



2022/23 – 2024/25
ANNUAL BUDGET & MEDIUM-TERM REVENUE AND
EXPENDITURE FRAMEWORK

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PART 1- ANNUAL BUDGET

1.1 MAYORS REPORT

SPEECH BY THE MAYOR OF UTHUKELA DISTRICT MUNICIPALITY PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF TABLING OF THE 2022/23 FINAL BUDGET

VISION

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

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

JOB CREATION

Council has heeded the Government's call for job creation and has partnered with the Department of Public Works to ensure that the EPWP is fully operational in this Municipality. The allocation for EPWP will decrease for 2022/23 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 2022/23 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 June 2022, the Council of uThukela District Local Municipality met to consider the final annual budget of the municipality for the financial year 2022/23. The Council approved and adopted the following resolutions:

1. The uThukela District Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual final budget of the municipality for the budget 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 fiscal 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 adopted a cost containment policy which has been effected in the preparation of this budget.

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.115 and 116 of 2021/2022 was used to guide the compilation of the 2022/23 final Budget and MTREF.

The main challenges experienced during the compilation of the 2022/23 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 2022/23 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2022/23 MTREF.

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
Total Revenue	-1 168 560 448	- 1 238 247 946	-1 319 047 577
Capital Expenditure	263 690 000	272 171 000	291 146 000
Operating Expenditure	980 428 000	1 028 066 000	1 078 019
Operating Deficit	-75 556 000	- 61 989 000	- 50 118 000

Operating Revenue

Total operating revenue has been increased by 6% for the 2022/23 budget 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 considered the wards which are charged at a flat rate.

Operating Expenditure

Total operating expenditure for the 2022/23 financial year has been appropriated at R980 million which results in the budget having a deficit of R75 million.

Capital Expenditure

R266 million is funding from national Government Grants for water and sanitation capital projects which are core functions of the municipality and a budget of R1 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 must 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 65% 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 FINAL BUDGET 2022/2023

**The following table is a summary of the 2022/23 MTREF
(Classified by main revenue source): Table 2 Summary of revenue classified by main revenue source A4**

Item	2023 Revised Budget	2024 Final Budget	2025 Final Budget
Interest Investments (300/025002)	6463092	6 463 092	6 463 092
Collection Charges	561804	561 804	595 512
Clearance Certificates	426489	452 078	479 203
Maps	144916	187 316	198 555
Tender Documents	173234	183 628	194 645
Service charges - water revenue	262440770	278 187 216	294 878 449
Service charges - sanitation revenue	19135116	20 283 223	21 500 216
Interest earned - outstanding debtors	39376028	41 738 589	44 242 905
Water Services Infrastructure Grant	80800000	85 800 000	94 756 000
Expanded Public Works Programme Integrated Grant	2881000	0	0
Local Government Financial Management Grant	2100000	2 100 000	2 100 000
Municipal Infrastructure Grant	211484000	221 371 000	231 890 000
Rural Road Asset Management Systems Grant	2662000	2 672 000	2 769 000
Human Settlements	0		
National Revenue Fund:Equitable Share	539912000	578 248 000	618 980 000
	1 168 560 448	1 238 247 946	1 319 047 577

Table 3 percentage growth in revenue by main revenue source A4

Item	2023 Revised Budget		2024 Final Budget		2025 Final Budget	
Interest Investments (300/025002)	6463092	1%	6 463 092	1%	6 463 092	0%
Collection Charges	561804	0%	561 804	0%	595 512	0%
Clearance Certificates	426489	0%	452 078	0%	479 203	0%
Maps	144916	0%	187 316	0%	198 555	0%
Tender Documents	173234	0%	183 628	0%	194 645	0%
Service charges - water revenue	262440770	22%	278 187 216	22%	294 878 449	22%
Service charges - sanitation revenue	19135116	2%	20 283 223	2%	21 500 216	2%
Interest earned - outstanding debtors	39376028	7%	41 738 589	7%	44 242 905	7%
Water Services Infrastructure Grant	80800000	7%	85 800 000	7%	94 756 000	7%
Expanded Public Works Programme Integrated Grant	2881000	0%	0	0%	0	0%
Local Government Financial Management Grant	2100000	0%	2 100 000	0%	2 100 000	0%
Municipal Infrastructure Grant	211484000	18%	221 371 000	18%	231 890 000	18%
Rural Road Asset Management Systems Grant	2662000	0%	2 672 000	0%	2 769 000	0%
Human Settlements	0	0%				
National Revenue Fund:Equitable Share	539912000	46%	578 248 000	47%	618 980 000	47%
	1 168 560 448		1 238 247 946		1 319 047 577	

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 22% over MTREF

A total of R320million is expected to be generated from Service charges, this revenue shows a 6% increase in tariffs across the board apart from industrial tariffs to be increased by 8%

Furthermore, UTDM has also identified 108 vehicles from its fleet which will be auctioned in June the minimum asking price has been determined at 35% of the purchase price. The result of this may acquire UTDM R15.7 million if the auction is a success.

Revenue increases by 6% and 6%in the outer budget years respectively of the MTREF which is inline within the anticipated increase in tariffs

Further in the consideration of applying the forecasted CPI of 4.8% and 4.8% for 2023/24 and 2024/25 respectively the municipality has considered the draft budget review by treasury. Which suggested that our revenue was over estimated.

Other revenue' contributes a 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 R549 million in the 2022/23 below are 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

TOTAL EQUITABLE SHARE	539 912,00	578 248,00	618 980,00
MUNICIPAL SYSTEM IMPROVEMENT	4 192,00	3 580,00	3 580,00
FMG	2 100,00	2 100,00	2 100,00
EPWP	2 881,00	-	-
SPATIAL FRAMEWORK DEV	-	-	-
TOTAL OPERATING ALLOCATIONS	549 085,00	583 928,00	624 660,00

A further amount of 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 considered 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 the basic needs for human beings and the constitution says they are basic human rights. The municipality has a challenging task of setting tariffs which are affordable to all consumers and the same time must be cost reflective considering all cost associated with the 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 and part of the budget funding plan strategies. The municipality has considered the percentage increase in the major cost drivers of providing services. Which is 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 consumer's expandable cash.

Below are the proposed water services tariffs for the budget year 2022/23 these tariffs exclude VAT. The Municipality has adopted a 6% increase on all tariffs and 8% increase on the industrial tariffs since 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 budget year.

Table 5 Water and Sanitation Tariffs

WATER & SANITATION SERVICES TARIFFS 2022/23 FINANCIAL YEAR

	Description	Tariff
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
	Integrated Step Tariff (Domestic Use)	
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
	Integrated step tariffs (Business use)	
	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
	Integrated Step Tariff (Industrial/Factory Use)	
6.	Water tariff for water usage1 to 1000kl	R15.23kl
	Water tariff for water usage 1001kl and above	R7.96kl
	Integrated Step Tariff (Co-operatives)	
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
	Integrated Step Tariff (Churches)	
8.	Water tariff for water usage 1 to 30kl	R6.63kl
	Water tariff for water usage 31 to 70kl	R7.56kl
	Water tariff for water usage 71kl and above	R9.12kl

	Integrated Step Tariff (Trust)	
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
	Integrated step tariff (Government use)	
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.

Water and Wastewater Analysis		
Determinant	Units	Cost per sample
Alkalinity	mg/l CaCO ₃	R73.01
Appearance	Descriptive	
Aluminium - soluble	mg/l Al	R63.19
Ammonia	mg/l N	R60.87
Chloride	mg/l Cl	R48.72
Chlorine – Free	mg/l Cl ₂	R24.26
Colour	Pt-Co	R36.40
Conductivity	mS/m	R24.24
Fluoride	mg/l F	R60.88
Iron	mg/l Fe	R35.69
Manganese	mg/l Mn	R60.87
Nitrate	mg/l N	R36.93
Nitrite	mg/l N	R36.93
Odour	Descriptive	
pH	pH Units	R24.26
Phosphate - soluble	mg/l P	R36.93
Solids - Settle able	ml/l	R36.93
Sulphate	mg/l SO ₄	R53.42
Sulphide	mg/l H ₂ S	R60.87

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Suspended Solids	mg/l	R53.76
Temperature	°C	
Total Dissolved Solids	mg/l	R36.93
Turbidity	NTU	R24.15
Oxygen Absorbed	mg/l O ₂	R73.01
Chemical Oxygen Demand	mg/l O ₂	R85.14
Magnesium/Calcium	mg/l Mg/Ca	R84.94

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

Microbiological Analysis		
Faecal coliforms	colonies per 100ml	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 one 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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Full Colour	28.63	57.28	217.35	193.31	257.74
Grey Scale	28.63	57.28	217.35	186.16	257.74
Topo Maps	20.27	40.52	101.31	217.35	193.31
Line / Hatch	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!!

Description	2019/20	2020/21	2021/22	2022/23
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 wastewater works by private sewer tankers	R0.37/litre	R0.39	R0.42	R0.45
Integrated Step Tariff (Domestic Use)				
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 2022/23 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 2022/23 budget and MTREF (classified per main type of operating expenditure):

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

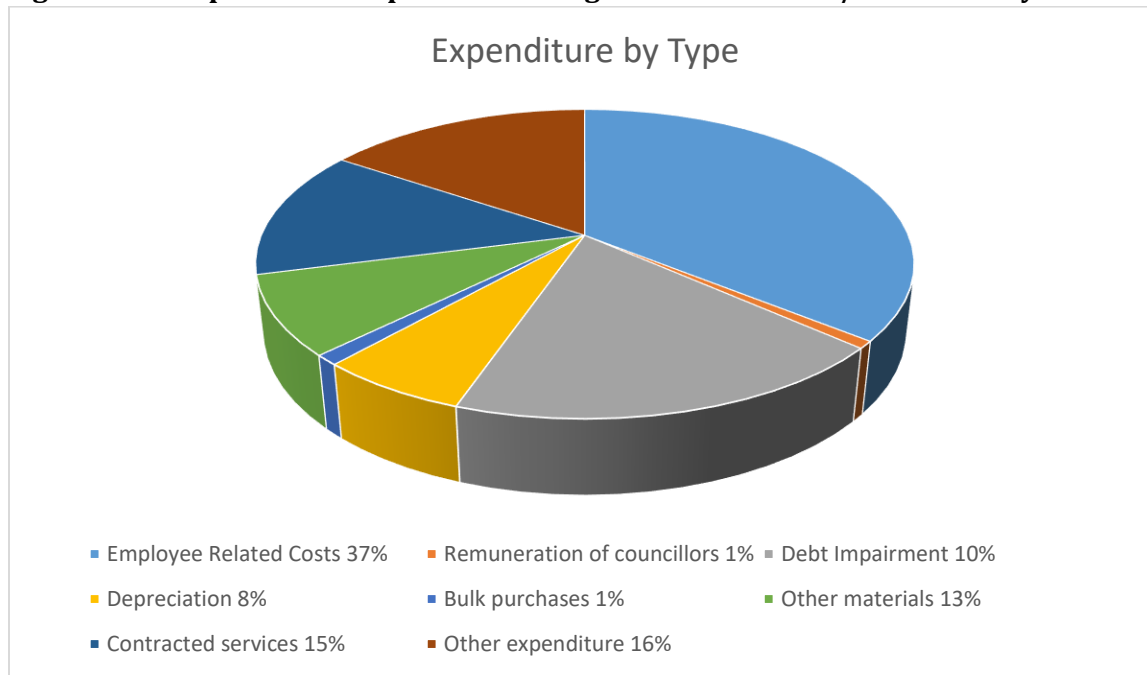
Table 7 Summary of operating expenditure by standard classification item A4

Expenditure By Type			
Employee related costs	361 120	379 031	397 831
Remuneration of councillors	6 372	6 677	6 998
Debt impairment	100 088	104 892	109 927
Depreciation and asset impairment	77 983	81 726	85 649
Finance charges	1 085	1 137	1 191
Bulk purchases - electricity	-	-	-
Inventory consumed	130 162	136 409	142 957
Contracted services	147 641	154 728	162 155
Transfers and subsidies	3 120	3 270	3 427
Other expenditure	152 858	160 195	167 884
Loss on disposal of PPE	-	-	-
Total Expenditure	980 428	1 028 066	1 078 019

Table 8 Operating expenditure expressed as percentages

Expenditure by Type	2023 Final Budget		2024 Final Budget		2025 Final Budget	
Employee Related Costs	361 119 641	37%	378 453 384	37%	396 619 146	37%
Remuneration of councillors	6 371 556	1%	6 677 391	1%	6 997 905	1%
Debt Impairment	100 087 559	10%	104 891 762	10%	109 926 566	10%
Depreciation	77 983 000	8%	81 726 184	8%	85 649 041	8%
Other materials	130 161 583	13%	136 409 339	13%	142 956 988	13%
Finance charges	1 084 776	0%	1 136 845	0%	1 191 414	0%
Contracted services	147 641 486	15%	154 728 278	15%	162 155 235	15%
Transfers and Subsidies	3 120 000	0%	3 269 760	0%	3 426 708	0%
Other expenditure	152 857 913	16%	160 195 093	16%	167 884 457	16%
Total Expenditure	980 427 515		1 027 488 035		1 076 807 461	

Figure 1 Main operational expenditure categories for the 2022/23 financial year



Employee related cost

The budgeted allocation for employee related costs for the 2022/23 financial year totals R361 million, which equals 37% of the total operating expenditure. Which is below the norm of 40%. The salaries have been increased by 4,96% as per SALGA agreement.

The municipality has been extremely strict in budgeting for overtime and standby, the budget has been strictly set at R0 million.

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 considered in compiling the Municipality's budget. The budget of R6.3 million is per gazette.

Debt Impairment

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

The municipality has implemented the installation of prepaid water meters which, will improve the recoverability of service charges. The past the audited financial years has shown a trend of nearly 20% increase of consumer debtors, this trend is expected to decline.

Provision for depreciation and asset impairment

The Municipality's Asset Management Policy have informed depreciation. Depreciation is widely considered a proxy for the measurement of the asset consumption. Budget appropriations in this regard total 76.5 million for the 2022/23 financial and equates to 8% of the total operating expenditure. Calculations for the provision as follows:

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Table 9 Depreciation per asset

Segment Desc	Final Budget 2023	Final Budget 2024	Final Budget 2025
Intangible Assets: Computer Software and Applications	18 108	18 977	19 888
Intangible Assets:Computer Software and Applications	1 500 000	1 572 000	1 647 456
Depreciation:Computer Equipment	5 448	5 710	5 984
Depreciation:Computer Equipment	99 588	104 368	109 378
Depreciation: Computer Equipment	124 416	130 388	136 647
Depreciation:Computer Equipment	110 124	115 410	120 950
Depreciation:Computer Equipment	27 876	29 214	30 616
Depreciation:Computer Equipment	26 208	27 466	28 784
Depreciation:Computer Equipment	44 028	46 141	48 356
Depreciation: Furniture and Office Equipment	78 576	82 348	86 300
Depreciation:Furniture and Office Equipment	52 944	55 485	58 149
Depreciation:Furniture and Office Equipment	95 496	100 080	104 884
Depreciation:Furniture and Office Equipment	43 884	45 990	48 198
Depreciation:Furniture and Office Equipment	41 436	43 425	45 509
Depreciation:Furniture and Office Equipment	123 264	129 181	135 381
Depreciation:Furniture and Office Equipment	67 896	71 155	74 570
Depreciation and Amortisation:Depreciation:Other Assets:Operational Buildings:Mu	365 424	382 964	401 347
DepreciationMunicipal Offices	902 892	946 231	991 650
Depreciation and Amortisation:Depreciation:Other Assets:Operational Buildings:Mu	17 052	17 870	18 728
Depreciation and Amortisation:Depreciation:Sanitation Infrastructure:Waste Water	3 557 028	3 727 765	3 906 698
Depreciation:Transport Assets	12 456	13 054	13 680
Depreciation:Transport Assets	65 088	68 212	71 486
Depreciation: Transport Assets	57 900	60 679	63 592
Depreciation:Transport Assets	18 600	19 493	20 428
Depreciation:Transport Assets	1 718 711	1 801 209	1 887 667
Depreciation:Transport Assets	5 477 544	5 740 466	6 016 008
Distribution	62 554 985	65 557 624	68 704 390
Distribution	776 028	813 277	852 315
	77 983 000	81 726 184	85 649 041

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. The municipality will incur reduced asset impairment related to vehicles, the municipality is looking into auctioning vehicles and lease vehicle for water services.

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 Revised Budget	2024 Final Budget	2025 Final Budget
Fuel & Oil. (510/260180)	57 000 000	59 736 000	62 603 328
Printing and Stationery 100/260300	307 996	322 780	338 273
Stationery (300/260340)	307 996	322 780	338 273
Chemicals (408/235520)	5 080 004	5 323 844	5 579 389
Stationery (105/260340)	307 996	322 780	338 273
Stationery (405/260340)	307 996	322 780	338 273
OM Chemicals	46 300 000	48 522 400	50 851 475
COVID- 19 Disaster Management	3 560 004	3 730 884	3 909 967
Cleaning materials (200/260090)	1 800 000	1 886 400	1 976 947
Stationery (510/260340)	207 996	217 980	228 443
Bulk water Purchases	14 773 600	15 482 733	16 225 904
Stationery (200/260340)	207 996	217 980	228 443
	130 161 583	136 409 339	142 956 988

Contracted services

Mscoa classifications of expenditure type have changed which has given a move of all items that are outsourced to contracted services. Specific 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

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.

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Table 10 Contracted Services

Segment Desc	2023 Final Budget	2024 Final Budget	2025 Final Budget
Audit Committee (105/260027)	208 004	217 988	228 452
Billing Printing (510/260052)	510 123	534 609	560 270
Job Evaluation (200/260218)	103 996	108 988	114 219
Rural Roads & Asset Management	2 662 000	2 789 776	2 923 685
Computer Programs (300/260)	7 500 000	7 860 000	8 237 280
GIS. Programmes (405/406360)	600 000	628 800	658 982
BlueDrop (408/235215)	2 000 000	2 096 000	2 196 608
Outstanding Debt - Collection Fees (300/225001)	3 881 646	4 067 965	4 263 227
Legal Fees (200/260240)	2 599 996	2 724 796	2 855 586
DC23 VIP Toilets project	23 594 996	24 727 556	25 914 478
Electrical (510/255045)	271 702	284 744	298 411
Maintenance of buildings and facilities (200/235011)	550 000	576 400	604 067
Vehicle Repairs Outsourced. (510/235080)	19 000 000	19 912 000	20 867 776
Contractors:Medical Services	200 000	209 600	219 661
Doctors Examinations (200/260343)	200 000	209 600	219 661
pumps	20 078 032	21 041 778	22 051 783
Pipelines & portable water maintenance (510/235100)	20 000 000	20 960 000	21 966 080
Security (200/235525)	15 000 000	15 720 000	16 474 560
Technical Services EPWP (510)	2 881 000	3 019 288	3 164 214
VIP. Security (100/235525)	5 000 000	5 240 000	5 491 520
Water Tanker Hiring- community	10 399 996	10 899 196	11 422 357
Water Tanker Hiring-DOE	10 399 996	10 899 196	11 422 357
	147 641 487	154 728 278	162 155 235

Other Expenditure

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

Table 11.1 Other Expenditure Operational Costs

Segment Desc	2023 Final Budget	2024 Final Budget	2025 Final Budget
Rental Office Machines. (200/260442)	480 193	503 242	527 398
Plant & Equipment Hire (510/235510)	6 000 000	6 288 000	6 589 824
Renting of Offices (200/260443)	2 807 996	2 942 780	3 084 033
Rent & Hire Vehicles (100/260436)	500 000	524 000	549 152
Information & Communication. (105/23550)	500 000	524 000	549 152
Advertising (200/260020)	500 000	524 000	549 152
Credit - Interest Charges	250 586	262 614	275 220
Radio broadcasting (105/235505)	500 000	524 000	549 152
Telephone (200/260540)	3 120 000	3 269 760	3 426 708
Audit Fees (105/260030)	4 024 326	4 217 493	4 419 933
Computer Software IT.	473 200	495 914	519 717
Insurance (105/235500)	6 153 776	6 449 157	6 758 716
Bank Charges	834 000	874 032	915 986
Vehicle Licencing - Fleet Management (300/260347)	1 567 293	1 642 523	1 721 364
Electricity and water (municipal services) (105/260534)	44 518 164	46 655 036	48 894 478
Electricity (510/255040)	53 407 153	55 970 696	58 657 289
Pauper Burial GE	103 996	108 988	114 219
Membership Fees (405/260305)	10 396	10 895	11 418
SALGA Levy (200/260435)	4 198 396	4 399 919	4 611 115
Accommodation (105/260534)	500 000	524 000	549 152
Protective Clothing (408/260347)	3 000 000	3 144 000	3 294 912
	148 449 474	155 575 048	163 042 651

To minimise the cost of day-to-day operating expenses the municipality has put control measures such as that the staff must 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.

In terms of the MFMA circular No.55 general expenditure should not exceed 10% of other expenditure however it must be noted the budget for electricity is R90 million due to the high electricity usage in the water treatment plants. This electricity has been correctly classified as other expenditure. It cannot be classified as bulk as electricity is not a trading service for the municipality.

Bank charges cannot be classified as finance charges, the Mscoa segments relating to bank finance charges are specifically for borrowings. The Mscoa tree allocates bank charges to operational expenditure.

Table 11.2 Other Expenditure Skills Development Levy (compliance)

Segment Desc	2023 Final Budget	2024 Final Budget	2025 Final 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 - Laborotory. (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 Wellfare (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
	2 839 613	2 950 358	3 065 422

Table 11.3 Other Expenditure Subsistence & Travel

Segment Desc	2023 Final Budget	2024 Final Budget	2025 Final Budget
Subsistance & Travel. (510/260534)	12 156	12 630	13 122
Operational Cost:Travel and Subsistence:Domestic:Tra	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 (27 082	28 138	29 235
Subsistance & Travel. (408/260534)	379 527	433 328	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)	797 615	859 922	924 659
Travel Councillors own transport (100/260534)	9 335	9 699	10 077
	1 568 826	1 700 210	1 836 719

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 reasonable figures by the end of the of the 2021/22 financial year, a reduction in this expenditure item will yield a positive impact on the next adjustments budget.

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 2022/23 budget provides for in 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 2022/23. 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.

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Table 12.1 Repairs and maintenance per asset class SA34c

Segment Desc	2023 Final Budget	2024 Final Budget	2025 Final Budget
BlueDrop (408/235215)	2 000 000	2 096 000	2 196 608
Electrical (510/255045)	271 702	284 744	298 411
Maintenance of buildings and facilities (200/235011)	550 000	576 400	604 067
Vehicle Repairs Outsourced. (510/235080)	19 000 000	19 912 000	20 867 776
pumps	20 078 032	21 041 778	22 051 783
Pipelines & portable water maintenance (510/235100)	20 000 000	20 960 000	21 966 080

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 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 dedicated towards contracting employees who be responsible for to the General Water/Sewer and Reticulation

Due to insufficient funds the municipality cannot meet the recommended norm of 8% of PPE. The revised budget amounts for repairs to infrastructure,

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 2022/23 financial year it is anticipated that R15 million will be allocated towards the provision of free basic services.

The municipality suffered water losses of R170 million in the 2020/21 financial year, included in this amount is an amount for indigent customers who have resorted to illegal connections. The municipality will have to improve on the process of identifying indigent customers who may be linked to the water losses.

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 2022/23 Medium-term capital budget per vote

R thousands	Municipality Revised Budget Data 2022/23	Munsoft Budget Data 2023/24	Munsoft Budget Data 2024/25
Capital Expenditure - Functional			
<i>Municipal governance and administration</i>	1 150	-	4 500
Executive and council	-	-	-
Finance and administration	1 150	-	4 500
Internal audit	-	-	-
<i>Economic and environmental services</i>	-	-	-
Planning and development	-	-	-
Road transport	-	-	-
Environmental protection	-	-	-
<i>Trading services</i>	266 688	272 171	291 146
Energy sources	-	-	-
Water management	266 688	272 171	291 146
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	267 838	272 171	295 646
Funded by			
National Government	266 688	272 171	291 146
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	266 688	272 171	291 146
Public contributions and donations			
Borrowing	-	-	-
Internality generated funds	1 150	-	4 500
Total Capital Funding	267 838	272 171	295 646

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants amounting to R266 million.

Table 14 Infrastructure Grants

CAPITAL GRANTS			
	2023	2024	2025
MIG	211 484	221 371	231 890
RURAL ROADS	2 662	2672	2769
WATER SERVICES	80800	85800	94756

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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

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	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	Funder	Budget		Total Budget	85 800 000	94 756 000	Progress	New/ongoing
	Municipality		Direct Cost	Indirect cost	80 800 000				
Wembezi Bulk & Reticulation Upgrade (WCDM)	InkosiLangalibalele		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	InkosiLangalibalele		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	Funder	Budget		Total Budget			Progress	New/ongoing
	Municipality		Direct Cost	Indirect cost	2 881 000				
General Water/Sewer Maintanance & Reticulation	District Wide	EPWP			2 881 000				
Water Service Delivery Intervention	District Wide				0				
Uthukela Enviromental Impact	District Wide				0				
					2 881 000				
Projects Name	Local	Funder	Budget		Total Budget			Progress	New/ongoing
	Municipality		Direct Cost	Indirect cost	2 662 000				
RRAMS	Distric 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 2022/23 final budget and MTREF as approved by the Council.

Table 15 MBRR Table A1 - Budget Summary *A Schedule Attachment*

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all 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 number 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)

A Schedule 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)

A Schedule Attachment

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

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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

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

R thousands	Municipality Budget Revised Data 2022/23	Budget Data 2023/24	Budget Data 2024/25
<u>Revenue By Source</u>			
Property rates	-	-	-
Service charges - electricity revenue	-	-	-
Service charges - water revenue	262 441	278 187	294 878
Service charges - sanitation revenue	19 135	20 283	21 500
Service charges - refuse revenue	-	-	-
Rental of facilities and equipment	-	-	-
Interest earned - external investments	6 463	6 463	6 463
Interest earned - outstanding debtors	39 376	41 739	44 243
Dividends received	-	-	-
Fines, penalties and forfeits	-	-	-
Licences and permits	-	-	-
Agency services	-	-	-
Transfers and subsidies	576 150	618 020	659 349
Other revenue	1 306	1 385	1 468
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	904 871	966 077	1 027 902
<u>Expenditure By Type</u>			
Employee related costs	361 120	379 031	397 831
Remuneration of councillors	6 372	6 677	6 998
Debt impairment	100 088	104 892	109 927
Depreciation and asset impairment	77 983	81 726	85 649
Finance charges	1 085	1 137	1 191
Bulk purchases - electricity	-	-	-
Inventory consumed	130 162	136 409	142 957
Contracted services	147 641	154 728	162 155
Transfers and subsidies	3 120	3 270	3 427
Other expenditure	152 858	160 195	167 884
Loss on disposal of PPE	-	-	-
Total Expenditure	980 428	1 028 066	1 078 019
Surplus/(Deficit)	(75 556)	(61 989)	(50 118)
Transfers and subsidies - capital (monetary allocations) (N	263 689	272 171	291 146
Transfers and subsidies - capital (monetary allocations) (N	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-
Surplus/(Deficit) after capital transfers and contributions	188 133	210 182	241 028
Taxation	-	-	-
Surplus/(Deficit) after taxation	188 133	210 182	241 028
Attributable to minorities	-	-	-
Surplus/(Deficit) attributable to municipality	188 133	210 182	241 028
Share of surplus/ (deficit) of associate	-	-	-
Surplus/(Deficit) for the year	188 133	210 182	241 028

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

1. Total operating revenue is R904 million in 2022/23 and increases to over a billion (R1 billion and R27 million) by 2024/25. However, given sound financial management strategies are put in place we can expect an increase in revenues exceeding 6%
2. Total operating expenditure is R980 million in 2022/23 and escalates to over a billion (R1 billion and R78 million) by 2024/25. However, given sound financial management strategies are put in place cost containment can be achieved by means of a credible budget funding plan.
3. It must be noted that the municipality has budgeted for a deficit over the MTERF, which decreases steadily.

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

R thousands	Municipality Revised Budget Data 2022/23	Munsoft Budget Data 2023/24	Munsoft Budget Data 2024/25
Capital Expenditure - Functional			
<i>Municipal governance and administration</i>	1 150	-	4 500
Executive and council	-	-	-
Finance and administration	1 150	-	4 500
Internal audit	-	-	-
Environmental protection	-	-	-
<i>Trading services</i>	263 690	272 171	291 146
Energy sources	-	-	-
Water management	263 690	272 171	291 146
Waste water management	-	-	-
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	264 840	272 171	295 646
Funded by			
National Government	263 690	272 171	291 146
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	263 690	272 171	291 146
Public contributions and donations			
Borrowing	-	-	-
Internally generated funds	1 150	-	4 500
Total Capital Funding	264 840	272 171	295 646

Explanatory notes to Table A5- Budgeted Capital Expenditure

The capital budget for water and sanitation infrastructure is fully grant funded the municipality has budgeted R264 million towards water and sanitation infrastructure, for the 2022/23 financial year.

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

Table 20 MBRR Table A6 - Budgeted Financial Position

R thousands	Municipality Budget Revised Data 2022/23	Municipality Budget Revised Data 2023/24	Municipality Budget Revised Data 2024/25
ASSETS			
Current assets			
Cash	(191 261)	(271 178)	(346 202)
Call investment deposits			
Consumer debtors	214 174	224 454	235 228
Other debtors	199 731	209 318	219 366
Current portion of long-term receivables	3 514	3 683	3 859
Inventory	10 324	10 819	11 339
Total current assets	236 482	616 492	646 084
Non current assets			
Long-term receivables	-		
Investments	-		
Investment property	-		
Investment in Associate	-		
Property, plant and equipment	3 153 549	3 304 920	3 463 556
Agricultural			
Biological			
Intangible	5 201	5 450	5 712
Other non-current assets	-		
Total non current assets	3 158 750	3 310 370	3 469 268
TOTAL ASSETS	3 395 232	3 926 862	4 115 351
LIABILITIES			
Current liabilities			
Bank overdraft			
Borrowing			
Consumer deposits	18 501	19 389	20 320
Trade and other payables	1 005 162	1 053 410	1 103 974
Provisions	23 655	24 790	25 980
Total current liabilities	1 047 319	1 097 590	1 150 274
Non current liabilities			
Borrowing	-		
Provisions	29 012	30 405	31 864
Total non current liabilities	29 012	30 405	31 864
TOTAL LIABILITIES	1 076 331	1 127 995	1 182 139
NET ASSETS	2 318 901	2 798 867	2 933 213
COMMUNITY WEALTH/EQUITY			
Accumulated Surplus/(Deficit)	2 318 901	2 798 867	2 933 213
Reserves	-		
TOTAL COMMUNITY WEALTH/EQUITY	2 318 901	2 798 867	2 933 213

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 several 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

A Schedule Attachment

Description			
R thousands	Municipality Budget Data 2022/23	Munsoft Budget Data 2023/24	Munsoft Budget Data 2024/25
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts	979 199	1 068 143	1 134 237
Property rates		-	-
Service charges	131 590	170 105	180 311
Other revenue	1 306	1 385	1 468
Government - operating	576 150	618 020	659 349
Government - capital	263 689	272 171	286 646
Interest	6 463	6 463	6 463
Dividends		-	-
Payments	(946 730)	(875 890)	(913 614)
Suppliers and employees	(942 525)	(871 511)	(909 026)
Finance charges	(1 085)	(1 137)	(1 191)
Transfers and Grants	(3 120)	(3 242)	(3 397)
NET CASH FROM/(USED) OPERATING ACTIVITIES	32 469	192 254	220 622
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts	15 707	-	-
Proceeds on disposal of PPE	15 707	-	-
Decrease (increase) other non-current receivables		-	-
Decrease (increase) in non-current investments		-	-
Payments	(264 840)	(272 171)	(295 646)
Capital assets	(264 840)	(272 171)	(295 646)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(249 133)	(272 171)	(295 646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts		-	-
Short term loans		-	-
Borrowing long term/refinancing		-	-
Increase (decrease) in consumer deposits		-	-
Payments		-	-
Repayment of borrowing		-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	(216 664)	(79 917)	(75 024)
Cash/cash equivalents at the year begin:	25 403	(191 261)	(271 178)
Cash/cash equivalents at the year end:	(191 261)	(271 178)	(346 202)

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.
- 2022/23 adjustment cash flow estimated that the municipality will have R191 deficit million at year end.

The following strategies will be implemented to improve the collection of revenue

1. *Improved meter reading through staff rotation and close monitoring, this will get us very close to getting all that we billed for, in revenue collected*
 2. *Obtain 24 EPWP support workers and 5 motor vehicles will enable us to run disconnection district wide consistently every month. Currently, we are using a team of 10 employees to disconnect. Two vehicles will be received from Mr. Mthi on Friday, 20.05.2022 and that is greatly appreciated.*
 3. *Exercising control over all staff and observing the protocol within the section will pave a position contribution towards unity in revenue, thus enhanced revenue collection.*
 4. *sourcing key resources and tools of trade. The (PPE) uniform, motor vehicles, etc. This motivates employees and have nothing else left to complain about.*
 5. *Prepaid metering will also contribute positively towards enhanced revenue collections*
 6. *the above facilities and tools in place we intend disconnecting water supply from non-payers as from day 01 till the last day of the month.*
- All operating expenditure budgeted on table A4 has been budgeted to be settled in 2022/23.
 - The payments for 2024 and 2025 also include an amount for the long-term payment for UMngeni and DWA plans

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

Description	Munsoft Revised Budget Data 2022/23	Munsoft Original Budget Data 2023/24	Munsoft Actuals Data 2024/25
R thousands			
<u>Cash and investments available</u>			
Cash/cash equivalents at the year end	(191 261)	(271 178)	(346 202)
Other current investments > 90 days	-	-	-
Non current assets - Investments	-	-	-
Cash and investments available:	(191 261)	(271 178)	(346 202)
<u>Applications of cash and investments</u>			
Unspent conditional transfers	5 928		
Unspent borrowing			
Statutory requirements	46 614	48 852	51 196
Other working capital requirements	324 975	340 574	356 922
Other provisions	43 724	45 823	48 023
Long term investments committed	-	-	-
Reserves to be backed by cash/investments	-	-	-
Total Application of cash and investments:	421 242	435 249	456 141
Surplus(shortfall)	(612 503)	(706 427)	(802 343)

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 for the period 2022/23 the budget will be unfunded with a deficit of R612 million

6. It must also be noted that the municipality has enforced measures to encourage employees to utilise leave days earned. This will also have a positive impact on the employee benefit obligation provision.

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. OVERVIEW 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 (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:

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

Activity No.	Action/ Task for IDP and Budget	Timeframe for Task Completion
July 2021 & August 2021	<ul style="list-style-type: none"> Finaling of the IDP Framework and process plan Alignment of IDP and budget process plans Submission of the final Framework and Process Plan to COGTA for comments Advertisement of the IDP Framework and process plan 1st IDP Supporting Structure Committee Meeting Planning Indaba Adoption of IDP Framework and Process Plan by full council 	<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>
Sept 2021	<ul style="list-style-type: none"> Submission of the 2022/23 adopted IDP Framework and Process plan to COGTA Identify outstanding Sector Plans Integrate sector plans. IDP input into provincial adjustment budgets Provincial planners Forum 	<p>03 September 2021</p> <p>24 September 2021 24 September 2021</p> <p>27 September 2021 30 September 2021</p>
Oct 2021	<ul style="list-style-type: none"> Review of the Spatial Development Framework Projects identifications and prioritization Develop KPI's targets, timeframes etc. where impacted upon by reprioritization Align with final budget estimates 	<p>05 October 2021 13 October 2021 21 October 2021</p> <p>25 October 2021</p>
Nov 2021	<ul style="list-style-type: none"> World Planning Day Municipal alignment session Alignment meeting between DM & Province to revised 3 year MTEF Alignment meeting with family of municipalities SDF Alignment between the bordering district municipalities 	<p>05 November 2021 12 November 2021 15 November 2021 19 November 2021 26 November 2021</p>
Dec 2021	<ul style="list-style-type: none"> IDP best practice conference 	03 December 2021
Jan 2022	<ul style="list-style-type: none"> IDP Supporting Structure Committee Meeting 	21 January 2022
Feb 2022	<ul style="list-style-type: none"> IDP steering committee and strategic planning session to: <ul style="list-style-type: none"> Review Municipal Vision Develop Objectives and Strategies 	7 & 8 February 2022

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

Feb 2022	<ul style="list-style-type: none"> ▪ Meeting COGTA and municipalities on IDP assessment ▪ Updating of municipal CIP and MTEF based on Final DORA allocations ▪ IDP Coordinating committee meeting(IDP Managers) ▪ IDP Representative Forum meeting ▪ IDP Roadshows (needs analysis) 	<p>11February 2022 14 February 2022</p> <p>16 February 2022 20 February 2022 21-24 February 2022</p>
March 2022	<ul style="list-style-type: none"> ▪ Exco approval of the Final, recommend to Council ▪ Council Approval of the Final IDP 2022/23 	<p>25 March2022 31 March 2022</p>
April 2022	<ul style="list-style-type: none"> • Submission of the Final 2022/23 IDP to COGTA • Decentralized IDP assessment forums • Advertise for public comments(21days) • IDP/Budget Road shows 	<p>01 April 2022 11 April 2022</p> <p>13 April 2022 18-22 April 2022</p>
May 2022	<ul style="list-style-type: none"> ▪ IDP Assessment Feedback Session ▪ Amend IDP in accordance with the outcome of the assessment 	<p>06 May 2022 10 May 2022</p>
May 2022	<ul style="list-style-type: none"> ▪ Exco approval, recommend to Council ▪ Council approval of the 2022/23 IDP 	<p>13 May 2022 27 May 2022</p>
June 2022	<ul style="list-style-type: none"> ▪ Submission of the adopted IDP to the MEC ▪ Advertise the Adopted IDP in the local newspaper 	<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 FINAL IDP Framework and Process Plan have been circulated to all local municipalities and COGTA for their inputs before its adoption.

2.2.4 MONITORING OF THE PROCESS PLAN

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

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

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

2.2.5 PROCEDURES FOR DEVIATION

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

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

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

- 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)

A Schedule attachment

Table 25.2 IDP Goals Objectives and Strategies

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

A Schedule attachment

The 2022/23 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 OVERVIEW OF BUDGET RELATED POLICIES

2.3.1. Budget Policy

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

2.3.2 Credit Control and Debt Collection Policy

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

2.3.3 Indigent Support Policy

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

2.3.4 Supply Chain Management Policy

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

- 1) Procuring goods or services.
- 2) Disposal of goods, assets and immovable property no longer needed.
- 3) Selecting contractors to aid 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 OVERVIEW OF BUDGET ASSUMPTIONS

- The 2022/23 budget assumes the following:
 - CPI inflation rate forecast 4.8% for the 2022/23 MTERF
 - Tariffs have increased by 6%, the increase in industrial tariffs is 8%.
 - Collection rate estimated at 41% 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

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

Item	2023 Revised Budget	2024 Final Budget	2025 Final Budget
Interest Investments (300/025002)	6463092	6 463 092	6 463 092
Collection Charges	561804	561 804	595 512
Clearance Certificates	426489	452 078	479 203
Maps	144916	187 316	198 555
Tender Documents	173234	183 628	194 645
Service charges - water revenue	262440770	278 187 216	294 878 449
Service charges - sanitation revenue	19135116	20 283 223	21 500 216
Interest earned - outstanding debtors	39376028	41 738 589	44 242 905
Water Services Infrastructure Grant	80800000	85 800 000	94 756 000
Expanded Public Works Programme Integrated Grant	2881000	0	0
Local Government Financial Management Grant	2100000	2 100 000	2 100 000
Municipal Infrastructure Grant	211484000	221 371 000	231 890 000
Rural Road Asset Management Systems Grant	2662000	2 672 000	2 769 000
Human Settlements	0		
National Revenue Fund:Equitable Share	539912000	578 248 000	618 980 000
	1 168 560 448	1 238 247 946	1 319 047 577

The following graph is a breakdown of the operational revenue per main category for the 2022/23 financial year.

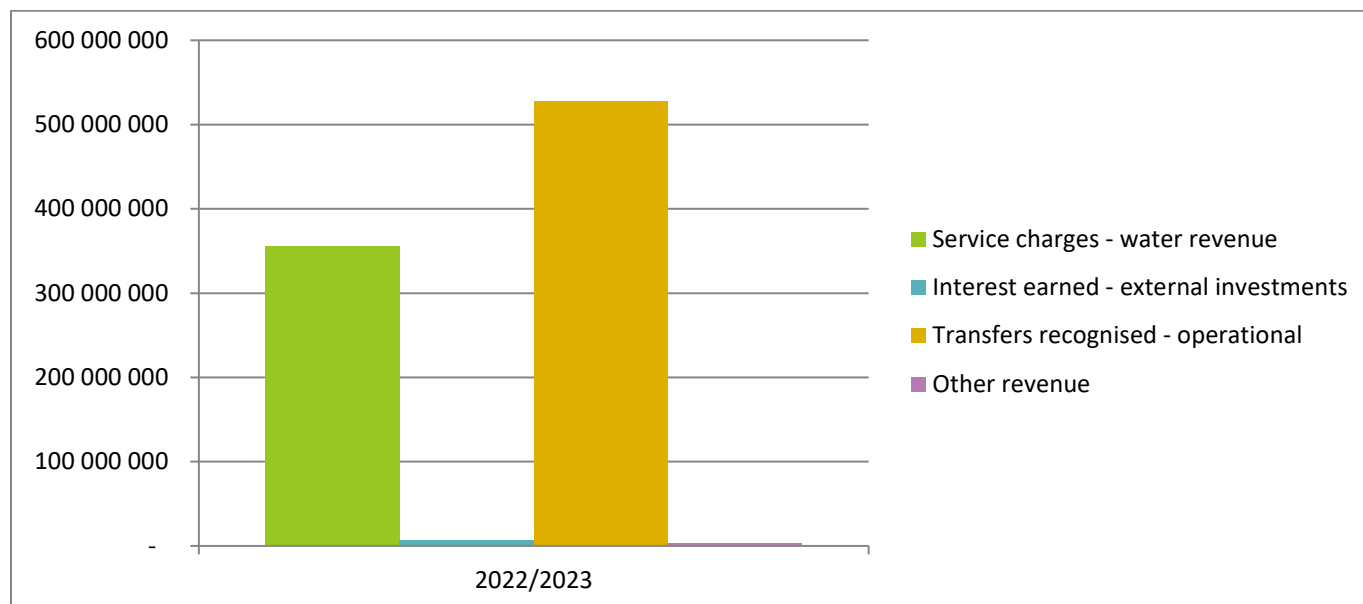


Figure 2 Breakdown of operating revenue over the 2022/23 MTREF

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 services such as water and sanitation.

The above graph demonstrates that a 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 R320 million for the 2022/23 financial year with water service charges increasing to R360 by 2024/25. These constitute 31 % of the total budget.

Operational grants and subsidies amount to R573 million in the 2022/23 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 31st of May 2022.

Table 27 MBRR SA15 – Detail Investment particulars by maturity

The municipality held investments of R59 million at the end of May 2022

Table 28– Bank Balances

Bank Balances				
The following reflects bank balances at 31 May 2022				
DESCRIPTION	FEB 2022	MAR 2022	APR 2022	MAY 2022
FNB MAIN ACCO	12 472 508,32	44 662 136,10	5 210 551,04	8 131 102,76
FNB WATER ACC	0	0	0	0
	12 472 508,32	44 662 136,10	5 210 551,04	8 131 102,76
Total cash held	8 131 102,76			

PAYMENTS VS BILLING AS AT 31 MAY 2022				
MONTH	BILLING	MONTHS	RECIEPTS	RECOVERY RATE
June 2021	22 475 153,97	July 2021	9 220 734,33	41,03%
July 2021	33 722 327,60	August 2021	14 764 050,57	43,78%
August 2021	28 596 919,03	September 2021	15 597 523,87	54,54%
September 2021	25 719 760,31	October 2021	10 631 708,35	41,34%
October 2021	29 708 945,81	November 2021	12 164 289,47	40,94%
November 2021	28 008 541,71	December 2021	7 718 813,36	27,56%
December 2021	27 978 175,56	January 2022	10 993 011,79	39,29%
January 2022	30 398 003,78	February 2022	15 703 090,94	51,66%
February 2022	26 092 698,30	March 2022	13 082 087,71	50,14%
March 2022	31 810 584,83	April 2022	9 469 082,16	29,77%
April 2022	29 320 240,57	May 2022	9 827 541,74	33,52%
	313 831 351,47		129 171 934,29	41%
TOTALS				
BILLING - JUNE 2021 - MAY 2022	313 831 351,47			
RECIEPTS - JUNE 2021- MAY 2022	129 171 934,29			
DIFFERENCE		184 659 417,18	41%	

2.5.2 Capital revenue

The capital expenditure budget will be funded from the infrastructure grants to the value of R266 million.

Table 29 – Capital Grants

CAPITAL GRANTS			
	2023	2024	2025
MIG	211 484	221 371	231 890
RURAL ROADS	2 662	2672	2769
WATER SERVICES	80800	85800	94756

2.6 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

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

A Schedule attachment

2.7 COUNCILLOR AND EMPLOYEE BENEFITS

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

A Schedule attachment

2.7. LEGISLATION COMPLIANCE STATUS

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

1. In- year reporting

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

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 final SDBIP document will compiled and submitted to the relevant departments after approval of the 2022/23MTREF and will be directly aligned and informed by the 2022/23 MTREF.

7. Annual Report

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

8. Policies

Budget related policies are reviewed on an annual basis.

9. Mscoa compliance

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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

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

UTHUKELA DISTRICT MUNICIPALITY FINAL BUDGET 2022/2023

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

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

Captured above are the service level standards which were tabled with the final budget. As per recommendations of circular 75 of the MFMA.

2.11 MUNICIPAL MANAGERS QUALITY CERTIFICATE



I **Mpumelelo Bongani Mnguni** Municipal Manager of uThukela District Municipality, hereby certify that this final annual budget for 2022/23 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

Print Name **MPUMELELO BONGANI MNGUNI**
Municipal Manager

Signature _____

Date **28 June 2022**