



ANNUAL BUDGET REPORT FOR

ABAQULUSI MUNICIPALITY

2023/24 TO 2025/26

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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ABBREVIATIONS AND ACRONYMS

Adjustments Budgets – Prescribed in Section 28 of the Municipal Finance Management Act, this is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting, or affected by, the budget. Examples include tariff policy, rates policy and credit control and debt policy.

Budget Steering committee – Committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the MFMA.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the municipality, and the month end balances of cash and short-term investments.

CPI – Headline Consumer Price Index

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DORB – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Management Team – A team comprising the Municipal Manager and the Directors. It reports to the Municipal Manager.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted at assisting municipalities with the costs of free basic services.

GDFI - Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of service output and/or outcome.

MFMA - Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MSCOA – Municipal Standard Chart of Accounts

MTREF – *Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.*

MYPD – *Multi Year Price Determination*

NT – *National Treasury*

Operating Expenditure – *The day-to-day expenses of a municipality such as general expenses, salaries & wages and operational costs.*

Portfolio Committee – *In line with Section 79 of the Structures Act, the Municipality’s Portfolio Committees process policies and bylaws relating to the functional areas within their terms of reference, and are responsible for implementation monitoring of these, as well as oversight of the functional areas. Portfolio Committees are also responsible for assessing and monitoring services delivery, ensuring that annual budgets are spent wisely, and that there is no wastage or corruption.*

Rates – *Local Government tax based on assessed valuation of a property.*

TMA – *Total Municipal Account*

SCM - *Supply Chain Management*

SDBIP – *Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.*

SFA – *Strategic Focus Areas. The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these Strategic Focus Areas.*

Vote (Function) – *One of the main segments into which a budget is divided, usually at directorate level.*

Part 1 – Annual Budget

Mayor's Report

The Mayor's budget speech for the 2023/24 Medium Term Budget and Expenditure Framework (MTREF) will be submitted separately when the tabled budget is considered by Council.

The Abaqulusi Municipality undertakes to conduct its daily duties incorporating the following core values:

- *Integrity*
- *Transparency*
- *Fairness*
- *Empowering people*
- *Honesty*
- *Making communities safer*
- *Accountability*
- *Providing clean water*
- *Providing electricity*

The goals set by the Abaqulusi Municipality include but are not limited to:

- *Reducing levels of infrastructure backlogs by providing basic services, facilities and maintaining existing infrastructure*
- *Empowering and capacitating institutional structures and promotion of transparent cooperative governance*
- *Ensure sound financial management and accountability*
- *Ensure transparency, accountability and community involvement in municipal affairs*
- *To promote socio-economic growth and job opportunities*
- *To redress the spatial imbalances and promote sustainable environmental planning*

Abaqulusi Municipality is committed as the sphere of government closest to the people to ensure it delivers effective service delivery to improve the quality of life.

Although the municipality has some financial challenges and to ensure a better and safe life for all and in keeping with the cost containment measures regulated by the National Treasury, the municipality will be adopting a bold and radical approach in its revenue enhancement and expenditure programs. As a matter of urgency, the municipality will be considering the following:

- ✓ *Ensuring a credible consumer database is maintained*
- ✓ *Disconnect fraudulent consumers, in all respects*
- ✓ *Provide and replace water meters in areas where there are no meters*

- ✓ Ration water to indigent consumers
- ✓ Clean up the indigent register
- ✓ Source funding from National Departments
- ✓ Rehabilitate our environment
- ✓ Improve tourist attractions
- ✓ Make a foot print on local economic development
- ✓ Deal with employment costs specifically positions that are not budgeted for
- ✓ Review all by-laws, policies and standard operating procedures to ensure alignment with mSCOA
- ✓ Use funds for purposes they are meant for and have time-lined implementation plans
- ✓ S&T usage to be managed within the cost containment regulations
- ✓ Ward IDP

Highlights

The highlights of the 2022/2023 financial year are:

- *The total operating revenue received for the 1st 6 months is more than the budgeted target*
- *Operating expenditure is below budget*
- *Phase 1 of Mark and President street to commence*
- *The municipality received 2 certification of recognition awards for best presented key performance areas of Municipal Transformation and Institutional Development and Cross Cutting (Spatial, Disaster and Environmental)*
- *The filling of vacancies which assisted in creating employed in the area*

The highlights of the Draft Budget for the 2023/2024 financial year are:

- *Funding allocated for Mark and President street of R6 million*
- *Salary costs remain at less than 30% of the total expenditure*

I would like to propose the following recommendations:

Council Resolutions

On the 29th of March 2023 the Council of Abaqulusi Local Municipality met in the Council Chambers of Abaqulusi Municipality to consider the tabled annual budget of the municipality for the financial year 2023/24. The Council adopts the following resolutions:

- 1. The Council of Abaqulusi Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes the annual IDP and Budget for the financial year 2023/24 and the two outer years 2024/25 and 2025/26*
- 2. The Council of Abaqulusi Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2023 the proposed tariffs of Abaqulusi Municipality as attached*
- 3. That Council takes note of the MFMA Budget Circulars 122 and 123 attached*

4. *That Council takes note of the Government and Provincial allocations as attached*

5. *That Council takes note of the quality certificate signed by the Municipal Manager*
6. *The Council of Abaqulusi Local Municipality approves and adopts with effect from 1 July 2023 the following budget related policies:*
 - a) *The tariffs policies in terms of section 74 of the Municipal Systems Act*
 - b) *The rates policy in terms of section 3 of the Municipal Property Rates Act*
 - c) *The credit control and debt collection policy in terms of section 96 of the Municipal Systems Act*
 - d) *The cash management and investment policy in terms of section 13(2) of the Act*
 - e) *A borrowing policy complying with Chapter 6 of the Act*
 - f) *A funding and reserves policy*
 - g) *A policy related to the long-term financial plan*
 - h) *The supply chain management policy in terms of section 111 of the Act*
 - i) *Any policies dealing with the management and disposal of assets*
 - j) *Any policies dealing with infrastructure investment and capital projects, including the policy governing the planning and approval of capital projects and on developer contributions for property developments*
 - k) *The indigent policy of the municipality*
 - l) *Any policy relating to the provision of free basic services*
 - m) *Any policy related to budget implementation and monitoring including the shifting of funds within votes, the introduction of adjustment budgets, unforeseen and unavoidable expenditure and management and oversight*
 - n) *Any policy relating to managing electricity and water including the management of losses and promoting conservation and efficiency*
 - o) *Any policies relating to personnel including policies on overtime, vacancies and temporary staff*
 - p) *Any policies dealing with entities*
 - q) *Any other budget related or financial management policies of the municipality*
 - r) *Performance Management Policy Framework*
 - s) *Mayors burial assistance*
 - t) *Mayors first year student registration*

7. *That the service standards attached be noted*
8. *That the Top Layer SDBIP be noted*
9. *That the 2023/24 MTREF Procurement Plan be noted*

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.

The Municipality's service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate funds will be transferred from low- to high priority programmes so as to maintain sound financial stewardship. A critical review will also be undertaken of expenditure on non-essential and 'nice-to-have' items. 2023/24 MTREF was drafted in context of an economy that is not projected to grow.

The tabled (draft) budget for the 2023/24 MTREF period is based on the realisation that revenues and cash flows remain under pressure in 2023/24 and the ability of consumers to pay for services is declining resulting in less revenue being available. The municipality must adopt a conservative approach when projecting expected revenues and cash receipts. The municipality must further in terms of MFMA Circular 122 and MFMA Circular 123 carefully consider the affordability of tariff increases especially in relation to domestic consumers which makes up the bulk of the municipality's revenue base whilst considering the level and quality of services versus the associated cost.

The tabled budget was compiled by ensuring that the financial management processes are transparent, aligned to the accountability cycle and facilitate good governance that is accountable to the local community. Public perception shows high levels of unhappiness with service delivery and perceived corruption at municipalities and sound leadership is required as well as measures put in place to address mismanagement by implementing effective systems to measure, monitor and evaluate performance.

The tabled budget supports the provision of basic services to the communities, facilitating social and economic development, promoting a safe and healthy environment in a sustainable manner.

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

- Improving the effectiveness of revenue management processes and procedures
- Cost containment measures to amongst other things control unnecessary spending on nice-to-have items and non-essential activities as highlighted in MFMA Circular 82 relating to the Municipal Cost Containment Regulations
- Ensuring value for money through the procurement process
- The affordability of providing free basic services to households
- Not taking on unfunded mandates

- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water
- Automate business services where possible to increase efficiencies and lower customer costs
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services
- Curbing the consumption of water and electricity by indigents to ensure that they do not exceed their allocation
- Ensuring that all reasonable steps are taken to ensure that the municipality complies with its tax, pension, medical aid contributions, audit fees and other statutory commitments are paid
- Load shedding not only affects the electricity service but also some municipalities ability to pump water, thereby negatively impacting the stability of water supplies and the related functioning of the wastewater reticulation network. The load shedding crisis has been declared a state of disaster and will require tough budgeting choices for municipalities to make sure that basic municipal services are sustained. The regulations published in the Government Gazette No. 48152 on 27 February 2023 in terms of the Disaster Management Act, 2002 (Act 57 of 2002) require municipalities to “ensure continuous operation of water infrastructure and other specified essential infrastructure, including by installing alternative energy sources or other measures to provide an uninterrupted power supply.” Municipalities are further required to “mobilise available resources” and “provide funds for this purpose, subject to affordability”. As an immediate interim solution back-up electricity to pump water should be prioritised while being mindful of its affordability within the municipality’s available funding sources and other critical priorities.
- The following needs to be adequately planned and funding prioritised for the above including:

When planning to pump water/maintain the wastewater service by way of any alternative solution(s), it is important to plan and budget for associated capital and operational costs to operate and maintain the solution(s) over the 2023/24 MTREF and longer term.

The additional cost of diesel the municipality has already incurred during the elevated load shedding since December 2022 for the generator should be projected to continue in 2023/24.

The additional costs of prolonged load shedding should be continued because although a state of emergency has been declared to deal with the continual load shedding challenges in the country, it is likely that load shedding will continue during the 2023/24 municipal financial year. The impact of load shedding has also been factored into the electricity revenue projections.

Municipalities are always asked to try and balance full cost recovery on services with affordability for residents. This means that where the full increase in the cost of a service is not passed onto consumers, the municipality must offset the increased costs through savings identified elsewhere in their operations. Therefore reducing/limiting overall expenditure is a key part of budgeting for the response to load shedding. The

municipality must stick to its core mandate and functions and carefully review overall expenditure to manage the net effect. Measures include aggressively cutting costs, frills and vanity projects, dealing with bloated administrations and structures.

Whilst maximising efficiency in operations, tariff setting efforts should be consider the need to make additional provision for repairs and maintenance associated with infrastructure breakdowns and theft during load shedding.

The municipality has to budget for reduced bulk purchases and sales to municipal customers based on the load shedding principles as well as consumers that are installing alternative electricity which is resulting in less revenue being received by the municipality.

The municipality must carefully monitor the Eskom accounts for any penalties that result from increased demand immediately after a period of load shedding is ended. Eskom has indicated that they will reverse any penalties for exceeding notified maximum demand that results from the implementation of load shedding.

The following budget principles and guidelines directly informed the compilation of the tabled 2023/24 MTREF:

- The 2022/23 Adjustment Budget priorities and targets, as well as the base line allocations contained in the Adjustment Budget.
- Service level standards were used to inform the measurable objectives, targets and backlog eradication goals.
- Tariff and property rate increases should be affordable and try not to exceed inflation as measured by the CPI, except where the price increases in the services that are beyond the control of the municipality, i.e. ESKOM.
- Cost Containment Regulations have been implemented to curtail spending in terms of the regulations.
- No budget has been allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the Division of Revenue Act gazette.

National Treasury has issued a Circular (MFMA Circular No 64) giving guidance to municipalities of what should be done to maximise the revenue generating potential of existing sources of revenue such as property rates and trading services. Further Circulars will be issued by National Treasury to guide municipalities in developing credible revenue frameworks by reaffirming the fundamental principles of costing, revenue management and revenue enhancement.

Revenue management is described as a fundamental and routine financial management function of the municipality's revenue generating business that includes billing and collection activities in respect of trading services and property rates.

Revenue enhancement is about improving by making more, in the case of municipal revenue it is associated with increasing the value of revenue generated. Revenue enhancement can be broken into two components. The first being national policy developments that give rise to additional sources of revenue from government (grant funding) and the second component is the ability of the municipality to grow its own revenue base.

MFMA Circular No 58 advises that the municipality must ensure that the billing systems are accurate; accounts are sent out to residents on a monthly basis and follow-up to collect revenue owed to the municipality.

In terms of MFMA Circular No 64 the main responsibility of the municipality is to deliver services. In terms of Section 75A of the Municipal Systems Act the municipality is allowed to levy and recover fees, charges or tariffs in respect of municipal service delivery functions and recover collection charges and interest on outstanding amounts. The municipality must adopt by-laws to give effect to the implementation and enforcement of the tariff policies.

Revenue generation is everyone's responsibility, not just that of the revenue Section. The municipality must effectively manage all functions that impact protecting and growing the revenue base. No municipality can be sustainable if it does not collect its revenue.

The following are fundamental to maximising the existing revenue:

- Billing system that correctly reflects all billing and customer information required to issue accurate accounts to consumers.
- All property within the municipal jurisdiction must be correctly valued and the billing system must be updated with any change in property ownership. This is necessary to protect and grow the property rates base.
- Effective business processes to ensure new property development as well as improvements to existing properties are valued as required.
- Correct categorisation of properties.
- Water and electricity meter numbers must be recorded correctly and linked to corresponding property.
- Continual maintenance of water and electricity meters to minimise losses due to leakages or incorrectly metered consumption.
- Accurate meter reading and minimising the amount of meter reading estimates.
- Refuse and sanitation service charges must be included in all billing records and the municipality must ensure these services are not run at a loss.
- Billing queries to be resolved within reasonable timeframes.
- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements and how to deliver on it.
- A data management strategy and develop internal capacity to perform reconciliations and investigations to improve the completeness of billing
- The interruption or restriction of the supply of water services to a defaulting customer
- Restriction of both water and electricity supply as a collection tool effective from 1 July 2023 with by-laws and policies clearly stipulating the order in which any partial payment of the consolidated municipal bill (including property rates) will be applied as well as the process before the supply of water and electricity services will be cut. The recommended order by National Treasury is that the payment firstly be applied to property rates, waste water, waste management, water and lastly electricity

To achieve this the municipality must ensure cost reflective tariffs; operation efficiencies; maximising revenue regenerating potential of own revenue sources and a productive workforce and sound decision making to ensure that the limited financial resources are spent wisely so that value for money is achieved.

services provided	-	-	-	-	-	-	-	-	-
Households below minimum service level									
Water: Sanitation/sewerage: Energy:	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

Total operating revenue has increased by R71,4 million for the 2023/24 financial year when compared to the 2022/23 Adjustment Budget. For the two outer years, operational revenue will increase, equating to a total revenue growth of R139 million over the MTREF when compared to the 2022/23 financial year.

Total operating expenditure for the 2023/24 financial year has been appropriated at R776,4 million. When compared to the 2022/23 Adjustment Budget, operational expenditure has increased by 5,24% in the 2023/24 budget and 4,9% and 4,7% increases for each of the respective outer years of the MTREF. The budget for bulk purchases to Eskom has increased to 18,7% as announced by NERSA and the employment budget has increased by 5% (CPI 5,3%) as per the MFMA Circulars 122 & 123, as well as the collective agreement 07/2021.

The capital budget of R 80,9 million for 2023/24 is more when compared to the 2022/23 Adjustment Budget. The increase is due to increased capital funding from grants being allocated for 2023/24. The capital program decreases to R53,8 million in the 2024/25 financial year due and then increases to R58,6 million in 2025/26. Currently a limited amount of funding for the capital budget will be funded from internally generated funds in each of the financial years of the MTREF. The internally funded projects will commence only in the 2nd half of the financial year but are a necessity. Capital from government grants and transfers amounts to R 73,9 million which is more than the 2022/23 financial year. Of the R16,6 million allocated to the municipality from INEP all is for electrification in Eskom areas and the funds for that portion are not shown in the income and expenditure budget as the project does not become a capital item of the municipality but is handed back to Eskom on completion.

Operating Revenue Framework

For Abaqulusi 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. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. It is important to note that the municipal equitable share as a policy instrument is meant to subsidise services to the poorest of the poor and not to pay municipal creditors. This bad practice by municipalities will be addressed by National Treasury as a matter of urgency. Municipal creditors should be advised that municipalities cannot use funds allocated for basic services provision to pay creditors. Municipalities must ensure that they render basic services, maintain assets and a clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to strengthen awareness and participation to improve the reputation of the municipality. This will assist in attracting investment in the local economy which could result in increased employment.

The municipality is experiencing serious liquidity challenges and the leadership is advised to decisively address unfunded budget by reducing non-priority spending and improving revenue management processes to enable collection and address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery

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

- National Treasury's guidelines and tariff setting tool;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 90% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as per MFMA Circular No. 123, the draft tariffs will be submitted to the National Electricity Regulator of South Africa (NERSA) for approval;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- 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 Tabled 2023/24 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by Main Revenue Source A4

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand	1										
Revenue											
Exchange Revenue											
Service charges - Electricity	2	182 861	190 233	207 507	205 946	205 946	205 946	148 170	266 529	299 974	362 069
Service charges - Water	2	34 542	44 497	46 122	59 124	59 124	59 124	32 316	62 253	65 304	68 373
Service charges - Waste Water Management	2	29 097	32 008	32 805	34 920	34 920	34 920	27 250	36 734	38 534	40 345
Service charges - Waste Management	2	16 193	18 420	22 964	27 149	27 149	27 149	17 024	28 588	29 989	31 398
Sale of Goods and Rendering of Services		382	798	592	487	487	487	924	513	538	563
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		11 478	7 979	10 971	64 834	64 834	64 834	9 821	35 088	39 544	44 566
Interest earned from Current and Non-Current Assets		1 867	897	1 265	1 620	1 620	1 620	1 212	1 706	1 789	1 874
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1 141	1 070	937	8 634	8 634	8 634	874	667	700	733
Licence and permits		3 646	2 837	5 820	7 110	7 110	7 110	2 956	2 643	2 773	2 903
Operational Revenue		586	3 928	123	1 000	1 000	1 000	1 692	-	-	-
Non-Exchange Revenue											
Property rates	2	94 550	100 717	102 034	99 099	97 479	97 479	74 237	120 645	125 675	130 736
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		11 195	13 602	18 183	5 253	5 253	5 253	15 003	5 531	5 802	6 075
Licences or permits		-	-	-	-	-	-	-	4 844	5 081	5 320
Transfer and subsidies - Operational		179 986	210 960	187 263	200 369	200 369	200 369	210 206	219 671	235 844	229 464
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	(26 198)	-	-	-	-	-	-	-
Other Gains		-	41 784	19 220	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contribute		567 524	669 730	629 608	715 544	713 924	713 924	541 686	785 412	851 546	924 418

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant % of the revenue basket for the Municipality.

Service charge revenues comprise more than 50,2% of the total revenue mix. In the 2023/24 financial year, revenue from services charges is expected to total R 394,6 million. This increases to R434,3 million and R502,7 million in the respective financial years of the MTREF. This includes the revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 15,3% or R120,6 million rand and increases to R130,7 million by 2025/26.

The third largest sources are “other revenue” which consists of various items such as income received from permits and licenses, building plan fees, connection fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. The anticipated revenue from all other revenue is R50,4 million.

Operating grants and transfers totals R 219,6 million in the 2023/24 financial year and increases to R229,4 million by 2025/26.

The municipality will investigate sourcing additional funding which will be applied to address:

- Compensation for rising costs of providing free basic water and electricity to poor households.
- Accelerate provision of access to clean water through bulk and reticulation projects.
- Accelerate provision of access to electricity and improving the sustainability of access through the refurbishment of key infrastructure.
- Expand the collection and use of date on the condition of municipal roads.
- Increase the number of interns with infrastructure-related skills. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts – SA18 – Transfer & Grant Receipts

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
RECEIPTS:									
Operating Transfers and Grants National Government:									
	152 511	205 771	176 142	212 112	212 112	212 112	225 746	233 772	234 913
Local Government Equitable Share	148 281	191 340	167 581	187 494	187 494	187 494	203 715	220 323	220 996
Finance Management	2 235	2 600	2 650	3 000	3 000	3 000	3 000	3 000	3 000
EPWP Incentive	1 995	1 831	2 515	2 773	2 773	2 773	2 351	10 449	10 917
Integrated National Electrification Programme	-	10 000	3 396	18 845	18 845	18 845	16 680		
Other transfers/grants [insert description]									
Provincial Government:	4 319	5 372	5 119	15 498	15 498	15 498	10 012	10 234	5 468
Sport and Recreation				8 500	8 500	8 500			
Economic Development Arts & Culture - Museum Arts & Culture - Libraries				2 000	2 000	2 000	2 000	249	
Arts & Culture - Libraries				3 540	3 540	3 540	3 540		
Information Support Cogta - Small Towns				1 223	1 223	1 223	1 223	260	272
Other transfers/grants [insert description]	4 319	5 372	5 119				3 000	3 697	3 862
								1 277	1 334
								5 000	
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]									
Total Operating Transfers and Grants	156 830	211 143	181 261	227 610	227 610	227 610	235 758	244 006	240 381
Capital Transfers and Grants National Government:									
	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701

Municipal Infrastructure Grant (MIG) Other capital transfers/grants [insert desc]	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]									
Total Capital Transfers and Grants	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
TOTAL RECEIPTS OF TRANSFERS & GRANTS	193 965	247 594	220 368	269 693	269 693	269 693	295 611	289 743	288 082

Reference is made to MFMA Circular No. 98 paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures that the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery. Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost

With effect from the 2023/24 MTREF, all municipalities as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality must submit a strategy that is included in the budget narratives explaining the calculation.

The aim of this tool is to assist in setting tariffs that are cost-reflective and enable the municipality to recover costs to fulfil its mandate. Going forward it is also imperative that every municipality fully embrace the Municipal Standard Chart of Accounts (mSCOA) costing component.

National Treasury further encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality.

It is therefore critical to understand the economic environment specific to the municipality and consideration should include at least:

- The socio-economic profile undertaken for the municipality
- The most recent average monthly household income in the municipality as per Stats SA
- The average property value in the municipality as per its most recent approved general valuation roll and/or supplementary general valuation roll
- The number of indigent households in the municipality, including any variation in the number of indigent households included in the Equitable Share free basic services component for the municipality vs the municipality's own indigency level discretion, and
- The economic drivers and activities specific to the municipal area

The Budget Steering Committee tasked with this role must understand and deliberately reflect on this context during the tariff setting process. Considering the average monthly household income, the median affordable municipal bill would ideally not exceed proportionally approximately 10 to 15 percent the average monthly household income. This median affordable bill, in combination with the median average property value should inform the basis to determine any rebates to households with income below the median.

It is also important when setting particularly water and electricity tariffs that the municipality is encouraged to set tier tariffs that include a basic availability charge to recover the fixed (direct and indirect) cost associated with the service in conjunction with consumption-based tariff bands.

It should further be noted that NERSA approves seasonal tariffs for Eskom but not for the municipality. The municipality will be factoring this in its tariff application to NERSA for approval, illustrating the cash flow crunch the municipality is in because of not being allowed to implement these tariffs and the current impact it will have if the municipality is not allowed to implement the seasonal tariff to recover the higher Eskom bulk cost during winter months. If the actual increase in municipal bulk tariffs exceeds the provision made in the formula National Treasury have advised that provision has been made to fund cost relief measures for municipalities.

Additional load shedding considerations have been factored in when calculating the anticipated revenue collection rates which include:

- Consumption patterns amongst pre-paid users who work more sparingly with electricity units. This has a lagging effect on revenue estimations as units are paid upfront and not necessarily used in high-demand periods; and
- A decline in average consumption patterns for post-paid customers

As part of the debtor management strategy the municipality will communicate the impact of load shedding on municipal tariff setting, through campaigns during the IDP/Budget public participation road shows. Consumers will expect a decrease in their electricity bills as consumption drops due to load shedding. Not understanding the impact of tariff structures (fixed and demand-driven components) can create distrust and reduce willingness to pay municipal accounts.

The municipality will be enforcing a culture of payment for services to ensure a 90% collection rate is maintained throughout the 2023/24 financial year through strict credit control processes.

The affordability of allocating free basic services above the national norm and to consumers other than indigent consumers has been assessed and due to the financial situation of the municipality free basic services will only be provided to registered indigent consumers and these consumers will be monitored monthly that should the conditions for these services not be adhered to the indigent relief will be removed from a consumer.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The anticipated increase for the 2023/2024 financial year will be 5,3% increase. The rates revenue is expected to increase the current value from R116,6 million to R120,6 million. All households receive a rebate on the first R 15,000 and indigent residents a further R 115,000

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly. The municipality has ensured that in line with MFMA Circular No 107 relating to the new rateable property categorisation framework has been utilised.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 % rebate will be granted to registered indigents in terms of the Indigent Policy;
- In order to qualify for such rebates, a pensioner, a retiree, a physically and mentally disabled person, an indigent and/or person temporarily without income, or a child headed household must:
 - must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - be living on the property;
 - not own any other property;
 - have an aggregate household income reflected in the table below, in which instance the corresponding rebate as reflected therewith will be granted;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.

Income Bracket	Percentage Rebate
R0 - R4,500 per month	25%
R4,501 - R5,000 per month	20%
R5,001 - R5,500 per month	15%
R5,501 - R6,500 per month	10%

- The Municipality may award a 100% grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2023/24 financial year based on a 5,3% increase from 1 July 2023 is contained below:

Table 4 Comparison of proposed rates to be levied for the 2023/24 financial year

Category	Current Tariff	Proposed tariff
	(1 July 2022)	(from 1 July 2023)
Residential properties	0.0098454	0.0103672
State owned properties	0.0246136	0.0259182
Business & Commercial	0.0246136	0.0259182
Agricultural	0.0024615	0.0025920
Vacant land	0.0246136	0.0259182
Municipal rateable – Residential	0.0098454	0.0103672
Industrial	0.0246136	0.0259182
Non-permitted use/Illegal usage	0.0246136	0.0259182
Public benefit organisation properties	0.0024615	0.0025920
Special consent	0.0246136	0.0259182

Description	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
					Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Property rates (rate in the Rand)							
Residential properties	0.00843410	0.00902450	0.00939450	0.00984240	0.01036720	0.01087520	0.01138640
Residential properties - vacant land	0.02108530	0.02256130	0.02348630	0.02461360	0.02591810	0.02718810	0.02846590
Formal/informal settlements	-	-	-	-	-	-	-
Small holdings	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Farm properties - used	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Farm properties - not used	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Industrial properties	0.02108530	0.02256130	0.02348630	0.02461360	0.02591810	0.02718810	0.02846590
Business and commercial properties	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Communal land - residential	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Communal land - small holdings	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Communal land - farm property	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Communal land - business and commercial	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Communal land - other	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
State-owned properties	0.02108530	0.02256130	0.02348630	0.02461360	0.02591810	0.02718810	0.02846590
Municipal properties	0.00210870	0.00256300	0.00234900	0.00246150	0.00259200	0.00271890	0.00284670
Public service infrastructure	0.02108530	0.02256130	0.02348630	0.02461360	0.02591810	0.02718810	0.02846590
Privately owned towns serviced by the owner	0.02108530	0.02256130	0.02348630	0.02461360	0.02591810	0.02718810	0.02846590
State trust land							
Restitution and redistribution properties							
Protected areas							
National monuments properties							
Exemptions, reductions and rebates (Rands)							
Residential properties							
R15 000 threshold rebate	15 000	15 000	15 000	15 000	15 000	15 000	15 000
General residential rebate	115 000	115 000	115 000	115 000	115 000	115 000	115 000
Indigent rebate or exemption							
Pensioners/social grants rebate or exemption							
Temporary relief rebate or exemption							
Bona fide farmers rebate or exemption							
Other rebates or exemptions							

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, National Treasury has urged all municipalities to ensure that water tariffs charged are able to cover for the cost of bulk purchases, ongoing operations as well as provision for future infrastructure. This has not been possible due to the severe drought in the Abaqulusi area.

To mitigate the need for water tariff increases, municipalities are encouraged to put in place appropriate strategies to limit water losses to acceptable levels. Water losses have decreased from 74% in 2019/20 to 61% in 2020/21 and decreased further to 54% in 2021/22.

Zululand District Municipality as well as Abaqulusi municipality has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that the current infrastructure is unlikely to sustain its long-term ability to supply water and the District Municipality will have no other choice but to provide funding for infrastructure upgrades. An assessment has been done by the Director Technical and the main challenge contributing to the water losses is that there are residents who do not have water meters. To rectify the problem together with the water leaks on the pipelines there is a recommendation that for a period of 3 years that all residents (approximately 16,000 households) pay an additional tariff charge of R31,67 which will be ringfenced for the purpose of water asset renewal.

A tariff increase of 5,3% from 1 July 2023 for water is proposed. In addition, 6 kl water per 30-day period will again be granted free of charge to all indigent community members. An additional flat rate of R135 will be implemented from the 1st of July 2023 for all consumers who do not have water meters.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS	PROPOSED TARIFFS
	2022/23	2023/24
	Rand per kl	Rand per kl
RESIDENTIAL		
(i) 0 to 6 kl per 30-day period	12.62	13.29
(ii) 6.01 to 15 kl per 30-day period	12.62	13.29
(iii) 15.01 to 30 kl per 30-day period	12.74	13.42
(iv) 30.01 to 99 kl per 30-day period	13.98	14.72
(v) More than 99.01 per 30-day period	16.31	17.17
BUSINESS		
(i) 0 to 6 kl per 30-day period	12.62	13.29
(ii) 6.01 to 30 kl per 30-day period	12.62	13.29
(iii) 30.01 to 99 kl per 30-day period	12.74	13.42
(iv) 30.01 to 99 kl per 30-day period	13.98	14.72
(v) More than 99.01 per 30-day period	16.31	17.17

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 6 Comparison between current water charges and increases (Domestic)

Monthly Consumption	Current amount payable	Proposed amount payable	Difference (Increase)	Percentage change
kℓ	R	R	R	
6	75.71	79.72	4.01	5.30%
10	126.18	132.87	6.69	5.30%
20	254.98	268.49	13.51	5.30%
30	382.31	402.57	20.26	5.30%
50	699.02	736.07	37.05	5.30%
80	1 118.43	1 177.71	59.28	5.30%
100	1 630.69	1 717.12	86.43	5.30%

KZN263 Abaqulusi - Supporting Table SA13a Service Tariffs by category

Description	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
					Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Water tariffs							
Domestic							
Basic charge/fixed fee (Rands/month)	47.72	50.11	52.11	54.61	57.51	60.33	63.16
Service point - vacant land (Rands/month)	60.06	63.06	65.59	68.74	72.38	75.92	79.49
Water usage - flat rate tariff (c/kl)	60.06	63.06	65.59	68.74	72.38	75.92	79.49
Water usage - life line tariff	11.03	11.58	12.04	12.62	13.29	13.94	14.60
Water usage - Block 1 (c/kl)	11.03	11.58	12.04	12.62	13.29	13.94	14.60
Water usage - Block 2 (c/kl)	11.03	11.58	12.04	12.62	13.29	13.94	14.60
Water usage - Block 3 (c/kl)	12.04	12.64	13.15	13.78	14.51	15.22	15.94
Water usage - Block 4 (c/kl)	13.98	14.67	15.28	16.00	16.84	17.67	18.50

Sale of Electricity and Impact of Tariff Increases

NERSA is responsible for price determination of the bulk costs for electricity. In January 2023, NERSA approved tariff increases of 18,7% to Eskom for the 2023/2024 financial year and 14,7% for the 2024/2025 financial year and 17,7% for the 2025/2026 financial year. For purposes of calculating the free basic energy subsidy for the local government equitable share National Treasury has added 2% to the increases. This is in anticipation of higher increases than those

published due to the difference in the financial years of Eskom customers and municipalities meaning that Eskom only has nine months to collect the allowable revenue from municipalities.

The pricing guideline from NERSA to municipalities is still being compiled, therefore the % increase the municipality may implement has not yet been provided. The municipality during the compilation of the tabled budget had for the period under review increased the tariff in-line with what National Treasury have advised in MFMA Circular No. 123. The municipality will submit an application using the draft tariffs to NERSA. National Treasury have noted that NERSA approves seasonal tariffs for Eskom but not for the municipality. The municipality will factor this into the tariff application to NERSA, illustrating the cash flow crunch if the municipality is not similarly allowed a seasonal tariff to recover the higher Eskom bulk cost during winter months.

The theft of electricity due to tampering and bypassing of electricity remains a challenge as well as theft of cables on a daily basis and substations being vandalised especially during the periods of load shedding.

During the 2023/24 and 2024/25 financial years the municipality has to undertake the process of auditing, re-calibrating and re-configuring of prepayment meters due to the token identifiers (TID) used to identify each credit token that will run out of available numbers in November 2024 and all prepaid meters will stop accepting credit tokens. The remedy is to visit each meter and enter a special set of key change tokens in order to reset the meter memory. National Treasury will be facilitating a transversal contract for these services and the municipality will then commence with the process to ensure all meters are compliant by November 2024. During this process all meters will be checked which will assist in addressing tampered and faulty meters and assist in increasing revenue on the sale of electricity.

The municipality will approach Provincial Treasury for support in developing a Wheeling Framework to allow for the transmission of energy across the networks. These wheeling frameworks will provide an opportunity for the municipality to generate revenue from the distribution network.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 7 Comparison between current electricity charges and increases (Domestic) `

CONVENTIONAL - LOW SEASON (September to May)

	c/kwh Current	c/kwh 20.70%	Diff	% Increase
0 - 50 (Block 1)	121.98	147.23	25.25	20.70
51 - 350 (Block 2)	172.72	208.47	35.75	20.70
351 - 600 (Block 3)	243.55	293.96	50.41	20.70
>600 (Block 4)	287.45	346.95	59.50	20.70

CONVENTIONAL - HIGH SEASON (July, August & June)

	c/kwh Current	c/kwh 20.70%	Diff	% Increase
0 - 50 (Block 1)	121.98	327.00	205.02	New
51 - 350 (Block 2)	172.72	463.00	290.28	New
351 - 600 (Block 3)	243.55	657.00	413.45	New
>600 (Block 4)	287.45	776.00	488.55	New

PREPAID - LOW SEASON (September to May)

	c/kwh Current	c/kwh 20.70%	Diff	% Increase
0 - 50 (Block 1)	136.3	164.51	28.21	20.70
51 - 350 (Block 2)	185.97	224.47	38.50	20.70
351 - 600 (Block 3)	253.62	306.12	52.50	20.70
>600 (Block 4)	318.62	384.57	65.95	20.70

PREPAID - HIGH SEASON (July, August & June)

	c/kwh Current	c/kwh 20.70%	Diff	% Increase
0 - 50 (Block 1)	136.3	372.00	235.70	New
51 - 350 (Block 2)	185.97	508.00	322.03	New
351 - 600 (Block 3)	253.62	693.00	439.38	New
>600 (Block 4)	318.62	870.00	551.38	New

The step tariff advised by NERSA and implemented over the previous year's results that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and inner municipality network was designed or strengthened in the early 1980's with an expected life of 20-25 years. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Electricity losses have decreased from 17% in 2019/20 to 16% in 2020/21 and for 2021/22 increased to 24%

One of the major challenges facing the municipality is the negative impact on electrical infrastructure through vandalism. It not only affects service delivery as services become unavailable immediately after it has been vandalised, but it is also expensive to repair and replace.

To illustrate the impact of vandalism done to electrical equipment the following table is provided:

Vandalism to electrical equipment					
Type of vandalism	Image	Impact on service delivery	How is it vandalised	Estimated cost of repair and time to repair	Why?
Streetlights - the lamp itself		The specific area where the vandalism took place is now dark	Stone throwing and other forceful methods	R3,000 per light fitting and will take 3 hours to repair	Meaningless act of vandalism and sometimes purposely done to commit other offences
Streetlights - internal wiring inside the pole		The specific area where the vandalism took place is now dark	Internal wiring is ripped out	R2,000 per pole and will take 5 hours to repair	To sell as scrap copper
Streetlights - tampering with day/night switch		The specific area where the vandalism took place is now dark	Breaking or tampering with switch	R5,000 to replace switch	Meaningless act of vandalism and sometimes purposely done to commit other offences
Streetlights - illegal connection		Loss of revenue	Electrical equipment connected to streetlights	R3,000 per light fitting and will take 3 hours to repair	To steal electricity
Overhead power lines are cut and even the pole itself is cut and dropped to the ground		It can cause an entire town to be without electricity	Wooden poles are cut with a saw	The cost of a full structure is approximately R200,000	To steal copper conductor
Mini-substations, Switchgear and LV Networks		It can cause an entire block of properties to be without electricity	Mini-substations are held and secured in a metal box. The box is opened by force using appropriate tools	The value of scrap copper is small in comparison to the damage. The cost of repair of less than 2kg of copper theft is approximately R50,000	To steal copper conductor and copper bus-bars inside the mini-substation
Electricity Meters		Loss of revenue	Electricity meters are bypassed by consumers	R5,000 to replace meter + tamper fee fine of R30,000	To steal electricity
Replacement of broken/removed meter seals		Loss of revenue	Electricity seals are broken by consumers	R5,000 to replace seal + tamper fee fine of R30,000	To steal electricity

Electricity tariffs

Description	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
					Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Electricity tariffs							
Domestic							
Basic charge/fixed fee (<i>Rands/month</i>)	113.25	121.17	138.85	149.22	180.11	206.59	243.15
Service point - vacant land (<i>Rands/month</i>) FBE	94.00	98.00	112.94	121.98	147.23	168.87	198.76
Life-line tariff - meter							
Life-line tariff - prepaid							
Flat rate tariff - meter (<i>c/kwh</i>)							
Flat rate tariff - prepaid(<i>c/kwh</i>)							
Meter - IBT Block 1 (<i>c/kwh</i>)	94.00	98.00	112.94	121.98	147.23	168.87	198.76
Meter - IBT Block 2 (<i>c/kwh</i>)	133.00	140.00	159.83	172.72	208.47	239.11	281.44
Meter - IBT Block 3 (<i>c/kwh</i>)	187.00	198.00	227.23	243.55	293.96	337.17	396.86
Meter - IBT Block 4 (<i>c/kwh</i>)	220.00	234.00	268.14	287.45	346.95	397.95	468.39
Meter - IBT Block 5 (<i>c/kwh</i>)							
Prepaid - IBT Block 1 (<i>c/kwh</i>)	108.00	112.00	128.71	136.30	164.51	188.70	222.09
Prepaid - IBT Block 2 (<i>c/kwh</i>)	146.00	153.00	175.67	185.97	224.46	257.46	303.03
Prepaid - IBT Block 3 (<i>c/kwh</i>)	197.00	209.00	239.49	253.62	306.11	351.11	413.27
Prepaid - IBT Block 4 (<i>c/kwh</i>)	245.00	281.00	300.87	318.62	384.57	441.10	519.18
Prepaid - IBT Block 5 (<i>c/kwh</i>)							
Other							

The approved budget for the Energy Section can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

In addition, the Section must raise awareness and promote behaviour change through communication and education to ensure the 10% reduction in energy consumption is achieved. A renewable and cleaner energy plan has to be developed, monitored, evaluated and updated annually. To upgrade street lights to LED fittings and other energy efficiency projects is a costly exercise for which funding must be sourced.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

Sanitation and Impact of Tariff Increases

A tariff increase of 5,3% for sanitation from 1 July 2023 is proposed. This Section is currently operating at a deficit and it is generally accepted that all service departments should at least break even. This is based on the input cost assumptions related to water. It should be noted that electricity costs for the pump stations contribute approximately 15% (R8,3 million) of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100% of 6 kl water) will be applicable to registered indigents

Table 8 Comparison between current sanitation charges and increases

Description	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
					Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Waste water tariffs							
Domestic							
Basic charge/fixed fee (Rands/month)	87.25	151.57	157.63	165.20	173.95	182.48	191.05
Service point - vacant land (Rands/month)	87.25	151.57	157.63	165.20	173.95	182.48	191.05
Waste water - flat rate tariff (c/kl)	87.25	151.57	157.63	165.20	173.95	182.48	191.05
Volumetric charge - Block 1 (c/kl)	11.03	11.58	12.04	12.62	13.29	13.94	14.59
Volumetric charge - Block 2 (c/kl)	11.03	11.58	12.04	12.62	13.29	13.94	14.59
Volumetric charge - Block 3 (c/kl)	12.04	12.64	13.15	13.78	14.51	15.22	15.94

Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The service of refuse collection is outsourced which is the main contributor of expenditure as well as the cost of remuneration. This Section is budgeted to have a deficit. It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 5,3% increase in the waste removal tariff is proposed from 1 July 2023. Higher increases will not be viable in 2023/24 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher can be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt. The municipality is currently busy analysing the various business tariffs as it has been identified that businesses whose refuse is removed daily are not being charged the correct tariff. This exercise will be completed before the original budget is tabled in May 2023 which will result in additional revenue being collected for the municipality.

The following table compares current and proposed amounts payable from 1 July 2023:

Table 9 Comparison between current waste removal fees and increases

Description	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework		
					Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Waste management tariffs							
Domestic							
Street cleaning charge							
Basic charge/fixd fee	103.76	108.95	140.00	146.72	154.50	162.07	169.68
80l bin - once a week	325.34	348.11	362.03	379.41	399.52	419.10	438.79
250l bin - once a week	3 262.01	3 425.11	3 562.11	3 733.09	3 930.95	4 123.56	4 317.37

Overall impact of tariff increases on households

EXPLANATION OF TARIFF INCREASES ON HOUSEHOLDS

MFMA Circular 122 and MFMA Circular 123, attached as **Annexure F**, requires that all increases more than the inflation target of 6% for 2023/24 must be explained and justified

Property rates

Property rates are used by the Municipality to provide basic services and to perform its functions as set out in schedules 4B and 5B of the Constitution of the Republic of South Africa, 1996. This includes installing and maintaining of streets, roads, sidewalks, storm drainage, building regulations, provision of local sport facilities, parks, recreational facilities and cemeteries to name a few.

Summary of rates per ward:

	VACANT LAND	AGRICULTURE	BUSINESS	RESIDENTIAL	OTHER	TOTAL
WARD 1	229 091.00	580 200.00	230 830.00	1 303 297.00	1 292 218.00	3 635 636.00
WARD 2		1 254 561.00			730 505.00	1 985 066.00
WARD 3		478 248.00			424 399.00	902 647.00
WARD 4		1 259 495.00	90 777.00	222 554.00	2 125.00	1 574 951.00
WARD 5		818 915.00	82 525.00		613 358.00	1 514 798.00
WARD 6	140 865.00	487 486.00	307 421.00	1 303 298.00	691 335.00	2 930 405.00
WARD 7	96 415.00	75 342.00	438 836.00	457 164.00	673 058.00	1 740 815.00
WARD 8	1 257 782.00	372 590.00	23 424 345.00	16 329 106.00	4 025 374.00	45 409 197.00
WARD 9	339 190.00	295 491.00	2 312 821.00	18 127 823.00	373 200.00	21 448 525.00
WARD 10	563 902.00	14 507.00	77 536.00	2 740 684.00	316 498.00	3 713 127.00
WARD 11	23 222.00		41 509.00	1 571 621.00	543 181.00	2 179 533.00
WARD 12	31 853.00	140 429.00	5 866.00	161 749.00	5 190 764.00	5 530 661.00

WARD 13	342 948.00	588 305.00	436 472.00	2 276 699.00	418 107.00	4 062 531.00
WARD 14	49 633.00					49 633.00
WARD 15	212 114.00				678 668.00	890 782.00
WARD 16	101 120.00		13 114.00	143 907.00	94 001.00	352 142.00
WARD 17					384 273.00	384 273.00
WARD 18			309 124.00		853 835.00	1 162 959.00
WARD 19				902 210.00	251 633.00	1 153 843.00
WARD 20		35 860.00	67 228.00	1 387 925.00	46 352.00	1 537 365.00
WARD 21		316 193.00			414 792.00	730 985.00
WARD 22	477 205.00	443 595.00	7 236 496.00	11 102 274.00	201 628.00	19 461 198.00
Free Basic				-1 705 755.00		-1 705 755.00
						120 645 317.00

Summary for electricity per ward:

	BASIC	CONVENTIONAL	PREPAID	TOTAL
WARD 5	2 161.00	881.00		3 042.00
WARD 6	182 293.00	533 880.00		716 173.00
WARD 7	256 934.00	230 730.00		487 664.00
WARD 8	8 917 992.00	72 563 397.00		81 481 389.00
WARD 9	2 274 085.00	20 946 521.00		23 220 606.00
WARD 10	208 895.00	701 062.00		909 957.00
WARD 11	90 996.00	194 894.00		285 890.00
WARD 12	86 675.00	555 824.00		642 499.00
WARD 13	31 394.00	3 116 546.00		3 147 940.00
WARD 16	49 547.00	525 962.00		575 509.00
WARD 18	303 259.00	7 486 997.00		7 790 256.00
WARD 20	313 229.00	1 362 124.00		1 675 353.00
WARD 22	3 266 239.00	29 226 445.00		32 492 684.00
Free Basic			-4 828 000.00	-4 828 000.00
	15 983 699.00	137 445 263.00	116 427 980.00	265 028 942.00

Summary of water per ward:

	BASIC	CONSUMPTION	TOTAL
WARD 1	41 155.00	1 061 100.00	1 102 255.00
WARD 5	690.00	16 779.00	17 469.00
WARD 6	625 460.00	1 177 553.00	1 803 013.00
WARD 7	208 213.00	623 266.00	831 479.00
WARD 8	173 321.00	7 278 900.00	7 452 221.00
WARD 9	1 079 090.00	4 293 094.00	5 372 184.00
WARD 10	660 129.00	2 402 048.00	3 062 177.00
WARD 11	368 380.00	1 446 354.00	1 814 734.00

WARD 12 INCL WATER TANKERS	136 470.00	32 936 324.00	33 072 794.00
WARD 13	646 372.00	1 976 961.00	2 623 333.00
WARD 16	88 669.00	-	88 669.00
WARD 18	615 082.00	479.00	615 561.00
WARD 20	919 095.00	-	919 095.00
WARD 22	1 434 942.00	5 132 442.00	6 567 384.00
Free Basic	-3 159 000.00		-3 159 000.00
	3 838 068.00	58 345 300.00	62 183 368.00

Summary of refuse per ward:

WARD 1	575 588.00
WARD 6	2 206 772.00
WARD 7	507 097.00
WARD 8	8 342 484.00
WARD 9	3 620 076.00
WARD 10	2 092 668.00
WARD 11	1 145 596.00
WARD 12	408 139.00
WARD 13	2 171 876.00
WARD 16	305 481.00
WARD 18	1 987 686.00
WARD 20	2 959 441.00
WARD 22	4 897 338.00
FREE BASIC	-2 632 500.00
	28 587 742.00

Sewerage

Summary of sewerage per ward:

WARD 1	15 967.00
WARD 6	2 127 004.00
WARD 7	1 122 312.00
WARD 8	8 366 795.00
WARD 9	7 713 622.00
WARD 10	2 310 026.00
WARD 11	1 284 856.00
WARD 12	423 915.00
WARD 13	2 321 426.00
WARD 16	310 596.00
WARD 18	2 007 125.00
WARD 20	2 951 661.00
WARD 22	7 884 445.00
Free Basic	-2 106 000.00
	36 733 750.00

The increase in sanitation revenue is due to additional water meters installed and sewerage is billed based on water consumption

Total of all services in wards:

	RATES	WATER	SANITATION	ELECTRICITY	REFUSE	TOTAL
WARD 1	3 635 636.00	1 102 255.00	15 967.00	-	546 617.00	5 300 475.00
WARD 2	1 985 066.00	-	-	-	-	1 985 066.00
WARD 3	902 647.00	-	-	-	-	902 647.00
WARD 4	1 574 951.00	-	-	-	-	1 574 951.00
WARD 5	1 514 798.00	17 469.00	-	3 042.00	-	1 535 309.00
WARD 6	2 930 405.00	1 803 013.00	2 127 004.00	716 173.00	2 095 700.00	9 672 295.00
WARD 7	1 740 815.00	831 479.00	1 122 312.00	487 664.00	481 574.00	4 663 844.00
WARD 8	45 409 197.00	7 452 221.00	8 366 795.00	81 481 389.00	7 922 587.00	150 632 189.00
WARD 9	21 448 525.00	5 372 184.00	7 713 622.00	23 220 606.00	3 437 869.00	61 192 806.00
WARD 10	3 713 127.00	3 062 177.00	2 310 026.00	909 957.00	1 987 339.00	11 982 626.00
WARD 11	2 179 533.00	1 814 734.00	1 284 856.00	285 890.00	1 087 935.00	6 652 948.00
WARD 12	5 530 661.00	33 072 794.00	423 915.00	642 499.00	387 596.00	40 057 465.00
WARD 13	4 062 531.00	2 623 333.00	2 321 426.00	3 147 940.00	2 062 560.00	14 217 790.00
WARD 14	49 633.00	-	-	-	-	49 633.00
WARD 15	890 782.00	-	-	-	-	890 782.00
WARD 16	352 142.00	88 669.00	310 596.00	575 509.00	290 105.00	1 617 021.00
WARD 17	384 273.00	-	-	-	-	384 273.00
WARD 18	1 162 959.00	615 561.00	2 007 125.00	7 790 256.00	1 887 641.00	13 463 542.00
WARD 19	1 153 843.00	-	-	-	-	1 153 843.00
WARD 20	1 537 365.00	919 095.00	2 951 661.00	1 675 353.00	2 810 485.00	9 893 959.00
WARD 21	730 985.00	-	-	-	-	730 985.00
WARD 22	19 461 198.00	6 567 384.00	7 884 445.00	32 492 684.00	4 650 843.00	71 056 554.00
Prepaid Elec				116 427 980.00		116 427 980.00
Free Basic	-1 705 755.00	-3 159 000.00	-2 106 000.00	-4 828 000.00	-2 632 500.00	-14 431 255.00
	120 645 317.00	62 183 368.00	36 733 750.00	265 028 942.00	27 016 351.00	511 607 728.00

Sundry tariffs increase by 5,3%

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to a 5,3%, increase, except for electricity which increases by 20,7% for all households including indigent households.

In terms of Section 64 2(g) of the MFMA a Municipality must for the purposed of the sub-Section take reasonable steps to ensure

- (g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework.

Table 10 KZN263 Table SA14 – Household Bills

KZN263 Abaqulusi - Supporting Table SA14 Household bills

Description	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework Budget Year 2023/24 % incr.	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast				
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	631.86	676.09	703.81	737.59	737.59	737.59	5.3%	776.68	814.74	853.03
Electricity: Basic levy	113.24	121.17	138.85	149.22	149.22	149.22	20.7%	180.11	206.58	243.15
Electricity: Consumption	1 995.85	2 135.61	2 562.73	2 754.16	2 754.16	2 754.16	20.7%	3 324.27	3 812.94	4 487.83
Water: Basic levy	47.70	50.11	52.11	54.61	54.61	54.61	5.3%	57.50	60.32	63.16
Water: Consumption	336.38	359.93	376.13	394.18	394.18	394.18	5.3%	415.07	435.41	455.87
Sanitation	144.35	151.57	157.63	165.20	165.20	165.20	5.3%	173.96	182.48	191.06
Refuse removal	103.76	108.95	140.00	146.72	146.72	146.72	5.3%	154.50	162.06	169.68
Other										
sub-total	3 373.14	3 603.43	4 131.26	4 401.68	4 401.68	4 401.68	15.5%	5 082.09	5 674.53	6 463.78
VAT on Services	502.70	537.89	618.24	660.25	660.25	660.25	15.0%	762.31	851.18	969.57
Total large household bill:	3 875.84	4 141.32	4 749.50	5 061.93	5 061.93	5 061.93	15.5%	5 844.40	6 525.71	7 433.35
% increase/-decrease		6.8%	14.7%	6.6%	-	-		15.5%	11.7%	13.9%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	453.34	536.96	558.98	585.81	585.81	585.81	5.3%	616.86	647.08	677.50
Electricity: Basic levy	113.24	121.17	138.85	149.22	149.22	149.22	20.7%	180.11	206.58	243.15
Electricity: Consumption	835.89	1 072.47	1 222.62	1 313.95	1 313.95	1 313.95	20.7%	1 585.94	1 819.07	2 141.05

Operating Expenditure Framework

The Municipality's expenditure framework for the draft 2023/24 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- 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 programme is 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;
- Strict adherences to the principle of **no project plan no budget**. If there is no business plan no funding allocation can be made; and
- Creation of job opportunities by the municipality thus an increase in staff costs.

The following table is a high-level summary of the tabled 2023/24 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by type Table A4 by standard classification item

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand	1										
Expenditure											
Employee related costs	2	141 715	153 571	177 132	192 166	195 285	195 285	127 104	187 342	194 055	203 176
Remuneration of councillors		15 036	17 515	17 865	19 806	19 806	19 806	11 681	20 797	21 836	22 928
Bulk purchases - electricity	2	215 715	187 271	215 064	261 400	240 027	240 027	149 159	288 232	330 602	389 119
Inventory consumed	8	13 880	19 879	48 391	31 266	22 241	22 241	15 456	85 898	90 107	89 427
Debt impairment	3	10 011	64 771	25 742	-	-	-	-	-	-	-
Depreciation and amortisation		45 771	83 959	118 678	32 695	32 695	32 695	167	42 503	44 586	46 681
Interest		1 227	7 986	255	-	1 883	1 883	2 118	-	-	-
Contracted services		74 764	88 735	113 919	112 062	107 467	107 467	68 264	88 927	89 936	86 488
Transfers and subsidies		12 316	3 950	0	-	-	-	2	-	-	-
Irrecoverable debts written off		5 522	-	17 719	7 053	-	-	(148)	7 363	7 724	8 087
Operational costs		37 317	38 542	45 574	44 096	44 617	44 617	34 694	55 390	58 005	60 636
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		5 046	10 910	12 577	-	-	-	-	-	-	-
Total Expenditure		578 320	677 088	792 915	700 544	664 021	664 021	408 496	776 452	836 852	906 542
Surplus/(Deficit)		(10 796)	(7 358)	(163 308)	15 000	49 903	49 903	133 189	8 960	14 694	17 876
Transfers and subsidies - capital (monetary allocations)	6	40 399	35 368	32 308	40 904	42 424	42 424	21 669	75 940	53 899	58 618
Transfers and subsidies - capital (in-kind)	6	1 721	-	-	-	-	-	0	-	-	-
Surplus/(Deficit) after capital transfers & contributions		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494

Table 12 Summary of Revenue and Expenditure by source -Table A4 by standard classification item

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand	1										
Revenue											
Exchange Revenue											
Service charges - Electricity	2	182 861	190 233	207 507	205 946	205 946	205 946	148 170	266 529	299 974	362 069
Service charges - Water	2	34 542	44 497	46 122	59 124	59 124	59 124	32 316	62 253	65 304	68 373
Service charges - Waste Water Management	2	29 097	32 008	32 805	34 920	34 920	34 920	27 250	36 734	38 534	40 345
Service charges - Waste Management	2	16 193	18 420	22 964	27 149	27 149	27 149	17 024	28 588	29 989	31 398
Sale of Goods and Rendering of Services		382	798	592	487	487	487	924	513	538	563
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		11 478	7 979	10 971	64 834	64 834	64 834	9 821	35 088	39 544	44 566
Interest earned from Current and Non-Current Assets		1 867	897	1 265	1 620	1 620	1 620	1 212	1 706	1 789	1 874
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1 141	1 070	937	8 634	8 634	8 634	874	667	700	733
Licence and permits		3 646	2 837	5 820	7 110	7 110	7 110	2 956	2 643	2 773	2 903
Operational Revenue		586	3 928	123	1 000	1 000	1 000	1 692	-	-	-
Non-Exchange Revenue											
Property rates	2	94 550	100 717	102 034	99 099	97 479	97 479	74 237	120 645	125 675	130 736
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		11 195	13 602	18 183	5 253	5 253	5 253	15 003	5 531	5 802	6 075
Licences or permits		-	-	-	-	-	-	-	4 844	5 081	5 320
Transfer and subsidies - Operational		179 986	210 960	187 263	200 369	200 369	200 369	210 206	219 671	235 844	229 464
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	(26 198)	-	-	-	-	-	-	-
Other Gains		-	41 784	19 220	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contribute		567 524	669 730	629 608	715 544	713 924	713 924	541 686	785 412	851 546	924 418
Expenditure											
Employee related costs	2	141 715	153 571	177 132	192 166	195 285	195 285	127 104	187 342	194 055	203 176
Remuneration of councillors		15 036	17 515	17 865	19 806	19 806	19 806	11 681	20 797	21 836	22 928
Bulk purchases - electricity	2	215 715	187 271	215 064	261 400	240 027	240 027	149 159	288 232	330 602	389 119

Inventory consumed	8	13 880	19 879	48 391	31 266	22 241	22 241	15 456	85 898	90 107	89 427
Debt impairment	3	10 011	64 771	25 742	-	-	-	-	-	-	-
Depreciation and amortisation		45 771	83 959	118 678	32 695	32 695	32 695	167	42 503	44 586	46 681
Interest		1 227	7 986	255	-	1 883	1 883	2 118	-	-	-
Contracted services		74 764	88 735	113 919	112 062	107 467	107 467	68 264	88 927	89 936	86 488
Transfers and subsidies		12 316	3 950	0	-	-	-	2	-	-	-
Irrecoverable debts written off		5 522	-	17 719	7 053	-	-	(148)	7 363	7 724	8 087
Operational costs		37 317	38 542	45 574	44 096	44 617	44 617	34 694	55 390	58 005	60 636
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		5 046	10 910	12 577	-	-	-	-	-	-	-
Total Expenditure		578 320	677 088	792 915	700 544	664 021	664 021	408 496	776 452	836 852	906 542
Surplus/(Deficit)		(10 796)	(7 358)	(163 308)	15 000	49 903	49 903	133 189	8 960	14 694	17 876
Transfers and subsidies - capital (monetary allocations)	6	40 399	35 368	32 308	40 904	42 424	42 424	21 669	75 940	53 899	58 618
Transfers and subsidies - capital (in-kind)	6	1 721	-	-	-	-	-	0	-	-	-
Surplus/(Deficit) after capital transfers & contributions		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494

The budgeted allocation for employee related costs for the 2023/24 financial year totals R187,3 million, which equals 24,1% of the total operating expenditure. The multi-year Salary and Wage Collective Agreement from SALGBC to be implemented from 1 July 2023 is CPI (5,3%) in terms of the agreement.

The cost associated with the remuneration of councillors is determined through Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils notice issued by the Minister of Co-operative Governance and Traditional Affairs. Section 167 of the MFMA provides that the municipality may remunerate Councillors within the framework of the Public Office Bearers Act, 1998 (Act 20 of 1998) setting the upper limits of the salaries, allowances and benefits for political office-bearers. Any benefit which is not included in the above-mentioned notice constitutes irregular expenditure with recovery thereof from the Councillor concerned is mandatory.

The provision of debt impairment was determined based on an annual collection rate of 84% and the Debt Write-off Policy of the Municipality. For the 2023/24 financial year this amount equates to R7,3 million and an amount of R7,7 million for 2024/25 million which escalates to R8 million by 2025/26. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. It is important to note that depreciation represents the cost of using assets in service delivery and forms part of the total cost of providing the municipal service and is included in the setting of cost reflective tariffs to recover the full cost of rendering the service and is cash backed.

Bulk purchases are directly informed by the purchase of electricity from ESKOM. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. ESKOM increase has been budgeted for at 18,7% in line with the NERSA approved tariff increase to Eskom. The amount budgeted for bulk purchases amounts to R288,2 million which equates to 37,1% of the expenditure budget.

Inventory consumed (Repairs & Maintenance) comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2023/24 the percentage of this against the group of expenditure is 3,5% (R27,1 million) and increases for the two outer years by 4,9% and 4,7% by 2025/26.

Contracted services have increased for the Municipality for the 2023/24 financial year. As part of the compilation of the 2023/24 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2023/24 financial year, this group of expenditure totals R88,9 million and has escalated overall, clearly demonstrating the need to investigate these contracts before the 2023/24 financial year to try and apply cost containment measures. For the two outer years growth has been limited to 4,9% and 4,7% respectively. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2023/24 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. The reason for the escalation is the additional refuse services for the small towns where refuse was in the past not being collected and the additional security costs as more security guards had to be employed due to theft and damage of infrastructure

Other expenditure comprises of various line items such as insurances, telephone costs, bank charges, Subsistence and travelling, leasing of office equipment, vehicle leases and other costs relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost

savings and efficiencies can be achieved. Growth has been limited to 5% for 2023/24 and curbed at 4,9% and 4,7% for the two outer years, indicating that significant cost savings have been already realised.

1.4.1 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 and MTREF provide for extensive growth in the area of asset maintenance, as informed by MFMA Circular 122 and MFMA Circular 123, as well as the outcome of the 2021/2022 audit the municipality should budget for 8% of its expenditure budget to be allocated to repairs and maintenance and the on-going health of the municipality's infrastructure must be supported by an asset management plan. A further 40% of the municipal budget must be allocated to Capital for the renewal of existing assets and provide a detailed explanation and assurance that the budgeted amount is adequate to secure the on-going health of the municipality's infrastructure supported by reference to its asset management plan. The municipality in the state of local government finances and financial management has been accused of persistent under spending on capital and that the municipality is too reliant on capital grants. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 13 Operational Repairs and Maintenance Schedule SA1

KZN263 Abaqulusi - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	–	–	–	–	–	–	–	–
Inventory Consumed (Project Maintenance)	3 541	5 517	9 563	11 270	12 220	12 220	10 672	18 254	19 148	20 048
Contracted Services	10 671	18 307	35 203	20 392	22 352	22 352	13 064	4 106	4 307	4 510
Other Expenditure	7	15	72	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	14 218	23 840	44 838	31 662	34 572	34 572	23 736	22 360	23 456	24 558

During the compilation of the 2023/24 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance is allocated an amount of R22,3 million and will increase in 2024/25 to R23,4 million and then increase to R24,5 million by 2025/26. Notwithstanding, as part of the 2023/24 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2023/24 equates to R12,2 million in relation to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 2,9% for the respective financial years of the MTREF.

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 on an annual basis. The applications are strictly reviewed annually and this year tighter controls were implemented to ensure this service is given to only the poorest of the poor. Detail relating to free services, cost of free basis services, revenue foregone owing to free basic services as well as basic service delivery measurement is contained in Table 27 KZN263 A10 (Basic Service Delivery Measurement).

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.

The municipality's cost for the Free Basic Services is R14,4million.

Capital Expenditure

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

KZN263 Abaqulusi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description R thousand	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit	Budget Year	Budget Year +1	Budget Year +2
Capital Expenditure - Functional		(21 289)	(363)	155	7 500	2 600	2 600	2 559	1 000	-	-
Governance and administration											
Executive and council	13	-	-	1522	500	500	500	2037	-	-	-
Finance and administration		(21302)	(363)	(1366)	7000	2000	2000	521	1000	-	-
Internal audit		-	-	-	-	100	100	-	-	-	-
Community and public safety		25 679	9 742	9 055	-	1 019	1 019	744	31 917	15 492	-
Community and social services		28274	9423	9175	-	1019	1019	744	15917	15492	-
Sport and recreation		-	319	-	-	-	-	-	16000	-	-
Public safety		2471	-	(120)	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		(5065)	-	-	-	-	-	-	-	-	-
Economic and environmental services		48 017	3 251	4 998	45 979	46 480	46 480	20 082	30 343	19 021	-
Planning and development		3650	(28056)	-	-	1520	1520	-	-	-	-
Road transport		44367	31307	4998	45979	44960	44960	20082	30343	19021	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		(75 929)	16 653	(1 762)	2 425	2 875	2 875	2 696	17 680	-	-
Energy sources		4305	5864	(5345)	2425	2875	2875	2696	17680	-	-
Water management		(95394)	6650	-	-	-	-	-	-	-	-
Waste water management		6940	(3360)	182	-	-	-	-	-	-	-
Waste management		8220	7499	3391	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	(23 522)	29 283	12 447	55 904	52 974	52 974	26 080	80 940	34 513	-

For 2023/24 an amount of R7 million has been allocated from internal funding for the development of infrastructure due to cashflow constraints. The projects will be looked at during the preparation of the Adjustment Budget should the financial situation improve.

Total net assets represent 91,3% or R73,9 million of the total capital budget are from grant funding. Eskom and municipal INEP grants will begin funding alternative energy technologies such as rooftop solar and energy-saving devices. Due processes must be followed to access funding for these new technologies and the municipality needs to conform to the set requirements by submitting business plans by 31 October 2023. Priority should be given to new connections; i.e. non-grid technology should be targeted at households that do not have access to electricity. Some of the capital projects to be undertaken over the medium-term includes, amongst others:

- Computers and servers of R1 million from own funding;*
- Rehabilitation of roads – Phase 2 of Mark and President street of R5 million from own funding;*
- Alternative energy sources of R1 million at water works to provide an uninterrupted power supply in terms of the Disaster Management Act; and*
- MIG funded projects of R57,2 million*
- The R16,6 million from INEP is not shown as it is for electrification in Eskom licenced areas*

Should the additional tariff of R31,67 per household be approved following consultation the following capital projects will be implemented:

Area	Project Description	Description	Benefit or Objective	Type of asset renewal	Total Cost	Total Population
Vryheid Central: Vryheid Town, Bhekuzulu Lakeside, Sasko and all areas that receive water by water tankers	Klipfontein Raw Pump	Provision of a standby pump for provision of raw water to the Klipfontein water treatment plant	Ensure continuous operation of the water treatment plant in producing potable water	Procure and installation of a new standby pump and VSD/ panel refurbishment including supplying new components	R1 824 000.00	10000
Vryheid Central: Town and upper areas of the town	Klip Street pump station telemetry	Provision of an automation to control the operation i.e. starting and stopping of the Klip Street telemetry	To have a responsive control system that will ensure that there is continuous supply of water to the Vryheid district hospital and surrounding residence in the upper areas of the Vryheid town	Procure and installation of a new telemetry control system with all other associated electrical components	R570 000.00	10000
Vryheid Central: Town and upper areas of the town	Renewal of the Industrial Reservoir	Repairs and refurbishment of the industrial reservoir pipework, valves and cleaning of the reservoir including the fence	Increase the storage capacity of the entire Vryheid central cluster storage. This will minimise the impact of load shedding of the Vryheid cluster system. This reservoir can hold at least 5 million litres of water this storage will buffer the impact of load shedding	Procurement and installation of new inlet, outlet valves and isolation valve, these are 400mm DIA valves, including reservoir testing and cleaning/ disinfection	R3 420 000.00	10000.00
Vryheid Central: Vryheid Town, Bhekuzulu Lakeside, Sasko and all areas that receive water by water tankers since water resources will be protected	Pump for Bhekuzulu big Sewer pump station	ensure there is standby capacity to pump sewer to the Klipfontein wastewater treatment plant	Protection of the environment and water resource. Ensure proper operations of water born sewer system	Procurement and installation of a new standby pump including refurbishment of the electrical components	R1 710 000.00	10000
Vryheid Central: Vryheid Town, Bhekuzulu Lakeside, Sasko and all areas that receive water by water tankers since water resources will be protected	Pump for Bhekuzulu small Sewer pump station	ensure there is standby capacity to pump sewer to the Klipfontein wastewater treatment plant	Protection of the environment and water resource. Ensure proper operations of water born sewer system	Procurement and installation of a new standby pump including refurbishment of the electrical components	R228 000.00	10000

Mondlo township	repair of water leaks and separation of old asbestos line	separation of the old network i.e. the asbestos pipeline from the new PVC pipeline in Mondlo. This is aimed at separating the all household that have the new water pipeline connected through the old pipes from the ablution facilities	Reduce the water loss in Mondlo township and ultimately saving on the water purification cost. And also, to be able to meter each household	Procurement material to isolate the pipes, hire local labour for digging between the household where the old pipework is situated, in some instance hire of TLB for deep digging	R7 980 000.00	4500
Coronation	Raw water standby pump	Provision of a standby pump and also refurbishment of electrical panels	Ensure continuous operation of the water treatment plant in producing potable water	Procuring and installation of a new pump and refurbish electrical panels and other components	R570 000.00	1500
	High lift standby pump	Provision of a standby pump and also refurbishment of electrical panels	Ensure continuous operation of the water treatment plant in producing potable water	Procuring and installation of a new pump and refurbish electrical panels and other components	R570 000.00	1500
Hlobane	Kwatas standby pump	Provision of a standby pump and also refurbishment of electrical panels	Ensure continuous operation of the water treatment plant in producing potable water	Procuring and installation of a new pump and refurbish electrical panels and other components	R399 000.00	1500
Hlobane	Backwash standby pump	Provision of a standby pump and also refurbishment of electrical panels	Ensure continuous operation of the water treatment plant in producing potable water	Procuring and installation of a new pump and refurbish electrical panels and other components	R399 000.00	1500
Louwsburg	Raw water standby pump	Provision of a standby pump and also refurbishment of electrical panels	Ensure continuous operation of the water treatment plant in producing potable water	Procuring and installation of a new pump and refurbish electrical panels and other components	R570 000.00	1500
	Total				R18 240 000.00	16000

Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 A5. It needs to be noted that as part of the 2023/24 MTREF, this expenditure has been factored into the two outer years of the operational budget.

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 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page

Explanatory notes to KZN263 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 negative over the MTREF
 - b) Capital expenditure is balanced by capital funding sources, of which
 - I. Transfers recognised is 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. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This placed the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently, Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back can be achieved by 2024/25, even though the deficit shows higher the figures will be revisited before tabling the final document to ensure the deficit is reflected as being smaller or no deficit.

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 poor. The Section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2025/26 the water backlog will have been very nearly eliminated.*

Explanatory notes to KZN263 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.*
3. *Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Electricity, Water, Solid Waste and Waste water functions. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.*
4. *Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Governance & Administration.*

Table 14 KZN263 Table SA3 - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
ASSETS										
Trade and other receivables from exchange transactions										
Electricity	42203	49378	32162	228052	278776	278776	16318	181987	238790	305055
Water	35 227	51 331	60 956	98 989	97 847	97 847	59 020	5 874	12 035	18 072
Waste	29 070	34 478	44 474	56 550	56 026	56 026	37 561	1 781	3 649	5 606
Waste Water	38 238	47 292	57 457	93 330	92 656	92 656	47 717	3 607	7 392	11 354
Other trade receivables from exchange transactions	26 520	23 879	26 992	34 899	34 510	34 510	27 084	234	479	736
Gross: Trade and other receivables from exchange transactions	171 257	206 359	222 042	511 821	559 814	559 814	187 701	193 483	262 346	340 823
Less: Impairment for debt										
Impairment for Electricity	(102 081)	(149 217)	(154 466)	(421 968)	(421 968)	(421 968)	(65 615)	-	-	-
Impairment for Water	(32 999)	(28 886)	(14 754)	(189 487)	(189 487)	(189 487)	74 097	-	-	-
Impairment for Waste Water	(25 130)	(34 262)	(41 333)	(74 707)	(74 707)	(74 707)	(41 333)	-	-	-
Impairment for other trade receivables from exchange transactions	(19 181)	(28 464)	(36 961)	(47 223)	(47 223)	(47 223)	(36 961)	-	-	-
Total net Trade and other receivables from Exchange Transactions	(24 771)	(38 452)	(47 425)	(80 231)	(80 231)	(80 231)	(47 425)			
Receivables from non-exchange transactions										
Property rates	-	(19 153)	(13 993)	(30 321)	(30 321)	(30 321)	(13 993)	-	-	-
Less: Impairment of Property rates	69 176	57 141	67 576	89 853	137 846	137 846	122 086	193 483	262 346	340 823
Net Property rates										
Other receivables from non-exchange transactions	78969	95708	111104	187689	182694	182694	114264	5632	12620	19774
Impairment for other receivables from non-exchange transactions	(60 131)	(72 402)	(76 611)	-	-	-	(76 611)	-	-	-
Net other receivables from non-exchange transactions Total	18 839	23 305	34 493	187 689	182 694	182 694	37 653	5 632	12 620	19 774
net Receivables from non-exchange transactions	53 691	63 005	69 832	61 335	61 335	61 335	69 832	69 628	69 628	69 628
Inventory Water										
Opening Balance	(47 958)	(57 412)	(62 076)	(45 145)	(45 145)	(45 145)	(62 076)	(82 075)	(103 054)	(125 019)
System Input Volume	5 733	5 593	7 756	16 191	16 191	16 191	7 756	(12 447)	(33 426)	(55 392)
Water Treatment Works	24 571	28 898	42 248	203 879	198 885	198 885	45 409	(6 815)	(20 807)	(35 617)
Bulk Purchases	-	75	30	-	-	-	50	-	-	-
Natural Sources	-	-	-	-	-	-	-	-	-	-
Authorised Consumption	75	(45)	20							
Billed Authorised Consumption	75	(45)	20							
Billed Metered Consumption										
Free Basic Water	-	-	-	-	-	-	-	-	-	-
Subsidised Water	-	-	-	-	-	-	-	-	-	-
Revenue Water	-	-	-	-	-	-	-	-	-	-
Billed Unmetered Consumption										
Free Basic Water	-	-	-	-	-	-	-	-	-	-
Subsidised Water	-	-	-	-	-	-	-	-	-	-
Revenue Water	-	-	-	-	-	-	-	-	-	-
Unbilled Authorised Consumption										
Unbilled Metered Consumption	-	-	-	-	-	-	-	-	-	-
Unbilled Unmetered Consumption	-	-	-	-	-	-	-	-	-	-
Water Losses										
Apparent losses										
Unauthorised Consumption	-	-	-	-	-	-	-	-	-	-
Customer Meter Inaccuracies	-	-	-	-	-	-	-	-	-	-
Real losses										
Leakage on Transmission and Distribution Mains	-	-	-	-	-	-	-	-	-	-
Leakage and Overflows at Storage Tanks/Reservoirs	-	-	-	-	-	-	-	-	-	-
Leakage on Service Connections up to the point of Customer Meter	-	-	-	-	-	-	-	-	-	-
Data Transfer and Management Errors	-	0	-	-	-	-	-	-	-	-
Unavoidable Annual Real Losses	-	-	-	-	-	-	-	-	-	-
Non-revenue Water										
Closing Balance Water										
Agricultural										
Opening Balance		0								
Acquisitions	-	-	-	-	-	-	-	-	-	-
Issues	-	-	-	-	-	-	-	-	-	-
Adjustments	-	0	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Closing balance - Agricultural										

LIABILITIES										
Current liabilities - Financial liabilities										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities										
Total Current liabilities - Financial liabilities										
Trade and other payables from exchange transactions										
Trade and other payables from exchange transactions	147 398	89 884	140 641	82 065	162 917	162 917	105 258	99 848	85 950	71 352
Other trade payables from exchange transactions										
Trade payables from Non-exchange transactions: Unspent conditional Gr	8 275	6 171	7 524	17 560	17 560	17 560	13 964	13 955	13 955	16 029
Trade payables from Non-exchange transactions: Other										
VAT	99 878	134 423	178 273		49 071	49 071	211 377	6 427	6 427	6 427
Total Trade and other payables from exchange transactions	255 551	230 477	326 438	99 625	229 548	229 548	330 599	120 229	106 331	93 808
Non current liabilities - Financial liabilities										
Borrowing										
Other financial liabilities										
Total Noncurrent liabilities - Financial liabilities										
Other non-current liabilities - non-current										
Retirement benefits										
Refuse landfill site rehabilitation		38 273	40 185				40 185	40 185	40 185	40 185
Other	8 437	9 312	10 052	9 312	9 312	9 312	10 052	10 052	10 052	10 052
Total Other non-current liabilities - non-current	8 437	47 585	50 237	9 312	9 312	9 312	50 237	50 237	50 237	50 237
CHANGES IN NET ASSETS										
Accumulated surplus/(deficit)										
Accumulated surplus/(deficit) - opening balance	1 371 441	1 232 794	1 401 662	1 423 156	1 415 018	1 415 018	1 269 488	1 399 523	1 484 423	1 553 016
GRAP adjustments										
Restated balance	1 371 441	1 232 794	1 401 662	1 423 156	1 415 018	1 415 018	1 269 488	1 399 523	1 484 423	1 553 016
Surplus/(Deficit)	31 323	28 010	(130 999)	55 904	92 327	92 327	154 858	84 900	68 593	76 494
Transfers to/from Reserves										
Depreciation offsets										
Other adjustments	(146 280)	103 129	(1 177)				75			
Accumulated Surplus/(Deficit)	1 256 485	1 363 933	1 269 485	1 479 060	1 507 344	1 507 344	1 424 421	1 484 423	1 553 016	1 629 510
Reserves										
Housing Development Fund										
Capital replacement										
Self-insurance										
Other reserves										
Revaluation										
Total Reserves										
TOTAL COMMUNITY WEALTH/EQUITY	1 256 485	1 363 933	1 269 485	1 479 060	1 507 344	1 507 344	1 424 421	1 484 423	1 553 016	1 629 510

Explanatory notes to KZN263 Table A3 - Budgeted Financial Performance (Revenue and Expenditure by municipal vote)

1. *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. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.*
2. *The electricity trading is not showing signs of improvement over the 2023/24 MTREF from a deficit in the adjustment budget for 2022/23 of approximately R79,6 million to a deficit of R80,1 million in 2023/24 and increases in the outer two years. This is primarily as a result of the high increases in ESKOM bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers as well as additional requirements from the Section to upgrade the ageing infrastructure which is a non-cash item of depreciation.*
3. *The water account remains relatively constant over the MTREF translating into a deficit of R6 million for 2023/2024.*
4. *Note that there are no longer surpluses on these trading accounts that can be utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, and are not used to cross-subsidise other municipal services.*

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

1. Total revenue is R785,4 million in 2023/24 and escalates to R924,4 million by 2025/26. This represents a year-on-year increase of 4,8% for the 2023/24 financial year and increases by 4,9% for the 2024/25 financial year and 4,7% for the 2025/26 financial year.
2. Revenue to be generated from property rates is R120,6 million in the 2023/24 financial year and increases to R130,7 million by 2025/26 which represents 15,3% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 4,9% and 4,7% for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R394,6 million for the 2023/24 financial year and increasing to R502,7 million by 2025/26. A notable trend is the growth in the total percentage revenue generated from services charges which remains constant at 4,9% in 2024/25 and 4,7% in 2025/26.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF for the two outer years.
5. Bulk purchases have significantly increased over the 2023/24 to 2025/26 period escalating from R288,2 million to R389,1 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from ESKOM.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Other non-current assets	-	-	-	-	-	-	-	-
Total non current assets	1 371 596	1 357 608	1 354 678	1 354 678	1 397 510	1 435 947	1 425 874	1 379 192
TOTAL ASSETS	1 710 557	1 686 623	1 844 831	1 844 831	1 873 402	1 757 887	1 812 582	1 876 552
LIABILITIES								
Current liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-
Consumer deposits	16 928	16 192	16 192	16 192	17 279	17 269	17 269	17 269
Trade and other payables from exchange transactions	140 641	82 065	162 917	162 917	105 258	99 848	85 950	71 352
Trade and other payables from non-exchange transactions	7 524	17 560	17 560	17 560	13 964	13 955	13 955	16 029
Provision	2 008	39 249	39 249	39 249	2 008	40 271	40 271	40 271
VAT	178 273	-	49 071	49 071	211 377	6 427	6 427	6 427
Other current liabilities	2 743	2 159	2 159	2 159	2 743	2 743	2 743	2 743
Total current liabilities	348 116	157 225	287 149	287 149	352 628	180 512	166 614	154 090
Non current liabilities								
Financial liabilities	-	-	-	-	-	-	-	-
Provision	50 237	9 312	9 312	9 312	50 237	50 237	50 237	50 237
Long term portion of trade payables	-	-	-	-	-	-	-	-
Other non-current liabilities	42 715	41 026	41 026	41 026	42 715	42 715	42 715	42 715
Total non current liabilities	92 952	50 338	50 338	50 338	92 952	92 952	92 952	92 952
TOTAL LIABILITIES	441 069	207 563	337 487	337 487	445 580	273 464	259 566	247 042
NET ASSETS	1 269 488	1 479 060	1 507 344	1 507 344	1 427 821	1 484 423	1 553 016	1 629 510
COMMUNITY WEALTH/EQUITY								
Accumulated surplus/(deficit)	1 269 488	1 479 060	1 507 344	1 507 344	1 360 318	1 484 423	1 553 016	1 629 510
Reserves and funds	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	1 269 488	1 479 060	1 507 344	1 507 344	1 360 318	1 484 423	1 553 016	1 629 510

- Table A6 is consistent with international standards of good financial management practice and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- 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.
- Table 66 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;*
 - Provisions non-current;*
 - Changes in net assets; and*
 - Reserves*
- 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.

Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		1 205	-	2 150	1 500	1 950	1 950	1 000	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		1 205	-	2 150	1 500	1 950	1 950	1 000	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		510	31	434	1 000	1 000	1 000	1 000	-	-
Furniture and Office Equipment		547	-	(576)	-	100	100	-	-	-
Machinery and Equipment		(2 764)	1 467	67	-	-	-	-	-	-
Transport Assets		21 647	554	(506)	5 000	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		(23 522)	29 283	12 447	55 904	52 974	52 974	80 940	34 513	-
ASSET REGISTER SUMMARY - PPE (WDV)	5	1 292 745	1 427 270	1 345 028	1 356 683	1 312 254	1 312 254	(1 961 853)	(2 006 438)	(2 053 120)
<i>Roads Infrastructure</i>		215 535	230 874	210 816	241 806	201 827	201 827	(8 799)	(23 274)	(38 430)
<i>Storm water Infrastructure</i>		0	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		396 690	338 295	300 064	371 074	371 074	371 074	(6 812)	(13 958)	(21 440)
<i>Water Supply Infrastructure</i>		119 374	112 981	97 334	99 461	99 461	99 461	(8 008)	(16 408)	(25 203)
<i>Sanitation Infrastructure</i>		105 004	96 984	82 268	107 827	107 827	107 827	(1 811)	(3 711)	(5 700)
<i>Solid Waste Infrastructure</i>		7 800	24 899	25 738	10 529	10 529	10 529	(2 771)	(5 678)	(8 722)
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		844 403	804 033	716 219	830 697	790 718	790 718	(28 202)	(63 030)	(99 495)
Community Assets		103 241	113 737	114 846	164 116	164 116	164 116	(5 488)	(11 245)	(17 273)
Heritage Assets		3 855	3 855	3 855	3 855	3 855	3 855	3 855	3 855	3 855
Investment properties		54 678	91 161	99 933	70 605	70 605	70 605	99 933	99 933	99 933
Other Assets		78 879	75 156	72 422	77 355	77 805	77 805	948	894	837
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Intangible Assets		364	467	322	141	141	141	86	(92)	(279)
Computer Equipment		654	494	743	1 410	1 410	1 410	(2 029 567)	(2 029 749)	(2 029 940)
Furniture and Office Equipment		420	346	218	(2 323)	(2 223)	(2 223)	(3 418)	(7 003)	(10 757)
Machinery and Equipment		1 069	955	441	1 131	1 131	1 131	-	-	-
Transport Assets		7 946	8 371	7 679	12 462	7 462	7 462	-	-	-
Land		197 235	328 694	328 349	197 235	197 235	197 235	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 292 745	1 427 270	1 345 028	1 356 683	1 312 254	1 312 254	(1 961 853)	(2 006 438)	(2 053 120)
EXPENDITURE OTHER ITEMS		59 910	103 975	153 809	64 357	67 267	67 267	64 863	68 042	71 239
Depreciation	7	45 692	80 135	108 971	32 695	32 695	32 695	42 503	44 586	46 681
Repairs and Maintenance by Asset Class	3	14 218	23 840	44 838	31 662	34 572	34 572	22 360	23 456	24 558

Roads Infrastructure	4 267	250	8 993	5 000	6 377	6 377	5 210	5 465	5 722
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	3 395	5 999	7 458	6 270	7 035	7 035	11 000	11 539	12 081
Water Supply Infrastructure	5 011	10 885	15 986	5 100	4 850	4 850	522	548	573
Sanitation Infrastructure	442	2 966	3 893	2 750	2 300	2 300	522	548	573
Solid Waste Infrastructure	-	-	3 631	4 367	4 200	4 200	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Infrastructure	13 116	20 100	39 961	23 487	24 762	24 762	17 254	18 099	18 950
Community Facilities	5	-	58	1 500	120	120	3 000	3 147	3 295
Sport and Recreation Facilities	-	-	54	-	4 000	4 000	-	-	-
Community Assets	5	-	112	1 500	4 120	4 120	3 000	3 147	3 295
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	186	2 404	937	2 390	2 040	2 040	2 106	2 209	2 313
Housing	-	-	-	-	-	-	-	-	-
Other Assets	186	2 404	937	2 390	2 040	2 040	2 106	2 209	2 313
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	7	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	11	35	130	1 285	750	750	-	-	-
Transport Assets	894	1 302	3 698	3 000	2 900	2 900	-	-	-
Land	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Mature	-	-	-	-	-	-	-	-	-
Immature	-	-	-	-	-	-	-	-	-
Living Resources	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	59 910	103 975	153 809	64 357	67 267	67 267	64 863	68 042	71 239
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	205.2%	136.1%	252.2%	26.4%	27.4%	27.4%	15.3%	38.9%	0.0%
<i>Renewal and upgrading of Existing Assets as % of deprecn R&M as a % of PPE</i>	-105.6%	49.7%	28.8%	45.1%	44.4%	44.4%	29.1%	30.1%	0.0%
<i>Renewal and upgrading and R&M as a % of PPE</i>	1.1%	1.7%	3.5%	2.5%	2.7%	2.7%	1.7%	1.8%	1.9%
	-3.0%	4.0%	6.0%	3.0%	4.0%	4.0%	-2.0%	-2.0%	-1.0%

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. National Treasury has recommended that municipalities should allocate at least 40 % of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The Municipality is not able to meet both these recommendations.*

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. *Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.*
 2. *The Municipality continues to make good progress with the eradication of backlogs:*
 - a. *Water services – backlog will remain the same in 2023/24 as in 2022/23. These households are largely found in ‘rural areas’ and will need to be moved to formal areas so that they can receive services.*
 - b. *Sanitation services – backlog will remain the same over the MTREF*
 - c. *Electricity services – backlogs will be reduced in ESKOM supplied areas*
 - d. *Refuse services – backlog will be reduced in 2023/24, and in the outer two years of the MTREF. However, it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.*
 3. *The budget provides for all households applying as indigent in 2023/24 to be registered and on approval from EXCO be entitled to receive Free Basic Services. The number is set to increase given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.*
 4. *It is anticipated that these Free Basic Services will cost the municipality R14,4 million in 2023/24, increasing to R15,8 million in 2025/26. This is covered by the municipality’s equitable share allocation from national government.*
 5. *In addition to the Free Basic Services, the Municipality also ‘gives’ households R14,4 million in free services in 2023/24. This “tax expenditure” needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the “free services” represent 1,8% of total operating revenue.*
- 

Overview of the Annual Budget Process

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 EXCO and MANCOM of the municipality meeting under the chairpersonship of the Finance Portfolio.

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 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.

The above process was followed during the preparation of the budget.

Budget Process Overview

In terms of Section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2022) 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:

- **August 2022:**
- Table IDP Process Plan to EXCO and Council for approval
- Submit Annual Performance Report to Treasury

March 2023

- **Strategic Planning Session**
- **29 March 2023 Tabled (Draft) Budget**
- *Submit Draft budget, tariffs, SDBIP's to EXCO for recommendation to Council Submit Draft IDP to EXCO for recommendation to Council*
- **10 April 2023 – 19 April 2023** - Public consultation;
- **1 May – 3 May 2023** – Balancing of budget
- **12 May 2023** - Closing date for written comments;
- **31 May 2023** - Tabling of the Adopted (Original) 2023/24 MTREF before Council for consideration and approval.

IDP and Service Delivery and Budget Implementation Plan

On the 1st of July 2023 the Abaqulusi Municipality will implement the 2nd year of the five-year IDP for the period July 2022 to June 2027 to inform and guide the current elected public representatives in their term of office. This document which is for the first year of the five-year period outlines the Municipality's intent in terms of the agreed six strategic focus areas that are required to overcome Abaqulusi challenges, achieve its vision, and give effect to its other strategic considerations

It started in August 2022 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2023/24 MTREF.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

Registration of community needs;

- *Compilation of departmental business plans including key performance indicators and targets;*
- *Financial planning and budgeting process;*
- *Public participation process;*
- *Compilation of the SDBIP, and*
- *The review of the performance management and monitoring processes.*

The IDP has been taken into a business and financial planning process leading up to the 2023/24 MTREF, based on the approved 2022/23 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2023/24 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2022/23 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modelling and Key Planning Drivers

Full compliance was done by the municipality during the compilation of the 2023/24 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2023/24 MTREF:

- *Municipality growth*
- *Policy priorities and strategic objectives*
- *Asset maintenance*
- *Economic climate and trends (i.e. inflation, ESKOM increases, household debt, migration patterns)*
- *Performance trends*
- *The approved 2022/23 adjustments budget and performance against the SDBIP*
- *Cash Flow Management Strategy*
- *Debtor payment levels*
- *Loan and investment possibilities*
- *The need for tariff increases versus the ability of the community to pay for services;*
- *Improved and sustainable service delivery*

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 122 and 123 has been taken into consideration in the planning and prioritisation process.

Community Consultation

The tabled 2023/24 MTREF will be presented to Council on the 29th of March 2022 for community consultation and published on the municipality's website, and hard copies will be made available on request. The adopted (original) budget will be tabled before Council on the 31st of May 2023.

All documents in the appropriate format (electronic) will be provided to National Treasury, and other national and provincial departments in accordance with Section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process and included public briefing sessions. The applicable dates and venues will be published in all the local newspapers. Other stakeholders involved in the consultation will include churches, non-governmental institutions, community-based organisations and taxi associations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2023/24 MTREF. Feedback and responses to the submissions received will be available on request. The following are some of the issues and concerns raised as well as comments received during last year's consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;*
- Several complaints were received regarding poor service delivery, especially sewerage blockages;*
- The state of road infrastructure;*
- The security of infrastructure especially during load shedding when cables are being stolen and substations vandalised;*
- The water supply be fixed as there is always water shortages;*
- All wards raised the concern that no refuse bags are being handed out;*
- The bad state of roads in all wards, especially the potholes in towns;*
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;*
- Bridging of electricity meters, electricity connections in Eskom licenced areas;*
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;*
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;*
- Pensioners cannot afford the tariff increases due to low annual pension increases;*
- Policing on roads as both motorists and pedestrians do not adhere to road rules;*

- *Awarding of contracts be given to local contractors;*
- *Residents raised their concern on the unemployment rate and requested clarity on an opportunity to benefit in LED allocations;*
- *Fencing of cemeteries;*
- *During the community consultation process large Sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.*

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

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. The following table highlights the IDP's five strategic objectives for the 2023/24 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 17 IDP Strategic Objectives

Key Performance Area: Basic Service Delivery and Infrastructure Development			
Goal: To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure.			
Key Focus Area	IDP Ref. No.	Development Objectives	Development Strategies
1. Roads	1	Expand accessibility in various wards by 2027	<ul style="list-style-type: none"> • Constructing New Gravel Roads • Constructing new tarred and paved roads • Constructing new cause ways • Spatially capture roads infrastructure • Construction of Taxi Ranks • Construction of Municipal Testing Stations
	2	Maintain existing Roads in rural & urban areas by 2027	<ul style="list-style-type: none"> • Upgrading of gravel roads to tar • Re-gravelling of roads • Resealing of Roads • Rehabilitation of existing tar roads • Blading of roads • Spatially capture road infrastructure
2. Storm Water	3	Building and maintaining Storm Water Infrastructure by 2027	<ul style="list-style-type: none"> • Construction of new storm water drains • Cleaning of storm water drains • Spatially capture storm water infrastructure
3. Sanitation	4	Expand Sanitation accessibility in various wards by 2027	<ul style="list-style-type: none"> • Establishment of new sewer lines • Provision of VIP in rural areas • Constructing Public Ablutions • Spatially capture sanitation infrastructure
	5	Maintain and replace existing Sanitation Infrastructure by 2027	<ul style="list-style-type: none"> • Replace old sanitation pipes • Upgrading of sewer main lines • Upgrade of the WWTW
4. Water	6	Expand water accessibility in various wards by 2027	<ul style="list-style-type: none"> • Installation of new water connections • Upgrade of water main lines • Spatially capture water infrastructure
	7	Maintain and replace existing Water Infrastructure by 2027	<ul style="list-style-type: none"> • Replace old water Pipes • Repairs to water lines • Repairs to existing water pumps • Maintain purification treatment plants
5. Electricity	8	Expand electrical accessibility in various wards by 2027	<ul style="list-style-type: none"> • Installation of New electrical connections
	9	Expand and Maintain existing network electricity in urban and rural areas by 2027. Provide alternative energy	<ul style="list-style-type: none"> • Installation of Electrical Meters • Installation and repairs of High Mast Lights • General Infrastructure- maintenance on mini and major substations • Upgrade existing transformers • Repairs to Robots

			<ul style="list-style-type: none"> • Provision of solar geysers and street lights • Provision of solar panels in urban and rural areas • Spatially capture electricity infrastructure • Master sector plans to be in place
6. Sport fields & Parks	10	Expand accessibility and maintenance of Sports fields and Parks in various wards by 2027	<ul style="list-style-type: none"> • Construction and maintenance of new Sports fields and Parks in various wards • Upgrade and revamp existing Sports fields and Parks
7. Community Halls	11	Expand accessibility and maintenance of Community Halls in various wards by 2027	<ul style="list-style-type: none"> • Construction and maintenance of New Community Halls • Upgrade and revamp existing Community Halls
8. Cemeteries	12	Expand accessibility and maintenance of Community Cemeteries in various wards by 2027	<ul style="list-style-type: none"> • Construction and maintenance of Cemeteries • Upgrade and revamp existing Cemeteries • Fencing of all unused cemeteries • Identify and establish new cemeteries
9. Creches	13	Enhance Early Childhood Development by 2027	<ul style="list-style-type: none"> • Number of new crèches built
10. Libraries	14	Expand accessibility and maintenance of Libraries in various wards by 2027	<ul style="list-style-type: none"> • Construction of new Libraries • Upgrade and Maintain existing Libraries
11. Refuse Removal	15	Expand accessibility of Refuse Services in various wards by 2027	<ul style="list-style-type: none"> • Identify new areas and settlements to offer Refuse Services • Integrated waste management plan
12. Human Settlements	16	To provide sustainable human settlements to the people of AbaQulusi by 2027	<ul style="list-style-type: none"> • Identify and Secure land prior to project approval • Ensure appointment of experienced and qualified implementing agents • Land disposal policy for public use • Strengthen Intergovernmental Relations • Land identification and release • facilitation of bulk service provision • Facilitate Land Release • Approval and implementation of the Housing Sector Plan • Set up housing consumer education programme • Linking of the HSP to SDF, IDP and Comprehensive CIF • Middle income housing development

Key Performance Area: Municipal Transformation and Institutional Development

Goal: Empower and capacitate institutional structures and promotion of transparent cooperative governance.

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Human Resources Management	17	To ensure that the municipality practice sound Human Resources management by 2027	<ul style="list-style-type: none"> • Conduct Workshops on labour relations • Ensure functionality of Local Labour Forum • Formulate, review and adopt new and existing HR Policies. • Review and adopt Employment Equity plan • Review and adopt recruitment Plan and strategy • Review and adopt Retention strategy • Review and adopt organizational structure • Review Job descriptions • Fast track filling of critical vacant posts • Expanding or securing leaderships, internship and apprenticeship to community members in consultation with SETAs
2. Human Resource Development	18	To ensure that the new and existing staff are capacitated to fulfil their functions and promote career development and comply with safety measures by 2027	<ul style="list-style-type: none"> • Develop/Review Workplace Skills Plan. • Develop/Review Induction Plan. • Ensure functionality of OHS Committee and other HRD related committees. • Develop/Review training policy • Develop/Review Wellness Programme. • Facilitate skills audit for municipal employees. • Facilitate skills audit for councillors • Facilitate Female councillors empowerment • Continued professional development (CPD) for all professionals serving in the municipality • MFMP training for Staff and Councillors
3. Council Support	19	To ensure that Council and its committee fulfil their executive and legislative functions and play an effective oversight role over administration by 2027	<ul style="list-style-type: none"> • Develop and adopt Council Annual Programme • Monitoring and implementation of the Council Annual Programme • Monitoring the execution of Council resolutions • Provision of Administrative Support to Council and its Committees
4. Records Management	20	To ensure effective management of all internal and external records by 2027	<ul style="list-style-type: none"> • Implementation of Records Management Policy
5. Fleet Management	21	To ensure effective management of fleet by 2027	<ul style="list-style-type: none"> • Implementation of Fleet Management Policy

6. Information Technology	22	To provide a secure ICT infrastructure which delivers appropriate levels of Confidentiality, integrity, availability, stability and growth by 2027	<ul style="list-style-type: none"> • Development and monitoring of ICT infrastructure and relevant security mechanisms with provision of reports. • Workshop of ICT Policies and Procedures to staff. • Development of Intranet to provide basic information on Email and Internet security standards for users. • Ensure ICT secure procedures are followed. • Ensure security mechanisms are in place to ensure confidentiality and integrity of data. • Upgrade, and maintain relevant equipment and infrastructure to ensure stability of ICT infrastructure • Providing ICT Tools of trade. • Upgrading to new technologies. • Updating/Upgrading to new software as part of the new technology drive forward. • Renewal and expansion of DR and Data Backup Systems • Develop compliance/Intranet calendar for staff on the Intranet as reference model to assist in providing staff with deadline dates for ALL reports. • Develop backup and replicate information for future reference • Procure CAD software for engineering drawings
7. General Administration	23	To improve customer care and strengthen its relations with the municipality	<ul style="list-style-type: none"> • Establish a municipal call center • Develop and review the Customer Care Call Centre annually

Key Performance Area: Financial Viability & Management

Goal: *Ensure sound financial management and accountability*

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Revenue	24	Ensure the Municipal Revenue Streams are optimized	<ul style="list-style-type: none"> • Conducting Daily control check and balances of cashiers and banking of cash • Conducting Monthly updating of valuation roll and financial system to secure correct billing of rates • Monitor Billing vs Payment system • Update Indigent Register • Visiting satellite offices regularly to verify and secure financial procedures and income • Implement Revenue enhancement committee resolutions • Amendment to the credit control policy • Timeous and accurate reading of meters • Handing over of long outstanding/selling of debtors • Ensure reconciliations are performed daily, weekly and monthly respectively
2. Expenditure	25	To ensure effective expenditure control	<ul style="list-style-type: none"> • Ensure payment of service providers within 30 days • Ensure reconciliations are performed daily, weekly and monthly respectively • Verification of all orders and invoices correctness before payment is done using check list and financial system and procedures • Timeous payment of salaries and third parties • Timeous submission of VAT and PAYE to SARS • Verification of correct allocation of orders
3. SCM	26	To strengthen the Supply Chain Unit and Processes	<ul style="list-style-type: none"> • Develop Municipal Procurement Plan • Implement supplier's database in line with National Treasury's Central Suppliers Database • Review SCM Policy • Submission of Irregular expenditure report to COGTA on a monthly basis • Provide training and skills development to officials involved in procurement processes • Verification of Service Providers
4. Assets	27	To Maintain Fixed Assets of the Municipality	<ul style="list-style-type: none"> • Maintain fixed assets register on a monthly basis • Updating of all purchases and spot check visits to offices • Maintaining the Fixed Assets Register in terms of the Fixed Assets Policy and GRAP 17 monthly

			<ul style="list-style-type: none"> • Quarterly verification of inventory • Ensure reconciliations are performed daily, weekly and monthly respectively
5. Financial Reporting	28	Ensure that financial reporting conforms to all legal and institutional requirements	<ul style="list-style-type: none"> • Develop Draft Budget annually • Develop and Adopt Final Budget annually • Develop and adopt Final Budget Process Plan annually • Submission of Monthly Section 71, Quarterly Section 52 & Half Year Section 72 Report • Develop Adjustment budget in line with section 72 reports • Annual adoption of policies and procedures • Ensure reconciliations are performed daily, weekly and monthly respectively

Key Performance Area: Good Governance and Community Participation

Goal: To be a Responsible, accountable, effective and efficient developmental Municipality

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Communication and customer satisfaction	29	To revive and strengthen Communications by 2027	<ul style="list-style-type: none"> • Develop/adopt communication strategy • Review the Communication Strategy
	30	To engage and improve customer satisfaction by 2027	<ul style="list-style-type: none"> • Develop a customer care centre • Appoint a customer care committee • Conduct customer service satisfaction surveys on regular basis • Establish “suggestion boxes’ at all municipal offices • Utilisation of the municipal “hotline” system • Establish additional municipal satellite offices
2. Internal Audit	31	To provide an assurance on the effectiveness of governance, risk management and internal control by 2027	<ul style="list-style-type: none"> • Develop and implement the annual internal audit coverage plan • Develop and implement quality assurance programmes to assess the effectiveness of internal audit unit • Discuss and submit internal audit reports to Management, Audit Committee and MPAC • Appoint audit steering committee • Develop and implement the audit committee annual plan • Develop and implement the audit committee assessment tool
3. Audit Committee	32	To ensure the effectiveness of the Audit Committee by 2027	<ul style="list-style-type: none"> • Develop and implement the audit committee annual plan • Develop and implement the audit committee assessment tool • Submission of audit committee reports to Council on a quarterly basis • Evaluate and track the implementation of audit committee resolutions
4. Risk Management	33	To improve the effectiveness of risk management within the organization by 2027	<ul style="list-style-type: none"> • Conduct the risk assessment and develop the risk register • Appoint risk management committee and assess the functionality thereof • Incorporate risk action plans into departmental SDBIP • Monitor the implementation of risks mitigation plans by Department • Identify and assess new emerging risks throughout the period

5. Integrated Development Planning	34	To ensure effective decision-making, budgeting and management of resources	<ul style="list-style-type: none"> • Develop and implement the IDP/Budget process plan • Engage in Community Consultation Process (IDP Rep Forums, Road-shows, Izimbizos) • Develop, review and adopt IDP annually
6. Performance Management	35	To promote a system of transparency and accountability within the municipality	<ul style="list-style-type: none"> • Review and adopt the PMS Framework • Cascading of PMS to all levels
8. Batho Pele	36	To enhance service delivery through the improvement of public consultation and communications by 2027	<ul style="list-style-type: none"> • Develop and adopt Batho Pele Policy, procedural Manuel, Service Delivery Charter and Service Delivery Improvement Plan • Hosting of Batho Pele Campaigns

Key Performance Area: Local Economic Development and Social Development

Goal: *To promote socio-economic growth and job opportunities.*

Key Focus Area	IDP Ref No	Development Objective	Development Strategies
1. Agriculture	37	Unleashing agricultural potential in Abaqulusi by 2027	<ul style="list-style-type: none"> • Coordinate the establishment of agri-business forums, farmers associations • Provide support to the agricultural production • Coordinate agricultural activities • Establish cooperatives in all areas • Assist in Developing Agri-processing Hub • Develop Agriculture Sector Plan
2. SMME's and Job Creation	38	Continuous assistance of entrepreneurship and job creation by 2027	<ul style="list-style-type: none"> • Train SMME's according to their needs to meet the standard • Coordinate intergovernmental programmes to create job opportunities
3. Poverty alleviation	39	Reduce poverty in all wards by 2027	<ul style="list-style-type: none"> • Train the vulnerable community on income generating project • Deliver poverty alleviation project in all wards to create business opportunities
4. Tourism	40	Promote and identify tourism opportunities by 2027	<ul style="list-style-type: none"> • Co-ordinate tourism events and awareness campaigns in the municipality • Organise workshops and Road shows • Establish tourism industry and project focusing on tourism • Develop Tourism Sector Plan and Promote heritage route • Introduce historically disadvantaged people into tourism • Assisting Accommodation Establishments with their Tourism Grading
5. Economic growth	41	Promote economic development by 2027	<ul style="list-style-type: none"> • Develop commercial centres In the Municipality • Review, adopt and implement the LED strategy • Community empowerment on small business start-ups • To assist with business retention for existing businesses and provide incentives for new businesses
6. Real estate and Business Management	42	Proper Acquisition and disposal of real estate according to municipality by-laws by 2027	<ul style="list-style-type: none"> • Develop and Implement Land disposal Policy • Develop real estate by-laws • To enhance real estate capacity • Effective management of outdoor advertising

			<ul style="list-style-type: none"> • Business Licence Compliance
7. Sport and Recreation	43	Promote Sports and Recreation in Abaqulusi by 2027	<ul style="list-style-type: none"> • Establish Sport and recreation Committee (Sport Council) • Conduct sport talent promotion and competitions • Provide DSR with a platform to support federations and players in different sport codes
8. Youth programmes	44	Establish and promote youth development programmes by 2027	<ul style="list-style-type: none"> • Establish Youth Committee (Youth Council) • Conduct youth empowerment sessions • Provide government departments and private sector with a platform to support the youth in their different developmental needs.
9. Arts and culture	45	Establish and promote cultural programmes by 2027	<ul style="list-style-type: none"> • Establish Art & Culture Committee (art & Culture Council) • Conduct artist' talent promotion and competitions • Provide department of arts and culture with a platform to support artists in their different art codes.
10. Social welfare	46	Ensure availability of social services programmes to the community of AbaQulusi by 2027	<ul style="list-style-type: none"> • Establish Social services stakeholder Committee • Support DSD in out rolling social development programmes.
11. Health HIV/AIDS	47	Establish and promote healthy living and HIV/AIDS awareness programmes BY 2027	<ul style="list-style-type: none"> • Establish health and HIV/AIDS Committee (AIDS Council) • Conduct awareness programmes • Provide department of health with a platform to support the community in their different health needs.
12. Special Programmes	48	Establish and promote community empowerment programmes for children, aged, disabled and vulnerable groups by 2027	<ul style="list-style-type: none"> • Establish Special programmes Committee (Children, Gender, elderly and Disability Councils) • Conduct empowerment sessions and awareness campaigns • Support NGO'S by sourcing assistance from potential sponsors and funders
13. Safety and Security	49	Enhancing safety and security by 2027	<ul style="list-style-type: none"> • Participate in the CPF and Neighbourhood watch meetings • Conduct crime-awareness programmes in communities • Review of Safety and Security Plan • Installation of CCTV Cameras

Key Performance Area: Cross Cutting (Spatial, Environment and Disaster Management)			
Goal: <i>To redress the spatial imbalances and promote sustainable environmental planning.</i>			
Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Town Planning	50	To ensure effective management of current and desirable land uses by 2027	<ul style="list-style-type: none"> • Review and implementation of the Spatial Development Framework • Implementation of SPLUMA and SPLUMA By-Law • Implementation of Precinct Plans • Preparation of the Abaqulusi wall-to-wall scheme and Land Audit in compliance with the Spatial Planning and land Use Management Act 2013 • Co-ordination of the Municipal Planning Tribunal • Facilitation of Township Establishment • Identification of developmental land • Conduct Information Workshops • Set up enforcement procedures
2. GIS	51	To have an effective and efficient GIS System by 2027	<ul style="list-style-type: none"> • Ensure GIS system is updated regularly • Integrate GIS System with other municipal departments
3. Building Inspectorate	52	To ensure the sustainability of the built environment by 2027	<ul style="list-style-type: none"> • Timeous Assessment of building plans • Workshop Built environment professionals • Training to current staff and peace officers • Deal effectively and efficiently with all contraventions
4. Fire & Disaster Management	53	Ensure Effective & Efficient response to community emergencies by 2027	<ul style="list-style-type: none"> • Strengthen stakeholder relations • Decentralisation of services by establishing disaster satellite offices • Establishment of Disaster Management Unit • Acquiring relevant and sufficient Disaster Equipment regularly
5. Environmental health	54	Establish and promote a healthy environment in Abaqulusi by 2027	<ul style="list-style-type: none"> • Establish Environmental issues committee (Enviro Council) • Conduct awareness programmes • Provide department of environmental affairs with a platform to support the municipality and the community in their different art environmental needs

Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

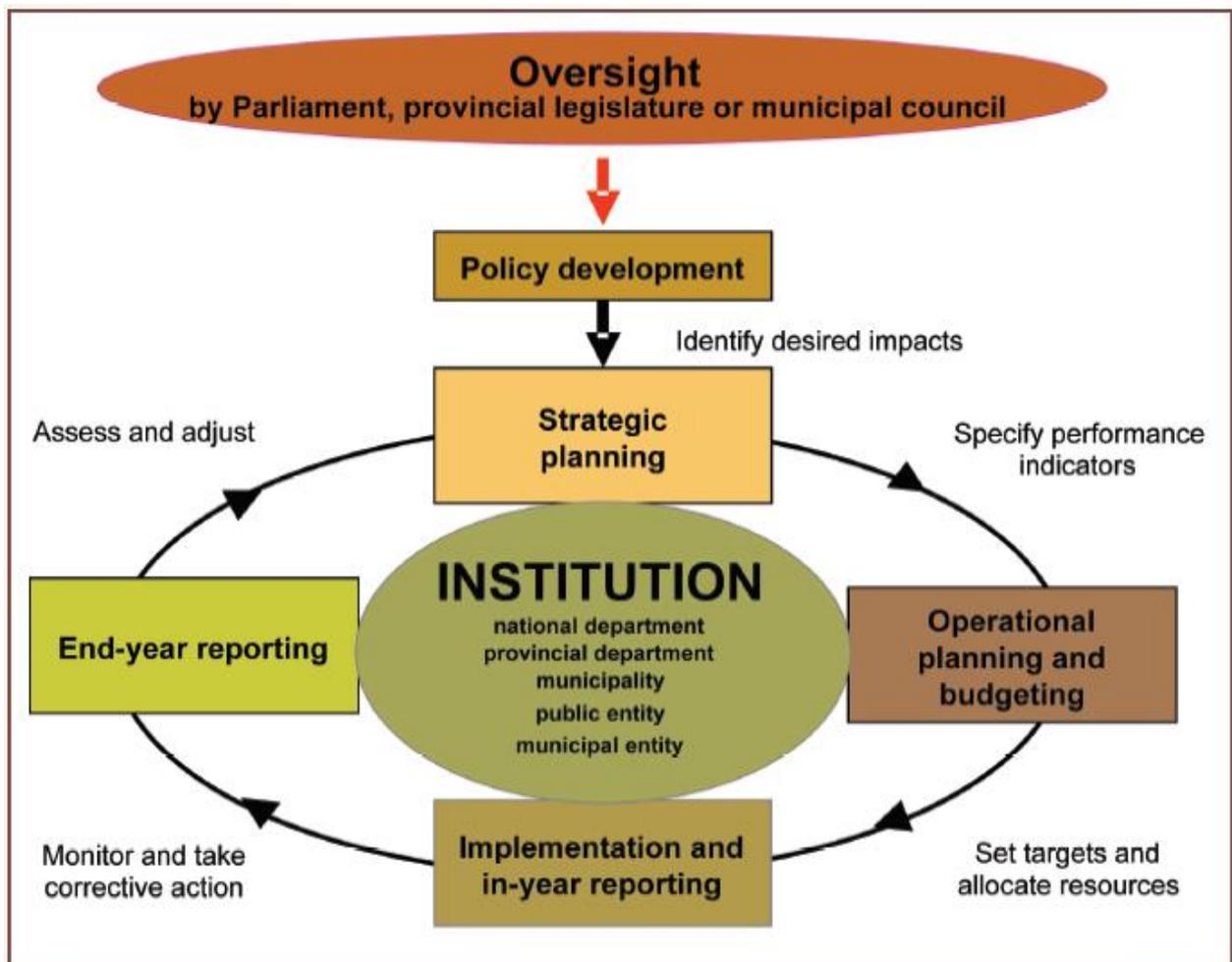


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

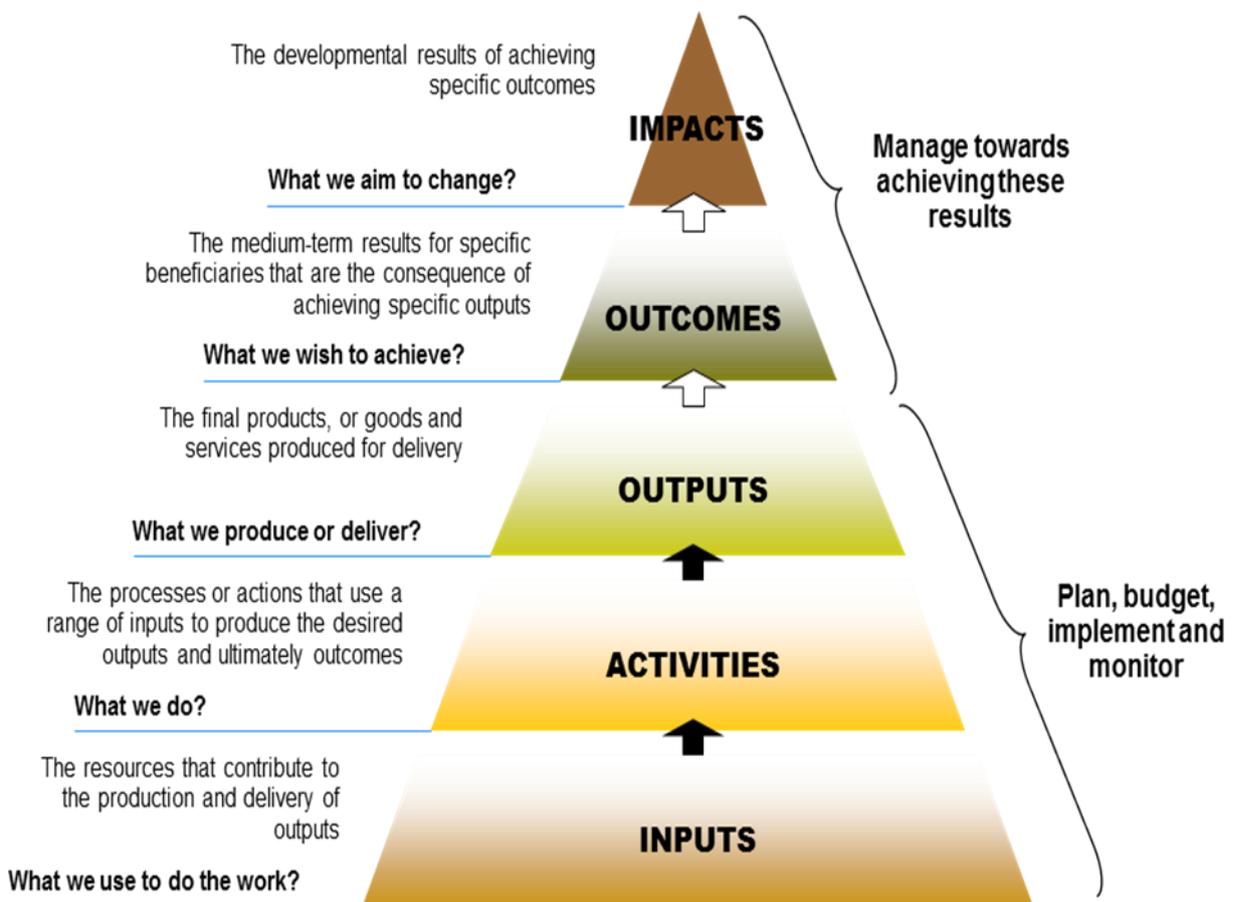


Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year

Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.0%	22.9%	28.1%	26.9%	27.4%	27.4%	23.5%	23.9%	22.8%	22.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	25.0%	22.9%	28.1%	29.6%	30.1%	30.1%		26.5%	25.4%	24.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)										
	FC&D/(Total Revenue - capital revenue)										
	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	2.5%	3.6%	7.1%	4.4%	4.8%	4.8%		2.8%	2.8%	2.7%
	Total outstanding service debtors/annual revenue received for services	8.3%	13.7%	18.9%	4.6%	4.8%	4.8%	0.4%	5.4%	5.2%	5.0%
Finance charges & Depreciation	(Available cash + Investments)/monthly fixed	(25 715.2)	925.0	404.8	441.7	441.7	441.7	317.5	438.9	454.5	493.4
IDP regulation financial viability indicators	operational expenditure										
i. Debt coverage											
ii. O/S Service Debtors to Revenue		65.2%	62.8%	78.2%	67.0%	85.4%	85.4%	118.8%	3.4%	-0.1%	-3.0%
iii. Cost coverage		22.4	11.3	3.9	0.4	1.5	4.3	5.5	2.1	2.2	2.7

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Abaqulusi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2023/24 MTREF:

- Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 0% and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady, from 0,2% in 2018/19 to 0,3% by 2022/23. It is estimated that the cost of borrowing as a percentage of the operating expenditure will be at 0 % in 2023/24 and will then remain at 0 % at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- Borrowing funding of own capital expenditure measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 % which substantiates the above-mentioned statement that the Municipality has reached its prudential borrowing limits.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2023/24 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Safety of Capital

- The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. As part of the planning guidelines that informed the compilation of the 2023/24 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the ration remains at 0%.
- The gearing ratio is a measure of the total long-term borrowings over funds and reserves. The ratio remains at 0%.

Liquidity

- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2022/23 MTREF the current ratio is 1,7 and in the 2023/24 financial year 1,8 and for 2024/25 is 2,3 and 2025/26 is 3,2.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a

liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2022/23 financial year the ratio was 0,7 and as part of the financial planning strategy it has improved to 1,7 in the 2023/24 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer-term financial planning objectives this ratio will have to be set at a minimum of 1.

Revenue Management

- *As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.*

Creditors Management

- *The Municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality will manage to ensure a 100% compliance rate to this legislative obligation. This is required to have a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.*

Other Indicators

- *The electricity distribution losses have decreased from 17% in 2019/20 to 16% in 2020/21 and increased to 24% in 2021/22. The initiatives to ensure these targets are controlled and lowered during the 2023/24 financial year include managing illegal connections and theft of electricity by auditing all systems, including prepaid meters.*
- *The water distribution losses continue to decrease from 74% in 2019/20 to 61% in 2020/21 and decreased to 54% in 2021/22. The municipality will have to introduce a water leakage report and action centre. Also, areas currently not metered will have to have meters installed to ensure residents pay for water consumed. It is planned to further try and reduce distribution losses from 50% in 2023/24 to 20% by 2025/26.*
- *Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.*
- *Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.*

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services and all indigents must apply annually and these applications will be scrutinized to ensure they are genuine.

For the 2023/24 financial year registered indigents have been provided for in the budget with this figure increasing by 2025/26. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, 6 kl sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 A10 (Basic Service Delivery Measurement) on page 75

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

Providing clean water and managing waste water

The Municipality is in the process of applying to the Department of Water Affairs to become the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The water is generated from the Municipality's own water sources, such as boreholes and small dams.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;*
- Shortage of skilled personnel makes proper operations and maintenance difficult;*
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.*

The following are some of the steps that need to be undertaken to address these challenges:

- Infrastructure shortcomings will be addressed through the capital budget in terms of a 5-year upgrade plan;*
- The filling of vacancies has commenced and the Waste Water Section will embark on an in-house training programme, especially for operational personnel;*
- The Section is working in consultation with the Department of Water Affairs to address catchment management.*

Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Review of credit control and debt collection procedures/policies

The policy adopted last year is credible, sustainable, manageable and informed by affordability and value for money. During the 2023/24 financial year there will be a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, an Integrated Indigent Exit Programme will have to be developed to link the registered indigent households to development, skills and job opportunities. The programme will further seek to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2023/24 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 84% on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. An Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and utilised as a guide to the selection and prioritisation of individual capital projects. In addition, the policy will prescribe the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

Supply Chain Management Policy

The amended Supply Chain Management Policy must be adopted by Council in May 2023.

Budget and Virements Policy

The Budget and Virements Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks. The amendment is to ensure the policy is GRAP compliant.

Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy will be compiled during the 2023/24 MTREF with the emphasis on affordability and long-term sustainability. The policy will dictate the approach to longer term financial modelling. The outcomes will then be filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy will be the emphasis on financial sustainability. Amongst others, the following will be modelled as part of the financial modelling and scenario planning process:

- *Approved 2022/23 Adjustments Budget;*
- *Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);*
- *Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);*
- *Loan and investment possibilities;*
- *Performance trends;*
- *Tariff Increases;*
- *The ability of the community to pay for services (affordability);*
- *Policy priorities;*
- *Improved and sustainable service delivery; and*
- *Debtor payment levels.*
- *Property Rates Policy;*
- *Funding and Reserves Policy;*
- *Borrowing Policy;*
- *Budget Policy; and*
- *Basic Social Services Package (Indigent Policy).*

Overview of budget assumptions

External factors

Owing to the economic slowdown due mainly to Covid 19 and job losses, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2023/24 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 24,1% of total operating expenditure in the 2023/24 MTREF

Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions.

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (85,4%) of annual billings. Cash flow is assumed to be 90% of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The multi-year Salary and Wage Collective Agreement from SALGBC has been utilised and SALGA Circular 05/2022 indicates the increase to be 5,3% and therefore the municipality budgeted an annual increase of 5,3% for the 2023/24 financial year and for the two outer years 4,9% and 4,7% respectively. The additional funding is due to medical aid increases in January each year and annual notch increases for staff.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 85% is achieved on operating expenditure and 98% on the capital programme for the 2023/24 MTREF of which performance has been factored into the cash flow budget.

Overview of budget funding

Medium-term outlook: operating revenue

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 most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of an 90 % annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- 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 the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2023/24 MTREF on the different revenue categories are:

Revenue to be generated from property rates is R120,6 million in the 2023/24 financial year and increases to R130,7 million by 2025/26 which represents 15,3% of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R429,1 million for the 2023/24 financial year and increasing to R546,9 million by 2025/26. For the 2023/24 financial year services charges amount to 54,6% of the total revenue base and remains constant over the medium-term.

Operational grants and subsidies amount to million, R 219,6 million for 2023/24, R235,8 million for 2024/25 and R229,4 million for 2025/26 financial years of the MTREF, or 27,9% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing slowly over the MTREF. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1,4 million, R1,5 million and R1,4 million respectively for the two outer financial years of the 2023/24 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 20 KZN263 SA15 – Detail Investment Particulars by type

Investment type	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
R thousand										
Parent municipality										
Securities - National Government			18 162	23 375					20 622	21 947
Listed Corporate Bonds										
Deposits - Bank								19 358		
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total		-	18 162	23 375	-	-	-	19 358	20 622	21 947
Entities	1									
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		-	18 162	23 375	-	-	-	19 358	20 622	21 947

Table 21 KZN263 SA16 – Investment Particulars by Maturity

KZN263 Abaqulusi - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Ref 1	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate *	Expiry date of investment	Opening balance	Interest to be realised	Closing Balance
		Yrs/Months								
Parent municipality										
STANDARD BANK 32 DAY - '06 846 176 3-003		1 month	Call Deposits		Fixed	1.5	NA	5	1	5
STANDARD BANK MONEY - '06 846 176 3-011		1 month	Call Deposits		Fixed	2.8	NA	70	24	94
ABSA CALL DEPOSIT - '9195460586		1 month	Call Deposits		Fixed	3.3	NA	0	0	0
NEDBANK CALL ACCOUNT - '03/7165020780/00003	0	1 month	Call Deposits		Fixed	3.3	NA	4 012	833	4 845
NEDBANK CALL DEPOSIT - '03/7165020780/000039		1 month	Call Deposits		Fixed	3.3	NA	4	2	5
NEDBANK CALL ACCOUNT - '03/7165020780/00004	0	1 month	Call Deposits		Fixed	3.3	NA	4	2	6
NEDBANK CALL DEPOSIT - '03/7165020780/000044		1 month	Call Deposits		Fixed	3.3	NA	758	300	1 058
NEDBANK CALL DEPOSIT - '03/7165020780/000043		1 month	Call Deposits		Fixed	3.3	NA	7 437	2 945	10 382
ABSA CALL DEPOSIT - '9122861337		1 month	Call Deposits		Fixed	3	NA	2	1	3
ABSA LIQUIDITY PLUS - '936338974		1 month	Call Deposits		Fixed		NA	2 120	839	2 959
										-
										-
Municipality sub-total								14 412		19 358
Entities										
										-
										-
										-
										-
										-
Entities sub-total								-		-
TOTAL INVESTMENTS AND INTEREST	1							14 412		19 358

Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2023/24 medium-term capital programme:

Table 22 Sources of Capital Revenue over the MTREF – Medium Term Revenue & Expenditure Framework A5 Capital

KZN263 Abaqulusi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description R thousand	Ref 1	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Funded by:											
National Government		69 190	26 597	8 766	40 904	40 904	40 904	22 908	73 940	34 513	–
Provincial Government		–	–	–	–	1 520	1 520	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind)		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	69 190	26 597	8 766	40 904	42 424	42 424	22 908	73 940	34 513	–
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		888	17 776	4 184	15 000	10 550	10 550	2 859	7 000	–	–
Total Capital Funding	7	70 078	44 374	12 950	55 904	52 974	52 974	25 767	80 940	34 513	–

Figure 3 Sources of capital revenue for the 2023/24 financial year

Capital grants and receipts represents R7 million from own funding and R73,9 million from grant funding for the 2023/24 financial year.

SA22 Summary of Employees and Councillor remuneration

KZN263 Abaqulusi - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue Framework	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25
		A	B	C	D	E	F	G	H
<u>Councillors (Political Office Bearers Plus Other)</u>	1								
Basic Salaries and Wages		-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	-	-	-	-
Cell phone Allowance		-	-	-	2 174	2 174	2 174	2 282	2 397
Housing Allowances		-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	17 633	17 633	17 633	18 514	19 440
Sub Total - Councillors		-	-	-	19 806	19 806	19 806	20 797	21 836
% increase	4		-	-	-	-	-	5.0%	5.0%
<u>Senior Managers of the Municipality</u>	2								
Basic Salaries and Wages		6 729	5 373	5 499	8 098	7 204	7 204	7 290	7 647
Pension and UIF Contributions		11	-	1	12	12	12	13	14
Medical Aid Contributions		-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-
Performance Bonus		-	758	-	206	206	206	216	226
Motor Vehicle Allowance	3	-	-	1 358	-	1 440	1 440	1 466	1 537
Cell phone Allowance	3	179	165	159	202	156	156	195	205
Housing Allowances	3	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	1	0	-	-	-	-	-
Payments in lieu of leave		-	-	85	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		6 918	6 297	7 102	8 518	9 018	9 018	9 180	9 630
% increase	4		(9.0%)	12.8%	19.9%	5.9%	-	1.8%	4.9%
<u>Other Municipal Staff</u>									
Basic Salaries and Wages		103 969	93 198	94 084	122 695	122 424	122 424	107 500	110 351
Pension and UIF Contributions		16 334	18 128	19 304	19 231	20 085	20 085	21 148	22 134
Medical Aid Contributions		5 584	5 609	8 410	11 556	11 190	11 190	9 866	10 349
Overtime		1 625	12 171	16 611	10 894	15 609	15 609	16 510	17 319
Performance Bonus		6 817	6 339	7 599	8 740	7 584	7 584	8 683	9 109
Motor Vehicle Allowance	3	2 299	9 241	9 835	2 708	1 392	1 392	10 568	11 086
Cell phone Allowance	3	1 158	1 149	1 265	1 539	1 539	1 539	1 302	1 366
Housing Allowances	3	1 062	1 090	533	-	337	337	381	399

Other benefits and allowances	3	385	1 042	2 779	2 791	2 614	2 614	2 205	2 313
Payments in lieu of leave		-	3 251	-	-	-	-	-	-
Long service awards		3 457	1 844	1 994	1 153	1 153	1 153	-	-
Post-retirement benefit obligations	6	(7 893)	(5 787)	7 563	2 340	2 340	2 340	-	-
Sub Total - Other Municipal Staff		134 796	147 273	169 978	183 647	186 267	186 267	178 162	184 426
% increase	4		9.3%	15.4%	8.0%	1.4%	-	(4.4%)	3.5%
Total Parent Municipality		141 715	153 571	177 080	211 972	215 091	215 091	208 138	215 892
			8.4%	15.3%	19.7%	1.5%	-	(3.2%)	3.7%
<u>Board Members of Entities</u>									
Basic Salaries and Wages		-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-
Cell phone Allowance	3	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-
Board Fees		-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-
Sub Total - Board Members of Entities		-							
% increase	4		-	-	-	-	-	-	-

Senior Managers of Entities									
Basic Salaries and Wages		-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-
Cell phone Allowance	3	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-
Other Staff of Entities									
Basic Salaries and Wages		-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	-	-	-	-	-	-	-	-
Cell phone Allowance	3	-	-	-	-	-	-	-	-
Housing Allowances	3	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		141 715	153 571	177 080	211 972	215 091	215 091	208 138	215 892
% increase	4		8.4%	15.3%	19.7%	1.5%	-	(3.2%)	3.7%
TOTAL MANAGERS AND STAFF	5,7	141 715	153 571	177 080	192 166	195 285	195 285	187 342	194 055

Figure 4 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source, it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 24 KZN263 Table SA 18 - Capital transfers and Grant Receipts

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
RECEIPTS:									
Operating Transfers and Grants National Government:									
	152 511	205 771	176 142	212 112	212 112	212 112	225 746	233 772	234 913
Local Government Equitable Share	148 281	191 340	167 581	187 494	187 494	187 494	203 715	220 323	220 996
Finance Management	2 235	2 600	2 650	3 000	3 000	3 000	3 000	3 000	3 000
EPWP Incentive	1 995	1 831	2 515	2 773	2 773	2 773	2 351	10 449	10 917
Integrated National Electrification Programme	-	10 000	3 396	18 845	18 845	18 845	16 680		
Other transfers/grants [insert description]									
Provincial Government:	4 319	5 372	5 119	15 498	15 498	15 498	10 012	10 234	5 468
Sport and Recreation				8 500	8 500	8 500			
Economic Development Arts & Culture - Museum Arts & Culture - Libraries				2 000	2 000	2 000	2 000		
Arts & Culture - Libraries				235	235	235	249		
Information Support Cogta - Small Towns	4 319	5 372	5 119	3 540	3 540	3 540	3 540		
Other transfers/grants [insert description]				1 223	1 223	1 223	1 223	260	272
							3 000	3 697	3 862
								1 277	1 334
								5 000	
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]									
Total Operating Transfers and Grants	156 830	211 143	181 261	227 610	227 610	227 610	235 758	244 006	240 381
Capital Transfers and Grants National Government:									
	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701

Municipal Infrastructure Grant (MIG) Other capital transfers/grants [insert desc]	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Total Capital Transfers and Grants	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
TOTAL RECEIPTS OF TRANSFERS & GRANTS	193 965	247 594	220 368	269 693	269 693	269 693	295 611	289 743	288 082

Monthly Targets for Revenue, Expenditure and Cash Flow

KZN263 Abaqulusi - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description R thousand	Budget Year 2023/24											
	July	August	Sept.	October	November	December	January	February	March	April	May	June
Revenue by Vote												
Vote 1 - Council & MM	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance & Administration	102 374	13 303	13 303	13 303	102 374	13 303	13 303	13 303	102 374	13 303	13 303	13 303
Vote 3 - Community & Social Services	1 884	47	47	47	1 635	47	47	47	1 635	47	47	47
Vote 4 - Energy Sources	27 793	22 233	22 233	22 233	27 793	22 233	22 233	22 233	27 793	22 233	22 233	22 233
Vote 5 - Housing	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Other	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development	1 011	11	11	11	1 011	11	11	11	1 011	11	11	11
Vote 9 - Public Safety	439	439	439	439	439	439	439	439	439	439	439	439
Vote 10 - Road Transport	624	624	624	624	624	624	624	624	624	624	624	624
Vote 11 - Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management	2 382	2 382	2 382	2 382	2 382	2 382	2 382	2 382	2 382	2 382	2 382	2 382
Vote 13 - Waste Water Management	3 061	3 061	3 061	3 061	3 061	3 061	3 061	3 061	3 061	3 061	3 061	3 061
Vote 14 - Water Management	4 398	5 451	5 451	5 451	4 398	5 451	5 451	5 451	4 398	5 451	5 451	5 451
Vote 15 -	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	143 965	47 551	47 551	47 551	143 716	47 551	47 551	47 551	143 716	47 551	47 551	47 550
Expenditure by Vote to be appropriated												
Vote 1 - Council & MM	3 386	3 386	3 386	3 386	3 386	3 386	3 386	3 386	3 386	3 386	3 386	3 386
Vote 2 - Finance & Administration	8 690	8 366	8 366	8 366	8 690	8 366	8 366	8 366	8 690	8 366	8 366	8 366
Vote 3 - Community & Social Services	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542
Vote 4 - Energy Sources	38 805	27 472	27 472	27 472	38 805	27 472	27 472	27 472	38 805	27 472	27 472	27 472
Vote 5 - Housing	216	216	216	216	216	216	216	216	216	216	216	216
Vote 6 - Internal Audit	474	474	474	474	474	474	474	474	474	474	474	474
Vote 7 - Other	51	51	51	51	51	51	51	51	51	51	51	51
Vote 8 - Planning and Development	1 430	1 430	1 430	1 430	1 430	1 430	1 430	1 430	1 430	1 430	1 430	1 430
Vote 9 - Public Safety	4 769	4 769	4 769	4 769	4 769	4 769	4 769	4 769	4 769	4 769	4 769	4 769
Vote 10 - Road Transport	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 702
Vote 11 - Sport and Recreation	732	732	732	732	732	732	732	732	732	732	732	732
Vote 12 - Waste Management	2 294	2 294	2 294	2 294	2 294	2 294	2 294	2 294	2 294	2 294	2 294	2 294
Vote 13 - Waste Water Management	1 663	1 663	1 663	1 663	1 663	1 663	1 663	1 663	1 663	1 663	1 663	1 663
Vote 14 - Water Management	11 943	3 610	3 610	3 610	11 943	3 610	3 610	3 610	11 943	3 610	3 610	3 610
Vote 15 -	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	79 697	59 707	59 707	59 707	79 697	59 707	59 707	59 707	79 697	59 707	59 707	59 707
Surplus/(Deficit) before assoc.	64 268	(12 156)	(12 156)	(12 156)	64 019	(12 156)	(12 156)	(12 156)	64 019	(12 156)	(12 156)	(12 156)
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	64 268	(12 156)	(12 156)	(12 156)	64 019	(12 156)	(12 156)	(12 156)	64 019	(12 156)	(12 156)	(12 156)

Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		79 697	59 707	59 707	59 707	79 697	59 707	59 707	59 707	79 697	59 707	59 707	59 707
Surplus/(Deficit)		39 621	(12 156)	(12 156)	(12 156)	39 372	(12 156)	(12 156)	(12 156)	39 372	(12 156)	(12 156)	(12 156)
Transfers and subsidies - capital (monetary allocations)		25 313	-	-	-	25 313	-	-	-	25 313	-	-	-
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		64 935	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)
Income Tax		-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		64 935	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		64 935	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)
Share of Surplus/Deficit attributable to Associate		-	-	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	64 935	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)	64 686	(12 156)	(12 156)	(12 156)

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from "Ratepayers and other" to be provide for as cash inflow based on actual performance. In other words, the actual collection rate of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

KZN263 Abaqulusi - Table A7 Budgeted Cash Flows

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts	7 870	30 310	88 348	83 243	86 618	86 618	64 667	115 013	118 688	123 581
Property rates Service charges	329 205	271 603	311 856	360 943	368 884	368 884	210 964	365 334	404 757	468 563
Other revenue	82 021	63 796	7 314	12 600	28 375	28 375	14 033	13 935	14 618	15 305
Transfers and Subsidies -	151 298	200 432	180 804	200 369	200 369	200 369	204 232	219 671	235 844	236 257
Operational Transfers and Subsidies -	56 135	49 486	44 251	58 464	59 984	59 984	41 486	75 940	53 899	53 899
Capital Interest	-	(22)	724	1 620	1 620	1 620	948	1 706	1 789	1 874
Dividends	-	-	-	-	-	-	-	-	-	-
Payments	390 133	(55 539)	(429 110)	(662 296)	(632 826)	(632 826)	(362 587)	(726 586)	(785 185)	(852 494)
Suppliers and employees Finance charges	-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 016 662	560 066	204 186	54 943	113 023	113 023	173 742	65 013	44 410	46 984
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts	-	-	-	1 000	1 022	1 022	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	(36 712)	(47 850)	(38 885)	(73 464)	(70 534)	70 534	(30 405)	(73 940)	(34 513)	-
Payments	-	-	-	-	-	-	-	-	-	-
Capital assets	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	(36 712)	(47 850)	(38 885)	(72 464)	(69 512)	71 556	(30 405)	(73 940)	(34 513)	-
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	979 950	512 216	165 301	(17 521)	43 511	184 579	143 337	(8 927)	9 897	46 984

Cash/cash equivalents at the year begin:	(79 056)	–	23 725	37 165	29 026	29 026	29 031	123 799	114 871	124 769
Cash/cash equivalents at the year end:	900 894	512 216	189 026	19 644	72 538	213 605	172 368	114 871	124 769	171 753

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2018/19 and from 2021/22 financial year the municipality started moving to a positive balance of R72,5 million with the adjusted budget in 2022/23 MTREF. With the 2022/23 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments as Provincial Treasury assessed the original budget to be unfunded and the Municipality had to submit a Budget Funding Plan to Treasury for approval. In addition, the Municipality will have to undertake an extensive debt collection process and other revenue enhancement strategies to boost cash levels in the 2023/24 financial year. These initiatives and interventions still translate into a negative cash position for the Municipality and it is projected that cash and cash equivalents on hand will decrease by the financial year end. For the 2023/24 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to increase in 2024/25 and steadily increase by 2025/26.

Going forward from 2023/24 the Municipality is required to submit a completed checklist as part of the quarterly performance reporting process in terms of Section 52(d) of the MFMA. By including the completed checklist in this report, the Municipality confirms their adherence to the equitable share release criteria, including that all supplementary information (as defined in the checklist) has been successfully uploaded to the GoMuni platform. The checklist is attached to MFMA Circular No. 123 as “Annexure A: Equitable Share Verification Checklist:” on pages 23 and 24.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with Sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What are the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with Section 18 of the MFMA requirement that the municipality’s budget must be “funded”. Non-compliance with Section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

From the above table it can be seen that the cash and investments available total R89 million in the 2023/24 financial year and remains constant to 2025/26, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. For the 2023/24 financial year no provision has been made for this liability as the total unspent conditional grant liability has been factored into the 2023/24 capital programme of the Municipality.*
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project.*
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations. The municipality will not have a liability as VAT is normally claimed from SARS.*
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.*

The 2023/24 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless, from a pure cash flow perspective (cash out flow versus cash inflow) the budget is not funded as expenditure is more than the anticipated revenue. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A "positive" cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with Section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2023/24 MTREF shows a surplus of R89 million increasing to R79,6 million in 2024/25 and R70 million in 2025/26.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally

funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 5,3%). The result is intended to be an approximation of the real increase in revenue. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are "collected". This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100% for each of the respective financial years. Given that the assumed collection rate was based on an 85% performance target, the cash flow statement has been conservatively determined. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 0% over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0% of own funded capital.

Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 % could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors' accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

Expenditure on grants and reconciliations of unspent funds

Table 45 KZN263 SA19 – Expenditure on Transfers and Grant Programmes

Description R thousand	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	152 511	205 771	176 142	212 112	212 112	212 112	225 746	233 772	234 913
Local Government Equitable Share	148 281	191 340	167 581	187 494	187 494	187 494	203 715	220 323	220 996
Finance Management	2 235	2 600	2 650	3 000	3 000	3 000	3 000	3 000	3 000
EPWP Incentive	1 995	1 831	2 515	2 773	2 773	2 773	2 351	10 449	10 917
Integrated National Electrification Programme	–	10 000	3 396	18 845	18 845	18 845	16 680		
Other transfers/grants [insert description]									
Provincial Government:	4 319	5 372	5 119	15 498	15 498	15 498	10 012	10 234	5 468
Sport and Recreation									
Economic Development Arts & Culture - Museum Arts				8 500	8 500	8 500	2 000		
& Culture - Libraries				2 000	2 000	2 000	249		
Arts & Culture - Libraries Information Support				235	235	235	3 540	260	272
Cogta - Small Towns	4 319	5 372	5 119	3 540	3 540	3 540	1 223	3 697	3 862
				1 223	1 223	1 223	3 000	1 277	1 334
								5 000	
Other transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total operating expenditure of Transfers and Grants:	156 830	211 143	181 261	227 610	227 610	227 610	235 758	244 006	240 381
Capital expenditure of Transfers and Grants									
National Government:									
Municipal Infrastructure Grant (MIG)	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701

	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
Other capital transfers/grants [insert desc]									
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]									
Total capital expenditure of Transfers and Grants	37 135	36 451	39 107	42 083	42 083	42 083	59 853	45 737	47 701
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	193 965	247 594	220 368	269 693	269 693	269 693	295 611	289 743	288 082

Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

Legislation compliance status

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained interns through this programme and a majority of them were appointed either in the Municipality or other municipalities.

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. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2023/24 MTREF in June 2023 directly aligned and informed by the 2023/24 MTREF. The municipality is aligning both the non-revenue water and non-revenue electricity indicators and their set targets in the 2023/24 SDBIP's with identifiable infrastructure projects by indicating the volume of water losses and the amount of electricity losses for the previous year to determine the progress in curbing losses which impact on revenue.

6. Annual Report

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

7. MFMA Training

The MFMA training module in electronic format is presented for the Municipality's internal employees and training is on-going.

Policies

The municipality must comply with the provision of Section 74 of the Municipal Systems Act which requires that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreement and which complies with the provisions of this Act and with any other applicable legislations. In the past all tariffs were combined in one policy, however National Treasury are requesting that municipalities have separate tariff policies for the core functions of the municipality which has resulted in new policies being compiled for the 2023/2024 financial year. The municipality has also ensured that the tariff policies adhere to all the principles outlined in Section 74(2) of the Municipal Systems Act. The policies have taken into consideration variable factors such as water shortages and electricity feedback excess into the municipal system from new generation capacity as a result of load shedding. The municipality will be developing a wheeling and Small-Scale Embedded Generation (SSEG) framework to guide the development of associated tariffs. The municipality will be updating by-laws to give effect to the implementation and enforcement of the tariff policies.

Table 27 KZN263 SA32 – List of External Mechanisms

External mechanism Name of organisation	Yrs./ MThs	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand
UMHLABA GEOMATIC	5	2021/07/01	COMPILATION AND MAINTENANCE OF VALUATION ROLL AND SUPPLEMENTARY VALUATION ROLLA AS THE SUPPLY OF OTHER VALUATION RELATED SERVICES FOR ABAQULUSI MUNICIPALITY IN RESPECT OF THE FINANCIAL YEAR/S 1 JUNE 2019 TO JUNE 2024	01 June 2024	"R2495614.04
PK FINANCIAL CONSULTANTS	36	2021/06/24	APPOINTMENT OF PROFESSIONAL SERVICE PROVIDER FOR VAT REVIEW	1 JULY02024	
E-PLAN TOWN & REGIONAL		2021/11/30	DEVELOPMENT OF WALL TO WALL LAND SCHEME		"R1250000
ESSEN TRADING	36	2021/0803	SUPPLY AND DELIRY OF POTHOLE PATCHING ITEMS FOR THE PERIOD OF 36 MONTHS	03 August 2024	

MSUFTU	36	2021/11/25	PROVISION OF VERGE MAINTAINANCE IN VRYHEID CENTRAL, EMONDLO AND EASTERN TOWN FOT THE PERIOD OF 36 MONTHS	25 November 2024	"R34258500.00
AMATAWUTAWU	12	2021/10/28	UPGRADING OF LAKESIDE GRAVEL ROAD TO PAVING PHASE3	28 October 2022	"R3751181.88
AYANDA MBANGO	36	2021/04/20	PANEL OF ADVERTING AGENCIES FOR THE PERIOD OF 36 MONTHS	20 April 2024	RATE PER ADVERT
GOLDEN REWARD 1850	12	2021/10/21	UPGRADING OF SHOBA ROADS IN WARD 5	21 October 2022	"R2037868.17
ZANOMSA	36	2020/12/18	PANEL OF SERVICE PROVIDERS TO SUPPLY AND DELIVERY OF WATER PLASTIC METERS WITH TAIL PIECE AND BULK FLANGED WATER METERS WITH SABS APPROVED FOR THE PERIOD OF 36 MONTHS	18 December 2023	PER ORDER
MELA OKUHLE	12	2021/10/21	UPGRADING OF EXTENSION 16 SASCO ROADS IN WARD 8 PHASE 2	21 October 2022	"R8477099.19
ANDILEKHIZE TRADING	12	2021/10/21	CONSTRUCTION OF WARD 13 COMMUNITY HALL	21 October 2022	"R5038692.17

MELA OKUHLE	12	2021/06/01	HIRE EQUIPMENT TO SERVICE VRYHEID LANDFILL SITE FOR THEPERIOD OF 12 MONTHS	01 June 2022	"R7372478.88
EKAYA PROMOTION	36	2020/12/18	PANEL OF SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF TRANSFORMERS FOR THE PERIOD OF 36 MONTHS	18 April 2023	AS PER ORDER
THUMAMINA	12	2021/10/21	TARING OF BHEKUMTHETHO ROADS PHASE 2	21 October 2022	"R7120645.61
MLN CONSULTING	36	2020/11/06	PANEL OF EXPERIENCE SERVICE PROVIDERS FOR CIVIL.ELECTRICAL, MECHANICAL AND SCIENTIFIC SERVICE FOR WATER AND SANITATION DEPARTED FOR THE PERIOD OF 36 MONTHS	06 November 2023	AS PER ORDER
BTMN	12	2021/10/05	INSTRUCTION TO PERFORM WORK SHOBA ELECTRIFICATION	04 October 2022	AS PER WORK DONE
DASHING DYNAMIC SOLUTION	36	2021/06/24	APPOINTMENT OF PROFESSIONAL SERVICE PROVIDER FOR FIXED ASSETS REGISTER MANAGEMENT	30 June 2024	AS PER WORK DONE

CONLOG	36	2020/12/18	PANEL SERVICE PROVIDERS TO SUPPLY AND DELIVER PRE-PAYMENT ELECTRICAL/CONVENTIONAL METERS FOR THE PERIOD OF 36 MONTHS	18 December 2023	AS PER ORDER
BURNING SPEAR ADVERTISING	36	2021/04/20	ADVERTISING AND COMMUNICATION AGENCY FOR THE PERIOD OF 36 MONTHS	20 April 2024	AS PER ORDER
ENGAPHELI MOYA	36	2020/11/06	PANEL OF EXPERIENCE SERVICE PROVIDERS FOR CIVIL ELECTRICAL, MECHANICAL AND SCIENTIFIC SERVICE FOR WATER AND SANITATION DEPARTED FOR THE PERIOD OF 36 MONTHS	2023/11/06	AS PER ORDER
MTHOMBONGASHI	36	2021/08/03	READING OF WATER AND ELECTRICAL METERS FOR THE PERIOD OF 36 MONTHS	2024/08/03	"R4686480.00
XOLI M PROJECT	12	2021/10/01	UPGRADING OF MHLANGENI ROAD WARD 15	2022/10/21	"R2774998.01
LUZUKO	12	2020/07/28	TARING OF BHEKUMTHETHO ROADS PHASE 2	2022/05/28	"R3360412.21

COMPETITION CONSTRUCTION	36	2020/12/06	PANEL OF PLANT HIRE SERVICE PROVIDERS FOR THE MAINTENANCE OF GRAVEL ROADS FOR THE PERIOD OF 36 MONTHS	2023/11/06	AS PER WORK DONE
KFC ENGINEERING	36	2021/05/24	SUPPLY AND DELIVERY OF SPIGOT AND SOCKET STORM WATER CONCRETE PIPE	2024/05/04	"R1460500.00
INQUBEKO ENGINEERING	36	2020/12/18	PANEL OF EXPERIENCE SERVICE PROVIDERS FOR CIVIL.ELECTRICAL, MECHANICAL AND SCIENTIFIC SERVICE FOR WATER AND SANITATION DEPARTED FOR THE PERIOD OF 36 MONTHS	2023/11/06	AS PER ORDER
LEXIS NAXIS RISK MANAGEMENT	36	2019/10/02	PROVISION OF THE SYSTEM TO ACCESS THE DEED OFFICE FOR THE PERIOD OF 36 MONTHS	2022/10/02	"R165942.29
INQUBEKO ENGINEERING	36	2020/12/06	PANEL OF SERVICE PROVIDERS TO SUPPLY AND DELIVERY OF WATER PLASTIC METERS WITH TAIL PIECE AND BULK FLANGED WATER METERS WITH SABS APPROVED FOR THE PERIOD OF 36 MONTHS	2023/12/18	AS PER ORDER

INQUBEKO ENGINEERING	36	2020/11/06	PANEL SERVICE PROVIDERS TO SUPPLY AND DELIVER PRE-PAYMENT ELECTRICAL/CONVENTIONAL METERS FOR THE PERIOD OF 36 MONTHS	2024/05/17	AS PER ORDER
ENGAPHELI MOYA	36	2020/11/06	PROVISION OF LABORATORY SERVICES FOR WATER & WASTEWATER QUALITY ANALYSIS OVER 36 MONTHS	2024/05/17	"R5362767.22
ITEC NEWCASTLE	36	2021/05/17	LEASING OF NEW COPIER MACHINES FOR THE PERIOD OF 36 MONTHS	2024/05/17	"R1514755.00
LIANA CONSULTING	36	2020/12/18	PROVISION OF REFUSE REMOVAL SERVICES IN VRYHEID CENTRAL AND SURROUNDING AREAS OVER 36 MONTHS	2023/05/17	"R21011648.56
ABSA	60	2022/05/17	PROVISION OF BANKING SERVICES FOR THE PERIOD OF 60 MONTHS	3024/05/17	
QOMKUFA SECURITY	36	2021/11/29	PROVISION OF SECURITY SERVICE	2024/11/29	"R67590409.94
MARSH	36	2020/12/18	MANAGEMENT OF SHORTS TERM INSURANCE FOR A PERIOD OF 36 MONTHS	2023/12/18	"R2523014.45

MAGNACORP 115 CC	36	2022/02/18	PROVISION OF REFUSE REMOVAL SERVICES IN VRYHEID EASTERN TOWN FOR THE PERIOD OF 36 MONTHS	2025/02/18	"R13338604.00
ENGAPHELI MOYA	36	2020/12/18	PANEL OF SERVICE PROVIDERS TO SUPPLY AND DELIVER STREETLIGHTS	2023/12/18	AS PER ORDER

Our Ref.:
Your Ref.

Enquiries:
Dept.: Finance



✉ VRYHEID 3100

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E-mail: finance@abaqulusi.gov.za

QUALITY CERTIFICATE

I, ZG **Dhlamini**, Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that: (mark as appropriate)

- The monthly budget statement
- Quarterly report on the implementation of the budget and financial state of affairs to the municipality
- Mid-year budget and performance assessment
- Medium Term Budget

The Tabled Medium-Term Budget for 2023/24 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

MUNICIPAL MANAGER
ABAQULUSI MUNICIPALITY
KZN263

SIGNATURE: _____

DATE: _____

Annexure A - Tariffs

(Documents are uploaded separately)

Annexure B - Government Provincial Allocation

Annexure C - "A" Schedule
(Documents are uploaded separately)

Annexure D - Signing Budget Locking Certificate
(Documents are uploaded separately)

Annexure E - Service Level Standards

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table

Description Standard	Service Level
Solid Waste Removal	
Premise based removal (Residential Frequency)	Weekly
Premise based removal (Business Frequency)	Daily
Bulk Removal (Frequency)	Weekly
Removal Bags provided (Yes/No)	No
Garden refuse removal Included (Yes/No)	No
Street Cleaning Frequency in CBD	Daily
Street Cleaning Frequency in areas excluding CBD	No
How soon are public areas cleaned after events (24hours/48hours/longer)	48 hours
Clearing of illegal dumping (24hours/48hours/longer)	Longer
Recycling or environmentally friendly practices (Yes/No)	No
Licenced landfill site (Yes/No)	Yes
Water Service	
Water Quality rating (Blue/Green/Brown/NO drop)	No drop
Is free water available to all? (All/only to the indigent consumers)	Only to indigent consumers and consumers in ZDM areas who are not metered
Frequency of meter reading? (per month, per year)	Monthly
Are estimated consumption calculated on actual consumption over (two month's/three months'/longer period)	Read on a monthly basis
On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A
<i>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</i>	
One service connection affected (number of hours)	4 hours
Up to 5 service connection affected (number of hours)	4 hours
Up to 20 service connection affected (number of hours)	16 hours
Feeder pipe larger than 800mm (number of hours)	24 hours
What is the average minimum water flow in your municipality?	240 mg lt/month
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	No
How long does it take to replace faulty water meters? (days)	1 hour
Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	No

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table

Description Standard	Service Level
Electricity Service	
What is your electricity availability percentage on average per month?	100%
Do your municipality have a ripple control in place that is operational? (Yes/No)	Yes
How much do you estimate is the cost saving in utilizing the ripple control system?	Via load control
What is the frequency of meters being read? (per month, per year)	Monthly
Are estimated consumption calculated at consumption over (two month's/three months/longer period)	Read on a monthly basis
On average for how long does the municipality use estimates 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)	Immediately where possible
Are accounts normally calculated on actual readings? (Yes/no)	Yes
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	No
How long does it take to replace faulty meters? (days)	Within 30 days
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	Yes, tender has been drawn up
How effective is the action plan in curbing line losses? (Good/Bad)	Not in use at the moment
How soon does the municipality provide a quotation to a customer upon a written request? (days)	Within 7 days
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	Within 10 days
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	Within 10 days
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	Within 30 days
Sewerage Service	
Are your purification system effective enough to put water back in to the system after purification?	Yes
To what extend do you subsidize your indigent consumers?	Indigent consumers get subsidized 100%
How long does it take to restore sewerage breakages on average	
Severe overflow? (hours)	24 hours
Sewer blocked pipes: Large pipes? (Hours)	4 hours
Sewer blocked pipes: Small pipes? (Hours)	1 hour
Spillage clean-up? (hours)	1 hour
Replacement of manhole covers? (Hours)	1 hour
Road Infrastructure Services	

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table

Description Standard	Service Level
Time taken to repair a single pothole on a major road? (Hours)	2 hours
Time taken to repair a single pothole on a minor road? (Hours)	1 hour
Time taken to repair a road following an open trench service crossing? (Hours)	8 hours
Time taken to repair walkways? (Hours)	4 hours
Property valuations	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	One month
Do you have any special rating properties? (Yes/No)	No
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Yes, it is decreasing
Is the financial statement outsourced? (Yes/No)	AFS are compiled in conjunction with PWC
Are there Council adopted business process structuring the flow and management of documentation feeding to Trial Balance?	Yes
How long does it take for a Tax/Invoice to be paid from the date it has been received?	30 days
Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans?	No
Administration	
Reaction time on enquiries and requests?	7 working days
Time to respond to a verbal customer enquiry or request? (working days)	7 working days
Time to respond to a written customer enquiry or request? (working days)	7 working days
Time to resolve a customer enquiry or request? (working days)	7 working days
What percentage of calls are not answered? (5%,10% or more)	5%
How long does it take to respond to voice mails? (hours)	N/A
Does the municipality have control over locked enquiries? (Yes/No)	No
Is there a reduction in the number of complaints or not? (Yes/No)	Yes
How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	1 day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	Not often
Community safety and licensing services	

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table

Description Standard	Service Level
How long does it take to register a vehicle? (minutes)	60 minutes
How long does it take to renew a vehicle license? (minutes)	60 minutes
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	60 minutes
How long does it take to de-register a vehicle? (minutes)	60 minutes
How long does it take to renew a driver's license? (minutes)	60 minutes
What is the average reaction time of the fire service to an incident? (minutes)	60 minutes
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	N/A
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A
Economic development	
How many economic development projects does the municipality drive?	3
How many economic development programmes are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	5
What percentage of the projects have created sustainable job security?	5%
Does the municipality have any incentive plans in place to create a conducive environment for economic development? (Yes/No)	No
Other Service delivery and communication	
Is an information package handed to the new customer? (Yes/No)	No
Does the municipality have training or information sessions to inform the community? (Yes/No)	No
Are customers treated in a professional and humanly manner? (Yes/No)	Yes

Annexure G - Policies
(Documents are uploaded separately)

Tariff Setting Tool

(Document is uploaded separately)