

**UTHUKELA**

**UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY**

**2019/2020 – 2021/2022  
DRAFT ANNUAL BUDGET & MEDIUM-TERM REVENUE  
AND EXPENDITURE FRAMEWORK**

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## **PART 1- ANNUAL BUDGET**

### **1.1 MAYORS REPORT**

**SPEECH BY THE MAYOR OF UTHUKELA DISTRICT MUNICIPALITY  
PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF TABLING OF THE 2019/2020 DRAFT  
BUDGET IN THE COUNCIL  
BOARDROOM, LADYSMITH, ON 29 MARCH 2019**

#### **VISION**

Our vision is an economically sound municipality with effective infrastructure and a municipality that empowers people, protects the environment and demonstrates excellence in leadership.

In this tabled draft budget Council has endeavoured to achieve these calls and has tried to provide for this within its limited resources. Given the constraints on the revenue side, tough decisions have been made to ensure a sustainable budget.

#### **JOB CREATION**

Council has heeded the Government's call for job creation and has partnered with the Department of Public Works to ensure that the EPWP is fully operational in this Municipality. The allocation for EPWP will increase for 2018/19 financial year to R6.2 million financial year which will assist to ensure that service delivery is instigated accordingly. A further R3 million has been provided from internally generated fund to facilitate the job creation programme.

#### **INFRASTRUCTURE DEVELOPMENT**

The total capital grant allocations for 2018/19 financial year have increased from R367 million to R405 million. We will continue to upgrade our infrastructure and embark on new capital projects improve water distribution and reticulation. Various infrastructure projects that have been identified by the community during the needs analysis will be considered in this budget.

#### **DEBT MANAGEMENT**

Council has written off debts for qualifying indigent debtors, a concerted effort has been made to collect and reduce all outstanding debts. Council has also approved the implementation of the flat tariff in order to improve the collection rate. Debt collection and revenue enhancement will remain a priority in the upcoming financial year. The municipality is currently awaiting recommendations from COGTA on the issue of revenue enhancement.

#### **ASSET MANAGEMENT**

Asset management is prioritised and ensuring that councils assets are managed properly. We have responsibility of reducing expenditure on non-essential assets and prioritising repairs and maintenance of municipal assets.

#### **THE WAY FORWARD**

The municipality will remain dedicated to its core business of providing high quality basic services to the community. All areas of non-performance affecting basic service delivery will be identified and remedial measures will be employed accordingly. The limited resources available will be prioritised strictly for basic service delivery.

## **1.2 COUNCIL RESOLUTIONS:**

On 29 March 2019 the Council of UThukela District Local Municipality met in the Council Boardroom of UThukela District Municipality to consider the draft annual budget of the municipality for the financial year 2019/2020. The Council approved and adopted the following resolutions:

1. The UThukela District Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual draft budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
    - 1.1.3. Budget Summary as contained in Table A1
    - 1.1.4. Budgeted financial performance (revenue and expenditure) as contained in Table A4
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table A6
    - 1.2.2. Budgeted Cash Flows as contained in Table A7
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8
    - 1.2.4. Asset management as contained in Table A9
    - 1.2.5. Basic service delivery measurement as contained in Table A10
2. The Council of UThukela District Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) to consider:
  - 2.1. The tariffs for water services.
  - 2.2. The tariffs for sanitation services.
  - 2.3. The tariffs for other municipal services.

### 1.3 EXECUTIVE SUMMARY

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

In the compilation of this budget the municipality has taken note of the Cabinet resolution by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures. These cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus arrears namely consultancy fees, no credit cards, travel and related costs, advertising, catering and events costs as well as accommodation.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Most of which will benefit the municipality as well as consumers. Consultants have also been engaged in the revenue department to assist with the prior year's qualifying matters

National Treasury's MFMA Circular No.81 and 94 were used to guide the compilation of the 2019/2020 Draft Budget and MTREF.

The main challenges experienced during the compilation of the Draft 2019/2020 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging water infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Escalating water losses
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/2020 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2019/200 MTREF.**

	Adjustment budget 2018/2019	Budget Year 2019/2020	Budget Year 2020/2021	Budget Year 2021/2022
Total Operating Revenue	770,320,089	818,902,915	834,251,709	858,535,272
Total Operating Expenditure	706,229,476	743,609,000	780,046,000	822,352,000
Surplus/ (Deficit)	64,090,613	75,294,000	88,217,000	108,123,000
Capital Expenditure	355,155,000	304,573,000	450,863,000	713,215,000
Total Budget	1,061,384,476	1,048,182,000	1,230,909,000	1,535,567,000

### Operating Revenue

Total operating revenue has increased by 6% for the 2019/2020 financial year when compared to the 2018/2019 adjustments budget. The increase is due to the general percentage increase in revenue is 6% which is applied to service Charges tariffs and across all revenue generated by the municipality as prescribed by circular 94.

### Operating Expenditure

Total operating expenditure for the 2019/2020 financial year has been appropriated at R741 million and translates into a budget surplus of R75 million. Comparing to the 2018/19 adjustment Budget operating expenditure has increased by 5.4% increment as per CPI projections by the circular 94. Apart from the mentioned expenditure 7.4% increase was applied to salaries which is the projected CPI including the projected inflation.

### Capital Expenditure

R304 million is funding from national Government Grants for water and sanitation capital projects which are core functions of the municipality

## **1.4 OPERATING REVENUE FRAMEWORK**

For UThukela District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to achieve a 50% annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and tariff policies of the Municipality.

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The following table is a summary of the 2019/2020 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue sourceA4**

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>										
Service charges - water revenue	133,216	143,171	151,993	260,645	270,645	270,645	270,645	286,884	304,097	322,343
Service charges - sanitation revenue	16,900	15,327	17,253	31,019	25,019	25,019	25,019	26,521	28,112	29,798
Interest earned - external investments	11,991	7,189	4,192	6,572	5,928	5,928	5,928	6,283	6,660	7,060
Interest earned - outstanding debtors	20,215	43,648	43,393	50,456	50,456	50,456	50,456	53,483	56,692	60,094
Fines, penalties and forfeits				50	50	50	50	53	56	60
Agency services										
Transfers and subsidies	322,989	347,535	368,613	405,533	418,073	418,073	418,073	442,023	468,770	507,013
Other revenue	3,567	4,111	12,711	4,098	11,149	11,149	11,149	3,655	3,875	4,107
Gains on disposal of PPE		-	-							
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>508,879</b>	<b>560,981</b>	<b>598,154</b>	<b>758,374</b>	<b>781,320</b>	<b>781,320</b>	<b>781,320</b>	<b>818,903</b>	<b>868,263</b>	<b>930,475</b>

**Table 3 percentage growth in revenue by main revenue source A4**

Description			2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget		Budget Year 2019/20		Budget Year +1 2020/21		Budget Year +2 2021/22	
<b>Revenue By Source</b>								
Service charges - water revenue	270,645	35%	286,884	35%	304,097	35%	322,343	35%
Service charges - sanitation revenue	25,019	3%	26,521	3%	28,112	3%	29,798	3%
Interest earned - external investments	5,928	1%	6,283	1%	6,660	1%	7,060	1%
Interest earned - outstanding debtors	50,456	6%	53,483	7%	56,692	7%	60,094	6%
Fines, penalties and forfeits	50	0%	53	0%	56	0%	60	0%
Agency services								
Transfers and subsidies	418,073	54%	442,023	54%	468,770	54%	507,013	54%
Other revenue	11,149	1%	3,655	0%	3,875	0%	4,107	0%
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>781,320</b>		<b>818,903</b>		<b>868,263</b>		<b>930,475</b>	



## UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2019/2020

The two tables above shows that the municipality's main source of Revenue is grant funding as it covers above half of the income. Revenue from Service Charges has remained constant at 54%.

A total of R313 million is expected to be generated from Service charges, this revenue shows a 6% increase in tariffs as stipulated In MFMA Budget circular no.94 6% increase is applied throughout all revenue that will generated by the municipality (excluding operational grants)

Revenue increases by 6 %in the outer financial years of the MTREF.

Other revenue' contributes less than 1% in the total revenue. Other revenue consists of items and services that the municipality offers such as income received from the sale of tender documents and the issue of clearance certificates.

Operating grants and transfers totals R442 million in the 2019/2020 below is a detailed split of the operating grants

**Table 4 Operating Transfers and Grant Receipts**

DESCRIPTION	2019/2020	2020/2021	2021/2022
EQUITABLE SHARE	365123	393468	425438
RSC LEVIES REPLACEMENT	61418	66762	72380
SPECIAL SUPPORT FOR COUNCILLORS	5868	6190	6531
LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT	2010	1800	2064
DEVELOPMENT PLANNING AND SHARED SERVICE	550	550	600
EXPANDED PUBLIC WORKS PROGRAMME INTERGRATED GRANT (EPWP)	7054		

### 1.4.1 Water and Sanitation Tariffs

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

Since 2015 the District and the rest of the country experienced severe drought due to the heat and lack of rain which resulted to water shortages, the impact from that situation affected the municipality. The effects from the drought are still felt by the municipality as it affected the collection rate as water had to be shut down and distributed by water tankers. Municipality is still recovering from this situation.

The core function of the municipality is water and sanitation which is considered to be the basic needs for human beings and the constitution says they are basic human rights. The municipality has a difficult task of setting tariffs which are affordable to all consumers and the same time must be cost reflective taking into account all cost associated with the end product.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible.

Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability. As mentioned earlier services are failing to break even.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows

Tariff the cost of the provision of general services. Determining the effective tariff is therefore an integral part of the municipality's budgeting process. The maximum 6% increase on tariffs is set to be cost reflective and ensure protection of basic level services to provide free water to indigent recipients

Below are the proposed water services tariffs for the financial year 2019/2020 these tariffs exclude VAT.

**Table 5 Water and Sanitation Tariffs**

**WATER & SANITATION TARIFFS 2019/2020 FINANCIAL YEAR**

Approved water services tariff for the financial year 2019/2020

	<b>Description</b>	<b>Tariff</b>
TA T1.	Tariff for accessibility to water ( basic charge occupied and unoccupied)	R80.94 month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R102.00/ month
3.	Sewer tariff for restricted usage (un-metered)	R102.00/ month
4.	Servicing sewer conservancy tanks/pits (small)	R180.21/ service
	Servicing sewer conservancy tanks/pits (large)	R385.52/ 5000l/ load
	Discharge of sewage to waste water works by private sewer tankers	R0,12/litre
	<b>Integrated Step Tariff (Domestic Use)</b>	
5.	Water tariff for water usage up to 6kl	Free/ Indigent
	Water tariff for water usage 1 to 30kl	R11.62kl
	Water tariff for water usage 31kl to 100kl	R12.69kl
	Water tariff for water usage 101kl to 999kl	R14.61kl
	<b>Integrated Step Tariff (Industrial Use)</b>	
6.	Water tariff for water usage up to 1000kl	R11.62kl
	Water tariff for water usage 1001kl and above	R5.73kl
7.	Bulk potable water supply to IDC Estate	R6.07kl
	Bulk Raw water supply	R3.71kl
8.	Emergency Services Connection (excluding emergency services)	R25.82kl
9.	All connections, repairs and work required from Council Domestic	Cost + 10%
10.	All connections, repairs and work required from Council other services actual cost + 10 %	Cost + 10%
11.	Trade Effluent	Charge(c/kl)= 82.20c+([COD/1000] x 1.73c) (COD-Chemical Oxygen Demand)

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01 2.	Account Deposits (Subject to credit worthiness)	Every default adjustment of R184.43 to maximum as per following: Residential Max R2 868.49 Business Max R 9223.70  <b>New consumers:-</b> Residential = R 1 600.27 Business = R 3818.80 Connection Fees =R 185.00
13.	Scrutiny of building plans	R477.61/ plan
14.	Clearing of grass overgrowth	Actual cost + 18 %
15.	Requested Water Tankering (funerals – if not indigent)	5000l = R550.37 /load
16.	Requested Water Tankering (other events)	5000l = R880.54/ load
17.	Developer's Capital Contribution - Water	R 10006.48
18.	Developer's Capital Contribution - Sanitation	R 11007.21
19.	Disconnection Fee	R 132.07
	Reconnection fee - Working hours	R 134.08
	-After hours, Saturdays/Sundays/Public Holidays	R 330.15
20.	Clearance certificates	R487.88
21.	Flat rate services (where applicable)	R328.06 per household

**Co-operatives:**

**Deposits to open water accounts=R752.01**

1. [R5.46@ 0-40kl](#)
2. R6.23@ 41-80kl
3. R7.50@ 81- any usage

**Churches:**

**Deposits to open water accounts=R1 793.52**

**Admin fee is standard for all**

1. [R5.46@0-30kl](#)
2. [R6.23@31-70kl](#)
3. [R7.50@71-](#) any usage

**Trusts:**

Business operating Deposit to open the account R 3 589.10

Trusts not in business R1 2104.02

Tariffs:

1. [R10.30@0-30kl](#)
2. [R10.82@31-70kl](#)
3. [R12.67@71-](#) any usage

### Offences and penalties

1. Any person who fails or refuses to give access required by an officer of the authority or an authorized provider shall be guilty of an offence in terms of section 34 of the Water Services By-laws and liable on conviction to a fine not exceeding R 4 240,00 or in default on payment, to imprisonment for a period not exceeding 6 months and in the event of a continued offence to a further fine not exceeding R 2 120,00 for every day during the continuance of such offence after a written notice from the authority or an authorized provider has been issued and in the event of a second offence to a fine not exceeding R 6 360,00 or, in default on payment to imprisonment for a period not exceeding 12 months.

2. Any person who obstructs or hinders any officer of the authority in the exercise of his or her powers or performance of his or her functions or duties shall be guilty of an offence in terms of section 34 of the Water Services By-laws and liable on conviction to a fine not exceeding R53 000,00 or in default on payment, to imprisonment for a period not exceeding 6 months and in the event of a continued offence to a further fine not exceeding R10 600,00 for every day during the continuance of such offence after a written notice from the authority has been issued and in the event of a second offence to a fine not exceeding R79 500,00 or, in default on payment to imprisonment for a period not exceeding 12 months.

Water and Waste Water Analysis		
Determinant	Units	Cost per sample
Alkalinity	mg/l CaCO <sub>3</sub>	R63.72

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Appearance	Descriptive	
Aluminium - soluble	mg/l Al	R55.15
Ammonia	mg/l N	R53.12
Chloride	mg/l Cl	R42.52
Chlorine – Free	mg/l Cl <sub>2</sub>	R19.98
Colour	Pt-Co	R21.18
Conductivity	mS/m	R21.16
Fluoride	mg/l F	R56.32
Iron	mg/l Fe	R31.15
Manganese	mg/l Mn	R53.12
Nitrate	mg/l N	R32.23
Nitrite	mg/l N	R32.23
Odour	Descriptive	
pH	pH Units	R21.18
Phosphate - soluble	mg/l P	R31.77
Solids - Settle able	ml/l	R31.77
Sulphate	mg/l SO <sub>4</sub>	R46.63
Sulphide	mg/l H <sub>2</sub> S	R53.12
Suspended Solids	mg/l	R46.92
Temperature	°C	
Total Dissolved Solids	mg/l	R33.68
Turbidity	NTU	R21.18
Oxygen Absorbed	mg/l O <sub>2</sub>	R63.72
Chemical Oxygen Demand	mg/l O <sub>2</sub>	R74.30
Magnesium/Calcium	mg/l Mg/Ca	R74.13

- Sample bottles can be collected at the Laboratory.
- A volume of at least 1 litre is necessary for analysis.

<b>Microbiological Analysis</b>		
Faecal coliforms	colonies per 100ml	R58.44
Total coliforms	colonies per 100ml	R58.44
Standard plate count	colonies per ml	R48.74

- Sample bottle can be collected at the Laboratory.
- A volume of at least 1 litre is necessary for analysis.

**THE ABOVE TARIFFS EXCLUDE VAT**

- Sterile bottles provided by the Laboratory should be used.
- Samples must be delivered to the Laboratory within 6 hours of collection and should be kept cold.

- A volume of 500ml is sufficient for analysis.
  1. Prices listed are for single samples.
  2. Sterile bottles can be supplied free of charge. Bottles broken or not returned will be charged for at a rate of R19.39 per bottle.

**FINES FOR ILLEGAL CONNECTIONS AND TEMPERING**

First instance	R 2 809
Second instance	R 5 618
Third instance	R 8 427
Forth instance	R11 236

**NB: Immediately if the consumer committed a fifth instance, complete disconnection of water supply will apply!**

**PENALTY FEES**

1. Warning letter	R 59.77
2. Final cut-off <ul style="list-style-type: none"> <li>• Additional deposit-business</li> <li>• Additional deposit-households</li> <li>• Penalty fee</li> </ul>	R 179.33 R126.72 R 100.12

**RECONNECTION FEES:**

1. Standard fee applies during working office hours	R123.12
2. Standard rate applies after office hours	R293.83

**NEW CONNECTION (PLUMBING WORK) CHARGES**

NO	SIZE (MM)	UNIT COST R	DEPOSIT
1	20	2 682.34	239.10
2	25	2 682.34	239.10

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3	32	3 212.94	597.76
4	40	7603.44	597.76
5	50	7 619.03	597.76
6	80	10549.23	597.76
7	100	12 152.36	597.76
8	150	12 617.47	597.76

2019/2020 increase by 6% as per MFMA circular 86.

Tender documents  
Maps GIS  
Clearance certificates

	A3 PRINTER		A0 PLOTTER		
	A4	A3	A2	A1	A0
<b>Full Colour</b>	24.98	49.99	189.65	168.71	224.94
<b>Grey Scale</b>	24.98	49.99	189.65	153.27	224.94
<b>Topo Maps</b>	18.75	35.37	88.43	178.95	168.71
<b>Line / Hatch</b>	12.50	35.37	67.12	81.24	112.47

**Maps GIS tariffs**

**1.4.1.1 Tender Documents**

Municipal Produced	R199.44
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Consultants produced depending on the project	R398.88 and R465.39 respectively
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- Clearance certificate R 454.72

**Table 6 Comparison between current tariffs and increases**

**1.4.2 Overall impact of tariff increases on households**

The table above reflects the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

	<b>Description</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R71.25 month	R75.53 month month	R80.05/ month month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R90.78./month	R96.23 month	R102.00 /month
3.	Sewer tariff for restricted usage (un-metered)	R90.78/ month	R96.23/ month	R102.00/month
4.	Servicing sewer conservancy tanks/pits (small)	R160.40/service	R170.02 month	R180.22 month
	Servicing sewer conservancy tanks/pits (large)	R343.75 / 5000/ load	R364.38 /5000/load	R386.24 /5000/load
	Discharge of sewage to waste water works by private sewer tankers	R0.35/litre	R0.37 /litre	R0.39
	<b>Integrated Step Tariff (Domestic Use)</b>			
5.	Water tariff for water usage up to 6kl	<b>Free/ Indigent</b>	Free/ Indigent	Free /indigent
	Water tariff for water usage 1 to 30kl	<b>R10.30 kl</b>	R10.96 kl	R11.62 kl
	Water tariff for water usage 31kl to 100kl	<b>R11.96 kl</b>	R12.70 kl	R13.46 kl
	Water tariff for water usage 101kl to 999kl	<b>R13.72 kl</b>	R14.60 kl	R15.48 kl

### **1.5 OPERATING EXPENDITURE FRAMEWORK**

The Municipality's expenditure framework for the 2019/2020 Budget and MTREF is informed by the following:

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- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit,
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA,
- The capital programmes aligned to the asset renewal strategy and backlog eradication plan,
- Operational gains and efficiencies will be directed to funding the capital budget and other core services, and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.
- Strict adherence to the principle of prioritising basic service delivery informed by circular 81

The following table is a high level summary of the 2019/2020 budget and MTREF (classified per main type of operating expenditure):

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2019/2020

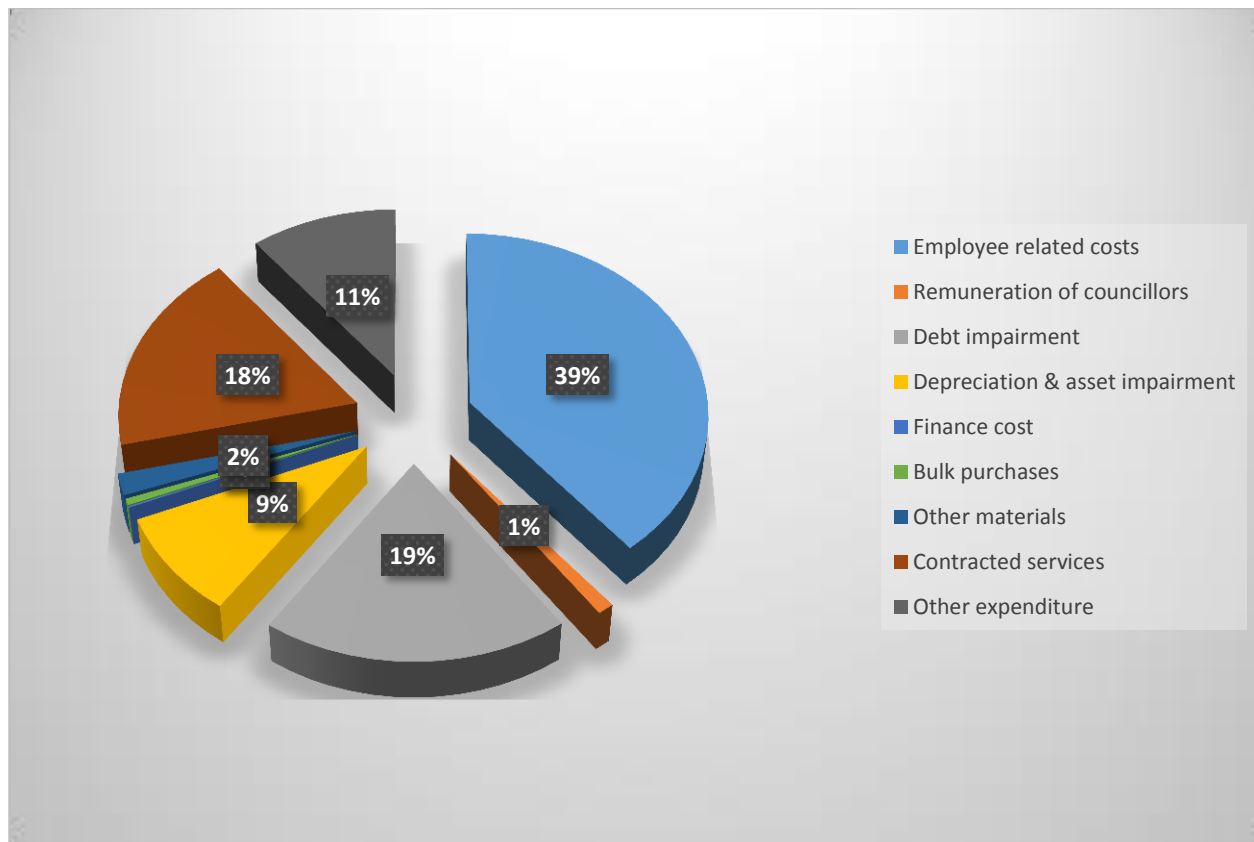
**Table 7 Summary of operating expenditure by standard classification item A4**

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Expenditure By Type</b>										
Employee related costs	199,310	218,668	253,203	271,837	271,837	271,837	271,837	290,050	309,338	326,042
Remuneration of councillors	6,381	5,483	6,547	8,156	8,156	8,156	8,156	7,956	8,520	9,159
Debt impairment	57,975	94,881	109,459	136,628	136,628	136,628	136,628	143,733	151,495	159,675
Depreciation & asset impairment	49,197	68,207	79,030	86,634	64,000	64,000	64,000	67,328	70,964	74,796
Finance charges	1,125	2,555	2,789	561	949	949	949	998	1,052	1,109
Bulk purchases	7,698	8,439	3,440	6,586	4,000	4,000	4,000	4,208	4,435	4,675
Other materials	37,829	35,636	31,912	16,023	14,384	14,384	14,384	15,080	15,894	16,753
Contracted services	68,623	120,136	88,701	117,869	139,420	139,420	139,420	134,806	134,606	141,880
Transfers and subsidies	60,635	4,776	1,919	1,000	450	450	450	-	-	-
Other expenditure	206,302	217,317	112,045	74,815	77,720	77,720	77,720	79,451	83,741	88,263
Loss on disposal of PPE	1,232	5,205	3,884							
<b>Total Expenditure</b>	<b>696,307</b>	<b>781,303</b>	<b>692,929</b>	<b>720,109</b>	<b>717,545</b>	<b>717,545</b>	<b>717,545</b>	<b>743,609</b>	<b>780,046</b>	<b>822,352</b>

**Table 8 Operating expenditure expressed as percentages**

Description			2019/20 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget		Budget Year 2019/20		Budget Year +1 2020/21		Budget Year +2 2021/22	
<b>Expenditure By Type</b>								
Employee related costs	271,837	38%	290,050	39%	309,338	40%	326,042	40%
Remuneration of councillors	8,156	1%	7,956	1%	8,520	1%	9,159	1%
Debt impairment	136,628	19%	143,733	19%	151,495	19%	159,675	19%
Depreciation & asset impairment	64,000	9%	67,328	9%	70,964	9%	74,796	9%
Finance charges	949	0%	998	0%	1,052	0%	1,109	0%
Bulk purchases	4,000	1%	4,208	1%	4,435	1%	4,675	1%
Other materials	14,384	2%	15,080	2%	15,894	2%	16,753	2%
Contracted services	139,420	19%	134,806	18%	134,606	17%	141,880	17%
Transfers and subsidies	450	0%	-	0%	-	0%	-	0%
Other expenditure	77,720	11%	79,451	11%	83,741	11%	88,263	11%
Loss on disposal of PPE								
<b>Total Expenditure</b>	<b>717,545</b>		<b>743,609</b>		<b>780,046</b>		<b>822,352</b>	

**Figure 1 Main operational expenditure categories for the 2019/2020 financial year**



### **Employee related cost**

The budgeted allocation for employee related costs for the 2018/19 financial year totals R290 million, which equals 39% of the total operating expenditure. The 7.4% which is the CPI inflation rate, increment will reviewed once salary negotiations are finalised.

### **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 Municipality's budget.

### **Debt Impairment**

The cost of debt impairment 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.

The past the audited financial years has shown a trend of nearly 20% increase of consumer debtors In 2017/2018 financial year the audited outcome was R109 million. An amount of R143 million has been budgeted for the 2019/2020 financial year.

. However the municipality is confident that this figure will be reduced during the adjustment period as measures have been put into place to try and recover a substantial amount from outstanding debtors. Two services providers have been appointed in February to deal with debt collection, their services will help the municipality with collection rate and the indigent register with correct and credible information.

**Provision for depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the asset consumption. Budget appropriations in this regard total R67.3 million for the 2019/2020 financial and equates to 9% of the total operating expenditure. Calculations for the provision as follows:

**Table 9 Depreciation per department**

<b>Depreciation for 20192020</b>	
<b>Description</b>	
<b>CORPORATE</b>	
Deprciation -Motor vehicle	<b>192,453.41</b>
Deprciation -Furniture and Office Equipment	<b>222,949.37</b>
Depreciation -Computure hardware	<b>252,131.12</b>
<b>FINANCE</b>	
Deprciation -Motor vehicle	<b>203,244.94</b>
Deprciation -Furniture and Office Equipment	<b>151,482.30</b>
Depreciation -Computure hardware	<b>175,344.24</b>
<b>SOCIAL</b>	
Amortization	<b>37,182.11</b>
Deprciation -Motor vehicle	<b>423,568.37</b>
Deprciation -Furniture and Office Equipment	<b>87,525.59</b>
Depreciation -Computure hardware	<b>45,519.40</b>
Depreciation- Building	<b>258,821.65</b>
<b>WATER,SANITATION AND TECHNICAL</b>	
Deprciation -Motor vehicle	<b>7,748,643.29</b>
Depreciation-Water Distribution	<b>39,970,276.24</b>
Depreciation-Sanitation Infrastructure	<b>6,933,757.85</b>
Deprciation -Furniture and Office Equipment	<b>107,717.41</b>
Depreciation -Computure hardware	<b>26,606.54</b>
Depreciation- Building	<b>15,158.71</b>
<b>COUNCIL</b>	
Deprciation -Motor vehicle	<b>522,236.34</b>
Deprciation -Furniture and Office Equipment	<b>94,248.10</b>
Depreciation -Computure hardware	<b>52,838.71</b>
Depreciation- Building	<b>684,705.54</b>
<b>MUNICIPAL HELATH</b>	
Deprciation -Motor vehicle	<b>162,522.86</b>
Deprciation -Furniture and Office Equipment	<b>81,261.43</b>
Depreciation -Computure hardware	<b>40,630.71</b>
Depreciation- Building	
<b>MUNICIPAL MANAGER</b>	
Deprciation -Furniture and Office Equipment	<b>91,808.84</b>
Depreciation -Computure hardware	<b>61,401.31</b>

With the assumption that only 60% of the capital budget is capitalised and added to asset register, the same method is used to calculate the estimation for the additional new assets.

### **Finance Charges**

The municipality does not have any borrowings therefore bank charges are the only item that falls under this expenditure type.

**Other materials**

Repairs and maintenance were previously reported on this item but due to the changes that came with mSCOA data strings the following items are now classified as other materials.

**Table 10 Other Materials**

<b>DESCRIPTION</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>
Stationery	583,358	614,129	646,524
Fuel and Oil	4,072,428	4,185,258	4,508,915
Cleaning materials	52,600	55,335	58,213
Consumables	54,883	57,283	59,809
Chemicals	9,386,570	9,847,397	10,332,186

**Contracted services**

mSCOA classifications of expenditure type have changed which has given a move of all items that are outsourced to contracted services. Some of the items such as repairs and maintenance, water tankers, operational grants expenditure have now form part of contracted services. Chemicals, insurance and computer programs no longer part of contracted services.



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**Table 10 Contracted Services**

<b>DESCRIPTION</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>
Vehicle Repairs Outsourced.	12,211,719	12,222,363	12,233,561
Traditional Leaders Sitting Allowance	105,200	110,670	116,425
VIP. Security	6,927,209	7,287,424	7,666,370
Rent & Hire Vehicles	210,400	221,341	232,851
Audit Committee	251,281	264,347	278,093
Asset Verification	2,766,760	2,916,165	3,073,638
Computer Programs	2,630,000	2,772,020	2,921,709
Professional Fees	2,630,000	2,772,020	2,921,709
Billing Printing	1,255,267	1,323,052	1,394,497
collection fees	1,578,000	1,663,212	1,753,025
Shared Service Plan	550,000	550,000	600,000
Development Agency	1,136,009	1,197,353	1,262,010
Soft Projects (LED/Tourisim)	1,052,000	1,108,808	1,168,684
GIS. Programmes	319,147	336,381	354,546
BlueDrop	736,400	774,693	814,977
Repairs and maintenance Building/Plant	659,680	693,983	730,070
Water tankering.	39,976,000	42,054,752	44,241,599
Plant & Equipment Hire	3,267,512	3,437,423	3,616,169
Repairs and maintenance Pumps	18,720,340	19,693,798	20,717,875
Pipelines & portable water maintenance	11,077,560	11,653,593	12,259,580
Repairs and maintenance Electrical	1,249,433	1,314,404	1,382,753
Maintenance of buildings and facilities	105,200	110,670	116,425
Doctors Examinations	99,624	104,805	110,255
Legal Costs	1,052,000	1,106,704	1,164,253
Security	16,480,304	17,337,280	18,238,818
Repairs specialised equipment	157,800	166,006	174,638
Rental Office Machines.	441,840	464,816	488,986
Renting of Offices	105,200	110,670	116,425

### Other Expenditure

Other expenditure forms 11% of the total operating expenditure. Items that form the total cost other expenditure:

**Table 11 Other Expenditure**

DESCRIPTION	2019/2020	2020/2021	2021/2022
Audit Fees - Auditor General	3,147,135	3,317,080	3,496,202
Councillor Data Allowance	17,989	18,961	19,984
Councillors Risk Cover	3,154	3,324	3,504
Departmental Water	237,831	250,674	264,211
Dept Water Account	114,098	120,259	126,753
Electricity	56,488,253	59,538,619	62,753,704
In-Service Training	703,418	741,402	781,438
Insurance	5,178,122	5,457,740	5,752,458
LGSETA Training	568,080	598,756	631,089
Meetings Subs/Travel	434,468	457,929	482,657
membership fees	40,407	40,975	41,574
Pauper Burial	49,812	52,502	55,337
Promotional items LED/TOURISIM	526,000	554,404	584,342
Protective Clothing	1,217,791	1,229,755	1,242,365
Radio	157,800	160,640	163,634
Rates	538,296	567,364	598,001
SALGA Levy	2,823,572	2,976,045	3,136,752
Skills Levy	852,000	898,008	946,500
Subsistance and travelling	2,427,372	2,558,450	2,696,607
Telephone	2,607,205	2,747,994	2,896,386
Vehicle Licence	996,240	1,050,037	1,106,739
Youth Directorate	21,040	22,176	23,374

To try and minimise the cost of day to day operating expenses the municipality has put control measures such as that the staff has to pay for their private calls and this has resulted in decline in telephone expenses.

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**1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2019/2020 budget provides for in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

The following table lists the total anticipated cost for repairs and maintenance on infrastructure and assets for the year 2019/2020 and the comparison years. It must be noted that the municipality has identified all the shortcomings associated with neglecting capital assets such as infrastructure thus the increased provision for repairing and maintenance of capital assets.

**Table 12 Repairs and maintenance per asset class SA34c**

Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	<b>26,880</b>	<b>28,024</b>	<b>25,063</b>	<b>28,579</b>	<b>30,213</b>	<b>30,213</b>	<b>31,784</b>	<b>33,500</b>	<b>35,309</b>
Roads Infrastructure	-	-	-	-	-	-	-	-	-
<i>Capital Spares</i>									
Water Supply Infrastructure	22,413	27,181	24,303	28,579	30,213	30,213	31,784	33,500	35,309
<i>Dams and Weirs</i>									
<i>Boreholes</i>									
<i>Reservoirs</i>				10,530	10,530	10,530	11,078	11,676	12,306
<i>Pump Stations</i>				15,795	17,795	17,795	18,720	19,731	20,797
<i>Water Treatment Works</i>	22,413	27,181	24,303	1,000	700	700	736	776	818
<i>Bulk Mains</i>				1,254	1,188	1,188	1,249	1,317	1,388
<i>Distribution</i>									
<i>Capital Spares</i>									
Sanitation Infrastructure	4,467	844	759	-	-	-	-	-	-
<i>Pump Station</i>									
<i>Waste Water Treatment Works</i>	4,467	844	759						
<i>Outfall Sewers</i>									
<b>Other assets</b>	<b>1,468</b>	<b>1,105</b>	<b>994</b>	<b>316</b>	<b>316</b>	<b>316</b>	<b>105</b>	<b>111</b>	<b>117</b>
Operational Buildings	1,468	1,105	994	316	316	316	105	111	117
<i>Municipal Offices</i>	1,468	1,105	994	316	316	316	105	111	117
<b>Computer Equipment</b>	<b>19</b>	<b>19</b>	<b>17</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>158</b>	<b>166</b>	<b>175</b>
Computer Equipment	19	19	17	250	250	250	158	166	175
<b>Furniture and Office Equipment</b>	<b>-</b>	<b>114</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Furniture and Office Equipment		114	103						
<b>Machinery and Equipment</b>	<b>243</b>	<b>601</b>	<b>541</b>	<b>627</b>	<b>627</b>	<b>627</b>	<b>660</b>	<b>695</b>	<b>733</b>
Machinery and Equipment	243	601	541	627	627	627	660	695	733
<b>Transport Assets</b>	<b>212</b>	<b>5,772</b>	<b>5,195</b>	<b>11,685</b>	<b>19,685</b>	<b>19,685</b>	<b>12,125</b>	<b>12,780</b>	<b>13,470</b>
Transport Assets	212	5,772	5,195	11,685	19,685	19,685	12,125	12,780	13,470
<b>Total Repairs and Maintenance Expenditure</b>	<b>28,822</b>	<b>35,636</b>	<b>31,913</b>	<b>41,457</b>	<b>51,091</b>	<b>51,091</b>	<b>44,832</b>	<b>47,253</b>	<b>49,804</b>

repairs and maintenance contributes about 6% of the total operating expenditure, about 2% of the PPE, these percentages are relatively low what is expected but due financial shortages we believe these funds sufficient to cover the cost of maintenance of assets.

### **1.5.2 Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy.

In the 2019/2020 financial year it is anticipated that R26.5 million will be allocated towards the provision of free basic services.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 CAPITAL EXPENDITURE

The following table reflects a breakdown of budgeted capital expenditure by vote:

**Table 13 2019/2020 Medium-term capital budget per vote**

Vote Description R thousand	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Single-year expenditure to be appropriated</b>										
105 - MUNICIPAL MANAGER	31	740	119	-	-	-	-	-	-	-
200 - CORPORATE SERVICES	124	1,386	10,156	-	150	150	150	-	-	-
300 - BUDGET AND TREASURY	19	225	-	27	10	10	10	-	-	-
405 - SOCIAL SERVICES (PLANNING & ECONOMIC DEVELOPMENT)	135	38	741	-	-	-	-	-	-	-
408 - WSA & HEALTH SERVICES	718	93	-	-	-	-	-	-	-	-
500 - 500 - WATER, SANITATION AND TECHNICAL SERVICES	178,402	238,478	249,447	407,804	344,995	344,995	344,995	304,573	450,863	713,215
<b>Total Capital Expenditure - Vote</b>	<b>179,429</b>	<b>240,960</b>	<b>260,463</b>	<b>407,831</b>	<b>345,155</b>	<b>345,155</b>	<b>345,155</b>	<b>304,573</b>	<b>450,863</b>	<b>713,215</b>

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants amounting to R304 million.

A total of R304 million will be allocated towards water infrastructure as per the following grant allocations.

**Table 14 Infrastructure Grants**

	2019/2020	2020/21	2021/22
<b>CONDITIONAL GRANT</b>	183937	194737	210274
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	10000	139399	400000
REGIONAL BULK INFRASTRUCTURE GRANT (RBIG)	108000	113940	100000
WATER SERVICE INFRASTRUCTURE GRANT (WSIG)	2636	2787	2941

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PROJECT DISCRPTION		2019/20 Budget	2020/21 Budget	2021/22 Budget
DISTRICT WIDE VIP TOILETS	MIG	5,000,000	5,270,000	5,554,580
Kwanobamba/ Ezitendeni (WWTW)	MIG	-	-	-
BERGVILLE SANITATION PROJECT PHASE 2	MIG	22,800,000	34,031,200	35,868,885
EZAKHENI SEWER UPGRADE	MIG		-	-
WAGENDRIFT PUMP STATION	MIG		-	-
REFURBISHMENT EXISTING AC PIPES "AGEING INFRASTRUCTURE"	MIG		-	-
BHEKUZULU EPANGWENI COMMUNITY WATER SUPPLY (PHASE 5& 9)	MIG	8,500,000	13,959,000	14,733,988
NTABAMHLOPHE CWSS WEMBEZI TO BOSCH BULK	MIG	-	-	-
ROOSBOOM BULK WATER UPGRADE AND RETICULATION	MIG		-	-
UMTSHEZI EAST BULK WATER SUPPLY	MIG	3,000,000	3,162,000	3,332,748
EKUVUKENI UPGRADE WTW BULK PIPELINES	MIG		-	-
Weenen Ezitendeni Sanatation-Phase 1B Sewer Reticulation	MIG	17,100,000	28,023,400	29,536,664
Weenen Ezitendeni Sanatation-Construction of WWTW		20,520,000	31,628,080	33,335,996
Kwanobamba-Ezitendeni (Weenen) Water Supply-Weenen and Ezitendeni reticulation	MIG	5,700,000	6,007,800	6,332,221
Kwanobamba-Ezitendeni (Weenen) Water Supply-New abstraction and Bulk pipeline		17,100,000	18,023,400	21,996,664
Fitty Park Umhlumayo Extensions	MIG		-	-
Ntabamhlophe CWSS-Phase 13	MIG	4,000,000	8,585,320	11,048,927
Ntabamhlophe CWSS-Ntabamhlophe Emergency Repairs		19,200,000	30,236,800	31,869,587
Refurbishment and upgrade projects	MIG		-	-
Fitty Park Sundays River	MIG	10,000,000	10,540,000	11,109,160
MIG top slice capacity building	MIG	5,000,000	5,270,000	5,554,580
Ekuvukeni Regional Bulk Water Supply-Upgrading Oliphantskoop WTW	MIG	20,520,000	31,628,080	33,335,996
Ekuvukeni Regional Bulk Water Supply-Bulk rising main and booster pump station at Zandbuild	MIG	20,520,000	31,628,080	33,335,996
District Wide Underground Water Project	MIG	5,000,000	5,270,000	6,554,580
<b>TOTAL</b>		<b>183,960,000</b>	<b>194,737,000</b>	<b>210,274,000</b>
DRIEFONTEIN PHASE 3 (SPIOENKOP)	RBIG			
Emnambithi Bulk Water - Stage 1	RBIG	10,000,000	139,399,000	400,000,000
- Stage 2	RBIG			
- Stage 3	RBIG			
<b>total</b>		<b>10,000,000</b>	<b>139,399,000</b>	<b>400,000,000</b>
Rural Roads	RRAMS	2,636,000	2,787,000	2,941,000
DRILLING AND EQUIPMENT OF BOREHOLES (HAND PUMPS AND PRODUCTI	WSIG			
SPRING PROTECTION DISTRICT WIDE	WSIG	15,000,000	15,810,000	11,663,740
Moyeni/Zwelisha Bulk & Reticulation Upgrade	WSIG	3,000,000	3,162,000	3,332,748
Escourt Industrial Pipeline Bulk Upgrade	WSIG	16,600,000	17,496,400	18,441,206
Wembezi Bulk & Reticulation Upgrade (WCDM)	WSIG	39,900,000	42,162,600	34,439,380
Reticulation to ennersdale, Ephangwini phase 3	WSIG	20,000,000	21,080,000	19,218,320
Reticulation to ennersdale, Ephangwini phase 4	WSIG	13,500,000	14,229,000	12,904,606
<b>TOTAL</b>		<b>108,000,000</b>	<b>113,940,000</b>	<b>100,000,000</b>
		<b>304,596,000</b>	<b>450,863,000</b>	<b>713,215,000</b>

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## 1.7 ANNUAL BUDGET TABLES

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/2020 draft budget and MTREF as approved by the Council.

**Table 15 MBRR Table A1 - Budget Summary**

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	150,117	158,499	169,245	291,665	295,665	295,665	295,665	313,405	332,209	352,142
Investment revenue	11,991	7,189	4,192	6,572	5,928	5,928	5,928	6,283	6,660	7,060
Transfers recognised - operational	322,989	347,535	368,613	405,533	418,073	418,073	418,073	442,023	468,770	507,013
Other own revenue	23,781	47,758	56,104	54,604	61,655	61,655	61,655	57,192	60,623	64,261
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>508,879</b>	<b>560,981</b>	<b>598,154</b>	<b>758,374</b>	<b>781,320</b>	<b>781,320</b>	<b>781,320</b>	<b>818,903</b>	<b>868,263</b>	<b>930,475</b>
Employee costs	199,310	218,668	253,203	271,837	271,837	271,837	271,837	290,050	309,338	326,042
Remuneration of councillors	6,381	5,483	6,547	8,156	8,156	8,156	8,156	7,956	8,520	9,159
Depreciation & asset impairment	49,197	68,207	79,030	86,634	64,000	64,000	64,000	67,328	70,964	74,796
Finance charges	1,125	2,555	2,789	561	949	949	949	998	1,052	1,109
Materials and bulk purchases	45,528	44,075	35,352	22,609	18,384	18,384	18,384	19,288	20,330	21,427
Transfers and grants	60,635	4,776	1,919	1,000	450	450	450	-	-	-
Other expenditure	334,132	437,540	314,090	329,312	353,769	353,769	353,769	357,990	369,842	389,818
<b>Total Expenditure</b>	<b>696,307</b>	<b>781,303</b>	<b>692,929</b>	<b>720,109</b>	<b>717,545</b>	<b>717,545</b>	<b>717,545</b>	<b>743,609</b>	<b>780,046</b>	<b>822,352</b>
<b>Surplus/(Deficit)</b>	<b>(187,429)</b>	<b>(220,323)</b>	<b>(94,775)</b>	<b>38,265</b>	<b>63,776</b>	<b>63,776</b>	<b>63,776</b>	<b>75,294</b>	<b>88,217</b>	<b>108,123</b>
Transfers and subsidies - capital (monetary allocation)	245,342	274,085	300,959	407,804	344,995	344,995	344,995	304,573	450,863	713,215
Contributions recognised - capital & contributed asset	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>178,804</b>	<b>240,867</b>	<b>260,463</b>	<b>407,831</b>	<b>345,128</b>	<b>345,128</b>	<b>345,128</b>	<b>304,573</b>	<b>450,863</b>	<b>713,215</b>
Transfers recognised - capital	177,951	238,478	241,831	407,804	344,995	344,995	344,995	304,573	450,863	713,215
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	853	2,389	18,632	27	133	133	133	-	-	-
<b>Total sources of capital funds</b>	<b>178,804</b>	<b>240,867</b>	<b>260,463</b>	<b>407,831</b>	<b>345,128</b>	<b>345,128</b>	<b>345,128</b>	<b>304,573</b>	<b>450,863</b>	<b>713,215</b>
<b>Cash flows</b>										
Net cash from (used) operating	132,854	227,040	279,053	458,459	392,381	392,381	392,381	365,072	521,225	800,122
Net cash from (used) investing	(250,985)	(259,209)	(295,237)	(407,831)	(345,155)	(345,155)	(345,155)	(304,573)	(450,863)	(713,215)
Net cash from (used) financing	9,790	1,451	16,197	1,765	1,765	1,765	1,765	1,856	1,957	2,062
<b>Cash/cash equivalents at the year end</b>	<b>36,746</b>	<b>5,997</b>	<b>6,011</b>	<b>1,249</b>	<b>55,001</b>	<b>55,001</b>	<b>55,001</b>	<b>70,976</b>	<b>143,295</b>	<b>232,264</b>
Repairs and Maintenance	28,822	35,636	31,913	41,457	51,091	51,091	51,091	44,832	47,253	49,804

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised are reflected on the Financial Performance Budget;
    - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Over the MTREF there is progressive improvement in the level of cash-backing of obligations
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the public. The amount of services provided by the municipality including free basic services continues to increase.



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**Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description R thousand	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue - Functional</b>									
<b>Governance and administration</b>	327,311	341,736	359,582	406,468	770,764	770,764	811,246	867,657	929,816
Executive and council	48,867	53,055	50,694	62,083	62,083	62,083	67,286	72,952	78,911
Finance and administration	278,444	288,681	308,889	344,385	708,681	708,681	743,960	794,705	850,905
Internal audit	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	-	-	-	50	50	50	53	56	60
Community and social services	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	50	50	50	53	56	60
<b>Economic and environmental services</b>	250	1,239	1,451	300	4,300	4,300	550	550	600
Planning and development	250	1,239	1,451	300	4,300	4,300	550	550	600
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	426,660	492,091	538,079	759,360	351,201	351,201	311,627	450,863	713,215
Energy sources	-	-	-	-	-	-	-	-	-
Water management	409,760	479,278	520,827	728,340	351,201	351,201	311,627	450,863	713,215
Waste water management	16,900	12,813	17,253	31,019	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>754,221</b>	<b>835,066</b>	<b>899,113</b>	<b>1,166,178</b>	<b>1,126,315</b>	<b>1,126,315</b>	<b>1,123,476</b>	<b>1,319,126</b>	<b>1,643,690</b>
<b>Expenditure - Functional</b>									
<b>Governance and administration</b>	313,751	293,946	314,522	388,824	365,575	365,575	380,152	402,129	424,008
Executive and council	67,845	53,055	56,769	63,551	60,855	60,855	61,536	65,431	69,128
Finance and administration	245,906	240,891	257,753	325,273	304,721	304,721	318,616	336,698	354,880
Internal audit	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	18,714	21,201	22,685	24,993	24,898	24,898	26,421	28,135	29,654
Community and social services	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	18,714	21,201	22,685	24,993	24,898	24,898	26,421	28,135	29,654
<b>Economic and environmental services</b>	30,513	23,765	25,429	22,932	24,407	24,407	22,578	23,980	25,295
Planning and development	30,513	23,765	25,429	22,932	24,407	24,407	22,578	23,980	25,295
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	333,329	442,391	330,293	283,360	302,663	302,663	314,458	325,801	343,394
Energy sources	-	-	-	-	-	-	-	-	-
Water management	332,686	440,575	328,350	282,244	302,663	302,663	314,458	325,801	343,394
Waste water management	643	1,816	1,943	1,116	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>696,307</b>	<b>781,303</b>	<b>692,929</b>	<b>720,109</b>	<b>717,545</b>	<b>717,545</b>	<b>743,609</b>	<b>780,046</b>	<b>822,352</b>
<b>Surplus/(Deficit) for the year</b>	<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

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2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

**Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue by Vote</b>										
105 - MUNICIPAL MANAGER	1	48,867	53,055	50,694	62,083	62,083	62,083	67,286	72,952	78,911
200 - CORPORATE SERVICES		-	-	-	-	8,540	8,540	-	-	-
300 - BUDGET AND TREASURY		278,444	288,681	308,889	344,385	700,141	700,141	743,960	794,705	850,905
405 - SOCIAL SERVICES(PLANNING&ECONOMIC D		250	1,239	1,451	300	4,300	4,300	550	550	600
408 - WSA& HEALTH SERVICES		-	-	-	50	50	50	53	56	60
500 - 500 - WATER, SANITATION AND TECHNICAL		426,660	492,091	538,079	759,360	351,201	351,201	311,627	450,863	713,215
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>754,221</b>	<b>835,066</b>	<b>899,113</b>	<b>1,166,178</b>	<b>1,126,315</b>	<b>1,126,315</b>	<b>1,123,476</b>	<b>1,319,126</b>	<b>1,643,690</b>
<b>Expenditure by Vote to be appropriated</b>										
105 - MUNICIPAL MANAGER	1	67,845	53,055	56,769	63,551	60,855	60,855	61,536	65,431	69,128
200 - CORPORATE SERVICES		63,655	53,112	56,830	48,051	51,712	51,712	48,901	51,844	54,644
300 - BUDGET AND TREASURY		182,251	187,779	200,924	277,222	253,009	253,009	269,715	284,854	300,236
405 - SOCIAL SERVICES(PLANNING&ECONOMIC D		30,513	23,765	25,429	22,932	24,407	24,407	22,578	23,980	25,295
408 - WSA& HEALTH SERVICES		18,714	21,201	22,685	24,993	24,898	24,898	26,421	28,135	29,654
500 - 500 - WATER, SANITATION AND TECHNICAL		333,329	442,391	330,293	283,360	302,663	302,663	314,458	325,801	343,394
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>696,307</b>	<b>781,303</b>	<b>692,929</b>	<b>720,109</b>	<b>717,545</b>	<b>717,545</b>	<b>743,609</b>	<b>780,046</b>	<b>822,352</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

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**Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	133,216	143,171	151,993	260,645	270,645	270,645	270,645	286,884	304,097	322,343
Service charges - sanitation revenue	2	16,900	15,327	17,253	31,019	25,019	25,019	25,019	26,521	28,112	29,798
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment											
Interest earned - external investments		11,991	7,189	4,192	6,572	5,928	5,928	5,928	6,283	6,660	7,060
Interest earned - outstanding debtors		20,215	43,648	43,393	50,456	50,456	50,456	50,456	53,483	56,692	60,094
Dividends received											
Fines, penalties and forfeits					50	50	50	50	53	56	60
Licences and permits											
Agency services											
Transfers and subsidies		322,989	347,535	368,613	405,533	418,073	418,073	418,073	442,023	468,770	507,013
Other revenue	2	3,567	4,111	12,711	4,098	11,149	11,149	11,149	3,655	3,875	4,107
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>508,879</b>	<b>560,981</b>	<b>598,154</b>	<b>758,374</b>	<b>781,320</b>	<b>781,320</b>	<b>781,320</b>	<b>818,903</b>	<b>868,263</b>	<b>930,475</b>
<b>Expenditure By Type</b>											
Employee related costs	2	199,310	218,668	253,203	271,837	271,837	271,837	271,837	290,050	309,338	326,042
Remuneration of councillors		6,381	5,483	6,547	8,156	8,156	8,156	8,156	7,956	8,520	9,159
Debt impairment	3	57,975	94,881	109,459	136,628	136,628	136,628	136,628	143,733	151,495	159,675
Depreciation & asset impairment	2	49,197	68,207	79,030	86,634	64,000	64,000	64,000	67,328	70,964	74,796
Finance charges		1,125	2,555	2,789	561	949	949	949	998	1,052	1,109
Bulk purchases	2	7,698	8,439	3,440	6,586	4,000	4,000	4,000	4,208	4,435	4,675
Other materials	8	37,829	35,636	31,912	16,023	14,384	14,384	14,384	15,080	15,894	16,753
Contracted services		68,623	120,136	88,701	117,869	139,420	139,420	139,420	134,806	134,606	141,880
Transfers and subsidies		60,635	4,776	1,919	1,000	450	450	450	-	-	-
Other expenditure	4, 5	206,302	217,317	112,045	74,815	77,720	77,720	77,720	79,451	83,741	88,263
Loss on disposal of PPE		1,232	5,205	3,884							
<b>Total Expenditure</b>		<b>696,307</b>	<b>781,303</b>	<b>692,929</b>	<b>720,109</b>	<b>717,545</b>	<b>717,545</b>	<b>717,545</b>	<b>743,609</b>	<b>780,046</b>	<b>822,352</b>
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(187,429)	(220,323)	(94,775)	38,265	63,776	63,776	63,776	75,294	88,217	108,123
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher		245,342	274,085	300,959	407,804	344,995	344,995	344,995	304,573	450,863	713,215
Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>57,913</b>	<b>53,762</b>	<b>206,185</b>	<b>446,069</b>	<b>408,771</b>	<b>408,771</b>	<b>408,771</b>	<b>379,867</b>	<b>539,080</b>	<b>821,338</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total operating revenue is R818 million in 2019/2020 and escalates to R930 million by 2021/2022. However given sound financial management strategies are put in place we can expect an increase in revenues exceeding 6%

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**Table 19 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates									-	-	-
Service charges		168,423	81,362	104,940	131,249	128,403	128,403	128,403	141,032	148,648	156,675
Other revenue			1,727	3,751	4,148	11,199	11,199	11,199	3,708	3,909	4,120
Government - operating	1	322,989	374,313	365,369	405,533	418,073	418,073	418,073	442,023	468,770	507,013
Government - capital	1	245,342	300,862	297,715	407,804	344,995	344,995	344,995	304,573	450,863	713,215
Interest		11,991	7,189	4,192	6,572	5,928	5,928	5,928	6,283	6,623	6,980
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(614,767)	(535,859)	(494,125)	(495,286)	(514,817)	(514,817)	(514,817)	(531,550)	(556,535)	(586,772)
Finance charges		(1,125)	(2,555)	(2,789)	(561)	(949)	(949)	(949)	(998)	(1,052)	(1,109)
Transfers and Grants	1				(1,000)	(450)	(450)	(450)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>132,854</b>	<b>227,040</b>	<b>279,053</b>	<b>458,459</b>	<b>392,381</b>	<b>392,381</b>	<b>392,381</b>	<b>365,072</b>	<b>521,225</b>	<b>800,122</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		44							-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(251,029)	(259,209)	(295,237)	(407,831)	(345,155)	(345,155)	(345,155)	(304,573)	(450,863)	(713,215)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(250,985)</b>	<b>(259,209)</b>	<b>(295,237)</b>	<b>(407,831)</b>	<b>(345,155)</b>	<b>(345,155)</b>	<b>(345,155)</b>	<b>(304,573)</b>	<b>(450,863)</b>	<b>(713,215)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing		8,602		14,768					-	-	-
Increase (decrease) in consumer deposits		1,412	1,696	1,454	1,765	1,765	1,765	1,765	1,856	1,957	2,062
<b>Payments</b>											
Repayment of borrowing		(225)	(245)	(25)					-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>9,790</b>	<b>1,451</b>	<b>16,197</b>	<b>1,765</b>	<b>1,765</b>	<b>1,765</b>	<b>1,765</b>	<b>1,856</b>	<b>1,957</b>	<b>2,062</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(108,342)</b>	<b>(30,718)</b>	<b>13</b>	<b>52,393</b>	<b>48,991</b>	<b>48,991</b>	<b>48,991</b>	<b>62,355</b>	<b>72,318</b>	<b>88,969</b>
Cash/cash equivalents at the year begin:	2	145,088	36,715	5,998	(51,144)	6,011	6,011	6,011	8,621	70,976	143,295
Cash/cash equivalents at the year end:	2	36,746	5,997	6,011	1,249	55,001	55,001	55,001	70,976	143,295	232,264

Table A7 details the cash flow of the municipality and is one of the plays a pivotal role in measuring the funding of the budget.

- 2018/2019 adjustment cash flow estimated that the municipality will have R55 million at year end.

It is anticipated tha the municipality will have R70 million at year end provided the applied collection rate of R45% is maintained through out the year.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1. OVER VIEW OF THE BUDGETPROCESS**

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 Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim 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 policy 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 the 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.

#### **2.1.1 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 2015) 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 in August 2017, Key dates applicable to the process were as follows:

**Table 20 Key dates applicable to the process were as follows:**

<b>Activity No.</b>	<b>Action/ Task for IDP and Budget</b>	<b>Timeframe for Task Completion</b>
<b>July 2018 &amp; August 2018</b>	<ul style="list-style-type: none"> <li>▪ Drafting of the IDP Framework and process plan</li> <li>▪ Alignment of IDP and budget process plans</li> <li>▪ Submission of the draft Framework and Process Plan to COGTA for comments</li> <li>▪ Advertisement of the IDP Framework and process plan</li> <li>▪ 1<sup>st</sup> IDP Supporting Structure Committee Meeting</li> <li>▪ Adoption of IDP Framework and Process Plan by full council</li> <li>▪ Planning Indaba</li> </ul>	<p>12 July 2018</p> <p>19 July 2018</p> <p>26 July 2018</p> <p>24 July 2018</p> <p>2 August 2018</p> <p>31 August 2018</p> <p>31 August 2018</p>
<b>Sept 2018</b>	<ul style="list-style-type: none"> <li>▪ Submission of the adopted IDP Framework and Process plan to COGTA</li> <li>▪ Identify outstanding Sector Plans</li> <li>▪ Integrate sector plans.</li> <li>▪ IDP input into provincial adjustment budgets</li> <li>▪ Provincial planners Forum</li> </ul>	<p>September 2018</p> <p>27 September 2018</p> <p>September 2018</p> <p>September 2018</p> <p>September 2018</p>
<b>Oct 2018</b>	<ul style="list-style-type: none"> <li>▪ Review of the Spatial Development Framework</li> <li>▪ Projects identifications and prioritization</li> <li>▪ Develop KPI's targets, timeframes etc. where impacted upon by reprioritization</li> <li>▪ Align with draft budget estimates</li> </ul>	<p>04 October 2018</p> <p>11 October 2018</p> <p>18 October 2018</p> <p>25 October 2018</p>
<b>Nov 2018</b>	<ul style="list-style-type: none"> <li>▪ World Planning Day</li> <li>▪ Municipal alignment session</li> <li>▪ Alignment meeting between DM &amp; Province to revised 3 year MTEF</li> <li>▪ Alignment meeting with family of municipalities</li> <li>▪ SDF Alignment between the bordering district municipalities</li> </ul>	<p>01 November 2018</p> <p>08 November 2018</p> <p>15 November 2018</p> <p>21 November 2018</p> <p>22 November 2018</p>
<b>Dec 2018</b>	<ul style="list-style-type: none"> <li>▪ IDP best practice conference</li> </ul>	<p>03 December 2018</p>
<b>Jan 2019</b>	<ul style="list-style-type: none"> <li>▪ IDP Supporting Structure Committee Meeting</li> </ul>	<p>January 2019</p>

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2019/2020

<b>Feb 2019</b>	<ul style="list-style-type: none"> <li>▪ IDP steering committee and strategic planning session to:             <ul style="list-style-type: none"> <li>- Review Municipal Vision and Mission</li> <li>- Develop Objectives and Strategies</li> </ul> </li> <li>▪ Meeting COGTA and municipalities on IDP assessment</li> <li>▪ Updating of municipal CIP and MTEF based on Draft DORA allocations</li> <li>▪ IDP Coordinating committee meeting(IDP Managers)</li> <li>▪ IDP Representative Forum meeting</li> <li>▪ IDP Roadshows (needs analysis)</li> </ul>	<p><i>February 2019</i></p> <p><i>08 February 2019</i></p> <p><i>13 February 2019</i></p> <p><i>19 February 2019</i></p> <p><i>22 February 2019</i></p> <p><i>28 February 2019</i></p>
<b>March 2019</b>	<ul style="list-style-type: none"> <li>▪ Exco approval of the Draft, recommend to Council</li> <li>▪ Council Approval of the Draft IDP</li> <li>▪ 2019/2020 Submission of the Draft</li> <li>▪ 2019/2020 IDP to COGTA</li> </ul>	<p><i>March 2019</i></p> <p><i>March 2019</i></p> <p><i>29 March 2019</i></p>
<b>April 2019</b>	<ul style="list-style-type: none"> <li>▪ Decentralized IDP assessment forums</li> <li>▪ IDP/Budget Road shows</li> </ul>	<p><i>10 April 2019</i></p> <p><i>April 2019</i></p>
<b>May 2019</b>	<ul style="list-style-type: none"> <li>▪ IDP Assessment Feedback Session</li> <li>▪ Amend IDP in accordance with the outcome of the assessment</li> </ul>	<p><i>03 May 2019</i></p> <p><i>10 May 2019</i></p>
<b>May 2019</b>	<ul style="list-style-type: none"> <li>▪ Advertise for public comments and incorporate comments</li> </ul>	<p><i>May 2019</i></p>
<b>May 2019</b>	<ul style="list-style-type: none"> <li>▪ Exco approval, recommend to Council</li> <li>▪ Council approval of the IDP</li> </ul>	<p><i>16 May 2019</i></p> <p><i>31 May 2019</i></p>
<b>June 2019</b>	<ul style="list-style-type: none"> <li>▪ Submission of the adopted IDP to the MEC</li> <li>▪ Advertise the Adopted IDP in the local newspaper</li> </ul>	<p><i>04 June 2019</i></p> <p><i>06 June 2019</i></p>

## 2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development

platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.



## 2.3 OVER VIEW OF BUDGET ASSUMPTIONS

- The 2018/19 budget assumes the following:
  - CPI inflation rate forecast is 5.2% for 2019/2020 5.4 and for the outer two years respectively.
  - Tariffs on service charges will increase by 6%.
  - Collection rate estimated at 45% Service charges.
  - Employee related costs will increase by 7.4%
  - 60% of the capital budget is capitalised and added to the Asset register.

## 2.4 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

**TABLE 21: DC23 UThukela - Supporting Table SA19 Expenditure on transfers and grant programme**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		318,121	390,054	367,087	405,233	405,233	405,233	441,473	468,220	506,413
Local Government Equitable Share		261,605	332,370	304,535	335,399	335,399	335,399	365,123	393,468	425,438
RSC Levy Replacement		44,198	47,937	51,710	56,441	56,441	56,441	61,418	66,762	72,380
Finance Management		1,325	1,460	1,795	1,545	1,545	1,545	2,010	1,800	2,064
EPWP Incentive		2,384	3,169	3,724	6,206	6,206	6,206	7,054		
Special Support For Councillors		4,669	5,118	5,323	5,642	5,642	5,642	5,868	6,190	6,531
Municipal Systems Improvement		940								
Water Services Operating Subsidy		3,000								
<b>Provincial Government:</b>		250	1,200	250	300	12,840	12,840	550	550	600
Shared Services Grant		250	1,200	250	300	300	300	550	550	600
Nodal Grant						1,000	1,000			
Raset programs grant						3,000	3,000			
LG Seta						540	540			
Fleet repairs grant						8,000	8,000			
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total Operating Transfers and Grants</b>	5	318,371	391,254	367,337	405,533	418,073	418,073	442,023	468,770	507,013
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		293,230	187,940	82,500	407,952	336,143	336,143	304,573	450,863	713,215
Municipal Infrastructure Grant (MIG)		199,089	181,247		180,033	180,033	180,033	183,937	194,737	210,274
Regional Bulk Infrastructure		85,137			142,283	45,000	45,000	10,000	139,399	400,000
Water Services Infrastructure Grant				82,500	83,000	108,474	108,474	108,000	113,940	100,000
Rural Road Asset Management		2,315	2,311		2,636	2,636	2,636	2,636	2,787	2,941
Rural Households Infrastructure		6,689	4,382							
<b>Provincial Government:</b>		-	-	-	-	9,000	9,000	-	-	-
Massification Grant						9,000	9,000			
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total Capital Transfers and Grants</b>	5	293,230	187,940	82,500	407,952	345,143	345,143	304,573	450,863	713,215
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		611,601	579,194	449,837	813,485	763,216	763,216	746,596	919,633	1,220,228

## 2.5 COUNCILLOR AND EMPLOYEE BENEFITS

**TABLE 22: DC23 UThukela - Table SA22 - Summary of councillor and staff benefit**

Summary of Employee and Councillor remuneration	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	4,391	5,483	6,547	5,960	5,260	5,260	5,849	6,265	6,734
Pension and UIF Contributions				23	23	23			
Medical Aid Contributions									
Motor Vehicle Allowance	1,529			1,643	1,643	1,643	1,597	1,710	1,838
Cellphone Allowance	458			530	530	530	510	546	587
Housing Allowances									
Other benefits and allowances	3								
<b>Sub Total - Councillors</b>	<b>6,381</b>	<b>5,483</b>	<b>6,547</b>	<b>8,156</b>	<b>7,456</b>	<b>7,456</b>	<b>7,956</b>	<b>8,520</b>	<b>9,159</b>
<b>% increase</b>		<b>(14.1%)</b>	<b>19.4%</b>	<b>24.6%</b>	<b>(8.6%)</b>	<b>-</b>	<b>6.7%</b>	<b>7.1%</b>	<b>7.5%</b>
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	7,598	5,199	4,395	7,702	7,702	7,702	4,985	5,316	5,603
Pension and UIF Contributions	11	9	9	11	11	11	9	9	9
Medical Aid Contributions		-	-						
Overtime		-	-						
Performance Bonus		476	-						
Motor Vehicle Allowance		1,058	922				1,039	1,108	1,168
Cellphone Allowance		-	-						
Housing Allowances		283	637				671	716	755
Other benefits and allowances		360	951						
Payments in lieu of leave		232	715						
Long service awards		-	-						
Post-retirement benefit obligations		-	-						
<b>Sub Total - Senior Managers</b>	<b>7,609</b>	<b>7,616</b>	<b>7,630</b>	<b>7,712</b>	<b>7,712</b>	<b>7,712</b>	<b>6,704</b>	<b>7,149</b>	<b>7,535</b>
<b>0</b>		<b>0.1%</b>	<b>0.2%</b>	<b>1.1%</b>	<b>-</b>	<b>-</b>	<b>(13.1%)</b>	<b>6.6%</b>	<b>5.4%</b>
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	125,302	142,154	158,431	171,496	171,496	171,496	181,712	193,796	204,261
Pension and UIF Contributions	17,914	17,071	20,773	32,270	32,270	32,270	31,472	33,566	35,379
Medical Aid Contributions	4,326	5,160	5,777	7,927	7,927	7,927	9,356	9,978	10,517
Overtime	22,831	17,101	25,829	25,600	25,600	25,600	19,986	21,315	22,466
Performance Bonus									
Motor Vehicle Allowance	8,480	8,157	8,171	8,724	8,724	8,724	10,522	11,222	11,828
Cellphone Allowance	855								
Housing Allowances	7,046	1,104	1,718	1,487	1,487	1,487	2,057	2,194	2,312
Other benefits and allowances	4,784	26,499	28,016	15,519	15,519	15,519	28,238	30,116	31,743
Payments in lieu of leave		1,421	4,488	1,100	1,100	1,100			
Long service awards									
Post-retirement benefit obligations									
<b>Sub Total - Other Municipal Staff</b>	<b>191,538</b>	<b>218,668</b>	<b>253,203</b>	<b>264,125</b>	<b>264,125</b>	<b>264,125</b>	<b>283,344</b>	<b>302,187</b>	<b>318,505</b>
<b>0</b>		<b>14.2%</b>	<b>15.8%</b>	<b>4.3%</b>	<b>-</b>	<b>-</b>	<b>7.3%</b>	<b>6.7%</b>	<b>5.4%</b>
<b>Total Parent Municipality</b>	<b>205,528</b>	<b>231,767</b>	<b>267,380</b>	<b>279,993</b>	<b>279,293</b>	<b>279,293</b>	<b>298,003</b>	<b>317,856</b>	<b>335,199</b>
		<b>12.8%</b>	<b>15.4%</b>	<b>4.7%</b>	<b>(0.2%)</b>	<b>-</b>	<b>6.7%</b>	<b>6.7%</b>	<b>5.5%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>205,528</b>	<b>231,767</b>	<b>267,380</b>	<b>279,993</b>	<b>279,293</b>	<b>279,293</b>	<b>298,003</b>	<b>317,856</b>	<b>335,199</b>
<b>0</b>		<b>12.8%</b>	<b>15.4%</b>	<b>4.7%</b>	<b>(0.2%)</b>	<b>-</b>	<b>6.7%</b>	<b>6.7%</b>	<b>5.5%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>199,147</b>	<b>226,284</b>	<b>260,833</b>	<b>271,837</b>	<b>271,837</b>	<b>271,837</b>	<b>290,048</b>	<b>309,336</b>	<b>326,040</b>

## **2.6. LEGISLATION COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In- year reporting**

Section S71 Reporting to National Treasury in electronic format was fully complied with on a monthly basis.

### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns that have undergone training in various divisions of the Budget and Treasury Services Department.

### **3. Budget and Treasury Office**

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

### **4. Audit Committee**

An Audit Committee has been established and is fully functional.

### **5. Service Delivery and Implementation Plan**

The detailed SDBIP document will be finalised after approval of the 2019/2020 MTREF and will be directly aligned and informed by the 2021/2022 MTREF.

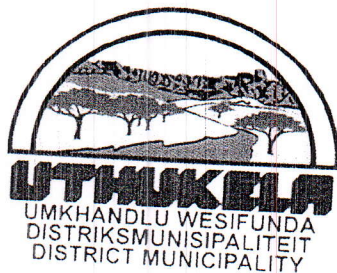
### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. Policies**

Budget related policies are reviewed on an annual basis.

**MUNICIPAL MANAGERS QUALITY CERTIFICATE**



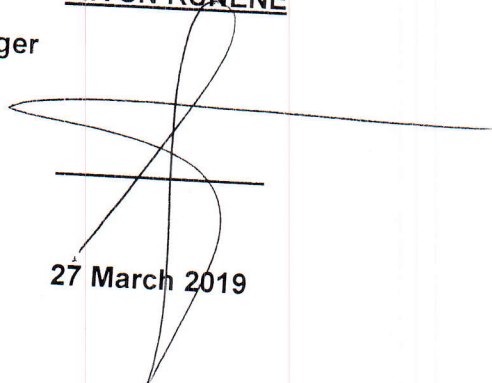
I **Sifiso Nicholas Kunene** Municipal Manager of UThukela District Municipality, hereby certify that this draft Annual Budget for 2019/2020 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

Print Name

MR SN KUNENE

Municipal Manager

Signature



Date

27 March 2019