

Ubuntu Municipality



*menswaardigheid • hoop • erfenis
ubuntu • ithemba • izithethe
humanity • hope • heritage*

ANNUAL BUDGET FOR 2023/2024 MTREF

2023/24 to 2025/26

**Medium Term Revenue and Expenditure
Framework (MTREF)**



Table of Contents

Glossary	4
-----------------------	---

PART 1 – FINAL ANNUAL BUDGET

Section 1 – Mayor's Budget Speech	7
Section 2 – Municipal Manager's Overview	9
Section 3 – Budget Related Resolutions	11
Section 4 – Executive Summary	13
Section 5 – Annual Budget Tables	38

List of Tables

Table 1 Consolidated Overview of the 2023-2026 MTREF	16
Table 2 Summary of revenue classified by main revenue source	17
Table 3 Operating Transfers and Grant Receipts	18

MTREF 2022/2023 – 2024/2025

Table 4 Comparison of 2021/2022 levied to proposed rates for 2023/24	21
Table 5 Proposed Water Tariffs	23
Table 6 Comparison current vs. new electricity charges.....	25
Table 7 Comparison between current sanitation charges and increases	27
Table 8 Comparison between current waste removal fees and increases	28
Table 9 Summary of operating expenditure by standard classification item.....	30
Table 10 Repair and Maintenance by asset classification	34
Table 11 Medium term capital budget per vote	35
Table 12 - Budgeted Summary	42
Table 13 - Budgeted Financial Performance (by functional classification)	40
Table 14 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	43
Table 15 - Budgeted Financial Performance (revenue and expenditure)	45
Table 16 - Budgeted Capital Expenditure by vote, standard classification	47
Table 17 – Budgeted Financial Position	50
Table 18 - Budgeted Cash Flows	51
Table 19 - Cash backed reserves/accumulated deficit reconciliation	51
Table 20 - Asset Management	52
Table 21 - Basic service delivery measurement	58
Table 22 – Salaries, allowance and benefits (political office bearers/councillor/senior managers).....	70
Table 23 – Budgeted monthly revenue and expenditure	73
Table 24 – Budget monthly revenue and expenditure (municipal votes)	74
Table 25 – Budgeted monthly revenue and expenditure (functional classification)	76
Table 26 – Budgeted monthly capital expenditure (municipal vote)	77



Table 27 – Budgeted monthly cashflow78

SUPPORTING DOCUMENTS

Overview of the annual budget process
Overview of alignment of annual budget with IDP
Measurable performance objectives and indicators
Overview of budget related policies
Overview of budget assumption
Overview of budget funding
Annual budget and SDBIP
Legislation compliance status
Other supporting documents.....

Annexures

- Annexure 1 - Main Budget Tables version 6.7
- Annexure 2 – Supporting budget tables version 6.7
- Annexure 3 - Three prior years outcome and current year
- Annexure 4 – Circular and guidelines
- Annexure 5 – Tariffs for 2023/2024
- Annexure 6 – Tariff Tool Assessment 2023/24

Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property.

To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality.

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

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP – Expanded Public Works Programme.

FFC – Financial and Fiscal Commission.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS – Geographic Information System.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GGP – Gross Geographic Product

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

ISDF – Integrated Strategic Development Framework - The 20-year framework linking technical, financial and economic planning.

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

MEC – Minister in Executive Committee (Province).

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC – Municipal Public Accounts Committee.

MSCOA – Municipal Standard Chart of Accounts

NERSA – National Electricity Regulator of South Africa.

NT – National Treasury.

NDPG – Neighbourhood Development Partnership Grant.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or

Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M – Repairs and maintenance on property, plant and equipment.

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

Strategic Objectives – The main priorities of the Municipality as set out in the IDP.

Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM – Supply Chain Management.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by

Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In Ubuntu Local Municipality this means at directorate level.



1. COUNCIL RESOLUTIONS

1. The Council of Ubuntu Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2023/2024 and the multi-year and single-year capital appropriations as set out in the following tables:

- 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
- 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position
- 1.2.2. Budgeted Cash Flows
- 1.2.3. Cash backed reserves and accumulated surplus reconciliation
- 1.2.4. Asset management
- 1.2.5. Basic service delivery measurement
- 1.2.6. Financial Recovery Plan

1.3 Council remains committed to address the unfunded position of the budget.

2. The Council of Ubuntu Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2023:

- 2.1. the tariffs for property rates
- 2.2. the tariffs for electricity
- 2.3. the tariffs for the supply of water
- 2.4. the tariffs for sanitation services
- 2.5. the tariffs for solid waste services



3. The Council of Ubuntu Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2023 the tariffs for other services, as set out in to respectively.
4. To give proper effect to the municipality's annual budget, the Council of Ubuntu Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

5. Finance Policies

The council of Ubuntu Local Municipality approves and adopts the reviewed policies as follows:

- 5.1 Indigent subsidy policy 2023/2024
- 5.2 Banking and Investment Policy 2023/2024
- 5.3 Borrowing Policy 2023/2024
- 5.4 Budget Policy 2023/2024
- 5.5 Credit Control Policy 2023/2024
- 5.6 Tariff policy 2023/2024
- 5.7 Fruitless and wasteful expenditure Policy 2023/2024
- 5.8 Subsistence and travelling 2023/2024
- 5.9 Property rates policy 2023/2024
- 5.10 Supply Chain Management Policy 2023/2024
- 5.11 Preferential Procurement Policy 2023/2024
- 5.12 Contract Performance Management Policy 2023/2024
- 5.13 Cost Containment Policy 2023/2024
- 5.14 Cell phone Policy 2023/2024

6. Activity/Business Plans

The council of Ubuntu Local Municipality approves and adopts the Grant related activity and business Plans as follows:

- 6.1 FMG Activity Plan 2023/2024
- 6.2 WSIG Business Plan 2023/2024
- 6.3 MIG Business Plan 2023/2024
- 6.4 INEP Business Plan 2023/2024

The following budget principles and guidelines directly informed the compilation of the

- The 2022/23 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2022/23 draft annual budget; where appropriate a zero-base approach has been to some extent used.
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of refuse removal and the continued escalation in the fuel price. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Circular 82 of National Treasury's guidelines on cost containment, the following cost saving measures were applied:
 - Restructuring of the personnel structure to decrease consultant fees and overtime costs.
 - Integrating position to decrease employee related costs
 - No borrowing initiatives taken;
 - Subsistence and travel cost
 - Catering and entertainment



MAYOR'S REPORT



MUNICIPAL MANAGER OVERVIEW

EXECUTIVE SUMMARY

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

Table 1 Consolidated Overview of the 2023/2024 MTREF

Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Financial Performance										
Property rates	–	–	–	25 199	24 199	24 199	24 199	26 259	27 835	29 505
Service charges	31 424	27 764	37 223	47 476	45 477	45 477	49 700	49 130	52 078	55 202
Investment revenue	450	360	602	356	356	356	356	425	451	478
Transfer and subsidies - Operational	40 597	49 734	33 301	51 490	52 290	52 290	52 290	54 933	57 497	58 425
Other own revenue	20 457	12 890	14 513	41 017	36 685	36 685	36 685	33 511	33 854	35 901
Total Revenue (excluding capital transfers and contributions)	92 928	90 750	85 638	165 538	159 006	159 006	163 229	164 258	171 714	179 510
Employee costs	37 178	37 442	38 575	49 266	49 793	49 793	49 793	48 726	51 584	54 679
Remuneration of councillors	2 998	2 842	4 330	3 917	4 735	4 735	4 735	4 466	4 734	5 018
Depreciation and amortisation	24 957	29 576	–	24 894	24 894	24 894	24 894	25 961	27 518	29 169
Interest	10 473	4 910	2 733	2 617	2 607	2 607	2 607	611	647	686
Inventory consumed and bulk purchases	19 966	21 398	24 230	27 806	27 226	27 226	27 226	29 424	29 950	28 523
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–
Other expenditure	52 949	49 133	25 412	56 177	49 027	49 027	49 027	53 875	56 696	60 486
Total Expenditure	148 521	145 301	95 279	164 677	158 282	158 282	158 282	163 062	171 129	178 562
Surplus/(Deficit)	(55 593)	(54 551)	(9 641)	861	724	724	4 947	1 196	585	949
Transfers and subsidies - capital (monetary allocations)	17 868	19	–	29 735	34 735	34 735	34 735	35 459	29 689	28 191
Transfers and subsidies - capital (in-kind)	–	348	–	–	–	–	–	–	–	–
		7								
		320								
Surplus/(Deficit) after capital transfers & contributions	(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140
Share of Surplus/Deficit attributable to Associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140
Capital expenditure & funds sources										
Capital expenditure	–	–	29 021	33	37	37 365	37	37	31	30
Transfers recognised - capital	–	–	22 737	225	365	33 735	365	819	756	382
				28	33		33	35	29	28
				735	735		735	459	689	191
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	6 284	4 490	3 630	3 630	3 630	2 360	2 067	2 191
Total sources of capital funds	–	–	29 021	33 225	37 365	37 365	37 365	37 819	31 756	30 382
Financial position										
Total current assets	37	38	73 352	62	62	62 435	62	100	106	112
Total non current assets	269	418	629 634	435	435	617 174	435	080	085	451
Total current liabilities	585	600	179 612	613	617	77 700	617	617	646	681
Total non current liabilities	067	613	107	034	174	10 349	174	628	354	856
Community wealth/Equity	113	114	512 206	77	77	584 432	77	89	94	100
	142	364		700	700		700	439	806	495
	17	21		10	10		10	10	10	11
	152	332		349	349		349	349	970	628
	477	492		580	584		584	624	648	697
	492	648		292	432		432	813	649	221
Cash flows										
Net cash from (used) operating	–	(71)	91 671	37 766	42 766	42 766	42 766	81 310	72 864	71 346
Net cash from (used) investing	–	–	–	–	–	–	–	(35 459)	(29 689)	(28 191)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	–	(71)	91 671	37 766	42 766	42 766	42 766	70 522	113 697	156 852
Cash backing/surplus reconciliation										
Cash and investments available	4 744	12	(2	24	24	24 671	24	45 257	47	50
Application of cash and investments	108 263	583	878)	671	671	70 207	671	45 727	972	851
Balance - surplus (shortfall)	(103 519)	109	138 871	70	70	(45	70	(470)	50	53
		557	(141 749)	785	207	536)	290		195	212
		(96		(46	(45		(45	(2	(2	
		975)		114)	536)		619)	223)	361)	
Asset management										

Asset register summary (WDV)								617 628	646 354	681 856
Depreciation	585 067	600 613	629 634	613 034	617 174	617 174	-	-	-	-
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	(4 928)	3 272	-	1 743	2 999	2 999	1 761	1 867	1 979	
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Total operating revenue has grown by 2% from the 2022/23 financial year's total revenue, from R 159,116 million for the 2022/23 financial year to R 164,258 million when compared to the 2023/2024. For the two outer years, operational revenue will increase by 8% and 7% for both years, equating to a total revenue growth of R 29,212 million over the MTREF when compared to the 2022/23 financial year adjusted budget.

Total operating expenditure for the 2023/24 financial year has been appropriated at R166,867 million and translates into a budgeted surplus of R 1,196 million before taking into consideration capital transfers. When compared to the 2022/23 Adjustment Budget, operational expenditure has grown by 2% in the 2023/24 budget. The surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The total budget for Ubuntu Local Municipality is projected at R 199,717 million. This constitutes of R 35,459 million for capital expenditure and R 164,258 million for operating revenue.

4. OPERATING REVENUE FRAMEWORK

For Ubuntu Local Municipality to continue improving the quality of life of its communities through the delivery of quality services, it is necessary to generate sufficient revenue from rates and service charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. This will ensure that we correct any incorrect data on our system. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the municipality and additional cost saving initiatives will need to be implemented in the MTREF to ensure the financial sustainability of the municipality. The expenditure required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenue.



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

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;
- Efficient revenue management, which aims to ensure 75% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Budgeting for a moderate surplus to ensure availability of cash reserves to back statutory funds and provisions.
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); Increased pressure to deliver and maintain services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality

The following table is a summary of the 2023/24 MTREF (classified by main revenue source).

Table 2 Summary of revenue classified by main revenue source - A4

NC071 Ubuntu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue											
Exchange Revenue											
Service charges - Electricity	2	13 657	16 126	17 530	23 110	23 110	23 110	23 460	23 757	25 183	26 693
Service charges - Water	2	10 571	5 501	11 464	17 065	15 065	15 065	16 645	17 040	18 062	19 146
Service charges - Waste Water Management	2	3 506	3 091	3 837	3 980	3 980	3 980	3 980	4 447	4 714	4 997
Service charges - Waste Management	2	3 690	3 047	4 392	3 321	3 321	3 321	5 615	3 885	4 119	4 366
Sale of Goods and Rendering of Services		42	(701)	81	51	51	51	51	65	69	73
Agency services		-	-	451	376	376	376	376	575	619	673
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	8 108	13 185	12 326	12 326	12 326	12 326	9 861	10 452	11 080
Interest earned from Current and Non Current Assets		450	360	602	356	356	356	356	425	451	478
Dividends		-	-	4	-	-	-	-	-	-	0
Rent on Land		-	-	119	106	66	66	66	408	432	458
Rental from Fixed Assets		289	407	529	763	403	403	403	553	586	622
Licence and permits		379	581	-	119	119	119	119	460	488	517
Operational Revenue		179	301	134	645	645	645	645	2 118	569	601
Non-Exchange Revenue											
Property rates	2	-	-	-	25 199	24 199	24 199	24 199	26 259	27 835	29 505
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		9 836	1	10	26 442	22 509	22 509	22 509	19 470	20 639	21 877
Licences or permits		-	-	-	-	-	-	-	-	-	-

Transfer and subsidies - Operational		40 597	49 734	33 301	51 490	52 290	52 290	52 290	54 933	57 497	58 425
Interest		8 463	3 045	(0)	189	189	189	189	-	-	0
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Gains		1 259	1 149	-	-	-	-	-	-	-	(0)
Discontinued Operations											
Total Revenue (excluding capital transfers and contributions)		92 928	90 750	85 638	165 538	159 006	159 006	163 229	164 258	171 714	179 510
Expenditure											
Employee related costs	2	37 178	37 442	38 575	49 266	49 793	49 793	49 793	48 726	51 584	54 679
Remuneration of councillors		2 998	2 842	4 330	3 917	4 735	4 735	4 735	4 466	4 734	5 018
Bulk purchases - electricity	2	18 721	19 822	22 421	25 850	24 300	24 300	24 300	25 770	26 045	24 348
Inventory consumed	8	1 245	1 576	1 809	1 956	2 926	2 926	2 926	3 654	3 905	4 175
Debt impairment	3	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation		24 957	29 576	-	24 894	24 894	24 894	24 894	25 961	27 518	29 169
Interest		10 473	4 910	2 733	2 617	2 607	2 607	2 607	611	647	686
Contracted services		6 801	4 457	5 107	21 050	15 876	15 876	15 876	16 561	20 202	21 686
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off		26 133	18 440	-	18 440	18 440	18 440	18 440	20 000	18 200	19 472
Operational costs		20 015	26 237	20 306	16 687	14 711	14 711	14 711	17 314	18 294	19 329
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	(0)
Total Expenditure		148 521	145 301	95 279	164 677	158 282	158 282	158 282	163 062	171 129	178 562
Surplus/(Deficit)		(55 593)	(54 551)	(9 641)	861	724	724	4 947	1 196	585	949
Transfers and subsidies - capital (monetary allocations)	6	17 868	19 348	-	29 735	34 735	34 735	34 735	35 459	29 689	28 191
Transfers and subsidies - capital (in-kind)	6	-	7 320	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	39 682	36 655	30 274	29 140

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. The increase in revenue of 2% represents the tariff increase for rates, water, sanitation and refuses and electricity. During the 2022/23 financial year, there has been several corrective actions undertaken that directly affected billing accuracy. There has been a reduction in estimates being billed which were usually higher than the actual readings. This has had a direct implication on the projections made for the 2023/24 financial year. Rates and service charge revenues comprise 46% of the total operating revenue mix. In the 2023/2024 financial year, revenue from rates and services charges totalled R 75,280 million which is an increase from 2022/23 financial year's R 72,675 million.

The second largest source is operational grants from national and provincial government, after service charges, property rates is the third largest revenue source which has shown growth over the MTREF, mainly grants for capital expenditure. Conditional grants such as the Finance

Management Grant, Equitable share and Library grant have been a great contributor to the municipality's cashflow over the years and cannot survive without these grants. The Equitable Share is used to subsidise indigents and municipal running costs. There has been a drastic growth in the number of indigents in the 2022/2023 financial year which was the result of credit control measures implemented and community engagements held. The municipality has left the indigent registration open throughout the year as circumstance may change.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 – Operational and Capital grants

The table below illustrates the capital and operational grants the municipality will be receiving as per the DORA for 2023/2024.

DORA ALLOCATION 2023 - 2026	2023/2024	2024/2025	2025/2026
Operational Grants			
Equitable Share	49 595 000,00	53 070 000,00	53 928 000,00
Special Support for Council Remunerations	-	-	-
Financial Management Grant	2 900 000,00	2 900 000,00	2 900 000,00
Library	1 460 000,00	1 527 000,00	1 597 000,00
Expanded Public Works Programme Integrated Grant	978 000,00	-	-
Sub-Total Operational Grants	54 933 000,00	57 497 000,00	58 425 000,00
Capital Grant			
Municipal Infrastructure Grant	23 009 000,00	11 300 000,00	11 604 000,00
Energy Efficiency & Demand Side Management Grant	-	1 200 000,00	-
Intergrated National Electrification Programme Grant	3 000 000,00	7 314 000,00	6 272 000,00
Regional Bulk Infrastructure Grant			
Water Services Infrastructure Grant	9 450 000,00	9 875 000,00	10 315 000,00
Sub-Total Infrastructure Grant			
Total Operational & Capital	35 459 000,00	29 689 000,00	28 191 000,00

The municipality's infrastructure projects are all grant funded, the municipality's main source of funding for capital assets is through government grants, the municipality is committed in ensuring that it spends its allocation in full, to avoid funds being withheld by National Treasury, as this has a detrimental impact on service delivery. The funding will be used to improve and create new infrastructure assets and sustain our natural water resource.

The municipality realised an increase in the interest on outstanding debtors as the collection rate dropped and households no longer were able to pay for municipal services as before. This has resulted in an increase in outstanding debtors. A proposed decrease in the interest rate which was 18% to only 7% is made in the budget to assist both the municipality and consumers. This will reduce the growing debtor's book which is growing based on the interest charged.

Furthermore, interest will be waived for consumers that enter into a payment arrangement and actually stick to the payment arrangement.

Lastly 'other revenue' which consists of various items such as income received from rental fees, permits and licenses, sale of land, connection fees, advertisement fees etc. Departments delivering these services have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Tariff Setting and Tariff Implications of the Annual Budget

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality. The municipality is making use of the tariff tool to assess our current tariffs and to assess where change is needed.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges within CPI. Municipalities should justify in their budget documentation all increases in excess of the CPI upper boundary of the South African Reserve Bank's inflation target. Circular 72 stated that, if municipalities continue to act in this manner that increase tariff above inflation, the National Treasury will have no other option but to set upper limits of tariff increases for property rates and service charges to which municipalities will have to conform.

Excessive increases are likely to be counterproductive to economic growth and development, resulting in higher levels of non-payment. The 5.4% increases in the average for services and property rates and electricity is at 15.10% as per the NERSA guidelines.

Other factors contributing to the rising cost include the anticipated collectively agreed upon wage increase which is above upper boundary, the excessive increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs need to be increased annually.

4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. In the 2019/20 financial year, the municipality implemented the first year of the general valuation roll. The municipality will be implementing its another supplementary roll from this general valuation roll during the financial year. All property that was built from the 1st July 2018 until the date of the supplementary contribute to the increase in the property rates and the correction and omission of property values.

The supplementary roll includes newly build properties, new improvements made and changes as per the act the Municipal Property Rates Act. An extension was one year was requested by council; the 2023/24 financial year will be last year of the current valuation roll. The municipality will start the process of the new General Valuation Roll. As per the Municipal Property Rates Act, the municipality phased in the increase in the rates to cushion the shock to the property owners. During the abovementioned project, it became evident that there is a high number of land use transgressions and building violations without any action taken, even when there is a transgression fine on the tariff list.

The following stipulations in the Property Rates Policy are highlighted:

- An additional R 10 000 rebate will be granted to registered indigents in terms of the Indigent Policy, based on the maximum usage as contained in the policy.
- The Municipality may also award a 100% rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work organizations as defined in the property rates policy of the municipality.
- Inclusion of property rates for a category for multiple use, for properties that are used for more than one use. This is normally properties that are residential and business.

The table below illustrates the proposed rates for the 2023/24 financial year

CATEGORY		Approved	Approved	Approved	Draft
		2020/2021	2021/2022	2022/2023	2023/2024
1	Property rates				
	8(2)(a) Residential Properties	0,01289	0,01366	0,01432	0,01509
	8(2)(c) Business and Commercial	0,02287	0,02733	0,02864	0,03018
	Farm properties used for:				0,00000
	8(2)(d) Agricultural properties	0,00040	0,00042	0,00044	0,00046
	8(2)(d) Residential			0,01432	0,01509
	8(2)(d) Business and commercial purposes			0,02864	0,03018
	8(2)(f) Properties owned by State and used for public service purpose	0,14210	0,15063	0,07532	0,07938
	8(2)(g) Public Service Infrastructure Properties	0,00531	0,00342	0,00597	0,00629
	8(2)(h) Properties owned by public benefit organisations and used for specific public benefit activities	0,00531	0,00042	0,00044	0,00046
	8(2)(r) Multi Purpose			0,02148	0,02264
	8(3) Vacant Land		0,02733	0,02864	0,03018
	Municipal Properties			-	
	Place of worship			0	

4.2 Sale of Water and Impact of Tariff Increases

Ubuntu Local Municipality has been fortunate to have a natural supply of water that it can extract to provide water to the community. However, over the years a need to augment our bulk water arose, which we have started, with the MIG grant. Parts of South Africa has been declared disaster areas due to drought, with water being a scarce resource, Ubuntu Local Municipality was no exception, the need to preserve our water resource became imperative. We are also faced with a new challenge which is losses of water in our distribution network, we are committed to curb water losses and ensuring there is sufficient water supply for its residence. With the replacement of asbestos pipes with PVC will ensure that we reduce these losses, to ensure that the price of water is fair and provide access to all.

Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

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

In addition, National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective, which Ubuntu Local Municipality is working towards. Maintenance of infrastructure and cost-reflective tariffs will ensure that the supply is managed in future to ensure sustainability. This has also prompted the municipality look implement prepaid meters. With the introduction of prepaid meters, community members will be more aware of their water usage and reduce excessive water usage and losses. The municipality has not started with creating cost reflective tariffs exercise as yet.

Proposed tariff increases will be 5.4% as prescribed by National Treasury as from 1 July 2023 are indicated in Table 5. The 6 kl free water per 30-day period has since 2014 only been granted to registered indigents. Our informal settlement making use of communal taps.

The table below illustrates the proposed water tariffs for the 2023/24 financial year

	Approved 2020/2021	Approved 2021/2022	Approved 2022/2023	Draft 2023/2024
3 WATER				
<i>(a) Huishoudelik Verbruik</i>				
- Basies	59,54	63,11	66,14	69,71
Verbruik volgens glyskalle				
-0 tot 6 kl (Deernisgevalle alleenlik)				
- 0 tot 6 kl	6,11	6,47	6,78	7,15
- 7 tot 15 kl	7,01	7,43	7,78	8,20
- 16 tot 30 kl	8,61	9,12	9,56	10,08
- 30+ kl	10,63	11,27	11,81	12,45
<i>(b) Besighede/Grootmaat verbruikers (Define)</i>				
- Basies	526,15	557,72	584,49	616,05
Construction usage (Per Litre)	1,00	1,20	1,26	1,33
			-	-
- 0 tot 30 kl	8,09	8,57	8,98	9,47
- 31 tot 60 kl	8,59	9,10	9,54	10,05
- 61 tot 100 kl	9,09	9,64	10,10	10,65
- 100+ kl	9,64	10,21	10,70	11,28
(c) Waterbeskikbaarheid (p.m) Leë erwe	45,15	47,85	50,15	52,86
(d) Leiwater	59,69	63,27	66,31	69,89

The tariff structure of the 2023/24 financial year has not been changed. In the fight to assist our indigents to better manage their accounts, the municipality will be rolling out a conversion of conventional water meters to prepaid water meters. Due to the cost of these prepaid meters, the municipality had to phase it out over a number of years. Indigents will not be disadvantaged by the prepaid water meter as the tap will not run dry at any point. Based on the success of the

prepaid meter in other municipalities and the sense of control one gets with having a prepaid water meter, the municipality has received a number of requests to have the project rolled out to non-indigent households at a fee per installation of prepaid meters.

Prepaid meters will also be installed in areas where Eskom is providing electricity directly to the community. Currently the payment of services in these areas are almost non-existent. Due to the inability to implement credit control in these areas, all services are provided and not paid for. Selling prepaid water will ensure that the customer pays for the water they use.

Sale of Electricity and Impact of Tariff Increases

NERSA announced the revised bulk electricity pricing structure, with Eskom being awarded an increase of 18.32% for 2023/24 financial year. This is what the municipality will be paying Eskom for the bulk purchases. The NERSA guideline framework for municipalities to levy to consumers is 15.10% for the 2023/24 financial year. This is what we will be charging the customer. The municipality is currently rendering the service at a loss due to the cost of bulk purchases, the increase awarded to Eskom by NERSA will further place immense pressure on the budget and the affordability of the service for the consumers and the municipality. Loadshedding has also had an impact in the sales of electricity, repairs and maintenance and penalties for going over the NMD of the municipality. The increase in the wage bill, general expenditure and increased maintenance and losses incurred due to theft and the aging infrastructure in the department versus a reduction in the sales for the extensive load shedding experienced this year.

The following table shows the impact of the proposed increases in electricity tariffs for domestic consumers:

The table below illustrates the proposed electricity tariffs for the 2023/24 FY

Domestic tariffs for prepaid and conventional

Tariff Blocks	2022/2023	2023/2024
Block 1 (0-50 kWh)	135.25	155.67
Block 2 (51-350 kWh)	173.89	200.15
Block 3 (351-700 kWh)	244.76	281.72

<i>Block 4 (701-1000 kWh)</i>	288.23	331.75
-------------------------------	--------	--------

Commercial tariff – single phase

Tariff Blocks	2022/2023	2023/2024
<i>Block 1 (2000 kWh)</i>	276.95	318.77
<i>Block 2 (3000 kWh)</i>	270.50	311.35
<i>Block 3 (7000 kWh)</i>	239.92	276.15

Commercial tariff – three phases

Tariff Blocks	2022/2023	2023/2024
<i>Block 1 (98 550 kWh)</i>	267.29	307.65
<i>Block 2 (730 000 kWh)</i>	241.52	277.99

The tariff structure which is a block tariff structure for households remains unchanged.

We are further faced with a challenge where Eskom charges the municipality KVA which cannot be transferred to the customer. The municipality has applied for a change of tariff which is cheaper than the current bulk purchase currently being charged to the municipality. The application is to change from Rural Nightsaver to Rural Miniflex, which will give the municipality a saving of an average 28% per month on its account. The change in tariff came with a condition of paying a deposit amounting R 8 000 000 over a period of 24 months which has been factored into the budget.

Rolling blackouts/ loadshedding has had a negative impact on the electricity sales as these have declined and an increase in penalties when exceeding our NMD. This has been factored into the budget projections for both sales and bulk purchases.

SALGA has committed to assist the municipality with the rolling out of the TID process by providing us with electricians during this process. This will be used to do prepaid meter audits and install load limiting tokens. Load limiting will assist the municipality to reduce the current load, without switching people off. This will also assist the municipality is reducing the load so that we do not go over our current NMD.

Tempering of electricity meter boxes has been one of the major contributors to our electricity losses. This process by SALGA will assist in the auditing of meters, replacing broken meters and rooting out tempering.

Sanitation and Impact of Tariff Increases

A tariff increases of 5.4% for sanitation is proposed from 1st July 2023.

This is based on tariff increases related to inflation increases as mentioned above. A new tariff structure is needed as the current structure is not fair, the following factors are being considered in developing a cost reflective tariff:

- The percentage water discharged during the process;
- Differential tariff that will ensure that our tariff is favourable and fair to all consumers

Free sanitation will be applicable to registered indigents, a small number of them are using septic tanks. There is an average of 30 households that are using pit toilets in the jurisdiction of the municipality that needs to be connected to the main line and provided proper sanitation services. Currently the suction of septic tanks is done on prepaid basis to ensure the municipality recovers the funds for rendering the service.

The table below illustrates the proposed tariff for the 2023/24 financial year

CATEGORY		Approved 2020/2021	Approved 2021/2022	Approved 2022/2023	Draft 2023/2024
4	RIOOL				
	<i>(a) Emmers - per maand</i>	86,69	91,89	96,30	101,50
	<i>(b) Suigriool</i>				
	-Alle ander suigdienstes binne munisipale gebied	229,06	242,80	254,45	268,20
	- Groot Besighede per vrag				
	- Huishoudelik per vrag	139,68	148,06	155,17	163,55
	- Buitegewone versoeke en afgelee gebiede				
	Hierdie bepaling is afhangend van afstand en brandstof pryse soos voorgeskryf deur die Minister van vervoer maandeliks				
	Sundries				
	<i>(c) Spoelriool - per maand</i>				
	- Huishoudelik	139,68	148,06	155,16	163,54
	- Besighede	152,64	161,80	169,56	178,72
	- Staats Departemente	3 544,38	3 757,04	3 937,38	4 149,99
	<i>(d) Swart vullissake (per pak)</i>	42,48	45,03	47,20	49,74

Waste Removal and Impact of Tariff Increases

Services relevant to refuse removal, refuse dumps and solid waste disposal mechanisms must comply with stringent legislative requirements such as the National Environmental Management: Waste Act, No 59 of 2008. This service will receive further revision of the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The municipality does not have a license for the current landfill site in use.

An increase of 5.4% in the waste removal tariff is proposed from 1 July 2023.

	Approved 2020/2021	Approved 2021/2022	Approved 2022/2023	Draft 2023/2024
5 VULLIS				
<i>(a) Huishoudelike vullis per maand</i>	139,69	148,07	155,18	163,55
			-	-
<i>(b) Besighede vullis per maand</i>				
- Maandeliks Algemeen	578,16	612,85	642,26	676,94
(Besigheid is insluitend, Gastehuis, sowel groot en klein besighede)			-	-
			-	-
<i>(c) Staats Departemente vullis per maand</i>	583,61	618,63	648,33	683,34
			-	-
<i>(d) Tuinvullis per vrag</i>	231,20	245,07	256,83	270,70
			-	-
<i>(e) Bourommel per vrag deur aansoeker self laai</i>	385,42	408,54	428,15	451,27
			-	-

5. OPERATING EXPENDITURE FRAMEWORK

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

- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue) unless there are sound reasons for utilising existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Implementing operational gains and efficiencies;
- Strict adherences to the principle of 'no project plan no budget'. If there is no business plan no funding allocation will be made; and
- Taking cognisance of cost containment guidelines and assessing the status of current measures included in the Cost Containment Strategy of the municipality.

The following table is a high-level summary of the 2022/23 budget and MTREF (classified per main type of operating expenditure).

Table 9 Summary of operating expenditure by functional classification item

NC071 Ubuntu - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue											
Exchange Revenue											
Service charges - Electricity	2	13 657	16 126	17 530	23 110	23 110	23 110	23 460	23 757	25 183	26 693
Service charges - Water	2	10 571	5 501	11 464	17 065	15 065	15 065	16 645	17 040	18 062	19 146
Service charges - Waste Water Management	2	3 506	3 091	3 837	3 980	3 980	3 980	3 980	4 447	4 714	4 997
Service charges - Waste Management	2	3 690	3 047	4 392	3 321	3 321	3 321	5 615	3 885	4 119	4 366
Sale of Goods and Rendering of Services		42	(701)	81	51	51	51	51	65	69	73
Agency services		-	-	451	376	376	376	376	575	619	673
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	8 108	13 185	12 326	12 326	12 326	12 326	9 861	10 452	11 080
Interest earned from Current and Non Current Assets		450	360	602	356	356	356	356	425	451	478
Dividends		-	-	4	-	-	-	-	-	-	0
Rent on Land		-	-	119	106	66	66	66	408	432	458
Rental from Fixed Assets		299	407	529	763	403	403	403	553	586	622
Licence and permits		379	581	-	119	119	119	119	460	488	517
Operational Revenue		179	301	134	645	645	645	645	2 118	569	601
Non-Exchange Revenue											
Property rates	2	-	-	-	25 19 9	24 199	24 19 9	24 19 9	26 259	27 835	29 50 5

Only funded vacancies are for critical posts that affect service delivery and finance posts that will assist the municipality in credit control and ensuring billing is done correctly and accurately.

In order to ensure economic viability and to not overstretch the already limited financial resources, cash management this percentage of employee related cost in relation to total budget need to be maintained at less than 40%.

Minister of Co-operative Governance has not promulgated any changes to the determine of total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors). No increase allocation for remuneration of section 57 managers has been budgeted as per the gazette released. The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

The provision of debt impairment and write-off of bad debts for consumer accounts has been determined based on the Debt Write-off Policy of the Municipality. For the 2023/24 financial year this amount equates to R 20, 000 million. An incentive approach was tabled to council as a motivation to encourage households to maintain their accounts and provide relief on the households. A 25% of the indigent debt is written off at the end of the financial year will be implemented, only for those qualifying indigents, not including property rates. This approach will motivate households to pay their municipal accounts and have the municipality meet them half way as most of the debt has reached this stage due to lack of credit control in the past. This has also given rise to the amendment of the Write Off Policy and the Indigent Policy in relation to the write off that will be permitted limited to the amount budgeted for. A methodology will be developed by the municipality to ensure that we comply with all relevant legislation.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R 25,961 million for the 2023/24 financial year and equates to 16% of the total anticipated expenditure.

National Treasury's Municipal Budget Circular 123, indicated National Treasury and Eskom's intention to write off debt over a period of 3 years. This will have a drastic reduction in the finance costs emanating from interest chargers on the outstanding debt of Eskom. This has seen the reduction on finance cost for the 2023/24 financial year being drastically lesser than the 202/23 financial year. The budget includes a total of R 0,611 million in relation to finance charges for the

2023/2024 financial year which is the interest charged on the Eskom and Auditor General account accounts. The municipality has remained committed to paying Eskom account and reducing the arrears on the account.

Bulk purchases of R 25,770 million equates to 13% of the total expenditure and are directly informed by the purchase of electricity from Eskom and the increase on bulk supply based on the guideline for NERSA increases. The expenditures accounts for the 18.32% increase Eskom received and distribution losses which is currently within the norm. The municipality made a submission for a tariff change to Eskom as the municipality is currently being billed on Rural Nightsaver, which is more expensive than Rural Miniflex. This will reduce our monthly account by 30%. The quote for the change of tariff has been paid and the municipality has an agreement with Eskom on the repayment of the deposit of R 8 000 000 which was required, to pay it off over a period of 24 months. The reduction in consumption cause by loadshedding has also being factored in.

The 2023/24 budget has considered our ability to collect of outstanding debt and priorities expenditure to the core need to render services and safe guarding of municipal assets. Contracted services also include expenditure relating to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. One of the major contributors to consultant fees is the financial system change and the upgrading of the internet connectivity. Contracted services comprise mainly of accounting services for the implementation of the financial system which went live in the 2023/2024 financial year and the cost to ensure enough training is provided for the remainder of the modules that need implementation. Also included under accounting services and consultancy is the Immovable Infrastructure portion of the asset register and the supplementary valuation roll.

Contracted services will only made when there is no alternative inhouse to perform the function. With the current financial situation, the municipality plans to reinstate the traffic camera system and ensure debt collectors are appointed to ensure that all funds owed to the municipality are paid over. Others contracted services include the purchase of materials and spares for maintenance and actual repair and maintenance done by a service provider. In line with Ubuntu Local Municipality's repairs and maintenance priorities this group of expenditure has been prioritized to ensure sustainability of Ubuntu Local Municipality's infrastructure. Sewerage section

remains the highest contributor to repair and maintenance expenditure, with the upgrading of the sewerage network this should decrease the cost of repairs and maintenance in that section.

For the 2023/24 financial year a prepaid meter audit project is budgeted for to ensure that the meters are functioning properly, not tempered and adjusted for the new token changes that will be effective from 2023.

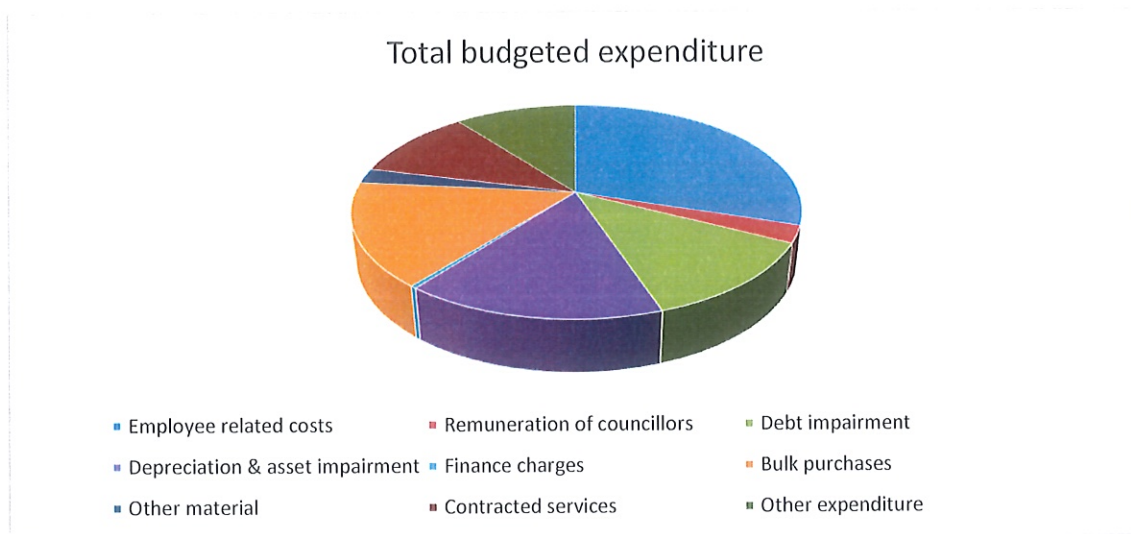
Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. Contracted services have been identified as an area for the municipality to implement efficiencies. As part of the compilation of the 2023/24 MTREF this group of expenditure was critically evaluated and operational efficiencies are being enforced. In the 2023/24 financial year, this group of expenditure is budgeted at a total of R 16,561 million, which equate to 10% of total operating budget. This is based on the following:

- Traffic department speed cameras
- Implementation of smart electricity meters
- Security service due to the increase in municipal infrastructure theft and vandalism
- Rolling out of prepaid water meters
- Rolling out of TID and prepaid electricity meter audit
- Repairs and Maintenance of municipal assets

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

Other material has increased from R 2,021 million to R 3,654 million, in the 2023/24 financial year, bulk water purchases was included under other material as an inventory item. Other inventory store items are mainly used for service delivery. Included is the provision for the Roads and Stormwater departments needs to ensure the department operates effectively and yields the desired objective. As repairs and maintenance is included under contracted services.

The following graph gives a breakdown of the main expenditure categories for the 2022/23 financial year.



5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality’s current infrastructure, the 2023/24 budget and MTREF provide for continuing in the area of asset maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality.

Regular and scheduled maintenance will reduce our repair work and damage to our infrastructure. Due to the municipality’s overreliance on grant funding to renew, refurbish and restore assets, it becomes important to protect and ensure we utilise our assets longer.

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance. Since the implementation of mSCOA, expenditure is recorded through its nature and not function. Repairs and maintenance form part of contracted services and general expenditure.

5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality’s Indigent Policy. The budgeted indigent households for 2023/24 remains at an estimate of 2200 and will be reviewed monthly.

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of Revenue Act and that portion relating to a specific service has been apportioned as revenue to that specific service.

For the indigents that do not have electrification, paraffin and candles are procured for them and distributed on a monthly basis within the cost of the 50kw that they get as part of the National Framework.

The following is an extract from NT Budget Circular 85:

“The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 “Transfers and grants.”

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2019/20	2020/21	2021/22	Current Year 2022/23	2023/24 Medium Term Revenue & Expenditure Framework			
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome	
Demographics	Using own refuse dump Other rubbish disposal No rubbish disposal <i>Below Minimum Service Level sub-total</i>											
	Total number of households											
Services provided by 'external mechanisms'			2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year #1 2024/25	Budget Year #2 2025/26	
Names of service providers	Household service targets (000) Water: Piped water inside dwelling Piped water inside yard (but not in dwelling) 8 Using public tap (at least min service level) 10 Other water supply (at least min service level) <i>Minimum Service Level and Above sub-total</i>											
	9 Using public tap (< min service level) 10 Other water supply (< min service level) No water supply <i>Below Minimum Service Level sub-total</i>											

Detail of Free Basic Services (FBS) provided	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Electricity Location of households for each type of FBS Formal settlements - (50 kwh per indigent household) per month Rands Number of HH receiving this type of FBS Informal settlements (Rands) Number of HH receiving this type of FBS Informal settlements targeted for upgrading (Rands) Number of HH receiving this type of FBS Living in informal backyard rental agreement (Rands) Number of HH receiving this type of FBS Other (Rands) Number of HH receiving this type of FBS Total cost of FBS - Electricity for informal settlements	364 299	387 730	379 746	349 680	349 678	349 678	645 466	684 194	725 246
Water Location of households for each type of FBS Formal settlements - (6 kilolitre per indigent household) per month Rands Number of HH receiving this type of FBS Informal settlements (Rands) Number of HH receiving this type of FBS Informal settlements targeted for upgrading (Rands)	863 034	1 101 839	1 033 587	1 579 488	1 579 487	1 579 487	1 953 778	2 071 005	2 195 265

	Number of HH receiving this type of FBS Living in informal backyard rental agreement (Rands)									
	Number of HH receiving this type of FBS Other (Rands)									
	Number of HH receiving this type of FBS									
	Total cost of FBS - Water for informal settlements	-	-	-	-	-	-	-	-	-
Sanitation	Ref: Location of households for each type of FBS									
List type of FBS service	Formal settlements - (free sanitation service to indigent households)	-	-	-	-	-	-	2 867 719	3 039 762	3 222 169
	Number of HH receiving this type of FBS									
	Informal settlements (Rands)									
	Number of HH receiving this type of FBS									
	Informal settlements targeted for upgrading (Rands)									

6. CAPITAL EXPENDITURE

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

Table 11 2023/26 Medium-term capital budget per vote

DORA ALLOCATION 2023 - 2026	2023/2024	2024/2025	2025/2026
Capital Grant			
Municipal Infrastructure Grant	23 009 000,00	11 300 000,00	11 604 000,00
Energy Efficiency & Demand Side Management Grant	-	1 200 000,00	-
Integrated National Electrification Programme Grant	3 000 000,00	7 314 000,00	6 272 000,00
Regional Bulk Infrastructure Grant			
Water Services Infrastructure Grant	9 450 000,00	9 875 000,00	10 315 000,00
Sub-Total Infrastructure Grant			
Total Capital	35 459 000,00	29 689 000,00	28 191 000,00

For 2022/23 an amount of R 35,459 million has been appropriated for the development of infrastructure by various grants. In the outer years this amount totals R 29,689 million and R 28,191 million, respectively for each of the outer financial years.

SA34a, b, c & e provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

6.1 Internally funded assets

The municipality has made provision for the purchase of vehicles and laptop, the items have a direct impact on service delivery and affect our ability to render quality and effective services for the community to pay for. With the change of mSCOA, the financial systems

being used by the municipality requires a minimum of an i5 speed laptop to run the programs needed. These laptops will be used in the finance department.

The internally funded assets are as follows:

- Mayoral vehicle – R 330 000
- Refuse tractors – R 1 000 000
- Vans x3 – R 690 000
- Laptops – R 210 000
- Furniture – R 150 000

6.2 Future operational cost of new infrastructure

Furthermore, a long-term financial plan implementation policy has been developed to encompass costs over the long term. It needs to be noted that as part of the 2023/2024 MTREF, this expenditure has been factored into the two outer years of the operational budget.

		975)		114)	536)		619)		223)	361)
Asset management										
Asset register summary (WDV)	585 067	600 613	629 634	613 034	617 174	617 174		617 628	646 354	681 856
Depreciation	-	-	-	-	-	-		-	-	-
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-		-	-	-
Repairs and Maintenance	-	-	-	-	-	-		-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-		-	-	-
Revenue cost of free services provided	(4 928)	3 272	-	1 743	2 999	2 999		1 761	1 867	1 979
Households below minimum service level										
Water:	-	-	-	-	-	-		-	-	-
Sanitation/sewerage:	-	-	-	-	-	-		-	-	-
Energy:	-	-	-	-	-	-		-	-	-
Refuse:	-	-	-	-	-	-		-	-	-

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

the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) - mSCOA – Function/Sub Function

Functional Classification Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue - Functional										
<i>Governance and administration</i>		49 357	67 350	43 944	96 514	95 981	95 981	99 759	103 356	107 056
Executive and council		568	(524)	–	950	950	950	978	–	0
Finance and administration		48 789	67 874	43 944	95 564	95 031	95 031	98 781	103 356	107 056
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		695	948	50	1 453	1 453	1 453	1 513	1 583	1 657
Community and social services		695	943	39	1 453	1 453	1 453	1 513	1 583	1 657
Sport and recreation		–	6	11	–	–	–	–	–	0
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		19 097	8 194	3 753	26 782	22 782	22 782	20 155	21 373	22 673
Planning and development		8 864	7 608	3 279	–	–	–	–	–	0
Road transport		10 233	585	474	26 782	22 782	22 782	20 155	21 373	22 673
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		41 647	40 926	37 892	70 524	73 525	73 525	78 290	75 090	76 316
Energy sources		18 687	21 679	18 199	31 285	31 285	31 285	25 064	31 901	31 063
Water management		15 755	13 107	11 464	22 938	25 938	25 938	35 444	24 481	25 576
Waste water management		3 544	3 171	3 837	12 980	12 980	12 980	13 897	14 589	15 312
Waste management		3 660	2 968	4 393	3 321	3 321	3 321	3 885	4 119	4 366
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	110 796	117 418	85 638	195 273	193 741	193 741	199 717	201 403	207 701
Expenditure - Functional										
<i>Governance and administration</i>		60 799	49 603	36 669	65 598	63 787	63 787	69 300	72 642	77 516
Executive and council		14 736	5 996	5 432	8 594	9 508	9 508	11 420	12 143	12 983
Finance and administration		46 063	43 607	31 237	57 004	54 279	54 279	57 880	60 499	64 532
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		3 205	2 351	2 261	6 961	6 262	6 262	6 904	7 424	7 869
Community and social services		1 703	1 698	2 136	6 961	6 262	6 262	6 904	7 424	7 869
Sport and recreation		1 502	654	124	–	–	–	–	–	0
Public safety		–	–	–	–	–	–	–	–	0
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		14 277	31 963	17 264	26 444	33 089	33 089	24 120	25 854	27 516
Planning and development		9 638	22 332	11 209	5 529	14 204	14 204	5 008	5 353	5 736
Road transport		4 639	9 631	6 056	20 915	18 885	18 885	19 112	20 502	21 780
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		70 240	61 383	39 086	65 674	55 145	55 145	62 738	65 210	65 660
Energy sources		21 114	33 237	25 012	34 631	30 841	30 841	31 570	32 193	30 863
Water management		20 077	12 201	6 755	7 864	8 014	8 014	9 090	9 643	10 021
Waste water management		18 272	4 735	3 477	16 263	10 759	10 759	15 419	16 344	17 325
Waste management		10 776	11 210	3 841	6 916	5 530	5 530	6 659	7 029	7 452
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	148 521	145 301	95 279	164 677	158 282	158 282	163 062	171 129	178 562
Surplus/(Deficit) for the year		(37 725)	(27 883)	(9 641)	30 596	35 459	35 459	36 655	30 274	29 140

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

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue by Vote										
Vote 1 - Office of the Municipal Manager	1	567	(640)	-	-	-	-	-	-	-
Vote 2 - Financial Services Directorate		48 737	67 841	43 366	92 976	92 003	92 003	97 934	108 269	110 784
Vote 3 - Corporate & Community Services		10 963	1 566	3 850	29 185	25 985	25 985	24 246	22 976	24 348
Vote 4 - Infrastructure & Planning		50 512	48 651	38 423	73 112	75 753	75 753	77 537	70 158	72 569
Vote 5 - COMMUNITY & SOCIAL SERVICES		-	(18)	-	-	-	-	-	-	-
Vote 6 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	110 778	117 400	85 638	195 273	193 741	193 741	199 717	201 403	207 701
Expenditure by Vote to be appropriated										
Vote 1 - Office of the Municipal Manager	1	13 077	4 597	1 751	3 406	3 776	3 776	4 193	4 477	4 780
Vote 2 - Financial Services Directorate		32 912	22 938	24 056	45 872	44 119	44 119	45 781	47 765	51 135
Vote 3 - Corporate & Community Services		14 117	18 375	15 107	28 633	24 932	24 932	27 410	29 312	31 018
Vote 4 - Infrastructure & Planning		82 992	83 699	49 576	80 845	78 891	78 891	77 595	81 002	82 465
Vote 5 - COMMUNITY & SOCIAL SERVICES		4 071	4 687	-	-	-	-	-	-	-
Vote 6 - Executive and Council		-	-	4 790	5 921	6 564	6 564	8 083	8 574	9 162
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	147 170	134 296	95 279	164 677	158 282	158 282	163 062	171 129	178 562
Surplus/(Deficit) for the year	2	(36 392)	(16 896)	(9 641)	30 596	35 459	35 459	36 655	30 274	29 140

Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Capital expenditure - Vote											
Multi-year expenditure to be appropriated											
Vote 1 - Office of the Municipal Manager	2	--	--	--	750	150	150	150	150	--	0
Vote 2 - Financial Services Directorate		--	--	--	330	300	300	300	300	42	45
Vote 3 - Corporate & Community Services		--	--	--	460	230	230	230	--	--	0
Vote 4 - Infrastructure & Planning		--	--	22 737	30 425	35 425	35 425	35 425	37 219	31 555	30 169
Vote 5 - COMMUNITY & SOCIAL SERVICES		--	--	--	--	--	--	--	--	--	--
Vote 6 - Executive and Council		--	--	--	--	--	--	--	--	--	--
Vote 7 - [NAME OF VOTE 7]		--	--	--	--	--	--	--	--	--	--
Vote 8 - [NAME OF VOTE 8]		--	--	--	--	--	--	--	--	--	--
Vote 9 - [NAME OF VOTE 9]		--	--	--	--	--	--	--	--	--	--
Vote 10 - [NAME OF VOTE 10]		--	--	--	--	--	--	--	--	--	--
Vote 11 - [NAME OF VOTE 11]		--	--	--	--	--	--	--	--	--	--
Vote 12 - [NAME OF VOTE 12]		--	--	--	--	--	--	--	--	--	--
Vote 13 - [NAME OF VOTE 13]		--	--	--	--	--	--	--	--	--	--
Vote 14 - [NAME OF VOTE 14]		--	--	--	--	--	--	--	--	--	--
Vote 15 - [NAME OF VOTE 15]		--	--	--	--	--	--	--	--	--	--
Capital multi-year expenditure sub-total	7	--	--	22 737	31 965	36 105	36 105	36 105	37 669	31 697	30 213
Single-year expenditure to be appropriated											
Vote 1 - Office of the Municipal Manager	2	--	--	--	60	60	60	60	150	159	169
Vote 2 - Financial Services Directorate		--	--	--	--	--	--	--	--	--	0
Vote 3 - Corporate & Community Services		--	--	--	--	--	--	--	--	--	--
Vote 4 - Infrastructure & Planning		--	--	6 284	1 200	1 200	1 200	1 200	--	--	0
Vote 5 - COMMUNITY & SOCIAL SERVICES		--	--	--	--	--	--	--	--	--	--
Vote 6 - Executive and Council		--	--	--	--	--	--	--	--	--	--
Vote 7 - [NAME OF VOTE 7]		--	--	--	--	--	--	--	--	--	--
Vote 8 - [NAME OF VOTE 8]		--	--	--	--	--	--	--	--	--	--
Vote 9 - [NAME OF VOTE 9]		--	--	--	--	--	--	--	--	--	--
Vote 10 - [NAME OF VOTE 10]		--	--	--	--	--	--	--	--	--	--
Vote 11 - [NAME OF VOTE 11]		--	--	--	--	--	--	--	--	--	--
Vote 12 - [NAME OF VOTE 12]		--	--	--	--	--	--	--	--	--	--
Vote 13 - [NAME OF VOTE 13]		--	--	--	--	--	--	--	--	--	--
Vote 14 - [NAME OF VOTE 14]		--	--	--	--	--	--	--	--	--	--
Vote 15 - [NAME OF VOTE 15]		--	--	--	--	--	--	--	--	--	--
Capital single-year expenditure sub-total		--	--	6 284	1 260	1 260	1 260	1 260	150	159	169
Total Capital Expenditure - Vote		--	--	29 021	33 225	37 365	37 365	37 365	37 819	31 756	30 382
Capital Expenditure - Functional											
Governance and administration		--	--	--	1 140	510	510	510	600	201	213
Executive and council		--	--	--	810	210	210	210	300	159	169
Finance and administration		--	--	--	330	300	300	300	300	42	45
Internal audit		--	--	--	--	--	--	--	--	--	--
Community and public safety		--	--	--	--	--	--	--	--	--	--
Community and social services		--	--	--	--	--	--	--	--	--	--
Sport and recreation		--	--	--	--	--	--	--	--	--	--
Public safety		--	--	--	460	230	230	230	--	--	0
Housing		--	--	--	460	230	230	230	--	--	0
Health		--	--	22 737	31 625	36 625	36 625	36 625	37 219	31 555	30 169
Economic and environmental services		--	--	8 483	9 230	9 230	9 230	9 230	4 530	10 136	7 991
Planning and development		--	--	14 254	19 965	24 965	24 965	24 965	32 689	21 419	22 177
Road transport		--	--	--	1 430	1 430	1 430	1 430	--	--	0
Environmental protection		--	--	6 284	1 000	1 000	1 000	1 000	--	--	0
Trading services		--	--	--	--	--	--	--	--	--	--
Energy sources		--	--	--	--	--	--	--	--	--	--
Water management		--	--	--	--	--	--	--	--	--	--
Waste water management		--	--	--	--	--	--	--	--	--	--
Waste management		--	--	--	--	--	--	--	--	--	--
Other		--	--	--	--	--	--	--	--	--	--
Total Capital Expenditure - Functional	3	--	--	29 021	33 225	37 365	37 365	37 365	37 819	31 756	30 382

Funded by:											
National Government			22 737	28 735	33 735	33 735	33 735	35 459	29 689	28 191	
Provincial Government											
District Municipality											
Transfers and subsidies - capital (monetary allocations) (Nat / Prov / Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education Institutions)											
Transfers recognised - capital	4		22 737	28 735	33 735	33 735	33 735	35 459	29 689	28 191	
Borrowing	6										
Internally generated funds			6 284	4 490	3 630	3 630	3 630	2 360	2 067	2 191	
Total Capital Funding	7		29 021	33 225	37 365	37 365	37 365	37 819	31 756	30 382	

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by functional classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

1. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The capital expenditure amounts to R 35,459 million in 2023/24. Due to our MIG allocation which normally less than the project value, our projects are commonly multi-year projects.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
3. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from previous year surpluses.

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is largely aligned to GRAP1, which is generally aligned to the international version which presents Assets Less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 19 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18 MBRR Table A7 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Table 19 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	16 379	16 379	16 379	16 379	17 069	18 093	19 178
Service charges		-	-	-	34 376	34 376	34 376	34 376	34 853	32 229	34 162
Other revenue		-	-	-	20 340	20 340	20 340	20 340	21 048	22 311	23 649
Transfers and Subsidies - Operational Transfers and Subsidies - Capital Interest	1	-	-	-	51 490	51 490	51 490	51 490	54 933	57 497	58 425
Dividends	1	-	-	-	29 735	34 735	34 735	34 735	70 918	67 276	68 033
Payments											
Suppliers and employees		-	-	-	255	255	255	255	408	432	458
Interest		-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	(71)	91 671	37 766	42 766	42 766	42 766	81 310	72 864	71 346
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(35 459)	(29 689)	(28 191)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(35 459)	(29 689)	(28 191)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	(71)	91 671	37 766	42 766	42 766	42 766	45	43	43
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	851	176	155
Cash/cash equivalents at the year end:	2	-	(71)	91 671	37 766	42 766	42 766	42 766	24	70	113
									671	622	697
									70	113	156
									522	697	852

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Cash and investments available											
Cash/cash equivalents at the year end	1	-	(71)	91 671	37 766	42 766	42 766	42 766	70 522	113 697	156 852
Other current investments > 90 days	1	4 744	12 653	(94 549)	(13 095)	(18 095)	(18 095)	(18 095)	(25 285)	(65 725)	(106 001)
Non current Investments		-	-	-	-	-	-	-	-	-	-
Cash and investments available:		4 744	12 583	(2 878)	24 671	24 671	24 671	24 671	45 237	47 972	50 851
Application of cash and investments											
Unspent conditional transfers	2	2 930	8 894	33 857	-	-	-	-	-	-	0
Unspent borrowing	2	-	-	-	-	-	-	-	-	-	-
Statutory requirements	3	105 333	100 664	105 013	70 785	70 207	70 207	70 290	45 727	50 195	53 212
Other working capital requirements	4	-	-	-	-	-	-	-	-	-	-
Other provisions	4	-	-	-	-	-	-	-	-	-	-
Long term investments committed	5	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		108 263	109 557	138 871	70 785	70 207	70 207	70 290	45 727	50 195	53 212
Surplus(shortfall)		(103 519)	(96 975)	(141 749)	(46 114)	(45 536)	(45 536)	(45 619)	(470)	(2 223)	(2 361)

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2023/24 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 20 MBRR Table A9 - Asset Management

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
CAPITAL EXPENDITURE										
Total New Assets	1	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-

Information and Communication Infrastructure									
Infrastructure									
Community Facilities									
Sport and Recreation Facilities									
Community Assets									
Heritage Assets									
Revenue Generating									
Non-revenue Generating									
Investment properties									
Operational Buildings									
Housing									
Other Assets									
Biological or Cultivated Assets									
Servitudes									
Licences and Rights									
Intangible Assets									
Computer Equipment									
Furniture and Office Equipment									
Machinery and Equipment									
Transport Assets									
Land									
Zoo's, Marine and Non-biological Animals									
Mature									
Immature									
Living Resources									
Total Renewal of Existing Assets	2								
Roads Infrastructure									
Storm water Infrastructure									
Electrical Infrastructure									
Water Supply Infrastructure									
Sanitation Infrastructure									
Solid Waste Infrastructure									
Rail Infrastructure									
Coastal Infrastructure									
Information and Communication Infrastructure									
Infrastructure									
Community Facilities									
Sport and Recreation Facilities									
Community Assets									
Heritage Assets									
Revenue Generating									
Non-revenue Generating									
Investment properties									
Operational Buildings									
Housing									
Other Assets									
Biological or Cultivated Assets									
Servitudes									
Licences and Rights									
Intangible Assets									
Computer Equipment									
Furniture and Office Equipment									
Machinery and Equipment									
Transport Assets									
Land									
Zoo's, Marine and Non-biological Animals									
Mature									
Immature									
Living Resources									
Total Upgrading of Existing Assets	6								
Roads Infrastructure									
Storm water Infrastructure									
Electrical Infrastructure									
Water Supply Infrastructure									
Sanitation Infrastructure									
Solid Waste Infrastructure									
Rail Infrastructure									

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue Framework	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25
CAPITAL EXPENDITURE									
Other Assets		(42 679)	(43 806)	(41 152)	31 555	31 555	31 555	31 555	33 448
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Intangible Assets		22	24	-	53	53	53	53	56

Computer Equipment		-	-	-	703	903	903	843	565
Furniture and Office Equipment		2 090	3 490	6 284	422	422	422	572	500
Machinery and Equipment		-	-	85	336	336	336	1 636	1 734
Transport Assets		1 294	1 294	(399)	5 467	4 408	4 408	1 748	1 852
Land		54 037	53 974	53 974	15 698	15 698	15 698	15 698	16 640
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	585 067	600 613	629 634	613 034	617 174	617 174	617 628	646 354
EXPENDITURE OTHER ITEMS									
Depreciation	7	-	-	-	-	-	-	-	-
Repairs and Maintenance by Asset Class	3	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		-	-	-	-	-	-	-	-
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE & Investment Property</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and upgrading and R&M as a % of PPE and Investment Property</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal/upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
- The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF

Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)	(5 810)	961	-	1 371	1 371	1 371	1 454	1 541	1 633
Water (in excess of 6 kilolitres per indigent household per month)	-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)	882	2 310	-	371	1 628	1 628	308	326	346
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided	(4 928)	3 272	-	1 743	2 999	2 999	1 761	1 867	1 979

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- Good progress is being made with the eradication of current services backlogs, however housing remains a challenge.
 - Electricity services – there is a backlog of households that are currently not electrified, the municipality provides candles, paraffin and matches to these households on a monthly basis.
- The budget provides for 2200 households to be registered as indigent in 2023/24, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
- In addition to the Free Basic Services, other rates rebate also applies to households.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the annual budget process

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

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

The primary aims of the Budget Steering Committee are to ensure:

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

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial, a time schedule that sets out the process to prepare the IDP and prepare the budget.

Key dates applicable to the process were:

DATE	WARD	MEETING	TIME	VENUE	WARD COUNCILLOR
TUESDAY 09 May 2023	3, 4 & 5	Stakeholders' Engagement Meeting	10h00	Victoria West City Hall	
TUESDAY 09 May 2023	3 & 4	Community Meeting	13h00	Kappertjie Saal	Cllr. W Olyn Cllr. S Kock
TUESDAY 09 May 2023	5	Community Meeting	16h00	Uniting Reformed Church Masinyusane, Victoria West	Cllr. M Maloi
WEDNESDAY 10 May 2023	6	Stakeholders' Engagement Meeting	11h00	Loxton Community Hall	
WEDNESDAY 10 May 2023	6	Community Meeting	12h00	Loxton Community Hall	Cllr. M Zeekoei
THURSDAY 11 May 2023	1 & 2	Stakeholders' Engagement Meeting	11h00	Ntsikelelo Tida Community Library (Richmond)	
MONDAY 15 May 2023	1	Community Meeting	16h00	Grassroots Community Hall (Richmond)	Cllr. AJ Robertson



TUESDAY 16 May 2023	2	Community Meeting	16h00	Ebenezer Methodist Church (Richmond)	Cllr. LG Yekani
------------------------	---	-------------------	-------	--	-----------------

IDP and Service Delivery and Budget Implementation Plan

This is the first year of the new generation IDP (2022/2027) to be considered and adopted by Council in June 2022. The Final IDP process started in August 2021 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2021/22 MTREF. The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions.

Service Delivery and Budget Implementation Plan. The Process Plan applicable to the Final IDP cycle included the following key IDP processes and deliverables:

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

The IDP will be taken into a business and financial planning process leading up to the 2023/24 MTREF, based on the approved 2022/2023 MTREF, mid-year review and adjustments budget. The business planning process was subsequently refined in the light of current economic circumstances and the resulting revenue projections.

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

Financial Modelling and Key Planning Drivers

As part of the compilation of the 2023/24 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2023/24 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2022/2023 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 123 and 124 were taken into consideration in the planning and prioritisation process.

OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

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

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument

which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. It is important that the IDP developed by municipalities correlate with

National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this new five-year IDP cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP);

- The National Priority Outcomes; and
- National Development Plan

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

The following table highlights the IDP's five strategic objectives for the 2019/20 MTREF and further planning refinements that have directly informed the compilation of the budget:

National KPA 1: Basic Service Delivery and Infrastructure Development

STRATEGIC OBJECTIVES:

1. Provision Of Sustainable Basic Services

- a. Sanitation Infrastructure Construction and Maintenance
- b. Water Services Infrastructure Construction and Maintenance
- c. Electricity Infrastructure Construction and Maintenance
- d. Roads Infrastructure Construction and Maintenance
- e. Solid Waste Management Infrastructure Construction and Maintenance

2. SPATIAL PLANNING EXCELLENCE

- a. Spatial Development Framework & Land Use Management System
- b. Developmental Bulk Infrastructure Optimisation

3. SPATIAL DEVELOPMENT BULK INFRASTRUCTURE OPTIMISATION

- a. Spatial Development Bulk Infrastructure Assessment

NATIONAL KPA 2: Local Economic Development

STRATEGIC OBJECTIVES:

Investment Acceleration & Attraction

- a. Private Sector Investment Upliftment & Acceleration
- b. Public Sector Investment Upliftment & Acceleration
- c. Tourism Upliftment & Acceleration
- d. Agriculture & Agri-processing Upliftment & Acceleration
- e. Industry Upliftment & Acceleration
- f. Commerce Upliftment & Acceleration
- g. SMME Upliftment & Acceleration
- h. Industrial & Commercial Economic Zone Establishment

NATIONAL KPA 3:

MUNICIPAL FINANCIAL MANAGEMENT & VIABILITY

Strategic Objectives:

- 1. Sound Financial Viability and Management
 - a. Financial Governance Excellence
 - b. Budget Management Excellence
 - c. Financial Reporting Excellence
 - d. AFS Compilation & Assets Management Excellence
 - e. Supply Chain Management Excellence
 - f. Municipal Revenue Management Excellence (Income & Expenditure)
 - g. Conditional Grants Reporting Excellence

NATIONAL KPA 4:

MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

Strategic Objectives:

1. MUNICIPAL TRANSFORMATION

- a. Comprehensive Organogram Review

2. INSTITUTIONAL DEVELOPMENT EXCELLENCE

- a. Recruitment & Selection Excellence
- b. Skills Development Excellence

3. INSTITUTIONAL INTEGRITY EXCELLENCE

- a. Staff/Public Interface Excellence
(Code of Conduct, Batho Pele, Anti-corruption)

4. INSTITUTIONAL RESPONSIVENESS EXCELLENCE

- a. Customer Care Excellence
(Compliments/Enquiries/Complaints/Mpimpa)

5. INSTITUTIONAL PERFORMANCE EXCELLENCE

- a. Organisational & Individual Performance Management

NATIONAL KPA 5:

GOOD GOVERNANCE & PUBLIC PARTICIPATION

Strategic Objectives:

1. INSTITUTIONAL GOVERNANCE EXCELLENCE
 - a. Functional Council & Audit Oversight Excellence
 - b. Community Participation Excellence
(Ward Committees, Rapid Response Team, Community Meetings)

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.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;

- Provide housing;
- Provide roads and storm water;
- Provide municipality planning services; and
- Maintaining the infrastructure of the Municipality.

Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour-intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure maintenance strategy and the repairs and maintenance plan

Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organisational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole;
and
- Sound financial fundamentals.

Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has

developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee’s performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year’s performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

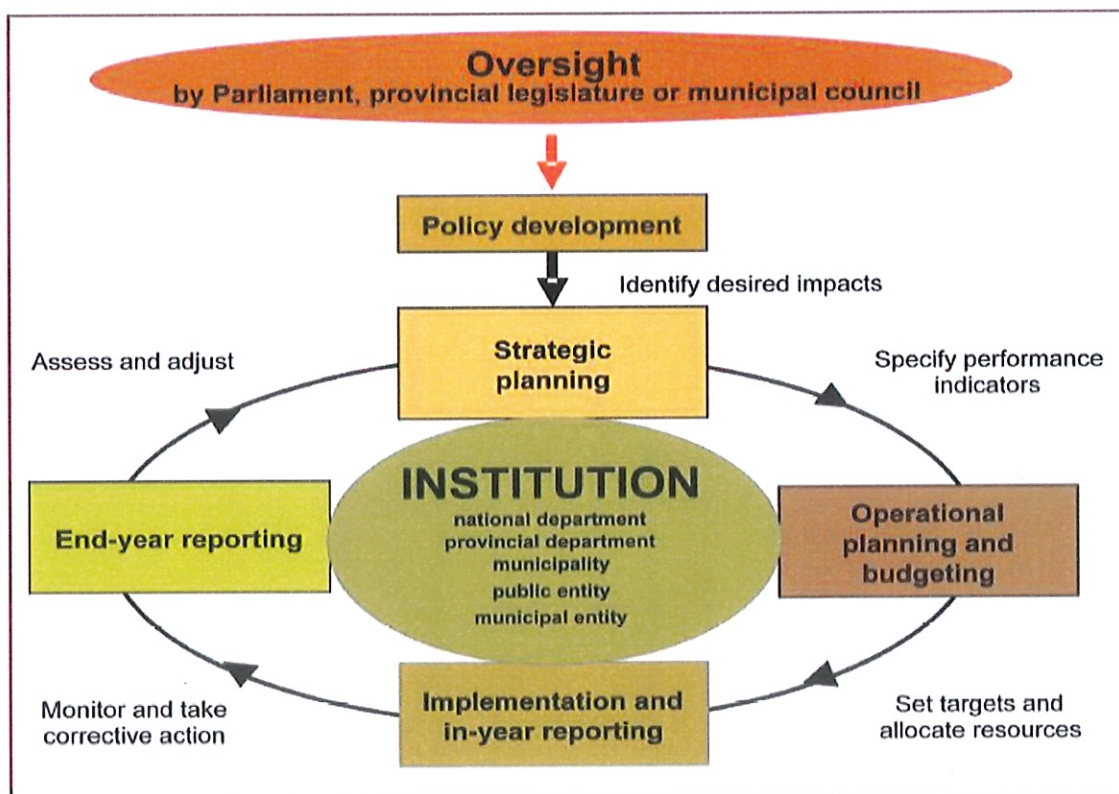


Figure 5 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The Municipality therefore has adopted one integrated performance management system which encompasses:

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

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

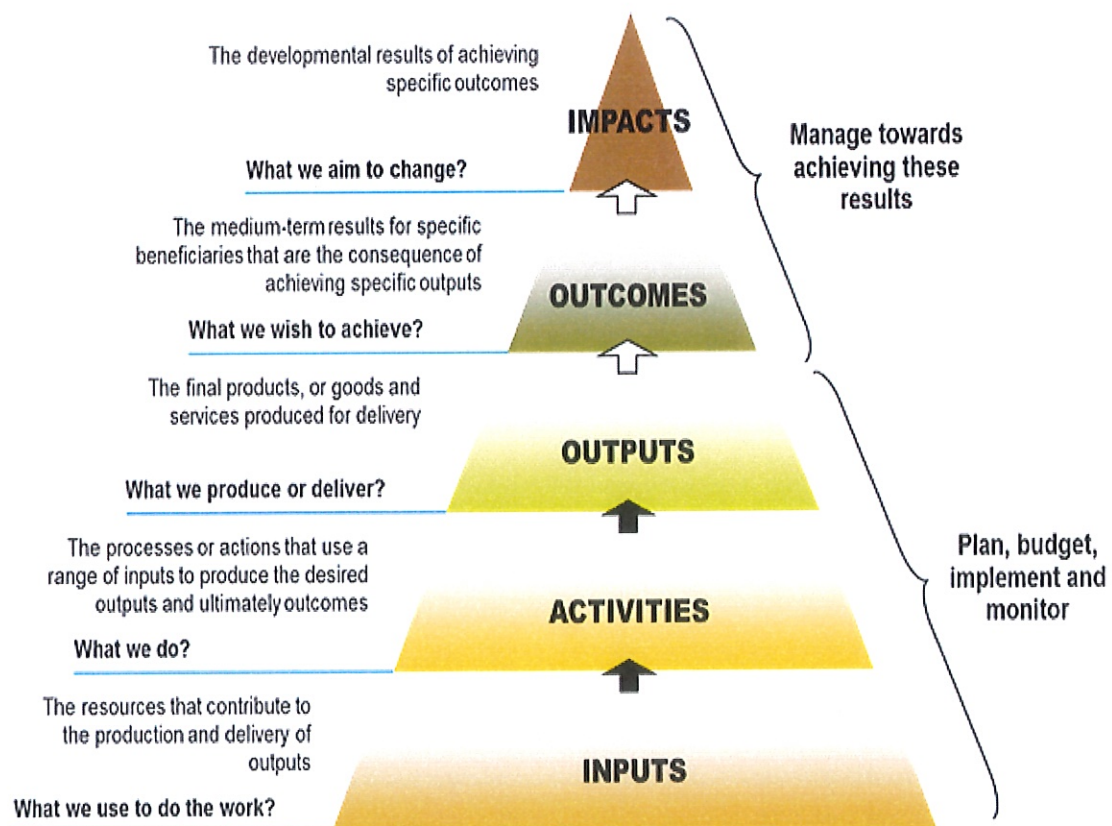


Figure 6 Definition of performance information concepts

Performance indicators and benchmarks

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Ubuntu' s borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans.

For the 2023/2024 financial year the municipality has no intension of entering into any long-term borrowings' due affordability. The municipality also does not have any current long-term loans that need to be serviced.

The following financial performance indicators have formed part of the compilation of the 2023/24 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing remains steady. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality.

Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	38.1%	38.0%	3.2%	16.6%	17.3%	17.3%	16.8%	16.2%	16.4%	16.6%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	336.4	650.2	650.2	650.2	400.1	379.8	374.6	391.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	58.0%	66.4%	-3.3%	14.3%	14.9%	14.9%	13.7%	13.9%	13.9%	13.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	(0.0)	13.4	4.1	4.9	4.9	4.9	8.1	12.2	16.3

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in 'Supporting Table SA10: Funding measurement'.

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Only registered indigents qualify for the free basic services.

For the 2023/24 financial year 2200 registered indigents have been provided for in the budget with this figured increasing from the actual registered indigents of 2023/24. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, sanitation service charge and free waste removal once a week, as well as a rebate on their property rates. In addition to the above, the municipality also provides candles, paraffin and matches to households that are not electrified.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost

associated with the free basic services is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

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

OVERVIEW OF BUDGET RELATED POLICIES

Overview of budget related-policies

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

Budget Policy

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

Property rate Policy

- The exclusion of the category 'State Owned' and inclusion of 'Public Service Purpose'.

Virement Policy

- The 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.

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.
- The decreasing of interest rate from prime plus 1 to 7%. The municipality included a tariff for clearing of sites, penalty for electricity tempering done by businesses.
- Changes in the tariff policy was the exemption of churches from refuse charges. The ratio of agricultural use of land was aligned with the Local Municipality Property Tax Rates Act.

Credit Control Policy

- Municipal accounts to include a clause that clearly states that the municipal account is to be considered as the final demand notice, providing the customer 14 days as per regulation to make payment or a payment arrangement to avoid disconnection of services.
- A registered dispute does not exempt you from paying you undisputed amount and current account.
- Eskom supply areas to be converted to prepaid water

The following policies have also been subject to review:

- Indigent Policy;
- Property Rates Policy;
- Tariff Policy;
- SCM Policy;
- Bad Debt Policy;

OVERVIEW OF BUDGET ASSUMPTIONS

External factors

The assumption are made taking into consideration the current challenges and opportunities the municipality is facing. The effects of the national lockdown and the pandemic on the livelihood of our consumers is also factored into the anticipated indigent target, the collection rate and billing. Upwards pressure of the national lockdown on the economy is also evident in the inflation rate and the Rand continues to weaken against leading currencies.

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2022/23

MTREF:

- Effects of the global pandemic
- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 37 per cent of total operating expenditure in the 2022/23 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (80 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings from an increased

collection of arrear debt. Currently the municipality is not collecting more than what it is billing per month, however, money collected is first allocated to the arrears, those who don't have arrears the money they pay is allocated to current, taking this into consideration the current collection rate will always look lower, this includes the collection per month on the total debtor's book.

The Municipality has in place a fair but rigorous credit control policy. The municipality has also put in place additional measures to ensure convenient payment of services by creating payment point at local grocery stores, emailing and SMSing municipal accounts which will be implemented in the new financial year.

Furthermore, its policy on indigent support means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt, the indigent process is kept open through-out the year to accommodate the change in lifestyle.

Growth or decline in tax base of the municipality

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

The revised headline CPI forecasts from National Treasury for 2022/23, 2023/24 and 2024/25 are 4.8%, 4.4% and 4.5% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies. NT has communicated that any rate or tariff increase above CPI must be fully communicated to the community.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for

servicing the household exist, but that no consumer revenue is derived as the 'poor household' mainly limits consumption to the level of free basic services.

Salary increases

The new collective agreement regarding salaries/wages has not been signed for the 1st July 2021. An assumption is made that the increase will be 5.4% based on the current financial year. No increase for senior managers and councillors.

Impact of national, provincial and local policies

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

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

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

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 80 per cent could be achieved on operating expenditure and 100 per cent on the capital programme for the 2022/23 MTREF.

OVERVIEW OF BUDGET FUNDING

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.

Fiscal Overview of Ubuntu Municipality

Ubuntu Municipality has over recent years facing cash-flow constrains and being grant depended. The municipality has also strived to have a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Ubuntu has received a qualified audit report in the 2020/2021 financial year. Ubuntu Municipality is on the pathway on implementing National Treasury's MSCOA Chart of Accounts effective 1 July 2022 and will be amongst other municipalities to ensure compliance with the National Treasury requirements.

The table below is a breakdown of the operating revenue A4

The table below depicts the breakdown of the councillors and staff benefits

Table 22 MBRR SA22 - Summary councillor and staff benefits

MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW



Table 23 MBRR SA25 - Budgeted monthly revenue and expenditure

Table 24 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Table 26 MBRR SA29 - Budgeted monthly capital expenditure (functional classification)

Table 27 MBRR SA30 - Budgeted monthly cash flow

Final Annual budgets and SDBIP

The SDBIP will be tabled in Council meeting in July 2023

Capital Expenditure Details

Capital details are shown in Annexure 1 and 2 on following tables:

- 'Main Table A5: Capex (capital expenditure)'
- Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)'
- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)'
- 'Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)'
- 'Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)'
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA36: Detailed capital budget'

LEGISLATION COMPLIANCE STATUS

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA. The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality budgeting;

The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations. Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, "annual budgets may only be funded from reasonably anticipated revenues to be collected". The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 – Other supporting documents.

Other supporting documents

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

Annexure 1 – 2023-2024 MTREF Main Budget Tables version 6.3

Tables A1 to A10

Annexure 2 – 2023-2024 MTREF Supporting Budget Tables version 6.3

Supporting Tables SA1 to SA37

Annexure 3 – Three prior years outcome and current year main Supporting Budget Tables

Annexure 4 –2023/2024 NT Circular and guidelines

Circular 82, 99, 115

Annexure 5 – Tariffs*, Charges and Fees for 2023/2024

Annexure 5 – Policies

Annexure 6 – Tariff Tool assessment

Quality certificate

I , municipal manager of Ubuntu Municipality - NC071, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Ubuntu Municipality - NC071

Signature _____

Date _____