



DRAFT ANNUAL BUDGET 2023/2024

31 March 2023

Table of Contents

PART 1- ANNUAL BUDGET

- 1.1 Mayor's report
- 1.2 Resolutions
- 1.3 Executive Summary
- 1.4 Annual budget tables

List of budget tables

- Table 1 Consolidated Budget summary
- Table 2 Consolidated Budgeted financial performance (revenue and expenditure by classification)
- Table 3 Consolidated Budgeted financial performance (revenue and expenditure by municipal vote)
- Table 4 Consolidated Budgeted financial performance (revenue and expenditure)
- Table 5 Consolidated Budgeted capital Expenditure by vote, standard classification and funding
- Table 6 Consolidated Budgeted financial position
- Table 7 Consolidated Budgeted cash flow
- Table 8 Consolidated Cash backed reserves/ accumulated surplus
- Table 9 Consolidated Asset Management
- Table 10 Consolidated Basic service delivery

PART 2 - SUPPORTING DOCUMENTATION

- 2.1 Overview of the annual budget process
- 2.2 Overview of alignment of annual budget with integrated development plan
- 2.3 Measurable performance objectives and indicators
- 2.4 Overview budget related policies
- 2.5 Overview of budget assumptions
- 2.6 Overview of budget funding
- 2.7 Expenditure on allocations and grant programs
- 2.8 Allocations and grants made by the Municipality
- 2.9 Councilors and board member allowances
- 2.10 Monthly targets for revenue, expenditure and cash flow
- 2.11 Annual budgets and service delivery and budget implementation plans and internal departments
- 2.12 Annual budgets and service delivery agreements-Municipal entities and other external mechanism
- 2.13 Contracts having future budgetary implications
- 2.14 Capital expenditure details
- 2.15 Legislation compliance status
- 2.16 Other supporting documents
 - Annual budget of municipal entities attached to the Municipal annual budget
 - Municipal Managers quality certificate

PART 1 – ANNUAL DRAFT BUDGET

A. MAYOR'S REPORT

Madam Speaker, Cllr N. Gabela,
The Council Whip Cllr. S. Majozi,
Deputy Mayor Cllr. S. Dlamini Mabaso
Members of the Executive Committee,
Chairperson of MPAC Cllr E. Dladla
The Local House of Traditional Leaders represented by Inkosi
Fellow Councillors,
Chairperson of the Audit Committee,
Acting Municipal Manager and Management Team,
Distinguished Guests,
Members of the media,
Ladies and Gentlemen,
GREETINGS TO YOU ALL.

Madam Speaker, it is an honour and privilege for me this morning to present to this honourable Council of uMgungundlovu District Municipality, the Draft 2023/24 financial year Budget and Integrated Development Plan. Municipal Councils and the Mayor specifically, are the custodians of public money and legislation places a huge responsibility on our shoulders to accrue and expend public money.

The MFMA S52, inter alia, states: The Mayor of a Municipality:

- (a) MUST provide general political guidance over the fiscal and financial affairs of the municipality – no choices, MUST
 - (b) In providing such general political guidance, may monitor and, to the extent provided in this Act, OVERSEE the exercise of responsibilities assigned to the Accounting Officer, but MAY NOT interfere in the exercise of those responsibilities
 - (c) MUST take all reasonable steps to ensure that the Municipality performs its constitutional and statutory functions within the limits of the Municipality's approved budget
- Over the years many mechanisms have been put in place to ensure compliance, checks and balances to monitor and evaluate how Councils expend the public finances.
Ethical business processes are the cornerstone of a corruption free government.

In terms of Section 152 of the Constitution, the objects of local government are

- 1- To provide democratic and accountable government for local communities
- 2- To ensure the provision of services to communities in a sustainable manner
- 3- To promote social and economic development
- 4- To promote a safe and healthy environment and
- 5- To encourage the involvement of communities and community organisations in the matters of local government.

The above is important as these have to reflect in the IDP, which in turn informs the Budget and translates into the high-level Service Delivery and Budget Implementation Plan (SDBIP). Therefore, at the top of the list of our priorities, is the reinforcement of the implementation of the District Development Model, as a vehicle for integrated planning within the District. The DDM seeks to deal with hindrances to the strategic focus areas which is:

Lack of integrated planning and budgeting. Separate, unsynchronised planning and budgeting processes between local, provincial and national government.

Lack of coordinated support to municipalities.

Nonetheless, we are not always labouring on challenges but our achievements as well bear testimony to our commitment and passion for bringing service delivery to the people as mandated by the Constitution of the Republic of South Africa. Honourable Speaker, working together with all our stakeholders in local government we will be able to consolidate our position as a leading municipality ready to take major strides in delivering on our mandate during this term of office. We are happy to be listed among the four District Municipalities (including the Metro) who are considered to have a fully functional DDM in the Province, and are therefore in compliance.

Madam Speaker, we have made very good strides in terms of our financial management. We have been able to produce a funded budget, and we have increased our collection rate to over 60%. Operation “ Clean Bill” and the “ Revenue Enhancement Drive”, are yielding results, and helping us to achieve three very important goals, which are:

To clean database of our customers.

Reduce our debtors' book by removing customers who earn less than R5000, and register them as indigent, which will significantly increase our indigent register, and therefore:

Receive a bigger slice of the equitable share from National Government.

One of the most important aspects of this achievement, which is still work in progress, is the culmination of provision of leadership by governance structures within the municipality, which were established to oversee, monitor and influence compliance, and those include:

Various Portfolio Committees

The Municipal Public Accounts Committee (MPAC)

The Audit Committee

The Audit Steering Committee and,

Well-structured Bid Committees

The work continues between us and the Office of the Auditor General to ensure that we produce a positive audit outcome as we wish not to regress to any lower bar than we last achieved, which was that of an unqualified outcome.

The budget that we are presenting here is informed by the inputs solicited from various stakeholders during the consultation processes, guided by practical prioritisation, and determined by the realities of our resource capacity. We are presenting a budget that took all factors into consideration. We also need to be honest to ourselves that the state of the economy made it very difficult to put this budget together. The municipality has also under these trying circumstances strived to put together a realistic, credible and funded budget. It is a budget that is carefully crafted to ensure we respond to the immediate needs given our financial realities.

As the District, in consultation with local municipalities, we strived to ensure that the budget we present today is “the people`s budget” which is pro-poor and seeks to achieve the objectives of the municipality. It was prepared in terms of the National Treasury Guidelines, MFMA and the Municipal Budgeting and Reporting Regulations.

Madam Speaker, a good education and development through skills training is a foundation for a better future. The budget for the new financial year for skills and development is R 3.4 million. The UMDM corporate services department allocation for the 2023/24 financial year is 7% (R 85.6 million) of the total municipal budget where a portion of such allocation is for purposes of providing education, skills development and training programmes to learners and unemployed youth throughout the district.

One of the primary focus areas of the department is on improved education outcomes and providing learning and skill opportunities to develop the child and disadvantaged youth holistically.

The main cost driver for this department is compensation of employees where 36% of the total departmental budget is allocated to this category. The budget also provides for the upgrade of ICT infrastructure and acquisition of IT equipment such as hardware and will also upgrade servers and data lines to ensure that the Municipality is functioning at full capacity at all times, more so with the load shedding causing major disruptions in our information communication technology and the functioning of our call centres and customer centres respectively.

The Corporate services department is also finalizing the Municipalities new Workplace Skills Plan. It will be submitted to LGSETA at the end of April 2023.

As for targeted Local Municipalities, we always strive to equally rotate training programmes and or internships.

The only time when we are specific to a certain Council is when we have an external funder who specifically requests that the funding be allocated to that specific said Council. With specific reference to learnerships, the Municipality would channel the funds according to the specific focus area in that Municipality e.g., crop plantation, The resources would be channelled towards municipal areas with an interest and focus on agriculture need to get to the people that are interested in planting.

PLANNED TRAINING AND SKILLS DEVELOPMENT FOR 2023

Peace Officer (Environmental Health)

VIP

Excel Training

First AID

Municipal Finance Management Programme

Computer Networking

Fire Fighters Advanced Coursed

Contact Centre

Local Government Accounting

Advanced Local Government Accounting

Wastewater treatment

Leadership Development

Project Management

OTDP

The revenue framework for the 2023/24 financial year is estimated at R1.612 billion and projected to increase to R1.776 billion over the MTREF period ending 2025/2026.

The expenditure framework is proposed at R1.248 billion for the 2023/24 financial year where 63% relates to allocations for the enhancement and delivery of basic services. The expenditure framework is anticipated to increase to R1.343 billion in the medium-term ending 2025/26 with basic service delivery at the forefront, demonstrating the municipality's commitment to improve the lives of communities within the district.

Following the improvement in the funding status of the municipal budget in the 2022/23 financial year, a number of programmes that had been shelved for several years have been incorporated into the 2023/24 budget as to benefit the communities within the district as follows:

Financial relief programmes

Subsidising the poor through the continued indigent registration drive

The allocation is based on the verified indigent applicants.

Social programmes at a total allocation of R7.3 million
Community programmes to address the high HIV/AIDS rate in the District;
Community programmes to address gender-based violence;
Contributing to cultural, sports and recreational programmes within the District
Population development; and
Driving youth empowerment.

Economic development programmes at a total allocation of R 5 million
Small and Medium Sized Enterprises and Co-operatives support programmes.

The global economy faces numerous challenges which are amplified by global warming. The war in Ukraine and its effect on the world supply of petroleum, the insufficient supply of grain that is desperately needed in Africa to fight poverty, has put Africa in the worse situation. This is over and above the fact that Africa's economy was beginning to grow after the devastating effect of COVID 19. The current budget deficit and an increase in borrowing, reflect an economy that is on a downward spiral substantiated by an increase in unemployment level especially among the youth.

It is therefore prudent for all levels of government to come up with practical solutions to turn our economy around and create the most needed job opportunities for our region. As a level of government that is mandated with the facilitation of economic activities. The District will ensure that all stakeholders are brought together through social compact to fight the scourge. Social compact encompasses an elaborate but dynamic cooperation between the society and the government. It involves collective reasoning on how to foster unity through issues such as power and resources. Due to the socioeconomic crisis that has resulted in incessant increase in the unemployment rate, poverty and criminal activities, it is expedient that fruitful partnership exists between stakeholders to ensure all citizens are carried along in the scheme of things. Social compact involves collaboration between the government, civil society organizations, communities, business and labour. There is usually a driving force towards the actualization of social compact in every society which is to promote and ensure a very viable society that ensures job creation, sustainability of businesses, accountability and welfarism of workers among others. This was well emphasized by the South African President when he was delivering the State of the Nation Address in parliament few years ago.

I have mentioned before that the District Municipality is strongly focused on prioritizing economic development within the region so that we are able to stimulate and grow job opportunities based on our high unemployment levels and number of youth who have not been able to enjoy entry into the economic market within the region.

Our Economic Development Unit has been busy laying a platform for local economic projects by way of workshops and including sector plans into the Integrated Development Plan (IDP) of the district, whilst our economic development agency, namely UMEDA, has been busy with the economic recovery of the region following the devastating floods and rioting that have taken place within the region, as well as the introduction of a macro economic project pipeline and of course our Social Compact, which was the first in the Province of KwaZulu Natal to be completed.

The Social Compact has brought together a vast variety of significant role players who now act as a consolidated unit, which will allow for a much more coordinated and inclusive approach to economic development in the region. Talk shops are now a thing of the past, and we are finally seeing action on our economic front. The district is picking up its feet and starting to move

forward with projects such as the Oribi Airport Regeneration, Midlands Film Studio, Mpofana Agri Park, Camperdown Smart City begin their journey to establishment under the watch of UMEDA. The roll out of Howick Falls nodal upgrade will bolster tourism, and we are happy to finally see progress in this regard.

UMEDA have also answered the call on renewable energy, and are facilitating a process whereby international and local Independent Power Producers are being formalized into a grouping to provide additional electricity to the identified industrial nodes within the district. This again is a first in the province, and Provincial Treasury have teamed up with UMEDA to assist in the roll out of this initiative.

On the international front, UMEDA have facilitated the twinning of Msunduzi, our provincial capital, with the City of Stuttgart, the Capital City of Baden Württemberg District in the Federal Republic of Germany. This will benefit Msunduzi and surrounding municipalities with the introduction of technical skills and possible foreign direct income to be derived from such an arrangement. There will be additional opportunities to explore surrounding training and sector alignment which can occur over such an agreement once formal negotiations ensue.

So from an economic front, I predict massive growth going forward into the new financial year. Government will ensure that the environment is conducive, with the private sector playing a critical role in job creation. More government resources will be allocated to support emerging and small business within the region of uMgungundlovu to address the problem of unemployment.

Repairs and maintenance have become critical to financial viability. All revenue-generating assets must be correctly maintained at all times in order to continue providing the necessary services and earning the revenue required to continue as an ongoing concern. To that end, the municipality has continued to set aside increasing amounts of operational and capital resources to guarantee that the assets are in good condition.

It has been recognized that the well-managed physical development of the municipal precinct, as well as the long-term provision of infrastructural and social services to the District's electorate, are both heavily reliant on the Municipality's efficiency as an organization and its financial viability. With a secondary bulk and reticulation infrastructure backlog of approximately R5billion, the District has been forced to consider integrated and progressive interventions in order to ensure that the community has access to services in some manner. It is for this reason that the District is implementing capital projects of varying nature, ranging from the major bulk with reticulation to the boreholes/spring development.

From the gazetted infrastructure allocation of R212.8m, from MIG and WSIG programmes, R202.3m is allocated to water projects and R10.5m to sanitation projects. Most of the water projects are multi-year in implementation duration and are at various stages of completion. There are three major projects that will be continuing into FY2023/2024, which are Greater Efaya Reticulation Scheme Phase 4 is 88%, Mpolweni Water Supply is at 65%, Nkanyezini Water Supply is at 60% and all these are progressing well on site. While these projects are multi-year, the implementation on the ground followed a phased approach, allowing each completed phase to be commissioned and people to receive water. New projects include the Mpofana secondary bulk water pipeline and approximately 12 various stand-alone schemes with production boreholes and 5 spring development within the District.

The sanitation projects includes the provision of approximately 560 ventilated improved pit (VIP) toilets within all six(6) Local Municipalities under the District.

Moreover, Madam Speaker, notwithstanding these funds being appropriated and implemented by Umgeni Water for bulk services to benefit the District, R510m has been allocated for bulk water and wastewater treatment works project to service the District. Projects to be implemented through these funds will benefit Umgeni LM (R406m, which is 79%), Impendle LM (R104m, which is 20%) and Mpofana LM (R6m, which is 1%) of the total budget.

Disasters cause damages to both natural and physical resources on which people's livelihoods depend.

The vulnerability of the poor is predicted to increase in the future as a result of increasing human population, environmental degradation, unsustainable socio-economic practices and the adverse impacts of climate change.

UMDM has set aside 2.5 million for Disaster Management Centre and over above there is more 2,1 million that is going to be utilized for Disaster Emergency Relief i.e Blankets, Food parcels, Emergency Tents and so on .

Rather than waiting to respond, disaster management should have both pro-active and re-active measures.

The proactive measures to be implemented by uMgungundlovu District Disaster Management Centre during the 2023/2024 Financial Year will include a range of activities such as hazard, exposure and sensitivity reduction strategies such as the installation of lightning conductors as well as impact reduction strategies, and capacity building for resilience such as the rollout of education and awareness campaigns.

Education and raising public awareness, is the process through which people living in areas prone to hazards such as lightning, fires and floods are sensitized regarding such hazards. It includes educating, informing and warning the community about these hazards to better prepare for response to emergency situations, with less dependence on outside assistance or external intervention. Education and public awareness campaigns increase community resilience which in turn help prevent loss of human life and property.

The uMgungundlovu District Municipality is obliged to make plans and provide resources to protect the communities from the hazards they are faced with, hence, the uMgungundlovu District Municipality will set aside the budget for relief items such as food parcels, blankets, sponges, plastic sheets as part of its disaster preparedness and response plans.

The uMgungundlovu District Municipality is obliged to make plans and provide resources to protect the communities from the hazards they are faced with, hence, the uMgungundlovu District Municipality will set aside the budget for relief items such as food parcels, blankets, sponges, plastic sheets as part of its disaster preparedness and response plans.

The former Secretary General of the United Nations, Kofi Annan, once said, and I quote "Building a culture of prevention is not easy. While the costs of prevention have to be paid in the present, its benefits lie in a distant future. Moreover, the benefits are not tangible; they are the disasters that did NOT happen", close quote.

Our disaster preparedness as a District, has received a major boost with the signing of a Memorandum of Agreement with Santam. They will provide disaster risk management support, capacity building and advisory services to enhance the District's ability to prevent and handle future catastrophes such as floods, fires and droughts. The signing of the MoA, signifies a launch of a three-year partnership between Santam and the District. It is very important to mention that, whilst the agreement is between the District and Santam, it is to the benefit of all seven local municipalities under the District.

To kick-start support for the partnership, Santam has donated full structural firefighting equipment. The agreement forms part of Santam's Partnership for Risk and Resilience (P4RR) programme, which aims to assist South African communities with becoming more resilient to disasters .

The MoA will also allow the District to access an online planning support tool that provides quantitative scientific evidence on the likely impacts that climate change and urbanisation will have on South Africa's cities and towns, as well as presenting several adaptation actions that can be implemented by local government to best mitigate against the impact of current and future climate change.

This partnership will also benefit the District with the setting up of a fully functional radio control center for the seamless and improved communication across the area of jurisdiction that the fire department is servicing. It should be noted that the District has set more than R7,5 million for Emergency response vehicles and Rescue equipment that is critical in dealing with different incidents. .

UMDM Fire Service has deployed new recruits who have recently completed their rigorous fire training course. This will certainly mitigate the negative effects of personnel shortage that has been plaguing the fire unit, which is a labour intensive environment. We still need more recruits for our fire stations.

Serious engagements are at an advanced stages between stakeholders regarding the construction of a Disaster Management Center which will incorporate fire services. Plans are also afoot to construct iMpindle Fire Station, Currently, park homes are being used as a temporary fire station.

Madam Speaker, a budget of R7.3 million has been allocated to Social Services. This will take care of activities and programmes relating to HIV/AIDS, Youth, Sports, Arts and Culture. We are going to be able to improve on getting more men tested for HIV, and get more of them circumcised. 12 NGO's and 5 entities which are directly supported by the District in running HIV/AIDS programmes in school, will benefit. We are going to see Ward Aids Forums as well as OSS getting more support from the District for them to have an impact in undertaking their work.

As for the Youth, we are going to see the following :

Proper youth strategy based on consultations will be developed.

Establishment of functional Youth Councils in all LM's

Support to youth business initiatives and co-operatives to grow their businesses

Agressively revive youth activities across the district

Assist learners who are in dire need to register at tertiary institutions.

We are going to see a revival in sporting activities, which were stifled due to lack of budget. We will be able to organise SALDA games within the District, and support athletes from all LM's who will represent the District . Indigenous games and sport for the physically challenged, will be organised to make sure that all sections of society are exposed to some form of games. There is a new Netball League that has just been established, we will ensure that it is a successful league. Other cultural activities, such as uMkhosi wom'hlanga, Nomkhubulwane, and artists of various forms will get support from the District.

Madam Speaker, for the first time in many years, the District will be able to Start the process of securing the land for the regional cemetery as well as securing the land for Regional Waste site as per the mandate of national legislation.



From the Environmental Health Budget, nine key competency areas will be done better than before, and the Air quality plan will be reviewed as per legislation which requires a review after five years. In order to improve on Environmental Health efficiencies, we will be able to send our Peace Officers for training, and send them for Continuous professional development (CPD) courses.

Madam Speaker, I therefore table the budget as detailed in the document for final adoption by Council.

1.2 RESOLUTIONS

It is recommended that Council considers for approval the draft budget estimates for the 2023/24 MTREF period as follows:

- a) The proposed budget funding of R 1 611 741 051 be approved to be funded from the following:

Internally Generated Revenue	R 673 486 051
Grant Funding – Operational	R 735 885 719
Grant Funding – Capital	R 202 369 281

- b) The proposed expenditure appropriations of R 1 248 586 613 be approved and be allocated as follows:

Operating Expenditure	R 1 059 923 785
Capital Programme	R 188 662 828

- c) The capital expenditure programme of R 188 662 828 (excluding VAT) be approved and funded from the following sources:

MIG	R 97 147 201
WSIG	R 78 826 087
Internal Funding	R 12 689 540

- d) The funding allocation for UMEDA be approved at R 7 000 000 for the 2023/24 financial year.
- e) The draft tariff of charges for water and sanitation be adopted by Council at an increase of 8% and 7% for Environmental Health and Emergency Services.
- f) The approved draft budget estimates be made public in the manner envisaged by Chapter 4 of the Local Government: Municipal Systems Act.
- g) The Accounting Officer submit the draft budget as well as all supporting schedules and documentation as required by Sec 17(3) of the MFMA to both the Provincial and National Treasuries.
- h) That public participation meetings be held for the Draft 2023/24 MTREF in line with the Municipal Systems Act.

1.3 EXECUTIVE SUMMARY

DRAFT BUDGET ESTIMATES FOR 2023/24 MTREF TO 2025/26 MTREF				
	2022/23	2023/24	2024/25	2025/26
Operating Grants and Transfers	687 903 698	735 885 719	767 839 000	808 191 000
Internally Generated Revenue	666 776 305	673 486 051	706 486 867	739 691 750
Total Operating Revenue	1 354 680 003	1 409 371 770	1 474 325 867	1 547 882 750
Operating Expenditure	964 084 942	1 059 923 785	1 094 036 230	1 137 307 424
Operating Surplus / (Deficit)	390 595 062	349 447 984	380 289 637	410 575 326
Capital Grants and Transfers	211 900 224	202 369 281	217 946 000	227 933 000
Surplus/ (Deficit) for the year	602 495 286	551 817 265	598 235 637	638 508 326
Capital expenditure	188 241 242	188 662 828	197 441 588	205 259 933
Budget Cash Surplus	414 254 044	363 154 438	400 794 049	433 248 394
Non-Cash Items	184 554 784	194 336 188	203 858 661	213 440 018
Net Budget Cash Position	598 808 828	557 490 625	604 652 709	646 688 411

Table 1: 2023/24 Draft Budget MTREF Summary

The operating revenue framework for the 2023/24 financial year is estimated at R1.409 billion and projected to increase to R1.548 billion over the MTREF period ending 2025/2026. This reflects an increase of 4% when compared to the 2022/23 financial year. Of the operating revenue, 48% will be funded from internal funding which is in line with the 2022/23 contribution, with the grant income contributing 52%.

The minimum tariff is set to be R23.87 per KL based on the phased approach of the cost reflective tariff. This represents an 8% increase from the 2022/23 financial year.

The capital revenue framework for the 2023/24 financial year is at an amount of R202.369 million and projected to increase to R227.933 million over the MTREF period ending 2025/2026. This reflects a decrease of 4% when compared to the 2022/23 financial year. The municipality benefitted from additional funding allocated by the KwaZulu-Natal Cooperative Governance and Traditional Affairs Department in the 2022/23 financial year. The municipality continuously appeals to potential funders for monetary allocations in the attempt to further contribute to addressing the infrastructure backlogs within the district.

The call by National Government to control government spending remains relevant in the foreseeable future to ensure that the municipality remains sustainable and financially viable. The operating expenditure framework is proposed at R1.059 billion for the 2023/24 financial year and is anticipated to increase to R1.137 billion in the medium-term ending 2025/26. This reflects an increase of 10% resulting from the increased demand for services as well as the need to respond to operating backlogs.

Of the operating expenditure items, R 864.988 million (82%) relates to cash items and R194.336 (18%) relates to non-cash items where R 304.929 million (29%) has been allocated to Employee Related Costs; R 265.588 million (25%) to inventory consumed; R 173.782 million (16%) to contracted services; R 137.943 (13%) to debt impairment provisions; R81.299 (8%) to operational expenses including operating leases; R56.393 million (5%) to depreciation; R 17.404 million (2%) to finance charges; R 15.586 million (1%) to the Remuneration of Councillors; and R 7 million (1%) to transfers and subsidies.

The capital expenditure framework is proposed at R188.663 million (excluding VAT) for the 2023/24 financial year and is anticipated to increase to R205.260 million (excluding

VAT) in the medium-term ending 2025/26. R175.973 million (93%) of the capital expenditure relates to spend on capital grants and R 12.689 million (7%) will be funded internally. The capital budget has increased by 0.22% when compared to the 2022/23 financial year. The capital programme is constituted of water projects; infrastructure planning for Housing Projects; construction of the Disaster Management Centre and Howick Customer Care Centre; IT equipment; office furniture and fittings, and machinery and equipment.

The budget surplus for the 2023/24 MTREF is projected at R 349.447 million.

PART 2

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

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 IDP and budget time schedule in August 2022.

The Key dates applicable to the process were:

- **11 January 2023** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2023/24 MTREF.
- **25 January 2023** - Council considers the 2022/23 Mid-year Review and Budget Implementation.
- **February 2023** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines.
- **February 2023** – Multi-year budget proposals are submitted to the Management Committee for endorsement.
- **28 February 2023** - Council considers the 2022/23 Mid-year Adjustments Budget.
- **March 2022**- Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations.
- **March 2023** - Recommendations of the proposed budget estimates are communicated to the Budget Steering Committee, the Executive Committee and to the respective departments.
- **31 March 2023** - Tabling in Council of the draft 2023/24 IDP and budget estimates for public consultation.

- **April - May 2023** – Public consultation and roll out of indigent registration and indigent status review.
- **21 April 2023** - Closing date for written comments.
- **05 May 2023** - Finalisation of budget-related policies.
- **11 to 18 May 2023**– finalization of the 2023/24 IDP and MTREF, taking into consideration comments received from the public, comments from National and Provincial Treasuries, and updated information from the most recent Division of Revenue Bill and financial framework.
- **30 May 2023** - Tabling of the 2023/24 MTREF before Council for consideration and approval.

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

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 IDP and budget time schedule in August 2022.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The following key factors and planning strategies have informed the compilation of the 2023/24 MTREF:

- Growth of the District;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Infrastructure backlogs
- Operational backlogs
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns);
- Performance trends;
- The approved 2022/2023 adjustments budget and performance against the SDBIP;
- Financial Recovery Strategy;
- Debtor payment levels;
- Loan servicing and investment possibilities;
- The need for tariff increases to achieve cost reflection versus the ability of the community to pay for services; and
- Improved and sustainable service delivery.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements, and provision of free basic service to the poor.

Alignment at National Level

The National sphere has provided a national framework and guidelines for sectoral, provincial and municipal planning. This contributes to the creation of a normative framework consisting of common policy guidelines and principles, general strategic guidelines regarding sectoral strategies and spatial macro-strategies.

The national spheres should also co-ordinate and prioritise programmes and budgets between sectors and the national sphere in line with the national framework and in particular the National Spatial Development Perspective (NSDP)-National Development Plan (NDP), the State of the Nation Address as well as the 2018 targets and beyond.

Provincial Level

At this level, there are specific frameworks with mid-term objectives and targets for public investment and services as well as a spatial macro-framework for all sectors and municipalities.

Sectoral programmes and District programmes also need to be coordinated and aligned. Provincial level is best positioned to facilitate this. Municipalities are urged to be pro-active in soliciting this assistance. Important among policy directives are the following:

Priorities set by the Premier's State of the Province Address

Priorities set out in the Provincial Growth and Development Strategy (PGDS) and PGDP.

Provincial Spatial Economic Development Perspective.

Local Level

Municipalities have to prepare a 5-year IDP. Interaction between the District and Local Municipalities is essential. The Framework Plan for the District must address the alignment. The Municipal Manager must, with the support of the IDP Manager / Coordinator and the IDP Steering Committee, ensure that all role players are performing their duties. Performance will be monitored at all the meetings. Organizational restructuring should be provided for inter-disciplinary teams around each Key Performance Area.

Alignment between District Council and Local Councils

Alignment between the Local Municipality and the District Municipality will be managed by a District Technical Coordinating Committee (MM's Forum) comprising the Municipal Managers from the locals and the District to ensure that deadlines are met. This committee will then report to the District Political Hub (Mayor's Forum).

District Economic Sectors and Infrastructure Development Cluster comprise of all planners and economic development practitioners led by one of the Municipal Managers. This cluster will report to the District Technical Hub Committee (Municipal Managers Forum).

IDP Managers/Coordinators from Local Municipalities and the District are responsible for the formulation of IDPs as well as to support each other during the process. These Managers/Coordinators will meet on a regular basis.

Any deviation from the Framework Plan can only be adopted by the meeting and the following procedures for amendment to the Framework will apply:

In terms of the MSA, the District and Local Councils must all agree on the amendment procedures to be followed where a Framework Plan needs to be amended.

Cross border alignment (other Districts and Provinces)

Cross-border alignment will be attained through the Provincial Planners Forum and the alignment sessions. Furthermore, the IGR structures will also be utilized.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to Annexure A.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The following budget related policies are under review:

The budget related policies are under review to ensure that are aligned with the relevant legislation and regulations. These policies were to guide the budget process and include the following:

- Budget Policy
- Cash Management, Banking and Investment Policy
- Cost Containment Policy
- Debt Management and Credit Control Policy
- Debt Write-off Policy
- Fixed Assets Policy
- HR Related Policies
- Indigent Policy
- Inventory Management Policy
- Petty Cash Policy
- Supply Chain Management Policy
- Tariff Policy

Budget Policy: The Budget and Virement 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, Banking and Investment Policy: This policy establishes a cash management and investment framework for the Municipality and to set out the objectives, policies, statutory requirements, and guidelines including defining levels of risk considered prudent for investing surplus funds.

Cost containment policy: The policy aims to regulate municipal spending by implementing cost containment measures to ensure compliance with the Cost Containment Regulations as promulgated by National Treasury from time to time.

Debt Management and Credit Control Policy: The policy is updated, credible, sustainable, manageable and informed by affordability and value for money. There has been 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.

Debt Write-off Policy: This policy provides a framework for regulating the writing off of irrecoverable debt and further enhances of the municipality's debt management strategy.

Fixed Assets Policy: The Asset Management, Infrastructure and Funding Policy a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilized as a guide to the selection and prioritization of individual capital projects. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant.

Indigent policy: 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.

Inventory Policy: This policy outlines the procedures and processes for procurement management and control over inventory or stock items in accordance with the relevant regulations and legislations and other municipal policies and directives. The envisaged outcome is an efficient and effective control and inventory management tool for the municipality.

Petty Cash: The policy provides a convenient way to pay for small expenses but keeping cash in any office entails risk of misuse or theft. This policy provides procedures designed to mitigate these risks

Tariff Policy: 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.

Supply Chain Management Policy: The supply chain management policy aims to ensure the efficient and uniform acquisition as well as contractual agreements of works, goods and services. The policy requires the Municipality to contract for goods or services in accordance with a system that is Fair, Equitable, Transparent, Competitive, and Cost effective.

Below are other budgeted related policies as per Municipal Budget and Reporting Regulations

- Employee Benefits Policy
- Budget Related policy - Human Resources

The above policies are under review, and the draft policies will be submitted for comments during the final budget preparation process.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

When preparing the 2023/2024 budget estimates, the following were considered:

- The average CPI is 5.3 for the period 01 July 2023 to 30 June 2024.
- Umngeni Water tariff increase of 9% for the 2023/24 financial year.
- An increase of 18.7% on Eskom tariffs.
- An 8% increase in tariffs based on the phased approach of the cost reflective tariff.
- The employee related costs will be allowed a maximum 5.5% increase.
- Critical positions will be filled, and the strategic positions of Municipal Manager, Executive Manager: Budget and Treasury Office Executive Manager; Executive Manager: Community Services will be filled.
- Interest rates will remain the same – Interest to service the long-term loan will not increase.
- Average collection rate will be at 50% initially, gradually increasing with the continued implementation of revenue and debt collection strategies.

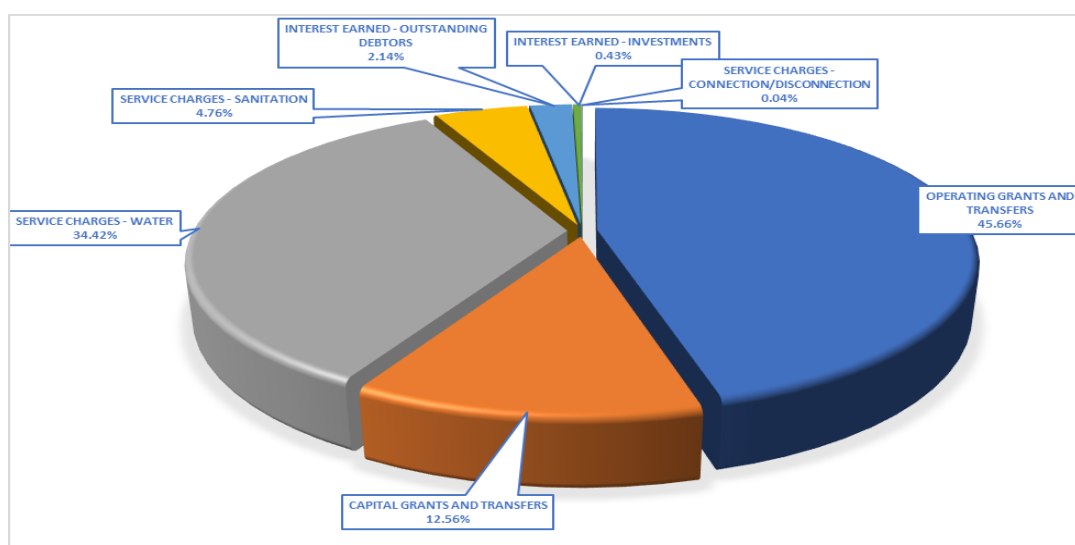
2.6 OVERVIEW OF BUDGET FUNDING

REVENUE FRAMEWORK	2022/23	2023/24	2024/25	2025/26	% CHANGE
OPERATING GRANTS AND TRANSFERS	687 903 698	735 885 719	767 839 000	808 191 000	7%
INTERNALLY GENERATED REVENUE	666 776 305	673 486 051	706 486 867	739 691 750	1%
OPERATING EXPENDITURE FRAMEWORK	1 354 680 003	1 409 371 770	1 474 325 867	1 547 882 750	4%
CAPITAL GRANTS AND TRANSFERS	211 900 224	202 369 281	217 946 000	227 933 000	-4%
TOTAL	1 566 580 227	1 611 741 051	1 692 271 867	1 775 815 750	3%

Table 2: Revenue Framework Summary

The total revenue framework is estimated at R1.612 billion for the 2023/24 financial year.

The overall increase is 3% when compared to the 2022/23 financial year. Of the total revenue framework, 46% relates to operating transfers and subsidies, 34% relates to water revenue, 13% relates to capital transfers and subsidies, 5% relates to sanitation revenue, 2% relates to interest on outstanding debtors, 0.43% relates to interest from investments and 0.04% relates to connection and disconnection fees.



Graph 1: 2023/24 Revenue contributions

Of the operating revenue, 48% will be funded from internal funding which is in line with the 2022/23 contribution, with the grant income contributing 52%.

The breakdown is as follows:

OPERATING GRANTS AND SUBSIDIES	2022/23	2023/24	2024/25	2025/26
NATIONAL	676 615 776	735 885 719	767 839 000	808 191 000
EQUITABLE SHARE	335 614 000	364 715 000	394 088 000	422 906 000
LEVY REPLACEMENT GRANT	334 241 000	353 805 000	369 711 000	380 980 000
FINANCE MANAGEMENT GRANT	1 200 000	1 200 000	1 200 000	1 338 000
EPWP INCENTIVE GRANT	2 287 000	2 959 000	-	-
RURAL ROADS ASSET MANAGEMENT GRANT	2 707 000	2 718 000	2 840 000	2 967 000
MUNICIPAL INFRASTRUCTURE GRANT	566 776	10 488 719	-	-
PROVINCIAL	11 287 922	-	-	-
UMNGENI RESILIENCE PROJECT	1 287 922	-	-	-
ACCELERATED WATER INTERVENTION PROJECT	10 000 000	-	-	-
INTERNALLY GENERATED REVENUE				
SERVICE CHARGES - WATER	547 725 208	558 602 838	585 974 377	613 515 173
COST OF FREE BASIC SERVICES	- 2 959 002	- 3 902 264	- 4 093 475	- 4 285 869
SERVICE CHARGES - SANITATION	79 155 610	76 675 985	80 433 109	84 213 465
SERVICE CHARGES - CONNECTION/DISCONNECTIO	550 000	579 150	607 528	636 082
INTEREST EARNED - OUTSTANDING DEBTORS	32 792 347	34 530 342	36 222 329	37 924 778
INTEREST EARNED - INVESTMENTS	9 512 141	7 000 000	7 343 000	7 688 121
	1 354 680 003	1 409 371 770	1 474 325 867	1 547 882 750

Table 3: 2023/24 Operating Revenue Framework

2.6.2 Tariffs

2.6.2.1 Service Charges – Water and Sanitation

While everything possible is done to reduce the costs of operating for services and to avoid tariff increases, it is inevitable to increase tariff charges to ensure the recovery of the costs of providing the service and to achieve sustainable delivery of services.

The minimum tariff is set to be R23.87 per KL based on the phased approach of the cost reflective tariff. This represents an 8% increase from the 2022/23 financial year.

The proposed tariff structure is as follows:

UMGUNGUNDLOVU DISTRICT MUNICIPALITY TARIFF STRUCTURE FOR 2023/24				
	2021/2022	2022/2023	2023/2024	%
Water				
0 - 6	14.69	22.035	23.87	8.33
7 - 15	28.38	42.57	46.12	8.33
16 - 25	33.92	50.88	55.12	8.33
26 - 35	47.1	70.65	76.54	8.33
36 - 60	66.07	99.105	107.36	8.33
60 +	81.2	121.8	131.95	8.33
Basic charge	45.45	68.175	73.86	8.33
Business /Commercial				
0 - 999999	40.65	60.975	66.06	8.33
Builder/Construction Sites		170.41	191.71	
NGO's (Public benefit)	18.38	27.57	29.87	8.33

Sewerage	2021/2022	2022/2023	2023/2024	
Percentage Increase				
0 - 6	14.69	16.52625	18.36	11.11
7 - 15	28.38	31.9275	35.48	11.11
16 - 25	33.92	38.16	42.40	11.11
26 +	47.1	52.9875	58.88	11.11
Business /Commercial				
0 - 999999	40.65	45.73125	51.45	12.50

Table 4: Proposed Tariff Structure for Water and Sanitation

2.6.2.2 Environmental Health Services

The municipality is also responsible for environmental health matters as designated in the Municipal Structures Act.

The following aspects were considered when the tariffs for environmental health were decided upon:

- i. Users and consumers of municipal services should be treated equitable in the application of the tariffs.
- ii. The amount individual users or consumers pay for services should generally be in proportion to their use of that service.
- iii. Tariffs of charges must reflect the costs reasonably associated with rendering the service.
- iv. Tariffs of charges must be set at levels that facilitate financial sustainability of the service.

The proposed tariff structure is as follows:

ENVIRONMENTAL HEALTH TARRIFFS	2022/23	2023/24
1. Issuing of health certificate for accommodation establishments	403	427
2. Issuing of health certificate for hairdressing/beauty/cosmetology	403	427
3. Issuing of health certificate for childcare facility	403	427
4. Offensive trade permit	1268	1344
5. Issuing of certificate for the introduction of milk and/or milk products into the municipal area for human consumption	314	333
6. Annual renewal of certificate for the introduction of milk and/or milk products into the municipal area for human consumption	210	223
7. Re-inspection of food premises for the removal of a prohibition	634	672
8. Issuing of a destruction of food certificate	288	306
9. Processing of certificate of acceptability for food premises	403	427
10. Processing of certificate of competence	1268	1344
11. Renewal of certificate of competence	576	611
12. Processing of provisional certificate of competence	576	611
13. Issuing of an export certificate	605	641

Table 5: Proposed Tariff Structure: Environmental Health

2.6.2.3 Fire and Emergency Services

The municipality is also responsible for fire and emergency services matters as designated by the Municipal Structures Act.

Except where specifically provided for, these tariffs determine the fees payable by a Controlling Authority, Governing Body or any other person in terms of Section 10 (1) of the Fire Brigade Services Act 99 of 1987 on whose behalf the Fire and Rescue Services

of the uMgungundlovu District Council is applied outside or inside the area of jurisdiction of the Council:

- (a) For the attendance of services
- (b) For the use of the services and any equipment, or
- (c) For any material consumed

uMgungundlovu District Municipality Annual Budget 2022/2023

General Comments:

- i. Any Fire, Rescue or other emergency incident involving property or activities of the uMgungundlovu District Municipality shall not attract charges.
- ii. Any incident of a humanitarian nature or request for assistance of a humanitarian nature shall not attract charges.
- iii. Services performed in the assistance of Community projects or departmental public relations exercises and displays shall not attract charges.
- iv. The applicable attendance rate charge shall be calculated from the time that the first arriving appliance is in attendance at an incident until the last departing appliance leaves the scene at the conclusion of the incident, due allowances being made for breakdown or mishap, or time occupied by relief personnel.
- v. When the time used to calculate the applicable attendance rate charge is less than 30 minutes no charge shall be raised.

EMERGENCY SERVICES UNIT																																																																								
		2022/2023	2023/2024																																																																					
		Incl. Vat	Incl. Vat																																																																					
<p>Except as is specifically otherwise provided, these tariffs determine the fees payable by a Controlling Authority, Governing Body or any other person in terms of Section 10 (1) of the Fire Brigade Services Act 99 of 1987 on whose behalf the Fire and Rescue Services of the Msunduzi Council is applied outside or inside the area of jurisdiction of the Council:</p> <p>(a) For the attendance of services (b) For the use of the services and any equipment, or (c) For any material consumed</p> <p>Any person who feels aggrieved by an assessment of the charges raised may within 14 days after receipt of that assessment object in writing against that assessment as such, or the amount thereof, to the Municipal Manager of the Msunduzi Council, whereby the Council may confirm, alter or revoke the assessment.</p> <p>Tariff of Charges for Services Rendered at Fire and Special Service Incidents</p> <p>For Services Rendered at Incidents Classified as Fire and Rescue: per hour or part thereof</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">Structural</td> <td style="width: 15%; text-align: right;">2 035.81</td> <td style="width: 15%; text-align: right;">2 178.31</td> </tr> <tr> <td>Transport</td> <td style="text-align: right;">1 621.58</td> <td style="text-align: right;">1 735.09</td> </tr> <tr> <td>Fire – Vegetation, Grass, Bush, Rubbish or Plantation</td> <td style="text-align: right;">1 323.36</td> <td style="text-align: right;">1 416.00</td> </tr> <tr> <td>Fire – Hazmat</td> <td style="text-align: right;">2 035.81</td> <td style="text-align: right;">2 178.31</td> </tr> <tr> <td>Fire – Other</td> <td style="text-align: right;">1 266.37</td> <td style="text-align: right;">1 355.01</td> </tr> <tr> <td>Special Service – Transport</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Special Service – Structural</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Special Service – Hazmat</td> <td style="text-align: right;">2 035.81</td> <td style="text-align: right;">2 178.31</td> </tr> <tr> <td>Special Service – Water</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Special Service – Other</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Out of Area</td> <td></td> <td></td> </tr> <tr> <td>Applicable rate as per incident plus 50% of applicable category plus charge</td> <td></td> <td></td> </tr> <tr> <td>For consumables used at any incident</td> <td></td> <td></td> </tr> <tr> <td>Cost of consumables used plus 15%</td> <td></td> <td></td> </tr> </table> <p>Tariff of Charges in respect of the attendance & employment of Special Appliances and Plant to Fire & Rescue incidents</p> <p>For the attendance and employment (per hour or part thereof) of a:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">High Rise Fire fighting Appliance</td> <td style="width: 15%; text-align: right;">1 015.23</td> <td style="width: 15%; text-align: right;">1 086.30</td> </tr> <tr> <td>Water Foam Carrier</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Foam Tanker and / or Foam Service Vehicle</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td>Mobile Lighting Unit</td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> <tr> <td></td> <td style="text-align: right;">1 015.23</td> <td style="text-align: right;">1 086.30</td> </tr> </table> <p>Tariff of Charges in respect of the employment of Outside Agencies at any incident</p> <p>For costs incurred as a result of the employment of an outside agency in: the mitigation of any incident Cost incurred plus 15% of applicable charge</p> <p>Tariff of Charges in respect of Fire Prevention Services</p> <p>For the attendance of staff at stage/theatre performances standby duty and the like, per staff member</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">First Hour</td> <td style="width: 15%; text-align: right;">203.05</td> <td style="width: 15%; text-align: right;">217.26</td> </tr> <tr> <td>Per Hour thereafter</td> <td style="text-align: right;">108.65</td> <td style="text-align: right;">116.25</td> </tr> </table> <p>For scheduled inspections, consultations, inspections of safety exits & appliances in public buildings</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">First Hour</td> <td style="width: 15%; text-align: right;">203.05</td> <td style="width: 15%; text-align: right;">217.26</td> </tr> <tr> <td>Per Hour thereafter</td> <td style="text-align: right;">99.74</td> <td style="text-align: right;">106.72</td> </tr> </table> <p>For the monitoring of direct alarm links – per alarm p.m. 153.18 163.90 For a certified copy of a fire report - per copy 203.05 217.26 For issuing a certificate of Registration - per certificate 48.09 51.46 For issuing a certificate of Competence – per certificate 507.62 543.15 For a copy of a Fire Investigation - per copy 755.19 808.05 For the monitoring of non-emergency telephone lines (after hours complaints etc) – per line per annum 31 767.85 33 991.60</p>				Structural	2 035.81	2 178.31	Transport	1 621.58	1 735.09	Fire – Vegetation, Grass, Bush, Rubbish or Plantation	1 323.36	1 416.00	Fire – Hazmat	2 035.81	2 178.31	Fire – Other	1 266.37	1 355.01	Special Service – Transport	1 015.23	1 086.30	Special Service – Structural	1 015.23	1 086.30	Special Service – Hazmat	2 035.81	2 178.31	Special Service – Water	1 015.23	1 086.30	Special Service – Other	1 015.23	1 086.30	Out of Area			Applicable rate as per incident plus 50% of applicable category plus charge			For consumables used at any incident			Cost of consumables used plus 15%			High Rise Fire fighting Appliance	1 015.23	1 086.30	Water Foam Carrier	1 015.23	1 086.30	Foam Tanker and / or Foam Service Vehicle	1 015.23	1 086.30	Mobile Lighting Unit	1 015.23	1 086.30		1 015.23	1 086.30	First Hour	203.05	217.26	Per Hour thereafter	108.65	116.25	First Hour	203.05	217.26	Per Hour thereafter	99.74	106.72
Structural	2 035.81	2 178.31																																																																						
Transport	1 621.58	1 735.09																																																																						
Fire – Vegetation, Grass, Bush, Rubbish or Plantation	1 323.36	1 416.00																																																																						
Fire – Hazmat	2 035.81	2 178.31																																																																						
Fire – Other	1 266.37	1 355.01																																																																						
Special Service – Transport	1 015.23	1 086.30																																																																						
Special Service – Structural	1 015.23	1 086.30																																																																						
Special Service – Hazmat	2 035.81	2 178.31																																																																						
Special Service – Water	1 015.23	1 086.30																																																																						
Special Service – Other	1 015.23	1 086.30																																																																						
Out of Area																																																																								
Applicable rate as per incident plus 50% of applicable category plus charge																																																																								
For consumables used at any incident																																																																								
Cost of consumables used plus 15%																																																																								
High Rise Fire fighting Appliance	1 015.23	1 086.30																																																																						
Water Foam Carrier	1 015.23	1 086.30																																																																						
Foam Tanker and / or Foam Service Vehicle	1 015.23	1 086.30																																																																						
Mobile Lighting Unit	1 015.23	1 086.30																																																																						
	1 015.23	1 086.30																																																																						
First Hour	203.05	217.26																																																																						
Per Hour thereafter	108.65	116.25																																																																						
First Hour	203.05	217.26																																																																						
Per Hour thereafter	99.74	106.72																																																																						



EMERGENCY SERVICES UNIT			
		2022/2023 Incl. Vat	2023/2024 Incl. Vat
Tariff of Charges in respect of Professional Fire Fighting and Rescue Training Course			
(Per Candidate excluding course materials, accommodation etc.)			
Fire Fighter One		10 789.96	11 545.25
Fire Fighter Two		3 588.93	3 840.16
Hazmat 1st Responder (Awareness)		1 672.46	1 789.53
Hazmat 2nd Responder (Operations)		4 794.74	5 130.38
Fire Officer One		4 481.27	4 794.96
Handling of Chlorine Emergencies		712.44	762.31
Elementary Breathing Apparatus		712.44	762.31
Aerial Appliance (HPP)		1 437.35	1 537.97
Vehicle Rescue & Extrication		2 397.37	2 565.19
Elementary Fire fighting, Fire prevention (Disaster Management)		-	-
		235.11	251.56
Pump Operator/Driver – Basic Course			
Pump Operator/Driver – IFSAC Course			
Re-Issue of Certificates - per certificate			
Re-Issue of Certificates			
Cost plus 15% of applicable IFSAC tariff			
Testing, scrubbing and drying of hose per length		197.70	211.54
Testing, scrubbing and drying of Hazmat contaminated hose - per length		397.19	424.99
plus cost of any consumables used in decontamination plus 15% of cost of consumables			
Seizing of Couplings to hose – per coupling		197.70	211.54
Repairing of Hose – per length plus materials at cost plus 15%		197.70	211.54
Tariff of Charges in respect of the attendance & employment of Special Appliances and Plant to standby at sports & special events			
For attendance and employment (per hour or part thereof)			
High Rise fire fighting appliance		524.74	561.47
Water Carrier		262.37	280.73
Mobile lighting unit		262.37	280.73
Major pumper		524.74	561.47
Light pumper		262.37	280.73
Tariff of Charges in respect of Various Miscellaneous Services and Hire Charges per hour or part thereof in respect of 10.1 – 10.4			
Hire of Portable Pump and related equipment		377.59	404.03
Hire of Extension Ladder		377.59	404.03
Gaining Access/Lock-Outs		377.59	404.03
Miscellaneous Service – per service		377.59	404.03
In addition to the above applicable charge, mileages for out of area call- outs are as follows - per km			
Heavy duty vehicles		9.44	10.10
Light duty vehicles		5.67	6.06
All tariffs reflected above are inclusive of VAT			
General Comments:			
Any Fire, Rescue or other emergency incident involving property or activities of the Msunduzi Municipality shall not attract charges.			
Any incident of a humanitarian nature or request for assistance of a humanitarian nature shall not attract charges. Services performed in the assistance of Community projects or departmental public relations exercises and displays shall not attract charges.			
The applicable attendance rate charge shall be calculated from the time that the first arriving appliance is in attendance at an incident until the last departing appliance leaves the scene at the conclusion of the incident, due allowances being made for breakdown or mishap or time occupied by relief personnel.			
When the time used to calculate the applicable attendance rate charge is less than 30 minutes no charge shall be raised.			
Explanation of Terminology:			
Hazmat stands for Hazardous Material and refers to incidents that involve materials and chemicals that require an extraordinary response and the use of specialist equipment in order to resolve the incident.			
Out of Area means a response to any physical location that is outside of the recognised area of jurisdiction of the Msunduzi Municipality.			
Structural means any building regardless of construction type or occupancy.			
Transport means mechanical transportation of any means.			
Whenever the Chief Fire Officer deems it necessary in the interests of public safety and in order to preserve life and property and as often as he thinks fit, arrangements shall be made for an inspection and/or attendance service to be provided in respect of premises used as public buildings or sports and recreational events.			
The following person this section:			
The owner/s of all property damaged or destroyed or under threat of damage or destruction by fire, accident or other mishap in respect of which the service is rendered or the materials are supplied.			
The person or owner or the owner's spouse, child, employee or agent whose wrongful act or omission was the direct cause of the circumstances which make the rendering of the service necessary in the opinion of the Chief Fire Officer or any other officer acting with his authority.			
The person responsible or whose alarm system was responsible for the summoning of the service where, in the opinion of the Chief Fire Officer, such summoning was unwarranted, or was no reasonable justification thereof.			

Table 5: Proposed Tariff Structure: Emergency Services

2.6.3 REVENUE MANAGEMENT

Section 64 of the Municipal Finance Management Act sets out the processes and procedures for revenue management, part of which addresses the issue of debt collection where 2(a) states that the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the MFMA and the municipality's credit control and debt collection policy.

i. Revenue Raising Strategies

The drive to collect revenues was reintroduced since June 2018 and has been ongoing since, as a joint initiative between all departments. The municipality engaged the Development Bank of Southern Africa as a strategic partner to fund the Revenue Enhancement and Collection Strategy. The main purpose and principal strategic objective of the joint effort was to sustain and redefine the processes of revenue generation and protection; improve customer relations and collections; and effective debt management to address and reduce the risk of financial distress. The project was completed and the close out report was signed by the partners. The project has subsequently been rolled out to the entire District as part of the Financial Recovery Plan to address the unfunded budget position of the municipality.

The focus areas and key deliverables for the project are:

- a. Effective communication and Customer Care
 - Creating a sound and effective communication strategy for our customers.
 - Enhancing levels of customer care and increasing responsiveness in addressing billing and other service delivery queries
 - Improving efficiency at our customer contact points
 - Improving accessibility of customer access points
 - Improving and intensifying the indigent customer registration drive
- b. Meter reading which involves
 - Allocating additional human capital to improve efficiency and accuracy
 - Effective management of meter readers
 - Improving data collection and data integrity
 - Identifying and verifying meters
 - Locating meters
 - Replacing faulty meters
 - Integrating GIS with the billing system.
- c. Billing
 - Ensuring correct customer information / details
 - Ensuring accuracy of billing
 - Distributing statements and correspondence timeously

The consumption patterns observed during the 2022/23 adjustment budget per consumption category are expected to remain the same if not reduce, due to the debtors' database cleansing project as part of the Revenue Enhancement Strategy.

However, the reduction is likely to be netted off by the increased consumption due to identification of meters not included in the debtors' book. This will not translate to an increase in the cost of bulk purchase as the customers are already receiving the service but are not billed for it.

ii. Revenue Collection Strategies – Debt Management

The 2022/23 original budget assumption is that the Municipality will collect 37% of its raised bills. The implementation of 2021/22 Financial Recovery Plan, which amongst other involves restrictions and disconnections, is expected to yield an improved minimum collection rate in the in years to come. The revenue collection rate has increased to 57% in January 2023 and to 60% in February 2023.

With the implementation of the revenue raising strategies, the municipality anticipates increasing the quantity and quality of bills in the medium to long term. As part of producing the efforts to produce quality bills, the municipality has strengthened the functionality of customer care centres which has resulted in a drastic reduction in the number of account queries, the lower the number of queries, the higher the chances of the customer paying for their account. This will result in an increase in the revenue collection rate. The municipality has also strengthened the capacity to effectively implement the debt collection and credit control policy by getting meter attendants who deal with faulty meters timeously and ensure timeous disconnections and restrictions of meters in case of non-payment. This measure is contributing significantly in increasing the revenue collection rate. The municipality will continue to implement these measures during 2022/23.

Debtors Age Analysis by Customer Group			
Category	Total	Total > 90 days	% > 90 days
Organs of State	38,939,838.00	26,043,712.00	67%
Commercial	40,189,568.00	27,058,204.00	67%
Households	655,957,394.00	556,363,394.00	85%
Other	88,709,849.00	75,581,855.00	85%
Total	823,796,649.00	685,047,165.00	83%

The debt impairment assessment was conducted as at 30 June 2022 where the entire debtors' database was tested for impairment in line with GRAP 104. The results of the assessment were used as the basis for the analysis of qualifying debt write offs.

As at 28 February 2023 amounted to R 823.8 million. A total of R 685 million or 83% relates to amounts owing for more than 90 days.

As at 30 April 2022, the average collection rate of 50% was achieved.

2.7 OPERATING EXPENDITURE FRAMEWORK

The operating expenditure framework is estimated at R1.059 billion for the 2023/24 financial year.

The overall increase is 10% when compared to the 2022/23 financial year.

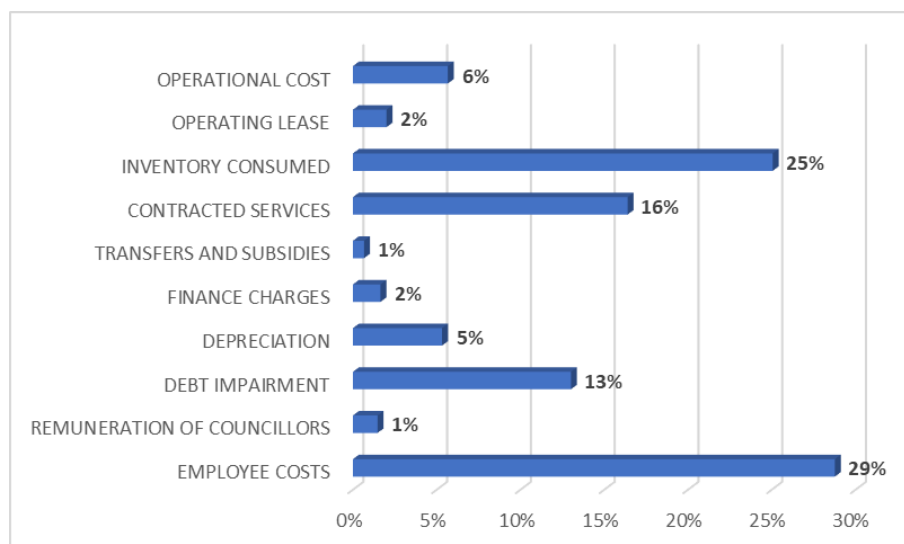
The call by National Government to control government spending remains relevant in the foreseeable future to ensure that the municipality remains sustainable and financially viable.

The breakdown of the operating expenditure budget is as follows:

DESCRIPTION	2022/23	2023/24	2024/25	2025/26	% CHANGE
EMPLOYEE COSTS	268 062 103	304 929 355	317 768 698	332 703 826	14%
REMUNERATION OF COUNCILLORS	14 696 002	15 585 659	16 349 356	17 117 776	6%
DEBT IMPAIRMENT	131 000 000	137 943 000	144 702 207	151 503 211	5%
DEPRECIATION	53 554 784	56 393 188	59 156 454	61 936 807	5%
FINANCE CHARGES	18 771 274	17 403 733	15 920 860	14 140 379	-7%
TRANSFERS AND SUBSIDIES	9 000 000	7 000 000	6 500 000	6 000 000	-22%
CONTRACTED SERVICES	160 218 395	173 782 312	180 978 635	188 932 453	8%
INVENTORY CONSUMED	239 524 370	265 587 767	269 090 049	281 468 712	11%
OPERATING LEASE	20 519 600	21 241 178	21 623 378	22 639 677	4%
OPERATIONAL COST	48 738 413	60 057 594	61 946 593	60 864 583	23%
TOTAL OPERATING EXPENDITURE	964 084 942	1 059 923 785	1 094 036 230	1 137 307 424	10%

Table 6: Operating Expenditure per Type

Of the operating expenditure items, R 864.988 million (82%) relates to cash items and R194.336 (18%) relates to non-cash items.



Graph 2: Expenditure contributions

Of the total operating expenditure budget, R304.929 million (29%) has been allocated to Employee Related Costs and R 15.586 million (1%) to Remuneration of Councillors. The total costs of Salaries and Wages is R 320.515 (30%) which is within the National Treasury norm of 22–40%.

The budget for operational costs is at a total of R60.058 million and contributes 6% to the total operating expenditure framework where R 41.643 million (69%) relates to municipal running costs; R13.379 million (23%) relates to basic service delivery and R5.036 million (8%) relates to special programs.

The operating leases budget is at a total of R 21.241 million and constitutes 2% of the total operating budget where R 15.2 million (72%) relates to municipal running costs for customer care centres, fleet and equipment; and R6 million (28%) relates to emergency response vehicles (fire engines).

Inventory consumed is budgeted at a total of R 265.588 million which constitutes 25% of the operating expenditure framework where R257.308 million (97%) relates to service delivery; R2.150 million (0.8%) relates to disaster materials and consumables; R5 million (1.9%) relates to SMME support; R0.830 million (0.3%) relates to municipal running costs; and R0.300 (0.1%) million relates to special programmes.

Within inventory consumed expenditure budget for basic services is an allocation for the construction of VIP toilets at a total amount of R 9.121 (excluding VAT) where the breakdown is as follows:

VIP SANITATION			
Description	Ward	Amount (VAT excl)	
Mkhambathini Local Municipality	Ward 3	R	3 290 392
Richmond Local Municipality	Ward 3 & 7	R	2 510 535
Impendle Local Municipality	Ward 1	R	2 510 535
Mshwathi Local Municipality	Ward 11	R	809 163
Grand Total			9 120 625

Table 7: VIP Toilets Budget per region

Contracted services are budgeted at a total of R173.782 million and contribute 16% to the total operating expenditure framework where:

- R138.430 million (80%) relates to basic service delivery;
- R26.927 million (15%) relates to municipal running costs;
- R6.433 million (4%) relates to other municipal functions such as economic development and planning, environmental health, environmental management; and rural road asset management;
- R1.992 million (1%) relates to Special Programmes.

Transfers and subsidies relate to amounts allocated to the uMgungundlovu Economic Development Agency, with the 2023/24 budget at a total of R7 million which constitutes 1% of the operating expenditure framework. This is to support the agency in the performance of its functions and activities.

Finance charges budgeted for the 2023/24 financial year related to the interest to be incurred on the outstanding balance for the Loan with the Development Bank of South Africa. The amount of R 17.404 million is aligned to the loan amortisation schedule and constitutes 2% of the operating expenditure framework.

The depreciation and debt impairment budget items are non-cash items and constitute 5% (R56.393 million) and 13% (R 137.943 million) of the operating budget framework, respectively.

Cost Containment Measures

The municipality has committed to monitoring and controlling operational expenditure by implementing its Cost Containment policy.

The user departments continuously monitor and review the contracts and service level agreements with service providers in an effort to ensure that value for money is realised.

As part of cost containment measures, and considering that water and sanitation are the core business of the municipality, where minor repairs to the meter and or reticulation are identified, they are fixed on the spot to reduce unaccounted for water and eventually reduce the cost of bulk water purchase.

Water Tanker Hire: This contract will continue to be closely monitored and reviewed to ensure that the municipality is able to recover the costs incurred in the form of service charges. Demand Analysis needs to continuously be performed by the user department which has to demonstrate the reduced need for the service delivery through water tankers in line with the commissioned and completed projects. The need for the water tanker hire should reflect a stagger down need in line with implemented projects and service interruptions.

Reticulation Repairs and Maintenance - Electric and Mechanical Contract: This contract will continue to be closely monitored to provide and supply services as per contract conditions and preapprovals are required for works to be done.

Wastewater Treatment Works Maintenance Contract: A revised cost tariff charge has been negotiated with the service provider. The reasonability of the fixed tariff is being verified and the contract addendum is to be concluded.

Vehicle Hire and VIP Vehicle Hire: Vehicle Hire for VIP's to be limited to upper limit as per Government gazette. Vehicle hire for staff for operational purposes to be controlled by line managers.

Employee Related Costs

All allowances, overtime and standby to be pre-approved and controlled by line managers. A limit of standby allowance and overtime has been set.

2.8 ALLOCATION AND GRANTS MADE BY THE MUNICIPALITY

Council resolved to transfer a total sum of R 7 million to the uMgungundlovu Development Agency for the 2023/2024 financial period.

2.9 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

REMUNERATION OF COUNCILLORS	14 696 002	15 585 659	16 349 356	17 117 776
OFFICE OF THE MUNICIPAL MANAGER	14 696 002	15 585 659	16 349 356	17 117 776
CHIEF WHIP: BASIC SALARY	757 313	851 395	893 113	935 089
CHIEF WHIP: CELLPHONE ALLOWANCE	44 400	44 400	46 576	48 765
CHIEF WHIP: TRAVEL ALLOWANCE	67 422	103 262	108 322	113 413
DEPUTY MAYOR: BASIC SALARY	565 641	578 721	607 079	635 611
DEPUTY MAYOR: MEDICAL AID	30 236	29 434	30 876	32 327
DEPUTY MAYOR: PENSION	88 205	79 997	83 917	87 861
DEPUTY MAYOR: TRAVEL ALLOWANCE	218 691	214 247	224 745	235 308
DEPUTY MAYOR: CELLPHONE ALLOWANCE	44 400	44 400	46 576	48 765
EXCO: BASIC SALARY	4 439 560	4 689 581	4 919 370	5 150 581
EXCO: CELLPHONE ALLOWANCE	273 900	266 400	279 454	292 588
EXCO: MEDICAL AID	87 295	82 577	86 623	90 694
EXCO: PENSION	200 647	187 639	196 833	206 085
EXCO: TRAVEL ALLOWANCE	234 662	117 400	123 153	128 941
MAYOR: BASIC SALARY	832 420	867 702	910 219	952 999
MAYOR: CELLPHONE ALLOWANCE	44 400	44 400	46 576	48 765
MAYOR: TRAVEL ALLOWANCE	319 127	427 233	448 167	469 231
OTHER COUNCILLORS: BASIC SALARY	3 626 463	4 050 996	4 249 495	4 449 221
OTHER COUNCILLORS: CELLPHONE ALLOWANCE	452 058	463 800	486 526	509 393
OTHER COUNCILLORS: MEDICAL AID	109 534	95 990	100 694	105 427
OTHER COUNCILLORS: OTHER ALLOWANCES	476 411	501 600	526 178	550 909
OTHER COUNCILLORS: PENSION	155 488	109 383	114 743	120 136
OTHER COUNCILLORS: TRAVEL ALLOWANCE	716 359	788 227	826 850	865 712
SPEAKER: BASIC SALARY	650 228	688 229	721 952	755 883
SPEAKER: CELLPHONE ALLOWANCE	44 400	44 400	46 576	48 765
SPEAKER: TRAVEL ALLOWANCE	216 743	214 247	224 745	235 308

Employee Related Costs

EMPLOYEE COSTS				
COMMUNITY	93 811 589	108 693 978	114 019 983	119 378 923
CORPORATE	26 469 677	31 142 379	32 668 355	34 203 768
FINANCE	36 763 583	38 924 106	40 831 388	42 750 463
OFFICE OF THE MUNICIPAL MANAGER	27 373 522	28 796 497	28 105 329	29 426 279
TECHNICAL	74 506 465	87 750 853	92 050 645	96 377 025
GROUP LIFE	3 137 267	3 303 542	3 465 415	3 628 290
POST RETIREMENT BENEFITS	6 000 000	6 318 000	6 627 582	6 939 078
	268 062 103	304 929 355	317 768 698	332 703 826

***Totals above include costs for Executive Management and Group Life and Defined Benefit Contributions*

Executive Management Costs

Designation	Basic for 2023/2024	Housing Subsidy	Cellphone allowance	Travel Allowance / Subsidy	Skills Levy	UIF	SALGBCL	Medical Aid	Annual
Municipal Manager	1 928 694	-	21 600	-	19 503	2 125	130	-	1 972 052
Executive Manager: Financial Services	1 087 460	214 203	21 600	237 723	13 233	2 125	130	-	1 576 473
Executive Manager: Corporate Services	1 087 460	-	21 600	192 748	10 875	2 125	130	-	1 314 938
Executive Manager: Technical Services	899 561	-	21 600	214 181	10 070	2 125	130	31 652	1 179 320
Executive Manager: Community Services	1 087 460	-	21 600	192 748	10 875	2 125	130	-	1 494 167
Executive Manager: Economic Development	919 827	-	21 600	194 880	9 198	2 125	130	-	1 147 761
Total	7 010 463	214 203	129 600	1 032 281	73 753	12 753	778	31 652	8 684 711

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS INTERNAL – DEPARTMENTS

The attached Service Delivery and Budget Implementation Plan is at Draft stage has been approved by the Mayor as per the Municipal Finance Management Act. **Refer to Annexure A.**

2.12 ANNUAL BUDGETS AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS

Not applicable.

2.13 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The below contracts have budgetary implications beyond the 2022/23 financial year

- Leasing of photocopying machines from Yurutek Business Solutions where the contract period ends on 30 April 2025.
- Leasing of Emergency Response Vehicles from Scelo Business Consulting where the contract period ends on 13 November 2023.

2.14 CAPITAL EXPENDITURE FRAMEWORK

The three-year capital expenditure budget for the medium-term commencing in 2023/24 will amount to R 591.364 million where R563.694 million will be funded by grants and R27.670 million will be internally funded.

The 2023/24 capital expenditure budget is at a total of R 188.663 million excluding VAT of which 93% (R175.8973 million) of the capital expenditure relates to expenditure funded by capital grants and 7% (R 12.689 million) will be funded internally.

The capital budget has increased by 0.22% when compared to the previous financial year and constitutes 15% of the total 2023/24 budget which falls within the norm of 10 – 20% as recommended by National Treasury.

The capital programme constitutes the following:

- a. *Water projects*
 - i. R 175.973 million in 2023/24 which constitutes 93% of the total annual capital budget.
 - ii. R 563.694 million over the medium-term which constitutes 95% of the medium-term capital budget.
- b. *Infrastructure – Housing Developments*
 - i. R2 million in 2023/24 which constitutes 1% of the total annual capital budget.
 - ii. R 6 million over the medium-term which constitutes 1% of the medium-term capital budget.

c. *Buildings*

- i. R 2.5 million for the Disaster Management Centre and R3 million towards the Howick Customer Care Centre which constitutes 1% and 2% of the 2023/24 capital budget, respectively.
- ii. A total of R11.5 million over the medium-term which constitutes 2% of the medium-term capital budget.

d. *IT Equipment*

- i. R 3.2 million in 2023/24 which constitutes 2% of the total annual capital budget.
- ii. R 6.7 million over the medium-term which constitutes 1% of the medium-term capital budget.

e. *Furniture and fittings*

- i. R 0.750 million which constitute 0.4% of the annual capital budget.
- ii. R 1.823 million over the medium-term which constitutes 0.27% of the medium-term capital budget.

f. *Machinery and Equipment*

- i. R 1.239 million in 2023/24 which constitutes 1% of the annual capital budget.
- ii. R 1.646 million over the medium-term which constitutes 0.28% of the medium-term capital budget.

Grant funding is ring-fenced by the municipality until such a time that the conditions of the grant are met. This is achieved through the transfer of all receipts of capital funding to a Projects Bank Account. This enables the distinction, control the management of such funds. Furthermore, given that such grants are to be spent within the relevant fiscal year any identified surplus funds (after taking into account projected cashflows) are invested for short periods at a time (usually three months).

A break-down of the capital expenditure programme per project is detailed below.



Project Name	Funding Source	Budget 2022/2023	Budget 2023/2024	Budget 2024/2025	Budget 2025/26	Total Allocation	Municipality
Water Provision							
Nkanyezini Water	MIG	33 636 878	43 751 806	33 308 741	6 086 957	83 147 503	Mkhambathini
Mpolweni	MG	43 972 186	41 375 359	19 896 796	4 347 826	65 619 981	uMshwathi
Trust Feeds Phase 1	MIG	1 870 914	7 686 123	-	-	7 686 123	uMshwathi
Maqonqo Water	MIG	149 687	-	-	-	-	Mkhambathini
Enguga Entshayabantu & Macksam CWSS Phase 5	MIG	1 310 883	-	-	-	-	Impendle
Mbhava & Mpethu Swayimane Water Supply Phase 2	MIG	14 681 553	-	-	-	-	uMshwathi
KwaMathwaya Water Reticulation	MIG	5 508 529	-	-	-	-	Mpofana
Cedara Water -bulk main link	MIG	-	-	17 391 304	57 391 304	74 782 609	uMngeni
Swayimane Water Supply Phase 3	MIG	-	4 333 913	40 613 594	48 536 522	93 484 029	uMshwathi
		101 130 630	97 147 201	111 210 435	116 362 609	324 720 244	
Enguga Entshayabantu & Macksam CWSS Phase5							
	NDCM	8 782 609	-	-	-	-	Impendle
		8 782 609	-	-	-	-	
Nadi to Ekhamanzi Phase 3B							
	WSIG	3 040 365	-	-	-	-	uMshwathi
Greater Efaye	WSIG	71 394 417	16 652 743	4 404 650	-	21 057 393	uMshwathi
Underground Water Source Project - Nhlazuka, Moyeni, KwaShoba and Ndaleni-Congo							
	WSIG	-	1 739 130	434 783	-	2 173 913	Richmond
Underground Water Source Project - Lidgeton							
	WSIG	-	743 478	-	-	743 478	Umngeni
Underground Water Source Project - Weston College 1							
	WSIG	-	743 478	-	-	743 478	Mpofana
Underground Water Source Project - Mboyi, Makholweni, KwaGoina							
	WSIG	-	2 734 783	-	-	2 734 783	Mkhambathini
Underground Water Source Project - Ekupholeni							
	WSIG	-	743 478	-	-	743 478	uMshwathi
Underground Water Source Project - Impendle Village and Nhlabamakhosi							
	WSIG	-	1 556 522	-	-	1 556 522	Impendle
Extension of Mt Elias & Efaye Reticulation							
	WSIG	-	12 843 686	16 928 145	1 425 656	31 197 487	uMshwathi
Extension of KwaZibusele and Mbulwane Retic							
	WSIG	-	14 682 407	23 195 823	2 979 227	40 857 457	uMshwathi
Nadi Reticulation Phase 1							
	WSIG	-	3 178 718	29 966 398	8 293 718	41 438 833	uMshwathi
Nadi Reticulation Phase 2							
	WSIG	-	-	2 347 826	41 438 833	43 786 659	uMshwathi
Mpofana Bulk- Mpofana village							
	WSIG	-	23 207 663	1 030 201	-	24 237 865	Mpofana
AC Replacement							
	WSIG	-	-	-	27 702 566	27 702 566	Umngeni
Underground Water Source Project - Impendle Village and Nhlabamakhosi							
		74 434 783	78 826 087	78 307 826	81 840 000	238 973 913	
Water Provision - Boreholes							
Impendle Boreholes	AWIP	2 718 427	-	-	-	-	Impendle
Mpofana Boreholes	AWIP	2 718 427	-	-	-	-	Mpofana
uMshwathi Boreholes	AWIP	3 258 799	-	-	-	-	uMshwathi
		8 695 652	-	-	-	-	
Infrastructure - Housing developments							
	ernal fundi	-	2 000 000	2 000 000	2 000 000	6 000 000	Whole of district
Disaster Management Centre	ernal fundi	1 000 000	2 500 000	3 000 000	3 000 000	8 500 000	Mkhambathini
Buildings/structures	ernal fundi	186 000	3 000 000	-	-	3 000 000	Head Office
Machinery and Equipment	ernal fundi	980 000	1 239 540	198 827	208 172	1 646 540	Head Office
Furniture and Fittings	ernal fundi	214 000	750 000	524 500	549 152	1 823 652	Head Office
IT Infrastructure	ernal fundi	1 156 700	3 200 000	2 200 000	1 300 000	6 700 000	Head Office
IT Infrastructure	EPWP	17 391	-	-	-	-	Head Office
Intangible Assets	FMG	426 087	-	-	-	-	Head Office
		3 980 178	12 689 540	7 923 327	7 057 324	27 670 191	
Grand Total							
		197 023 851	188 662 828	197 441 588	205 259 933	591 364 349	

2.15 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to in terms of the following activities:

In year reporting and Statutory returns

Reporting to National and Provincial Treasuries was complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website. The municipality has also submitted all statutory returns as per MFMA and mSCOA.

Internship programme

The Municipality is participating in the Municipal Financial Management Internship Programme. The programme is intended to empower graduates with on-the-job training and build capacity for the local government sector. The municipality currently has in its employ a total of five interns.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA with the Chief Financial Officer recruitment process currently pending. The position is, however, occupied on a short-term basis until such recruitment process is concluded.

Service Delivery and Implementation Plan

The detailed outcome based SDBIP document is at a draft stage and will be finalized in line with the approval of the 2023/24 MTREF in May 2023.

Annual Report

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

MFMA Training

Various managers and staff have completed the MFMA training, and the training programme continues in line with the skills development plan. The managers who have not fully met the minimum competency requirements have signed performance agreement which includes milestones for the completion of the outstanding unit standards.

Audit Outcome

The municipality has maintained an unqualified audit opinion on the Annual Financial Statements in the 2022/2022 financial year.

The municipality's audit opinion on the Annual Performance Report regressed to a qualified audit opinion in the 2021/2022 financial year.

The municipality seeks to improve the audit opinion on both the Annual Financial Statements and the Annual Performance Report in the current financial year.

2.16 OTHER SUPPORTING DOCUMENTS

2.16.1 INVESTMENTS

Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Interest rate (%)	Amount Invested	Interest earned	Closing Balance
3 months	Fixed deposit	08/05/2023	8.54%	110 000 000	566 214	110 566 214

As at 28 February 2023, the municipality held an investment of R 110 million with ABSA Bank for a period of 3 months maturing on 08 May 2023 at an interest rate of 8.54%. An amount of R 566 214 was accrued in investment/interest income for the month of February 2023. The investment closing balance amounted to R 110.6 million resulting in a total cash and cash equivalents balance of R 271.4 million.

2.16.2 LONG TERM LOANS

Agreement Number	Project Description	Interest Rate %	Opening Balance at 01/02/2023	Add: Interest Accrued	Closing Balance at 28/02/2023
12007869	uMgungundlovu Various Water Projects	10.889	163 219 907	1 363 409	164 583 317

As at 28 February 2023, the loan book was at a total balance of **R 164.6 million**. The interest rate on the loan is **10.889%**. The debt to revenue ratio is **12.15%** against the projected operating revenue which is within the National Treasury norm of below 45%. The debt service to income ratio for the year indicates that the costs associated with the debt were funded by **1.5%** of the YTD operating income.

2.16.3 CONDITIONAL GRANTS

As at the 28 February 2023, a total of R 169 million of conditional grant allocations were received since 01 July 2022 whilst an additional R 16.8 million, which was received in the previous financial years, was available at the beginning of the period. The operating and capital grant utilisation of allocations received to date was at 50% and 80%, respectively. The overall conditional grant utilisation is at 77% of available funds with an unspent value of R 43.2 million.

uMgungundlovu District Municipality Conditional Grants Register as at 28 February 2023						
Description	Opening Balance	Receipts	Total Available	Expenditure	Balance	Percentage
Operating Grants						
Accelerated Sanitation Intervention Grant	0	10 000 000	10 000 000	6 241 033	3 758 967	62.41
Camperdown WWW	4 000 095	0	4 000 095	0	4 000 095	0.00
Expanded Public Works Programme Grant	0	1 602 000	1 602 000	1 206 648	395 352	75.32
Finance Management Grant	0	1 200 000	1 200 000	330 406	869 594	27.53
Geospatial Grant	35	0	35	0	35	0.00
IDP Spatial Development Grant	622 775	0	622 775	287 500	335 275	46.16
Municipal Infrastructure Grant		566 776	566 776	308 776	258 000	54.48
Public Transport Plan Grant	308 817		308 817	0	308 817	0.00
RASET & DGDS Grant	126 989	0	126 989	0	126 989	0.00
Rural Roads Asset Management Grant	29	1 894 000	1 894 029	1 604 041	289 988	84.69
Spatial Development Framework Grant	212 825	0	212 825	197 570	15 255	92.83
Total Operating Grants	5 271 564	15 262 776	20 534 340	10 175 973	10 358 368	49.56
Capital Grants						
Accelerated Sanitation Intervention Grant	3	10 000 000	10 000 003	0	10 000 003	0.00
Municipal Infrastructure Grant	0	93 000 000	93 000 000	83 276 781	9 723 219	89.54

ORIO Grant	11 550 860	0	11 550 860	0	11 550 860	0.00
Water Services Infrastructure Grant	0	51 360 000	51 360 000	49 789 539	1 570 460	96.94
Total Capital Grants	11 550 863	154 360 000	165 910 863	133 066 320	32 844 542	80.20
Total Grants	16 822 427	169 622 776	186 445 203	143 242 293	43 202 910	76.83

Capital grants are anticipated to be spent in full by the end of the financial year and are fully committed as the projects are underway. A total amount of R 10.3 million relates to the unspent portion of the operational grants.

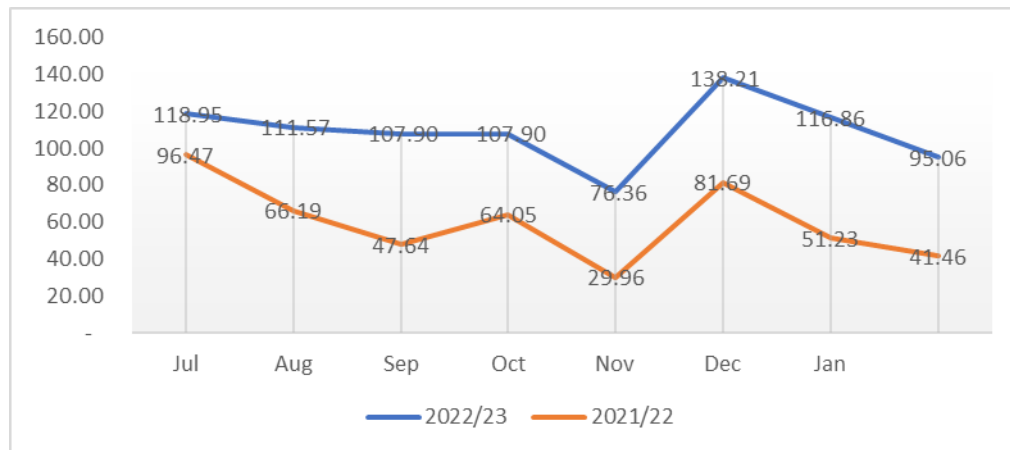
The municipality is confident that it will fully spend the conditional operating grants received in the current financial year. The municipality has requested assistance from Provincial Government in establishing the funding, conditions and expenditures of the grants that have historically been reflected on the Grant Register with no movements in such balances.

The municipality ensures that all grant funding received is cash-backed until the conditions of such grants are met.

2.16.3 CASH COVERAGE

The total bank balances as at 28 February 2023 amounted to R 160.8 million and investments amounted to R 110.6 million resulting in a total cash and cash equivalents balance of R 271.4 million. The average interest rate on the investment is 8.54%. The cash coverage ratio as at 28 February 2023 is 3.17 based on average of R 72 million per month fixed operating expenditure. This indicates that the municipality as at 28 February 2023 has enough cash to run its operation for 95.06 days based on a 30-day calendar month. The norm as set out in the uniform financial ratios and norms circular 71 is 1 to 3 months.

Account Name	Account Number	Market value at the beginning of the month	Change in market value	Market value at the end of the month
Main Account	50940026773	235 066 214	-138 818 472	96 247 742
Salaries Account	50940092196	55 753 434	-23 281 966	32 471 468
Water Services Account	62023616462	28 638 516	-1 978 406	26 660 111
NSTD Call Account	62215748289	609 607	3 482	613 089
Mandela Race Account	62411577193	836 780	2 961	839 741
Mandela ABSA	4094362410	1 229 605	-74	1 229 531
Corporate Cheque Account	62597807125	2 711 692	12 271	2 723 963
Public Sector Cheque Account	62243484417	-	-	-
Total Cash Balances		324 845 849	-164 060 204	160 785 645



The average debtors' collection rate for the 2022/23 financial year is 50% with the highest value of debtors' payments received in January 2023. Positive cash coverage has been maintained in the 2022/23 financial year despite the slow recovery of the economic climate further depressed by the impact of load shedding. The municipality has realised an improved cash coverage as anticipated in the previous year. This can be attributed to the improved enforcement of the Credit Control Policy and the intensified implementation of the financial recovery strategy.

2.17 SOCIAL AND ECONOMIC REDRESS THROUGH INDIGENT SUPPORT AND INDIGENT MANAGEMENT

Indigent Policy

The Municipality is a Water Services Authority and provides free basic services, that are part of the municipality's mandate, to its registered Indigents. The Indigent register is continually updated, and the municipality receives applications. Currently, the Indigent Register has 2 611 registered indigent households.

The Indigent policy is under review and will be adopted in May 2023 for implementation. Through the District Wide Financial Model, a proposal to standardise indigent support is recommended.

A strategy for updating the indigent customer register has been developed and is being implemented.

2.18 FINANCIAL MANAGEMENT

2.18.1 Supply Chain Management

Procurement Planning

The unit develops a procurement plan annually that is approved by the accounting officer and noted by Council; it is a guiding document that reflects when the departments should procure their projects on a timely manner as per their targets on the SDBIP. The implementation of the SCM policy is reported monthly and quarterly to Mayor and Council in line with Section 6 of the SCM regulations and 32 of the MFMA. Procurement plan is monitored monthly and quarterly to improve compliance and turnaround time of procurement.

Supply Chain Management Challenges

The SCM sphere has undergone a turbulent 12 months stemming from the decision of the Constitutional Court to declare the preferential procurement regulations (2017) invalid.

The appointment of a Contracts Administrator will allow for better management and oversight on contracts, which will allow for better planning and reduce the likelihood for irregular expenditure on expired contracts. The Accounting Officer was made aware of this and indicated that job evaluation process is currently underway and all human resources needs will be attended to afterwards.

The coordination of the procurement of goods and services, management of supplier database, inventory management and contract management are performed within the Supply Chain Management Unit. The Supply Chain Management Policy and Standard Operating Procedures are in place and will be reviewed for the 2023 / 2024 financial year. SCM displays cohesiveness by submitting monthly reports to the CFO, Accounting Officer and to Council detailing the performance of the bid committees.

There is an updated contract register that is populated with all contracts for the municipality. They have all been procured through the SCM process, they are all valid written contracts with the terms and conditions stipulated in the contract. The period of the contract is specified in the contract register. A vacancy for the contract administrator position has been identified as critical to the organisation and has been targeted to be filled by May 2023.

SCM makes provision for the disabled as the SCM Policy is aligned to the newly introduced PPPFA 2022 Regulations which allows the municipality to set specific goals which are aligned to the B-BBEE Act and the RDP goals as promulgated.

The policy will further be reviewed over the course of the year together with the budget review process. The review process will assist in identifying strategic objectives of the municipality and how the SCM Policy can help achieve those objectives.

The Supply Chain Module is fully compliant with mSCOA requirements within the Enterprise Management System of the municipality.

2.18.2 Assets and Infrastructure and Repairs and Maintenance

The Municipality currently has no renewal plan based on the conducted assets conditional assessment as at 30 June 2022. A service provider has been appointed to conduct planned and interval-based maintenance. The Infrastructure Operations and Maintenance Policy is in place.

	2023/24	2022/23	2021/22
Electricity Costs - Infrastructure	12 279 933.07	10 233 277.55	10 132 962
Purchase of Tools	368 550.00	350 000.00	304 419
Repairs and Maintenance of Infrastructure	16 492 670.73	15 662 555.30	14 839 447
Purchase of Materials	2 500 000.00	1 823 000.00	500 000
Repairs and Maintenance of Buildings and Facilities	2 500 000.00	1 800 000.00	931 758
	34 141 154	29 868 833	26 708 586
Salary Costs (Repairs & Maintenance staff)	92 632 768.80	70 981 335.69	75 203 902
	126 773 923	100 850 169	101 912 488
PPE Carrying Value	1 717 636 281	1 750 255 763	1 529 850 442
Percentage	7%	6%	5%

The municipality has set aside 7% of the 2023/24 budget to repairs and maintenance of assets, considering that some of the projects include upgrades of existing infrastructure.

2.18.3 Financial Viability / Sustainability

The table below reflects the municipality's financial ratios.

Year Ended	2021/22	2020/21	2019/20	Treasury Norms
Cash coverage ratio	30.25	30.70	28.09	
Cash and Cash Equivalents	84 539 693	88 664 072	89 310 665	1 to 3 months
Less: Unspent Conditional Grants	23 638 973	25 286 492	28 918 532	
Monthly Fixed Operational Expenditure (excl. non-cash items)	60 403 073	61 923 977	64 502 992.67	
Current Ratio (Current assets to current liabilities)	0.80	0.58	0.55	1.5 to 2: 1
Current Assets	214 615 920	201 101 104	181 106 283.00	
Current Liabilities	267 763 583	344 452 666	329 976 095.00	
Capital expenditure to total expenditure	28%	21%	15%	10% to 20%
Total Capital Expenditure	281 495 696	223 790 433.00	178 627 822.00	
Total Expenditure	994 375 267	1 053 568 594	1 173 490 471.00	
Collection Rate	63%	49%	46%	95%
Gross Debtors Opening Balance	1 035 707 331	859 715 905.00	679 478 229.00	
Add: Billed Revenue	349 104 905	341 819 759.00	332 262 632.00	
Less: Gross Debtors Closing Balance	728 394 404	1 035 707 331.00	859 715 905.00	
Less: Bad Debts Written Off	436 415 404	-	-	
Billed Revenue	349 104 905	341 819 759.00	332 262 632.00	
Remuneration (Employee and Councillors) to total expenditure	30%	27%	28%	22% to 40%
Employee Related Cost and	298 751 595.00	284 411 309.00	280 436 064.00	

Councillors' Remuneration				
Total Operating Expenditure	994 375 267	1 053 568 594	994 862 649.00	
Solvency	49%	34%	19%	
Net Income	261 035 277	117 733 621	77 549 865.00	
Less: Capital grants	278 478 968	223 790 433	178 627 822.00	
Less: Conditional operating grants	14 660 612	14 814 810	14 971 683.00	
Add: Depreciation	52 336 805	49 247 771	46 959 437.00	
Add: Debt Impairment	160 857 851	184 992 708	169 656 436.00	
Add: Debt write-off	436 415 404	-		
Less: Debt impairment reversal	-	472 330 101	-	20%
Add: Asset impairment	-	-	4 210 864.00	
Add: Loss on asset disposal	8 580 309	4 702 557		
Add: Actuarial (gains) / losses	1 883 920	618 000		
Add: Water losses	81 794 209	70 919 831		
Short-term Liabilities	267 763 583	344 452 666	321 041 442.00	
Long-term Liabilities	215 700 540	221 189 037	228 120 188.00	
Creditors Payment Period (Trade Creditors)	87.00	151.32	90.18	
Trade Creditors Outstanding	121 051 547	219 558 340	235 385 512.00	30 days
Credit Purchases (Operating and Capital)	507 879 484	529 596 249	952 663 734.00	
Net Debtors Days	93.03	90.58	96.33	
Gross Debtors	728 394 404	1 035 707 331	876 267 640.00	30 days
Bad Debt Provision	639 412 073	950 884 323	788 574 322.00	
Billed Revenue	349 104 905	341 819 759	332 262 632.00	

Although there was an increase in revenue generated from exchange transactions, the collection rate of the economic entity remained below the National Treasury norm of 95% with a result of 63% in 2022 compared to 49% in the 2021 financial year, following the write-offs of debt deemed to be irrecoverable. The debt collection period slightly regressed from 90 days in 2021 to 93 days in 2022. This indicates that consumers are experiencing challenges in adhering to the payment period of 30 days which negatively impacts the timeous collection of the entity's cash inflows.

Debt impairment reduced to 88% of the debtors' balance (consumer and sundry) as at 30 June 2022 compared to 91% in the prior year. The entity continues to explore and implement various strategies including revenue enhancement initiatives and legal processes.

The creditors' payment period has improved in 2021/2022 when compared to the 151 days in the prior period. The creditors payment period of 87 days for the 2021/2022 financial year remains above the prescribed 30 days. This is mainly attributed to the impact of the slow debt collection with the net debtors' days at 93 days which puts pressure on the cash flows of the municipality.

The salary costs of the economic entity were within the norm of 22% to 40% for 2021/2022 at 30%.

The economic entity had adequate investment activities in the form of capital expenditure at 28% in the 2021/2022 financial year compared to the 21% achieved in the prior year.

The economic entity's operations resulted in with a surplus of R 261 035 276 in the 2021/2022 financial year, an increase from a surplus of R 117 733 621 in the prior year. The current ratio of 0.80:1 shows an improvement from 0.58:1 in the prior year. It is however still below the norm of 1.5 -2: 1. This means that the economic entity had inadequate liquid assets (easily convertible into cash) available to cover short-term obligations as at 30 June 2022.

The economic entity had sufficient operating revenue to meet the current payment obligations at 18% and 20% in 2021/2022 and 2020/2021, respectively. This falls within the norm of below 45%.

The economic entity's solvency was calculated on the net income after adding back non-cash items as a means to assess the entity's capacity to stay afloat. The economic entity's ability to meet its long-term financial obligations (solvency) improved in the 2021/2022 financial year when compared to the 2020/2021 financial year at 49% and 34%, respectively.

The cash coverage ratio fell within the norm of 1 to 3 months, indicating that the economic entity has adequate capacity to fund monthly fixed operational expenditure. This ratio slightly regressed in the 2021/2022 financial year at 30.25 days when compared to 30.7 days in the prior year.

2.18.4 LOANS/BORROWINGS AND GRANT DEPENDENCY

The table below reflects financial ratios.

Year Ended	2021/22	2020/21	2019/20	Treasury Norm
Debt to Revenue	18%	20%	23%	45%
Total Borrowings	175 530 249	186 492 368.00	205 428 996.00	
Total Operating Revenue	1 255 410 544	1 171 302 215	1 072 412 514.00	
Less: Capital grants	278 478 968	223 790 433.00	178 627 822.00	
Less: Conditional operating grants	14 660 612	14 814 810.00	14 971 683.00	
Grant Dependency	72%	69%	67%	N/A
Total Revenue	1 255 410 544	1 171 302 214.00	1 072 412 514.00	
Less: Government Grants and Subsidies	901 691 254	810 645 243	721 585 607.00	
Less: Public Contributions and Donations	525 000	-	-	
Total Operating Revenue	1 255 410 544	1 171 302 215	1 072 412 514.00	

The municipality has one loan from the Development Bank of Southern Africa. The principal capital amount is R230 million borrowed over a 15-year term and subject to a fixed 15-year SWAP rate plus 230 basis points (average 10.899%) over the loan term. Based on the Debt to Revenue Ratio of 18%, the municipality is capable of repaying this loan.

The municipality had sufficient operating revenue to meet the current payments it is liable for in terms of the debts owed by the entity falling within the norm of 45% for the period 2019/20 to 2021/22 financial years.

The municipality remains grant reliant. Grant revenue contributed 72% of the total operating revenue in 2021/22 and 69% in 2020/2021. Own revenue is made up of service charges (water and sanitation); interest from debtors; interest from investments and licencing fees.

2.18.5 AUDITOR GENERAL'S OPINION

The municipality has maintained an unqualified audit opinion on the Annual Financial Statements in the 2021/2022 financial year.

The municipality's audit opinion on the Annual Performance Report for 2021/2022 financial year was a qualification, however an Auditor-General Action Plan has been developed to address the Auditor-General findings and prevent recurrence.

The municipality seeks to improve the audit opinion on both the Annual Financial Statements and the Annual Performance Report in the current financial year.

2021/22 Matters Affecting the Audit Report

The following finding affected the audit report for the 2021/2022 audit:

No.	Nature of finding: Annual Financial Statements
1	Material amendment noted between original submission and second submission of AFS.
2	Reasonable steps not taken to prevent unauthorized expenditure.

No.	Nature of finding: Annual Performance Report
1	Material control deficiencies noted with system to collate reported Performance.