating Expenditure by standard classification framework

Description	2019 Medium Term Revenue & Expenditure Framework					
	R thousand	AFS 2017/18	Final Budget 2018/19	Original Budget Year 2019/20	Original Budget Year 2020/21	Original Budget Year 2021/22
Expenditure By Type						
Employee related costs		61 823	71 454	76 773	81 956	87 488
Remuneration of councillors		6 819	7 054	7 541	8 050	8 594
Debt impairment		22 726	79 761	22 089	24 298	26 727
Depreciation & asset impairment		28 083	37 803	40 146	44 161	48 577
Finance charges		1 950	16 265	2 830	3 113	3 424
Bulk purchases		20 200	22 962	16 692	17 894	19 182
Other materials		3 385	4 879	13 982	14 737	15 532
Contracted services		20 519	28 973	34 957	36 845	38 835
Other expenditure		26 057	29 534	37 800	39 841	41 993
Loss on disposal of PPE		4 572	5 029	1 524	1 606	1 693
Total Expenditure		196 134	303 714	254 335	272 501	290 352

Explanatory Notes

Employee Costs

The budgeted allocation for employee related costs for the 2019/20 financial year totals R76.8 million, which equals 30.2 per cent of the total operating expenditure. The salary increase for this financial year has increased by 6.75 %, which is the approved CPI and approved collective SALGBC agreement.

Currently, job evaluations assessments are happening throughout the Eastern Cape. There is a direct link of the grading of the municipality to this process. The municipality must ensure the proper fitness exercises performed to handle the grading impact on employee cost budget.

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipal budget.

Debt Impairment

The provision of debt impairment for the 2019/20 financial year equates to R22 million based previous budget assumptions as the annual collection rate has not been calculated appropriately. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Depreciation and Impairment

Provision for depreciation and asset impairment has been informed by the Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total to R40.1 million that equates to 16 per cent of the municipal budget.

Bulk Purchases

Eskom Holdings directly inform Bulk purchases. The annual price has not been finalised yet for local government however, the draft budget is reflective of the actual increase of 7.3 percent in the current year of 2018/19.

Bulk water purchases meet the criteria of the definition of inventory as per GRAP 12, paragraph .07. Therefore, water bulk purchase are budgeted for as inventory hence the decrease of R6.3 million when compared to 2018/19 financial year.

Finance Charges

Finance charges consist primarily of the repayment of interest on outstanding creditors, finance lease interest and unwinding interest for landfill site. Finance charges amount to R2.8 million for the 2019/20 financial year, a decrease of R13.4 million when compared to 2018/19 financial year.

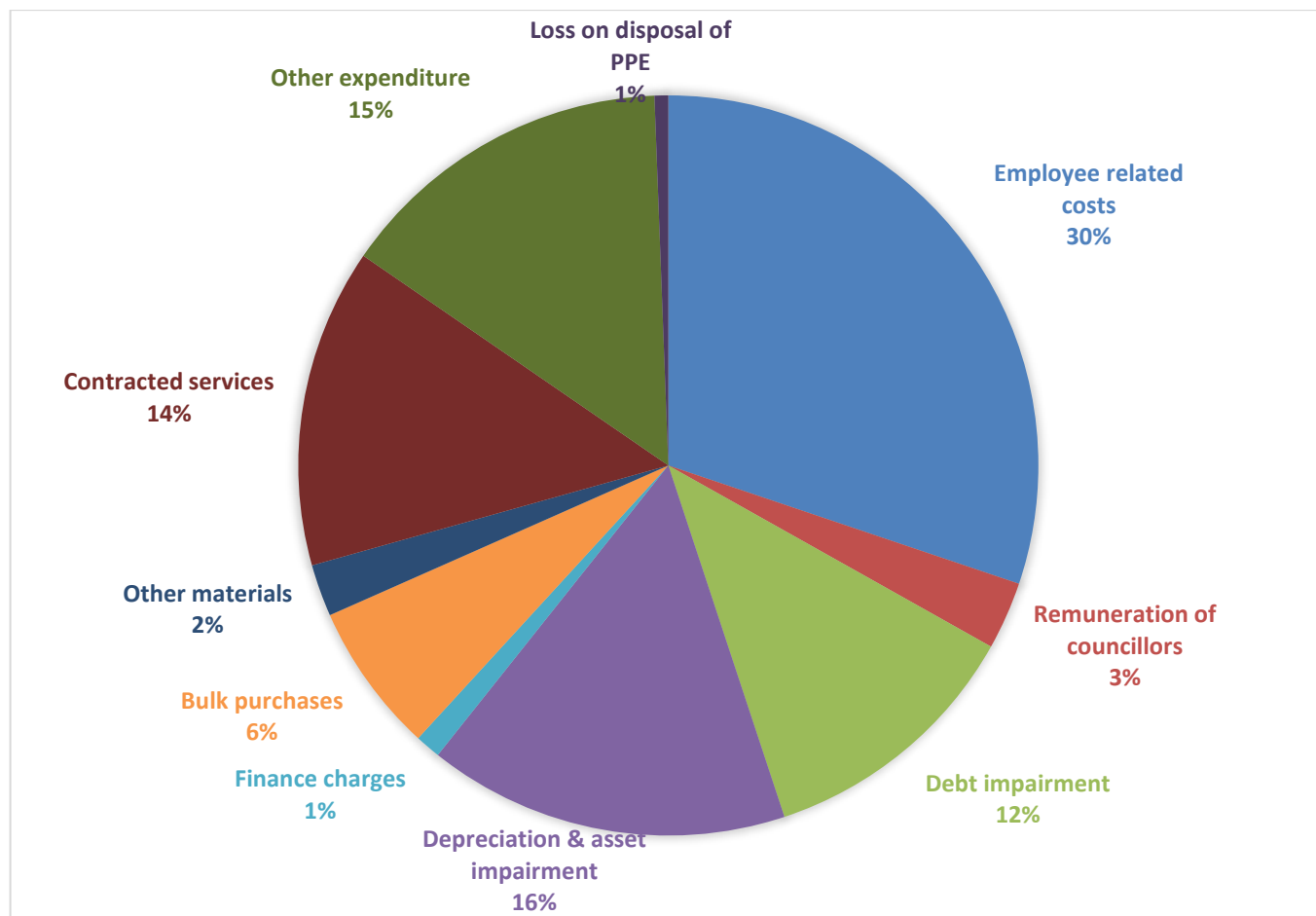
It should be noted the decrease result from annual unwinding of landfill sites' NPV (Net Present Value) after implementation of the new standards in 2018/19 financial year.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This

group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. This results from budgeting for all repayments thus decreasing our creditor thus ensuring sound financial management in the future.

The following table gives a breakdown of the main expenditure categories for the 2019/20 financial year.



1.6 CAPITAL EXPENDITURE

Description	2019 Medium Term Revenue & Expenditure		
	Original Budget Year 2019/20	Original Budget Year 2020/21	Original Budget Year 2021/22
R thousand			
Furniture and Office equipment	395	399	403
Motor vehicles	4 100	-	-
Construction WIP	44 664	47 076	49 618
Intangible	190	190	190
Building	700	738	778
Electrification Program WIP	25 000	4 500	6 000
Property Plant and Equipment (Yellow Plant)	10 999	-	-
Infrastructure Assets	830	875	922
Plant and Machinery	750	791	833
Deficit for the year	87 628	54 568	58 744

The Municipal Capital Budget is R87.7 million for the 2019/20 financial year. When compared to the 2018/19 budget, a R16.9 million decrease is noted. This is mainly attributable to but not limited:

- reduction of allocation amount;
- fewer departmental plans received for capital acquisition and;
- Cash constraints

Total value of new assets to acquire represent R18 million of the total capital budget while renewal assets amount to R69 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

Augmentation of Bulk Water Infrastructure to the Valleys of Enon and Bersheba	2360 000.00
Upgrading of Sewerage Network in Addo	3 740 000.00
Upgrading of Sewerage Network in Paterson - Phase 1	4 186 000.00
Upgrading of Roads & Stormwater in Enon and Bersheba - Phase 1	
Upgrading of Sewerage Network in Paterson - Phase 2	3 080 000.00
Upgrading of Langbos Bulk Water Supply	3 080 000.00
Upgrading of Langbos Bulk Sewer	3 080 000.00
Upgrading of Kirkwood Taxi Rank	1 930 000.00

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

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 a time schedule that sets out the process to revise the IDP and prepare the budget

The 2019/20 MTREF Budget preparation commenced in August 2018 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). Sections 1.8 and 1.9, present an overview of the Operating and Capital Budgets respectively, with high level tables, which provide an overall picture of the Municipality's finances.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives.

2.2 FINANCIAL MODELLING

As part of the compilation of the 2019/20 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt)
- Performance trends
- The approved 2018/19 adjustments budget and performance against the SDBIP
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 94 has been taken into consideration in the planning and prioritisation process

2.3 FREE BASIC SERVICE

The municipality is currently working with ward committees, in terms of improving its Indigent register updates and Management of Indigent. Currently the municipality provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) Kilowatts of electricity per property per month to registered households will apply.
- Refuse Removal: A subsidy, not more than the applicable tariff for the 2019/20 financial year, will be applied for the duration of the financial year.
- Sanitation: A subsidy, not more than the applicable tariff for the 2019/20 financial year, will be applied for the duration of the financial year.
- Water: A subsidy of 6 Kilolitres of water per property per month to registered households will apply.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Review of credit control and debt collection procedures/policies

The credit control and debt collection policies as approved by Council in 2019 is still to be reviewed. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt, applying fixed interest instead of prime plus one for outstanding debt of customers.

In addition emphasis has to be placed on speeding up the indigent registration approval by Council prior to the final 2018/19 Annual Budget and MTREF process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

This policy is being reviewed and an amended policy will be given for extensive consultation by Council

Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

This policy not reviewed for 2019/20 financial year

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2018 has been reviewed.

This policy not reviewed for 2019/20 financial year

Tariff Policy

The Municipal Systems Act requires a municipality to have a tariff policy. One of the challenges in setting tariffs is ensuring affordable tariffs whilst maintaining financial stability.

The tariff policy tries to address this issue and creates a foundation for the principles that address social, economic and financial imperatives that the process of tariff setting should take into account.

This policy not reviewed for 2019/20 financial year

Rates policy

Sundays River Valley has adopted a rates policy which is line with legislative requirements. The policy became effective 01 July 2018.

The policy provides that properties be rated based on their market value. The valuation roll is still valid for one year.

This policy not reviewed for 2019/20 financial year

Indigent Policy

This policy approved during the 2018/19 financial year.

Sundays River Valley municipality is committed to ensure that all households have access to its services. Due to the fact that Sundays River Valley Municipality has a high level of unemployment and seasonal workers, the municipality decided to adopt an indigent policy. This policy will ensure that poor households have at least access to basic services.

This policy not reviewed for 2019/20 financial year

Banking and Investment policy

As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cashflow management program.

This policy not reviewed for 2019/20 financial year

Policy on the writing off of irrecoverable debt

Despite strict enforcement of the credit control and indigent policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the Credit Control Policy, inter alia, stipulated that:-

The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.

In addition, the policy further stipulates that:-

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalized.

This policy not reviewed for 2019/20 financial year

Financial management policy

This policy incorporates amongst others regulations relating to:

- General budgeting principles and processes
- Levying of tariffs, fees and charges
- Collection and control of income
- Operating expenditure
- Capital expenditure
- Creditors and payments
- Salaries & Wages
- Petty Cash
- Asset management
- Investments
- Risk management and Insurance

This policy not reviewed for 2019/20 financial year

It should be noted that these policies will be reviewed by May 2019 and work shopped to Councillors accordingly.

2.5 BUDGET STRATEGY & ASSUMPTIONS

Budget Strategy

The following guidelines were used to compile the 2019/20 to 2021/22 Operating and Capital budgets:

- (a) That the annual increases for the 2019/20 to 2021/22 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:
- The overall increase in operating expenditure is based on the projected CPIX of 5.2 %.
 - The overall increase in employee related costs be aligned to collective agreement
 - Bulk purchases increase as per ESKOM and NERSA guidelines of 7.2%
 - Rates and tariff escalations be limited to 5.2%

Budget Assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

2.6 FUNDING OF THE BUDGET

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

On-going issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of funded mandates; e.g. Library Services;
- Improving on current collection rates especially household debt

QUALITY CERTIFICATE

I, Sydney Fadi ,the Municipal Manager of Sundays River Valley municipality, hereby certify that the draft annual budget 2019/20 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the municipality.

S.FADI

MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY – EC106

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SIGNATURE

DATE: 28 March 2018