

**UTHUKELA**

**UMKHANDLU WESIFUNDA  
DISTRIKSMUNISIPALITEIT  
DISTRICT MUNICIPALITY**

**2022/2023 – 2024/2025  
ANNUAL BUDGET & MEDIUM-TERM REVENUE AND  
EXPENDITURE FRAMEWORK**

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## **ANNEXURES**

## **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 2022/2023 DRAFT BUDGET**

#### **VISION**

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

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

#### **JOB CREATION**

Council has heeded the Government's call for job creation and has partnered with the Department of Public Works to ensure that the EPWP is fully operational in this Municipality. The allocation for EPWP will decrease for 2022/2023 financial year from R3.5 million to R2.8 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 2022/2023 financial year have increased to R299 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 prepaid meters 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 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 March 2022 the Council of UThukela District Local Municipality met in **the Council Boardroom of UThukela District Municipality** to consider the draft annual budget of the municipality for the financial year 2022/2023. The Council approved and adopted the following resolutions:

1. The UThukela District Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual draft budget of the municipality for the financial year 2022/23 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 for conventional and prepaid consumers
  - 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.10 of 2021/2022 was used to guide the compilation of the 2022/2023 draft Budget and MTREF.

The main challenges experienced during the compilation of the DRAFT 2022/2023 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 of 8.96%), 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 2022/2023 Medium-term Revenue and Expenditure Framework:

#### **Table 1 Consolidated Overview of the 2022/2023 MTREF.**

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2022/2023

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
<b>Total Revenue</b>	<b>- 1 214 765 422</b>	<b>- 1 280 402 339</b>	<b>- 1 356 172 464</b>
<b>Operating Expenditure</b>	<b>933 140 878</b>	<b>974 823 167</b>	<b>1 002 070 650</b>
<b>Capital Expenditure</b>	<b>267 839 000</b>	<b>272 171 000</b>	<b>291 146 000</b>
<b>(Surplus)/ Deficit</b>	<b>-13 785 544</b>	<b>-33 408 172</b>	<b>-62 955 814</b>

### **Operating Revenue**

Total operating revenue has been increased by 6% for the 2022/2023 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 the same as the prior year. 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 2022/2023 financial year has been appropriated at R933 million which results in the budget having a surplus of R15 million apart from the mentioned expenditure 4.96% increase which was applied to employee-related cost. The municipality has duly considered the affordability of an increment, in light of our unfunded budget.

### **Capital Expenditure**

R264 million is funding from national Government Grants for water and sanitation capital projects which are core functions of the municipality and a budget of R4.1 million from internally generated funds.

## 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 55% 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.

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2022/2023

**The following table is a summary of the 2022/2023 MTREF (classified by main revenue source): Table 2 Summary of revenue classified by main revenue source A4**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Interest Investments (300/025002)	6 463 092	7 153 997	7 433 002
STAFF TELEPHONE COLECTION	561 804	621 861	688 338
Clearance Certificate (510/010060)	426 489	472 081	522 546
Publications: Maps	2 136 604	2 365 007	2 617 826
Income Tenders (300/060080)	173 234	191 752	212 251
Water Sales (510/010020)	354 765 203	368 601 046	382 976 487
Water Tankers KZN DOE	10 399 996	10 805 596	11 227 014
Municipal Water and Sanitation Infrastructure Grant	80 800 000	85 800 000	94 756 000
EPWP Grant (500/055111) (Revenue)	2 881 000	0	0
FMG. (300/055530) (Revenue)	2 100 000	2 100 000	2 100 000
CTS Minicipal Infrastructure Grant	211 484 000	221 371 000	231 890 000
National Governments:Rural Road Asset Management System	2 662 000	2 672 000	2 769 000
Equitable Share (300/055003)	539 912 000	578 248 000	618 980 000

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

Item	2023 Draft Budget		2024 Draft Budget		2025 Draft Budget	
Current and Non-current Assets:Short Term Investments	6 463 092	1%	7 153 997	1%	7 433 002	1%
Operational Revenue:Collection Charges	561 804	0%	621 861	0%	688 338	0%
Sales of Goods and Rendering of Services:Clearance Certificates	426 489	0%	472 081	0%	522 546	0%
Publications:Maps	2 136 604	0%	2 365 007	0%	2 617 826	0%
Publications:Tender Documents	173 234	0%	191 752	0%	212 251	0%
Sale:Conventional	354 765 203	29%	368 601 046	29%	382 976 487	28%
Sale:Conventional	10 399 996	1%	10 805 596	1%	11 227 014	1%
National Government:Water Services Infrastructure Grant	80 800 000	7%	85 800 000	7%	94 756 000	7%
National Governments:Expanded Public Works Programme Integrated Grant	2 881 000	0%	0	0%	0	0%
National Governments:Local Government Financial Management Grant	2 100 000	0%	2 100 000	0%	2 100 000	0%
National Governments:Municipal Infrastructure Grant	211 484 000	17%	221 371 000	17%	231 890 000	17%
National Governments:Rural Road Asset Management Systems Grant	2 662 000	0%	2 672 000	0%	2 769 000	0%
National Revenue Fund:Equitable Share	539 912 000	44%	578 248 000	45%	618 980 000	46%
	<b>1 214 765 422</b>		<b>1 280 402 339</b>		<b>1 356 172 464</b>	

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 the main Service Charges has remained constant at 30% over MTREF

## UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2022/2023

A total of R367 million is expected to be generated from Service charges, this revenue shows a 6% increase in tariffs across the board with the exception of industrial tariffs to be increased by 8% due to the faulty declining scale, the municipality has the burden of non-cost reflective tariffs. We continuously suffered losses of greater than 25% in service charges.

Revenue increases by 3.9% and 3.9 %in the outer financial years respectively of the MTREF which is inline with average previous 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 R544 million in the 2022/2023 below is a detailed split of the operating grants, this includes the operational portion of MIG of R28,6 million as per MSCOA regulations.

**Table 4 Operating Transfers and Grant Receipts**

<u>OPERATIONAL GRANTS</u>	<u>GRANTS ALLOCATION FOR 2022/2023</u>		
	<u>R'000</u> 2022/2023	<u>R'000</u> 2023/2024	<u>R'000</u> 2024/2025
EQUITABLE SHARE	539 912,00	578 248,00	618 980,00
SPECIAL SUPPORT			
RSC			
<b>TOTAL EQUITABLE SHARE</b>	<b>539 912,00</b>	<b>578 248,00</b>	<b>618 980,00</b>
FMG	2 100,00	2 100,00	2 100,00
EPWP	2 881,00	-	-
<b>TOTAL ALLOCATION</b>	<b>544 893,00</b>	<b>580 348,00</b>	<b>621 080,00</b>

A further amounts R28,6 million 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 of R4,1 million 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 by 8.96% and the cost of labour by 4.96%. The 6% increase on tariffs is not cost reflective. However the municipality also considers the impact of covid-19 on the consumers expandable cash.

## UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2022/2023

Below are the proposed water services tariffs for the financial year 2022/2023 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 TARIFFS 2022/2023 FINANCIAL YEAR**

	<b>Description</b>	<b>Tariff</b>
1.	Tariff for accessibility to water ( basic charge occupied and unoccupied)	R97.21/ month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R123.89month
3.	Sewer tariff for restricted usage (unmetered)	R123.89/ month
4.	Servicing sewer conservancy tanks/pits (small)	R218.87./ service
	Servicing sewer conservancy tanks/pits (large)	R469.04/ 5000l/ load
	Discharge of sewage to waste water works by private sewer tankers	R0,16/litre
	<b>Integrated Step Tariff (Domestic Use)</b>	
5.	Water tariff for water usage up to 6kl	Free/ Indigent
	Water tariff for water usage 1 to 30kl	R14.11kl
	Water tariff for water usage 31kl to 100kl	R16.34kl
	Water tariff for water usage 101kl and above	R18.79kl
	<b>Integrated step tariffs(Business use)</b>	
	Water tariff for water usage 1 to 30kl	R14.11kl
	Water tariff for water usage 31kl to 100kl	R16.35kl
	Water tariff for water usage 101kl and above	R18.79kl
	<b>Integrated Step Tariff (Industrial/Factory Use)</b>	
6.	Water tariff for water usage1 to 1000kl	R15.23kl
	Water tariff for water usage 1001kl and above	R7..96kl
	<b>Integrated Step Tariff(Co-operatives)</b>	
7.	Water tariff for water usage 1 to 40kl	R7.66kl
	Water tariff for water usage 41 to 80kl	R7.56kl
	Water tariff for water usage 81kl and above	R9.12kl
	<b>Integrated Step Tariff(Churches)</b>	
8.	Water tariff for water usage 1 to 30kl	R6.63kl
	Water tariff for water u sage 31 to 70kl	R7.56kl
	Water tariff for water usage 71kl and above	R9.12kl
	<b>Integrated Step Tariff(Trust)</b>	

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9.	Water tariff for water usage 1 to 30kl	R13.52kl
	Water tariff for water usage 31 to 70kl	R13.14kl
	Water tariff for water usage 71kl and above	R15.38kl
	<b>Integrated step tariff(Government use)</b>	
10.	Water tariff for water usage 1 to 30kl	R14.11kl
	Water tariff for water usage 31kl to 100kl	R15.22kl
	Water tariff for water usage 101kl and above	R18.79kl
11.	Bulk potable water supply to IDC Estate	R7.37kl
	Bulk Raw water supply	R4.51kl
12.	Emergency Services Connection (excluding emergency services)	R31.35kl
13.	Availability charge for fire hydrant per month	R114.67
14.	For water drawn or usage from metered fire hydrant	R15.60/kl
15.	Inspections for internal leaks and any other services (per visit)	R757.11
16.	All connections, repairs and work required from Council Domestic	Cost + 10%
17.	All connections, repairs and work required from Council other services actual cost + 10 %	Cost + 10%
18.	Trade Effluent	Charge(c/kl)= R99.84+([COD/1000] x R2.10c) (COD-Chemical Oxygen Demand)

### 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 5 149.96 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 2 574.97 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 7 724.93 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.

<b>Water and Waste Water Analysis</b>		
<b>Determinant</b>	<b>Units</b>	<b>Cost per sample</b>
Alkalinity	mg/l CaCO <sub>3</sub>	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 <sub>2</sub>	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 <sub>4</sub>	R53.42
Sulphide	mg/l H <sub>2</sub> S	R60.87
Suspended Solids	mg/l	R53.76

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Temperature	°C	
Total Dissolved Solids	mg/l	R36.93
Turbidity	NTU	R24.15
Oxygen Absorbed	mg/l O <sub>2</sub>	R73.01
Chemical Oxygen Demand	mg/l O <sub>2</sub>	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.

<b>Microbiological Analysis</b>		
Faecal coliforms	colonies per 100ml	R70.98
Total coliforms	colonies per 100ml	R70.98
Standard plate count	colonies per ml	R59.19

- Sample bottle can be collected at the Laboratory.
  - A volume of at least 1 litre is necessary for analysis.
    - 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 R23.55 per bottle.

**FINES FOR ILLEGAL CONNECTIONS AND TEMPERING**

First instance	R 3219.11
Second instance	R 6437.10
Third instance	R 9656.22
Forth instance	R12 874.21

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

**PENALTY FEES**

1. Warning letter	R 72.60
2. Final cut-off	
• Additional deposit-business	R 217.81
• Additional deposit-households	R153.91

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- Penalty fee R 121.59

**RECONNECTION FEES:**

1. Standard fee applies during working office hours R149.54
2. Standard rate applies after office hours R356.94

**NEW CONNECTION (PLUMBING WORK) CHARGES, INCLUDING FIRE HYDRANT**

NO	SIZE (MM)	UNIT COST R	DEPOSIT
1	20	3073.67	290.41
2	25	3073.67	290.41
3	32	3681.56	290.41
4	40	8712.28	726.04
5	50	8730.33	726.04
6	80	12813.21	726.04
7	100	13 924.90	726.04
8	150	14457.85	726.04

NB: The above costs exclude material and labour costs!

Tender documents  
 Maps GIS  
 Clearance certificates

	A3 PRINTER		A0 PLOTTER		
	A4	A3	A2	A1	A0

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<b>Full Colour</b>	28.63	57.28	217.35	193.31	257.74
<b>Grey Scale</b>	28.63	57.28	217.35	186.16	257.74
<b>Topo Maps</b>	20.27	40.52	101.31	217.35	193.31
<b>Line / Hatch</b>	13.50	40.52	76.90	93.08	128.86

**Maps GIS tariffs**

**1.4.1.1 Tender Documents**

Municipal Produced	R579.32
Consultants produced depending on the project	R484.47 and R565.26 respectively

- Clearance certificate R 592.57

**ALL TARIFFS ARE EXCLUSIVE OF VAT!!**

<b>Description</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Tariff for accessibility to water ( basic charge occupied and unoccupied)	R80.06 month	R84.86 month	91.73/ month	97.23/month
Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R102.00/month	R110.26/month	R116.88/ month	R123.89/month

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Sewer tariff for restricted usage (un-metered)	R101.62/ month	R101.62/ month	R109.59/month	R116.17/month
Servicing sewer conservancy tanks/pits (small)	R180.22/service	R194.81/ month	R206.50 month	R218.89/month
Servicing sewer conservancy tanks/pits (large)	R386.24 / 5000l/ load	R417.52 /5000/load	R442.57 month	R469.12/month
Discharge of sewage to waste water works by private sewer tankers	R0.37/litre	R0.39	R0.42	R0.45
<b>Integrated Step Tariff (Domestic Use)</b>				
Water tariff for water usage up to 6kl	Free/ Indigent	Free /indigent	Free /indigent	
Water tariff for water usage 1 to 30kl	R11.62kl	R12.56kl	R13.31kl	R14.11
Water tariff for water usage 31k to 100kl	R13.46kl	R14.55kl	R15.42kl	R16.35
Water tariff for water usage 101kl to any usage	R15.48kl	R16.73kl	R17.73kl	R18.79

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2022/2023 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 2022/2023 budget and MTREF (classified per main type of operating expenditure):

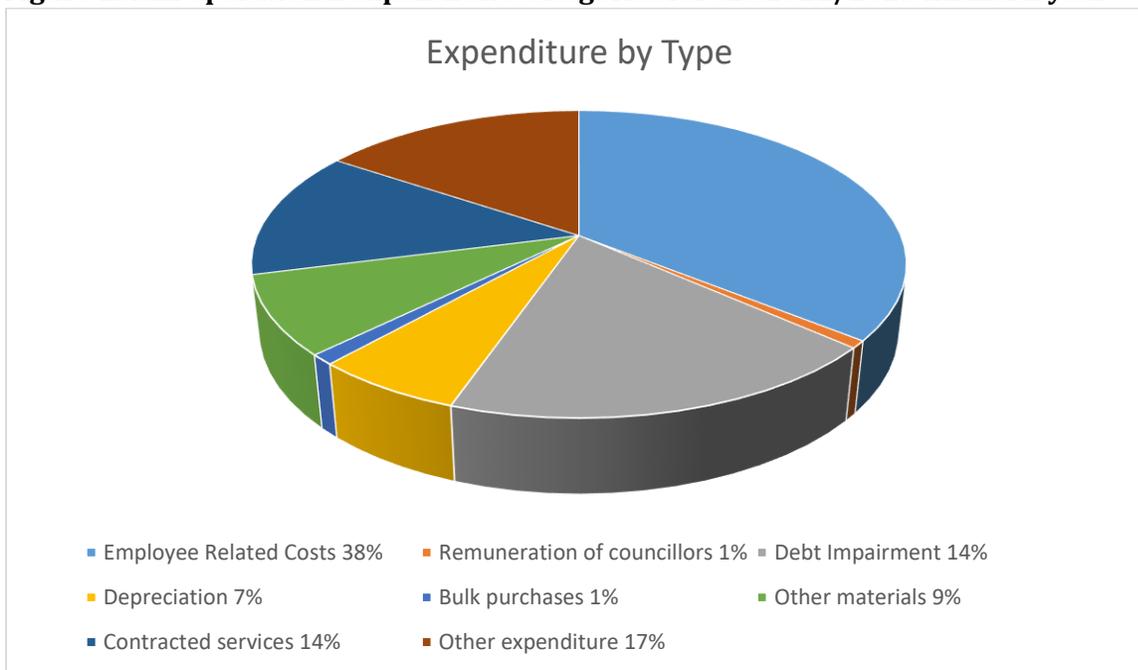
**Table 7 Summary of operating expenditure by standard classification item A4**

<b>Expenditure by Type</b>	<b>2023 Draft Budget</b>	<b>2024 Draft Budget</b>	<b>2025 Draft Budget</b>
Employee Related Costs	355 510 005	369 374 895	369 374 895
Remuneration of councillors	7 588 384	7 884 331	8 191 820
Debt Impairment	126 251 916	131 175 741	136 291 595
Depreciation	62 436 010	64 871 014	67 400 984
Bulk purchases	10 399 996	10 805 596	11 227 014
Other materials	82 487 983	85 705 015	89 047 510
Contracted services	133 653 463	144 155 743	153 412 817
Other expenditure	154 813 122	160 850 833	167 124 016
<b>Total Expenditure</b>	<b>933 140 878</b>	<b>974 823 167</b>	<b>1 002 070 650</b>

**Table 8 Operating expenditure expressed as percentages**

<b>Expenditure by Type</b>	<b>2023 Draft Budget</b>		<b>2024 Draft Budget</b>		<b>2025 Draft Budget</b>	
Employee Related Costs	355 510 005	38%	369 374 895	38%	369 374 895	37%
Remuneration of councillors	7 588 384	1%	7 884 331	1%	8 191 820	1%
Debt Impairment	126 251 916	14%	131 175 741	13%	136 291 595	14%
Depreciation	62 436 010	7%	64 871 014	7%	67 400 984	7%
Bulk purchases	10 399 996	1%	10 805 596	1%	11 227 014	1%
Other materials	82 487 983	9%	85 705 015	9%	89 047 510	9%
Contracted services	133 653 463	14%	144 155 743	15%	153 412 817	15%
Other expenditure	154 813 122	17%	160 850 833	17%	167 124 016	17%
<b>Total Expenditure</b>	<b>933 140 878</b>		<b>974 823 167</b>		<b>1 002 070 650</b>	

**Figure 1 Main operational expenditure categories for the 2022/2023 financial year**



**Employee related cost**

The budgeted allocation for employee related costs for the 2022/2023 financial year totals R355 million, which equals 38% of the total operating expenditure. Which is below the norm of 40%. The salaries have not been increased by 4,96% as per SALGA agreement.

The municipality has been very strict in budgeting for overtime and standby, the budget has been strictly set at R17 million which has been benchmarked at 5 % of employee related costs . Senior managers have created a plan to reduce and effectively control overtime as well as to re consider employees eligible for standby.

### **Remuneration of Councillors**

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

### **Debt Impairment**

The cost of debt impairment is considered to be a non-cash flow item; it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

The past the audited financial years has shown a trend of nearly 20% increase of consumer debtors. The municipality has made a sufficient contribution towards debt impairment.

### **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 R62.4 million for the 2022/2023 financial and equates to 7% of the total operating expenditure. Calculations for the provision as follows:

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**Table 9 Depreciation per asset**

Item	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Licences and Rights:Computer Software and Applic	18 108	18 814	19 548
Licences and Rights:Computer Software and Applic	1 500 000	1 558 500	1 619 282
Depreciation:Computer Equipment	124 416	129 268	134 310
Depreciation:Computer Equipment	99 588	103 472	107 507
Depreciation:Computer Equipment	5 448	5 660	5 881
Depreciation:Computer Equipment	26 208	27 230	28 292
Depreciation:Computer Equipment	27 876	28 963	30 093
Depreciation:Computer Equipment	44 028	45 745	47 529
Depreciation:Computer Equipment	110 124	114 419	118 881
Depreciation:Furniture and Office Equipment	78 576	81 640	84 824
Depreciation:Furniture and Office Equipment	52 944	55 009	57 154
Depreciation:Furniture and Office Equipment	95 496	99 220	103 090
Depreciation:Furniture and Office Equipment	43 884	45 595	47 374
Depreciation:Furniture and Office Equipment	41 436	43 052	44 731
Depreciation:Furniture and Office Equipment	123 264	128 071	133 066
Depreciation:Furniture and Office Equipment	67 896	70 544	73 295
Operational Buildings:Municipal Offices	902 892	938 105	974 691
Operational Buildings:Municipal Offices	365 424	379 676	394 483
Operational Buildings:Municipal Offices	17 052	17 717	18 408
Sanitation Infrastructure:Waste Water Treatment	3 557 022	3 695 746	3 839 880
Depreciation:Transport Assets	18 600	19 325	20 079
Depreciation:Transport Assets	5 477 544	5 691 168	5 913 124
Depreciation:Transport Assets	65 088	67 626	70 264
Depreciation:Transport Assets	12 456	12 942	13 447
Depreciation:Transport Assets	279 120	290 006	301 316
Depreciation:Transport Assets	57 900	60 158	62 504
Water Supply Infrastructure:Distribution	776 028	806 293	837 739
Water Supply Infrastructure:Distribution	48 447 592	50 337 048	52 300 193

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 inventory consumed.

**Table 10 Other Materials**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Fuel & Oil. (510/260180)	45 300 000	47 066 700	48 902 301
Printing and Stationery 100/260300	207 996	216 108	224 536
Stationery (300/260340)	207 996	216 108	224 536
Chemicals (408/235520)	2 080 004	2 161 124	2 245 408
Stationery (105/260340)	207 996	216 108	224 536
Stationery (405/260340)	207 996	216 108	224 536
OM Chemicals	26 300 000	27 325 700	28 391 402
COVID- 19 Disaster Management	6 760 004	7 023 644	7 297 566
Cleaning materials (200/260090)	800 000	831 200	863 617
Stationery (510/260340)	207 996	216 108	224 536
Stationery (200/260340)	207 996	216 108	224 536
Water Purchase (510/255050)	0	0	0
Expenditure:Inventory Consumed:Water	10 399 996	10 805 596	11 227 014

**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 R2.8 million for EPWP

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**Table 10 Contracted Services**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Audit Committee (105/260027)	208 004	216 116	224 545
Billing Printing (510/260052)	510 123	530 018	550 688
Job Evaluation (200/260218)	103 996	108 052	112 266
Development Agency (405/260118)	3 120 000	3 241 680	3 368 106
Contracted Services:Consultants and Professional Services:Bu	2 662 000	2 765 818	2 873 685
Computer Programs (300/260)	6 500 000	6 753 500	7 016 887
GIS. Programmes (405/406360)	600 000	623 400	647 713
BlueDrop (408/235215)	2 000 000	2 078 000	2 159 042
Outstanding Debt - Collection Fees (300/225001)	3 881 646	4 033 030	4 190 318
Legal Fees (200/260240)	2 599 996	2 701 396	2 806 750
DC23 VIP Toilets project	23 594 996	30 000 000	35 000 000
Electrical (510/255045)	271 702	282 298	293 308
Maintenance of buildings and facilities (200/235011)	520 004	540 284	561 355
Vehicle Repairs Outsourced. (510/235080)	5 000 004	5 000 000	5 000 000
Repairs to Pumps (510/235120)	15 000 000	15 585 000	16 192 815
Pipelines & portable water maintenance (510/235100)	15 000 000	15 585 000	16 192 815
Contractors:Medical Services	200 000	207 800	215 904
Doctors Examinations (200/260343)	200 000	207 800	215 904
Security (200/235525)	20 000 000	20 780 000	21 590 420
Consumer - Billing &Printing (300/260052)	0	0	0
Technical Services EPWP (510)	2 881 000	2 993 359	3 110 100
VIP. Security (100/235525)	5 000 000	5 195 000	5 397 605
Water Tanker Hiring	10 399 996	10 805 596	11 227 014

In the next financial year the municipality will aim at decreasing the contracted costs associated with the repairs to pumps and pipelines, by implementing capital projects related to the refurbishment of aging infrastructure.

The cost related to water tanker hiring is specifically related to water tankers dispatched to the department of education.

The municipality further aims to eliminate excessive expenditure related to security.

The contractual cost directly linked to the repair of vehicles will now form part of the fuel and oil expenditure as per current arrangement with WESBANK.

### Other Expenditure

Other expenditure forms 17% of the total operating expenditure. Items that form the total cost other expenditure:

**Table 11.1 Other Expenditure Operational Costs**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Rental Office Machines. (200/260442)	480 193	498 920	518 378
Plant & Equipment Hire (510/235510)	6 000 000	6 234 000	6 477 126
Renting of Offices (200/260443)	2 807 996	2 917 508	3 031 290
Rent & Hire Vehicles (100/260436)	500 000	519 500	539 761
Information & Communication. (105/235505)	208 004	216 116	224 545
Advertising (200/260020)	208 004	216 116	224 545
Bank Charges (300/260047)	834 188	866 721	900 524
Credit - Interest Charges	250 586	260 359	270 513
Radio broadcasting (105/235505)	161 171	167 457	173 987
Telephone (200/260540)	3 120 000	3 241 680	3 368 106
Audit Fees (105/260030)	4 024 326	4 181 274	4 344 344
Computer Software IT.	473 200	491 655	510 829
Free Basic Services. (510/260147)	15 000 000	15 585 000	16 192 815
Insurance (105/235500)	6 153 776	6 393 773	6 643 130
Vehicle Licence (510/260552)	0	0	0
Vehicle Licencing - Fleet Management (300/260552)	965 135	1 002 775	1 041 883
Operational Cost:Management Fee	0	0	0
Electricity and water (municipal services) (200/255940)	44 518 164	46 254 373	48 058 293
Electricity (510/255040)	53 407 153	55 490 032	57 654 143
Pauper Burial GE	103 996	108 052	112 266
Membership Fees (405/260305)	10 396	10 801	11 223
SALGA Levy (200/260435)	4 198 396	4 362 133	4 532 256
In-Service Training (200/260216)	520 004	540 284	561 355
Accommodation (105/260534)	500 000	519 500	539 761
Protective Clothing (408/260347)	4 159 996	4 322 236	4 490 803

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.

Electricity is expected to increase by 8.96% as per proposed tariffs by Eskom.

Operational expenditure further includes a budgeted amount of R15 million for the provision of free basic services to the indigent.

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**Table 11.2 Other Expenditure Skills Development Levy (compliance)**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Skills Levy - Call Centre (405/260530)	439 270	456 402	474 201
Operational Cost:Skills Development Fund Levy	984 252	1 022 638	1 062 521
Skills Levy - IDP. (405/260530)	47 232	49 074	50 988
Operational Cost:Skills Development Fund Levy	33 377	34 679	36 031
Skills Levy - Risk Management (105/260530)	6 298	6 543	6 798
Skills Levy - Safety & Security (105/260530)	66 301	68 887	71 573
Skills Development Fund (EPWP)	35 166	36 537	37 962
Skills Levy (105/260530)	58 177	60 446	62 804
Skills Levy Disaster Management (405/260530)	26 236	27 259	28 322
Skills Levy - Laboratory. (408/260530)	31 312	32 533	33 802
Skills Levy - Internal Auditor (105/260530)	11 021	11 451	11 897
Skills Levy - Tourism. (405/260530)	2 683	2 787	2 896
Skills Levy (405/260530)	4 509	4 685	4 868
Skills Levy - HR (200/260530)	33 969	35 294	36 671
Skills Levy - Legal Department (200/260530)	12 986	13 492	14 018
Skills Levy - Fleet Management (200/260530)	16 701	17 353	18 029
Skills Levy - Call Centre (405/260530)	12 507	12 995	13 502
Skills Levy - Public Participation (105/260530)	68 745	71 426	74 211
Skills Levy - Staff Welfare (408/260530)	5 076	5 274	5 480
Skills Levy (408/260530)	150 802	156 684	162 794
Skills Levy - Corporate Admin. (200/260530)	98 872	102 728	106 735
Skills Levy - IT. Department (200/260530)	14 585	15 154	15 745
Skills Levy - LED. (405/260530)	8 199	8 519	8 852
Skills Levy - Tourism. (405/260530)	15 328	15 926	16 547
Skills Levy - Revenue. (300/260530)	151 168	157 063	163 189
Skills Levy - Asset Management (300/260530)	22 671	23 556	24 474
Skills Levy - SCM. (300/260530)	42 610	44 271	45 998
Skills Levy (300/260530)	32 017	33 266	34 563
Skills Levy - PMS. (105/260530)	13 263	13 780	14 317
Skills Levy - Special Programs (105/260530)	18 364	19 080	19 824
Skills Levy - Development Facilitation (105/260530)	17 142	17 811	18 505
Skills Levy - Budget. (300/260530)	45 129	46 889	48 717
Skills Levy (100/260530)	313 646	325 878	338 587

**Table 11.3 Other Expenditure Subsistance & Travel**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Subsistance & Travel. (510/260534)	12 156	12 630	13 122
Operational Cost:Travel and Subsistence:Domestic:Transport	157 997	164 159	170 561
Subsistance and Travel Laboratory services	43 705	45 409	47 180
TRAVEL AND SUBSISTANCE	118 760	123 391	128 204
Subsistance & Travel. - Communications DEpartment (105/260534)	27 082	28 138	29 235
Subsistance & Travel. (408/260534)	1 379 527	1 433 328	1 489 228
Subsistance & Travel. (105/260534)	3 095	3 216	3 341
RE-IMBURSAVE TRAVEL SUPPLY CHAIN	1 385	1 439	1 495
Subsistance & Travel. (405/260534)	7 351	7 637	7 935
Subsistance & Travel. (200/260534)	10 820	11 242	11 681
Subsistance & Travel. (510/260534)	1 597 615	1 659 922	1 724 659
Travel Councillors own transport (100/260534)	9 335	9 699	10 077

As can be depicted above the departments with excessive substance and travel expenditure are Health services and water services. The general managers from the said departments have been advised to investigate and authenticate this expenditure item. The municipality expects to have a reasonable figures at the finilisation of the budget process.

### 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 2022/2023 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 2022/2023 . 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 12.1 Repairs and maintenance per asset class SA34c**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Electrical (510/255045)	271 702	282 298	293 308
Maintenance of buildings and facilities (200/235011)	520 004	540 284	561 355
Vehicle Repairs Outsourced. (510/235080)	0	0	0
Repairs to Pumps (510/235120)	15 000 000	15 585 000	16 192 815
Pipelines & portable water maintenance (510/235100)	15 000 000	15 585 000	16 192 815

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a portion of the MIG has been set aside specifically for the renewal and refurbishment of assets. It must further be noted that extensive refurbishment costs were incurred in the 2021/2022 financial year. The repairs to pumps and pipelines form one of the major cost drivers as identified in the budget funding plan.

The water services department will employ a planned maintenance plan in order to prevent emergency repairs which often result in excessive expenditure.

**Table 12.2 Repairs and maintenance per asset class SA34c**

Projects Name	Local Municipality	Funder	Budget		Total Budget 2023	Total Budget 2024	Total Budget 2025	Progress	New/ongoing
Ntabamhlophe CWSS	Inkosi langalibalele	MIG	4 128 000	672 000	4 800 000	0	0	52% completion	Repairs to all Ntabamhlophe phases
Refurbishment and Upgrade of Water and Sanitation Infrastructure 3	District Wide		24 000 000	0	24 000 000	30 000 000	30 000 000	Construction	Refurbishment of sanitation infrastructure

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

Due to insufficient funds the municipality cannot meet the recommended norm 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 2022/2023 financial year it is anticipated that R15 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 2022/2023 Medium-term capital budget per vote**

Description	2022/2023 Financial Period	2023/2024 Financial Period	2024/2025 Financial Period
R thousands	Municipality Budget Data 2022/23	Municipality Budget Data 2023/24	Municipality Budget Data 2024/25
<b>Capital Expenditure - Functional</b>			
<b><i>Municipal governance and administration</i></b>	4 150	-	-
Executive and council	-	-	-
Finance and administration	4 150	-	-
Internal audit	-	-	-
<b><i>Community and public safety</i></b>	-	-	-
Community and social services	-	-	-
Sport and recreation	-	-	-
Public safety	-	-	-
Housing	-	-	-
Health	-	-	-
<b><i>Economic and environmental services</i></b>	-	-	-
Planning and development	-	-	-
Road transport	-	-	-
Environmental protection	-	-	-
<b><i>Trading services</i></b>	263 689	272 171	291 146
Energy sources	-	-	-
Water management	263 689	272 171	291 146
Waste water management	-	-	-
Waste management	-	-	-
<b><i>Other</i></b>	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>267 839</b>	<b>272 171</b>	<b>291 146</b>

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants amounting to R264 million.

Further amounts have been budget internally for vehicles to the value of R3 million and R500 thousand for computer hardware and R650 thousand for furniture.

**Table 14 Infrastructure Grants**

	<b><u>GRANTS ALLOCATION FOR 2022/2023</u></b>		
	<b><u>R'000</u></b>	<b><u>R'000</u></b>	<b><u>R'000</u></b>
	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>
<b>CAPITAL GRANT S</b>			
MIG	211 484,00	221 371,00	231 890,00
RURAL ROAD GRNT	2 662,00	2 672,00	2 769,00
WATER SERVICES	80 800,00	85 800,00	94 756,00
	<b>294 946,00</b>	<b>309 843,00</b>	<b>329 415,00</b>
<b>TOTAL CAPITAL</b>			

The tables that follow depict the draft capital budget as per water services grants, these projects are form part of the submitted business plans.

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Projects Name	Local Municipality	Funder	Budget		Total Budget 2023	Total Budget 2024	Total Budget 2025	Progress	New/ongoing
Ntabamhlophe CWSS	Inkosi langalibalele	MIG	4 128 000	672 000	4 800 000	0	0	52% completion	Repairs to all Ntabamhlophe phases
Kwanobamaba-Ezitendeni water supply	Inkosi langalibalele		6 192 000	1 008 000	7 200 000	1 685 500	1 000 000	Construction 65% Completion	Package Plant in construction as at July 2021
Weenen Sanitation	Inkosi langalibalele		15 480 000	2 520 000	18 000 000	842 750	0	Construction 70% Completion 80% Complete	Construction of WWTW
Bhekuzulu/Ephangwini water supply	Inkosi langalibalele		12 384 000	2 016 000	14 400 000	842 750	0	Construction 95% Completion	Construction as at July 2021
District Wide Sanitation	District wide sanitation		23 594 996	0	23 594 996	30 000 000	35 000 000	Construction	Construction
Refurbishment and Upgrade of Water and Sanitation Infrastructure 3	District Wide		24 000 000	0	24 000 000	30 000 000	30 000 000	Construction	Construction
Okhahlamba ward 2,3 and 14 Regional Bulk Water Supply abd reticulation network	Okhahlamba		20 640 000	3 360 000	24 000 000	30 000 000	30 000 000	Construction	Construction
Upgrade of Colenso WTW	Alfred Duma		5 160 000	840 000	6 000 000	30 000 000	40 000 000	Construction	Construction
Fitty Park Sundays River Umhlumayo Extensions Phase 1 AFA	Alfred Duma		7 740 000	1 260 000	9 000 000	3 000 000	3 000 000	Construction	Construction
Ekuvukeni regional bulk water supply			4 861 580	791 420	5 653 000	0	0	Construction 90% Completion	Construction
Umtshezi East Regional			5 878 100	956 900	6 835 000	10 000 000	11 890 000	Design	
Park/Mhlumayo Bulk Water Supply Infrastructure and			2 580 000	420 000	3 000 000	0	0	feasibility	
Supply and Reticulation			2 600 000	400 000	3 000 000	10 000 000	10 000 000	feasibility	
Upgrade of Bergville Water Treatemnt Works Bulk Water Supply Phase 2	Okhahlamba		20 640 000	3 360 000	24 000 000	30 000 000	30 000 000	Tender	
Winterton Waterborne System Upgrade			5 200 000	800 000	6 000 000	20 000 000	20 000 000	feasibility	
Alfred Duma ward 31 water supply scheme	Alfred Duma		2 650 000	350 000	3 000 000	10 000 000	8 000 000	BP	
Upgrade of Langkloof WTW and Bulk Water Supply within Ward 10 Phase 2		21 000 000	3 000 000	24 000 000	10 000 000	8 000 000	Construction		
MIG Topslice (PMU)	District	0	0	5 000 004	5 000 000	5 000 000			

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Projects Name	Local Municipality	Funder	Budget		Total Budget	85 800 000	94 756 000	Progress	New/ongoing
			Direct Cost	Indirect cost	80 800 000				
Wembezi Bulk & Reticulation Upgrade (WCDM)	Inkosilangalibale		20 000 000	1 000 000	21 000 000	12 800 000	15 000 000	53% Complete	Project ongoing for construction of bulk pipeline
Reticulation to Ennersdale, Ephangwini Ward 4	Inkosilangalibale		14 971 884	1 000 000	15 971 884	18 000 000	22 378 000	71% complete	To be on construction as of May 2021
Ezakheni WCDM	Alfred Duma		0	19 000 000	19 000 000	20 000 000	22 378 000	Planning and Implementation	Implementation
Spring Protection District Wide	Districtwide		20 000 000	0	20 000 000	35 000 000	35 000 000	Ongoing	New scope to be developed
Bhekuzulu-Ennersdale water reticulation	phase 3&4		4 093 424	734 692	4 828 116	0	0	Phase 3 - 97% complete Phase 4 - 99% complete	
Escourt industrial pipeline bulk upgrade			405 000	43 424	0	0	0	99% complete	
					80 800 000	85 800 000	94 756 000		

Projects Name	Local Municipality	Funder	Budget		Total Budget			Progress	New/ongoing
			Direct Cost	Indirect cost	2 881 000				
General Water/Sewer Maintenance & Reticulation	District Wide	EPWP			2 881 000				
Water Service Delivery Intervention	District Wide				0				
Uthukela Environmental Impact	District Wide				0				
					2 881 000				

Projects Name	Local Municipality	Funder	Budget		Total Budget			Progress	New/ongoing
			Direct Cost	Indirect cost	2 662 000				
RRAMS	District Wide	DOT							
					2 662 000				

## **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 2022/2023 DRAFT budget and MTREF as approved by the Council.

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

Description	2022/2023	2023/2024	2024/2025
	Financial Period	Financial Period	Financial Period
R thousands	Municipality Budget Data 2022/23	Municipality Budget Data 2023/24	Municipality Budget Data 2024/25
<b>Revenue By Source</b>			
Property rates	-	-	-
Service charges - electricity revenue	-	-	-
Service charges - water revenue	365 165	379 407	394 204
Interest earned - external investments	6 463	7 154	7 433
Transfers and subsidies	544 893	580 348	621 080
Transfers and subsidies- MIG	28 595	35 000	35 500
Other revenue	3 298	3 651	4 041
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>948 414</b>	<b>1 005 559</b>	<b>1 062 257</b>
<b>Expenditure By Type</b>			
Employee related costs	355 510	369 375	369 375
Remuneration of councillors	7 588	7 884	8 192
Debt impairment	126 252	131 176	136 292
Depreciation and asset impairment	62 436	64 871	67 401
Bulk purchases - electricity	10 400	10 806	11 227
Inventory consumed	82 488	85 705	89 048
Contracted services	133 653	144 156	153 413
Other expenditure	154 813	160 851	167 124
Loss on disposal of PPE	-	-	-
<b>Total Expenditure</b>	<b>933 141</b>	<b>974 823</b>	<b>1 002 071</b>
<b>Surplus/(Deficit)</b>	<b>15 274</b>	<b>30 736</b>	<b>60 187</b>
Transfers and subsidies - capital (monetary allocations)	263 689	272 171	291 146
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
Taxation	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
Attributable to minorities	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
Share of surplus/ (deficit) of associate	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>

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)**

***ASchedule attachment***

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

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

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

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

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

Description	2022/2023	2023/2024	2024/2025
	Financial Period Municipality Budget Data 2022/23	Financial Period Municipality Budget Data 2023/24	Financial Period Municipality Budget Data 2024/25
<b>R thousands</b>			
<b>Revenue By Source</b>			
Property rates	-	-	-
Service charges - electricity revenue	-	-	-
Service charges - water revenue	365 165	379 407	394 204
Interest earned - external investments	6 463	7 154	7 433
Transfers and subsidies	544 893	580 348	621 080
Transfers and subsidies- MIG	28 595	35 000	35 500
Other revenue	3 298	3 651	4 041
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>948 414</b>	<b>1 005 559</b>	<b>1 062 257</b>
<b>Expenditure By Type</b>			
Employee related costs	355 510	369 375	369 375
Remuneration of councillors	7 588	7 884	8 192
Debt impairment	126 252	131 176	136 292
Depreciation and asset impairment	62 436	64 871	67 401
Bulk purchases - electricity	10 400	10 806	11 227
Inventory consumed	82 488	85 705	89 048
Contracted services	133 653	144 156	153 413
Other expenditure	154 813	160 851	167 124
Loss on disposal of PPE	-	-	-
<b>Total Expenditure</b>	<b>933 141</b>	<b>974 823</b>	<b>1 002 071</b>
<b>Surplus/(Deficit)</b>	<b>15 274</b>	<b>30 736</b>	<b>60 187</b>
Transfers and subsidies - capital (monetary allocations)	263 689	272 171	291 146
<b>Surplus/(Deficit) after capital transfers and contributions</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
Taxation	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
Attributable to minorities	-	-	-
	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>
<b>Surplus/(Deficit) attributable to municipality</b>			
Share of surplus/ (deficit) of associate	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>278 963</b>	<b>302 907</b>	<b>351 333</b>

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

1. Total operating revenue is R948million in 2022/2023 and increases to over a billion (R1 billion and R62 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 R933 million in 2022/2023 and escalates to R1 billion by 202/2024. However given sound financial management strategies are put in place we can
3. It must be noted that the municipality has budgeted for a surplus over the MTERF, which increases steadily.

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

Description	2022/2023 Financial Period	2023/2024 Financial Period	2024/2025 Financial Period
R thousands	Municipality Budget Data 2022/23	Municipality Budget Data 2023/24	Municipality Budget Data 2024/25
<b>Capital Expenditure - Functional</b>			
<b><i>Municipal governance and administration</i></b>	<b>4 150</b>	<b>-</b>	<b>-</b>
Executive and council	-	-	-
Finance and administration	4 150	-	-
Internal audit	-	-	-
<b><i>Community and public safety</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
Community and social services	-	-	-
Sport and recreation	-	-	-
Public safety	-	-	-
Housing	-	-	-
Health	-	-	-
<b><i>Economic and environmental services</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
Planning and development	-	-	-
Road transport	-	-	-
Environmental protection	-	-	-
<b><i>Trading services</i></b>	<b>263 689</b>	<b>272 171</b>	<b>291 146</b>
Energy sources	-	-	-
Water management	263 689	272 171	291 146
Waste water management	-	-	-
Waste management	-	-	-
<b><i>Other</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>267 839</b>	<b>272 171</b>	<b>291 146</b>

**Explanatory notes to Table A5- Budgeted Capital Expenditure**

The capital budget for water and sanitation infrastructure is fully grant funded the municipality has budgeted R264million towards water and sanitation infrastructure, for the 2022/2023 financial year.

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**Table 20 MBRR Table A6 - Budgeted Financial Position**

Description	2022/2023	2023/2024	2024/2025
	Financial Period	Financial Period	Financial Period
R thousands	Municipality Budget Data 2022/23	Municipality Budget Data 2023/24	Municipality Budget Data 2024/25
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	351	24 247	78 302
Call investment deposits	-	-	-
Consumer debtors	187 200	224 640	269 568
Other debtors	6 200	7 440	8 928
Current portion of long-term receivables	-	-	-
Inventory	20 000	20 780	21 590
<b>Total current assets</b>	<b>213 751</b>	<b>277 107</b>	<b>378 388</b>
<b>Non current assets</b>			
Property, plant and equipment	3 271 073	3 272 970	3 289 415
Agricultural			
Biological	-	-	-
Intangible	-	-	-
Other non-current assets	2 532	2 532	2 532
<b>Total non current assets</b>	<b>3 273 605</b>	<b>3 275 502</b>	<b>3 291 947</b>
<b>TOTAL ASSETS</b>	<b>3 487 356</b>	<b>3 552 609</b>	<b>3 670 335</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	-	-	-
Borrowing	-	-	-
Consumer deposits	20 735	21 544	22 384
Trade and other payables	343 394	356 787	370 702
Provisions	97 660	101 469	105 426
<b>Total current liabilities</b>	<b>461 790</b>	<b>479 799</b>	<b>498 512</b>
<b>Non current liabilities</b>			
Borrowing	-	-	-
Provisions	36 991	38 433	39 932
<b>Total non current liabilities</b>	<b>36 991</b>	<b>38 433</b>	<b>39 932</b>
<b>TOTAL LIABILITIES</b>	<b>498 780</b>	<b>518 233</b>	<b>538 444</b>
<b>NET ASSETS</b>	<b>2 988 576</b>	<b>3 034 376</b>	<b>3 131 891</b>

**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	2022/2023	2023/2024	2024/2025
	Financial	Financial	Financial Period
R thousands	Municipality Budget Data 2022/23	Municipality Budget Data 2023/24	Municipality Budget Data 2024/25
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>	<b>1 041 316</b>	<b>1 099 843</b>	<b>1 168 579</b>
Property rates			
Service charges	200 841	208 674	216 812
Other revenue	3 298	3 651	4 041
Government - operating	573 488	615 348	656 580
Government - capital	263 689	272 171	291 146
Interest			
Dividends			
<b>Payments</b>	<b>773 453</b>	<b>803 776</b>	<b>823 378</b>
Suppliers and employees	773 453	803 776	823 378
Finance charges	-		
Transfers and Grants			
<b>NET CASH FROM/(USED) OPERATING ACTIVITY</b>	<b>267 863</b>	<b>296 067</b>	<b>345 201</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>	<b>267 839</b>	<b>272 171</b>	<b>291 146</b>
Capital assets	267 839	272 171	291 146
<b>NET CASH FROM/(USED) INVESTING ACTIVITY</b>	<b>267 839</b>	<b>272 171</b>	<b>291 146</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>			
Cash/cash equivalents at the year begin:	327	351	24 247
Cash/cash equivalents at the year end:	<b>351</b>	<b>24 247</b>	<b>78 302</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

- Table A7 details the cash flow of the municipality and is one of the plays a pivotal role in measuring the funding of the budget.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- 2022/2023 adjustment cash flow estimated that the municipality will have R351 thousand at year end.
- It is anticipated tha the municipality will have R351 thousand at year end provided the applied collection rate of 55% 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 2022/2023.
- Payment to creditors and suppliers includes an amount of R25 million which is budgeted to settle od debts per approved payment plans.

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

Description	Budget Data 2022/23
<b>R thousands</b>	
<b><u>Cash and investments available</u></b>	
Cash/cash equivalents at the year end	351
Other current investments > 90 days	
Non current assets - Investments	-
<b>Cash and investments available:</b>	<b>351</b>
<b><u>Applications of cash and investments</u></b>	
Unspent conditional transfers	-
Statutory requirements	-
Other working capital requirements	221 266
Other provisions	(93 904)
Long term investments committed	-
Reserves to be backed by cash/investments	-
<b>Total Application of cash and investments:</b>	<b>127 362</b>
<b>Surplus(shortfall)</b>	<b>(127 011)</b>

**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 2022/ the budget will be unfunded by R127 million
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.

***Table 23 MBRR -Table A9 Asset Management  
ASchedule attachment***

**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 July 2021) 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 2021, Key dates applicable to the process were as follows:

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

<b>Activity No.</b>	<b>Action/ Task for IDP and Budget</b>	<b>Timeframe for Task Completion</b>
<b>July 2021 &amp; August 2021</b>	<ul style="list-style-type: none"> <li>▪ Drafting of the IDP Framework and process plan</li> <li>▪ Alignment of IDP and budget process plans</li> <li>▪ Submission of the draft Framework and Process Plan to COGTA for comments</li> <li>▪ Advertisement of the IDP Framework and process plan</li> <li>▪ 1<sup>st</sup> IDP Supporting Structure Committee Meeting</li> <li>▪ Planning Indaba</li> <li>▪ Adoption of IDP Framework and Process Plan by full council</li> </ul>	<p>12 July 2021 19 July 2021</p> <p>30 July 2021</p> <p>30 July 2021 2 August 2021</p> <p>30 August 2021 31 August 2021</p>
<b>Sept 2021</b>	<ul style="list-style-type: none"> <li>▪ Submission of the 2022/2023 adopted IDP Framework and Process plan to COGTA</li> <li>▪ Identify outstanding Sector Plans</li> <li>▪ Integrate sector plans.</li> <li>▪ IDP input into provincial adjustment budgets</li> <li>▪ Provincial planners Forum</li> </ul>	<p>03 September 2021</p> <p>24 September 2021 24 September 2021</p> <p>27 September 2021 30 September 2021</p>
<b>Oct 2021</b>	<ul style="list-style-type: none"> <li>▪ Review of the Spatial Development Framework</li> <li>▪ Projects identifications and prioritization</li> <li>▪ Develop KPI's targets, timeframes etc. where impacted upon by reprioritization</li> <li>▪ Align with draft budget estimates</li> </ul>	<p>05 October 2021 13 October 2021 21 October 2021</p> <p>25 October 2021</p>
<b>Nov 2021</b>	<ul style="list-style-type: none"> <li>▪ World Planning Day</li> <li>▪ Municipal alignment session</li> <li>▪ Alignment meeting between DM &amp; Province to revised 3 year MTEF</li> <li>▪ Alignment meeting with family of municipalities</li> <li>▪ SDF Alignment between the bordering district municipalities</li> </ul>	<p>05 November 2021 12 November 2021 15 November 2021 19 November 2021 26 November 2021</p>
<b>Dec 2021</b>	<ul style="list-style-type: none"> <li>□ IDP best practice conference</li> </ul>	03 December 2021
<b>Jan 2022</b>	<ul style="list-style-type: none"> <li>□ IDP Supporting Structure Committee Meeting</li> </ul>	21 January 2022
<b>Feb 2022</b>	<ul style="list-style-type: none"> <li>▪ IDP steering committee and strategic planning session to:                             <ul style="list-style-type: none"> <li>- Review Municipal Vision</li> <li>- Develop Objectives and Strategies</li> </ul> </li> </ul>	7 & 8 February 2022

UTHUKELA DISTRICT MUNICIPALITY DRAFT BUDGET 2022/2023

<b>Feb 2022</b>	<ul style="list-style-type: none"> <li>▪ Meeting COGTA and municipalities on IDP assessment</li> <li>▪ Updating of municipal CIP and MTEF based on Draft DORA allocations</li> <li>▪ IDP Coordinating committee meeting(IDP Managers)</li> <li>▪ IDP Representative Forum meeting</li> <li>▪ IDP Roadshows (needs analysis)</li> </ul>	<p>11 February 2022 14 February 2022</p> <p>16 February 2022 20 February 2022 21-24 February 2022</p>
<b>March 2022</b>	<ul style="list-style-type: none"> <li>▪ Exco approval of the Draft, recommend to Council</li> <li>▪ Council Approval of the Draft IDP 2022/2023</li> </ul>	<p>25 March 2022 31 March 2022</p>
<b>April 2022</b>	<ul style="list-style-type: none"> <li>• Submission of the Draft 2022/2023 IDP to COGTA</li> <li>• Decentralized IDP assessment forums</li> <li>• Advertise for public comments(21days)</li> <li>• IDP/Budget Road shows</li> </ul>	<p>01 April 2022 11 April 2022</p> <p>13 April 2022 18-22 April 2022</p>
<b>May 2022</b>	<ul style="list-style-type: none"> <li>▪ IDP Assessment Feedback Session</li> <li>▪ Amend IDP in accordance with the outcome of the assessment</li> </ul>	<p>06 May 2022 10 May 2022</p>
<b>May 2022</b>	<ul style="list-style-type: none"> <li>▪ Exco approval, recommend to Council</li> <li>▪ Council approval of the 2022/2023 IDP</li> </ul>	<p>13 May 2022 27 May 2022</p>
<b>June 2022</b>	<ul style="list-style-type: none"> <li>▪ Submission of the adopted IDP to the MEC</li> <li>▪ Advertise the Adopted IDP in the local newspaper</li> </ul>	<p>06 June 2022 08 June 2022</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 DRAFT IDP Framework and Process Plan have been circulated to all local municipalities and COGTA for their inputs before its adoption.

## **2.2.4 MONITORING OF THE PROCESS PLAN**

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

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

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

## **2.2.5 PROCEDURES FOR DEVIATION**

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

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;

- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

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

**Table 25.1 IDP Goals Objectives and Strategies**

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

***ASchedule attachment***

**Table 25.2 IDP Goals Objectives and Strategies**

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

***ASchedule attachment***

The 2022/2023 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. The comprehensive list of policies approved is as follows:***

*Budget policy*

*Credit control policy*

*Bad debt & write off policy*

*Budget funding and reserves policy*

*Cash management and investment policy*

*Contract management policy*

*Supplier performance monitoring policy*

*Expenditure management policy*

*Inventory policy*

*Cost containment policy*

*Virements policy*

*SCM policy*

*Petty cash policy*

*Assets Management policy*

*Indigent Policy*

*HR policy*

*Overtime and standby policy*

## 2.4 OVER VIEW OF BUDGET ASSUMPTIONS

- The 2022/2023 budget assumes the following:
  - CPI inflation rate forecast 4% for 2022/2023 and 3.9% for the outer two years.
  - Tariffs have been increased by 6% however the increase in industrial tariffs is 8%.
  - Collection rate estimated at 55% of service charges.
  - Employee related costs will increase by 4.96%
  - 60% of the capital budget is capitalised and added to the Asset register.

## 2.5 OVERVIEW OF BUDGET FUNDING

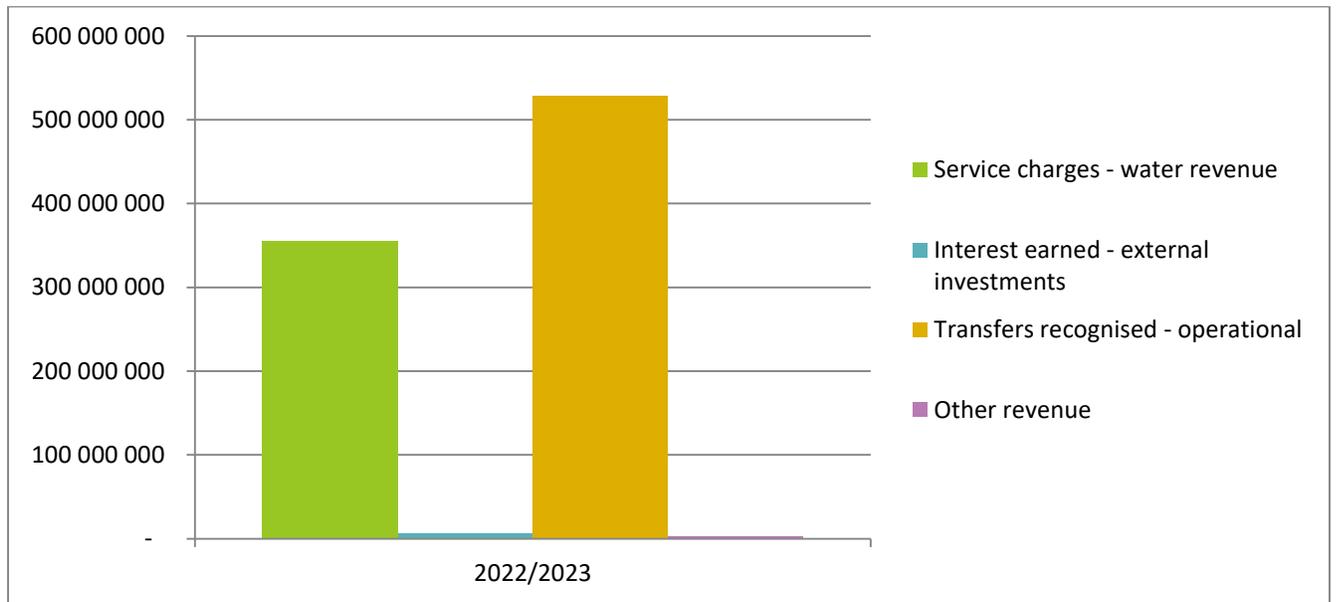
### 2.5.1 Medium-term outlook: operating revenue

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**

Segment Desc	2023 Draft Budget	2024 Draft Budget	2025 Draft Budget
Interest Investments (300/025002)	6 463 092	7 153 997	7 433 002
STAFF TELEPHONE COOLECTION	561 804	621 861	688 338
Clearance Certificate (510/010060)	426 489	472 081	522 546
Publications: Maps	2 136 604	2 365 007	2 617 826
Income Tenders (300/060080)	173 234	191 752	212 251
Water Sales (510/010020)	354 765 203	368 601 046	382 976 487
Water Tankers KZN DOE	10 399 996	10 805 596	11 227 014
Municipal Water and Sanitation Infrastructure Grant	211 484 000	221 371 000	231 890 000
EPWP Grant (500/055111) (Revenue)	2 881 000	0	0
FMG. (300/055530) (Revenue)	2 100 000	2 100 000	2 100 000
National Governments:Rural Road Asset Management System	2 662 000	2 672 000	2 769 000
Equitable Share (300/055003)	539 912 000	578 248 000	61 898 000

The following graph is a breakdown of the operational revenue per main category for the 2022/2023 financial year.



**Figure 2 Breakdown of operating revenue over the 2022/2023 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 more than 50% 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 50% and above annual collection rate for consumer revenue
- National Treasury guidelines
- Water tariff increases by DWA and ESkom
- Achievement of full cost recovery of specific user charges
- Determining tariff escalation rate by establishing/calculating revenue requirements
- And the ability to extend new services and obtain cost recovery levels

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

Revenue relating to water and sanitation will total R365 million for the 2022/2023 financial year with water service charges increasing to R394 by 2023/2024. These constitute 31 % of the total budget.

Operational grants and subsidies amount to R573 million in the 2022/2023 financial year. This contributes above 50% of the total budgeted revenue.

The tables below provide detail investment particulars by maturity and bank balance information. The balances below are as at February 2022.

**Table 27 MBRR SA15 – Detail Investment particulars by maturity**

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					
<u>Municipality</u>					
FNB	66 042	148	(55 000)		11 190
NEDBANK	568	2			570
INVESTEC	109	0			109
ABSA	2 046	7			2 053
STANDARD BANK	758	2			760
<b>TOTAL INVESTMENTS AND INTEREST</b>	<b>69 522</b>	<b>–</b>	<b>(55 000)</b>	<b>–</b>	<b>14 682</b>

**Table 28- Bank Balances**

<b>Bank Balances</b>				
The following reflects bank balances at 28 FEBRUARY 2022				
<b>DESCRIPTION</b>	<b>NOV 2021</b>	<b>DEC 2021</b>	<b>JAN 2022</b>	<b>FEB 2022</b>
FNB MAIN ACCO	29 675 238,72	20 719 612,73	12 097 709,34	12 472 508,32
FNB WATER AC	0	0	0	0
	<b>29 675 238,72</b>	<b>20 719 612,73</b>	<b>12 097 709,34</b>	<b>12 472 508,32</b>
<b>Total cash held</b>	<b>12 472 508,32</b>			

**2.5.2 Capital revenue**

The capital expenditure budget will be funded from the infrastructure grants to the value of R294million.

**Table 29 - Capital Grants**

	<b>GRANTS ALLOCATION FOR 2022/2023</b>		
	<b>R'000</b> <b>2022/2023</b>	<b>R'000</b> <b>2023/2024</b>	<b>R'000</b> <b>2024/2025</b>
<b>CAPITAL GRANT S</b>			
MIG	211 484,00	221 371,00	231 890,00
RURAL ROAD GRNT	2 662,00	2 672,00	2 769,00
REGIONAL BULK INFRA	-	-	-
WATER SERVICES	80 800,00	85 800,00	94 756,00
MUNICIPAL SYSTEM IMPROVEMENT	-	-	-
	<b>294 946,00</b>	<b>309 843,00</b>	<b>329 415,00</b>
<b>TOTAL CAPITAL</b>			

## **2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS**

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

***ASchedule attachment***

## **2.7 COUNCILLOR AND EMPLOYEE BENEFITS**

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

***ASchedule attachment***

## **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 has been established and is fully functional

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

The detailed draft SDBIP document will compiled and submitted to the relevant departments after approval of the 2022/2023MTREF and will be directly aligned and informed by the 2022/2023 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 DRAFT BUDGET 2022/2023

Standard	Description	Service Level
<b>Solid Waste Removal</b>		
	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
	Licenced landfill site(Yes/No)	N/A
<b>Water Service</b>		
	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
	<b><i>cases of service interruption (complete the sub questions)</i></b>	
	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) municipality?	4 Hours
	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
<b>Electricity Service</b>		
	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

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
<b>Sewerage Service</b>	
back in to the system after purification?	Yes
To what extend do you subsidize your indigent consumers?	Yes
<b>average</b>	
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
<b>Road Infrastructure Services</b>	
(Hours)	N/A
(Hours)	N/A
crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A
<b>Property valuations</b>	
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
<b>Financial Management</b>	
wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
flow and managemet of documentation feeding to Trial Balaince?	Yes
date it has been received?	within 30 Days
departmental plans quaterly and annually including for the next two to three years procurement plans?	Yes
<b>Administration</b>	
Reaction time on enquiries and requests?	
Time to respond to a verbal customer enquiry or request?	Immedatilty
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
<b>Community safety and licensing services</b>	
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

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
<b>Economic development</b>	
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
<b>Other Service delivery and communication</b>	
(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 draft budget. 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 draft annual budget for 2022/2023 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**                            **23 March 2022**

