

Mr. Speaker,
Deputy Mayor,
Chief Whip,
Amakhosi,
Members of the Executive Committee,
Councillors,
Municipal Manager,
Members of the Administration,
Media Houses and the public present,
Ladies and Gentlemen, I greet you all.

I greet you all.... Sanibonani...Dumela...Goie more...Molweni....

It gives me pleasure to stand in front of you to present the draft IDP/Budget 2017/2018. This is a historical moment as this is the first IDP/Budget for the new Council to present. It's the budget that carries the hopes of the communities that we proudly serve. It is significant that the budget takes place in the year in which we remember our true Stalwart, the Great Baba Oliver Reginald Tambo whose legacy will live on forever. Through this budget, we will make sure that the spirit of unity in action prevails throughout the District.

As the District is the Water Services Authority, our core functions are water and sanitation, environment health hence we are mandated to provide uninterrupted water supply and access to sanitation to all our 6 Local Municipalities within our District. As a new Council we have adopted the Ten Point Plan as our strategic compass that will elevate and enhance our service delivery programme through to our vision 2021. As we commence the first year of our 5 years Integrated Development Plan, we are embarking on the first step towards achieving the ten point plan which underpins a better life for our citizens.

The budget I am presenting reflects **R923 million** in funding which has been appropriated between **R722 million** for operations and **R201 million** for capital investment. The District has invested aggressively in infrastructure over the past 3 years spending a total of over half a billion in infrastructure and increasing the districts asset base by **64%**. The District was able to accelerate its capital spending through the use of bridge financing and loans from the DBSA which has assisted the District in speeding up access to running water and sanitation provision to its citizens.

The District has entered into a phase of financial conservation as the financial resources position is threatened by drought and a slow economic climate. As such internal funding contribution to the capital spending has decreased from **7%** to **1%** in the 2017/2018 budget. Due to the financial constraints capital spending will be kept within grant allocations of 83% and 16% from borrowings which will resultantly decelerate capital spending by **17%** as compared to the adjusted budget 2016/2017.

Operating income will increase by **16% to R723 million** whilst operating expenditure increases by **8% to R730 million**. The district has embarked on an exercise to review its water and sanitation pricing structure in a move to provide tariffs that are robust and offer sustainability in the provision of services. The new pricing structure will be phased in over the years to ensure the consumers are eased into it. The new pricing structure will see service charges contribute **31%** to operating revenue from **20%** contributed in the prior years. This will resultantly reduce the districts grant dependency position in operations from **72%** to **64%** which demonstrates a strengthening in the internal revenue sources despite the drought conditions.

R166 million or 98% of the capital budget will be directed to spending on water infrastructure. This will benefit greatly the communities of uMshwathi through the regional bulk supply line, Hilton in uMngeni through the completion of the AC pipe replacement project, Maqongqo, Nkanyezini, Manyavu and Manzamnyama in Mkhambathini, through the water supply schemes. These projects have been identified as priority projects mainly because of the number of water tankers that supply those areas. This prioritisation will assist the District convert the operational cost of water tanker provision into billable revenue generating projects which will further boost revenue potential of the District. Other areas have been prioritised due to the failing aged infrastructure and resultant high water losses. This is only just a portion of the communities that stand to benefit from the budget proposed. The District will commission the use of vacuum tankers to assist in the clearing of septic tanks within the district. In the past 5 years the district has made commendable investment in infrastructure that has benefited its citizens in the access of water and sanitation services. The following are but some of the investment made by the district over the 5 year period.

uMshwathi local municipality- R20 million for Sanitation and R95 million on water projects,

Umngeni local municipality- R51 million for Sanitation and R240 million on water projects,

Mpofana R16 million for Sanitation and R19 million on water projects,

Mkhambathini R14 million for Sanitation and R317 million on water projects,

Richmond R28 million for Sanitation and R79 million on water projects, and

Impendle R600 000 for Sanitation and R97 million on water projects

The investment in infrastructure comes with a responsibility to provide for operation and maintenance costs and as such the district has set aside **R108 million** of the operating budget for repairs and maintenance costs which will see the district becoming responsive to the demand of repairs and maintenance. This will translate to 15% of the operating budget and an average 10% of the asset base. The district within the existing constraints has managed to exceed treasury norm in the allocation for operations and maintenance costs.

We acknowledge that this may not be sufficient to meet the demand on the ground as the district grapples with aged infrastructure and we also acknowledge that more needs to be done to improve the districts responsiveness to the great demand for repairs and maintenance of the aged infrastructure. The district is in the process of developing a water infrastructure

maintenance plan to respond to the repairs and maintenance challenge and begin to build a base to quantify the true cost of repairs and maintenance costs for the district which will further inform our budgeting patterns.

As the district we have realised that true economic growth can only be achieved through concerted effort with all who stand to benefit from it. As such, the birth of the uMgungundlovu economic development agency (**uMEDA**) is a beacon of hope that we are certain will unlock and elevate the economic potential of the district. The agency will focus on strategic catalytic projects and champion the agri-park and RASSET agenda of the district.

In line with this the district has set aside seed funding of **R3, 5 million** for the establishment of the district agency which will elevate and leverage economic potential of the district. The establishment of the District Development Agency will also attract the injection of **R18 million** from the Department of Trade and Industry that will stimulate the economic activity and drive the Agri-park programme amongst other catalytic projects.

The District will continue to strengthen its partnerships with the communities by reaching out to the poorest of the poor through the EPWP programmes. In the 2016/2017 financial year the District has created over 500 employment opportunities through the EPWP support programme which mandates for labour intensive methods to be employed where opportunity presents in any government spending. The district has directly and indirectly spent over **R7 million** in the last 3 years on EPWP. This demonstrates the districts citizen inclusive growth path.

This achievement has been leveraged through the classification of all its capital works projects as EPWP sensitive programmes which means components of any capital works must be labour intensive to facilitate labour force participation. Other sectors in which the district continues its participation, is the environmental sector through partnership with DUCT and Richmond Municipality. In support of the EPWP programme the district will continue to make indirect investment in the labour intensive methods of each capital spending.

The District has been certified with 3 consecutive clean audits which endorses its commitment to sustainable development, underpinned by sound governance and financial discipline. We have appropriated **R2.9 million** to strengthen intergovernmental relations and governance in the budget 2017/2018. The district will also utilise the financial management grant of **R1.2 million** from the national fiscus to strengthen MSCOA implementation and financial systems which has come as the biggest reform in local government since the introduction of the budget reforms.

The District will steer the toughest time under the grip of the drought and in response, the District has taken every opportunity available to improve access to water by drilling boreholes in the drought hit areas and has spent close to R40 million in the provision of drought relief in the form of boreholes. The provision from the boreholes will form part of the Councils free basic provision of water to the most needy. In addition the District has allocated a budget of over **R59 million** for free basic provision of water as part of its basic service provision to its communities.

Special programmes

The District understands the socio dynamics of its population and has set aside funds to respond to the needs of the marginalised and vulnerable groups in our society such as women, children the elderly, and people living with disabilities. The District will plant over **R1.3 million** is support of these programmes which are at the heart of our community's social wellness.

Social interest programmes

The budget appropriates nearly **R6 million** to social interest programmes like sports, arts and culture development. These programmes will improve social cohesion, develop and cultivate talent within the district in different areas of interest. This investment will provide opportunity for young people to gain exposure and recognition in sporting codes not previously available to them.

- Further Environmental management, environment health and development planning have been appropriated **R4 million**
- **Over R4 Million** appropriated to youth development which includes bursaries and the learnership programmes
- **Over R2 million** for tourism and tourism promotion and **R2, 1 Million** for organised business support which will continue to grow and support SMMEs and co-operatives within the District. This is meant to be viewed as catalytic funding that will provide SMMEs and co- operatives leverage to create sustainable businesses.
- **R2, 8 Million** Disaster Management and **R1, 1 million** for Fire and Rescue programmes.
- **R1, 7 Million** for HIV/AIDS programmes
- **R1,3million** for Rural Development and heritage programmes

Mandela Marathon which has been appropriated **R3 million** remains the champion programme of the District which has attracted sponsorship of over **R7 million** and has been billed as the fastest growing marathon in Africa. The marathon has grown from strength to strength over the year with 2016 topping its support to over 10 000 participants. The marathon has put the District on the map and not only the district but the province itself by the attention that is has drawn beyond the African borders.

Adaptation fund (uMgeni Resilience Project)

The District is proud to bring into fruition, the birth of the Adaptation fund programme which will focus on climate change which the District will implement over the next 5 years together with SANBI and environmental interest & research groups within uMgungundlovu. The programme which is worth over R80 million over the 5 years has been appropriated over **R14 million** in the current financial year.

In preparation of this budget we have managed to maintain our salary costs well within the treasury norm at **32%** and repairs and maintenance at **10%** with contracted services at **38%** of the total budget. Our capital spending is at **22%** of the total spending which demonstrates the

seriousness of the District in its quest of a citizen centric institution with a focus for the betterment of the lives of its people.

Mr Speaker it gives me great pleasure to present to you the draft budget 2017/2018 with **R922 million** in funding, **R723 million** in operating income, **R732 million** in operating expenditure, **R201 million** in capital spending.

I thank you.