



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

TABLE OF CONTENTS

PART 1 – FINAL ANNUAL BUDGET

MAYOR'S REPORT	3
COUNCIL RESOLUTIONS	4
EXECUTIVE SUMMARY	5
BUDGET OVERVIEW	6
OPERATING REVENUE FRAMEWORK	7
OPERATING EXPENDITURE FRAMEWORK	17
CAPITAL EXPENDITURE	28
ANNUAL BUDGET TABLES	31

PART 2 – SUPPORTING DOCUMENTATION

OVER VIEW OF THE BUDGETPROCESS	45
OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	48
OVER VIEW OF BUDGET ASSUMPTIONS	54
OVER VIEW OF BUDGET FUNDING	55
EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	60
COUNCILLOR AND EMPLOYEE BENEFITS	58
LEGISLATION COMPLIANCE STATUS	60
SERVICE LEVEL STANDARDS	61
MUNICIPAL MANAGER'S QUALITY CERTIFICATE	64

ANNEXURES

Service level Standards
Blue Drop- Green progress report
Process Plan
Budget Funding Plan
Budget Related Policies
A Schedule

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 FINAL 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 final 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

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

1.2 COUNCIL RESOLUTIONS:

In May 2021 the Council of UThukela District Local Municipality met in the Council Boardroom of UThukela District Municipality to consider the final 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 final 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 Final Budget and MTREF.

The main challenges experienced during the compilation of the Final 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:

Table 1 Consolidated Overview of the 2021/2022 MTREF.

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
Total Revenue	-1 177 720 071	-1 191 482 206	-1 233 697 255
Operating Expenditure	921 556 411	969 741 327	1 027 770 145
Capital Expenditure	246 009 000	292 283 000	312 171 000
(Surplus)/ Deficit	-10 154 660	70 542 121	106 243 890

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%. The 6% increase on consumer debtors has taken into account the numerous wards which are being charged at a flat rate.

Operating Expenditure

Total operating expenditure for the 2021/2022 financial year has been appropriated at R921 million which results in the budget having a surplus of R10 thousand. 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 and a budget of R800 thousand for computer hardware.

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.

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

	2021/22	2022/23	2022/24
Revenue By Source			
Service charges - water revenue	- 260 344 633	- 271 279 107	- 283 215 388
Service charges - sanitation revenue	- 21 154 000	- 22 042 468	- 23 012 337
Interest earned - external investments	- 6 463 096	- 6 734 546	- 7 030 866
Interest earned - outstanding debtors	- 72 794 194	- 75 851 550	- 79 189 018
finances	- 10 000	- 10 420	- 10 878
Transfers recognised - operating	- 528 165 000	- 520 039 000	- 525 683 000
Other revenue	- 42 780 148	- 3 242 114	- 3 384 767
Total Operating Revenue	- 931 711 071	- 899 199 206	- 921 526 255

Table 3 percentage growth in revenue by main revenue source A4

	2021/22		2022/23		2022/24	
Revenue By Source						
Service charges - water revenue	-260 344 633	28%	-271 279 107.1	30%	-283 215 388	31%
Service charges - sanitation revenue	-21 154 000	2%	-22 042 468.0	2%	-23 012 337	2%
Interest earned - external investments	-6 463 096	1%	-6 734 546.0	1%	-7 030 866	1%
Interest earned - outstanding debtors	-72 794 194	8%	-75 851 550.1	8%	-79 189 018	9%
finances	-10 000	0%	-10 420.0	0%	-10 878	0%
Transfers recognised - operating	-528 165 000	57%	-520 039 000.0	58%	-525 683 000	57%
Other revenue	-42 780 148	5%	-3 242 114.2	0%	-3 384 767	0%
Total Operating Revenue	-931 711 071		-899 199 205.6		-921 526 255	

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 30%.

A total of R281 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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

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 4.2 and 4.4 % in the outer financial years respectively 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 R528 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

<u>NAME OF GRANT</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
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. The Municipal Systems Improvement Grant has been treated as a grant in kind, therefore will be recognised as and when the grant is received.

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.

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.

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 usage 1 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

	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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

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.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

- 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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

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
--------------------	---------

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

Consultants produced depending on the project	R457.05 and R533.26 respectively
---	----------------------------------

- 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):

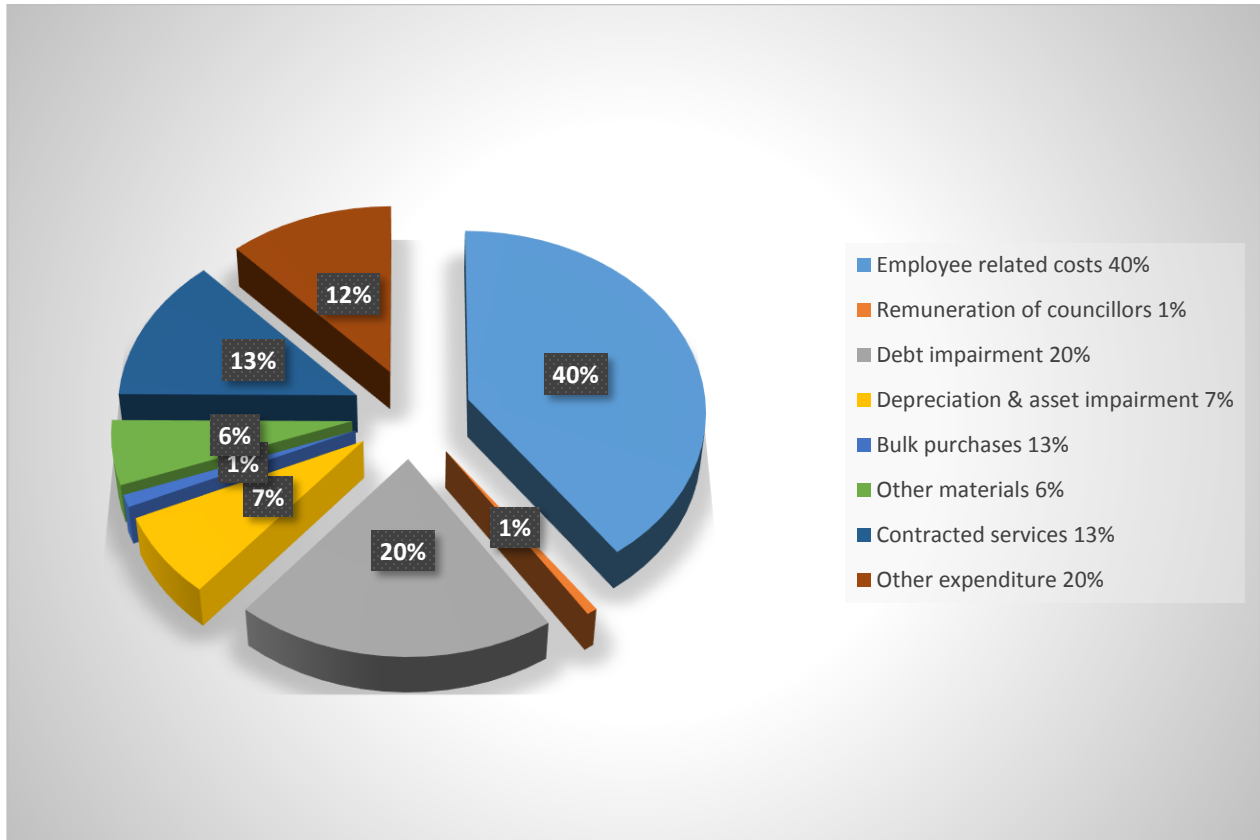
Table 7 Summary of operating expenditure by standard classification item A4

Expenditure By Type			
Employee related costs	369 332 873	399 557 689	432 498 427
Remuneration of councillors	6 371 543	6 639 148	6 931 270
Debt impairment	186 251 910	194 074 490	202 613 768
Depreciation	67 362 974	70 192 219	73 280 677
Finance charges			
Bulk purchases	10 000 000	10 420 000	10 878 480
Other materials	52 800 000	55 017 600	57 438 374
Contracted services	119 572 500	124 571 256	130 052 392
Other expenditure	109 864 611	109 268 925	114 076 757
Total Expenditure	921 556 411	969 741 327	1 027 770 145

Table 8 Operating expenditure expressed as percentages

Expenditure By Type						
Employee related costs	369 332 873	40%	399 557 689	41%	432 498 427	42%
Remuneration of councillors	6 371 543	1%	6 639 148	1%	6 931 270	1%
Debt impairment	186 251 910	20%	194 074 490	20%	202 613 768	20%
Depreciation	67 362 974	7%	70 192 219	7%	73 280 677	7%
Finance charges						
Bulk purchases	10 000 000	1%	10 420 000	1%	10 878 480	1%
Other materials	52 800 000	6%	55 017 600	6%	57 438 374	6%
Contracted services	119 572 500	13%	124 571 256	13%	130 052 392	13%
Other expenditure	109 864 611	12%	109 268 925	11%	114 076 757	11%
Total Expenditure	921 556 411		969 741 327		1 027 770 145	

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 R369 million, which equals 40% of the total operating expenditure. Which is exactly 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. Debt collectors have been appointed 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:

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

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.

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

Segment Desc	Total Budget	2023 Draft Budge	2024 Draft Budget
OM Chemicals	15 000 000	15 630 000	16 317 720
COVID- 19 Disaster Management	6 500 000	6 773 000	7 071 012
Cleaning materials (200/260090)	200 000	208 400	217 570
Stationery (510/260340)	100 000	104 200	108 785
Stationery (200/260340)	100 000	104 200	108 785
Stationery (300/260340)	100 000	104 200	108 785
Chemicals (408/235520)	500 000	521 000	543 924
Stationery (105/260340)	100 000	104 200	108 785
Stationery (405/260340)	100 000	104 200	108 785
Fuel & Oil. (510/260180)	30 000 000	31 260 000	32 635 440
Printing and Stationery 100/260300	100 000	104 200	108 785
	52 800 000	55 017 600	57 438 374

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.

Table 10 Contracted Services

Segment Desc	Total Budget	2023 Draft Budget	2024 Draft Budget
Audit Committee (105/260027)	200 000	208 400	217 570
Professional Fees (300/260342)	0	0	0
Billing Printing (510/260052)	481 250	501 463	523 527
Job Evaluation (200/260218)	100 000	104 200	108 785
Professional Fees (200/260343)	77 650	80 911	84 471
Professional Fees Legal (200/260343)	100 000	80 911	84 471
Computer Programs (300/260)	3 000 000	3 126 000	3 263 544
Rural Roads Asset management Grant	2 543 000	2 649 806	2 766 397
Development Agency (405/260118)	3 000 000	3 126 000	3 263 544
GIS. Programmes (405/406360)	700 000	729 400	761 494
BlueDrop (408/235215)	2 000 000	2 084 000	2 175 696
Outstanding Debt - Collection Fees (300/225001)	3 248 350	3 384 781	3 533 711
Legal Fees (200/260240)	2 500 000	2 605 000	2 719 620
DC23 VIP Toilets project	30 000 000	31 260 000	32 635 440
Electrical (510/255045)	261 250	272 223	284 200
Maintenance of buildings and facilities (200/235)	500 000	521 000	543 924
Vehicle Repairs Outsourced. (510/235080)	5 000 000	5 210 000	5 439 240
Repairs specialised equipment (200/..)	0	0	0
Repairs to Pumps (510/235120)	15 000 000	15 630 000	16 317 720
Pipelines & portable water maintenance (510/23)	15 000 000	15 630 000	16 317 720
Doctors Examinations (200/260343)	400 000	416 800	435 139
Contractors:Medical Services	400 000	416 800	435 139
Security (200/235525)	15 000 000	15 630 000	16 317 720
Consumer - Billing &Printing (300/260052)	1 545 000	1 609 890	1 680 725
Technical Services EPWP (510)	3 516 000	3 663 672	3 824 874
VIP. Security (100/235525)	5 000 000	5 210 000	5 439 240
Water Tanker Hiring	10 000 000	10 420 000	10 878 480
	119 572 500	124 571 256	130 052 392

Other Expenditure

Other expenditure forms 12% of the total operating expenditure. Items that form the total cost other expenditure:

Table 11 Other Expenditure

Segment Desc	Total Budget	2023 Draft Budget	2024 Draft Budget
Rental Office Machines. (200/260442)	461 723	481 115	502 284
Plant & Equipment Hire (510/235510)	6 000 000	6 252 000	6 527 088
Renting of Offices (200/260443)	700 000	729 400	761 494
Information & Communication. (105/235505)	200 000	208 400	217 570
Advertising (200/260020)	200 000	208 400	217 570
Bank Charges (300/260047)	802 109	835 798	872 573
Credit - Interest Charges	240 950	251 070	262 117
Radio broadcasting (105/235505)	54 967	57 276	59 796
Telephone (200/260540)	3 000 000	3 126 000	3 263 544
Audit Fees (105/260030)	3 869 538	4 032 059	4 209 469
Free Basic Services. (510/260147)	10 000 000	10 420 000	10 878 480
Insurance (105/235500)	5 917 096	6 165 614	6 436 901
Vehicle Licence (510/260552)	250 000	260 500	271 962
Operational Cost:Management Fee	5 000 000	0	0
Pauper Burial GE	100 000	104 200	108 785
Electricity (510/255040)	58 613 509	61 075 276	63 762 589
Membership Fees (405/260305)	10 000	10 420	10 878
SALGA Levy (200/260435)	4 000 000	4 168 000	4 351 392

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.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

In-Service Training (200/260216)	500 000	521 000	543 924
Skills Levy - SCM. (300/260530)	40 600	42 305	44 167
Skills Levy (300/260530)	30 500	31 781	33 179
Skills Levy - PMS. (105/260530)	12 636	13 167	13 746
Skills Levy - Special Programs (105/260530)	17 490	18 225	19 026
Skills Levy - Development Facilitation (105/260530)	16 331	17 017	17 766
Skills Levy - Budget. (300/260530)	43 000	44 806	46 777
Skills Levy (100/260530)	298 818	311 368	325 069
Skills Levy - Risk Management (105/260530)	6 000	6 252	6 527
Skills Levy - Safety & Security (105/260530)	63 168	65 821	68 717
Skills Development Fund (EPWP)	33 500	34 907	36 443
Skills Levy (105/260530)	55 432	57 760	60 302
Skills Levy - Laboratory. (408/260530)	29 836	31 089	32 457
Skills Levy - Internal Auditor (105/260530)	10 500	10 941	11 422
Skills Levy - HR (200/260530)	32 366	33 725	35 209
Skills Levy - Legal Department (200/260530)	12 370	12 890	13 457
Skills Levy - Fleet Management (200/260530)	15 911	16 579	17 309
Skills Levy - Tourism. (405/260530)	2 558	2 665	2 783
Skills Levy - Call Centre (405/260530)	11 921	12 422	12 968
Skills Levy - Public Participation (105/260530)	65 500	68 251	71 254
Skills Levy - Staff Welfare (408/260530)	4 832	5 035	5 256
Skills Levy (408/260530)	143 679	149 714	156 301
Skills Levy - Corporate Admin. (200/260530)	94 200	98 156	102 475
Skills Levy - IT. Department (200/260530)	13 900	14 484	15 121
Skills Levy - LED. (405/260530)	7 817	8 145	8 504
Skills Levy - Tourism. (405/260530)	14 601	15 214	15 884
Skills Levy Disaster Management (405/260530)	25 000	26 050	27 196
Skills Levy - Revenue. (300/260530)	144 021	150 070	156 673
Skills Levy (405/260530)	4 300	4 481	4 678
Skills Levy - Call Centre (405/260530)	418 515	436 093	455 281
Skills Levy - Asset Management (300/260530)	21 600	22 507	23 498
Operational Cost:Skills Development Fund Levy	937 738	977 123	1 020 116
Skills Levy - IDP. (405/260530)	45 000	46 890	48 953
Operational Cost:Skills Development Fund Levy	31 800	33 136	34 594
Subsistence & Travel. (510/260534)	11 686	12 177	12 713
Travel Councillors own transport (100/260534)	8 980	9 357	9 769
RE-IMBURSABLE TRAVEL SUPPLY CHAIN	1 337	1 393	1 454
Subsistence & Travel. (510/260534)	1 536 170	1 600 689	1 671 119
Operational Cost:Travel and Subsistence:Dome	151 925	158 306	165 271
Subsistence and Travel Laboratory services	42 021	43 786	45 712
TRAVEL AND SUBSISTANCE	114 194	118 990	124 226
Subsistence & Travel. - Communications DEpart	26 045	27 139	28 333
Subsistence & Travel. (405/260534)	7 070	7 367	7 691
Subsistence & Travel. (200/260534)	10 405	10 842	11 319
Subsistence & Travel. (408/260534)	1 326 465	1 382 177	1 442 992
Subsistence & Travel. (105/260534)	2 981	3 106	3 243
Protective Clothing (408/260347)	4 000 000	4 168 000	4 351 392
	109 864 611	109 268 925	114 076 757

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 . 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
<u>Pipelines & portable water maintenance (510/235100)</u>	<u>15000000</u>

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.

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 R thousands	2021/2022 Financial	2022/2023 Financial	2023/2024 Financial
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
<u>Capital Expenditure - Functional</u>			
<i>Municipal governance and administration</i>	800	834	870
Executive and council	-	-	-
Finance and administration	800	834	870
Internal audit	-	-	-
<i>Trading services</i>	251 009	297 493	317 610
Energy sources	-	-	-
Water management	251 009	297 493	317 610
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	251 809	298 327	318 481
<u>Funded by</u>			
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
Internallty generated funds	5 800	6 044	6 310
Total Capital Funding	251 809	298 327	318 481

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

Further amounts have been budget internally for vehicles to the vlaue of R5 million rand R800 thousand for computer hardware.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

Table 14 Infrastructure Grants

CAPITAL GRANT

MUNICIPAL INFRARACTURE GRANT
WATER SERVICE GRANT
RURAL ROAD ASSETS MANAGEMENT GRANT
DRIEFONTEIN INDAKA BULK
TOTAL CAPITAL GRANT

2021/22	2022/23	2023/24
194 919.00	211 483.00	221 371.00
80 000.00	80 800.00	90 800.00
2 543.00	2 669.00	2 672.00
6 090.00	-	
283 552.00	294 952.00	314 843.00

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		

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2021/2022

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
Ezakheni WCDM	Ezakheni 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			MASSIFICATION			R -		
Fleet						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		
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		

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 final budget and MTREF as approved by the Council.

Table 15 MBRR Table A1 - Budget Summary

	2021/22	2022/23	2022/24
Revenue By Source			
Service charges - water revenue	- 260 344 633 -	271 279 107 -	283 215 388
Service charges - sanitation revenue	- 21 154 000 -	22 042 468 -	23 012 337
Interest earned - external investments	- 6 463 096 -	6 734 546 -	7 030 866
Interest earned - outstanding debtors	- 72 794 194 -	75 851 550 -	79 189 018
finances	- 10 000 -	10 420 -	10 878
Transfers recognised - operating	528 165 000	520 039 000	525 683 000
Other revenue	- 42 780 148 -	3 242 114 -	3 384 767
Total Operating Revenue	- 931 711 071 -	899 199 206 -	921 526 255
Capital Grants	- 246 009 000 -	292 283 000 -	312 171 000
Total Revenue	- 1 177 720 071 -	1 191 482 206 -	1 233 697 255
Expenditure By Type			
Employee related costs	369 332 873	399 557 689	432 498 427
Remuneration of councillors	6 371 543	6 639 148	6 931 270
Debt impairment	186 251 910	194 074 490	202 613 768
Depreciation	67 362 974	70 192 219	73 280 677
Finance charges			
Bulk purchases	10 000 000	10 420 000	10 878 480
Other materials	52 800 000	55 017 600	57 438 374
Contracted services	119 572 500	124 571 256	130 052 392
Other expenditure	109 864 611	109 268 925	114 076 757
Total Expenditure	921 556 411	969 741 327	1 027 770 145

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.

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

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
<u>Revenue - Functional</u>			
<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
<u>Expenditure - Functional</u>			
<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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

- 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
	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
R thousands			
<u>Revenue - Functional</u>			
<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
<u>Expenditure - Functional</u>			
<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.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

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

Description	2021/2022	2022/2023	2023/2024
	Financial Period	Financial Period	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			
Property rates	-	-	-
Service charges - water revenue	260 345	271 279	283 215
Service charges - sanitation revenue	21 154	22 042	23 012
Interest earned - external investments	6 463	6 735	7 031
Interest earned - outstanding debtors	72 794	75 852	79 189
Dividends received	-	-	-
Fines, penalties and forfeits	10	10	11
Transfers and subsidies	528 165	520 039	525 683
Other revenue	42 780	3 242	3 385
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	931 711	899 199	921 526
Expenditure By Type			
Employee related costs	369 333	399 558	432 498
Remuneration of councillors	6 372	6 639	6 931
Debt impairment	186 252	183 441	191 695
Depreciation and asset impairment	67 363	70 192	73 281
Finance charges	-	-	-
Bulk purchases - electricity	-	-	-
Inventory consumed	62 800	65 438	68 317
Contracted services	119 573	124 595	130 077
Transfers and subsidies	-	-	-
Other expenditure	109 865	109 269	114 077
Loss on disposal of PPE	-	-	-
Total Expenditure	921 557	959 131	1 016 876
Surplus/(Deficit)	10 154	(59 932)	(95 350)
Transfers and subsidies - capital (monetary allocations)	246 009	292 283	312 171
Transfers and subsidies - capital (monetary allocations)	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-
Surplus/(Deficit) after capital transfers and contributions	256 163	232 351	216 821
Taxation	-	-	-
Surplus/(Deficit) for the year	256 163	232 351	216 821

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

1. Total operating revenue is R931million in 2021/2022 and decreases to R921 million 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 R921 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%

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

Description	2021/2022	2022/2023	2023/2024
	Financial	Financial	Financial
R thousands	Munsoft Adjusted Budget Data 2021/22	Munsoft Adjusted Budget Data 2022/23	Munsoft Adjusted Budget Data 2023/24
<u>Capital Expenditure - Functional</u>			
<i>Municipal governance and administration</i>	800	834	870
Executive and council	-	-	-
Finance and administration	800	834	870
Internal audit	-	-	-
<i>Trading services</i>	251 009	297 493	317 610
Energy sources	-	-	-
Water management	251 009	297 493	317 610
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	251 809	298 327	318 481
<u>Funded by</u>			
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
Internality generated funds	5 800	6 044	6 310
Total Capital Funding	251 809	298 327	318 481

Explanatory notes to Table A5- Budgeted Capital Expenditure

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

Table 20 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands	1			
ASSETS				
Current assets				
Cash		15 624	29 042	41 771
Call investment deposits	1	20 000	-	-
Consumer debtors	1	248 946	259 401	270 815
Other debtors		4 329	4 511	4 710
Current portion of long-term receivables		-	-	-
Inventory	2	24 837	25 880	27 019
Total current assets		313 736	318 834	344 315
Non current assets				
Investment in Associate		-	-	-
Property, plant and equipment	3	3 059 098	3 187 580	3 327 833
Agricultural				
Biological		-	-	-
Intangible		(996)	(1 038)	(1 108)
Other non-current assets		2 532	2 633	2 633
Total non current assets		3 060 634	3 189 175	3 329 359
TOTAL ASSETS		3 374 370	3 508 009	3 673 673
LIABILITIES				
Current liabilities				
Consumer deposits		20 735	21 606	22 903
Trade and other payables	4	316 908	266 908	216 908
Provisions		127 751	133 116	138 974
Total current liabilities		465 394	421 631	378 784
Non current liabilities				
Borrowing		-	-	-
Provisions		30 956	32 257	33 676
Total non current liabilities		30 956	32 257	33 676
TOTAL LIABILITIES		496 351	453 887	412 460
NET ASSETS	5	2 878 020	3 054 122	3 261 214
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)		2 878 020	3 054 122	3 261 214
Reserves	4	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	2 878 020	3 054 122	3 261 214

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.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2021/2022 Financial Period	2022/2023 Financial Period	2023/2024 Financial Period
R thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts	1 039 272	1 047 219	1 083 086
Property rates			
Service charges	133 993	139 621	145 764
Other revenue	124 641	88 541	92 437
Government - operating	528 165	520 039	525 683
Government - capital	246 009	292 283	312 171
Interest	6 463	6 735	7 031
Dividends			
Payments	(734 468)	(755 475)	(751 876)
Suppliers and employees	(734 468)	(755 475)	(751 876)
Finance charges	-		
Transfers and Grants	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	304 804	291 744	331 210
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts	-	-	-
Proceeds on disposal of PPE	-	-	-
Decrease (increase) other non-current receivables	-	-	-
Decrease (increase) in non-current investments	-	-	-
Payments	(251 809)	(298 327)	(318 481)
Capital assets	(251 809)	(298 327)	(318 481)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(251 809)	(298 327)	(318 481)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	52 995	(6 582)	12 730
Cash/cash equivalents at the year begin:	(17 371)	35 624	29 042
Cash/cash equivalents at the year end:	35 624	29 042	41 771

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.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

- 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 that 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 old debts per approved payment plans.

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

Description R thousand	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Cash and investments available</u>			
	15 624	29 042	41 771
Non current assets - Investments	20 000	–	–
Cash and investments available:	35 624	29 042	41 771
<u>Application of cash and investments</u>			
Unspent conditional transfers	20 000	–	–
Unspent borrowing	–	–	–
Statutory requirements	37 926	39 519	41 258
Other working capital requirements	131 658	137 188	143 224
Other provisions	34 953	36 421	38 024
Long term investments committed	–	–	–
Reserves to be backed by cash/investments			
Total Application of cash and investments:	224 537	213 128	222 505
Surplus(shortfall)	(188 913)	(184 086)	(180 734)

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 R188 million and R180 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

Table 23 MBRR -Table A9 Asset Management

Description	2021/2022 Financial	2022/2023 Financial	2023/2024 Financial
R thousands			
ASSETS			
Current assets			
Cash	56 089	94 509	163 261
Call investment deposits	-	-	-
Consumer debtors	258 557	175 432	170 653
Other debtors	4 329	11 306	11 307
Current portion of long-term receivables	-	-	-
Inventory	38 956	(3 353)	(3 812)
Total current assets	357 932	277 895	341 409
Non current assets			
Property, plant and equipment	2 884 767	3 036 471	3 053 606
Biological	-	-	-
Intangible	(996)	(1 038)	(1 108)
Other non-current assets	2 532	2 633	2 633
Total non current assets	2 886 303	3 038 066	3 055 131
TOTAL ASSETS	3 244 235	3 315 960	3 396 540
LIABILITIES			
Current liabilities			
Bank overdraft	-	-	-
Borrowing	-	-	-
Consumer deposits	33 440	34 895	34 984
Trade and other payables	2 770 927	(1 075 991)	(1 056 136)
Provisions	23 429	24 366	24 366
Total current liabilities	2 827 796	(1 016 729)	(996 787)
Non current liabilities			
Borrowing	-	-	-
Provisions	39 126	40 691	40 691
Total non current liabilities	39 126	40 691	40 691
TOTAL LIABILITIES	2 866 921	(976 039)	(956 096)
NET ASSETS	377 314	4 291 999	4 352 636
COMMUNITY WEALTH/EQUITY			
Accumulated Surplus/(Deficit)	377 314	4 291 999	4 352 636
Reserves	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	377 314	4 291 999	4 352 636

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:

Table 24 Key dates applicable to the process were as follows:

Activity No.	Action/ Task for IDP	Timeframe for Task Completion
July 2020 & Aug. 2020	▪ Finaling of the IDP Framework and process plan	13 July 2020
	▪ Alignment of IDP and budget process plans	17 July 2020
	▪ Submission of the final 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	25 September 2020
	Integrate sector plans.	25 September 2020
	▪ IDP input into provincial adjustment budgets	28 September 2020
Oct 2020	Provincial planners Forum	30 September 2020
	▪ Provide inputs in the review of the Spatial Development Framework	05 October 2020
	▪ Projects identifications and prioritization	12 October 2020
	Develop KPI's targets, timeframes etc. where impacted upon by reprioritization	16 October 2020
Nov 2020	▪ Align with final budget estimates	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	21 November 2020
	▪ SDF Alignment between the bordering district municipalities	23 November 2020
Jan 2021	□ IDP best practice conference	06 December 2020
	▪ IDP Supporting Structure Committee Meeting	21 January 2021

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

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

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 district programmes also need to be coordinated and aligned. should prepare sectoral guidelines and funding analysis (Business Plans) for the preparation of these plans. The preparation of the sectoral Plans and programmes and

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 Final 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;
- Relevant sector plans such as transportation, legislation and policy;

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

- 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			
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2022/24
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	581 384
Quality Living Environment	346 914	243 388	25 432
Operations and Support Services			
Total Revenue (excluding capital transfers and contributions)	931 711	899 199	692 636

Table 25.2 IDP Goals Objectives and Strategies

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

Strategic Objective			
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand			
Good Governance	54 626	57 786	61 087
Safe, Healthy and Secure Environment	27 658	29 234	30 871
Financial Viability and Sustainability	144 464	152 698	161 250
Quality Living Environment	615 517	646 213	686 058
Operations and Support Services	56 663	59 893	63 247
other Services	22 628	23 918	25 257
Total Expenditure	921 556	969 741	1 027 770

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.
- o 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 4.2% and 4.4% for the outer two years respectively.
 - Tariffs have been increased by 6% however the increase in industrial tariffs is 8%.
 - Collection rate estimated at 46.7% 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

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

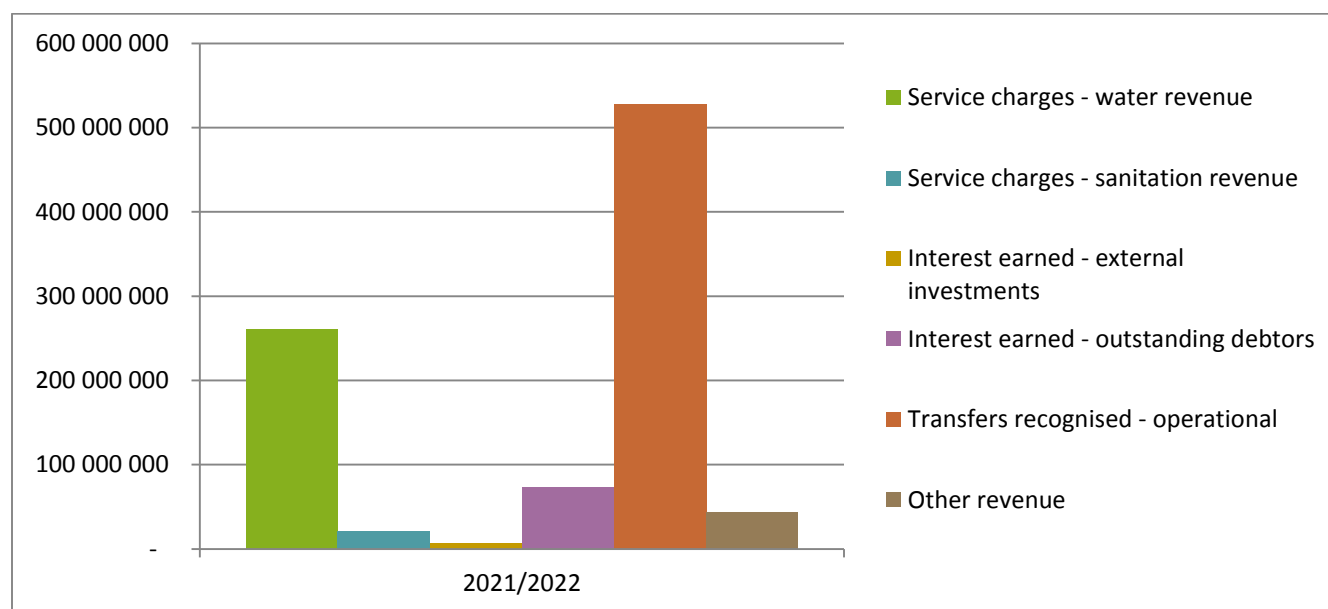


Figure 2 Breakdown of operating revenue over the 2021/2022 MTREF

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
- Water tariff increases by DWA and ESkom

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

- 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 R260 and R21 million respectively for the 2021/2022 financial year with water service charges increasing to R293 million and R306 million by 2023/2024. These constitute 31 % of the total budget.

Operational grants and subsidies amount to R528 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 have been decreased in 2021/2022 due to COVID-9. Equitable share has been decreased by 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 31 March 2021				
DESCRIPTION	DEC 2020	JAN 2021	FEB 2021	MARCH 2021
FNB MAIN ACCC	9,921,883.94	9,262,531.70	19,239,706.91	42,101,299.91
FNB WATER AC	0	0	0	0
	9,921,883.94	9,262,531.70	19,239,706.91	42,101,299.91
Total cash held	42,101,299.91			

Table 28– Detail Investment particulars by maturity

DC 23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M09 March

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	14,207	91	(30,000)	120,000	104,298
NEDBANK	15,011	44	(44)	–	15,011
INVESTEC	45,757	180	(30,266)	60,266	75,937
ABSA	10,350	37	–		10,387
STANDARD BANK	30,132	92			30,225
TOTAL INVESTMENTS AND INTEREST	115,458		(60,310)	180,266	235,858

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

2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

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

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		367 510	408 261	444 109	474 718	474 718	474 718	528 165	520 039	525 683
Local Government Equitable Share		304 535	335 399	365 123	393 550	393 550	393 550	412 776	437 646	438 182
RSC Levy Replacement		57 033	62 083	67 286	72 630	72 630	72 630	72 380	77 624	82 729
Finance Management		1 795	1 545	2 010	1 800	1 800	1 800	1 950	2 100	2 100
EPWP Incentive		3 724	6 206	7 054	3 730	3 730	3 730	3 516		
LG Seta		423	540		500	500	500			
Rural Road Asset Management			2 488	2 636	2 508	2 508	2 508	2 543	2 669	2 672
Municipal Systems Improvement			14 729		5 000	5 000	5 000	35 000		
Municipal Infrastructure grant			5 000							
WSIG VIP										
Provincial Government:	-	550	9 300	550	1 500	1 500	1 500			
Shared Services		250	300	550						
Massification			5 000							
Spatial Framework			1 000		1 500	1 500	1 500			
Nodal Grant			3 000							
Growth and Development summit		300								
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total operating expenditure of Transfers and Grants		368 060	417 561	444 659	476 218	476 218	476 218	528 165	520 039	525 683
Capital expenditure of Transfers and Grants										
National Government:		344 856	313 797	296 937	307 046	287 050	287 050	246 009	292 283	312 171
Municipal Infrastructure Grant (MIG)		187 304	165 304	178 937	177 647	177 647	177 647	159 919	211 483	221 371
Regional Bulk Infrastructure		75 052	45 000	10 000	39 399	19 403	19 403	6 090		
Water Services Infrastructure Grant		82 500	103 493	108 000	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			
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total capital expenditure of Transfers and Grants		344 856	313 797	296 937	307 046	289 362	289 362	246 009	292 283	312 171
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		712 916	731 358	741 596	783 264	765 580	765 580	774 174	812 322	837 854

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	2014/15 Medium Term Revenue & Expenditure Framework		
	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<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
Medical Aid Contributions			
Overtime			
Performance Bonus			
Motor Vehicle Allowance	1 083	1 083	1 083
Cellphone Allowance			
Housing Allowances	711	711	711
Other benefits and allowances			
Payments in lieu of leave			
Long service awards			
Post-retirement benefit obligations			
Sub Total - Senior Managers of Municipality	7 828	7 828	7 828
% increase	-	-	-
<u>Other Municipal Staff</u>			
Basic Salaries and Wages	230 951	225 591	234 728
Pension and UIF Contributions	29 959	31 169	32 432
Medical Aid Contributions	8 399	8 738	9 092
Overtime	49 092	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	28 708	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	361 505	361 736	376 703
% increase	-	0.1%	4.1%
Total Parent Municipality	375 705	376 216	391 482
	-	0.1%	4.1%
Total Municipal Entities	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS	375 705	376 216	391 482
% increase	-	0.1%	4.1%
TOTAL MANAGERS AND STAFF	369 333	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.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

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 (24hours/48hours/longer)	N/A
	Clearing of illegal dumping (24hours/48hours/longer)	N/A
	Recycling or environmentally friendly practices(Yes/No)	N/A
	Licensed landfill site(Yes/No)	N/A
Water Service		
	Water Quality rating (Blue/Green/Brown/NO 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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

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?	Immedatility
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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2020/2021

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 21th of May 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 **21 May 2021**

