



2023/24 – 2025/26
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 2023/24 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 2023/24 financial year from R2.8 million to R1.8 million. The municipality is faced with budget funding constraint and 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 2023/24 financial year have increased to R327 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 prioritised on the issue of revenue enhancement. Further to that consultants deployed by the National Treasury in the revenue section are actively assisting 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. It has been noted that the municipality is not budgeting enough for the maintenance of municipal assets, this allocation will be investigated further in light of the total available cash to implement the maintenance plan in phases. We have responsibility of reducing expenditure on non-essential items 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:

On the 29th May 2024 the Council of UThukela District Local Municipality met to consider the final annual budget of the municipality for the financial year 2023/24. The Council approved and adopted the following resolutions:

1. The UThukela District Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual FINAL budget of the municipality for the financial year 2023/24 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
 - 1.1.3. Budget Summary as contained in Table A1
 - 1.1.4. Budgeted financial performance (revenue and expenditure) as contained in Table A4
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table A6
 - 1.2.2. Budgeted Cash Flows as contained in Table A7
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8
 - 1.2.4. Asset management as contained in Table A9
 - 1.2.5. Basic service delivery measurement as contained in Table A10
2. The Council of UThukela District Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) to consider:
 - 2.1. The tariffs for water services for conventional and prepaid consumers
 - 2.2. The tariffs for sanitation services.
 - 2.3. The tariffs for other municipal services.

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

In the compilation of this budget the municipality has taken note of the Cabinet resolution by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures. These cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus arrears namely consultancy fees, no credit cards, travel and related costs, advertising, catering and events costs as well as accommodation.

The Municipality has embarked on implementing a range of revenue collection strategies to optimise 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.124 of April 2023 was used to guide the compilation of the 2023/24 final Budget and MTREF.

The main challenges experienced during the compilation of the 2023/24 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- 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 18.7 per cent in 2023/24 and 12.7 per cent increase in 2024/25 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 be a large portion of the equitable, as well as the need to fill critical vacancies.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2023/24 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2023/24 MTREF

	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Total Revenue	- 882 331 000	- 939 677 000	- 993 016 000
Operating Expenditure	1 050 537 000	1 104 774 000	1 165 636 000
Capital Expenditure, Grant Funded	- 308 395 000	- 328 743 000	- 344 053 000
Operating Deficit	-168 206 000	-165 097 000	-172 620 000

Operating Revenue

Total operating revenue has been increased by 6% for the 2023/24 financial year when compared to the 2023/23 adjustments budget. The increase is due to the general percentage increase which is applied to service Charges tariffs and across all revenue generated by the municipality the same as the prior year. Tariffs have been increased by 6% however the increase in industrial tariffs is 8%. The 6% increase on consumer debtors has taken into account the numerous wards which are being charged at a flat rate.

Operating Expenditure

Total operating expenditure for the 2023/24 financial year has been appropriated at R951 million which results in the budget having a surplus of R46 million. The CPI of 5.3% was applied on expenditure items. Employee related expenditure was increased by 4.9% The municipality has duly considered the affordability of an increment, in light of our unfunded budget.

Capital Expenditure.

R306 million is funding from national Government Grants for water and sanitation capital projects which are core functions of the municipality and a budget of R2 million from internally generated funds.

1.4 OPERATING REVENUE FRAMEWORK

For UThukela District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to achieve a 60% annual collection rate for key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and tariff policies of the Municipality.

**The following table is a summary of the 2023/24MTREF
(classified by main revenue source): Table 2 Summary of revenue classified by
main revenue source A4**

Uthukela District Municipality: KZN_DC23	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Revenue By Source			
Property rates			
Service charges - electricity revenue			
Service charges - water revenue	212 742	225 506	239 037
Service charges - sanitation revenue	17 412	18 456	19 564
Service charges - refuse revenue	–		
Sale of Goods and Rendering of Services	6 289	6 969	7 388
Rental of facilities and equipment			
Interest earned - external investments	6 575	6 585	6 868
Interest earned - outstanding debtors	51 112	53 616	57 369
Dividends received	–		
Fines, penalties and forfeits	39	41	43
Licences and permits	–		
Agency services	–		
Transfers and subsidies	585 779	626 002	660 129
Other revenue	2 384	2 501	2 619
Gains on disposal of PPE	–	–	–
Total Revenue (excluding capital transfers and contributions)	882 331	939 677	993 016

Table 3 percentage growth in revenue by main revenue source A4

Description						
R thousand	2024		2025		2026	
Revenue By Source						
Property rates						
Service charges - electricity revenue						
Service charges - water revenue	212 742	23,0%	225 506	24%	239 037	24%
Service charges - sanitation revenue	17 412	2%	18 456	2%	19 564	2%
Service charges - refuse revenue	–					
Sale of Goods and Rendering of Services	6 289		6 969		7 388	
Rental of facilities and equipment						
Interest earned - external investments	6 575	1%	6 585	1%	6 868	1%
Interest earned - outstanding debtors	51 112	6%	53 616	6%	57 369	6%
Dividends received	–					
Fines, penalties and forfeits	39	0%	41	0%	43	0%
Transfers and subsidies	585 779	63%	626 002	67%	660 129	66%
Other revenue	2 384	0%	2 501	0%	2 619	0%
Gains on disposal of PPE			–		–	
Total Revenue (excluding capital transfers and contributions)	925 123		939 677		993 016	

The three tables above show that the municipality 's main source of Revenue is grant funding as it covers more than above half of the income which is 59% for the 2023/24 financial year. Thus making the municipality grant reliant.

Revenue from the main Service Charges has remained constant between 23%- 22% over MTREF

A total of R230 million is expected to be generated from Service charges, this revenue shows a 6% increase in tariffs across the board with the exception of industrial tariffs to be increased by 8% due to the faulty declining scale, the municipality has the burden of non-cost reflective tariffs. We continuously suffered losses of greater than 25% in service charges. During the consultation process the municipality will engage with the business chamber with the aim of rectifying the faulty scale.

Revenue increases by 6% in the outer financial years respectively of the MTREF which is inline within the headline inflation rate. The municipality is in the process of finalising the computation of the cost reflective tariffs which will be gradually phased in. consideration will be given to consumer affordability. The other delaying factor in phasing in the cost reflective tariff is that the municipality has not established accurate cost centres.

The water sale line item includes the projection relating to debtors which will be impacted by the introduce of prepaid water sales. This was also considered in the application of an increment for revenue of the outer years, in order to calculates reasonable projections.

Other revenue' contributes 8%percentage to total revenue.

Operating grants and transfers totals R585million in the 2023/24 below is a detailed split of the operating grants. The Municipal Systems Improvement Grant has also been included.

Table 5 Operating Transfers and Grant Receipts

	2023/2024	2024/2025	2025/2026
Total Equitable Share	579 191	617 610	652 974
Finance Management Grant	2 100	2 100	2 238
Expanded Puplic Works Programmes	1 816		
Rural Roas Asset Management	2 672	2 792	2 917

1.4.1 Water and Sanitation Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality. Municipality is still recovering from this situation and which has been further negatively debt owed to uMngeni.

The core function of the municipality is water and sanitation which is considered to be the basic needs for human beings and the constitution says they are basic human rights. The municipality has a difficult task of setting tariffs which are affordable to all consumers and the same time must be cost reflective taking into account all cost associated with the end product.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability. As mentioned earlier services are failing to break even.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows

Tariff the cost of the provision of general services. Determining the effective tariff is therefore an integral part of the municipality's budgeting process. The municipality has considered the percentage increase in the major cost drivers of providing services. Which are electricity increasing by 18.7% 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 the economic challenges faced

Below are the proposed water services tariffs for the financial year 2023/24 these tariffs exclude VAT. The Municipality has adopted a 6% increase on all tariffs and 8% increase on the industrial tariffs due to the fact that tariffs have not been cost reflective in the past and certain areas a minimum flat rate has been applied. The municipality is working towards phasing in more cost reflective tariffs however this cannot be achieved in a single financial year.

Table 6 Water and Sanitation Tariffs

WATER & SANITATION SERVICES TARIFFS 2023/24 FINANCIAL YEAR

	Description	Tariff
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R104.99/ month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R133.80/month
3.	Sewer tariff for restricted usage (unmetered)	R133.80/ month
4.	Servicing sewer conservancy tanks/pits (small)	R236.38/ service
	Servicing sewer conservancy tanks/pits (large)	R506.56/ 5000l/ load
	Discharge of sewage to waste water works by private sewer tankers	R0,17/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	R15.24kl
	Water tariff for water usage 31kl to 100kl	R17.66kl
	Water tariff for water usage 101kl and above	R20.29kl
	Integrated step tariffs(Business use)	
	Water tariff for water usage 1 to 30kl	R15.24kl
	Water tariff for water usage 31kl to 100kl	R17.66kl
	Water tariff for water usage 101kl and above	R20.29kl
	Integrated Step Tariff (Industrial/Factory Use)	
6.	Water tariff for water usage1 to 1000kl	R16.45kl
	Water tariff for water usage 1001kl and above	R8.60kl
	Integrated Step Tariff(Co-operatives)	
7.	Water tariff for water usage 1 to 40kl	R8.27kl
	Water tariff for water usage 41 to 80kl	R8.16kl
	Water tariff for water usage 81kl and above	R9.85kl
	Integrated Step Tariff(Churches)	

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8.	Water tariff for water usage 1 to 30kl	R7.17kl
	Water tariff for water usage 31 to 70kl	R8.16kl
	Water tariff for water usage 71kl and above	R9.85kl
	Integrated Step Tariff(Trust)	
9.	Water tariff for water usage 1 to 30kl	R14.60kl
	Water tariff for water usage 31 to 70kl	R14.19kl
	Water tariff for water usage 71kl and above	R16.61kl
	Integrated step tariff(Government use)	
10.	Water tariff for water usage 1 to 30kl	R15.24kl
	Water tariff for water usage 31kl to 100kl	R17.66kl
	Water tariff for water usage 101kl and above	R20.29kl
11.	Bulk potable water supply to IDC Estate	R7.81kl
	Bulk Raw water supply	R4.78kl
12.	Emergency Services Connection (excluding emergency services)	R33.86kl
13.	Availability charge for fire hydrant per month	R123.84
14.	For water drawn or usage from metered fire hydrant	R16.85/kl
15.	Inspections for internal leaks and any other services (per visit)	R817.68
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.	Water tariff for water usage 31kl to 100kl	Charge(c/kl) = R107.83+([COD/1000] x R2.27c) (COD-Chemical Oxygen Demand)

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Account Deposits (Subject to credit worthiness)	Residential dep. max R9502.52 Bus. /Govt./Trust dep. max R11 203.28 Industrial dep. max. R19 692.45 Church/Co-ops dep. Max R8 093.10 New consumers: - Residential dep. R2 099.20 New Bus./Govt./Industry. R5 009.62 New Co-operatives R986.48 New Churches R2 354.16 New Trust businesses R4 706.89 New Trusts R1 969.69 New account connection fee is R 242.69
New accounts administration Fees-Opened by Council per para. 4.7 CC&DCP	Residential: R2 068.07 Bus/Got/Ind: R4 598.88 Co-ops: R 1 100.50 Churches: R2 289.69 Trusts in bus: R4 336.71 Trusts: R1 958.29
Scrutiny of building plans	R626.52/ plan
Clearing of grass overgrowth	Actual cost + 13%
Requested Water Tankering (funerals – if not indigent)	Water R28.19 per kl Transport R19.57per km Plus 6.2% administration fee
Requested Water Tankering (other events)	Water R45.47 per kl Transport R29.76 per km Plus 10% administration fee
Developer's Capital Contribution - Water	R 13 126.30
Developer's Capital Contribution - Sanitation	R 14 439.04

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 Waste Water Analysis		
Determinant	Units	Cost per sample
Alkalinity	mg/l CaCO ₃	R83.58
Appearance	Descriptive	
Aluminium - soluble	mg/l Al	R72.34
Ammonia	mg/l N	R69.68
Chloride	mg/l Cl	R55.77
Chlorine – Free	mg/l Cl ₂	R27.78
Colour	Pt-Co	R41.67
Conductivity	mS/m	R27.75
Fluoride	mg/l F	R69.69
Iron	mg/l Fe	R40.86

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Manganese	mg/l Mn	R70.06
Nitrate	mg/l N	R42.28
Nitrite	mg/l N	R42.28
Odour	Descriptive	
pH	pH Units	R27.78
Phosphate - soluble	mg/l P	R42.28
Solids - Settle able	ml/l	R42.28
Sulphate	mg/l SO ₄	R61.16
Sulphide	mg/l H ₂ S	R69.68
Suspended Solids	mg/l	R61.55
Temperature	°C	
Total Dissolved Solids	mg/l	R42.29
Turbidity	NTU	R27.65
Oxygen Absorbed	mg/l O ₂	R83.58
Chemical Oxygen Demand	mg/l O ₂	R103.32
Magnesium/Calcium	mg/l Mg/Ca	R97.24

- 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	R76.66
Total coliforms	colonies per 100ml	R76.66
Standard plate count	colonies per ml	R63.93

- Sample bottle can be collected at the Laboratory.
- A volume of at least 1 litre is necessary for analysis.
 - Sterile bottles provided by the Laboratory should be used.
 - Samples must be delivered to the Laboratory within 6 hours of collection and should be kept cold.
 - A volume of 500ml is sufficient for analysis.

1. Prices listed are for single samples.
2. Sterile bottles can be supplied free of charge. Bottles broken or not returned will be charged for at a rate of R25.43 per bottle.

FINES FOR ILLEGAL CONNECTIONS AND TEMPERING

First instance	R 3 476.64
Second instance	R 6 952.07
Third instance	R 10 428.72
Forth instance	R13 904.15

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

PENALTY FEES

1. Warning letter	R 78.41
2. Final cut-off	
• Additional deposit-business	R 235.23
• Additional deposit-households	R166.22
• Penalty fee	R 131.32

RECONNECTION FEES:

1. Standard fee applies during working office hours	R161.50
2. Standard rate applies after office hours	R385.50

NEW CONNECTION (PLUMBING WORK) CHARGES, INCLUDING FIRE HYDRANT

NO	SIZE (MM)	UNIT COST R	DEPOSIT
1	20	3 319.56	313.64
2	25	3 319.56	313.64
3	32	3 976.08	313.64
4	40	9 409.26	784.12
5	50	9 428.76	784.12
6	80	13 838.27	784.12
7	100	15 038.89	784.12
8	150	15 614.48	784.12

NB: The above costs exclude material and labour costs!

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Tender documents
Maps GIS
Clearance certificates

	A3 PRINTER		A0 PLOTTER		
	A4	A3	A2	A1	A0
Full Colour	30.92	61.86	234.74	208.77	278.36
Grey Scale	30.92	61.86	234.74	201.05	278.36
Topo Maps	21.89	43.76	109.41	234.74	208.77
Line / Hatch	14.58	43.76	83.05	100.52	139.17

Maps GIS tariffs

1.4.1.1 Tender Documents

Municipal Produced	R625.67
Consultants produced depending on the project	R523.23 and R610.48 respectively

- Clearance certificate R 592.57

ALL TARIFFS ARE EXCLUSIVE OF VAT!!

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Table 7 Water and Sanitation Tariffs

The table below reflects the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

	Description	2020/21	2023/22	2023/23	2023/24
1.	Tariff for accessibility to water (basic charge occupied and unoccupied)	R84.86 month	R91.73/ month	R97.23/month	R105.01/month
2.	Tariff for accessibility to sewerage system (basic charge occupied and unoccupied)	R110.26/month	R116.88/ month	R123.89/month	R133.80/month
3.	Sewer tariff for restricted usage (un-metered)	R101.62/ month	R109.59/month	R116.17/month	R125.46/month
4.	Servicing sewer conservancy tanks/pits (small)	R194.81/ month	R206.50 month	R218.89/month	R236.40/month
5.	Servicing sewer conservancy tanks/pits (large)	R417.52 /5000/load	R442.57 month	R469.12/month	R506.65/month
6.	Discharge of sewage to waste water works by private sewer tankers	R0.39	R0.42	R0.45	R0.49/month
	Integrated Step Tariff (Domestic Use)				
5.	Water tariff for water usage up to 6kl	Free /indigent	Free /indigent		
	Water tariff for water usage 1 to 30kl	R12.56kl	R13.31kl	R14.11	R15.24
	Water tariff for water usage 31k to 100kl	R14.55kl	R15.42kl	R16.35	R17.66

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2023/24 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 2023/24 budget and MTREF (classified per main type of operating expenditure):

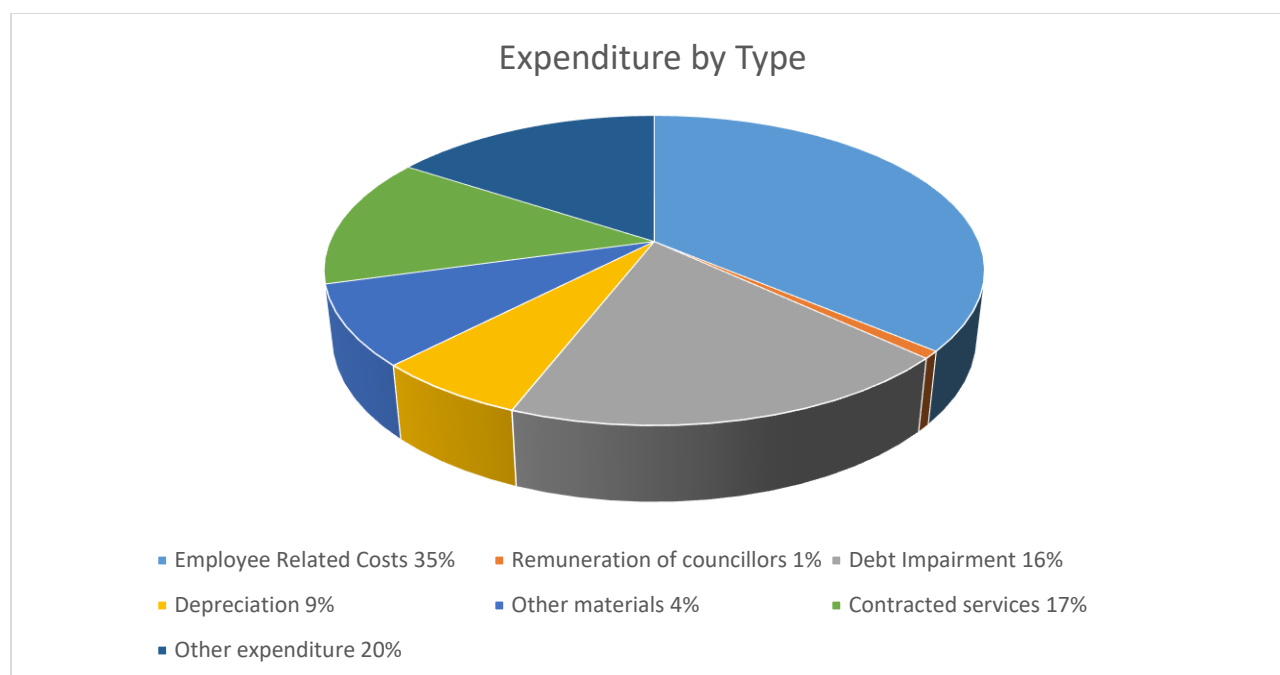
Table 8 Summary of operating expenditure by standard classification item A4

Uthukela District Municipality: KZN_DC23	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Expenditure By Type			
Employee related costs	371 090	389 274	407 570
Remuneration of councillors	6 709	7 038	7 369
Debt impairment	156 966	164 658	172 397
Depreciation & asset impairment	95 609	100 294	105 008
Finance charges	–	–	–
Bulk purchases	–	–	–
Other materials	44 822	47 019	49 228
Contracted services	198 197	202 989	212 590
Transfers and subsidies	3 285	3 446	3 608
Other expenditure	173 857	190 057	207 867
Loss on disposal of PPE	–	–	–
Total Expenditure	1 050 537	1 104 774	1 165 636

Table 9 Operating expenditure expressed as percentages

Expenditure By Type						
Employee related costs	371 090	35%	389 274	35%	407 570	35%
Remuneration of councillors	6 709	1%	7 038	1%	7 369	1%
Debt impairment	156 966	15%	164 658	15%	172 397	15%
Depreciation & asset impairment	95 609	9%	100 294	9%	105 008	9%
Finance charges	–	0%	–	0%	–	0%
Other materials	44 822	4%	47 019	4%	49 228	4%
Contracted services	198 197	19%	202 989	18%	212 590	18%
Transfers and subsidies	3 285	0%	3 446	0%	3 608	0%
Other expenditure	173 857	17%	190 057	17%	207 867	18%
Loss on disposal of PPE	–		–		–	
Total Expenditure	1 050 537		1 104 774		1 165 636	

Figure 1 Main operational expenditure categories for the 2023/24 financial year



Employee related cost

The budgeted allocation for employee related costs for the 2023/24 financial year totals R371 million, which equals 35% 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 very strict in budgeting for overtime and standby, the budget has been strictly set at R18 million. The budgeted amount is in line with the industry norm of 5% of employee

related costs. Our aim is to do away completely with overtime in the long run. Senior managers have created a plan to reduce and effectively control overtime as well as to re consider employees eligible for standby.

Remuneration of Councillors

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

Debt Impairment

The cost of debt impairment is considered to be a non-cash flow item; it 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

Table 10 Depreciation per asset class

Segment Desc	2024 Draft	2025 Draft	2026 Draft
Expenditure:Depreciation and Amortisation:Amortisation:Intan	19 068	20 002	20 942
COMPUTER SOFTWARE AMORTIZATION	5 072 301	5 320 844	5 570 923
COMPUTER HARDWARE DEPRECIATION	29 353	30 792	32 239
COMPUTER HARDWARE DEPRECIATION	46 361	48 633	50 919
COMPUTER HARDWARE DEPRECIATION	5 737	6 018	6 301
COMPUTER HARDWARE DEPRECIATION	115 961	121 643	127 360
Depreciation - Computer hardware	131 010	137 430	143 889
COMPUTER HARDWARE DEPRECIATION	104 866	110 005	115 175
COMPUTER HARDWARE DEPRECIATION	27 597	28 949	30 310
Depreciation (300/230001)	82 741	86 795	90 874
FURNITURE & OFFICE EQUIPMENT DEPRECIATION	129 797	136 157	142 556
FURNITURE & OFFICE EQUIPMENT DEPRECIATION	71 494	74 998	78 523
FURNITURE & OFFICE EQUIPMENT DEPRECIATION	100 557	105 485	110 442
FURNITURE & FITTINGS DEPRECIATION	46 210	48 474	50 752
FURNITURE AND OFFICE EQUIPMENT DEPRECIATION	43 632	45 770	47 921
FURNITURE & OFFICE EQUIPMENT DEPRECIATION	55 750	58 482	61 230
BUILDING DEPRECIATION	384 791	403 646	422 618
Expenditure:Depreciation and Amortisation:Depreciation:Other	17 956	18 836	19 721
Expenditure:Depreciation and Amortisation:Depreciation:Other	950 745	997 332	1 044 206
SANITATION INFRASTRUCTURE DEPRECIATION	3 745 550	3 929 082	4 113 749
Depreciation - motor vehicles	1 576 858	1 654 124	1 731 868
MOTOR VEHICLE DEPRECIATION	5 767 854	6 050 479	6 334 851
MOTOR VEHICLE DEPRECIATION	19 586	20 546	21 511
MOTOR VEHICLE DEPRECIATION	13 116	13 759	14 406
MOTOR VEHICLE DEPRECIATION	293 913	308 315	322 806
MOTOR VEHICLES DEPRECIATION	68 538	71 896	75 275
WATER INFRASTRUCTURE DEPRECIATION	65 870 399	69 098 049	72 345 657
Expenditure:Depreciation and Amortisation:Depreciation:Water	817 157	857 198	897 487

Depreciation has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the asset consumption. Budget appropriations in this regard total 95.6 million for the 2023/24 financial and equates to 9% of the total operating expenditure. The projected depreciation should inform the contribution towards the asset maintenance plan. Calculations for the provision as follows:

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.

Inventory Consumed

Repairs and maintenance were previously reported on this line item but due to the changes that came with mSCOA data strings only the following items are now classified as inventory consumed. The reduction in the budget for the 2023/24 financial year is due to the reduced cost of fuel and oil, as well the reduction in the budget for bulk water purchases. The municipality had in the past incorrectly included the debt owed to DWS in the current budget when it should be correctly accounted for a part of the cash flow in terms of the payment plan.

Table 11 Other Materials

Segment Desc	2024 Final	2025 Final	2026 Final
Printing and Stationery 100/260300	1 053 001	1 104 598	1 156 514
Stationery (300/260340)	110 134	115 531	120 961
Stationery (105/260340)	313 653	329 022	344 486
Stationery (405/260340)	324 320	340 211	356 201
Fuel & Oil. (510/260180)	10 048 953	10 541 351	11 036 795
OM Chemicals	30 000 000	31 470 000	32 949 090
Cleaning materials (200/260090)	1 895 400	1 988 275	2 081 724
Stationery (510/260340)	218 793	229 514	240 301
Stationery (200/260340)	205 199	215 254	225 371
Expenditure:Inventory Consumed:Water	652 776	684 762	716 946
	44 822 229	47 018 518	49 228 389

A further budget of R6.5 million for bulk purchases relating to water is also classed as inventory. It must be noted that the mSCOA tree only has classification for bulk purchases relating to electricity.

Contracted services

mSCOA classifications of expenditure type have changed which has given a move of all items that are outsourced to contracted services. Some of the items such as repairs and maintenance, water tankers, operational grants expenditure have now form part of contracted services. Chemicals, insurance and computer programs no longer part of contracted services.

An amount of R2.6 million for rural roads has also been included in contracted services as well as an amount of R1.8 million for EPWP

Table 12 Contracted Services

Segment Desc	2024 Final	2025 Final	2026 Final
Audit Committee (105/260027)	319 032	334 665	350 394
Job Evaluation (200/260218)	7 589	7 961	8 335
Contracted Services:Consultants and Professional Services:	2 803 082	2 940 433	3 078 633
Computer Programs (300/260)	12 500 000	13 112 500	13 728 788
BlueDrop (408/235215)	1 916 501	2 010 410	2 104 899
GIS. Programmes (405/406360)	631 800	662 758	693 908
Shared Service Plan. (405/406080)	394 918	414 269	433 740
Outstanding Debt - Collection Fees (300/225001)	507 180	532 031	557 037
Legal Fees (200/260240)	10 000 000	10 490 000	10 983 030
Electrical (510/255045)	273 785	308 556	347 742
Maintenance of buildings and facilities (200/235011)	579 150	607 528	636 082
Vehicle Repairs Outsourced. (510/235080)	8 424 000	8 836 776	9 252 104
Repairs to Pumps (510/235120)	40 000 000	41 960 000	43 932 120
Pipelines & portable water maintenance (510/235100)	28 431 000	29 824 119	31 225 853
Doctors Examinations (200/260343)	210 604	220 924	231 307
Security (200/235525)	30 000 000	31 470 000	32 949 090
Technical Services EPWP (510)	3 033 689	3 182 340	3 331 909
VIP. Security (100/235525)	5 265 000	5 522 985	5 782 565
Outsourced Services:Transport Services	200 000	209 800	219 661
Water Tanker Hiring	40 000 000	41 960 000	43 932 120
Data Cleansing	3 500 000		
proposed walk-in centres	1 000 000		
romulgate the new revenue by-law	200 000		
VAT audit expenses	5 000 000	5 000 000	5 000 000
Asset Verification	3 000 000	3 381 000	3 810 387
	198 197 330	202 989 055	212 589 705

The provision for contracted services has been increased from the original budget. The municipality has prioritise the provision for the refurbishmment and the mantainence of infrastructure, the budget repairs and pumps of heads R40 million in oder for the municipality meet the norm of 8% also the extended

commitment to the refurbishment to the refurbishment of assets will also reduce the expenditure related to water tanker hiring. Further provisions have been for the revenue department in order to improve the process with the department to the value of R10.2 million. The municipality has also increased the budget for water tankers due to the constant disruption to water supply to communities which has resulted in community strikes. Engagements have been had to the extent that the budget provision does not talk to what is happening on the ground. This budget provision will be monitored accordingly as the municipality has prioritised the stabilisation of the water supply.

Other Expenditure

Other expenditure forms 20% of the total operating expenditure. Items that form the total cost other expenditure:

Table 13.1 Other Expenditure Operational Costs

Segment Desc	2024 Final	2025 Final	2026 Final
Accommodation (105/260534)	526 504	552 303	578 261
Advertising (200/260020)	300 005	314 705	329 496
Asset Manager : Travel Allowance (300)	7 471	7 837	8 205
Audit Fees (105/260030)	4 323 961	4 535 835	4 749 020
Bank Charges (300/260047)	228 864	240 079	251 362
Cleaning materials (200/260090)	2 000 000	2 098 000	2 196 606
Computer Software IT.	0	0	0
Credit - Interest Charges	279 319	293 005	306 777
Domestic transport without operator : Own transport (405)	90 690	95 133	99 605
Electricity (510/255040)	63 394 289	71 445 364	80 518 925
Electricity and water (municipal services) (200/255940)	35 074 935	39 529 452	44 549 692
Expenditure: Operational Cost: Indigent Relief	0	0	0
Expenditure: Operational Cost: Skills Development Fund Levy	2 509 036	2 631 979	2 755 681
Expenditure: Inventory Consumed: Water	652 776	684 762	716 946
Finance Expenditure: Travel Allowance (300)	5 844	6 131	6 419
Free Basic Services. (510/260147)	0	0	0
Fuel & Oil. (510/260180)	10 048 953	10 541 351	11 036 795
Information & Communication. (105/235505)	526 500	552 299	578 257
In-Service Training (200/260216)	1 462 859	1 534 539	1 606 663
Insurance (105/235500)	6 479 930	6 797 447	7 116 927
Membership Fees (405/260305)	116 243	121 939	127 670
OM Chemicals	30 000 000	31 470 000	32 949 090
Pauper Burial GE	126 362	132 554	138 784
Plant & Equipment Hire (510/235510)	10 735 514	11 261 554	11 790 847
Printing and Stationery 100/260300	1 053 001	1 104 598	1 156 514
Protective Clothing (408/260347)	5 000 000	5 245 000	5 491 515
Radio broadcasting (105/235505)	526 500	552 299	578 257
Rental Office Machines. (200/260442)	1 493 106	1 566 268	1 639 882
Renting of Offices (200/260443)	2 411 754	2 529 930	2 648 837
Renting of Offices (300/260443)	418 045	438 529	459 140
Stationery (105/260340)	313 653	329 022	344 486
Stationery (200/260340)	205 199	215 254	225 371
Stationery (300/260340)	110 134	115 531	120 961
Stationery (405/260340)	324 320	340 211	356 201
Stationery (510/260340)	218 793	229 514	240 301
Telephone (200/260540)	789 739	828 437	867 373
Vehicle Licencing - Fleet Management (300/260552)	3 032 183	3 180 760	3 330 256

To minimise the cost of day to day operating expenses the municipality has put control measures such as that the staff has to pay for their private calls and this has resulted in decline in telephone expenses. The municipality has also reviewed the cell phone allowances for staff based in the main offices in order to reduce costs.

Electricity is expected to increase by 18.7 % as per proposed tariffs by Eskom.

In terms of the MFMA circular No.55 general expenditure should not exceed 10% of total expenditure however it must be noted the budget for electricity is R98 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.

Table 13.2 Other Expenditure Skills Development Levy (compliance)

Segment Desc	2024 Fina	2025 Fina	2026 Fina
Expenditure: Operational Cost: Skills Development Fund Levy	2 509 036	2 631 979	2 755 681
Operational Cost:Skills Development Fund Levy	1 036 417	1 087 202	1 138 300
Operational Cost:Skills Development Fund Levy	35 141	36 863	38 595
PMU. Skills levy. (510/260530)	97 603	102 385	107 197
Skills Development Fund (EPWP)	22 876	23 997	25 125
Skills Levy - Asset Management (300/260530)	69 622	73 034	76 466
Skills Levy - Budget. (300/260530)	120 502	126 407	132 348
Skills Levy - Call Centre (405/260530)	101 374	106 342	111 340
Skills Levy - Call Centre (405/260530)	37 201	39 024	40 858
Skills Levy - Development Facilitation (105/260530)	55 386	58 100	60 830
Skills Levy - Fleet Management (200/260530)	62 858	65 938	69 037
Skills Levy - HR (200/260530)	94 251	98 869	103 516
Skills Levy - IDP. (405/260530)	108 782	114 113	119 476
Skills Levy - Internal Auditor (105/260530)	31 465	33 006	34 558
Skills Levy - Laboratory. (408/260530)	80 900	84 864	88 853
Skills Levy - LED. (405/260530)	23 983	25 158	26 341
Skills Levy - Legal Department (200/260530)	21 643	22 704	23 771
Skills Levy - PMS. (105/260530)	37 708	39 556	41 415
Skills Levy - Public Participation (105/260530)	74 440	78 087	81 757
Skills Levy - Risk Management (105/260530)	11 562	12 128	12 699
Skills Levy - Safety & Security (105/260530)	54 740	57 422	60 121
Skills Levy - SCM. (300/260530)	122 319	128 312	134 343
Skills Levy - Special Programs (105/260530)	47 069	49 375	51 696
Skills Levy - Staff Welfare (408/260530)	5 345	5 607	5 870
Skills Levy - Tourism. (405/260530)	2 830	2 969	3 109
Skills Levy - Tourism. (405/260530)	54 318	56 980	59 658
Skills Levy - Corporate Admin. (200/260530)	310 591	325 810	341 123
Skills Levy - IT. Department (200/260530)	42 515	44 598	46 694
Skills Levy - Revenue. (300/260530)	430 065	451 138	472 342
Skills Levy (100/260530)	84 049	88 168	92 312
Skills Levy (105/260530)	157 967	165 707	173 495
Skills Levy (300/260530)	103 685	108 765	113 877
Skills Levy (405/260530)	17 993	18 874	19 761
Skills Levy (408/260530)	392 526	411 760	431 112
Skills Levy Disaster Management (405/260530)	75 871	79 588	83 329

Table 13.3 Other Expenditure Subsistence & Trave

Segment Desc	2024 Final	2025 Final	2026 Final
RE-IMBURSAVE TRAVEL SUPPLY CHAIN	11 767	12 344	12 924
Re-imbursive travel budgeting	116 999	122 732	128 500
Subsistance & Travel - Risk Management (105/260534)	57 889	60 725	63 579
Subsistance & Travel. - Communications DEpartment (105/26053	30 057	31 530	33 012
Subsistance & Travel. - PMS. (105/260534)	8 840	9 273	9 709
Subsistance & Travel. (105/260534)	166 807	174 980	183 204
Subsistance & Travel. (200/260534)	11 398	11 956	12 518
Subsistance & Travel. (200/260534)	51 307	53 821	56 351
Subsistance & Travel. (405/260534)	38 952	40 860	42 781
Subsistance & Travel. (408/260534)	1 167 837	1 225 061	1 282 639
Domestic transport without operator : Own transport (405)	90 690	95 133	99 605
Subsistance & Travel. (510/260534)	12 800	13 427	14 059
Subsistance & Travel. (510/260534)	3 329 781	3 492 940	3 657 108
Subsistance and Travel Laboratory services	140 790	147 689	154 630
Technical Services Travel Allowance : Staff	53 719	56 351	59 000
Telephone (200/260540)	789 739	828 437	867 373
TRAVEL AND SUBSISTANCE	125 058	131 186	137 352
Operational Cost:Travel and Subsistence:Domestic:Transport w	166 366	174 517	182 720
Finance Expenditure: Travel Allownce (300)	5 844	6 131	6 419
Travel Councillors own transport (100/260534)	303 549	318 423	333 389
Asset Managent : Travel Allowance (300)	7 471	7 837	8 205
	6 687 660	7 015 355	7 345 077

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 2023/24 budget provides for in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

The following table lists the total anticipated cost for repairs and maintenance on infrastructure and assets for the year 2023/24. It must be noted that the municipality has identified all the shortcomings associated with neglecting capital assets such as infrastructure thus wishes to increase provision for repairing and maintenance of capital assets.

Table 14.1 Repairs and maintenance per asset class SA34c

Segment Desc	2024 Final	2025 Final	2026 Final
Electrical (510/255045)	273 785	308 556	347 742
Maintenance of buildings and facilities (200/235011)	579 150	607 528	636 082
Vehicle Repairs Outsourced. (510/235080)	8 424 000	8 836 776	9 252 104
Repairs to Pumps (510/235120)	40 000 000	41 960 000	43 932 120
Pipelines & portable water maintenance (510/235100)	28 431 000	29 824 119	31 225 853
	77 707 935	81 536 979	85 393 902

Table 14.2 Repairs and maintenance per asset class SA34c – Refurbishment/ Upgrade Projects

Segment Desc	2024 Draft	2025 Draft	2026 Draft
Ekuvukeni Regional Bulk Water Supply - Upgrade Oliphantskop	52 467 863	54 684 031	57 293 030
COLENZO BULK AND RETICULATION UPGRADE	315 900	331 379	346 954
CE Wembezi Bulk & Reticulation Upgrade (WCDM) Project	17 690 400	18 557 230	19 429 419
CE Wembezi Bulk & Reticulation Upgrade (WCDM)	1 053 000	1 104 597	1 156 513
Refurbishment and upgrade projects	11 583 000	12 150 567	12 721 644
FITTY PARK MHLUMAYO TUGELA ESTATE UPGRADE	14 577 985	15 292 306	16 011 044
EMERGENCY REPAIRS FLOOD DAMAGE EZAKENI	4 256 442	4 465 008	4 674 863
	245 665 204	262 939 042	275 156 493

a portion of the MIG and WSIG 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 2023/2024 financial year. The repairs to pumps and pipelines form one of the major cost drivers. The municipality will seek to increase the budget on this line item, for the final budget. The available resources will be reviewed on the final cash flow balance.

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

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. As part of the engagements with treasury the municipality was advised to apply to MIG and WSIG donors to utilise a larger portion of the infrastructure grants for refurbishments.

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 2023/24 financial year it is anticipated that R35 million will be allocated towards the provision of free basic services. This budget will also cater for the delivery of water to communities that lack suitable water infrastructure.

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 15 2023/24 Medium-term capital budget per vote

R thousands	Draft Budget Data 2023/24	Draft Budget Data 2024/25	Draft Budget Data 2025/26
Capital Expenditure - Functional			
<i>Municipal governance and administration</i>	1 211	1 270	1 330
Executive and council	-	-	-
Finance and administration	1 211	1 270	1 330
Internal audit	-	-	-
<i>Trading services</i>	307 184	327 473	342 723
Energy sources	-	-	-
Water management	245 763	263 042	275 264
Waste water management	61 421	64 431	67 459
Waste management	-	-	-
<i>Other</i>	-	-	-
Total Capital Expenditure - Functional	308 395	328 743	344 053
Funded by			
National Government	306 342	326 589	341 798
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	306 342	326 589	341 798
Public contributions and donations			
Borrowing	-	-	-
Internallty generated funds	2 053	2 154	2 255
Total Capital Funding	308 395	328 743	344 053

Due to financial constraints the capital budget is focused mainly on water infrastructure which is funded by national government grants amounting to R306 million

Further amounts have been budget internally for vehicles to the value of R842 thousand R527 thousand for computer hardware and R684 thousand for furniture.

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Table 16 Infrastructure Grants

Municipal Infrastructure Grant	221 342	231 833	242 768
Water Services Infrastructure Grant	85 000	94 756	99 030
Total Capital Grants	306 342	326 589	341 798

Table 17 MIG Capital Projects

Segment Desc	2024 Final	2025 Final	2026 Final
Ekuvukeni Regional Bulk Water Supply - Upgrade Oliphantskop	52 467 863	54 684 031	57 293 030
IE Okhahlamba Ward 2 3 14 Bulk Water Supply & Reticulation	43 067 700	45 178 017	47 301 384
Ezakheni E Sanitation (650/750028)	1 771 120	1 857 905	1 945 226
WINTERTON SANITATION SCHEME PLANNING	9 509 522	9 975 488	10 444 336
CE Weenen Ezitendeni Sanitation - Construction of WWTW	15 223 221	15 969 159	16 719 709
Fitty Park Umhlumayo Extensions	13 245 282	13 894 300	14 547 333
Bhekuzulu Ephangwini Water Supply (Phase 5 7 8)	4 406 121	4 622 020	4 839 255
COLENSO BULK AND RETICULATION UPGRADE	315 900	331 379	346 954
CE Ntabamhlophe CWSS	7 263 662	7 619 582	7 977 702
Refurbishment and upgrade projects	11 583 000	12 150 567	12 721 644
COLENSO ROSBOOM WATER SUPPLY	1 214 851	1 274 379	1 334 275
KWAMKHIZE BULK WATER SUPPLY AND RETIC	8 521 508	8 939 062	9 359 198
FITTY PARK MHLUMAYO TUGELA ESTATE UPGRADE	14 577 985	15 292 306	16 011 044
EMERGENCY REPAIRS FLOOD DAMAGE EZAKENI	4 256 442	4 465 008	4 674 863
CE Kwanobamba Water Supply- Weenen/Ezitendeni Reticulation	17 532 450	18 391 540	19 255 942
CE Bergville WTW & Bulk Water Supply Phase 1	9 477 000	9 941 373	10 408 618
CE Langkloof WTW & Bulk Reticulation Network Project	6 908 373	7 246 883	7 587 487
	221 342	231 833	242 768

Table 18 WSIG Capital Projects

Segment Desc	2024 Final	2025 Final	2026 Final
IE Reticulation Ennersdale Ephangwini Phase 4	3 340 738	9 095 434	9 343 386
SPRING PROTECTION DISTRICT WIDE	28 868 842	30 283 415	31 706 735
CE Wembezi Bulk & Reticulation Upgrade (WCDM) Project	17 690 400	18 557 230	19 429 419
CE Wembezi Bulk & Reticulation Upgrade (WCDM)	1 053 000	1 104 597	1 156 513
IE Ezakheni WCDM Project	2 513 535	2 636 698	2 760 623
CE Reticulation Ennersdale Ephangwini Phase 4	2 721 158	2 854 495	2 988 656
Loskop Maqedandaba Water Reticulation Ward 4; phase 1	28 812 328	30 224 132	31 644 666
	85 000	94 756	99 030

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 2023/24 FINAL budget and MTREF as approved by the Council.

Table 19 MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised are reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Over the MTREF there is progressive improvement in the level of cash-backing of obligations
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the public. The amount of services provided by the municipality including free basic services continues to increase.

Table 20 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

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

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

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

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

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

Table 21 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Uthukela District Municipality: KZN_DC23	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Revenue By Source			
Property rates			
Service charges - electricity revenue			
Service charges - water revenue	212 742	225 506	239 037
Service charges - sanitation revenue	17 412	18 456	19 564
Service charges - refuse revenue	–		
Sale of Goods and Rendering of Services	6 289	6 969	7 388
Rental of facilities and equipment			
Interest earned - external investments	6 575	6 585	6 868
Interest earned - outstanding debtors	51 112	53 616	57 369
Dividends received	–		
Fines, penalties and forfeits	39	41	43
Licences and permits	–		
Agency services	–		
Transfers and subsidies	585 779	626 002	660 129
Other revenue	2 384	2 501	2 619
Gains on disposal of PPE	–	–	–
Total Revenue (excluding capital transfers and contributions)	882 331	939 677	993 016
Expenditure By Type			
Employee related costs	371 090	389 274	407 570
Remuneration of councillors	6 709	7 038	7 369
Debt impairment	156 966	164 658	172 397
Depreciation & asset impairment	95 609	100 294	105 008
Finance charges	–	–	–
Bulk purchases	–	–	–
Other materials	44 822	47 019	49 228
Contracted services	198 197	202 989	212 590
Transfers and subsidies	3 285	3 446	3 608
Other expenditure	173 857	190 057	207 867
Loss on disposal of PPE	–	–	–
Total Expenditure	1 050 537	1 104 774	1 165 636
Surplus/(Deficit)	(168 206)	(165 097)	(172 620)

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

1. Total operating revenue is R882 million in 2023/24 and increases to over a billion R993 million by 2025/2026. However, given sound financial management strategies are put in place we can expect an increase in revenues exceeding 6%

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2. Total operating expenditure is R1 billion in 2023/24 and escalates to R1.1 billion by 2025/26. However, given sound financial management strategies are put in place we can
3. It must be noted that the municipality has budgeted for a deficit over the MTERF, which is as a result of the decreased billing.
4. The municipality was also realistic in providing estimations for costs such as chemicals, water tankers and the provision for fixing pumps to curb water supply disruptions.

Table 22 MBRR - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Description	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Capital Expenditure - Functional			
<i>Governance and administration</i>	1 211	1 270	1 330
Executive and council	–	–	–
Finance and administration	1 211	1 270	1 330
Internal audit	–	–	–
Environmental protection	–	–	–
<i>Trading services</i>	307 184	327 473	342 723
Energy sources	–	–	–
Water management	245 763	263 042	275 264
Waste water management	61 421	64 431	67 459
Waste management	–	–	–
<i>Other</i>	–	–	–
Total Capital Expenditure - Functional	308 395	328 743	344 053
Funded by:			
National Government	306 342	326 589	341 798
Provincial Government			
District Municipality			
Other transfers and grants			
Transfers recognised - capital			
Internally generated funds			
Borrowing			
Internally generated funds	2 053	2 154	2 255
Total Capital Funding	308 395	328 743	344 053

Explanatory notes to Table A5- Budgeted Capital Expenditure The capital budget for water and sanitation infrastructure is grant funded the municipality has budgeted R308 million towards water and sanitation infrastructure, for the 2023/24 financial year.

Table 23 MBRR Table A6 - Budgeted Financial Position

Description	Year 1	Year 2	Year 3
R thousand	2023	2024	2025
ASSETS			
Current assets			
Cash	112 977	216 101	332 279
Call investment deposits	—	—	—
Consumer debtors	187 200	224 640	269 568
Other debtors	6 200	7 440	8 928
Current portion of long-term receivables	—	—	—
Inventory	20 000	20 780	21 590
Total current assets	213 751	277 107	378 388
Non current assets			
Long-term receivables	—	—	—
Investments	—	—	—
Investment property	—	—	—
Investment in Associate	—	—	—
Property, plant and equipment	3 271 073	3 272 970	3 289 415
Biological	—	—	—
Intangible	—	—	—
Other non-current assets	2 532	2 532	2 532
Total non current assets	3 273 605	3 275 502	3 291 947
TOTAL ASSETS	3 487 356	3 552 609	3 670 335
LIABILITIES			
Current liabilities			
Bank overdraft	—	—	—
Borrowing	—	—	—
Consumer deposits	20 735	21 544	22 384
Trade and other payables	343 394	356 787	370 702
Provisions	97 660	101 469	105 426
Total current liabilities	461 790	479 799	498 512
Non current liabilities			
Borrowing	—	—	—
Provisions	36 991	38 433	39 932
Total non current liabilities	36 824	38 812	40 908
TOTAL LIABILITIES	498 614	445 642	469 706
NET ASSETS	2 988 742	2 764 160	2 775 125
COMMUNITY WEALTH/EQUITY			
Accumulated Surplus/(Deficit)	2 988 742	2 764 160	2 775 125
Reserves	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	2 988 742	2 764 160	2 775 125

Explanatory notes to Table A6 - Budgeted Financial Position

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

Table 24MBRR Table A7 - Budgeted Cash Flow Statement

Description	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates			
Service charges	100 995	105 944	110 923
Other revenue	180 203	189 033	197 917
Government - operating	587 779	626 002	660 129
Government - capital	306 342	326 589	341 798
Interest	6 289	6 585	6 868
Dividends	–		
Payments			
Suppliers and employees	(799 604)	(795 322)	(832 702)
Finance charges	–	–	–
Transfers and Grants	(3 285)	(3 446)	(3 608)
NET CASH FROM/(USED) OPERATING ACTIVITIES	378 719	455 384	481 325
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE			
Decrease (Increase) in non-current debtors			
Decrease (increase) other non-current receivables			
Decrease (increase) in non-current investments			
Payments			
Capital assets	(308 395)	(328 743)	(344 053)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(308 395)	(328 743)	(344 053)
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	70 323	126 641	137 272
Cash/cash equivalents at the year begin:	(29 942)	40 381	167 023
Cash/cash equivalents at the year end:	40 381	167 023	304 295

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.
- 2023/24 final budget cash flow estimated that the municipality will have R40 million at year end.
- the applied collection rate of 38.1% is maintained throughout the year. As well as the cost containment measures are applied effectively as detailed in the recovery plan.

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

- All operating expenditure budgeted on table A4 has been budgeted to be settled in 2023/24.
- Payment to creditors and suppliers includes an amount of R53 million which is budgeted to settle old debts per approved payment plans and further payments outstanding over 30 days.
- The municipality has prioritised the settling of outstanding debt in order to improve the budget funding position

Table 25.1 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Cash and investments available			
Cash/cash equivalents at the year end	40 381	167 023	304 295
Other current investments > 90 days			
Non current assets - Investments			
Cash and investments available:	40 381	167 023	304 295
Application of cash and investments			
Unspent conditional transfers	3 798		
Unspent borrowing			
Statutory requirements	47 912	54 846	57 424
Other working capital requirements	373 598	355 024	329 681
Other provisions	51 331	69 783	73 323
Long term investments committed	-	-	
Reserves to be backed by cash/investments	-	-	
Total Application of cash and investments:	476 639	479 653	460 428
Surplus(shortfall)	(436 258)	(312 631)	(156 133)

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.

Table 25.2 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Uthukela District Municipality:										
Financial Impact of the Financial Recovery Plan on the Cash backed reserves/accumulated surplus (Table A8/B8)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
R thousand	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash and investments available	Description									
Cash/cash equivalents at the year end	40 381	167 023	304 295	465 148	651 718	866 304	1 111 376	1 389 592	1 703 807	2 057 088
Other current investments > 90 days										
Non current assets - Investments										
Cash and investments available:	40 381	167 023	304 295	465 148	651 718	866 304	1 111 376	1 389 592	1 703 807	2 057 088
Application of cash and investments										
Unspent conditional transfers	3 798									
Unspent borrowing										
Statutory requirements	47 912	54 846	57 424	60 123	62 949	65 908	69 005	72 248	75 644	79 199
Other working capital requirements	373 598	355 024	329 681	302 013	271 843	238 980	203 223	174 779	184 752	227 796
Other provisions	51 331	69 783	73 323	76 769	80 377	84 155	88 110	92 251	96 587	101 127
Long term investments committed	-	-								
Reserves to be backed by cash/investments	-	-								
Total Application of cash and investments	476 639	479 653	460 428	438 905	415 169	389 043	360 338	339 278	356 983	408 122
Surplus(shortfall)	(436 258)	(312 631)	(156 133)	26 243	236 549	477 261	751 038	1 050 314	1 346 824	1 648 966

- From the table it can be seen that for the period 2023/24 financial year the budget will be unfunded by R436 million. The municipality has also compiled a budget funding plan, which identifies the major costs drivers and the areas of possible cost containment. the detailed funding plan consists of strategies that municipalities will employ as measures of cost containment and the financial benefits thereon. The plan adopted will cover a 10-year financial span, however improvements in the financial position of the municipality can be noted within before that period.
- The municipality has prioritised the settlement of old debt, if the projected revenue collection rate of 38.1% an amount of R53 million will be attributed towards old debt in the 203/24 financial year. The increased contribution will have a positive effect on the other working capital commitment
- the municipality acknowledges that achieving a healthy financial position means having another working capital of greater than 1. The funding plan aims to fund the budget in Year 4
- 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 26 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 have employed in future capital projects

PART 2 – SUPPORTING DOCUMENTATION

2.1. OVER VIEW OF THE BUDGETPROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in July 2023) 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 2022, Key dates applicable to the process were as follows:

Table27 Key dates applicable to the process were as follows:

Activity No.	Action/ Task for IDP and Budget	Timeframe for Task Completion
July 2022 & August 2022	<ul style="list-style-type: none"> ▪ finalise in 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 ▪ Adoption of IDP Framework and Process Plan by full council ▪ Planning Indaba 	<p>12 July 2022</p> <p>19 July 2022</p> <p>29 July 2022</p> <p>29 July 2022</p> <p>2 August 2022</p> <p>26 August 2022</p> <p>30 August 2022</p>
Sept 2022	<ul style="list-style-type: none"> ▪ Submission of the 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>02 September2022</p> <p>27 September 2022</p> <p>September 2022</p> <p>September 2022</p> <p>September 2022</p>
Oct 2022	<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>04 October 2022</p> <p>14 October 2022</p> <p>18 October 2022</p> <p>26 October 2022</p>
Nov 2022	<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>01 November 2022</p> <p>08 November 2022</p> <p>18 November 2022</p> <p>22 November 2022</p> <p>24 November 2022</p>
Dec 2022	<ul style="list-style-type: none"> □ IDP best practice conference 	<p>05 December 2022</p>
Jan 2023	IDP Supporting Structure Committee Meeting	<p>20 January 2023</p>
Feb 2023	<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 	<p>02-03 Feb. 2023</p> <p>02-03 Feb.2023</p> <p>02-03 Feb.2023</p> <p>06 Feb. 2023</p>

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Feb 2023	<ul style="list-style-type: none"> <input type="checkbox"/> Meeting COGTA and municipalities on IDP assessment <input type="checkbox"/> Updating of municipal CIP and MTEF based on FINAL DORA allocations <input type="checkbox"/> IDP Coordinating committee meeting(IDP Managers) <input type="checkbox"/> IDP Representative Forum meeting <input type="checkbox"/> IDP Roadshows (needs analysis) 	<p>10 February 2023</p> <p>16 February 2023</p> <p>22 February 2023</p> <p>28 February 2023</p>
March 2023	<ul style="list-style-type: none"> ▪ Exco approval of the drfat , recommend to Council ▪ Council Approval of the draft IDP 2023/2024 ▪ Submission of the finl 2023/2024 IDP to COGTA 	<p>29 March2023</p> <p>29 March 2023</p> <p>31 March 2023</p>
April 2022	<ul style="list-style-type: none"> ▪ Decentralized IDP assessment forums ▪ IDP/Budget Road shows 	<p>11 April 2022</p> <p>April 2022</p>
May 2023	<ul style="list-style-type: none"> <input type="checkbox"/> IDP Assessment Feedback Session <input type="checkbox"/> Amend IDP in accordance with the outcome of the assessment 	<p>25 May 2023</p> <p>29 May 2023</p>
May 2023	<ul style="list-style-type: none"> <input type="checkbox"/> Advertise for public comments and incorporate comments 	<p>May 2023</p>
May 2023	<ul style="list-style-type: none"> <input type="checkbox"/> Exco approval, recommend to <input type="checkbox"/> Council Council approval of the IDP 	<p>16 May 2023</p> <p>26 May 2023</p>
June 2023	<ul style="list-style-type: none"> <input type="checkbox"/> Submission of the adopted IDP to the MEC <input type="checkbox"/> Advertise the Adopted IDP in the local newspaper 	<p>06 June 2023</p> <p>08 June 2023</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 28.1 IDP Goals Objectives and Strategies

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

Schedule attachment

Table 28.2 IDP Goals Objectives and Strategies

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

Schedule attachment

The 2023/24 MTREF has therefore been directly informed by the IDP revision process and the above tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 OVER VIEW OF BUDGET RELATED POLICIES

2.3.1. Budget Policy

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

2.3.2 Credit Control and Debt Collection Policy

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

2.3.3 Indigent Support Policy

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

2.3.4 Supply Chain Management Policy

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

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

2.3.5. Virements Policy

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

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

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

"Vote means –

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

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

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

2.3.6. Tariff Policy

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

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

2.3.7. Petty Cash Policy

The objectives of the policy are to:

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

***All policies highlighted above have been attached to the budget for further reference.
The comprehensive list of policies approved is as follows:***

*Budget policy
Credit control policy
Bad debt & write off policy
Budget funding and reserves policy
Cash management and investment policy
Contract management policy
Supplier performance monitoring policy
Expenditure management policy
Inventory policy
Cost containment policy
Virements policy
SCM policy
Petty cash policy
Assets Management policy
Indigent Policy
HR policy
Overtime and standby policy*

2.4 OVER VIEW OF BUDGET ASSUMPTIONS

- The 2023/24 budget assumes the following:
 - CPI inflation rate forecast 5.3% for 2023/24 and 4.9% and 4.7% respectively for the outer two years.
 - Eskom approved tariff increases of 18.7 per cent in 2023/24 and 12.7 per cent increase in 2024/25
 - Tariffs have been increased by 6% however the increase in industrial tariffs is 8%. With further engagements to be had with the business chamber in order to discuss the declining tariff scale.
 - The free basic electricity subsidy in the local government equitable share is calculated based on a 20.7 per cent tariff increase in 2023/24 and a 14.7 per cent increase in 2024/25
 - Collection rate estimated at 38.1% of service charges.
 - Employee related costs will increase by 4.96%
 - The municipality has budget to settle at 100% all expenditure incurred in the current year.
 - An additional budget of R53 million will be allocated towards the municipalities repayment plans and settle long outstanding creditors
 - 60% of the capital budget is capitalised and added to the Asset register.
 - The asset maintenance plan will be reviewed, in light of available budget and phased in accordingly
 - A total commitment to the strategies adopted in the budget funding plan from the identified budget vote administrators, with measurable objective.

2.5 OVERVIEW OF BUDGET FUNDING

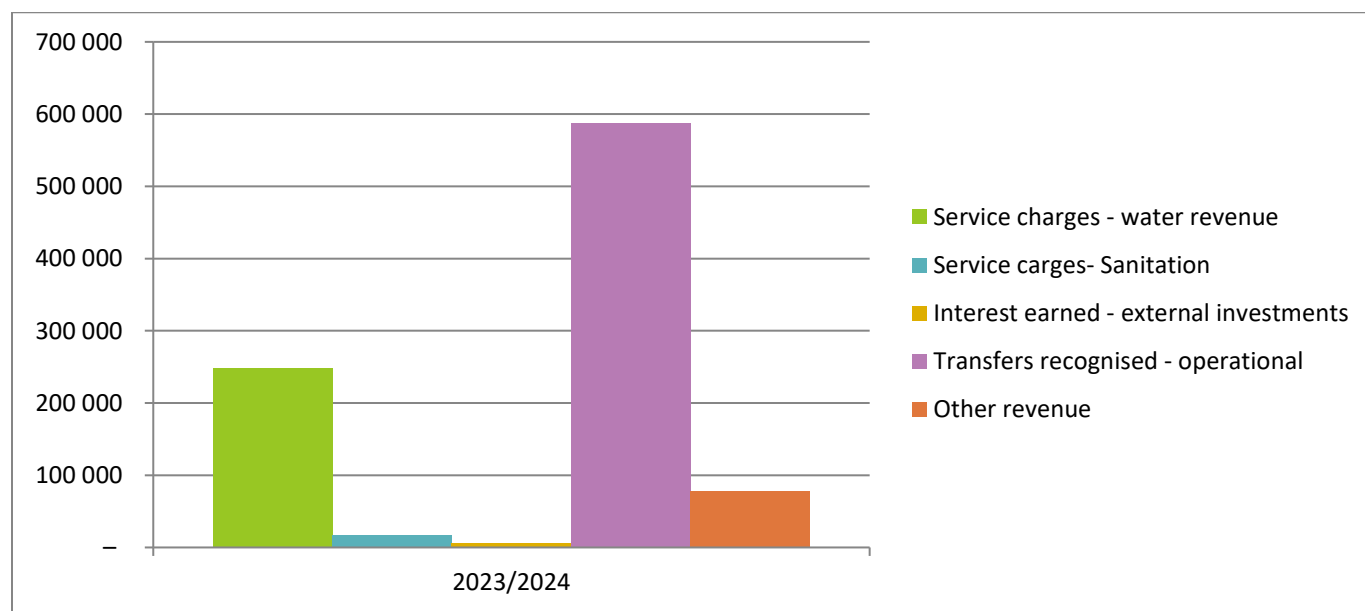
2.5.1 Medium-term outlook: operating revenue

Table 29 Breakdown of the operating revenue over the medium-term

Uthukela District Municipality: KZN_DC23	Year 1	Year 2	Year 3
R thousand	2024	2025	2026
Revenue By Source			
Property rates			
Service charges - electricity revenue			
Service charges - water revenue	212 742	225 506	239 037
Service charges - sanitation revenue	17 412	18 456	19 564
Service charges - refuse revenue	–		
Sale of Goods and Rendering of Services	6 289	6 969	7 388
Rental of facilities and equipment			
Interest earned - external investments	6 575	6 585	6 868
Interest earned - outstanding debtors	51 112	53 616	57 369
Dividends received	–		
Fines, penalties and forfeits	39	41	43
Licences and permits	–		
Agency services	–		
Transfers and subsidies	585 779	626 002	660 129
Other revenue	2 384	2 501	2 619
Gains on disposal of PPE	–	–	–
Total Revenue (excluding capital transfers and contributions)	882 331	939 677	993 016

Figure 2 Breakdown of operating revenue over the 2023/24 MTREF

The following graph is a breakdown of the operational revenue per main category for the 2023/24 financial year.



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 27% of its operational revenue from the provision of and services such as water and sanitation.

The above graph demonstrates that the major part of the municipality revenue is derived from operating grants making up more than 50% of the revenue basket.

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

- Growth in the municipality and economic development
- Revenue management and enhancement
- Achievement of a 60% 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.

Table 30 MBRR SA15 – Detail Investment particulars by maturity

DC23 - Uthukela Supporting Table SC5 Monthly Budget Statement - Investment portfolio - M07 February

Investments by maturity Name of institution & investment ID	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands					
Municipality					
FNB	22,867	35	(20,000)		2,903
NEDBANK	21,530	190		30,000	51,720
INVESTEC	1,065	6			1,071
ABSA	950	5			955
STANDARD BANK	1,002	6			1,008
TOTAL INVESTMENTS AND INTEREST	47,414	-	(20,000)	30,000	57,656

Table 31– Collection Rate

COLLECTION BILLING AS AT 28 FEBRUARY 2023				
June 2022	26,736,737.75	July 2022	7,491,754.17	28.02%
July 2022	28,769,128.16	August 2022	13,508,293.72	46.95%
August 2022	28,272,286.36	September 2022	9,339,664.04	33.03%

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September 2022	24,479,318.36	October 2022	8,944,166.69	33.78%
October 2022	28,964,318.88	November 2022	14,527,036.34	50.15%
November 2022	25,317,305.87	December 2022	13,791,062.00	45.16%
December 2022	24,586,530.36	January 2023	18,236,508.53	48.41%
January 2023	26,643,15.46	February 2023	18,236,508.53	68.45%
TOTALS	219,668,777.05		97,271,694.04	44%

The collection rate had risen to in February 2023 due to cuts in the water supply and strikes by the community and the employees. The applicable collection rate for this final budget is 38.1% which is supported by the previous annual financial statements.

2.5.2 Capital revenue

The capital expenditure budget will be funded from the infrastructure grants to the value of R306 million.

Table 32 – Capital Grants

Municipal Infrastructure Grant	221 342	231 833	242 768
Water Services Infrastructure Grant	85 000	94 756	99 030
Total Capital Grants	306 342	326 589	341 798

2.6. LEGISLATION COMPLIANCE STATUS

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

1. In- year reporting

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

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 4 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 2023/24MTREF and will be directly aligned and informed by the 2023/24 MTREF.

7. Annual Report

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

8. Policies

Budget related policies are reviewed on an annual basis.

9. MScoa compliance

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

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Standard	Description	Service Level
Solid Waste Removal		
	Premise based removal (Residential Frequency)	N/A
	Premise based removal (Business Frequency)	N/A
	Bulk Removal (Frequency)	N/A
	Removal Bags provided(Yes/No)	N/A
	Garden refuse removal Included (Yes/No)	N/A
	Street Cleaning Frequency in CBD	N/A
	Street Cleaning Frequency in areas excluding CBD (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

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service for low voltage users where network extension is not required? (working days)	N/A
service for high voltage users where network extension is not required? (working days)	N/A
Sewerage Service	
back in to the system after purification?	Yes
To what extend do you subsidize your indigent consumers?	Yes
average	
Severe overflow? (hours)	2 Hours
Sewer blocked pipes: Large pipes? (Hours)	2 Hours
Sewer blocked pipes: Small pipes? (Hours)	2 Hours
Spillage clean-up? (hours)	2 Hours
Replacement of manhole covers? (Hours)	3 Hours
Road Infrastructure Services	
(Hours)	N/A
(Hours)	N/A
crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A
Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	N /A
Do you have any special rating properties? (Yes/No)	N /A
Financial Management	
wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsources? (Yes/No)	No
flow and managemet of documentation feeding to Trial Balance?	Yes
date it has been received?	within 30 Days
departmental plans quaterly and annuallly including for the next two to three years procurement plans?	Yes
Administration	
Reaction time on enquiries and requests?	
Time to respond to a verbal customer enquiry or request?	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.

2.8 MUNICIPAL MANAGERS QUALITY CERTIFICATE



I **Mpumelelo Mnguni** Municipal Manager of UThukela District Municipality, hereby certify that this final annual budget for 2023/24 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under this Act.

Print Name **MPUMELELO MNGUNI**
Municipal Manager

Signature _____

Date **23 May 2023**