



**ANNUAL BUDGET REPORT FOR**

**ABAQULUSI MUNICIPALITY**

**2024/25 TO 2026/27**

**MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

*Copies of this document can be viewed:*

*Website: [www.Abaqulusi.gov.za](http://www.Abaqulusi.gov.za)*

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## **ABBREVIATIONS AND ACRONYMS**

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

**Allocations** – Money received from Provincial and National Treasury.

**Budget** – The financial plan of a municipality.

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

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

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

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

**CPI** – Headline Consumer Price Index

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

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

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

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

**GDFI** - Gross Domestic Fixed Investment

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

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

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

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

**MSCOA** – Municipal Standard Chart of Accounts

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

**MYPD** – *Multi Year Price Determination*

**NT** – *National Treasury*

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

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

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

**TMA** – *Total Municipal Account*

**SCM** - *Supply Chain Management*

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

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

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

## **Part 1 – Annual Budget**

### **Mayor's Report**

*The Mayor's budget speech for the 2024/25 Medium Term Budget and Expenditure Framework (MTREF) will be submitted separately when the tabled budget is considered by Council.*

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

- *Integrity*
- *Transparency*
- *Fairness*
- *Empowering people*
- *Honesty*
- *Making communities safer*
- *Accountability*
- *Provide access to safe, affordable water and sanitation*
- *Providing electricity*

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

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

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

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

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



- ✓ Ration water to indigent consumers
- ✓ Clean up the indigent register
- ✓ Source funding from National Departments
- ✓ Rehabilitate our environment
- ✓ Improve tourist attractions
- ✓ Make a foot print on local economic development
- ✓ Review all by-laws, policies and standard operating procedures to ensure alignment with mSCOA
- ✓ Use funds for purposes they are meant for and have time-lined implementation plans
- ✓ S&T usage to be managed within the cost containment regulations
- ✓ Ward IDP

### **Highlights**

*The highlights of the 2023/2024 financial year are:*

- *The total operating revenue received for the 1<sup>st</sup> 6 months is more than the budgeted target*
- *Operating expenditure is below budget*
- *Upgrading of Mark and President street*
- *The filling of vacancies which assisted in creating employed in the area*

*I would like to propose the following recommendations:*

### **Council Resolutions**

*On the 28<sup>th</sup> of March 2024 the Council of Abaqulusi Local Municipality met in the Council Chambers of Abaqulusi Municipality to consider the draft (tabled) annual budget of the municipality for the financial year 2024/25. The Council adopts the following resolutions:*

- 1. The Council of Abaqulusi Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) adopts the draft operating budget with revenue of R715 million and expenditure of R832 million*
- 2. The Council adopts the capital budget of R49,8 million*
- 3. The Council of Abaqulusi Local Municipality notes the draft annual IDP and Budget document and schedules for the financial year 2024/25 and the two outer years 2025/26 and 2026/27. The Council notes on the "A" schedules the table A8 indicates the surplus and SA10 which indicates that the budget is funded.*
- 4. The Council of Abaqulusi Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2024 the proposed tariffs of Abaqulusi Municipality as attached*
- 5. That Council takes note of the MFMA Budget Circulars 126 and 128*
- 6. That Council takes note of the Government and Provincial allocations as attached*

7. *That Council takes note of the quality certificate signed by the Municipal Manager*
8. *The Council of Abaqulusi Local Municipality approves and adopts with effect from 1 July 2024 the following budget related policies:*
  - a) *The tariffs policies in terms of section 74 of the Municipal Systems Act*
  - b) *The rates policy in terms of section 3 of the Municipal Property Rates Act*
  - c) *The credit control and debt collection policy in terms of section 96 of the Municipal Systems Act*
  - d) *The cash management and investment policy in terms of section 13(2) of the Act*
  - e) *A borrowing policy complying with Chapter 6 of the Act*
  - f) *A funding and reserves policy*
  - g) *A policy related to the long-term financial plan*
  - h) *The supply chain management policy in terms of section 111 of the Act*
  - i) *Any policies dealing with the management and disposal of assets*
  - j) *Any policies dealing with infrastructure investment and capital projects, including the policy governing the planning and approval of capital projects and on developer contributions for property developments*
  - k) *The indigent policy of the municipality*
  - l) *Any policy relating to the provision of free basic services*
  - m) *Any policy related to budget implementation and monitoring including the shifting of funds within votes, the introduction of adjustment budgets, unforeseen and unavoidable expenditure and management and oversight*
  - n) *Any policy relating to managing electricity and water including the management of losses and promoting conservation and efficiency*
  - o) *Any policies relating to personnel including policies on overtime, vacancies and temporary staff*
  - p) *Any policies dealing with entities*
  - q) *Any other budget related or financial management policies of the municipality*
  - r) *Performance Management Policy Framework*
  - s) *Mayors first year student registration*
9. *That the service standards attached be noted*
10. *That the Top Layer SDBIP be noted*

### 1.3 Executive Summary

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

The Municipality's service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate funds will be transferred from low- to high priority programmes to maintain sound financial stewardship. A critical review has also been undertaken of expenditure on non-essential and 'nice-to-have' items. 2024/25 MTREF was drafted in context of an economy that is not projected to grow.

The tabled (draft) budget for the 2024/25 MTREF period is based on the realisation that revenues and cash flows remain under pressure in 2024/25 and the ability of consumers to pay for services is declining resulting in less revenue being available. The municipality has adopted a conservative approach when projecting expected revenues and cash receipts. The municipality must further in terms of MFMA Circular 126 and MFMA Circular 128 carefully consider the affordability of tariff increases especially in relation to domestic consumers which makes up the bulk of the municipality's revenue base whilst considering the level and quality of services versus the associated cost.

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

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

The main challenges experienced during the compilation of the tabled 2024/25 MTREF can be summarised as follows:

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

- Strict control of the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water and replacement of old pumps to reduce the amount of money spent on fixing pumps that are beyond their lifespan and costly to the municipality
- Automate business services where possible to increase efficiencies and lower customer costs
- Curbing the consumption of water and electricity by indigents to ensure that they do not exceed their allocation
- Ensuring that all reasonable steps are taken to ensure that the municipality complies with its tax, pension, medical aid contributions, audit fees and other statutory commitments are paid
- Municipalities are always asked to try and balance full cost recovery on services with affordability for residents. This means that where the full increase in the cost of a service is not passed onto consumers, the municipality must offset the increased costs through savings identified elsewhere in their operations. Therefore reducing/limiting overall expenditure is a key part of budgeting for the response to load shedding. The municipality must stick to its core mandate and functions and carefully review overall expenditure to manage the net effect. Measures include aggressively cutting costs, frills and vanity projects, dealing with bloated administrations and structures.
- Whilst maximising efficiency in operations, tariff setting efforts should be consider the need to make additional provision for repairs and maintenance associated with infrastructure breakdowns and theft.
- The municipality must carefully monitor the Eskom accounts for any penalties that result from increased demand immediately after a period of load shedding is ended.

*The following budget principles and guidelines directly informed the compilation of the tabled 2024/25 MTREF:*

- The 2023/24 Adjustment Budget priorities and targets, as well as the base line allocations contained in the Adjustment Budget.
- Service level standards were used to inform the measurable objectives, targets and backlog eradication goals.
- Tariff and property rate increases should be affordable and try not to exceed inflation as measured by the CPI, except where the price increases in the services that are beyond the control of the municipality, i.e. ESKOM.
- Cost Containment Regulations have been implemented to curtail spending in terms of the regulations.
- No budget has been allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the Division of Revenue Act gazette.

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

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

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

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

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

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

The following are fundamental to maximising the existing revenue:

- Billing system that correctly reflects all billing and customer information required to issue accurate accounts to consumers.
- All property within the municipal jurisdiction must be correctly valued and the billing system must be updated with any change in property ownership. This is necessary to protect and grow the property rates base.
- Effective business processes to ensure new property development as well as improvements to existing properties are valued as required.
- Correct categorisation of properties.
- Water and electricity meter numbers must be recorded correctly and linked to corresponding property.
- Continual maintenance of water and electricity meters to minimise losses due to leakages or incorrectly metered consumption.
- Accurate meter reading and minimising the amount of meter reading estimates.
- Refuse and sanitation service charges must be included in all billing records and the municipality must ensure these services are not run at a loss.
- Billing queries to be resolved within reasonable timeframes.
- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements and how to deliver on it.

- A data management strategy and develop internal capacity to perform reconciliations and investigations to improve the completeness of billing
- The interruption or restriction of the supply of water services to a defaulting customer
- Restriction of both water and electricity supply as a collection tool effective from 1 July 2023 with by-laws and policies clearly stipulating the order in which any partial payment of the consolidated municipal bill (including property rates) will be applied as well as the process before the supply of water and electricity services will be cut. The recommended order by National Treasury is that the payment firstly be applied to property rates, waste water, waste management, water and lastly electricity

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

National Treasury's MFMA Circular No. 126 and MFMA Circular No. 128 were used to guide the compilation of the tabled 2024/25 MTREF.

In view of the above, the following table is a consolidated overview of the proposed 2024/25 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the Draft 2024/25 MTREF

KZN263 Abaqulusi - Table A1 Budget Summary										
Description R thousands	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year	Budget Year
<b>Financial Performance</b>										
Property rates	100 717	102 034	99 002	120 645	120 645	120 645	120 645	139 000	145 394	152 082
Service charges	285 158	309 397	315 715	394 104	394 104	394 104	394 104	328 526	343 639	359 446
Investment revenue	897	1 265	1 704	1 706	4 706	4 706	4 706	2 000	2 092	2 188
Transfer and subsidies - Operational	210 960	190 884	215 280	219 671	216 947	216 947	216 947	225 664	225 775	225 967
Other own revenue	71 999	57 061	57 333	50 286	92 286	92 286	92 286	19 822	20 734	21 688
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>669 730</b>	<b>660 641</b>	<b>689 034</b>	<b>786 412</b>	<b>828 688</b>	<b>828 688</b>	<b>828 688</b>	<b>715 013</b>	<b>737 634</b>	<b>761 371</b>
Employee costs	153 571	171 594	180 462	188 376	208 923	208 923	208 923	206 365	215 858	225 788
Remuneration of councillors	17 515	17 865	17 265	19 305	17 960	17 960	17 960	19 474	20 369	21 306
Depreciation and amortisation Interest	83 959	119 363	133 438	42 503	42 503	42 503	42 503	136 596	142 880	149 452
Inventory consumed and bulk purchases	7 986	255	5 475	-	5 474	5 474	5 474	-	-	-
Transfers and subsidies	207 149	268 105	262 392	303 352	272 793	272 793	272 793	324 295	339 212	354 816
Other expenditure	3 950	(0)	(0)	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>202 958</b>	<b>262 387</b>	<b>265 954</b>	<b>166 958</b>	<b>151 618</b>	<b>151 618</b>	<b>151 618</b>	<b>145 466</b>	<b>152 157</b>	<b>159 156</b>
<b>Surplus/(Deficit)</b>	<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>699 271</b>	<b>832 196</b>	<b>870 477</b>	<b>910 519</b>
Transfers and subsidies - capital (monetary allocations)	(7 358)	(178 929)	(175 950)	65 917	129 418	129 418	129 418	(117 183)	(132 843)	(149 148)
Transfers and subsidies - capital (in-kind)	35 368	32 308	43 990	76 440	73 885	73 885	73 885	49 730	52 416	52 416
	-	-	620	-	-	-	-	-	-	-
	28 010	(146 621)	(131 340)	142 357	203 303	203 303	203 303	(67 453)	(80 427)	(96 732)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share of Surplus/ Deficit attributable to Associate	28 010	(146 621)	(131 340)	142 357	203 303	203 303	203 303	(67 453)	(80 427)	(96 732)
<b>Surplus/(Deficit) for the year</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>26 879</b>	<b>42 630</b>	<b>67 598</b>	<b>83 440</b>	<b>80 885</b>	<b>80 885</b>	<b>80 885</b>	<b>49 883</b>	<b>45 582</b>	<b>45 582</b>
Transfers recognised - capital	24 206	35 276	31 540	76 440	73 885	73 885	73 885	43 374	45 582	45 582
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	17 776	5 979	27 555	7 000	7 000	7 000	7 000	6 509	-	-
<b>Total sources of capital funds</b>	<b>41 982</b>	<b>41 255</b>	<b>59 095</b>	<b>83 440</b>	<b>80 885</b>	<b>80 885</b>	<b>80 885</b>	<b>49 883</b>	<b>45 582</b>	<b>45 582</b>
<b>Financial position</b>										
Investments	-	-	-	-	-	-	-	-	-	-
<b>LIABILITIES</b>										
Financial liabilities	-	-	4 607	-	4 607	4 607	4 607	4 607	4 607	4 607
<b>NET ASSETS</b>	<b>1 504 902</b>	<b>1 041 927</b>	<b>910 901</b>	<b>1 411 750</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>963 389</b>	<b>876 987</b>	<b>774 972</b>
Community wealth/ Equity	-	-	-	-	-	-	-	-	-	-
<b>Cash flows</b>										
Net cash from (used) operating	557 096	195 041	206 238	114 205	129 126	129 126	129 126	116 112	112 628	109 771
Net cash from (used) investing	(47 850)	(38 885)	(50 332)	(83 440)	(40 885)	(40 885)	(40 885)	(50 133)	(45 843)	(49 779)
Net cash from (used) financing	-	-	2 837	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>509 246</b>	<b>179 880</b>	<b>187 768</b>	<b>59 796</b>	<b>108 354</b>	<b>108 354</b>	<b>108 354</b>	<b>86 092</b>	<b>152 877</b>	<b>212 869</b>
<b>Cash backing/surplus reconciliation</b>										
Non current Investments	6 171	7 524	5 442	7 524	5 442	5 442	5 442	5 442	5 442	10 009
Statutory requirements	3 555	(53 514)	(98 403)	77 541	53 974	53 974	53 974	47 199	54 543	51 637
<b>Balance - surplus (shortfall)</b>	<b>2 616</b>	<b>61 038</b>	<b>103 845</b>	<b>(70 017)</b>	<b>(48 532)</b>	<b>(48 532)</b>	<b>(48 532)</b>	<b>(41 757)</b>	<b>(49 101)</b>	<b>(41 628)</b>
<b>Asset management</b>										
Asset register summary (WDV)	1 544 084	1 164 106	1 004 807	1 309 524	964 304	964 304		872 980	730 100	580 648
Depreciation	80 135	109 656	132 273	42 503	42 503	42 503		136 596	142 880	149 452
Renewal and Upgrading of Existing Assets	29 929	14 812	4 765	(1 804)	(20 552)	(20 552)		1 853	-	-
Repairs and Maintenance	23 840	44 938	44 119	21 000	39 351	39 351		23 510	24 591	25 723
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-		-	-	-
Revenue cost of free services provided	3 902	3 950	9 445	14 431	14 431	14 431		17 731	18 547	19 400
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-		-	-	-
Sanitation/ sewerage:	-	-	-	-	-	-		-	-	-
Energy:	-	-	-	-	-	-		-	-	-
Refuse:	-	-	-	-	-	-		-	-	-

Total operating revenue has decreased by R113,6 million for the 2024/25 financial year when compared to the 2023/24 Adjustment Budget. For the two outer years, operational revenue will increase, equating to a total revenue growth of R46,3 million over the MTREF when compared to the 2023/24 financial year.

Total operating expenditure for the 2024/25 financial year has been appropriated at R832,1 million. When compared to the 2023/24 Adjustment Budget, operational expenditure has increased by 4,9% in the 2024/25 budget and 4,6% increases for each of the respective outer years of the MTREF. The budget for bulk purchases to Eskom has increased to 12,7% as announced by NERSA and the employment budget has increased by 5% (CPI 4,9%) as per the MFMA Circulars 126 & 128, as well.

The capital budget of R49,8 million for 2024/25 is less when compared to the 2023/24 Adjustment Budget. The decrease is due to decreased capital funding from grants being allocated for 2024/25. The capital program decreases to R45,5 million in the 2025/26 financial year due and 2026/27 financial year. Currently a limited amount of funding for the capital budget will be funded from internally generated funds in the 2024/25 financial year of the MTREF. The internally funded projects will commence only in the 2<sup>nd</sup> half of the financial year but are a necessity. Capital from government grants and transfers amounts to R42,3 million which is less than the 2023/24 financial year. Of the R5,5 million allocated to the municipality from INEP all is for electrification in Eskom areas and the funds for that portion are not shown in the income and expenditure budget as the project does not become a capital item of the municipality but is handed back to Eskom on completion.

### **Operating Revenue Framework**

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

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

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

- National Treasury's guidelines and tariff setting tool;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 90% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as per NERSA guideline, the draft three year budget projections must be supported by a Cost of Supply Study and submitted to NERSA before 1 March 2024 for consideration;



- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the Tabled 2024/25 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by Main Revenue Source A4

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	## ##	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
R thousand	1										
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	190 233	207 507	213 962	266 529	266 529	266 529	266 529	224 742	235 081	245 894
Service charges - Water	2	44 497	46 122	43 331	62 253	62 253	62 253	62 253	47 773	49 971	52 269
Service charges - Waste Water Management	2	32 008	32 805	36 295	36 734	36 734	36 734	36 734	28 199	29 496	30 853
Service charges - Waste Management	2	18 420	22 964	22 127	28 588	28 588	28 588	28 588	27 812	29 091	30 429
Sale of Goods and Rendering of Services		798	592	591	513	2 513	2 513	2 513	7 125	7 453	7 795
Interest earned from Receivables		7 979	10 971	11 175	35 088	35 088	35 088	35 088	-	-	-
Interest earned from Current and Non Current		897	1 265	1 704	1 706	4 706	4 706	4 706	2 000	2 092	2 188
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		1 070	937	1 124	1 667	1 667	1 667	1 667	152	159	167
Licence and permits		2 837	5 820	5 797	2 643	2 643	2 643	2 643	3 545	3 708	3 879
Operational Revenue		3 928	435	854	-	40 000	40 000	40 000	-	-	-
<b>Non-Exchange Revenue</b>											
Property rates	2	100 717	102 034	99 002	120 645	120 645	120 645	120 645	139 000	145 394	152 082
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		13 602	16 689	18 016	5 531	5 531	5 531	5 531	5 500	5 753	6 018
Licences or permits		-	-	-	4 844	4 844	4 844	4 844	3 500	3 661	3 829
Transfer and subsidies - Operational		210 960	190 884	215 280	219 671	216 947	216 947	216 947	225 664	225 775	225 967
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	(1 988)	2 983	-	-	-	-	-	-	-
Other Gains		41 784	23 605	16 794	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers)</b>		<b>669 730</b>	<b>660 641</b>	<b>689 034</b>	<b>786 412</b>	<b>828 688</b>	<b>828 688</b>	<b>828 688</b>	<b>715 013</b>	<b>737 634</b>	<b>761 371</b>

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

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

Service charge revenues comprise more than 45,9% of the total revenue mix. In the 2024/25 financial year, revenue from services charges is expected to total R328,5 million. This increases to R343,6 million and R359,4 million in the respective financial years of the MTREF. This includes the revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 19,4% or R139 million rand and increases to R152 million by 2026/27.

The third largest sources are “other revenue” which consists of various items such as income received from permits and licenses, building plan fees, connection fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. The anticipated revenue from all other revenue is R21,8 million.

Operating grants and transfers totals R225,6 million in the 2024/25 financial year and increases to R223 million by 2026/27.

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

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

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

KZN263 Abaqulusi - Supporting Table SA18 Transfers and grant receipts										
Description	## #	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		4 431	5 165	5 773	5 351	5 220	5 220	4 793	3 000	3 000
Expanded Public Works Programme		1 831	2 515	2 773	2 351	2 220	2 220	1 793	-	-
Local Government Financial Management		2 600	2 650	3 000	3 000	3 000	3 000	3 000	3 000	3 000
<b>Provincial Government:</b>		<b>4 660</b>	<b>6 828</b>	<b>235</b>	<b>8 012</b>	<b>8 012</b>	<b>10 927</b>	<b>5 235</b>	<b>5 566</b>	<b>5 810</b>
Museum		-	225	235	249	249	249	260	283	335
Specify (Add grant description)		-	-	-	-	-	248	-	-	-
Library		4 660	4 538	-	3 540	3 540	4 763	4 975	5 283	5 475
Specify (Add grant description)		-	2 065	-	-	-	5 667	-	-	-
Specify (Add grant description)		-	-	-	1 223	1 223	-	-	-	-
Economic Development		-	-	-	3 000	3 000	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	<b>9 091</b>	<b>11 993</b>	<b>6 008</b>	<b>13 363</b>	<b>13 232</b>	<b>16 147</b>	<b>10 028</b>	<b>8 566</b>	<b>8 810</b>
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		46 451	42 503	53 228	68 533	63 385	35 000	48 730	52 416	56 931
Municipal Infrastructure Grant		36 451	39 107	42 083	51 853	48 385	25 000	43 212	45 211	48 931
Integrated National Electrification Programme		10 000	3 396	11 145	16 680	15 000	10 000	5 518	7 205	8 000
<b>Provincial Government:</b>		3 165	3 870	4 804	10 500	10 500	2 000	1 000	-	-
LED		-	1 748	1 618	2 000	2 000	2 000	1 000	-	-
Specify (Add grant description)		-	1 978	2 652	-	-	-	-	-	-
Specify (Add grant description)		3 165	144	535	-	-	-	-	-	-
Sport		-	-	-	8 500	8 500	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	<b>49 616</b>	<b>46 373</b>	<b>58 033</b>	<b>79 033</b>	<b>73 885</b>	<b>37 000</b>	<b>49 730</b>	<b>52 416</b>	<b>56 931</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	<b>58 707</b>	<b>58 366</b>	<b>64 041</b>	<b>92 396</b>	<b>87 117</b>	<b>53 147</b>	<b>59 758</b>	<b>60 982</b>	<b>65 741</b>

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

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

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

With effect from the 2024/25 MTREF, all municipalities as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality must submit a strategy that is included in the budget narratives explaining the calculation.

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

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

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

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

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

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

The municipality will be enforcing a culture of payment for services to ensure a 90% collection rate is maintained throughout the 2024/25 financial year through strict credit control processes.

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

## **Property Rates**

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Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The anticipated increase for the 2024/2025 financial year will be 0% due to the implementation of a new valuation roll from the 1<sup>st</sup> of July 2024. The rates revenue is expected to increase the current value from R120,6 million to R139 million. All households receive a rebate on the first R 15,000 and indigent residents a further R 105,000. All properties will receive an 18% rebate due to the increase in the value of properties in the 2024/25 financial year. Currently COGTA is analysing the information submitted by the municipality as the recommendation from COGTA is that the rate randage be reduced. The municipality has advised that either an 18% rebate can be given or the rate randage can be reduced by 18%. The rate randage will be amended before the tabling of the final (adopted) budget in May 2024.

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 % rebate will be granted to registered indigents in terms of the Indigent Policy;
- In order to qualify for such rebates, a pensioner, a retiree, a physically and mentally disabled person, an indigent and/or person temporarily without income, or a child headed household must:
  - must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - be living on the property;
  - not own any other property;

- have an aggregate household income reflected in the table below, in which instance the corresponding rebate as reflected therewith will be granted;
- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- The property must be categorized as residential.

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

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

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2024/25 financial year based on a 0% increase from 1 July 2024 is contained below:

**Table 4 Comparison of proposed rates to be levied for the 2024/25 financial year**

Category	Current Tariff	Proposed tariff
	(1 July 2023)	(from 1 July 2024)
Residential properties	0.0103672	0.0103672
State owned properties	0.0259182	0.0259182
Business & Commercial	0.0259182	0.0259182
Agricultural	0.0025920	0.0025920
Vacant land	0.0259182	0.0259182
Municipal rateable – Residential	0.0103672	0.0103672
Industrial	0.0259182	0.0259182
Non-permitted use/Illegal usage	0.0259182	0.0259182
Public benefit organisation properties	0.0025920	0.0025920
Special consent	0.0259182	0.0259182

Description	Ref	Provide description of tariff structure where appropriate	2020/21	2021/22	2022/23	Current Year 2023/24	2024/2 Medium Term Revenue & Expenditure Framework		
							Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<b>Property rates (rate in the Rand)</b>	1								
Residential properties			0.01	0.01	0.01	0.01	0.01	0.01	0.01
Residential properties - vacant land			0.02	0.02	0.02	0.03	0.03	0.03	0.03
Formal/informal settlements			-	-	-	-	-	-	-
Small holdings			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Farm properties - used			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Farm properties - not used			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Industrial properties			0.02	0.02	0.02	0.03	0.03	0.03	0.03
Business and commercial properties			0.00	0.00	0.00	0.03	0.03	0.03	0.03
Communal land - residential			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal land - small holdings			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal land - farm property			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal land - business and commercial			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communal land - other			0.00	0.00	0.00	0.00	0.00	0.00	0.00
State-owned properties			0.02	0.02	0.02	0.03	0.03	0.03	0.03
Municipal properties			0.00	0.00	0.00	0.03	0.03	0.03	0.03
Public service infrastructure			0.02	0.02	0.02	0.00	0.00	0.00	0.00
Privately owned towns serviced by the owner			0.02	0.02	0.02	0.03	0.03	0.03	0.03
<b>Exemptions, reductions and rebates (Rands)</b>									
<b>Residential properties</b>									
R15 000 threshold rebate			15 000	15 000	15 000	15 000	15 000	15 000	15 000
General residential rebate									
Indigent rebate or exemption			105 000	105 000	105 000	105 000	105 000	105 000	105 000
Pensioners/social grants rebate or exemption									
Temporary relief rebate or exemption									
Bona fide farmers rebate or exemption									
<b>Other rebates or exemptions</b>	2								

### 1.3.2 Sale of Water and Impact of Tariff Increases

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

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

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



To mitigate the need for water tariff increases, municipalities are encouraged to put in place appropriate strategies to limit water losses to acceptable levels. Water losses have decreased from 61% in 2020/21 to 50% in 2021/22 and then increased to 53% in 2022/23.

Zululand District Municipality as well as Abaqulusi municipality has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that the current infrastructure is unlikely to sustain its long-term ability to supply water and the District Municipality will have no other choice but to provide funding for infrastructure upgrades. An assessment has been done by the Director Technical and the main challenge contributing to the water losses is that there are residents who do not have water meters.

A tariff increase of 4,9% from 1 July 2024 for water is proposed. In addition, 6 kl water per 30-day period will again be granted free of charge to all indigent community members.

An additional flat rate of R135 will be implemented from the 1<sup>st</sup> of July 2024 for all consumers who do not have water meters or who have meters with no consumption.

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

**Table 5 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS	PROPOSED TARIFFS
	2023/24	2024/25
	Rand per kl	Rand per kl
<b>RESIDENTIAL</b>		
(i) 0 to 6 kl per 30-day period	13.29	13.94
(ii) 6.01 to 15 kl per 30-day period	13.29	13.94
(iii) 15.01 to 30 kl per 30-day period	13.42	14.08
(iv) 30.01 to 99 kl per 30-day period	14.51	15.22
(v) More than 99.01 per 30-day period	16.84	17.67
<b>BUSINESS</b>		
(i) 0 to 6 kl per 30-day period	13.29	13.94
(ii) 6.01 to 30 kl per 30-day period	13.29	13.94
(iii) 15.01 to 30 kl per 30-day period	13.42	14.08
(iv) 30.01 to 99 kl per 30-day period	14.51	15.22
(v) More than 99.01 per 30-day period	16.84	17.67

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

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

Monthly Consumption	Current amount payable	Proposed amount payable	Difference (Increase)	Percentage change
kℓ	R	R	R	
6	79.72	83.63	3.91	4.90%
10	132.89	139.40	6.51	4.90%
20	268.30	281.45	13.15	4.90%
30	402.46	422.18	19.72	4.90%
50	725.52	761.07	35.55	4.90%
80	1 160.83	1 217.71	56.88	4.90%
100	1 683.75	1 766.25	82.50	4.90%

**KZN263 Abaqulusi - Supporting Table SA13a Service Tariffs by category**

Description	Ref	Provide description of tariff structure where appropriate	2020/21	2021/22	2022/23	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
							Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<b>Water tariffs</b>									
<b>Domestic</b>									
Basic charge/ fixed fee (Rands/month)						87.51	91.80	96.02	100.43
Service point - vacant land (Rands/month)									
Water usage - flat rate tariff (c/kl)			50.11	52.11	54.61	135.00	140.00	145.00	151.00
Water usage - life line tariff (describe structure)			63.06	65.59	68.74	102.38	107.40	112.33	117.50
Water usage - Block 1 (c/kl) (0-6)			11.58	12.04	12.62	13.29	13.94	14.58	15.25
Water usage - Block 2 (c/kl) (6.01-15)			11.58	12.04	12.62	13.29	13.94	14.58	15.25
Water usage - Block 3 (c/kl) (15.01-30)			12.64	13.15	13.78	13.42	14.08	14.73	15.40
Water usage - Block 4 (c/kl) (30.01-99)			14.67	15.28	16.00	14.51	15.22	15.92	16.65
Water usage - Block 5 (c/kl) (>99)					16.00	16.84	17.67	18.48	19.33
Water usage - Block 6 (c/kl) (fill in thresholds)									
<b>Other</b>	2								

**Sale of Electricity and Impact of Tariff Increases**

NERSA is responsible for price determination of the bulk costs for electricity. In the municipal financial year 2023/24, bulk electricity costs increased significantly at 15,1% per cent, compared to 8,61% in the 2022/23 municipal financial year. There has been no change to the second year of the

Multi-Year Price Determination (MYPD 5). As such bulk electricity costs are to be calculated using an increase of 12,7% as per MYPD-5 in the 2024/25 financial year.

Given the absence of an approved tariff increase for the outer year of the MTEF, the increase is projected to be 15,7% in 2025/26. This is the average of the approved increases for the two years of the MYPD-5 period. Municipalities in arrears with Eskom should ensure that their payment arrangements are included in the 2024/25 MTREF budget.

The municipal tariff approval has always been considered in terms of the Municipal Tariff Guideline which NERSA publishes every year after the finalisation of Eskom Retail Tariff Structural Adjustment. Factors built into the Municipal Tariff Guideline are Eskom bulk increase cost and other municipality costs. This position is distant from meeting the requirements of section 15 of the Electricity Regulation Act, 2006.

In November 2023, NERSA issued a letter informing electricity distributors that the guideline and benchmarks that had been supplied in the past will no longer be published for annual electricity distributor tariff price increases, each distributor's tariff increase will be based on its costs as the approach has been declared unlawful by the High Court in the Nelson Mandela Bay Chamber of Business and Others. The judgement afforded NERSA an opportunity to revise the Municipal Tariff Guideline to make it compliant with section 15 of the Electricity Regulation Act.

The above judgement was delivered when NERSA, SALGA and Sustainable Energy Africa have made available to all municipal licencees a simplified cost of supply (COS) tool. This tool shows a link between the required revenue and the cost associated with supplying a category of customers, the classification of costs between fixed and variable as well as energy related, demand related and customer related costs. The practical effect of the judgement is that, all tariff applications from 2024/25 should be supported by a COS study otherwise the breach becomes a contempt of court.

A revenue required template has been developed by NERSA and returned together with the Cost of Supply Study which indicates that the revenue must be increased by 9,67%. This increase is 3% less than the percentage the municipality will be charged by Eskom.

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

During the 2023/24 the municipality has started the process of auditing, re-calibrating and re-configuring of prepayment meters due to the token identifiers (TID) used to identify each credit token that will run out of available numbers in November 2024 and all prepaid meters will stop accepting credit tokens. The process will continue during the 2024/25 financial year and will be completed before the deadline of November 2024. During this process all meters will be checked which will assist in addressing tampered and faulty meters and assist in increasing revenue on the sale of electricity.

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

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

A basic fee of R120 per year (R10 per month) is being introduced to pre-paid consumers as a Basic Demand Charge. The R10 will be deducted on the 1<sup>st</sup> purchase each month. The municipality will also be implementing a "High Season" tariff in the winter months of July, August and June as Eskom doubles the amount charged to municipalities during this period. Currently the municipality carries the cost and is one of the contributing factors to why the municipality does not have any revenue to

allocate for repairs & maintenance or employee costs as the current revenue that is collected is insufficient to cover the Eskom accounts.

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

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

**CONVENTIONAL**

	<b>c/kwh</b>	<b>c/kwh</b>
	<b>Current</b>	<b>9.67%</b>
0 - 50 (Block 1)	140.40	153.98
51 - 350 (Block 2)	198.80	218.02
351 - 600 (Block 3)	280.33	307.44
>600 (Block 4)	330.85	362.84

**CONVENTIONAL - HIGH SEASON (July, August & June)**

	<b>c/kwh</b>	<b>c/kwh</b>
	<b>Current</b>	<b>9.67%</b>
0 - 50 (Block 1)	140.40	154.98
51 - 350 (Block 2)	198.80	220.02
351 - 600 (Block 3)	280.33	310.44
>600 (Block 4)	330.85	366.84

**PREPAID**

	<b>c/kwh</b>	<b>c/kwh</b>
	<b>Current</b>	<b>9.67%</b>
0 - 50 (Block 1)	156.88	172.05
51 - 350 (Block 2)	214.05	234.75
351 - 600 (Block 3)	291.92	320.15
>600 (Block 4)	366.73	402.19

**PREPAID - HIGH SEASON (July, August & June)**









	<b>c/kwh</b>	<b>c/kwh</b>
	<b>Current</b>	<b>9.67%</b>
0 - 50 (Block 1)	156.88	173.05
51 - 350 (Block 2)	214.05	236.75
351 - 600 (Block 3)	291.92	323.15
>600 (Block 4)	366.73	406.19

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

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and inner municipality network was designed or strengthened in the early 1980's with an expected life of 20-25 years. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Electricity losses have increased from 16% in 2020/21 to 24% in 2021/22 and for 2022/23 decreased to 22%

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

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

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

## Electricity tariffs

Description	Ref	Provide description of tariff structure where appropriate	2020/21	2021/22	2022/23	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
							Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<b>Electricity tariffs</b>									
<b>Domestic</b>									
Basic charge/ fixed fee (Rands/month)			121.17	138.85	149.22	171.75	188.24	196.90	205.96
Service point - vacant land (Rands/month)			0.00	0.00	0.00	0.00	0.00	0.00	0.00
FBE		(Indigent 50 kWh)							
Life-line tariff - meter		(describe structure)							
Life-line tariff - prepaid		(describe structure)							
Flat rate tariff - meter (c/kwh)									
Flat rate tariff - prepaid (c/kwh)									
Meter - IBT Block 1 (c/kwh)		(0-50)	0.98	1.13	1.21	1.40	1.53	1.60	1.67
Meter - IBT Block 2 (c/kwh)		(51-350)	1.40	1.60	1.72	1.99	2.18	2.28	2.38
Meter - IBT Block 3 (c/kwh)		(351-600)	1.98	2.27	2.44	2.81	3.08	3.22	3.37
Meter - IBT Block 4 (c/kwh)		(>600)	2.34	2.68	2.88	3.32	3.64	3.81	3.98
<b>Other</b>	2								

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

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

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

### **Sanitation and Impact of Tariff Increases**

A tariff increase of 4,9% for sanitation from 1 July 2024 is proposed. This Section is currently operating at a deficit and it is generally accepted that all service departments should at least break even. This is based on the input cost assumptions related to water. It should be noted that electricity costs for the pump stations contribute approximately 15% (R8,3 million) of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

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

**Table 8 Comparison between current sanitation charges and increases**

Description	Ref	Provide description of tariff structure where appropriate	2020/21	2021/22	2022/23	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
							Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<b>Waste water tariffs</b>									
<b>Domestic</b>									
Basic charge/ fixed fee (Rands/month)			151.57	157.63	165.20	173.95	182.47	190.87	199.65
Service point - vacant land (Rands/month)			151.57	157.63	165.20	173.95	182.47	190.87	199.65
Waste water - flat rate tariff (c/kl)			151.57	157.63	165.20	173.95	182.47	190.87	199.65
Volumetric charge - Block 1 (c/kl)			11.58	12.04	12.62	13.29	13.95	14.60	15.30
Volumetric charge - Block 2 (c/kl)			11.58	12.04	12.62	13.29	13.95	14.60	15.30
Volumetric charge - Block 3 (c/kl)			12.64	13.15	13.78	14.51	15.22	15.92	16.65
Volumetric charge - Block 4 (c/kl)									
<b>Other</b>	2								

### **Waste Removal and Impact of Tariff Increases**

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

An increase of 4,9% in the waste removal tariff is proposed from 1 July 2024. Higher increases will not be viable in 2024/25 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher can be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.



The following table compares current and proposed amounts payable from 1 July 2024:

**Table 9 Comparison between current waste removal fees and increases**

Description	Ref	Provide description of tariff structure where appropriate	2020/21	2021/22	2022/23	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
							Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
<b>Waste management tariffs</b>									
<b>Domestic</b>									
Street cleaning charge									
Basic charge/fixed fee			108.95	140.00	146.72	154.50	162.07	169.52	177.32
80l bin - once a week			341.61	355.27	372.33	350.00	385.00	402.70	421.23
250l bin - once a week			222.02	230.90	241.98	1000.00	1200.00	1255.00	1313.00

### **Overall impact of tariff increases on households**

#### EXPLANATION OF TARIFF INCREASES ON HOUSEHOLDS

MFMA Circular 126 and MFMA Circular 128, requires that all increases more than the inflation target of 4,9% for 2024/25 must be explained and justified

#### **Property rates**

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

**Sundry tariffs** increase by 4,9%

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to a 4,9%, increase, except for electricity which increases by 9,67% for all households including indigent households.

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

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

**Table 10 KZN263 Table SA14 – Household Bills**

**KZN263 Abaqulusi - Supporting Table SA14 Household bills**

Description	###	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25 % incr.	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		676.09	703.81	737.59	7 763.68	776.68	776.68	0.00%	776.67	812.41	849.78
Electricity: Basic levy		121.17	129.17	149.22	180.11	180.11	180.11	967.00%	197.53	206.61	216.12
Electricity: Consumption		2 135.61	2 562.73	2 808.75	3 324.27	3 324.27	3 324.27	967.00%	3 645.73	3 813.43	3 988.85
Water: Basic levy		50.11	52.11	54.61	57.50	57.50	57.50	490.00%	60.32	63.09	65.99
Water: Consumption		359.93	376.13	394.18	415.07	415.07	415.07	490.00%	435.41	455.44	476.39
Sanitation		151.57	157.63	165.20	173.96	173.96	173.96	490.00%	182.48	190.88	199.66
Refuse removal		108.95	140.00	146.72	154.50	154.50	154.50	490.00%	162.07	169.53	177.32
Other		-	-	-	-	-	-	0.00%	-	-	-
<b>sub-total</b>		<b>3 603.43</b>	<b>4 121.58</b>	<b>4 456.27</b>	<b>12 069.09</b>	<b>5 082.09</b>	<b>5 082.09</b>	<b>(54.8%)</b>	<b>5 460.21</b>	<b>5 711.39</b>	<b>5 974.11</b>
VAT on Services		540.51	618.24	668.44	762.31	762.31	762.31	1500.00%	819.03	856.71	896.12
<b>Total large household bill:</b>		<b>4 143.94</b>	<b>4 739.82</b>	<b>5 124.71</b>	<b>12 831.40</b>	<b>5 844.40</b>	<b>5 844.40</b>	<b>(51.1%)</b>	<b>6 279.24</b>	<b>6 568.10</b>	<b>6 870.23</b>
<b>% increase/-decrease</b>		-	<b>14.4%</b>	<b>8.1%</b>	<b>150.4%</b>	<b>(54.5%)</b>	-	<b>(100.0%)</b>	<b>7.4%</b>	<b>4.6%</b>	<b>4.6%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		536.96	558.98	585.81	616.86	616.86	616.86	0.00%	616.86	645.24	674.92
Electricity: Basic levy		121.17	129.17	149.22	180.11	180.11	180.11	967.00%	197.53	206.61	216.12
Electricity: Consumption		1 072.47	1 222.62	1 313.95	1 585.94	1 585.94	1 585.94	967.00%	1 739.50	1 819.31	1 903.00
Water: Basic levy		50.11	52.11	54.61	57.50	57.50	57.50	490.00%	60.32	63.09	65.99
Water: Consumption		295.73	309.04	323.87	341.03	341.03	341.03	490.00%	357.74	374.20	391.41
Sanitation		151.57	157.63	165.20	173.96	173.96	173.96	490.00%	182.48	190.88	199.66
Refuse removal		108.95	140.00	146.72	154.50	154.50	154.50	490.00%	162.07	169.53	177.32
Other		-	-	-	-	-	-	0.00%	-	-	-
<b>sub-total</b>		<b>2 336.96</b>	<b>2 569.55</b>	<b>2 739.38</b>	<b>3 109.90</b>	<b>3 109.90</b>	<b>3 109.90</b>	<b>6.6%</b>	<b>3 316.50</b>	<b>3 468.86</b>	<b>3 628.42</b>
VAT on Services		350.54	385.43	410.91	466.49	466.49	466.49	1500.00%	497.44	520.33	544.26
<b>Total small household bill:</b>		<b>2 687.50</b>	<b>2 954.98</b>	<b>3 150.29</b>	<b>3 576.39</b>	<b>3 576.39</b>	<b>3 576.39</b>	<b>6.6%</b>	<b>3 813.94</b>	<b>3 989.19</b>	<b>4 172.68</b>
<b>% increase/-decrease</b>		-	<b>10.0%</b>	<b>6.6%</b>	<b>13.5%</b>	-	-	<b>(100.0%)</b>	<b>6.6%</b>	<b>4.6%</b>	<b>4.6%</b>

			-0.34	1.05	-1.00	-				
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3									
<b>Rates and services charges:</b>										
Property rates		-	-	-	-	-	0.00%	-	-	-
Electricity: Basic levy		121.17	129.17	149.22	180.11	180.11	967.00%	197.53	206.61	216.12
Electricity: Consumption		-	-	-	-	-	0.00%	-	-	-
Water: Basic levy		50.11	52.11	54.61	57.50	57.50	490.00%	60.32	63.09	65.99
Water: Consumption		142.96	149.39	156.56	164.86	164.86	490.00%	172.94	180.89	189.21
Sanitation		151.57	157.63	165.20	173.96	173.96	490.00%	182.48	190.88	199.66
Refuse removal		108.95	140.00	146.72	154.50	154.50	490.00%	162.07	169.53	177.32
Other		-	-	-	-	-	0.00%	-	-	-
<b>sub-total</b>		<b>574.76</b>	<b>628.30</b>	<b>672.31</b>	<b>730.93</b>	<b>730.93</b>	<b>6.1%</b>	<b>775.34</b>	<b>811.00</b>	<b>848.30</b>
VAT on Services		86.21	94.24	100.85	109.64	109.64	1500.00%	116.30	121.65	127.25
<b>Total small household bill:</b>		<b>660.97</b>	<b>722.54</b>	<b>773.16</b>	<b>840.57</b>	<b>840.57</b>	<b>6.1%</b>	<b>891.64</b>	<b>932.65</b>	<b>975.55</b>
<b>% increase/-decrease</b>		<b>-</b>	<b>9.3%</b>	<b>7.0%</b>	<b>8.7%</b>	<b>-</b>	<b>(100.0%)</b>	<b>6.1%</b>	<b>4.6%</b>	<b>4.6%</b>

## **Operating Expenditure Framework**

The Municipality's expenditure framework for the draft 2024/25 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services;
- Strict adherences to the principle of **no project plan no budget**. If there is no business plan no funding allocation can be made; and
- Creation of job opportunities by the municipality thus an increase in staff costs.

The following table is a high-level summary of the tabled 2024/25 budget and MTREF (classified per main type of operating expenditure):

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

KZN263 Abaqulusi - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	##	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	##				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
R thousand	1										
<b>Expenditure</b>		153 571	171 594	180 462	188 376	208 923	208 923	208 923	206 365	215 858	225 788
Employee related costs	2										
Remuneration of councillors		17 515	17 865	17 265	19 305	17 960	17 960	17 960	19 474	20 369	21 306
Bulk purchases - electricity	2	187 271	215 064	215 218	263 142	225 326	225 326	225 326	287 449	300 671	314 502
Inventory consumed	8	19 879	53 042	47 174	40 210	47 467	47 467	47 467	36 846	38 541	40 314
Debt impairment	3	64 771	55 343	3 636	7 363	-	-	-	-	-	-
Depreciation and amortisation		83 959	119 363	133 438	42 503	42 503	42 503	42 503	136 596	142 880	149 452
Interest		7 986	255	5 475	-	5 474	5 474	5 474	-	-	-
Contracted services		88 735	126 616	117 485	95 641	95 506	95 506	95 506	87 802	91 841	96 065
Transfers and subsidies		3 950	0	0	-	-	-	-	-	-	-
Irrecoverable debts written off		-	17 719	73 664	-	-	-	-	-	-	-
Operational costs		38 542	45 503	53 260	63 954	56 112	56 112	56 112	57 664	60 316	63 091
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		10 910	17 206	17 909	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>699 271</b>	<b>832 196</b>	<b>870 477</b>	<b>910 519</b>



		669 730	660 641	689 034	786 412	828 688	828 688	828 688	715 013	737 634	761 371
<b>Total Revenue (excluding capital transfers and contrib</b>											
<b>Expenditure</b>											
Employee related costs	2	153 571	171 594	180 462	188 376	208 923	208 923	208 923	206 365	215 858	225 788
Remuneration of councillors		17 515	17 865	17 265	19 305	17 960	17 960	17 960	19 474	20 369	21 306
Bulk purchases - electricity	2	187 271	215 064	215 218	263 142	225 326	225 326	225 326	287 449	300 671	314 502
Inventory consumed	8	19 879	53 042	47 174	40 210	47 467	47 467	47 467	36 846	38 541	40 314
Debt impairment	3	64 771	55 343	3 636	7 363	-	-	-	-	-	-
Depreciation and amortisation		83 959	119 363	133 438	42 503	42 503	42 503	42 503	136 596	142 880	149 452
Interest		7 986	255	5 475	-	5 474	5 474	5 474	-	-	-
Contracted services		88 735	126 616	117 485	95 641	95 506	95 506	95 506	87 802	91 841	96 065
Transfers and subsidies		3 950	0	0	-	-	-	-	-	-	-
Irrecoverable debts written off		-	17 719	73 664	-	-	-	-	-	-	-
Operational costs		38 542	45 503	53 260	63 954	56 112	56 112	56 112	57 664	60 316	63 091
Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Losses		10 910	17 206	17 909	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>699 271</b>	<b>832 196</b>	<b>870 477</b>	<b>910 519</b>
<b>Surplus/(Deficit)</b>		<b>(7 358)</b>	<b>(178 929)</b>	<b>(175 950)</b>	<b>65 917</b>	<b>129 418</b>	<b>129 418</b>	<b>129 418</b>	<b>(117 183)</b>	<b>(132 843)</b>	<b>(149 148)</b>
Transfers and subsidies - capital (monetary allocations)	6	35 368	32 308	43 990	76 440	73 885	73 885	73 885	49 730	52 416	52 416
Transfers and subsidies - capital (in-kind)	6	-	-	620	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Income Tax		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>		<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	1	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>

The budgeted allocation for employee related costs for the 2024/25 financial year totals R206,3 million, which equals 24,8% of the total operating expenditure. The multi-year Salary and Wage Collective Agreement from SALGBC comes to an end on the 30<sup>th</sup> of June 2024 and the new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by government. National Treasury have advised that in the absence of any information the municipality is advised to consider their financial sustainability and has budgeted for a 5% increase but this information will be updated prior to the Final (Adopted) Budget being tabled in May 2024.

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

The provision of debt impairment was determined based on an annual collection rate of 90% and the Debt Write-off Policy of the Municipality. For the 2024/25 financial year the municipality has not budgeted during the preparation of the draft budget, however the calculation will be done before the tabling of the final (adopted) budget in May 2024.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. It is important to note that depreciation represents the cost of using assets in service delivery and forms part of the total cost of providing the municipal service and is included in the setting of cost reflective tariffs to recover the full cost of rendering the service and is not fully cash backed.

Bulk purchases are directly informed by the purchase of electricity from ESKOM. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. ESKOM increase has been budgeted for at 12,7% in line with the Multi-Year Price Determination. Given the absence of an approved tariff increase for the outer year of the MTEF, the increase is projected to be 15,7% for the 2025/26 year and the CPI of 4,6% has been utilised for the 2026/27 financial year. The amount budgeted for bulk purchases amounts to R287,4 million which equates to 34,5% of the expenditure budget.

Inventory consumed (Repairs & Maintenance) comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2024/25 the percentage of this against the group of expenditure is 4% (R36,8 million) and increases for the two outer years by 4,6%.

Contracted services have increased for the Municipality for the 2024/25 financial year. As part of the compilation of the 2024/25 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2024/25 financial year, this group of expenditure totals R87,8 million and has escalated overall, clearly demonstrating the need to investigate these contracts before the 2024/25 financial year to try and apply cost containment measures. For the two outer years growth has been limited to 4,6% in the outer two years. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2024/25 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. The reason for the escalation is the additional refuse services for the small towns where refuse was in the past not being collected and the additional security costs as more security guards had to be employed due to theft and damage of infrastructure



Other expenditure comprises of various line items such as insurances, telephone costs, bank charges, Subsistence and travelling, leasing of office equipment, vehicle leases and other costs relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 4,9% for 2024/25 and curbed at 4,6% for the two outer years, indicating that significant cost savings have been already realised.

#### 1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2024/25 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by MFMA Circular 126 and MFMA Circular , as well as the outcome of the 2022/2023 audit the municipality should budget for 8% of its expenditure budget to be allocated to repairs and maintenance and the on-going health of the municipality's infrastructure must be supported by an asset management plan. A further 40% of the municipal budget must be allocated to Capital for the renewal of existing assets and provide a detailed explanation and assurance that the budgeted amount is adequate to secure the on-going health of the municipality's infrastructure supported by reference to its asset management plan. The municipality in the state of local government finances and financial management has been accused of persistent under spending on capital and that the municipality is too reliant on capital grants. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 13 Operational Repairs and Maintenance Schedule SA1**

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

Description R thousand	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Repairs and Maintenance by Expenditure Item</b>										
Employee related costs	-	-	-	-	-	-	-	-	-	-
Inventory Consumed (Project Maintenance)	5517	9563	18962	16000	21625	21625	21625	12500	13075	13676
Contracted Services	18307	35303	25157	5000	17727	17727	17727	11010	11516	12046
Other Expenditure	15	72	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expenditure</b>	<b>23840</b>	<b>44938</b>	<b>44119</b>	<b>21000</b>	<b>39351</b>	<b>39351</b>	<b>39351</b>	<b>23510</b>	<b>24591</b>	<b>25723</b>

During the compilation of the 2024/25 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance is allocated an amount of R23,5 million and will increase in 2025/26 to R24,5 million and then increase to R25,7 million by 2026/27. Notwithstanding, as part of the 2024/25 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2024/25 equates to R23,5million in relation to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 2,8% for the respective financial years of the MTREF.

### Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy on an annual basis. The applications are strictly reviewed annually and this year tighter controls were implemented to ensure this service is given to only the poorest of the poor. Detail relating to free services, cost of free basis services, revenue foregone owing to free basic services as well as basic service delivery measurement is contained in Table 27 KZN263 A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

The municipality's cost for the Free Basic Services is R17,7million.

### Capital Expenditure

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

KZN263 Abaqulusi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description	## #	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>Capital Expenditure - Functional</b>	1	(363)	3 841	7 830	1 000	1 250	1 250	1 250	1 178	-	-
<b>Governance and administration</b>											
Executive and council		-	3 337	(479)	-	-	-	-	-	-	-
Finance and administration		(363)	505	8 308	1 000	1 250	1 250	1 250	1 178	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		9 579	9 055	1 195	32 417	32 417	32 417	32 417	19 161	20 786	20 786
Community and social services		9 259	9 175	1 195	15 917	15 917	15 917	15 917	19 091	20 786	20 786
Sport and recreation		319	-	-	16 500	16 500	16 500	16 500	-	-	-
Public safety		-	(120)	-	-	-	-	-	70	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		2 647	24 413	53 716	32 343	31 468	31 468	31 468	21 789	18 528	18 528
Planning and development		(28 056)	-	333	2 000	2 000	2 000	2 000	1 000	-	-
Road transport		30 703	24 413	53 383	30 343	29 468	29 468	29 468	20 789	18 528	18 528
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		15 016	5 321	4 858	17 680	15 750	15 750	15 750	7 755	6 268	6 268
Energy sources		5 864	1 751	4 858	17 680	15 000	15 000	15 000	6 016	6 268	6 268
Water management		6 650	-	-	-	750	750	750	-	-	-
Waste water management		(4 984)	192	-	-	-	-	-	1 739	-	-
Waste management		7 486	3 379	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	26 879	42 630	67 598	83 440	80 885	80 885	80 885	49 883	45 582	45 582
<b>Funded by:</b>											
National Government		24 206	35 276	31 208	65 940	63 385	63 385	63 385	42 374	45 582	45 582
Provincial Government		-	-	333	10 500	10 500	10 500	10 500	1 000	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	24 206	35 276	31 540	76 440	73 885	73 885	73 885	43 374	45 582	45 582
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		17 776	5 979	27 555	7 000	7 000	7 000	7 000	6 509	-	-
<b>Total Capital Funding</b>	7	41 982	41 255	59 095	83 440	80 885	80 885	80 885	49 883	45 582	45 582

*For 2024/25 an amount of R6,5 million has been allocated from internal funding for the development of infrastructure due to cashflow constraints. The projects will be looked at during the preparation of the Adjustment Budget should the financial situation improve.*

*Total net assets represent 86,9% or R43,3 million of the total capital budget are from grant funding. Eskom and municipal INEP grants will begin funding alternative energy technologies such as rooftop solar and energy-saving devices. Priority should be given to new connections; i.e. non-grid technology should be targeted at households that do not have access to electricity. Some of the capital projects to be undertaken over the medium-term includes, amongst others:*

- Computers and servers of R1 million from own funding;*
- MIG funded projects of R43,2 million*
- R1 million for Market Stalls*
- Redesign stormwater drainage in Boeren Street for R2 million*
- Replacement of sewer pumps for R2 million*
- The R5,5 million from INEP is not shown as it is for electrification in Eskom licenced areas*

## **Future operational cost of new infrastructure**

The future operational costs and revenues associated with the capital programme have been included in Table 61 A5. It needs to be noted that as part of the 2024/25 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## **Annual Budget Tables**

The following eighteen pages present the ten main budget tables as required in terms of Section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2024/25 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page

### **Explanatory notes to KZN263 Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a) The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
  - b) Capital expenditure is balanced by capital funding sources, of which
    - I. Transfers recognised is reflected on the Financial Performance Budget;
    - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

KZN263 Abaqulusi - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>R thousand</b>										
<b>Cash and investments available</b>										
Cash/ cash equivalents at the year end	509 246	179 880	187 768	59 796	108 354	108 354	108 354	86 092	152 877	212 869
Other current investments > 90 days	(485 521)	(150 849)	(167 655)	-	0	0	0	1 250	(3 463)	(8 473)
Non current Investments	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>23 725</b>	<b>29 031</b>	<b>20 113</b>	<b>59 796</b>	<b>108 354</b>	<b>108 354</b>	<b>108 354</b>	<b>87 342</b>	<b>149 413</b>	<b>204 396</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	6 171	7 524	5 442	7 524	5 442	5 442	5 442	5 442	5 442	10 009
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(3 405)	(3 762)	1 832	(2 602)	1 832	1 832	1 832	1 832	1 832	1 832
Other working capital requirements	12 677	74 033	106 086	(30 417)	35 750	35 750	35 750	27 713	82 440	135 761
Other provisions	4 728	4 751	5 157	7 751	11 357	11 357	11 357	5 157	5 157	5 157
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/ investments	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>20 170</b>	<b>82 546</b>	<b>118 516</b>	<b>(17 745)</b>	<b>54 381</b>	<b>54 381</b>	<b>54 381</b>	<b>40 143</b>	<b>94 870</b>	<b>152 759</b>
<b>Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt</b>	<b>3 555</b>	<b>(53 514)</b>	<b>(98 403)</b>	<b>77 541</b>	<b>53 974</b>	<b>53 974</b>	<b>53 974</b>	<b>47 199</b>	<b>54 543</b>	<b>51 637</b>
<b>Creditors transferred to Debt Relief - Non-Current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus(shortfall) - Including Non-Current Creditors Trf to Debt</b>	<b>3 555</b>	<b>(53 514)</b>	<b>(98 403)</b>	<b>77 541</b>	<b>53 974</b>	<b>53 974</b>	<b>53 974</b>	<b>47 199</b>	<b>54 543</b>	<b>51 637</b>

4. *The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This placed the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently, Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back can be achieved by 2024/25.*
5. *Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The Section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2025/26 the water backlog will have been very nearly eliminated.*

**Explanatory notes to KZN263 Table A2 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)**

KZN263 Abaqulusi - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)									
Functional Classification Description	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>Revenue - Functional</b>									
<b>Governance and administration</b>	391 314	359 469	380 203	419 848	459 249	459 249	404 748	413 018	419 808
Executive and council	0	4 871	7 156	-	-	-	-	-	-
Finance and administration	391 314	354 598	373 047	419 848	459 249	459 249	404 748	413 018	419 808
Internal audit	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	18 143	12 116	11 341	19 343	19 343	19 343	10 905	11 497	11 961
Community and social services	6 487	6 471	2 757	5 578	5 578	5 578	10 400	10 969	11 409
Sport and recreation	-	-	-	8 500	8 500	8 500	-	-	-
Public safety	8 502	5 645	8 584	5 265	5 265	5 265	505	528	552
Housing	3 153	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	3 005	6 215	8 919	7 760	9 760	9 760	6 500	5 753	6 018
Planning and development	210	407	3 152	5 128	7 128	7 128	3 000	2 092	2 188
Road transport	2 795	5 808	5 767	2 633	2 633	2 633	3 500	3 661	3 829
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	292 591	315 133	333 147	411 047	409 367	409 367	339 044	356 074	372 122
Energy sources	197 661	213 240	231 394	283 472	281 792	281 792	235 260	247 516	258 570
Water management	44 499	46 124	43 331	62 253	62 253	62 253	47 773	49 971	52 269
Waste water management	32 010	32 805	36 295	36 734	36 734	36 734	28 199	29 496	30 853
Waste management	18 420	22 964	22 127	28 588	28 588	28 588	27 812	29 091	30 429
<b>Other</b>	46	15	34	4 854	4 854	4 854	3 545	3 708	3 879
<b>Total Revenue - Functional</b>	<b>705 098</b>	<b>692 949</b>	<b>733 644</b>	<b>862 852</b>	<b>902 573</b>	<b>902 573</b>	<b>764 743</b>	<b>790 050</b>	<b>813 787</b>
<b>Expenditure - Functional</b>									
<b>Governance and administration</b>	201 381	208 802	174 608	148 090	169 840	169 840	160 457	167 838	175 559
Executive and council	31 296	33 829	34 233	40 727	38 679	38 679	30 953	32 377	33 867
Finance and administration	165 904	169 542	134 957	101 319	124 947	124 947	127 856	133 737	139 889
Internal audit	4 181	5 431	5 417	6 044	6 215	6 215	1 648	1 724	1 804
<b>Community and public safety</b>	46 316	63 731	82 226	98 512	83 173	83 173	90 458	94 620	98 972
Community and social services	28 214	24 623	34 743	28 665	26 085	26 085	38 899	40 688	42 560
Sport and recreation	3 302	9 962	9 697	8 859	13 385	13 385	674	705	738
Public safety	13 386	26 933	35 320	58 350	41 071	41 071	48 058	50 269	52 581
Housing	1 415	2 213	2 466	2 637	2 631	2 631	2 828	2 958	3 094
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	52 084	81 379	60 256	52 459	50 110	50 110	67 031	70 115	73 340
Planning and development	7 660	17 178	12 406	19 867	15 709	15 709	19 610	20 512	21 456
Road transport	44 424	64 202	47 850	32 592	34 401	34 401	47 421	49 602	51 884
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	358 605	472 063	540 065	420 798	388 482	388 482	510 572	534 058	558 625
Energy sources	252 539	321 130	408 824	320 428	284 946	284 946	376 741	394 071	412 198
Water management	66 650	92 703	70 362	54 692	59 808	59 808	65 462	68 473	71 623
Waste water management	32 265	35 471	38 767	19 448	21 036	21 036	41 631	43 546	45 549
Waste management	7 152	22 758	22 112	26 231	22 692	22 692	26 739	27 969	29 255
<b>Other</b>	18 702	13 596	7 829	636	7 665	7 665	3 676	3 845	4 022
<b>Total Expenditure - Functional</b>	<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>832 196</b>	<b>870 477</b>	<b>910 519</b>
<b>Surplus/(Deficit) for the year</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>

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

3. *Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for Electricity, Water and Waste water functions. Only Waste management revenue is exceeding their expenditure. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure. The challenge will remain in electricity until NERSA allow the municipality to increase tariffs in line with the increase granted to Eskom.*
  
4. *Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.*

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.
2. The electricity trading is not showing signs of improvement over the 2024/2 MTREF from a deficit in the adjustment budget for 2023/24 of approximately R3,1 million to a deficit of R141,4 million in 2024/25 and increases in the outer two years. This is primarily as a result of the high increases in ESKOM bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers as well as additional requirements from the Section to upgrade the ageing infrastructure which is a non-cash item of depreciation.
3. The water account remains relatively constant over the MTREF translating into a deficit of R17,6 million for 2024/2025.
4. Note that there are no longer surpluses on these trading accounts that can be utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, and are not used to cross-subsidise other municipal services.

Vote Description	###	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<b>Revenue by Vote</b>	1									
Vote 1 - Executive & Council		0	4 871	7 156	-	-	-	-	-	-
Vote 2 - Finance & Administration		391 314	354 598	373 047	419 848	459 249	459 249	404 748	413 018	419 808
Vote 3 - Community & Social Services		6 487	6 471	2 757	5 578	5 578	5 578	10 400	10 969	11 409
Vote 4 - Energy Sources		197 661	213 240	231 394	283 472	281 792	281 792	235 260	247 516	258 570
Vote 5 - Housing		3 153	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	-	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		210	407	3 152	5 128	7 128	7 128	3 000	2 092	2 188
Vote 9 - Public Safety		8 502	5 645	8 584	5 265	5 265	5 265	505	528	552
Vote 10 - Road Transport		2 841	5 824	5 800	7 487	7 487	7 487	7 045	7 369	7 708
Vote 11 - Sport and Recreation		-	-	-	8 500	8 500	8 500	-	-	-
Vote 12 - Waste Management		18 420	22 964	22 127	28 588	28 588	28 588	27 812	29 091	30 429
Vote 13 - Waste Water Management		32 010	32 805	36 295	36 734	36 734	36 734	28 199	29 496	30 853
Vote 14 - Water Management		44 499	46 124	43 331	62 253	62 253	62 253	47 773	49 971	52 269
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	1	<b>705 098</b>	<b>692 949</b>	<b>733 644</b>	<b>862 852</b>	<b>902 573</b>	<b>902 573</b>	<b>764 743</b>	<b>790 050</b>	<b>813 787</b>
<b>Expenditure by Vote to be appropriated</b>	2									
Vote 1 - Executive & Council		31 296	33 829	34 233	40 727	38 679	38 679	30 953	32 377	33 867
Vote 2 - Finance & Administration		165 904	169 542	134 957	101 319	124 947	124 947	126 448	132 264	138 348
Vote 3 - Community & Social Services		28 214	24 623	34 743	28 665	26 085	26 085	38 899	40 688	42 560
Vote 4 - Energy Sources		252 539	321 130	408 824	320 428	284 946	284 946	376 741	394 071	412 198
Vote 5 - Housing		1 415	2 213	2 466	2 637	2 631	2 631	2 828	2 958	3 094
Vote 6 - Internal Audit		4 181	5 431	5 417	6 044	6 215	6 215	1 648	1 724	1 804
Vote 7 - Other		-	-	(1)	636	126	126	183	192	201
Vote 8 - Planning and Development		7 660	17 178	12 406	19 867	15 709	15 709	19 610	20 512	21 456
Vote 9 - Public Safety		13 386	26 933	35 320	58 350	41 071	41 071	48 058	50 269	52 581
Vote 10 - Road Transport		63 126	77 797	55 680	32 592	41 940	41 940	50 914	53 256	55 706
Vote 11 - Sport and Recreation		3 302	9 962	9 697	8 859	13 385	13 385	674	705	738
Vote 12 - Waste Management		7 152	22 758	22 112	26 231	22 692	22 692	26 739	27 969	29 255
Vote 13 - Waste Water Management		32 265	35 471	38 767	19 448	21 036	21 036	41 631	43 546	45 549
Vote 14 - Water Management		66 650	92 703	70 362	54 692	59 808	59 808	65 462	68 473	71 623
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>830 788</b>	<b>869 004</b>	<b>908 978</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>(66 045)</b>	<b>(78 955)</b>	<b>(95 191)</b>



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

1. Total revenue is R715 million in 2024/25 and escalates to R761,3 million by 2026/27. This represents a year-on-year increase of 4,9% for the 2024/25 financial year and increases by 4,6% for the outer two years.
2. Revenue to be generated from property rates is R139 million in the 2024/2 financial year and increases to R152 million by 2026/27 which represents 19,4% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 4,6% for the outer two years.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R328,5 million for the 2024/25 financial year and increasing to R359,4 million by 2026/27. A notable trend is the growth in the total percentage revenue generated from services charges which remains constant at 4,6% in 2025/26 and 2026/27.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF for the two outer years.
5. Bulk purchases have significantly increased over the 2024/25 to 2026/27 period escalating from R287,4 million to R314,5 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from ESKOM.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue</b>										
<b>Exchange Revenue</b>										
Service charges - Electricity	190 233	207 507	213 962	266 529	266 529	266 529	266 529	224 742	235 081	245 894
Service charges - Water	44 497	46 122	43 331	62 253	62 253	62 253	62 253	47 773	49 971	52 269
Service charges - Waste Water Management	32 008	32 805	36 295	36 734	36 734	36 734	36 734	28 199	29 496	30 853
Service charges - Waste Management	18 420	22 964	22 127	28 588	28 588	28 588	28 588	27 812	29 091	30 429
Sale of Goods and Rendering of Services	798	592	591	513	2 513	2 513	2 513	7 125	7 453	7 795
Agency services	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	7 979	10 971	11 175	35 088	35 088	35 088	35 088	-	-	-
Interest earned from Current and Non Current	897	1 265	1 704	1 706	4 706	4 706	4 706	2 000	2 092	2 188
Dividends	-	-	-	-	-	-	-	-	-	-
Rent on Land	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	1 070	937	1 124	1 667	1 667	1 667	1 667	152	159	167
Licence and permits	2 837	5 820	5 797	2 643	2 643	2 643	2 643	3 545	3 708	3 879
Operational Revenue	3 928	435	854	-	40 000	40 000	40 000	-	-	-
<b>Non-Exchange Revenue</b>										
Property rates	100 717	102 034	99 002	120 645	120 645	120 645	120 645	139 000	145 394	152 082
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	13 602	16 689	18 016	5 531	5 531	5 531	5 531	5 500	5 753	6 018
Licences or permits	-	-	-	4 844	4 844	4 844	4 844	3 500	3 661	3 829
Transfer and subsidies - Operational	210 960	190 884	215 280	219 671	216 947	216 947	216 947	225 664	225 775	225 967
Interest	-	-	-	-	-	-	-	-	-	-
Fuel Levy	-	-	-	-	-	-	-	-	-	-
Operational Revenue	-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets	-	(1 988)	2 983	-	-	-	-	-	-	-
Other Gains	41 784	23 605	16 794	-	-	-	-	-	-	-
Discontinued Operations	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers)</b>	<b>669 730</b>	<b>660 641</b>	<b>689 034</b>	<b>786 412</b>	<b>828 688</b>	<b>828 688</b>	<b>828 688</b>	<b>715 013</b>	<b>737 634</b>	<b>761 371</b>
<b>Expenditure</b>										
Employee related costs	153 571	171 594	180 462	188 376	208 923	208 923	208 923	206 365	215 858	225 788
Remuneration of councillors	17 515	17 865	17 265	19 305	17 960	17 960	17 960	19 474	20 369	21 306
Bulk purchases - electricity	187 271	215 064	215 218	263 142	225 326	225 326	225 326	287 449	300 671	314 502
Inventory consumed	19 879	53 042	47 174	40 210	47 467	47 467	47 467	36 846	38 541	40 314
Debt impairment	64 771	55 343	3 636	7 363	-	-	-	-	-	-
Depreciation and amortisation	83 959	119 363	133 438	42 503	42 503	42 503	42 503	136 596	142 880	149 452
Interest	7 986	255	5 475	-	5 474	5 474	5 474	-	-	-
Contracted services	88 735	126 616	117 485	95 641	95 506	95 506	95 506	87 802	91 841	96 065
Transfers and subsidies	3 950	0	0	-	-	-	-	-	-	-
Irrecoverable debts written off	-	17 719	73 664	-	-	-	-	-	-	-
Operational costs	38 542	45 503	53 260	63 954	56 112	56 112	56 112	57 664	60 316	63 091
Losses on disposal of Assets	-	-	-	-	-	-	-	-	-	-
Other Losses	10 910	17 206	17 909	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>677 088</b>	<b>839 570</b>	<b>864 984</b>	<b>720 495</b>	<b>699 271</b>	<b>699 271</b>	<b>699 271</b>	<b>832 196</b>	<b>870 477</b>	<b>910 519</b>
<b>Surplus/(Deficit)</b>	<b>(7 358)</b>	<b>(178 929)</b>	<b>(175 950)</b>	<b>65 917</b>	<b>129 418</b>	<b>129 418</b>	<b>129 418</b>	<b>(117 183)</b>	<b>(132 843)</b>	<b>(149 148)</b>
Transfers and subsidies - capital (monetary)	35 368	32 308	43 990	76 440	73 885	73 885	73 885	49 730	52 416	52 416
Transfers and subsidies - capital (in-kind)	-	-	620	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Income Tax	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Share of Surplus/ Deficit attributable to Joint	-	-	-	-	-	-	-	-	-	-
Share of Surplus/ Deficit attributable to	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>
Share of Surplus/ Deficit attributable to	-	-	-	-	-	-	-	-	-	-
Intercompany/ Parent subsidiary transactions	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>28 010</b>	<b>(146 621)</b>	<b>(131 340)</b>	<b>142 357</b>	<b>203 303</b>	<b>203 303</b>	<b>203 303</b>	<b>(67 453)</b>	<b>(80 427)</b>	<b>(96 732)</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

KZN263 Abaqulusi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding											
Vote Description	## #	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1	Budget Year +2
R thousand	1										
<b>Funded by:</b>											
National Government		24 206	35 276	31 208	65 940	63 385	63 385	63 385	42 374	45 582	45 582
Provincial Government		-	-	333	10 500	10 500	10 500	10 500	1 000	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	24 206	35 276	31 540	76 440	73 885	73 885	73 885	43 374	45 582	45 582
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		17 776	5 979	27 555	7 000	7 000	7 000	7 000	6 509	-	-
<b>Total Capital Funding</b>	<b>7</b>	<b>41 982</b>	<b>41 255</b>	<b>59 095</b>	<b>83 440</b>	<b>80 885</b>	<b>80 885</b>	<b>80 885</b>	<b>49 883</b>	<b>45 582</b>	<b>45 582</b>

- 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 standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2024/25 R49,8 million has been allocated for the capital budgets, which total 100%. This allocation decreases to R45,5 million in 2025/26 and in 2026/27
- Single-year capital expenditure has been appropriated at R6,5 million for the 2024/25 financial year and none for the two outer years.
- 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. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2024/25, capital transfers totals R43,3 million and increases to R45,5 million by 2026/27.

KZN263 Abaqulusi - Table A6 Budgeted Financial Position										
Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget 2024/25	Budget 2025/26	
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	23 725	29 031	20 113	59 796	108 354	108 354	108 354	87 342	149 413	204 396
Trade and other receivables from exchange	57 141	58 602	49 664	132 635	119 715	119 715	119 715	38 362	21 384	3 624
Receivables from non-exchange transactions	28 898	11 433	12 179	33 209	6 631	6 631	6 631	(22 488)	(53 593)	(86 129)
Current portion of non-current receivables	-	-	-	-	-	-	-	-	-	-
Inventory	12 956	19 181	84 751	19 160	84 573	84 573	84 573	84 751	84 751	84 751
VAT	137 828	182 040	225 454	180 875	225 454	225 454	225 454	-	-	-
Other current assets	40	70	58	70	58	58	58	-	-	-
<b>Total current assets</b>	<b>260 588</b>	<b>300 357</b>	<b>392 219</b>	<b>425 745</b>	<b>544 785</b>	<b>544 785</b>	<b>544 785</b>	<b>187 967</b>	<b>201 955</b>	<b>206 642</b>
<b>Non current assets</b>										
Investments	-	-	-	-	-	-	-	-	-	-
Investment property	91 161	62 522	42 413	99 933	42 413	42 413	42 413	42 413	42 413	42 413
Property, plant and equipment	1 488 596	1 115 701	993 373	1 308 594	1 031 925	1 031 925	1 031 925	906 742	808 530	704 750
Biological assets	-	-	-	-	-	-	-	-	-	-
Living and non-living resources	-	-	-	-	-	-	-	-	-	-
Heritage assets	3 855	3 855	3 855	3 855	3 855	3 855	3 855	3 855	3 855	3 855
Intangible assets	467	322	239	152	70	70	70	157	71	(19)
Trade and other receivables from exchange	-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>	<b>1 584 079</b>	<b>1 182 399</b>	<b>1 039 880</b>	<b>1 412 533</b>	<b>1 078 262</b>	<b>1 078 262</b>	<b>1 078 262</b>	<b>953 167</b>	<b>854 868</b>	<b>750 998</b>
<b>TOTAL ASSETS</b>	<b>1 844 667</b>	<b>1 482 756</b>	<b>1 432 099</b>	<b>1 838 278</b>	<b>1 623 047</b>	<b>1 623 047</b>	<b>1 623 047</b>	<b>1 141 134</b>	<b>1 056 823</b>	<b>957 640</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft	-	-	-	-	-	-	-	-	-	-
Financial liabilities	-	-	2 837	-	2 837	2 837	2 837	2 837	2 837	2 837
Consumer deposits	16 092	17 676	18 065	16 928	18 065	18 065	18 065	18 065	18 065	18 065
Trade and other payables from exchange transactions	89 980	139 648	163 090	123 101	144 535	144 535	144 535	45 090	47 182	45 446
Trade and other payables from non-exchange	6 171	7 524	5 442	7 524	5 442	5 442	5 442	5 442	5 442	10 009
Provision	2 330	2 008	2 916	5 008	9 116	9 116	9 116	2 916	2 916	2 916
VAT	134 423	178 278	227 286	178 273	227 286	227 286	227 286	1 832	1 832	1 832
Other current liabilities	2 398	2 743	2 241	2 743	2 241	2 241	2 241	2 241	2 241	2 241
<b>Total current liabilities</b>	<b>251 392</b>	<b>347 877</b>	<b>421 876</b>	<b>333 576</b>	<b>409 521</b>	<b>409 521</b>	<b>409 521</b>	<b>78 422</b>	<b>80 514</b>	<b>83 345</b>
<b>Non current liabilities</b>										
Financial liabilities	-	-	4 607	-	4 607	4 607	4 607	4 607	4 607	4 607
Provision	47 585	50 237	51 828	50 237	51 828	51 828	51 828	51 828	51 828	51 828
Long term portion of trade payables	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	40 787	42 715	42 887	42 715	42 887	42 887	42 887	42 887	42 887	42 887
<b>Total non current liabilities</b>	<b>88 372</b>	<b>92 952</b>	<b>99 323</b>	<b>92 952</b>	<b>99 323</b>	<b>99 323</b>	<b>99 323</b>	<b>99 323</b>	<b>99 323</b>	<b>99 323</b>
<b>TOTAL LIABILITIES</b>	<b>339 765</b>	<b>440 829</b>	<b>521 199</b>	<b>426 529</b>	<b>508 844</b>	<b>508 844</b>	<b>508 844</b>	<b>177 744</b>	<b>179 836</b>	<b>182 668</b>
<b>NET ASSETS</b>	<b>1 504 902</b>	<b>1 041 927</b>	<b>910 901</b>	<b>1 411 750</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>963 389</b>	<b>876 987</b>	<b>774 972</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated surplus/ (deficit)	1 504 902	1 041 924	910 901	1 411 750	1 114 204	1 114 204	1 114 204	963 389	876 987	774 972
Reserves and funds	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 504 902</b>	<b>1 041 924</b>	<b>910 901</b>	<b>1 411 750</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>1 114 204</b>	<b>963 389</b>	<b>876 987</b>	<b>774 972</b>

1. Table A6 is consistent with international standards of good financial management practice and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. 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.

4. 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.





<b>Total Upgrading of Existing Assets</b>	6	<b>31 154</b>	<b>13 612</b>	<b>4 765</b>	<b>(1 804)</b>	<b>(20 552)</b>	<b>(20 552)</b>	<b>1 853</b>	-	-
<i>Roads Infrastructure</i>		6 625	14 393	6 249	(1 804)	(20 552)	(20 552)	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	114	-	-
<i>Electrical Infrastructure</i>		(2 380)	(580)	(1 287)	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		25 890	(479)	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		<b>30 135</b>	<b>13 335</b>	<b>4 962</b>	<b>(1 804)</b>	<b>(20 552)</b>	<b>(20 552)</b>	<b>114</b>	-	-
Community Facilities		336	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		(4 517)	-	-	-	-	-	-	-	-
<b>Community Assets</b>		<b>(4 181)</b>	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		(1 392)	277	-	-	-	-	1 739	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		<b>(1 392)</b>	<b>277</b>	-	-	-	-	<b>1 739</b>	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>		<b>6 593</b>	-	<b>(62)</b>	-	-	-	-	-	-
<b>Machinery and Equipment</b>		-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>		-	-	<b>(135)</b>	-	-	-	-	-	-
<b>Land</b>		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
<b>Living Resources</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	<b>17 556</b>	<b>26 054</b>	<b>29 146</b>	<b>69 264</b>	<b>48 836</b>	<b>48 836</b>	<b>49 648</b>	<b>45 582</b>	<b>45 582</b>
<i>Roads Infrastructure</i>		(3 815)	10 301	25 245	16 167	(2 581)	(2 581)	18 528	18 528	18 528
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	114	-	-
<i>Electrical Infrastructure</i>		(2 380)	(580)	1 631	16 680	15 000	15 000	4 798	6 268	6 268
<i>Water Supply Infrastructure</i>		6 650	-	-	-	750	750	-	-	-
<i>Sanitation Infrastructure</i>		25 890	(479)	-	-	-	-	1 739	-	-



Solid Waste Infrastructure	6 404	1 912	-	-	-	-	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>32 749</b>	<b>11 155</b>	<b>26 877</b>	<b>32 847</b>	<b>13 169</b>	<b>13 169</b>	<b>25 179</b>	<b>24 796</b>	<b>24 796</b>
Community Facilities	(17 928)	9 367	1 527	17 917	17 917	17 917	20 048	20 786	20 786
Sport and Recreation Facilities	(4 517)	-	-	16 500	16 500	16 500	-	-	-
<b>Community Assets</b>	<b>(22 445)</b>	<b>9 367</b>	<b>1 527</b>	<b>34 417</b>	<b>34 417</b>	<b>34 417</b>	<b>20 048</b>	<b>20 786</b>	<b>20 786</b>
<b>Heritage Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operational Buildings	(1 392)	4 221	21	1 000	50	50	1 739	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>(1 392)</b>	<b>4 221</b>	<b>21</b>	<b>1 000</b>	<b>50</b>	<b>50</b>	<b>1 739</b>	<b>-</b>	<b>-</b>
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment	31	434	345	1 000	1 150	1 150	978	-	-
Furniture and Office Equipment	6 593	(555)	(62)	-	50	50	243	-	-
Machinery and Equipment	1 467	67	573	-	-	-	591	-	-
Transport Assets	554	1 365	(135)	-	-	-	870	-	-
Land	-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mature	-	-	-	-	-	-	-	-	-
Immature	-	-	-	-	-	-	-	-	-
<b>Living Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>17 556</b>	<b>26 054</b>	<b>29 146</b>	<b>69 264</b>	<b>48 836</b>	<b>48 836</b>	<b>49 648</b>	<b>45 582</b>	<b>45 582</b>

***Explanatory notes to Table A9 - Asset Management***

- 1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.*
- 2. National Treasury has recommended that municipalities should allocate at least 40 % of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. The Municipality is not able to meet both these recommendations.*





Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>	<b>3 902</b>	<b>3 950</b>	<b>9 445</b>	<b>14 431</b>	<b>14 431</b>	<b>14 431</b>	<b>17 731</b>	<b>18 547</b>	<b>19 400</b>

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. *Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.*
2. *The Municipality continues to make good progress with the eradication of backlogs:*
  - a. *Water services – backlog will remain the same in 2024/25 as in 2023/24. These households are largely found in ‘rural areas’ and will need to be moved to formal areas so that they can receive services.*
  - b. *Sanitation services – backlog will remain the same over the MTREF*
  - c. *Electricity services – backlogs will be reduced in ESKOM supplied areas*
  - d. *Refuse services – backlog will be reduced in 2024/25, and in the outer two years of the MTREF. However, it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.*
3. *The budget provides for all households applying as indigent in 2024/25 to be registered and on approval from EXCO be entitled to receive Free Basic Services. The number is set to increase given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.*
4. *It is anticipated that these Free Basic Services will cost the municipality R17,7 million in 2024/25, remaining constant to 2026/27. This is covered by the municipality’s equitable share allocation from national government.*
5. *In addition to the Free Basic Services, the Municipality also ‘gives’ households R17,7 million in free services in 2024/25. This “tax expenditure” needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the “free services” represent 2,1% of total operating revenue.*

## **Overview of the Annual Budget Process**

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

The Budget Steering Committee consists of EXCO and MANCOM of the municipality meeting under the chairpersonship of the Finance Portfolio.

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

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

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

## **Budget Process Overview**

In terms of Section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2023) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2023. Key dates applicable to the process were:

- **August 2023:**
- Table IDP Process Plan to EXCO and Council for approval
- Submit Annual Performance Report to Treasury

## **February 2024**

- **Strategic Planning Session**
- **March 2024 Tabled (Draft) Budget**
- *Submit Draft budget, tariffs, SDBIP's to EXCO for recommendation to Council Submit Draft IDP to EXCO for recommendation to Council*
- **10 April 2024 – 19 April 2024** - Public consultation;
- **1 May – 3 May 2024** – Balancing of budget
- **3 May 2024** - Closing date for written comments;
- **23 May 2024** - Tabling of the Adopted (Original) 2024/25 MTREF before Council for consideration and approval.

## **IDP and Service Delivery and Budget Implementation Plan**

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*On the 1<sup>st</sup> of July 2024 the Abaqulusi Municipality will implement the 3<sup>rd</sup> year of the five-year IDP for the period July 2022 to June 2027 to inform and guide the current elected public representatives in their term of office. This document which is for the first year of the five-year period outlines the Municipality's intent in terms of the agreed six strategic focus areas that are required to overcome Abaqulusi challenges, achieve its vision, and give effect to its other strategic considerations*

*It started in August 2023 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2024/25 MTREF.*

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



### **Registration of community needs;**

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

*The IDP has been taken into a business and financial planning process leading up to the 2024/25 MTREF, based on the approved 2023/24 MTREF, Mid-year Review and Adjustments Budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.*

*With the compilation of the 2024/25 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 2023/24 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**

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*Full compliance was done by the municipality during the compilation of the 2024/25 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 2024/25 MTREF:*

- *Municipality growth*
- *Policy priorities and strategic objectives*
- *Asset maintenance*
- *Economic climate and trends (i.e. inflation, ESKOM increases, household debt, migration patterns)*
- *Performance trends*
- *The approved 2023/24 adjustments budget and performance against the SDBIP*
- *Cash Flow Management Strategy*
- *Debtor payment levels*
- *Loan and investment possibilities*
- *The need for tariff increases versus the ability of the community to pay for services;*
- *Improved and sustainable service delivery*

*In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 126 and 128 has been taken into consideration in the planning and prioritisation process.*

## Community Consultation

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*The tabled 2024/25 MTREF will be presented to Council on the 27<sup>th</sup> of March 2024 for community consultation and published on the municipality's website, and hard copies will be made available on request. The adopted (original) budget will be tabled before Council on the 31<sup>st</sup> of May 2024.*

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

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

*Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2024/25 MTREF. Feedback and responses to the submissions received will be available on request. The following are some of the issues and concerns raised as well as comments received during last year's consultation process:*

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

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

## **Overview of alignment of annual budget with IDP**

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

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

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

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

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

*The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2024/25 MTREF and further planning refinements that have directly informed the compilation of the budget:*

Table 16 IDP Strategic Objectives

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

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

**Key Performance Area: Municipal Transformation and Institutional Development**

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

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

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

**Key Performance Area: Financial Viability & Management**

**Goal: *Ensure sound financial management and accountability***

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



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

**Key Performance Area: Good Governance and Community Participation**

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

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

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

**Key Performance Area: Local Economic Development and Social Development**

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

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

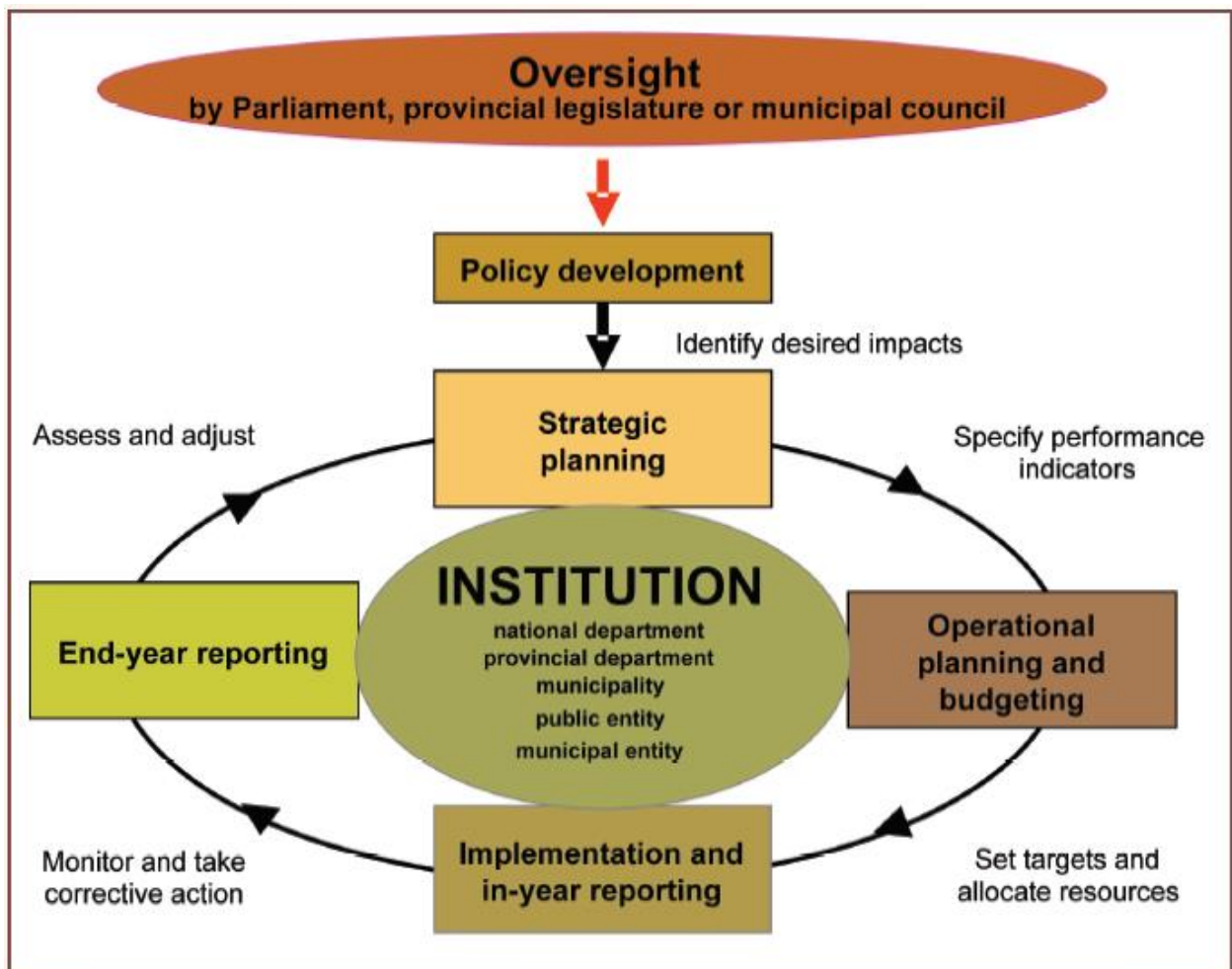
			<ul style="list-style-type: none"> <li>• Business Licence Compliance</li> </ul>
7. Sport and Recreation	43	Promote Sports and Recreation in Abaqulusi by 2027	<ul style="list-style-type: none"> <li>• Establish Sport and recreation Committee (Sport Council)</li> <li>• Conduct sport talent promotion and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

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

**Measurable performance objectives and indicators**

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

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

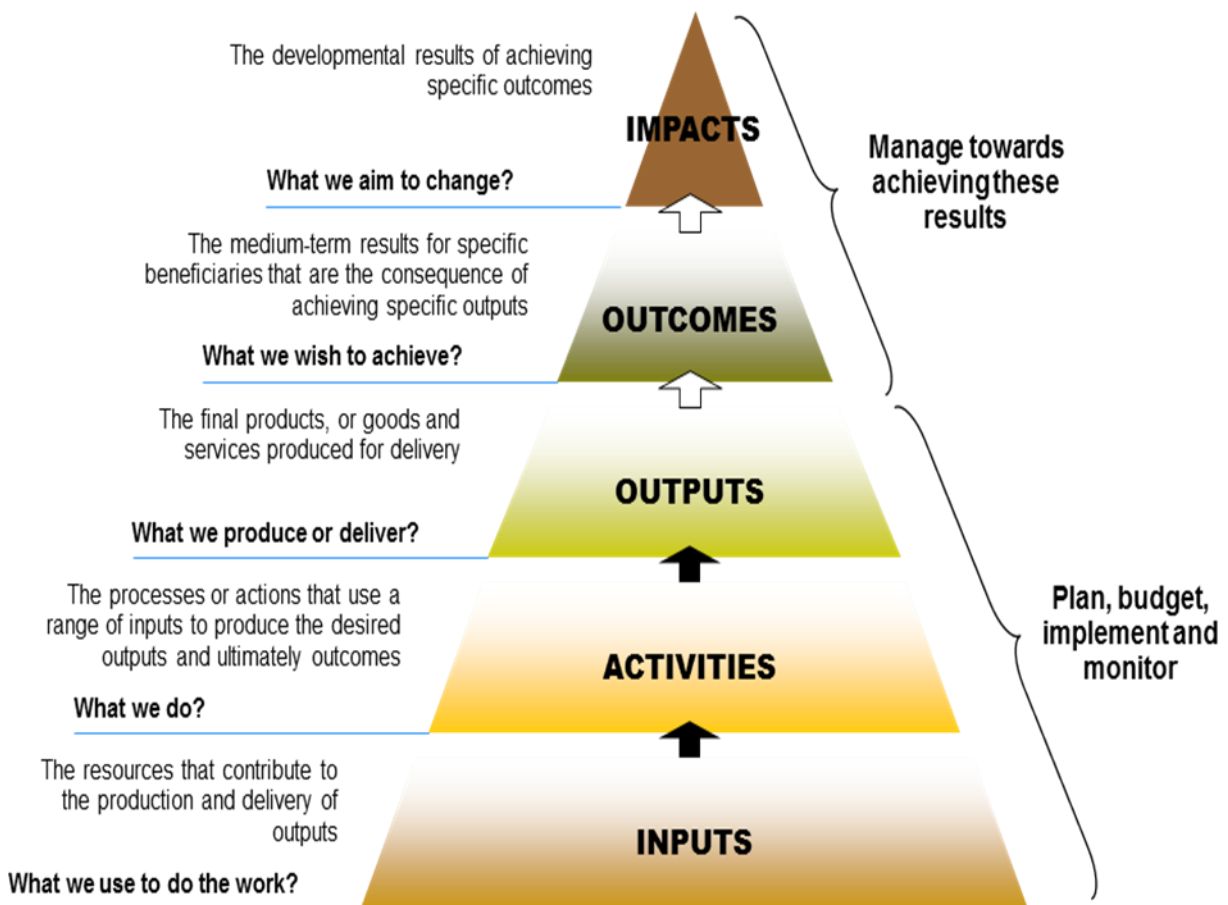


**Figure 1 Planning, budgeting and reporting cycle**

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

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

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



**Figure 2 Definition of performance information concepts**

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







The following table sets out the municipality's main performance objectives and benchmarks for the 2024/25 MTREF.

**Table 18 KZN263 Table SA8 - Performance Indicators and Benchmarks**

**KZN263 Abaqulusi - Supporting Table SA8 Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.0	0.9	0.9	1.3	1.3	1.3	1.3	1.6	1.7	1.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current	1.0	0.9	0.9	1.3	1.3	1.3	1.3	1.6	1.7	1.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.3	0.2	0.6	0.6	0.6	0.6	0.8	1.0	1.2
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors >										
<b>Creditors Management</b>											



### Borrowing Management

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Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Abaqulusi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2024/25 MTREF:

- Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 0% and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady, from 0% in 2020/21 to 0% by 2023/24. It is estimated that the cost of borrowing as a percentage of the operating expenditure will be at 0% in 2024/25 and will then remain at 0% at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- Borrowing funding of own capital expenditure measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0% which substantiates the above-mentioned statement that the Municipality has reached its prudential borrowing limits.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2024/25 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

### Safety of Capital

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- The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. As part of the planning guidelines that informed the compilation of the 2024/25 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the ratio remains at 0%.
- The gearing ratio is a measure of the total long-term borrowings over funds and reserves. The ratio remains at 0%.

### Liquidity

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- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2023/24 MTREF the current ratio is 1,3 and in the 2024/25 financial year 2,4 and for 2025/26 is 2,5 and 2026/27 is 2,5.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a

liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2023/24 financial year the ratio was 0,6 and as part of the financial planning strategy it has improved to 1,6 in the 2024/25 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer-term financial planning objectives this ratio will have to be set at a minimum of 1.

### **Revenue Management**

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- *As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection. During 2024/25 funding has been budgeted for debtor profiling to be done to enable the municipality to ensure outstanding debtors that have the ability to pay for services are handed over. The municipality will also be implementing the Revenue Enhancement Strategy and strict control and disconnection of services will be carried out.*

### **Creditors Management**

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

### **Other Indicators**

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- *The electricity distribution losses have increased from 16% in 2021/22 to 24% in 2022/23 and decreased to 22% in 2022/23. The initiatives to ensure these targets are controlled and lowered during the 2024/25 financial year include managing illegal connections and theft of electricity by auditing all systems, including prepaid meters.*
- *The water distribution losses continue to decrease from 61% in 2020/21 to 50% in 2021/22 and increased to 53% in 2022/23. The municipality will have to introduce a water leakage report and action centre. Also, areas currently not metered will have to have meters installed to ensure residents pay for water consumed. It is planned to further try and reduce distribution losses from 50% in 2024/25 to 20% by 2026/27.*
- *Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.*
- *Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.*

## **Free Basic Services: basic social services package for indigent households**

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

*For the 2024/25 financial year registered indigents have been provided for in the budget with this figure increasing by 2026/27. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, 6 kl sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.*

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

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

## **Providing clean water and managing waste water**

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

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

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

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

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

## **Overview of budget related-policies**

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

### **Review of credit control and debt collection procedures/policies**

*The policy adopted last year is credible, sustainable, manageable and informed by affordability and value for money. During the 2024/25 financial year there will be a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.*

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

*The 2024/25 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90% on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.*

### **Asset Management, Infrastructure Investment and Funding Policy**

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

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

### **Budget Adjustment Policy**

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

### **Supply Chain Management Policy**

*The amended Supply Chain Management Policy must be adopted by Council in May 2024.*



## **Budget and Virements Policy**

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

## **Cash Management and Investment Policy**

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

## **Tariff Policies**

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

## **Financial Modelling and Scenario Planning Policy**

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*The Financial Modelling and Scenario Planning Policy will be compiled during the 2024/25 MTREF with the emphasis on affordability and long-term sustainability. The policy will dictate the approach to longer term financial modelling. The outcomes will then be filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy will be the emphasis on financial sustainability. Amongst others, the following will be modelled as part of the financial modelling and scenario planning process:*

- *Approved 2023/24 Adjustments Budget;*
- *Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);*
- *Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);*
- *Loan and investment possibilities;*
- *Performance trends;*
- *Tariff Increases;*
- *The ability of the community to pay for services (affordability);*
- *Policy priorities;*
- *Improved and sustainable service delivery; and*
- *Debtor payment levels.*
- *Property Rates Policy;*
- *Funding and Reserves Policy;*
- *Borrowing Policy;*
- *Budget Policy; and*
- *Basic Social Services Package (Indigent Policy).*

## **Overview of budget assumptions**

### **External factors**

Owing to the economic slowdown due to weaker global growth and risks to the domestic outlook. Employment continues to lag post COVID-19 economic recovery, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2024/25 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 24,8% of total operating expenditure in the 2024/25 MTREF

### **Interest rates for borrowing and investment of funds**

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

### **Collection rate for revenue services**

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

The rate of revenue collection is currently expressed as a percentage (95%) of annual billings. Cash flow is assumed to be 90% of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **Growth or decline in tax base of the municipality**

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

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

## **Salary increases**

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*The multi-year Salary and Wage Collective Agreement from SALGBC has come to an end and a new agreement is under consultation. MFMA Budget Circular 126 and MFMA Budget Circular 128 advises municipalities to consider their financial sustainability and therefore the municipality budgeted an annual increase of 5% for the 2024/25 financial year and for the two outer years 4,6%. The additional funding is due to medical aid increases in January each year and annual notch increases for staff.*

## **Impact of national, provincial and local policies**

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*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**

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*It is estimated that a spending rate of at least 85% is achieved on operating expenditure and 98% on the capital programme for the 2024/25 MTREF of which performance has been factored into the cash flow budget.*

## **Overview of budget funding**

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### **Medium-term outlook: operating revenue**

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*Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, waste water and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).*

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

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

*The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.*

*The proposed tariff increases for the 2024/25 MTREF on the different revenue categories are:*

*Revenue to be generated from property rates is R139 million in the 2024/25 financial year and increases to R152 million by 2026/27 which represents 19,4% of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.*

*Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R328,5 million for the 2024/25 financial year and increasing to R359,4 million by 2026/27. For the 2024/25 financial year services charges amount to 45,9% of the total revenue base and remains constant over the medium-term.*

*Operational grants and subsidies amount to million, R225,6 million for 2024/25, R225,7 million for 2025/26 and R225,9 million for 2026/27 financial years of the MTREF, or 31,6% of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing slowly over the MTREF. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.*

*Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R2 million, R2 million and R2 million respectively for the two outer financial years of the 2024/25 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.*

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

**Table 19 KZN263 SA15 – Detail Investment Particulars by type**

**KZN263 Abaqulusi - Supporting Table SA15 Investment particulars by type**

Investment type	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousand</b>										
<b>Parent municipality</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
		14 656	18 162	23 375	15 916	23 238	23 238	24 639	25 964	27 352
<b>Municipality sub-total</b>	1	<b>15</b>	<b>18</b>	<b>23</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>25</b>	<b>26</b>	<b>27</b>
<b>Entities</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
<b>Entities sub-total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>		<b>15</b>	<b>18</b>	<b>23</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>25</b>	<b>26</b>	<b>27</b>

**Table 20 KZN263 SA16 – Investment Particulars by Maturity**

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate <sup>a</sup>	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	Yrs/Months									
<b>Parent municipality</b>										
NEDBANK	1month	CALL DEPOSIT		Variable	8.05%	3 698	306			4 003
ABSA	1month	CALL DEPOSIT		Variable	3.30%	2	0			2
ABSA	1month	CALL DEPOSIT		Variable	3.30%	0	-			0
NEDBANK	1month	CALL DEPOSIT		Variable	8.05%	4	0			4
STANDARD BANK	1month	CALL DEPOSIT		Variable	2.80%	75	-			75
NEDBANK	1month	CALL DEPOSIT		Variable	8.05%	4	0			5
NEDBANK	1month	CALL DEPOSIT		Variable	8.05%	802	66			869
STANDARD BANK	1month	CALL DEPOSIT		Variable	1.50%	5	-			5
NEDBANK	1month	CALL DEPOSIT		Variable	8.05%	7 872	651			8 523
ABSA	1month	CALL DEPOSIT		Variable	2.80%	2 868	925	82 490	64 000	150 283
										-
<b>Municipality sub-total</b>						<b>15 331</b>		<b>82 490</b>	<b>64 000</b>	<b>163 769</b>
<b>Entities</b>										
										-
										-
<b>Entities sub-total</b>						<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>						<b>15 331</b>		<b>82 490</b>	<b>64 000</b>	<b>163 769</b>

## Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2024/25 medium-term capital programme:

**Table 21 Sources of Capital Revenue over the MTREF – Medium Term Revenue & Expenditure Framework A5 Capital**

KZN263 Abaqulusi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding										
Vote Description	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1
<b>Funded by:</b>										
National Government	24 206	35 276	31 208	65 940	63 385	63 385	63 385	42 374	45 582	45 582
Provincial Government	-	-	333	10 500	10 500	10 500	10 500	1 000	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>24 206</b>	<b>35 276</b>	<b>31 540</b>	<b>76 440</b>	<b>73 885</b>	<b>73 885</b>	<b>73 885</b>	<b>43 374</b>	<b>45 582</b>	<b>45 582</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>17 776</b>	<b>5 979</b>	<b>27 555</b>	<b>7 000</b>	<b>7 000</b>	<b>7 000</b>	<b>7 000</b>	<b>6 509</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>41 982</b>	<b>41 255</b>	<b>59 095</b>	<b>83 440</b>	<b>80 885</b>	<b>80 885</b>	<b>80 885</b>	<b>49 883</b>	<b>45 582</b>	<b>45 582</b>

**Figure 3 Sources of capital revenue for the 2024/25 financial year**

Capital grants and receipts represents R6,5 million from own funding and R43,3 million from grant funding for the 2024/25 financial year.







SA22 Summary of Employees and Councillor remuneration

**KZN263 Abaqulusi - Supporting Table SA22 Summary councillor and staff benefits**

Summary of Employee and Councillor remuneration R thousand	###	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
		A	B	C	D	E	F	G	H	I
<b><u>Councillors (Political Office Bearers plus Other)</u></b>	1									
Basic Salaries and Wages		-	-	-	652	-	-	657	688	719
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	7	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	-	-	-	-	-
Cell phone Allowance		1 971	1 975	1 916	1 998	2 205	2 205	2 115	2 213	2 315
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		15 544	15 883	15 349	16 656	15 755	15 755	16 701	17 469	18 272
<b>Sub Total - Councillors</b>		<b>17 515</b>	<b>17 865</b>	<b>17 265</b>	<b>19 305</b>	<b>17 960</b>	<b>17 960</b>	<b>19 474</b>	<b>20 369</b>	<b>21 306</b>
<b>% increase</b>	4		<b>2.0%</b>	<b>(3.4%)</b>	<b>11.8%</b>	<b>(7.0%)</b>	<b>-</b>	<b>8.4%</b>	<b>4.6%</b>	<b>4.6%</b>
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		5 373	5 499	6 942	7 318	7 714	7 714	7 565	7 913	8 277
Pension and UIF Contributions		-	1	0	-	-	-	6	7	7
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		758	-	-	1 024	1 024	1 024	889	930	972
Motor Vehicle Allowance	3	-	1 358	1 400	1 471	1 471	1 471	1 448	1 515	1 585
Cell phone Allowance	3	165	159	183	186	186	186	186	195	203
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	1	0	-	-	-	-	-	-	-
Payments in lieu of leave		-	85	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Entertainment		-	-	-	-	-	-	-	-	-
Scarcity		-	-	-	-	-	-	-	-	-
Acting and post related allowance		-	51	-	-	-	-	-	-	-
In kind benefits		-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		<b>6 297</b>	<b>7 153</b>	<b>8 525</b>	<b>9 999</b>	<b>10 396</b>	<b>10 396</b>	<b>10 094</b>	<b>10 558</b>	<b>11 044</b>

<b>% increase</b>	4		<b>13.6%</b>	<b>19.2%</b>	<b>17.3%</b>	<b>4.0%</b>	<b>-</b>	<b>(2.9%)</b>	<b>4.6%</b>	<b>4.6%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		93 198	88 546	97 373	101 190	116 838	116 838	114 852	120 135	125 661
Pension and UIF Contributions		18 128	19 304	19 973	20 655	22 237	22 237	22 775	23 823	24 919
Medical Aid Contributions		5 609	8 410	11 060	9 567	12 380	12 380	10 133	10 599	11 087
Overtime		12 171	16 611	16 898	-	16 569	16 569	17 401	18 201	19 038
Performance Bonus		6 339	7 599	6 893	9 070	8 753	8 753	14 212	14 866	15 550
Motor Vehicle Allowance	3	9 241	9 835	5 129	10 678	10 370	10 370	10 524	11 008	11 514
Cell phone Allowance	3	1 149	1 265	1 297	1 308	1 305	1 305	1 308	1 368	1 431
Housing Allowances	3	1 090	533	347	382	390	390	536	561	586
Other benefits and allowances	3	1 042	2 779	2 230	6 058	3 485	3 485	4 531	4 740	4 958
Payments in lieu of leave		3 251	-	-	16 469	-	-	-	-	-
Long service awards		1 844	1 994	3 594	1 500	1 500	1 500	-	-	-
Post-retirement benefit obligations	6	(5 787)	7 563	7 144	1 500	4 700	4 700	-	-	-
Entertainment		-	-	-	-	-	-	-	-	-
Scarcity		-	-	-	-	-	-	-	-	-
Acting and post related allowance		-	-	-	-	-	-	-	-	-
In kind benefits		-	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>		<b>147 273</b>	<b>164 441</b>	<b>171 936</b>	<b>178 377</b>	<b>198 527</b>	<b>198 527</b>	<b>196 271</b>	<b>205 300</b>	<b>214 744</b>
<b>% increase</b>	4		<b>11.7%</b>	<b>4.6%</b>	<b>3.7%</b>	<b>11.3%</b>	<b>-</b>	<b>(1.1%)</b>	<b>4.6%</b>	<b>4.6%</b>
<b>Total Parent Municipality</b>		<b>171 085</b>	<b>189 459</b>	<b>197 726</b>	<b>207 681</b>	<b>226 882</b>	<b>226 882</b>	<b>225 839</b>	<b>236 228</b>	<b>247 094</b>
			<b>10.7%</b>	<b>4.4%</b>	<b>5.0%</b>	<b>9.2%</b>	<b>-</b>	<b>(0.5%)</b>	<b>4.6%</b>	<b>4.6%</b>
<b>% increase</b>	4	-	-	-	-	-	-	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>171 085</b>	<b>189 459</b>	<b>197 726</b>	<b>207 681</b>	<b>226 882</b>	<b>226 882</b>	<b>225 839</b>	<b>236 228</b>	<b>247 094</b>
<b>% increase</b>	4		<b>10.7%</b>	<b>4.4%</b>	<b>5.0%</b>	<b>9.2%</b>	<b>-</b>	<b>(0.5%)</b>	<b>4.6%</b>	<b>4.6%</b>
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>153 571</b>	<b>171 594</b>	<b>180 462</b>	<b>188 376</b>	<b>208 923</b>	<b>208 923</b>	<b>206 365</b>	<b>215 858</b>	<b>225 788</b>

**Table 24 Growth in outstanding borrowing (long-term liabilities)**

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

**Table 23 KZN263 Table SA 18 - Capital transfers and Grant Receipts**

KZN263 Abaqulusi - Supporting Table SA18 Transfers and grant receipts										
Description	## #	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		4 431	5 165	5 773	5 351	5 220	5 220	4 793	3 000	3 000
Expanded Public Works Programme		1 831	2 515	2 773	2 351	2 220	2 220	1 793	-	-
Local Government Financial Management		2 600	2 650	3 000	3 000	3 000	3 000	3 000	3 000	3 000
<b>Provincial Government:</b>		<b>4 660</b>	<b>6 828</b>	<b>235</b>	<b>8 012</b>	<b>8 012</b>	<b>10 927</b>	<b>5 235</b>	<b>5 566</b>	<b>5 810</b>
Museum		-	225	235	249	249	249	260	283	335
Specify (Add grant description)		-	-	-	-	-	248	-	-	-
Library		4 660	4 538	-	3 540	3 540	4 763	4 975	5 283	5 475
Specify (Add grant description)		-	2 065	-	-	-	5 667	-	-	-
Specify (Add grant description)		-	-	-	1 223	1 223	-	-	-	-
Economic Development		-	-	-	3 000	3 000	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	<b>9 091</b>	<b>11 993</b>	<b>6 008</b>	<b>13 363</b>	<b>13 232</b>	<b>16 147</b>	<b>10 028</b>	<b>8 566</b>	<b>8 810</b>
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		46 451	42 503	53 228	68 533	63 385	35 000	48 730	52 416	56 931
Municipal Infrastructure Grant		36 451	39 107	42 083	51 853	48 385	25 000	43 212	45 211	48 931
Integrated National Electrification Programme		10 000	3 396	11 145	16 680	15 000	10 000	5 518	7 205	8 000
<b>Provincial Government:</b>		<b>3 165</b>	<b>3 870</b>	<b>4 804</b>	<b>10 500</b>	<b>10 500</b>	<b>2 000</b>	<b>1 000</b>	<b>-</b>	<b>-</b>
LED		-	1 748	1 618	2 000	2 000	2 000	1 000	-	-
Specify (Add grant description)		-	1 978	2 652	-	-	-	-	-	-
Specify (Add grant description)		3 165	144	535	-	-	-	-	-	-
Sport		-	-	-	8 500	8 500	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	<b>49 616</b>	<b>46 373</b>	<b>58 033</b>	<b>79 033</b>	<b>73 885</b>	<b>37 000</b>	<b>49 730</b>	<b>52 416</b>	<b>56 931</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	<b>58 707</b>	<b>58 366</b>	<b>64 041</b>	<b>92 396</b>	<b>87 117</b>	<b>53 147</b>	<b>59 758</b>	<b>60 982</b>	<b>65 741</b>

**Monthly Targets for Revenue, Expenditure and Cash Flow**

KZN263 Abaqulusi - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)												
Description	###	Budget Year 2024/25										
		July	August	Sept.	October	November	December	January	February	March	April	May
R thousand												
<b>Revenue by Vote</b>												
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance & Administration		99 639	11 759	11 759	11 759	11 759	99 639	11 759	11 759	99 639	11 759	11 759
Vote 3 - Community & Social Services		2 175	430	430	430	430	2 175	430	430	2 175	430	430
Vote 4 - Energy Sources		20 985	19 145	19 145	19 145	19 145	20 985	19 145	19 145	20 985	19 145	19 145
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Internal Audit		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Other		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Planning and Development		667	167	167	167	167	667	167	167	667	167	167
Vote 9 - Public Safety		42	42	42	42	42	42	42	42	42	42	42
Vote 10 - Road Transport		587	587	587	587	587	587	587	587	587	587	587
Vote 11 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Management		2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318
Vote 13 - Waste Water Management		2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350
Vote 14 - Water Management		3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>		<b>132 744</b>	<b>40 779</b>	<b>40 779</b>	<b>40 779</b>	<b>40 779</b>	<b>132 744</b>	<b>40 779</b>	<b>40 779</b>	<b>132 244</b>	<b>40 779</b>	<b>40 779</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Executive & Council		2 579	2 579	2 579	2 579	2 579	2 579	2 579	2 579	2 579	2 579	2 579
Vote 2 - Finance & Administration		10 537	10 537	10 537	10 537	10 537	10 537	10 537	10 537	10 537	10 537	10 537
Vote 3 - Community & Social Services		3 242	3 242	3 242	3 242	3 242	3 242	3 242	3 242	3 242	3 242	3 242
Vote 4 - Energy Sources		31 395	31 395	31 395	31 395	31 395	31 395	31 395	31 395	31 395	31 395	31 395
Vote 5 - Housing		236	236	236	236	236	236	236	236	236	236	236
Vote 6 - Internal Audit		137	137	137	137	137	137	137	137	137	137	137
Vote 7 - Other		15	15	15	15	15	15	15	15	15	15	15
Vote 8 - Planning and Development		1 634	1 634	1 634	1 634	1 634	1 634	1 634	1 634	1 634	1 634	1 634
Vote 9 - Public Safety		4 005	4 005	4 005	4 005	4 005	4 005	4 005	4 005	4 005	4 005	4 005
Vote 10 - Road Transport		4 243	4 243	4 243	4 243	4 243	4 243	4 243	4 243	4 243	4 243	4 243
Vote 11 - Sport and Recreation		56	56	56	56	56	56	56	56	56	56	56
Vote 12 - Waste Management		2 228	2 228	2 228	2 228	2 228	2 228	2 228	2 228	2 228	2 228	2 228
Vote 13 - Waste Water Management		3 469	3 469	3 469	3 469	3 469	3 469	3 469	3 469	3 469	3 469	3 469
Vote 14 - Water Management		5 455	5 455	5 455	5 455	5 455	5 455	5 455	5 455	5 455	5 455	5 455
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>		<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>	<b>69 232</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>63 511</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>63 511</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>63 011</b>	<b>(28 453)</b>	<b>(28 453)</b>
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>63 511</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>63 511</b>	<b>(28 453)</b>	<b>(28 453)</b>	<b>63 011</b>	<b>(28 453)</b>	<b>(28 453)</b>

KZN263 Abaqulusi - Supporting Table SA25 Budgeted monthly revenue and expenditure												
Description R thousand	Budget Year 2024/25											
	July	August	Sept.	October	November	December	January	February	March	April	May	June
<b>Revenue</b>												
<b>Exchange Revenue</b>												
Service charges - Electricity	18 729	18 729	18 729	18 729	18 729	18 729	18 729	18 729	18 729	18 729	18 729	18 729
Service charges - Water	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981	3 981
Service charges - Waste Water Management	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350	2 350
Service charges - Waste Management	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318	2 318
Sale of Goods and Rendering of Services	594	594	594	594	594	594	594	594	594	594	594	594
Agency services	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current	167	167	167	167	167	167	167	167	167	167	167	167
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Rent on Land	-	-	-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	13	13	13	13	13	13	13	13	13	13	13	13
Licence and permits	295	295	295	295	295	295	295	295	295	295	295	295
Operational Revenue	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Exchange Revenue</b>												
Property rates	11 583	11 583	11 583	11 583	11 583	11 583	11 583	11 583	11 583	11 583	11 583	11 583
Surcharges and Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	458	458	458	458	458	458	458	458	458	458	458	458
Licences or permits	292	292	292	292	292	292	292	292	292	292	292	292
Transfer and subsidies - Operational	75 221	-	-	-	-	75 221	-	-	75 221	-	-	-
Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers)</b>	<b>116 000</b>	<b>40 779</b>	<b>40 779</b>	<b>40 779</b>	<b>40 779</b>	<b>116 000</b>	<b>40 779</b>	<b>40 779</b>	<b>116 000</b>	<b>40 779</b>	<b>40 779</b>	<b>40 779</b>
<b>Expenditure</b>												
Employee related costs	17 197	17 197	17 197	17 197	17 197	17 197	17 197	17 197	17 197	17 197	17 197	17 197
Remuneration of councillors	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623
Bulk purchases - electricity	23 954	23 954	23 954	23 954	23 954	23 954	23 954	23 954	23 954	23 954	23 954	23 954
Inventory consumed	3 070	3 070	3 070	3 070	3 070	3 070	3 070	3 070	3 070	3 070	3 070	3 071
Debt impairment	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	11 383	11 383	11 383	11 383	11 383	11 383	11 383	11 383	11 383	11 383	11 383	11 383
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	7 317	7 317	7 317	7 317	7 317	7 317	7 317	7 317	7 317	7 317	7 317	7 317
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-
Irrecoverable debts written off	-	-	-	-	-	-	-	-	-	-	-	-
Operational costs	4 805	4 805	4 805	4 805	4 805	4 805	4 805	4 805	4 805	4 805	4 805	4 805
Losses on disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Losses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 350</b>	<b>69 349</b>
<b>Surplus/(Deficit)</b>	<b>46 651</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>46 651</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>46 651</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 570)</b>
Transfers and subsidies - capital (monetary)	16 743	-	-	-	-	16 743	-	-	16 243	-	-	-
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>62 894</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 570)</b>
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after income tax</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>62 894</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 570)</b>
Share of Surplus/ Deficit attributable to Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-
Share of Surplus/ Deficit attributable to Minorities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>62 894</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 570)</b>
Share of Surplus/ Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>63 394</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>62 894</b>	<b>(28 571)</b>	<b>(28 571)</b>	<b>(28 570)</b>

## Cash Flow Management

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

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

KZN263 Abaqulusi - Table A7 Budgeted Cash Flows

Description	###	2020/21	2021/22	2022/23	Current Year 2023/24				2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		30 310	88 348	90 997	115 013	115 013	115 013	115 013	163 737	171 269	179 147
Service charges		271 603	311 856	295 490	365 334	365 334	365 334	365 334	351 258	367 416	384 317
Other revenue		63 796	7 314	19 062	8 670	10 670	10 670	10 670	18 322	19 165	20 047
Transfers and Subsidies - Operational	1	200 432	180 804	205 678	219 671	216 947	216 947	216 947	225 664	225 775	226 019
Transfers and Subsidies - Capital	1	49 486	44 251	61 269	76 440	73 885	73 885	73 885	49 730	52 416	56 931
Interest		(22)	762	986	1 706	4 706	4 706	4 706	2 000	2 092	2 188
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(58 509)	(438 294)	(467 243)	(672 629)	(657 429)	(657 429)	(657 429)	(694 599)	(725 505)	(758 879)
Interest		-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	1	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING</b>		<b>557 096</b>	<b>195 041</b>	<b>206 238</b>	<b>114 205</b>	<b>129 126</b>	<b>129 126</b>	<b>129 126</b>	<b>116 112</b>	<b>112 628</b>	<b>109 771</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	40 000	40 000	40 000	-	-	-
VAT Control (receipts)		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		(47 850)	(38 885)	(50 332)	(83 440)	(80 885)	(80 885)	(80 885)	(50 133)	(45 843)	(49 779)
<b>NET CASH FROM/(USED) INVESTING</b>		<b>(47 850)</b>	<b>(38 885)</b>	<b>(50 332)</b>	<b>(83 440)</b>	<b>(40 885)</b>	<b>(40 885)</b>	<b>(40 885)</b>	<b>(50 133)</b>	<b>(45 843)</b>	<b>(49 779)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/ refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		-	-	2 837	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING</b>		<b>-</b>	<b>-</b>	<b>2 837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>509 246</b>	<b>156 156</b>	<b>158 743</b>	<b>30 765</b>	<b>88 241</b>	<b>88 241</b>	<b>88 241</b>	<b>65 979</b>	<b>66 785</b>	<b>59 992</b>
Cash/ cash equivalents at the year begin:	2	-	23 725	29 025	29 031	20 113	20 113	20 113	20 113	86 092	152 877
Cash/ cash equivalents at the year end:	2	509 246	179 880	187 768	59 796	108 354	108 354	108 354	86 092	152 877	212 869

The above table shows that cash and cash equivalents of the Municipality are in a positive balance of R108,3 million with the adjusted budget in 2023/24 MTREF. With the 2023/24 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition, the Municipality will have to undertake an extensive debt collection process and other revenue enhancement strategies to boost cash levels in the 2024/25 financial year. These initiatives and interventions still translate into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase by the financial year end. For the 2024/25 MTREF the budget has been prepared to ensure high levels of cash



and cash equivalents over the medium-term with cash levels anticipated to increase in 2025/26 and steadily increase by 2026/27.

Going forward from 2024/25 the Municipality is required to submit a completed checklist as part of the quarterly performance reporting process in terms of Section 52(d) of the MFMA. By including the completed checklist in this report, the Municipality confirms their adherence to the equitable share release criteria, including that all supplementary information (as defined in the checklist) has been successfully uploaded to the GoMuni platform.

### **Cash Backed Reserves/Accumulated Surplus Reconciliation**

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

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

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

*From the above table it can be seen that the cash and investments available total R86 million in the 2024/25 financial year and remains constant to 2026/27, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:*

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. For the 2024/25 financial year no provision has been made for this liability as the total unspent conditional grant liability has been factored into the 2024/25 capital programme of the Municipality.*
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project.*
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations. The municipality will not have a liability as VAT is normally claimed from SARS.*
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.*

*The 2024/25 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless, from a pure cash flow perspective (cash out flow versus cash inflow) the budget is not funded as expenditure is more than the anticipated revenue. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.*

## **Funding compliance measurement**

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

### **Cash/cash equivalent position**

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

If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with Section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2024/25 MTREF shows a surplus of R86 million increasing to R152,8 million in 2025/26 and R212,8 million in 2026/27.

### **Cash plus investments less application of funds**

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

### **Monthly average payments covered by cash or cash equivalents**

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

### **Surplus/deficit excluding depreciation offsets**

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

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

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

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

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

*The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 4,9%). The result is intended to be an approximation of the real increase in revenue. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.*

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#### ***Cash receipts as a percentage of ratepayer and other revenue***

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*This factor is a macro measure of the rate at which funds are "collected". This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100% for each of the respective financial years. Given that the assumed collection rate was based on an 90% performance target, the cash flow statement has been conservatively determined. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.*

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#### ***Debt impairment expense as a percentage of billable revenue***

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

### **Capital payments percentage of capital expenditure**

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

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

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

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

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

### **Consumer debtors change (Current and Non-current)**

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

### **Repairs and maintenance expenditure level**

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

### **Asset renewal/rehabilitation expenditure level**

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

## Expenditure on grants and reconciliations of unspent funds

Table 45 KZN263 SA19 – Expenditure on Transfers and Grant Programmes

KZN263 Abaqulusi - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	## #	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1	Budget Year +2
<b>R thousand</b>										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		4 431	5 165	5 773	5 351	5 220	2 880	4 793	3 000	3 000
Expanded Public Works Programme Integrated		1 831	2 515	2 773	2 351	2 220	429	1 793	-	-
Local Government Financial Management Grant		2 600	2 650	3 000	3 000	3 000	2 452	3 000	3 000	3 000
<b>Provincial Government:</b>		5 422	5 618	1 813	8 012	8 012	3 829	5 235	5 566	5 758
Museum		-	225	235	249	249	47	260	283	283
Library		-	3	-	3 540	3 540	-	4 975	5 283	5 475
Specify (Add grant description)		-	-	-	1 223	1 223	-	-	-	-
Specify (Add grant description)		50	-	-	-	-	-	-	-	-
Specify (Add grant description)		-	3	-	-	-	-	-	-	-
Specify (Add grant description)		-	230	-	-	-	-	-	-	-
Economic Development		-	-	-	3 000	3 000	-	-	-	-
Specify (Add grant description)		5 372	5 119	1 578	-	-	3 782	-	-	-
Specify (Add grant description)		-	39	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants</b>		9 853	10 783	7 586	13 363	13 232	6 709	10 028	8 566	8 758
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		47 713	42 503	53 228	68 533	63 385	17 821	48 730	52 416	52 416
Municipal Infrastructure Grant		37 713	39 107	42 083	51 853	48 385	12 328	43 212	45 211	45 211
Integrated National Electrification Programme Grant		10 000	3 396	11 145	16 680	15 000	5 492	5 518	7 205	7 205
<b>Provincial Government:</b>		3 245	3 726	5 308	10 500	10 500	-	1 000	-	-
LED		-	1 748	-	2 000	2 000	-	1 000	-	-
Specify (Add grant description)		118	-	-	-	-	-	-	-	-
Specify (Add grant description)		-	1 978	3 270	-	-	-	-	-	-
Specify (Add grant description)		3 127	-	-	-	-	-	-	-	-
Sport		-	-	2 038	8 500	8 500	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		50 959	46 229	58 536	79 033	73 885	17 821	49 730	52 416	52 416
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		60 812	57 012	66 123	92 396	87 117	24 530	59 758	60 982	61 174



Balance unspent at beginning of the year		(3 817)	(3 737)	(5 946)	(3 881)	(5 442)	(5 442)	(5 442)	(5 442)	(5 442)
Current year receipts		3 165	3 870	4 804	10 500	10 500	2 000	1 000	-	-
<b>Conditions met - transferred to revenue</b>		<b>3 245</b>	<b>3 726</b>	<b>5 308</b>	<b>10 500</b>	<b>10 500</b>	-	<b>1 000</b>	-	-
Conditions still to be met - transferred to liabilities		(3 897)	(3 594)	(6 449)	(3 881)	(5 442)	(3 442)	(5 442)	(5 442)	(5 442)
<b>District Municipality:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-	-	-	-
Current year receipts		-	-	-	-	-	-	-	-	-
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		-	-	-	-	-	-	-	-	-
<b>Total capital transfers and grants revenue</b>		<b>50 959</b>	<b>46 229</b>	<b>58 536</b>	<b>79 033</b>	<b>73 885</b>	<b>17 821</b>	<b>49 730</b>	<b>52 416</b>	<b>52 416</b>
<b>Total capital transfers and grants - CTBM</b>	2	<b>(6 422)</b>	<b>(3 594)</b>	<b>(6 450)</b>	<b>(3 881)</b>	<b>(5 442)</b>	<b>13 738</b>	<b>(5 442)</b>	<b>(5 442)</b>	<b>(927)</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>60 812</b>	<b>57 012</b>	<b>66 123</b>	<b>92 396</b>	<b>87 117</b>	<b>24 530</b>	<b>59 758</b>	<b>60 982</b>	<b>61 174</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		<b>(10 380)</b>	<b>(4 817)</b>	<b>(9 606)</b>	<b>(7 524)</b>	<b>(5 442)</b>	<b>23 175</b>	<b>(5 442)</b>	<b>(5 442)</b>	<b>(875)</b>



## **Contracts having future budgetary implications**

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

## **Legislation compliance status**

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

### **1. In year reporting**

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

### **2. Internship programme**

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

### **3. Budget and Treasury Office**

*The Budget and Treasury Office has been established in accordance with the MFMA.*

### **4. Audit Committee**

*An Audit Committee has been established and is fully functional.*

### **5. Service Delivery and Implementation Plan**

*The detail SDBIP document is at a draft stage and will be finalised after approval of the 2024/25 MTREF in June 2024 directly aligned and informed by the 2024/25 MTREF. The municipality is aligning both the non-revenue water and non-revenue electricity indicators and their set targets in the 2024/25 SDBIP's with identifiable infrastructure projects by indicating the volume of water losses and the amount of electricity losses for the previous year to determine the progress in curbing losses which impact on revenue.*

### **6. Annual Report**

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

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## **7. MFMA Training**

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

### **Policies**

*The municipality must comply with the provision of Section 74 of the Municipal Systems Act which requires that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreement and which complies with the provisions of this Act and with any other applicable legislations. In the past all tariffs were combined in one policy, however National Treasury are requesting that municipalities have separate tariff policies for the core functions of the municipality resulted in new policies being compiled for the 2023/2024 financial year. The municipality has also ensured that the tariff policies adhere to all the principles outlined in Section 74(2) of the Municipal Systems Act.*

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**Table 25 KZN263 Table SA9 – Social, Economic and Demographic Statistics and Assumptions**

**0 - Supporting Table SA9 Social, economic and demographic statistics and assumptions**

Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2020/21	2021/22	2022/23	Current Year 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
<b>Demographics</b>												
Population		Census 2011 & Community Survey 2016										
Females aged 5 - 14				2		24	2	24	2	24	2	24
Males aged 5 - 14				1		4	4	4	4	4	4	4
Females aged 15 - 34				1		86	4	86	4	86	4	86
Males aged 15 - 34				1			8		8		8	
Unemployment					5							
<b>Monthly household income (no. of households)</b>	1, 12											
No income												
R1 - R1 600												
R1 601 - R3 200												
R3 201 - R6 400												
R6 401 - R12 800												
R12 801 - R25 600												
R25 601 - R51 200												
R52 201 - R102 400												
R102 401 - R204 800												
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												
<b>Poverty profiles (no. of households)</b>												
< R2 060 per household per month	13											
Insert description	2											
<b>Household/demographics (000)</b>												
Number of people in municipal area		Census 2011 & Community			211	244	244	244	244	244	244	244
Number of poor people in municipal area					24	28	28	28	28	28	28	28









**Table 26 KZN263 SA32 – List of External Mechanisms**

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



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

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

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

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

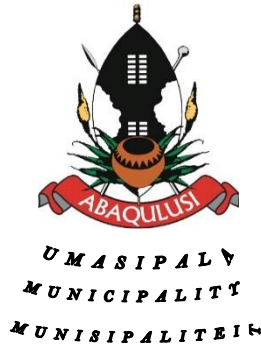
INQUBEKO ENGINEERING	36	2020/11/06	PANEL SERVICE PROVIDERS TO SUPPLY AND DELIVER PRE-PAYMENT ELECTRICAL/CONVENTIONAL METERS FOR THE PERIOD OF 36 MONTHS	2024/05/17	AS PER ORDER
ENGAPHELI MOYA	36	2020/11/06	PROVISION OF LABORATORY SERVICES FOR WATER & WASTEWATER QUALITY ANALYSIS OVER 36 MONTHS	2024/05/17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

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

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Our Ref.:  
Your Ref.

Enquiries:  
Dept.: Finance



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### QUALITY CERTIFICATE

I, SP **Damini**, Acting Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that:  
(mark as appropriate)

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

The Tabled (Draft) Medium-Term Budget for 2024/25 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

**MUNICIPAL MANAGER**  
**ABAQULUSI MUNICIPALITY**  
**KZN263**

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

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***Annexure A - Tariffs***

***(Documents are uploaded separately)***



***Annexure B - Government Provincial Allocation***

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

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

***Annexure E - Service Level Standards***

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

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

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

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

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

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

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

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



***Annexure G - Policies***  
***(Documents are uploaded separately)***

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***Tariff Setting Tool***

***(Document is uploaded separately)***