



2021/2022 – 2023/2024
ANNUAL BUDGET & MEDIUM-TERM REVENUE AND
EXPENDITURE FRAMEWORK

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2021/2022

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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 2021/2022 DRAFT BUDGET

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 decrease for 2021/2022 financial year from R3.7million to R3.5 million. The municipality is unfortunately not in a position to subsidise with the equitable share. Management will have to manage the contracting of workers accordingly.

INFRASTRUCTURE DEVELOPMENT

The total capital grant allocations for 2021/2022 financial year have decreased to R283 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 has employed recommendations from COGTA on the issue of revenue enhancement. Further to that a pool of debt collectors has been employed in order to assist with debt collection. We are anticipating an improvement in our collection rate.

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. A certain percentage of the MIG will be allocated towards refurbishment of infrastructure.

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

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measures will be employed accordingly. The limited resources available will be prioritised strictly for basic service delivery.

1.2 COUNCIL RESOLUTIONS:

In March 2021 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 2021/2022. 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.108 was used to guide the compilation of the 2021/2022 Draft Budget and MTREF.

The main challenges experienced during the compilation of the Draft 2021/2022 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Including COVID 19 pandemic
- 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 2021/2022 Medium-term Revenue and Expenditure Framework:

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Table 1 Consolidated Overview of the 2021/2022 MTREF.

	2021/22	2022/23	2023/24
Total Revenue	- 1 142 819 658	- 1 331 169 940	- 1 380 022 253
Operating Expenditure	901 339 551	891 179 674	929 136 702
Capital Expenditure	246 009 000	292 283 000	312 171 000
(Surplus)or Deficit	4 528 892	- 147 707 266	- 138 714 551

Operating Revenue

Total operating revenue has been increased by 6% for the 2021/2022 financial year when compared to the 2020/2021 adjustments budget. The increase is due to the general percentage increase which is applied to service Charges tariffs and across all revenue generated by the municipality as prescribed by circular 108. Tariffs have been increased by 6% however the increase in industrial tariffs is 8%.

Operating Expenditure

Total operating expenditure for the 2021/2022 financial year has been appropriated at R901 million which results in the budget having a deficit of R4.2 million Comparing to the 2020/2021 adjustment Budget operating expenditure has increased by 4.4%. Apart from the mentioned expenditure 0% increase was applied to employee-related cost. The municipality has duly considered the affordability of an increment, in light of our unfunded budget.

Capital Expenditure

R246 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 60% 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 2021/2022 MTREF
(classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source A4

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
R thousands			
Revenue By Source			
Service charges - water revenue	259 388	364 181	380 569
Service charges - sanitation revenue	21 154	29 701	31 037
Service charges - refuse revenue	-	-	-
Rental of facilities and equipment	-	-	-
Interest earned - external investments	6 463	9 074	9 483
Interest earned - outstanding debtors	74 975	105 265	110 001
Dividends received	-	-	-
Fines, penalties and forfeits	10	-	-
Licences and permits	-	-	-
Agency services	-	-	-
Transfers and subsidies	531 696	526 280	532 177
Other revenue	3 124	4 387	4 584
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	896 811	1 038 887	1 067 851

Table 3 percentage growth in revenue by main revenue source A4

Province: Municipality A - Table A4 Budgeted Financial Performance						
Description	2021/2022 Financial Period		2022/2023 Financial Period		2023/2024 Financial Period	
	Munsoft Adjusted Budget Data 2021/22		Munsoft Adjusted Budget Data 2022/23		Munsoft Adjusted Budget Data 2023/24	
R thousands						
Revenue By Source						
Service charges - water revenue	259 388	29%	364 181	35%	380 569	36%
Service charges - sanitation revenue	21 154	2%	29 701	3%	31 037	3%
Service charges - refuse revenue	-		-		-	
Rental of facilities and equipment	-		-		-	
Interest earned - external investments	6 463	1%	9 074	1%	9 483	1%
Interest earned - outstanding debtors	74 975	8%	105 265	10%	110 001	10%
Dividends received	-		-		-	
Fines, penalties and forfeits	10	0%	-	0%	-	0%
Licences and permits	-		-		-	
Agency services	-		-		-	
Transfers and subsidies	531 696	59%	526 280	51%	532 177	50%
Other revenue	3 124	0%	4 387	0%	4 584	0%
Gains on disposal of PPE	-		-		-	
Total Revenue (excluding capital transfers and contributions)	896 811	100%	1 038 887	100%	1 067 851	100%

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The two tables above shows that the municipality's main source of Revenue is grant funding as it covers more than above half of the income. Thus making the municipality grant reliant. Revenue from Service Charges has remained constant at 31%.

A total of R259 million is expected to be generated from Service charges, this revenue shows a 6% increase in tariffs across the board with the exception of industrial tariffs to be increased by 8% due to the faulty declining scale, the municipality has the burden of non-cost reflective tariffs. We continuously suffered losses of greater than 25% in service charges.

Revenue increases by 4% %in the outer financial years of the MTREF which is inline with the CPI inflation.

Other revenue' contributes a very little percentage to 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 R531 million in the 2020/2021 below is a detailed split of the operating grants, this includes the operational portion of MIG of R35 million as per MSCOA regulations.

Table 4 Operating Transfers and Grant Receipts

NAME OF GRANT	2021/22	2022/23	2023/24
1 Equitable share	406 627.00	431 275.00	431 524.00
2 RSC levies Replacement	72 380.00	77 624.00	82 729.00
3 Special support for councillors remunerations	6 149.00	6 371.00	6 658.00
Total equitable share	485 156.00	515 270.00	520 911.00
4 EPWP	3 516.00		
5 Financial management Grant	1 950.00	2 100.00	2 100.00
IN KIND GRANT OPERATIONAL GRANT- SCHEDULE 5			
6 Municipal system Improvement Grant	3 031.00	5 741.00	5 994.00
TOTAL OPERATIONAL GRANT	493 653.00	523 111.00	529 005.00

A further amounts R35million MIG allocation has been treated as operating transfers ,the top-slice and VIP toilets as these amounts are classified as operational in their nature.

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.

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In 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 and which has been further negatively impacted by the COVID 19 pandemic.

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 municipality has considered the percentage increase in the major cost drivers of providing services. Which are electricity increasing between 16% and 20 %, and the cost of labour. The 6% increase on tariffs is not cost reflective. However the municipality also considers the impact of covid-19 on consumers expandable cash.

Below are the proposed water services tariffs for the financial year 2021/2022 these tariffs exclude VAT. The Municipality has adopted a 6% increase on all tariffs and 8% increase on the industrial tariffs due to the fact that tariffs have not been cost reflective in the past and certain areas a minimum flat rate has been applied. The municipality is working towards phasing in more cost reflective tariffs however this cannot be achieved in a single financial year.

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Table 5 Water and Sanitation Tariffs

WATER & SANITATION SERVICES TARIFF 2021/2022 FINANCIAL YEAR

	Description	Tariff
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R91.71/ month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R116.88month
3.	Sewer tariff for restricted usage (unmetered)	R116.88/ month
4.	Servicing sewer conservancy tanks/pits (small)	R206.49./ service
	Servicing sewer conservancy tanks/pits (large)	R442.49/ 5000l/ load
	Discharge of sewage to waste water works by private sewer tankers	R0,15/litre
	Integrated Step Tariff (Domestic Use)	
5.	Water tariff for water usage up to 6kl	Free/ Indigent
	Water tariff for water usage 1 to 30kl	R13.31kl
	Water tariff for water usage 31kl to 100kl	R15.42kl
	Water tariff for water usage 101kl and above	R17.73kl
	Integrated step tariffs(Business use)	
	Water tariff for water usage 1 to 30kl	R13.31kl
	Water tariff for water usage 31kl to 100kl	R15.42kl
	Water tariff for water usage 101kl and above	R17.73kl
	Integrated Step Tariff (Industrial/Factory Use)	
6.	Water tariff for water usage1 to 1000kl	R14.10kl
	Water tariff for water usage 1001kl and above	R7.37kl
	Integrated Step Tariff(Co-operatives)	
	Water tariff for water usage 1 to 40kl	R7.23kl
	Water tariff for water usage 41 to 80kl	R7.13kl
	Water tariff for water usage 81kl and above	R8.60kl
	Integrated Step Tariff(Churches)	
	Water tariff for water usage 1 to 30kl	R6.25kl
	Water tariff for water usage 31 to 70kl	R7.13kl
	Water tariff for water usage 71kl and above	R8.60kl
	Integrated Step Tariff(Trust)	
	Water tariff for water usage 1 to 30kl	R12.75kl

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	Water tariff for water usage 31 to 70kl	R12.40kl
	Water tariff for water usage 71kl and above	R14.51kl
	Integrated step tariff(Government use)	
	Water tariff for water usage 1 to 30kl	R13.31kl
	Water tariff for water usage 31kl to 100kl	R14.36kl
	Water tariff for water usage 101kl and above	R17.73kl

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 4 858,45 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 2 429,22 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 7287,67 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 R60 730.58 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 R12 146.12 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 R91095.87 or, in default on payment to imprisonment for a period not exceeding 12 months.

Water and Waste Water Analysis		
Determinant	Units	Cost per sample

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Alkalinity	mg/l CaCO ₃	R73.01
Appearance	Descriptive	
Aluminium - soluble	mg/l Al	R63.19
Ammonia	mg/l N	R60.87
Chloride	mg/l Cl	R48.72
Chlorine – Free	mg/l Cl ₂	R24.26
Colour	Pt-Co	R36.40
Conductivity	mS/m	R24.24
Fluoride	mg/l F	R60.88
Iron	mg/l Fe	R35.69
Manganese	mg/l Mn	R60.87
Nitrate	mg/l N	R36.93
Nitrite	mg/l N	R36.93
Odour	Descriptive	
pH	pH Units	R24.26
Phosphate - soluble	mg/l P	R36.93
Solids - Settle able	ml/l	R36.93
Sulphate	mg/l SO ₄	R53.42
Sulphide	mg/l H ₂ S	R60.87
Suspended Solids	mg/l	R53.76
Temperature	°C	
Total Dissolved Solids	mg/l	R36.93
Turbidity	NTU	R24.15
Oxygen Absorbed	mg/l O ₂	R73.01
Chemical Oxygen Demand	mg/l O ₂	R85.14
Magnesium/Calcium	mg/l Mg/Ca	R84.94

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

Microbiological Analysis		
Faecal coliforms	colonies per 100ml	R66.96
Total coliforms	colonies per 100ml	R66.96
Standard plate count	colonies per ml	R55.84

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

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- 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 R22.22 per bottle.

FINES FOR ILLEGAL CONNECTIONS AND TEMPERING

First instance	R 3036.90
Second instance	R 6072.74
Third instance	R 9109.64
Forth instance	R12145.48

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

PENALTY FEES

1. Warning letter	R 68.49
2. Final cut-off	
• Additional deposit-business	R 205.48
• Additional deposit-households	R145.20
• Penalty fee	R 114.71

RECONNECTION FEES:

1. Standard fee applies during working office hours	R141.08
2. Standard rate applies after office hours	R336.74

NEW CONNECTION (PLUMBING WORK) CHARGES, INCLUDING FIRE HYDRANT

NO	SIZE (MM)	UNIT COST R	DEPOSIT
1	20	2 899.69	273.97
2	25	2899.69	273.97
3	32	3473.17	273.97

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4	40	8219.13	684.94
5	50	8236.16	684.94
6	80	12087.93	684.94
7	100	13 136.70	684.94
8	150	13639.48	684.94

NB: The above costs exclude material and labour costs!

Tender documents
Maps GIS
Clearance certificates

	A3 PRINTER		A0 PLOTTER		
	A4	A3	A2	A1	A0
Full Colour	27.01	54.04	205.05	182.37	243.15
Grey Scale	27.01	54.04	205.05	165.68	243.15
Topo Maps	19.12	38.23	95.58	205.05	182.37
Line / Hatch	12.74	38.23	72.55	87.81	121.57

Maps GIS tariffs

1.4.1.1 Tender Documents

Municipal Produced	R546.53
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Consultants produced depending on the project	R457.05 and R533.26 respectively
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- Clearance certificate R 521.04

ALL TARIFFS ARE EXCLUSIVE OF VAT!!

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.

	Description	2018/19	2019/20	2020/21	2021/22
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R75.53/ month	R80.06 month	R84.86 month	91.73/ month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R96.23/month	R102.00/month	R110.26/month	R116.88/ month
3.	Sewer tariff for restricted usage (un-metered)	R96.23/ month	R101.62/ month	R101.62/ month	R109.59/month
4.	Servicing sewer conservancy tanks/pits (small)	R170.02/service	R180.22/service	R194.81/ month	R206.50 month
	Servicing sewer conservancy tanks/pits (large)	R364.38 / 5000l/ load	R386.24 / 5000l/ load	R417.52 /5000/load	R442.57 month
	Discharge of sewage to waste water works by private sewer tankers	R0.35/litre	R0.37/litre	R0.39	R0.42
	Integrated Step Tariff (Domestic Use)				
5.	Water tariff for water usage up to 6kl	Free/ Indigent	Free/ Indigent	Free /indigent	Free /indigent
	Water tariff for water usage 1 to 30kl	R10.96kl	R11.62kl	R12.56kl	R13.31kl
	Water tariff for water usage 31k to 100kl	R12.70kl	R13.46kl	R14.55kl	R15.42kl
	Water tariff for water usage 101kl to any usage	R14.60kl	R15.48kl	R16.73kl	R17.73kl

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2021/2022 Budget and MTREF is informed by the following:

- 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 2020/2021 budget and MTREF (classified per main type of operating expenditure):

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2021/2022

Table 7 Summary of operating expenditure by standard classification item A4

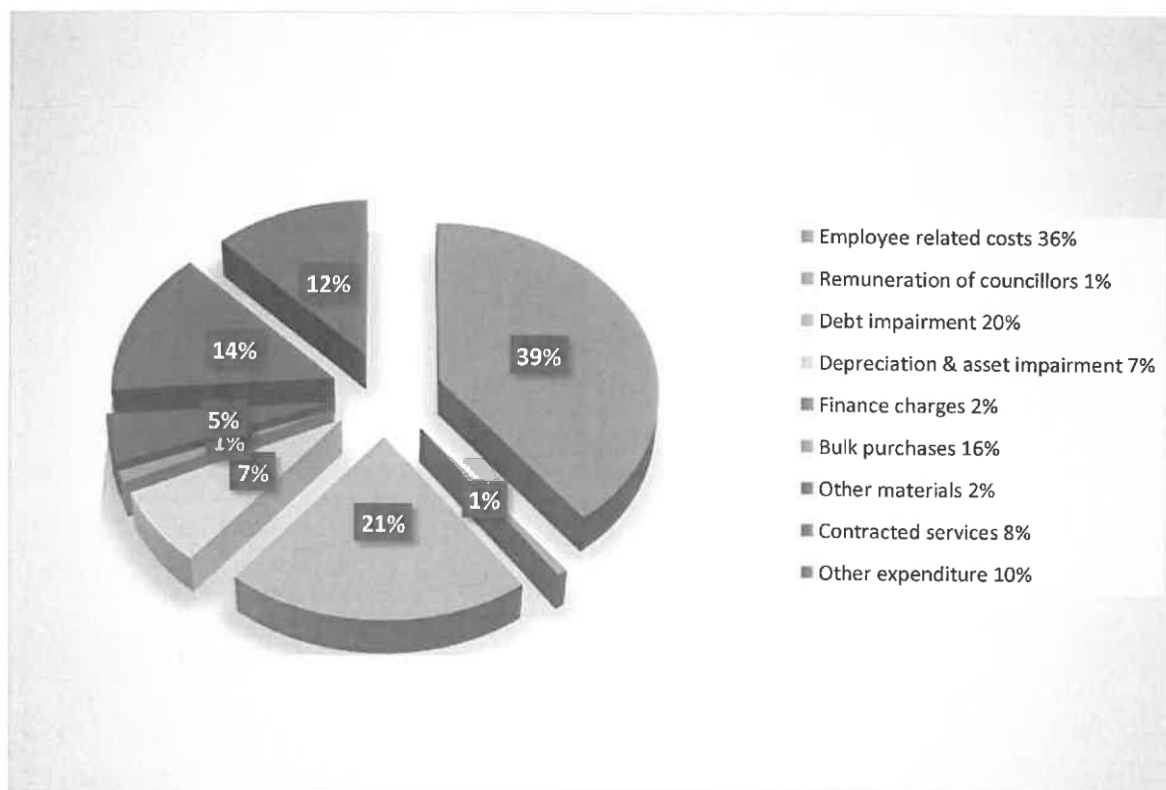
Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
R thousands			
Expenditure By Type			
Employee related costs	355 213	369 564	384 531
Remuneration of councillors	6 372	6 652	6 951
Debt impairment	186 252	183 441	191 695
Depreciation and asset impairment	65 872	68 770	71 865
Finance charges	-	-	-
Bulk purchases	10 000	10 440	10 910
Other materials	42 061	43 912	45 888
Contracted services	126 206	102 577	106 710
Transfers and subsidies	-	-	-
Other expenditure	109 365	105 825	110 587
Loss on disposal of PPE	-	-	-
Total Expenditure	901 340	891 180	929 137

Table 8 Operating expenditure expressed as percentages

Description	2021/2022 Financial Period		2022/2023 Financial Period		2023/2024 Financial Period	
	Munsoft Adjusted Budget Data 2021/22		Munsoft Adjusted Budget Data 2022/23		Munsoft Adjusted Budget Data 2023/24	
R thousands						
Expenditure By Type						
Employee related costs	355 213	39%	369 564	41%	384 531	41%
Remuneration of councillors	6 372	1%	6 652	1%	6 951	1%
Debt impairment	186 252	7%	183 441	8%	191 695	8%
Depreciation and asset impairment	65 872	7%	68 770	8%	71 865	8%
Finance charges	-		-		-	
Bulk purchases	10 000	1%	10 440	1%	10 910	1%
Other materials	42 061	5%	43 912	5%	45 888	5%
Contracted services	126 206	14%	102 577	12%	106 710	11%
Transfers and subsidies	-		-		-	
Other expenditure	109 365	12%	105 825	12%	110 587	12%
Loss on disposal of PPE	-		-		-	
Total Expenditure	901 340	100%	891 180	100%	929 137	100%

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Figure 1 Main operational expenditure categories for the 2021/2022 financial year



Employee related cost

The budgeted allocation for employee related costs for the 2021/2022 financial year totals R355 million, which equals 39% of the total operating expenditure. Which is below the norm of 40%. The salaries have not been increased due to cost a affordability analysis conducted by the municipality . The South African Local Government Bargaining Council has not reached an agreement on employee related cost increments, however the municipality is eligible to apply for an exemption on increases to employee related cost from SALGA in light of affordability.

The municipality has been very strict in budgeting for overtime and standby, the budget has been strictly set at R28 million which has been benchmarked at 10% of employee related costs . Senior managers have created a plan to reduce and effectively control overtime. The plan to reduce overtime will be attached to the budget.

Remuneration of Councillors

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

However the municipality is confident that debt impairment 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

Depreciation 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 R65 million for the 2021/2022 financial and equates to 7% of the total operating expenditure. Calculations for the provision as follows:

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Table 9 Depreciation per asset

Intangible Assets: Computer Software and Applications	18 102.60
Intangible Assets:Computer Software and Applications	8 693.92
Depreciation:Computer Equipment	110 120.67
Depreciation:Computer Equipment	95 731.14
Depreciation: Computer Equipment	124 416.30
COMPUTER HARDWARE DEPRECIATION	6 052.01
Depreciation:Computer Equipment	5 450.27
Depreciation:Computer Equipment	26 210.70
Depreciation:Computer Equipment	27 880.59
COMPUTER HARDWARE DEPRECIATION	3 858.18
Depreciation:Computer Equipment	37 978.40
Depreciation:Furniture and Office Equipment	41 432.02
Depreciation:Furniture and Office Equipment	123 257.57
Depreciation:Furniture and Office Equipment	67 899.67
Depreciation: Furniture and Office Equipment	78 420.49
Depreciation- Furniture & Office Equipment	155.88
FURNITURE & FITTINGS DEPRECIATION	5 792.26
FURNITURE & OFFICE EQUIPMENT DEPRECIATION	5 609.19
Depreciation:Furniture and Office Equipment	52 939.78
Depreciation:Furniture and Office Equipment	89 882.25
Depreciation:Furniture and Office Equipment	38 090.27
Municipal Offices	902 892.40
Municipal Offices	17 056.54
Municipal Offices	365 422.79
Waste Water Treatment	6 483 999.99
Depreciation: Transport Assets	57 901.36
Depreciation:Transport Assets	65 087.74
Depreciation:Transport Assets	184 205.19
Depreciation:Transport Assets	12 450.60
Depreciation:Transport Assets	18 593.66
Depreciation:Transport Assets	5 019 298.10
MOTOR VEHICLE DEPRECIATION	458 244.38
MOTOR VEHICLE DEPRECIATION	94 915.14
Distribution	776 030.02
Distribution	50 447 595.40

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.

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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

Fuel & Oil. (510/260180)	30000000
Printing and Stationery 100/260300	100000
Stationery (300/260340)	100000
Stationery (105/260340)	100000
Chemicals (408/235520)	261250
Stationery (405/260340)	100000
OM Chemicals	8000000
COVID- 19 Disaster Management	3000000
Disaster relief stock	
Cleaning materials (200/260090)	200000
Stationery (510/260340)	100000
Stationery (408/260340)	
Stationery (200/260340)	100000
Water Purchase (510/255050)	
Water Purchase (510/255050)	
	42061250

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.

An amount of R2.6 million for rural roads has also been included in contracted services as well as an amount of R30 million for VIP toilets.

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Table 10 Contracted Services

Audit Committee (105/260027)	200000
Professional Fees (200/260343)	177650
Asset Verification (300/406000)	
Billing Printing (510/260052)	481250
Job Evaluation (200/260218)	100000
Professional Fees (300/260342)	3031000
Rural Road Asset Management	2543000
Computer Programs (300/260)	3000000
Development Agency (405/260118)	3000000
GIS. Programmes (405/406360)	700000
BlueDrop (408/235215)	2000000
NODAL DEVELOPMENT PLAN	0
Outstanding Debt - Collection Fees (300/22)	2248350
Legal Fees (200/260240)	2500000
DC23 VIP Toilets project	30000000
Electrical (510/255045)	261250
Maintenance of buildings and facilities (200)	500000
Repairs to Pumps (510/235120)	15000000
Vehicle Repairs Outsourced. (510/235080)	7258500
Repairs specialised equipment (200/..)	2343500
Pipelines & portable water maintenance (510)	15000000
Contractors:Medical Services	400000
Doctors Examinations (200/260343)	400000
Security (200/235525)	15000000
Consumer - Billing &Printing (300/260052)	1545000
Technical Services EPWP (510)	3516000
VIP. Security (100/235525)	5000000
Water Tankers Hiring	10000000

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Other Expenditure

Other expenditure forms 10% of the total operating expenditure. Items that form the total cost other expenditure:

Table 11 Other Expenditure

Rental Office Machines. (200/260442)	461723
Plant & Equipment Hire (510/235510)	6000000
Renting of Offices (200/260443)	700000
Advertising (200/260020)	200000
Information & Communication. (105/235505)	200000
Credit - Interest Charges	240950
Bank Charges (300/260047)	802109
Radio broadcasting (105/235505)	54967
Telephone (200/260540)	3000000
Audit Fees (105/260030)	3869538
Free Basic Services. (510/260147)	10000000
Insurance (105/235500)	5917095.96
Vehicle Licence (510/260552)	250000
MIG TOP SLICE "PROJECT MANAGEMENT"	5000000
Electricity (510/255040)	58613509.46
Pauper Burial GE	100000
Membership Fees (405/260305)	10000
SALGA Levy (200/260435)	4000000
LGSETA TRAINING	500000
In-Service Training (200/260216)	500000
Skills Levy - IDP. (405/260530)	45000
Expenditure: Operational Cost: Skills Development	937738
Skills Levy - Budget. (300/260530)	43000
Skills Levy - Risk Management (105/260530)	6000
Skills Levy - Safety & Security (105/260530)	63168
Skills Development Fund (EPWP)	33500
Skills Levy - LED. (405/260530)	7817
Skills Levy - Tourism. (405/260530)	14601
Skills Levy - Tourism. (405/260530)	2558
Skills Levy Disaster Management (405/260530)	25000
Skills Levy - Laboratory. (408/260530)	29836
Skills Levy - Internal Auditor (105/260530)	10500
Skills Levy - HR (200/260530)	32366
Skills Levy - Legal Department (200/260530)	12370
Skills Levy (105/260530)	55432
Skills Levy (405/260530)	4300

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Skills Levy - Call Centre (405/260530)	418515
PMU. Skills levy. (510/260530)	31800
Skills Levy - Revenue. (300/260530)	144021
Skills Levy - Fleet Management (200/260530)	15911
Skills Levy - Call Centre (405/260530)	11921
Skills Levy - Public Participation (105/260530)	65500
Skills Levy - Staff Welfare (408/260530)	4832
Skills Levy (408/260530)	143679
Skills Levy - Corporate Admin. (200/260530)	94200
Skills Levy - IT. Department (200/260530)	13900
Skills Levy - Asset Management (300/260530)	21600
Skills Levy - SCM. (300/260530)	40600
Skills Levy (300/260530)	30500
Skills Levy - PMS. (105/260530)	12636
Skills Levy - Special Programs (105/260530)	17490
Skills Levy - Development Facilitation (105/260530)	16331
Skills Levy (100/260530)	298818
Subsistance & Travel. (510/260534)	11686
TRAVEL AND SUBSISTANCE	114194.16
Subsistance and Travel Laboratory services	42020.84
Subsistance & Travel. (408/260534)	1326465.33
Subsistance & Travel. (105/260534)	2981.02
Subsistance & Travel. (405/260534)	7070
Subsistance & Travel. (200/260534)	10404.54
Technical Services Travel Allowance : Staff	151924.56
Subsistance & Travel. - Communications DEpartment	26045.12
RE-IMBURSAVE TRAVEL SUPPLY CHAIN	1337.28
Travel Councillors own transport (100/260534)	8980.1
Subsistance & Travel. (510/260534)	1536170.32
Protective Clothing (408/260347)	3000000
	109364611.7

To 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 2021/2022 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 2021/2022 a. 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

Electrical (510/255045)	261250
Maintenance of buildings and facilities (200/235011)	500000
Repairs to Pumps (510/235120)	15000000
Vehicle Repairs Outsourced. (510/235080)	7258500
Repairs specialised equipment (200/..)	2343500
Pipelines & portable water maintenance (510/235100)	15000000

a portion of the MIG has been set aside specifically for the renewal and refurbishment of assets.

Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	New/ongoing
			Direct Cost	Indirect cost	194 919 000		
Ntabamhlophe Emergency Repairs	Inkosi langalibalele	MIG	R 5 000 000.00	R 1 000 000.00	R 6 000 000.00	30% completion	Repairs to all Ntabamhlophe phases

Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	New/ongoing
				Direct Cost	Indirect cost	3 730 000		
General Water/Sewer Maintenance & Reticulation		District Wide	EPWP			R 3 516.00		

The EPWP grant has also been decated towards contracting employees who be responsible for to the General Water/Sewer and Reticulation

Due to insufficient funds the municipality cannot meet the recommended benchmark of 8% of PPE.

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 2021/2022 financial year it is anticipated that R10 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.

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1.6 CAPITAL EXPENDITURE

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

Table 13 2021/2022 Medium-term capital budget per vote

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
Capital Expenditure - Functional			
<i>Municipal governance and administration</i>	-	-	-
<i>Trading services</i>	246 009	292 283	312 171
Energy sources	-	-	-
Water management	246 009	292 283	312 171
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	246 009	292 283	312 171
Funded by			
National Government	246 009	292 283	312 171
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	246 009	292 283	312 171
Public contributions and donations			
Borrowing	-	-	-
Internality generated funds	-	-	-
Total Capital Funding	246 009	292 283	312 171

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants amounting to R246 million.

A total of R283 million will be allocated towards water and sanitation infrastructure as per the following grant allocations. R35million allocation from the MIG is treated as operational due to MSCOA regulations.

Table 14 Infrastructure Grants

CAPITAL GRANT

	2021/22	2022/23	2023/24
MUNICIPAL INFRASTRUCTURE GRANT	194 919.00	211 483.00	221 371.00
WATER SERVICE GRANT	80 000.00	80 800.00	90 800.00
RURAL ROAD ASSETS MANAGEMENT GRANT	2 543.00	2 669.00	2 672.00
DRIEFONTEIN INDAKA BULK	6 090.00	-	-
TOTAL CAPITAL GRANT	283 552.00	294 952.00	314 843.00

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Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	New/ongoing
			Direct Cost	Indirect cost	194 919 000		
Ntabamhlophe Emergency Repairs	Inkosi langalibalele	MIG	R 5 000 000.00	R 1 000 000.00	R 6 000 000.00	30% completion	Repairs to all Ntabamhlophe phases
Thembalihle Package Plant	Inkosi langalibalele		R 8 000 000.00	R 1 119 280.00	R 9 119 280.00	Design Stage	Package Plant in construction as at July 2021
Construction of WWTW	Inkosi langalibalele		R 17 000 000.00	R 1 200 000.00	R 18 200 000.00	60% Completion	Construction of WWTW
Raw water and WTW	Inkosi langalibalele		R 14 000 000.00	R 1 400 000.00	R 15 400 000.00	Design Stage	Construction as at July 2021
VIP	District wide sanitation		R -	R 30 000 000.00	R 30 000 000.00	Construction	Construction
Existing WWTW infrastructure	District Wide		R 38 000 000.00	R -	R 38 000 000.00	Construction	Construction
Upgrading of Langkloof WTW	Okhahlamba		R 24 000 000.00	R 4 000 000.00	R 28 000 000.00	Construction	Construction
Upgrading of Bergville WTW	Okhahlamba		R 20 000 000.00	R 5 000 000.00	R 25 000 000.00	Construction	Construction
Okhahlamba ward 2,3 and 14 Regional Bulk Water Supply and reticulation network	Okhahlamba		R -	R 3 720 720.00	R 3 720 720.00	Construction fees	Construction
Upgrade of Colenso WTW	Alfred Duma		R 9 000 000.00	R 1 879 000.00	R 10 879 000.00	Construction	Construction
Completion of Fitty park water reticulation	Alfred Duma		R 5 000 000.00	R 600 000.00	R 5 600 000.00	Construction	Construction
	District		R -	R -	R 5 000 000.00		
					R 194 919 000.00		

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Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	Newongoing
				Direct Cost	Indirect cost			
						80 000 000		
Wembezi Bulk & Reticulation Upgrade (WCDM)	ILM	InkosiLangalibalele		R 20 000 000.00	R 1 000 000.00	R 21 000 000.00	60% Completion	Project ongoing for construction of bulk pipeline
Reticulation to ennersdale, Ephangwini Ward 4	ILM Ward 4	InkosiLangalibalele		R 14 000 000.00	R 1 000 000.00	R 15 000 000.00	Intention to award	To be on construction as of May 2021
Ezakhleni WCDM	Ezakhleni WCDM	Alfred Duma		R -	R 19 000 000.00	R 19 000 000.00	Planning and Implementation	Implementation
Spring Protection District Wide	District Wide	Districtwide		R 25 000 000.00	R -	R 25 000 000.00	Ongoing	New scope to be developed
						R 80 000 000.00		
Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	Newongoing
				Direct Cost	Indirect cost			
						3 730 000		
General Water/Sewer Maintenance & Reticulation		District Wide	EPWP			R 3 516.00		
Water Service Delivery Intervention		District Wide				R -		
Uthukela Environmental impact		District Wide				R -		
						R 3 516.00		
Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	Newongoing
				Direct Cost	Indirect cost			
						25		
Sanitation Related Equipment						R -		
Fleet			MASSIFICATION			R -		
Refurbishment of Water Infrastructure						R -		
						R -		
Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	Newongoing
				Direct Cost	Indirect cost			
						25		
RRAMS		District Wide	DOT			R 2 543 000.00		
						R 2 543 000.00		
Projects Name	Project Phase	Local Municipality	Funder	Budget		Total Budget	Progress	Newongoing
				Direct Cost	Indirect cost			
						39 399 000		
Emnambithi Bulk Water	Stage 1	Alfred Duma	RBIG	R -	R -	R -		
	Stage 2			R -	R -	R -		
	Stage 3			R 6 090 000.00	R -	R 6 090 000.00		
						R 6 090 000.00		

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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 2021/2022 draft budget and MTREF as approved by the Council.

Table 15 MBRR Table A1 - Budget Summary

	ADJUSTMENT			
	BUDGET	2021/22	2022/23	2022/24
Revenue By Source				
Service charges - water revenue	- 245 271 857	- 259 388 168	- 364 180 988	- 380 569 133
Service charges - sanitation revenue	- 19 956 882	- 21 154 295	- 29 700 630	- 31 037 158
Interest earned - external investments	- 6 097 260	- 8 643 627	- 12 135 653	- 12 681 757
Interest earned - outstanding debtors	- 68 673 768	- 72 794 194	- 102 203 048	- 106 802 186
finances	- 10 000	- 10 000		
Transfers recognised - operating	- 555 586 517	- 531 696 000	- 526 280 000	- 532 177 000
uMngeni Recovery Cost	- 26 580 000	-	-	-
Other revenue	- 4 288 876	- 3 124 374	- 4 386 621	- 4 584 019
Total Operating Revenue	- 926 465 160			
Capital Grants	- 284 432 178	- 246 009 000	- 292 283 000	- 312 171 000
Total Revenue	- 1 210 897 337	- 1 142 819 658	- 1 331 169 940	- 1 380 022 253
Expenditure By Type				
Employee related costs	329 208 791	355 213 069	369 563 677	384 531 005
Remuneration of councillors	6 371 543	6 371 543	6 651 891	6 951 226
Debt impairment	175 709 349	186 251 910	183 440 560	191 695 386
Depreciation	61 048 441	65 871 667	68 770 021	71 864 672
Finance charges				
Bulk purchases	119 943 645	10 000 000	10 440 000	10 909 800
Other materials	49 194 438	42 061 250	43 911 945	45 887 983
Contracted services	115 930 315	126 205 500	102 576 926	106 709 867
Transfers and grants				
Other expenditure	111 937 110	109 364 612	105 824 655	110 586 764
Total Expenditure	969 343 632	901 339 551	891 179 674	929 136 702

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)

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
R thousands			
Revenue - Functional			
<i>Municipal governance and administration</i>	582 690	652 871	664 563
Executive and council	72 380	77 624	82 729
Finance and administration	510 310	575 247	581 834
Internal audit	-	-	-
<i>Community and public safety</i>	2 107	2 940	3 091
Community and social services	2 107	2 940	3 091
<i>Trading services</i>	558 023	675 359	712 368
Energy sources	-	-	-
Water management	558 023	675 359	712 368
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Revenue - Functional	1 142 820	1 331 170	1 380 022
Expenditure - Functional			
<i>Municipal governance and administration</i>	392 398	404 155	421 589
Executive and council	65 791	68 516	71 378
Finance and administration	326 607	335 639	350 212
Internal audit	-	-	-
<i>Community and public safety</i>	51 246	50 205	52 252
Community and social services	12 577	13 088	13 622
Health	38 669	37 117	38 630
<i>Economic and environmental services</i>	17 519	18 228	18 968
Planning and development	17 519	18 228	18 968
<i>Trading services</i>	440 177	418 592	436 328
Energy sources	-	-	-
Water management	440 177	418 592	436 328
Total Expenditure - Functional	901 340	891 180	929 137
Surplus/(Deficit)	241 480	439 990	450 886

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)

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
Revenue - Functional			
<i>Municipal governance and administration</i>	582 690	652 871	664 563
Executive and council	72 380	77 624	82 729
Finance and administration	510 310	575 247	581 834
Internal audit	-	-	-
<i>Community and public safety</i>	2 107	2 940	3 091
Community and social services	2 107	2 940	3 091
<i>Trading services</i>	558 023	675 359	712 368
Energy sources	-	-	-
Water management	558 023	675 359	712 368
Total Revenue - Functional	1 142 820	1 331 170	1 380 022
Expenditure - Functional			
<i>Municipal governance and administration</i>	392 398	404 155	421 589
Executive and council	65 791	68 516	71 378
Finance and administration	326 607	335 639	350 212
Internal audit	-	-	-
<i>Community and public safety</i>	51 246	50 205	52 252
Community and social services	12 577	13 088	13 622
Health	38 669	37 117	38 630
<i>Economic and environmental services</i>	17 519	18 228	18 968
Planning and development	17 519	18 228	18 968
<i>Trading services</i>	440 177	418 592	436 328
Energy sources	-	-	-
Water management	440 177	418 592	436 328
Total Expenditure - Functional	901 340	891 180	929 137
Surplus/(Deficit)	241 480	439 990	450 886

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.

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

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
Revenue By Source			
Service charges - water revenue	259 388	364 181	380 569
Service charges - sanitation revenue	21 154	29 701	31 037
Service charges - refuse revenue	-	-	-
Rental of facilities and equipment	-	-	-
Interest earned - external investments	6 463	9 074	9 483
Interest earned - outstanding debtors	74 975	105 265	110 001
Dividends received	-	-	-
Fines, penalties and forfeits	10	-	-
Licences and permits	-	-	-
Agency services	-	-	-
Transfers and subsidies	531 696	526 280	532 177
Other revenue	3 124	4 387	4 584
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	896 811	1 038 887	1 067 851
Expenditure By Type			
Employee related costs	355 213	369 564	384 531
Remuneration of councillors	6 372	6 652	6 951
Debt impairment	186 252	183 441	191 695
Depreciation and asset impairment	65 872	68 770	71 865
Finance charges	-	-	-
Bulk purchases	10 000	10 440	10 910
Other materials	42 061	43 912	45 888
Contracted services	126 206	102 577	106 710
Transfers and subsidies	-	-	-
Other expenditure	109 365	105 825	110 587
Loss on disposal of PPE	-	-	-
Total Expenditure	901 340	891 180	929 137
Surplus/(Deficit)	(4 529)	147 707	138 715
Transfers and subsidies - capital (monetary allocations) (H)	246 009	292 283	312 171
Transfers and subsidies - capital (monetary allocations) (H)	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-
Surplus/(Deficit) after capital transfers and contributions	241 480	439 990	450 886
Taxation	-	-	-
Surplus/(Deficit) after taxation	241 480	439 990	450 886
Attributable to minorities	-	-	-
Surplus/(Deficit) attributable to municipality	241 480	439 990	450 886
Share of surplus/ (deficit) of associate	-	-	-
Surplus/(Deficit) for the year	241 480	439 990	450 886

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

1. Total operating revenue is R896 million in 2021/2022 and escalates to R1 billion by 202/2024. However given sound financial management strategies are put in place we can expect an increase in revenues exceeding 6%
2. Total operating expenditure is R901 million in 2021/2022 and escalates to R929 million by 202/2024. However given sound financial management strategies are put in place we can expect an increase in revenues exceeding 6%

Table 19 MBRR - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
Capital Expenditure - Functional			
<i>Municipal governance and administration</i>	-	-	-
<i>Trading services</i>	246 009	292 283	312 171
Energy sources	-	-	-
Water management	246 009	292 283	312 171
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	246 009	292 283	312 171
Funded by			
National Government	246 009	292 283	312 171
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	246 009	292 283	312 171
Public contributions and donations			
Borrowing	-	-	-
Internality generated funds	-	-	-
Total Capital Funding	246 009	292 283	312 171

Explanatory notes to Table A5- Budgeted Capital Expenditure

The capital budget is fully grant funded the municipality has budgted R246 million towards water and anitation infrastructure, for the 2021/2022 financial year.

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Table 20 MBRR Table A6 - Budgeted Financial Position

Description	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	-	-	-
Service charges	126 244	177 247	185 223
Other revenue	3 134	4 387	4 584
Transfers and Subsidies - Operational	531 709	526 298	532 196
Transfers and Subsidies - Capital	246 009	292 283	312 171
Interest	6 463	9 074	9 483
Dividends	-	-	-
Payments			
Suppliers and employees	(673 216)	(638 529)	(664 667)
Finance charges	-	-	-
Transfers and Grants	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	240 343	370 760	378 989
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	-	-	-
Decrease (increase) in non-current receivables	-	-	-
Decrease (increase) in non-current investments	-	-	-
Payments			
Capital assets	(246 009)	(292 283)	(312 171)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(246 009)	(292 283)	(312 171)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Short term loans	-	-	-
Borrowing long term/refinancing	-	-	-
Increase (decrease) in consumer deposits	4 043	1 958	2 046
Payments			
Repayment of borrowing	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	4 043	1 958	2 046
NET INCREASE/ (DECREASE) IN CASH HELD	(1 623)	80 434	68 864
Cash/cash equivalents at the year begin:	18 056	16 433	96 867
Cash/cash equivalents at the year end:	16 433	96 867	165 732

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understand-ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. This table is supported by an extensive table of notes (SA3)providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Non-current Provisions;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

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Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
R thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts	913 560	1 009 289	1 043 656
Property rates	-	-	-
Service charges	126 244	177 247	185 223
Other revenue	3 134	4 387	4 584
Government - operating	531 709	526 298	532 196
Government - capital	246 009	292 283	312 171
Interest	6 463	9 074	9 483
Dividends	-	-	-
Payments	(673 216)	(638 529)	(664 667)
Suppliers and employees	(673 216)	(638 529)	(664 667)
Finance charges	-	-	-
Transfers and Grants	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	240 343	370 760	378 989
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts	-	-	-
Proceeds on disposal of PPE	-	-	-
Decrease (increase) other non-current receivables	-	-	-
Decrease (increase) in non-current investments	-	-	-
Payments	(246 009)	(292 283)	(312 171)
Capital assets	(246 009)	(292 283)	(312 171)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(246 009)	(292 283)	(312 171)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts	5 666	1 958	2 046
Short term loans	-	-	-
Borrowing long term/refinancing	-	-	-
Increase (decrease) in consumer deposits	5 666	1 958	2 046
Payments	-	-	-
Repayment of borrowing	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	5 666	1 958	2 046
NET INCREASE/ (DECREASE) IN CASH HELD	-	80 434	68 864
Cash/cash equivalents at the year begin:	18 056	18 056	98 490
Cash/cash equivalents at the year end:	18 056	98 490	167 354

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Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- 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.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- 2021/2022 adjustment cash flow estimated that the municipality will have R16 million at year end.
- It is anticipated tha the municipality will have R34.3 million at year end provided the applied collection rate of 60% is maintained through out the year. As well as the cost containment measures are applied effectively as detailed in the recovery plan.
- All operating expenditure budgeted on table A4 has been budgeted to be settled in 2021/2022.
- Payment to creditors and suppliers includes an amount of R24 million which is budgeted to settle od debts per approved payment plans.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

R thousands

Cash and investments available				
Cash/cash equivalents at the year end	18 055 500.00	16 432 800.51	33 676 230.11	80 810 957.81
Other current investments > 90 days	10 887 725.86			
Non current assets - Investments	0.00	0.00	0.00	
Cash and investments available:	28 943 225.86	16 432 800.51	33 676 230.11	80 810 957.81
Applications of cash and investments				
Unspent conditional transfers	0.00	0.00	0.00	
Unspent borrowing	0.00			
Statutory requirements	36 118 558.00	38 285 671.48	39 970 241.03	41 768 901.87
Other working capital requirements	288 884 168.00	264 884 168.00	240 884 168.00	216 884 168.00
Other provisions	34 944 000.00	37 040 640.00	39 263 078.40	41 618 863.10
Long term investments committed	0.00	0.00	0.00	
Reserves to be backed by cash/investments	0.00	0.00	0.00	
Total Application of cash and investments:	359 946 726.00	340 210 479.48	320 117 487.43	300 271 932.98
Surplus(shortfall)	-331 003 500.14	-323 777 678.97	-286 441 257.32	-219 460 975.16

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2021/2022 to 2023/2024 the budget is expected to be unfunded by R323 million and R219 million respectively.
6. The municipality has also compiled a budget funding plan, which identifies the major costs drivers and the areas of possible cost containment . the detailed funding plan consists of strategies that municipalities will employ as measures of cost containment and the financial benefits thereon. The plan adopted will cover a 10 year financial span, however improvements in the financial position of the municipality can be noted within before that period.
7. The municipality notes the financial pressure imposed by the contract between its self and uMngeni. The municipality intends to exit the contract by May 2021

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Table 23 MBRR -Table A9 Asset Management

Description R thousands	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
CAPITAL EXPENDITURE			
<u>Total New Assets</u>	181 009	80 800	90 800
<i>Roads Infrastructure</i>	-	-	-
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	-	-	-
<i>Water Supply Infrastructure</i>	162 809	80 800	90 800
<i>Sanitation Infrastructure</i>	18 200	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
Infrastructure	181 009	80 800	90 800
<i>Community Facilities</i>	-	-	-
<i>Sport and Recreation Facilities</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
Infrastructure	11 000	-	-
<i>Community Facilities</i>	-	-	-
<u>Total Upgrading of Existing Assets</u>	54 000	211 483	221 371
<i>Roads Infrastructure</i>	-	-	-
<i>Storm water Infrastructure</i>	-	-	-
<i>Electrical Infrastructure</i>	-	-	-
<i>Water Supply Infrastructure</i>	54 000	211 483	221 371
<i>Sanitation Infrastructure</i>	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-
<i>Rail Infrastructure</i>	-	-	-
<i>Coastal Infrastructure</i>	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-
Infrastructure	54 000	211 483	221 371
<i>Community Facilities</i>	-	-	-
<i>Sport and Recreation Facilities</i>	-	-	-

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Total Capital Expenditure	246 009	292 283	312 171
Roads Infrastructure	-	-	-
Storm water Infrastructure	-	-	-
Electrical Infrastructure	-	-	-
Water Supply Infrastructure	227 809	292 283	312 171
Sanitation Infrastructure	18 200	-	-
Solid Waste Infrastructure	-	-	-
Rail Infrastructure	-	-	-
Coastal Infrastructure	-	-	-
Information and Communication Infrastructure	-	-	-
Infrastructure	246 009	292 283	312 171
TOTAL CAPITAL EXPENDITURE - Asset Class	246 009	292 283	312 171
ASSET REGISTER SUMMARY - PPE (WDV)			
Water Supply Infrastructure	135 745	238 806	256 287
Sanitation Infrastructure	10 516	(6 769)	(7 074)
Infrastructure	146 261	232 036	249 213
Community Assets	2 698 803	2 806 755	2 806 755
Heritage Assets	2 532	2 633	2 633
Investment properties	-	-	-
Other Assets	40 755	(1 342)	(1 402)
Biological or Cultivated Assets	-	-	-
Intangible Assets	496	515	514
Computer Equipment	(438)	(457)	(478)
Furniture and Office Equipment	(503)	(526)	(549)
Machinery and Equipment	-	-	-
Transport Assets	(5 911)	(6 171)	(6 448)
Land	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	2 881 994	3 033 444	3 050 238

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The Municipality has committed to the renewal and repairs and maintenance of existing capital assets. The cost saving that will be gained from maintaining existing assets will be employed in future capital projects

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 2019) 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 2020, Key dates applicable to the process were as follows:

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Table24 Key dates applicable to the process were as follows:

Activity No.	Action/ Task for IDP	Timeframe for Task Completion
July 2020 & Aug. 2020	▪ Drafting of the IDP Framework and process plan	13 July 2020
	▪ Alignment of IDP and budget process plans	17 July 2020
	▪ Submission of the draft Framework and Process Plan to COGTA for comments	0 July 2020
	▪ Advertisement of the IDP Framework and process plan	1 July 2020
	▪ Adoption of IDP Framework and Process Plan by full council	28 August 2020
	▪ Planning Indaba	28 August 2020
Sept 2020	▪ Submission of the adopted IDP Framework and Process plan to COGTA	02 September 2020
	▪ Identify outstanding Sector Plans ▪ Integrate sector plans.	25 September 2020
	▪ IDP input into provincial adjustment budgets ▪ Provincial planners Forum	25 September 2020
		28 September 2020
Oct 2020	▪ Provide inputs in the review of the Spatial Development Framework	30 September 2020
	▪ Projects identifications and prioritization ▪ Develop KPI's targets, timeframes etc. where impacted upon by reprioritization	05 October 2020
	▪ Align with draft budget estimates	12 October 2020
		16 October 2020
Nov 2020		26 October 2020
	▪ World Planning Day	06 November 2020
	▪ Municipal alignment session	09 November 2020
	▪ Alignment meeting between DM & Province to revised 3 year MTEF	12 November 2020
Dec 2020	▪ Alignment meeting with family of municipalities ▪ SDF Alignment between the bordering district municipalities	21 November 2020
		23 November 2020
Jan 2021	▪ IDP best practice conference	06 December 2020
	▪ IDP Supporting Structure Committee Meeting	21 January 2021

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Feb 2021	<ul style="list-style-type: none"> ▪ IDP steering committee and strategic planning virtual session to: <ul style="list-style-type: none"> - Review Municipal Vision and Mission - Develop Objectives and Strategies ▪ Meeting COGTA and municipalities on IDP assessment 	8&9 February 2021
		11 February 2021
	<ul style="list-style-type: none"> ▪ Updating of municipal CIP and MTEF based on Draft DORA allocations ▪ IDP Coordinating committee meeting(IDP Managers) ▪ IDP Representative Forum meeting ▪ IDP consultation (needs analysis) 	17 February 2021
		19 February 2021
		22 February 2021
		23-27 February 2021
March 2021	<ul style="list-style-type: none"> ▪ EXCO approval of the Draft, recommend to Council ▪ Council Approval of the Draft IDP 2020/2021 ▪ Submission of the Draft 2021/2022 IDP to COGTA 	19 March 2021
		26 March 2021
		31 March 2021
April 2021	<ul style="list-style-type: none"> • Decentralized IDP assessment forums • Advertise for public comments(21days) □ IDP/Budget consultation 	09 April 2021
		13 April 2021
		19-23 April 2021
May 2021	<ul style="list-style-type: none"> □ IDP Assessment Feedback Session □ Amend IDP in accordance with the outcome of the assessment 	04 May 2021
		11 May 2021
May 2021	<ul style="list-style-type: none"> □ EXCO recommend to Council □ Council approval of the final 2021/2022 IDP 	14 May 2021
		28 May 2021
June 2021	<ul style="list-style-type: none"> □ Submission of the adopted IDP to the MEC □ Advertise the Adopted IDP in the local newspaper 	02 June 2021
		09 June 2021

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

2.2.1 ROLE PLAYERS

- **National Linkages**

The national sphere should at least provide a framework for the preparation of the sectoral Plans, and where possible funding be accessed. This will contribute to the creation of a normative framework and consistency between municipalities.

The national sphere should also co-ordinate and prioritizes programmes and budgets between sectors and the national sphere in line with the framework.

- **Provincial Level**

As with the National Government, Provincial Government should prepare sectoral guidelines and funding analysis (Business Plans) for the preparation of these plans.

The preparation of the sectoral Plans and programmes and district programmes also need to be coordinated and aligned.

2.2.2 KEY STAGES OF ALIGNMENT BETWEEN UTHUKELA DISTRICT MUNICIPALITY AND ITS FAMILY OF MUNICIPALITIES

Alignment meetings will take place on a quarterly basis through the IDP Supporting structure Committee that is formed by the IDP Managers of all Local Municipalities, representative from COGTA and is chaired by the District IDP Manager. It ensures that the IDP process is carried out in a holistic manner, interaction between the district and locals is essential as well as the alignment. Should a need arise for more of these meetings, local municipalities and the district municipality will have to come to consensus on suitable dates.

2.2.3 PARTICIPATING LOCAL MUNICIPALITIES

The uThukela district municipality consists of three local municipalities, which are:

- Alfred Duma Local Municipality
- Inkosi Langalibalele Local Municipality
- Okhahlamba Local Municipality

The Draft IDP Framework and Process Plan have been circulated to all local municipalities and COGTA for their inputs before its adoption.

2.2.4 MONITORING OF THE PROCESS PLAN

Alignment is the instrument that synthesis and integrates the top-down and the bottom-up planning process between different spheres of government. Not only alignment between the district and the local municipalities is important, but also between the local municipalities within the jurisdiction of the district municipality. The alignment procedures and mechanisms should be incorporated in the process plans of the local municipalities, while the responsibility for alignment rests with the district municipality.

In order to facilitate the above, frequent IDP alignment meetings will be rotational in all local municipalities, chaired and convened by the District. The secretariat function will be performed by the hosting municipality and verified by the district IDP Manager before its circulation to all members of the family. Coordination meetings have been scheduled as well as alignment workshops as stipulated in the Activity programme.

IDP Manager is required to submit a written report at each meeting, indicating progress and deviations from the Framework and Process plan, as well as the recommended action to address the deviation. The members at the meeting will assess the deviation and recommend necessary amendments to the Process Plan to the individual Steering Committees, which will make a decision as to whether the matter needs to be endorsed by the Executive Committee of the relevant Municipality.

2.2.5 PROCEDURES FOR DEVIATION

In terms of the Municipal Systems Act of 2000, the district and local municipalities must determine procedures to effect amendments to the Framework Plan. In order to amend the Framework Plan, amendments should be tabled at the IDP Supporting structure Committee meeting. The Committee will evaluate the changes and recommend such amendments to the individual Steering Committees. The IDP Steering Committee may recommend that changes be presented to Council in order to formally amend the Framework Plan

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;

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- 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.

Table 25.1 IDP Goals Objectives and Strategies

Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand			
Good Governance	72 380	77 624	82 729
Safe, Healthy and Secure Environment	2 107	2 940	3 091
Financial Viability and Sustainability	510 310	575 247	581 834
Quality Living Environment	558 023	675 359	712 368
Allocations to other priorities			
Total Revenue (excluding capital transfers and contributions)	1 142 820	1 331 170	1 380 022

Table 25.2 IDP Goals Objectives and Strategies

Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand			
Good Governance	65 791	68 516	71 378
Safe, Healthy and Secure Environment	68 765	68 433	71 219
Financial Viability and Sustainability	326 607	335 639	350 212
Quality Living Environment	440 177	418 592	436 328
Allocations to other priorities			
Total Expenditure	901 340	891 180	929 136

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The 2021/2022 MTREF has therefore been directly informed by the IDP revision process and the above tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 OVER VIEW OF BUDGET RELATED POLICIES

2.3.1. Budget Policy

The objective of this policy is to set out the budgeting principles which the Municipality will follow in preparing each annual budget, as well as the responsibilities of the Chief Financial Officer in compiling such budget.

2.3.2 Credit Control and Debt Collection Policy

- The Council of the municipality, in adopting this policy on credit control and debt collection, recognises its constitutional obligations to develop the local economy and to provide acceptable services to its residents. It simultaneously acknowledges that it cannot fulfil these constitutional obligations unless it exacts payment for the services which it provides and for the taxes which it legitimately levies – in full from those residents who can afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the Council's approved indigent management policy.

2.3.3 Indigent Support Policy

- Indigents, whose level of income is less than the amount determined by Council as qualifying for indigent support, may apply in writing to the Council for such support.
- Owners or occupiers who apply for such support shall be required to apply annually, in writing, for such support on the prescribed form.
- Only registered residential consumers of services delivered by Municipality qualify for support.
- A consumer conducting a business on a residential property, with or without special consent from the Council, shall qualify for assistance.
- Support in terms of this policy only be provided to owners or residents who occupy the premises.
- Applications for support must be made during March of each year and will apply from the first of the month following the month application and will continue for 12 months. Should further support be required a new application must be lodged.

2.3.4 Supply Chain Management Policy

The principal objective of the policy is to provide, promote and implement, theoretical guidelines, governing processes and procedures within the supply chain management when

- 1) Procuring goods or services;
- 2) Disposal of goods, assets and immovable property no longer needed;
- 3) Selecting contractors to provide assistance in the provision of municipal services other than that where Chapter 8 of the Municipal Systems Act applies.

2.3.5. Virements Policy

This policy applies only to transfers between line items within votes of the Municipality's operating budget.

Section 28(2) (d) read together with section 69 of the MFMA provides that *"An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote."* Transfers between votes may therefore be authorised only by the Council of the Municipality.

For ease of reference, the definition of "vote" as contained in Section 1 of the MFMA is set out hereunder:

"Vote means –

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned."*

This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the Council through an adjustment budget.

2.3.6. Tariff Policy

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – "that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act" (MSA).

In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts this policy as the as the framework for determining tariffs.

2.3.7. Petty Cash Policy

The objectives of the policy are to:

- 2.3.7.1 Ensure goods and services are procured by the municipality in accordance authorized processes only.
- 2.3.7.2 Ensure that the municipality has and maintains an effective petty cash system Expenditure control.
- 2.3.7.3 Ensure that sufficient petty cash is available when required
- 2.3.7.4 Ensure that the items required to be procured are approved petty cash items.

***All policies highlighted above have been attached to the budget for further reference.
Additional policies approved include:***

*Credit control policy
Bad debt & write off policy
Budget funding and reserves policy
Cash management and investment policy
Contract management policy
Expenditure management policy
Inventory policy
Cost containment policy
Virements policy
SCM policy
Petty cash policy
Assets Management policy*

2.4 OVER VIEW OF BUDGET ASSUMPTIONS

- The 2021/2022 budget assumes the following:
 - CPI inflation rate forecast 4% for 2021/2022 and 4% for the outer two years respectively.
 - Tariffs have been increased by 6% however the increase in industrial tariffs is 8%.
 - Collection rate estimated at 45% Service charges.
 - Employee related costs will increase by 0%
 - 60% of the capital budget is capitalised and added to the Asset register.

2.5 OVERVIEW OF BUDGET FUNDING

2.5.2 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 26 Breakdown of the operating revenue over the medium-term

Description	2021/2022 Financial Period		2022/2023 Financial Period		2023/2024 Financial Period	
	Munsoft Adjusted Budget Data 2021/22		Munsoft Adjusted Budget Data 2022/23		Munsoft Adjusted Budget Data 2023/24	
R thousands						
Revenue By Source						
Service charges - water revenue	259 388	29%	364 181	35%	380 569	36%
Service charges - sanitation revenue	21 154	2%	29 701	3%	31 037	3%
Service charges - refuse revenue	-		-		-	
Rental of facilities and equipment	-		-		-	
Interest earned - external investments	6 463	1%	9 074	1%	9 483	1%
Interest earned - outstanding debtors	74 975	8%	105 265	10%	110 001	10%
Dividends received	-		-		-	
Fines, penalties and forfeits	10	0%	-	0%	-	0%
Licences and permits	-		-		-	
Agency services	-		-		-	
Transfers and subsidies	531 696	59%	526 280	51%	532 177	50%
Other revenue	3 124	0%	4 387	0%	4 584	0%
Gains on disposal of PPE	-		-		-	
Total Revenue (excluding capital transfers and contributions)	896 811	100%	1 038 887	100%	1 067 851	100%

The following graph is a breakdown of the operational revenue per main category for the 2021/2022 financial year.

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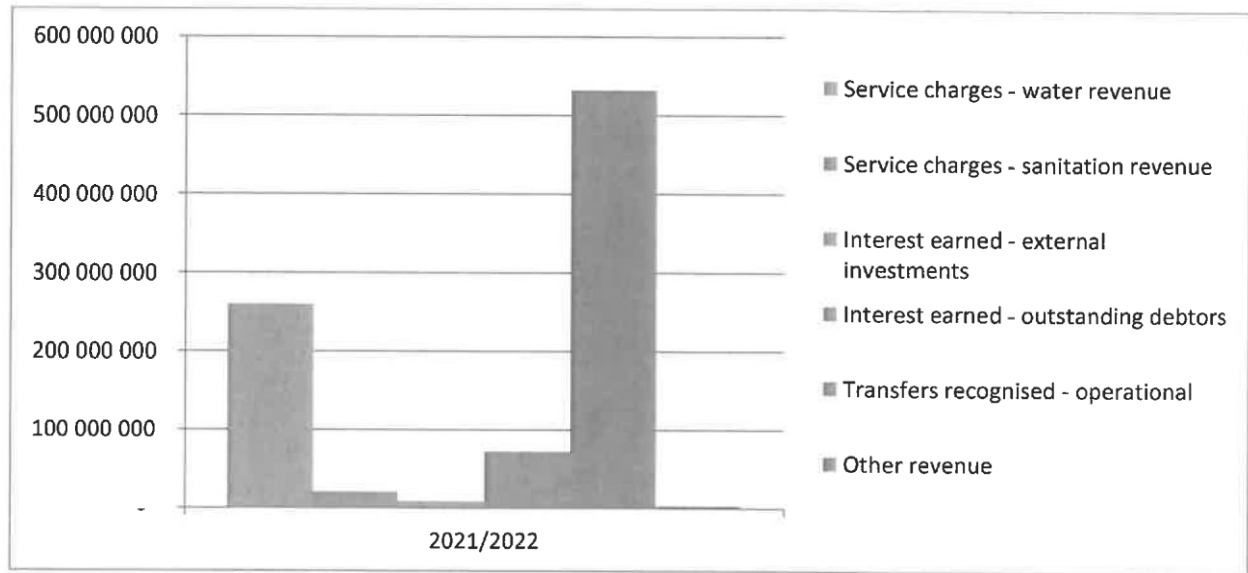


Figure 2 Breakdown of operating revenue over the 2021/2022 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives 31% of its operational revenue from the provision of and services such as water and sanitation.

The above graph demonstrates that the major part of the municipality revenue is derived from operating grants making up 59% of the revenue basket.

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development
- Revenue management and enhancement
- Achievement of a 65% and above annual collection rate for consumer revenue
- National Treasury guidelines
- Bulk electricity tariff increases
- Water tariff increases by DWA and ESKOM
- Achievement of full cost recovery of specific user charges
- Determining tariff escalation rate by establishing/calculating revenue requirements
- And the ability to extend new services and obtain cost recovery levels

The above principles guide the annual increase in the tariffs charged to the consumers and are aligned to the economic forecasts.

Revenue relating to water and sanitation will total R259 and R21 million respectively for the 2021/2022 financial year with water service charges increasing to R380 million and R31 million by 2023/2024. These constitute 31% of the total budget.

Operational grants and subsidies amount to R531 million in the 2021/2022 financial year being 59% of the total budgeted revenue. It needs to be noted that in real terms the grants receipts from national government

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have been decreased in 2021/2022 due to COVID-9. Equitable share has been decreased by 4.4% as per budget circular 108 which translates to a decrease of R19 million.

The tables below provide detail investment particulars by maturity and bank balance information.

Table 27 MBRR SA15 – Bank balance details

Bank Balances				
The following reflects bank balances at 28 February 2021				
DESCRIPTION	NOV 2020	DEC 2020	JAN 2021	FEB 2021
FNB MAIN ACCO	56,917,893.71	9,921,883.94	9,262,531.70	19,239,706.91
FNB WATER AC	0	0	0	0
	56,917,893.71	9,921,883.94	9,262,531.70	19,239,706.91

Table 28– Detail Investment particulars by maturity

The table reflects a list of investments currently held by the municipality at the end of February 2021

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

2.4.1 Table 10: Investments and Bank Balances

DC 23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M08 February

Investments by maturity Name of institution & investment ID	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands					
Municipality					
FNB	9,152	55	(40,000)	45,000	14,207
NEDBANK	30,011	75	(15,075)	-	15,011
INVESTEC	45,635	122	-	-	45,757
ABSA	30,317	33	(20,000)	-	10,350
STANDARD BANK	30,150	(17)	-	-	30,132
TOTAL INVESTMENTS AND INTEREST	145,266		(75,075)	45,000	115,458

2.5.3 Capital revenue

The capital expenditure budget will be funded from the infrastructure grants to the value of R283million.

Table 29 – Capital Grants

CAPITAL GRANT	2021/22	2022/23	2023/24
MUNICIPAL INFRASTRUCTURE GRANT	194 919.00	211 483.00	221 371.00
WATER SERVICE GRANT	80 000.00	80 800.00	90 800.00
RURAL ROAD ASSETS MANAGEMENT GRANT	2 543.00	2 669.00	2 672.00
DRIEFONTEIN INDAKA BULK	6 090.00	-	
TOTAL CAPITAL GRANT	283 552.00	294 952.00	314 843.00

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2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

TABLE 30: DC23 UThukela - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
EXPENDITURE:						
<u>Operating expenditure of Transfers and Grants</u>						
National Government:	474 718	474 718	474 718	531 696	526 280	532 177
Local Government Equitable Share	393 550	393 550	393 550	412 776	437 646	438 182
RSC Levy Replacement	72 630	72 630	72 630	72 380	77 624	82 729
Finance Management	1 800	1 800	1 800	1 950	2 100	2 100
EPWP Incentive	3 730	3 730	3 730	3 516		
LG Seta	500	500	500	500	500	500
Rural Road Asset Management	2 508	2 508	2 508	2 543	2 669	2 672
Municipal Systems Improvement				3 031	5 741	5 994
Municipal Infrastructure grant	5 000	5 000	5 000	35 000		
Provincial Government:	1 500	1 500	1 500			
Shared Services						
Massification						
Spatial Framework	1 500	1 500	1 500			
Total operating expenditure of Transfers and Grants	476 218	476 218	476 218	531 696	526 280	532 177
<u>Capital expenditure of Transfers and Grants</u>						
National Government:	307 046	287 050	287 050	246 009	292 283	312 171
Municipal Infrastructure Grant (MIG)	177 647	177 647	177 647	159 919	211 483	221 371
Regional Bulk Infrastructure	39 399	19 403	19 403	6 090		
Water Services Infrastructure Grant	90 000	90 000	90 000	80 000	80 800	90 800
0						
Provincial Government:	-	2 312	2 312	-	-	-
Massification Grant		2 312	2 312			
Disaster Management		2 000	2 000			
Total capital expenditure of Transfers and Grants	307 046	289 362	289 362	246 009	292 283	312 171
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	783 264	765 580	765 580	777 705	818 563	844 348

2.7 COUNCILLOR AND EMPLOYEE BENEFITS

TABLE 31: DC23 UThukela - Table SA22 - Summary of councillor and staff benefit

Summary of Employee and Councillor remuneration R thousand	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/2022	Budget Year +1 2012/23	Budget Year +2 2023/24
<u>Councillors (Political Office Bearers plus Other)</u>			
Basic Salaries and Wages	4 059	4 238	4 429
Pension and UIF Contributions			
Medical Aid Contributions			
Motor Vehicle Allowance	1 803	1 882	1 966
Cellphone Allowance	510	532	556
Housing Allowances			
Other benefits and allowances			
Sub Total - Councillors	6 372	6 652	6 951
% increase	-	4.4%	4.5%
<u>Senior Managers of the Municipality</u>			
Basic Salaries and Wages	6 023	6 023	6 023
Pension and UIF Contributions	11	11	11
Motor Vehicle Allowance	1 083	1 083	1 083
Cellphone Allowance			
Housing Allowances	711	711	711
Sub Total - Senior Managers of Municipality	7 828	7 828	7 828
% increase	-	-	-

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Other Municipal Staff			
Basic Salaries and Wages	216 831	225 591	234 728
Pension and UIF Contributions	29 959	31 169	32 432
Medical Aid Contributions	8 399	8 738	9 092
Overtime	27 707	51 075	53 144
Performance Bonus			
Motor Vehicle Allowance	10 508	11 249	12 021
Cellphone Allowance			
Housing Allowances	2 010	2 092	2 176
Other benefits and allowances	50 093	29 868	31 078
Payments in lieu of leave	1 706	1 775	1 847
Long service awards			
Post-retirement benefit obligations	171	178	186
Sub Total - Other Municipal Staff	347 385	361 736	376 703
% increase	-	4.1%	4.1%
Total Parent Municipality	361 585	376 216	391 482
	-	4.0%	4.1%
TOTAL SALARY, ALLOWANCES & BENEFITS	361 585	376 216	391 482
% increase	-	4.0%	4.1%
TOTAL MANAGERS AND STAFF	355 213	369 564	384 531

2.7. 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. Budget Steering Committee

A Budget Steering Committee Audit Committee has been established and is fully functional

6. Service Delivery and Implementation Plan

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

7. Annual Report

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

8. Policies

Budget related policies are reviewed on an annual basis.

9. MScoa compliance

The municipality is Mscoa compliant, an Mscoa committee has been established as well as an implementation plan put in place. Mscoa risks are reviewed regularly.

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Standard	Description	Service Level
Solid Waste Removal		
	Premise based removal (Residential Frequency)	N/A
	Premise based removal (Business Frequency)	N/A
	Bulk Removal (Frequency)	N/A
	Removal Bags provided(Yes/No)	N/A
	Garden refuse removal Included (Yes/No)	N/A
	Street Cleaning Frequency in CBD	N/A
	Street Cleaning Frequency in areas excluding CBD	N/A
	(24hours/48hours/longer)	N/A
	Clearing of illegal dumping (24hours/48hours/longer)	N/A
	Recycling or environmentally friendly practices(Yes/No)	N/A
	Licenced landfill site(Yes/No)	N/A
Water Service		
	Water Quality rating (Blue/Green/Brown/N0 drop consumers)	Indigents only
	Frequency of meter reading? (per month, per year)	per month
	consumption over (two month's/three month's/longer period)	three months
	before reverting back to actual readings? (months)	4 months
	<i>cases of service interruption (complete the sub questions)</i>	
	One service connection affected (number of hours)	3 Hours
	Up to 5 service connection affected (number of hours)	8 Hours
	Up to 20 service connection affected (number of hours)	day
	Feeder pipe larger than 800mm (number of hours)	4 Hours
	municipality?	
	protection activities as part of your operations? (Yes/No)	Yes
	How long does it take to replace faulty water meters? (days)	2 days
	operational at this stage? (Yes/No)	Yes
Electricity Service		
	month?	N/A
	operational? (Yes/No)	N/A
	ripple control system?	N/A
	year)	N/A
	(two month's/three month's/longer period)	N/A
	before reverting back to actual readings? (months)	N/A
	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	N/A
	(Yes/no)	N/A
	protection activities as part of your operations? (Yes/No)	N/A
	How long does it take to replace faulty meters? (days)	N/A
	prevention of electricity theft? (Yes/No)	N/A
	(Good/Bad)	N/A
	customer upon a written request? (days)	N/A
	service where existing infrastructure can be used? (working days)	N/A

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service for low voltage users where network extension is not required? (working days)	N/A
service for high voltage users where network extension is not required? (working days)	N/A
Sewerage Service	
back in to the system after purification?	Yes
To what extend do you subsidize your indigent consumers?	Yes
average	
Severe overflow? (hours)	2 Hours
Sewer blocked pipes: Large pipes? (Hours)	2 Hours
Sewer blocked pipes: Small pipes? (Hours)	2 Hours
Spillage clean-up? (hours)	2 Hours
Replacement of manhole covers? (Hours)	3 Hours
Road Infrastructure Services	
(Hours)	N/A
(Hours)	N/A
crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A
Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	N /A
Do you have any special rating properties? (Yes/No)	N /A
Financial Management	
wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
flow and managemet of documentation feeding to Trial Balance?	Yes
date it has been received?	within 30 Days
departmental plans quaterly and annuallly including for the next two to three years procurement plans?	Yes
Administration	
Reaction time on enquiries and requests?	
Time to respond to a verbal customer enquiry or request?	Immedatality
Time to respond to a written customer enquiry or request?	2 Days
Time to resolve a customer enquiry or request?	24 Hours
What percentage of calls are not answered?	N/A
How long does it take to respond to voice mails?	N/A
Does the municipality have control over locked enquiries?	No
Is there a reduction in the number of complaints or not?	Yes
customer? (Less than 20 minutes
unit sit to review and resolve SCM process delays other than normal monthly management meetings?	Once Every Week
Community safety and licensing services	
How long does it take to register a vehicle? (minutes)	N/A
How long does it take to renew a vehicle license? (minutes)	N/A
certificate vehicle? (minutes)	N/A

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How long does it take to de-register a vehicle? (minutes)	N/A
How long does it take to renew a drivers license? (minutes)	N/A
incident? (minutes)	N/A
to an incident in the urban area? (minutes)	N/A
to an incident in the rural area? (minutes)	N/A
Economic development	
municipality drive?	14
be catalytic in creating an enabling environment to unlock key economic growth projects?	14
security?	
create an conducive environment for economic development? (Yes/No)	Yes
Other Service delivery and communication	
(Yes/No)	Yes
inform the community? (Yes/No)	Yes
manner? (Yes/No)	Yes

Captured above are the service level standards which were tabled with the budget on the 29th of March 2021.As per recommendations of circular 75 of the MFMA.

2.11 MUNICIPAL MANAGERS QUALITY CERTIFICATE



I **Martin Sithole** Municipal Manager of UThukela District Municipality, hereby certify that this Final Annual Budget for 2021/2022 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

Print Name **MARTIN SITHOLE**
Municipal Manager

Signature

Date 29 March 2021