



ANNUAL BUDGET REPORT FOR

ABAQULUSI MUNICIPALITY

2021/22 TO 2023/24

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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PART 1 – ANNUAL BUDGET

SECTION 1 - MAYOR'S BUDGET SPEECH

The Mayor's budget speech for the 2021/22 Medium Term Budget and Expenditure Framework (MTREF) will be submitted separately when the annual budget is considered by Council for approval.

Summary of material amendments made to the tabled budget after the consultation process

A notice to inform the public of the tabled budget as well as to invite written submissions or representations to the Municipality on the draft budget was published in the Vryheid Herald and municipal website

Written representations attached in Annexure "N" have been received via email. The inputs were considered by the Mayor, Council and management at a budget workshop that took place on May 2021.

The responses to the inputs received are provided in the Annexure "N"

The LGMTEC assessment received from Provincial Treasury with comments from Directors is attached as Annexure "O"

No material amendment has been made to the tabled budget

SECTION 2 - COUNCIL RESOLUTIONS

It is recommended:

- 1. That Council approves the annual budget of the Municipality for the financial year 2021/22 and the two outer years 2022/23 and 2023/24 as per **Annexure A** (Budget schedules A1 to A10 and SA1 to SA38), **Annexure B** (Capital budget per department), **Annexure C** (capital budget per ward) and **Annexure D** (Summaries of the capital budget)*
- 2. That Council approves and adopts with effect from 1 July 2021 the proposed tariffs of Abaqulusi Municipality as contained in **Annexure E** for the 2021/22 budget year*
- 3. That Council takes note of the MFMA Budget Circulars 107 and 108 attached as **Annexure F***
- 4. That Council takes note of the KZN Provincial Treasury Circular 9 of 2021 attached as **Annexure G***

5. That Council takes note of the quality certificate signed by the Municipal Manager as per **Annexure H**
6. That Council approves the following budget related policies attached in **Annexure I**:
 - a) The tariffs policy 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
7. That the service standards attached as **Annexure J** be approved
8. That Council take note of the sector departments projects of the KZN Provincial Government in AbaQulusi Municipality for the 3-year 2021/22 MTREF, attached as **Annexure K**
9. That the Top Layer SDBIP, attached as **Annexure L** be approved
10. That the 2021/22 MTREF Procurement Plan as **Annexure M** be approved
11. That Council takes note that version 6.5 of the MSCOA classification framework was used to prepare the budget
12. That Council takes note of the public input as received on the Draft Budget including management's responses included as **Annexure N**
13. That Council takes note of the LGMTEC comments received on the Draft Budget included as **Annexure O**

SECTION 3 - EXECUTIVE SUMMARY

The draft budget was tabled a year after South Africa went into a hard lockdown on 27 March 2020. Since then a new variant was discovered and South Africa entered a second wave. It is expected by medical experts in South Africa, that a third wave of Covid-19 infections in South Africa will occur.

The South African economy regressed by 7,2% in 2020 and the projection by National Treasury of real economic growth for 2021 is 3,3%.

The outlook remains uncertain and the economic effects of the pandemic are far-reaching. There are fewer jobs and rising unemployment and income losses have entrenched existing inequalities. Although growth rates are likely to improve as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels; hence a conservative approach has been made for revenue projections.

The financial woes of Eskom continue to burden the South African public. On 16 February 2021 Eskom won a court case against NERSA allowing them to add an additional R10 billion to be recovered from consumers in the 2021/22 financial year. On the 12th of March 2021 NERSA issued a consultation paper indicating that the Eskom increase to the Municipality will be 17,8% and an overall average increase of 15,06% to Eskom's standard customers. NERSA in terms of a formula provided in their document, provides guidelines to the Municipality on how to calculate the tariffs and the electricity tariffs will increase between 14 and 20%.

The electricity increase to our consumers will be hard to swallow as electricity carries the biggest weight in the basket of municipal services to consumers and the Municipality cannot continue to provide electricity to consumers at a loss. If the electricity increase was the same as the expected inflation rate of 3,9%, the average municipal increase for a small household on all services and property rates would have been 8%. However, due to the increase, it will now be 15%. These differentials are also similar for medium and large households.

It is within this context that the municipal budget was prepared for the 2021/22 MTREF period.

The objective for the Municipality during the budget planning process was to keep the other rates and tariffs as low as possible to provide some relief in this uncertain economic environment.

A high-level summary of the 2021/22 MTREF budget is provided in the table below:

TABLE 1 CONSOLIDATED OVERVIEW OF THE DRAFT 2021/24 MTREF

Description R thousands	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<u>Financial Performance</u>						
Property rates	84 063	82 863	82 863	83 493	86 832	90 306
Service charges	270 932	268 932	268 932	312 486	324 985	334 528
Investment revenue	1 785	1 680	1 680	1 680	1 747	1 817
Transfers recognised - operational	176 689	207 388	207 388	179 728	188 044	185 623
Other own revenue	31 924	34 224	34 224	36 547	33 329	34 002
	565 393	595 087	595 087	613 934	634 938	646 276
Total Revenue (excluding capital transfers and contributions)						
Employee costs	158 254	161 129	161 129	168 228	172 340	179 233
Remuneration of councillors	19 490	19 123	19 123	19 123	19 888	20 684
Depreciation & asset impairment	45 754	45 754	45 754	42 666	47 584	49 487
Finance charges	–	–	–	–	–	–
Inventory consumed and bulk purchases	220 197	225 828	225 828	265 828	274 912	285 908
Transfers and grants	1 831	–	–	–	–	–
Other expenditure	104 877	128 045	128 045	117 708	102 729	106 723
Total Expenditure	550 403	579 878	579 878	613 553	617 453	642 035
Surplus/(Deficit)	14 990	15 208	15 208	381	17 485	4 241
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	42 782	36 182	36 182	40 548	49 978	51 666
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–
	57 772	51 390	51 390	40 928	67 463	55 907
Surplus/(Deficit) after capital transfers & contributions	–	–	–	–	–	–
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
Surplus/(Deficit) for the year	57 772	51 390	51 390	40 928	67 463	55 907
<u>Capital expenditure & funds sources</u>						
Capital expenditure	57 772	47 167	47 167	44 908	49 978	51 666
Transfers recognised - capital	42 782	40 021	40 021	38 928	49 978	51 666
Borrowing	–	–	–	–	–	–
Internally generated funds	14 990	7 146	7 146	5 980	–	–
Total sources of capital funds	57 772	47 167	47 167	44 908	49 978	51 666
<u>Financial position</u>						
Total current assets	202 411	266 557	266 557	263 500	305 634	330 833
Total non current assets	1 424 385	1 413 780	1 413 780	1 466 764	1 525 497	1 586 206
Total current liabilities	146 852	206 134	206 134	263 216	271 800	277 472
Total non current liabilities	33 002	31 615	31 615	1 147	1 193	1 241
Community wealth/Equity	1 446 942	1 442 589	1 442 589	1 465 901	1 558 139	1 638 327
<u>Cash flows</u>						
Net cash from (used) operating	(94 262)	(85 934)	(85 934)	55 578	79 610	68 993
Net cash from (used) investing	(13 611)	10 689	10 689	(36 928)	(44 978)	(51 666)
Net cash from (used) financing	–	–	–	–	–	–
Cash/cash equivalents at the year end	(79 617)	24 420	24 420	62 872	97 504	114 831

<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	(77 832)	17 820	17 820	62 872	97 504	114 831
Application of cash and investments	(127 542)	(31 854)	(31 854)	(37 359)	(34 077)	(40 234)
Balance - surplus (shortfall)	49 710	49 674	49 674	100 230	131 581	155 064
<u>Asset management</u>						
Asset register summary (WDV)	1 361 358	1 349 494	1 349 494	1 427 836	1 483 519	1 538 540
Depreciation	45 754	45 754	45 754	42 666	47 584	49 487
Renewal and Upgrading of Existing Assets	26 343	20 002	20 002	14 673	10 000	10 000
Repairs and Maintenance	20 040	25 000	25 000	37 396	24 024	24 985
<u>Free services</u>						
Cost of Free Basic Services provided	–	–	–	–	–	–
Revenue cost of free services provided	7 868	9 868	9 868	10 316	10 729	10 926
<u>Households below minimum service level</u>						
Water:	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–
Energy:	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–

Description	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousands						
Surplus/(Deficit) after capital transfers & contributions	57 772	51 390	51 390	44 909	67 287	55 723
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
Surplus/(Deficit) for the year	57 772	51 390	51 390	44 909	67 287	55 723
<u>Capital expenditure & funds sources</u>						
Capital expenditure	57 772	47 167	47 167	44 909	49 978	51 666
Transfers recognised - capital	42 782	40 021	40 021	38 928	49 978	51 666
Borrowing	–	–	–	0	–	–
Internally generated funds	14 990	7 146	7 146	5 981	–	–
Total sources of capital funds	57 772	47 167	47 167	44 909	49 978	51 666
<u>Financial position</u>						
Total current assets	202 411	266 557	266 557	257 355	299 476	324 723
Total noncurrent assets	1 424 385	1 413 780	1 413 780	1 459 697	1 525 497	1 586 206
Total current liabilities	146 852	206 134	206 134	256 709	271 976	277 655
Total noncurrent liabilities	33 002	31 615	31 615	2 304	2 397	2 492
Community wealth/Equity	1 446 942	1 442 589	1 442 589	1 458 039	1 550 600	1 630 781
<u>Cash flows</u>						
Net cash from (used) operating	-94 262	-77 545	-77 545	47 716	79 610	68 993
Net cash from (used) investing	13 611	-4 179	-4 179	-36 428	-44 978	-51 666
Net cash from (used) financing	–	–	–	–	–	–
Cash/cash equivalents at the year end	-52 394	17 942	17 942	55 510	90 142	107 468
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	-77 832	17 820	17 820	55 510	90 142	107 468
Application of cash and investments	-127 542	-31 854	-31 854	-36 918	-34 968	-41 161
Balance - surplus (shortfall)	49 710	49 674	49 674	92 427	125 110	148 629
<u>Asset management</u>						
Asset register summary (WDV)	1 361 358	1 349 494	1 349 494	1 420 769	1 483 519	1 538 540
Depreciation	45 754	45 754	45 754	45 754	47 584	49 487
Renewal and Upgrading of Existing Assets	26 343	20 002	20 002	14 673	10 000	10 000
Repairs and Maintenance	20 040	25 000	25 000	37 146	24 024	24 985
<u>Free services</u>						
Cost of Free Basic Services provided	–	–	–	–	–	–
Revenue cost of free services provided	15	15	15	2 615	2 719	2 728
<u>Households below minimum service level</u>						
Water:	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–
Energy:	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–

Total operating revenue has increased by R18,8 million for the 2021/22 financial year when compared to the 2020/21 Adjustment Budget. For the two outer years, operational revenue will increase, equating to a total revenue growth of R51,1 million over the MTREF when compared to the 2020/21 financial year.

Total operating expenditure for the 2021/22 financial year has been appropriated at R613,5 million. When compared to the 2020/21 Adjustment Budget, operational expenditure has increased by 5.6% in the 2021/22 budget and 4,2% and 4,4% increases for each of the respective outer years of the MTREF. The budget for bulk purchases to Eskom has increased to 17,8% as announced by NERSA and the employment budget has increased by 5% as per the MFMA Circulars 107 & 108 as the salary agreement has come to an end and a new agreement is under consultation.

The capital budget of R 40,5 million for 2021/22 is less when compared to the 2020/21 Adjustment Budget. The decrease is due to limited capital funding from INEP as well as own revenue being allocated for 2021/22 for the purchase of the 2 x water tankers and cherry picker, computer equipment, call centre equipment, tools of the trade for technical department and public safety employees and landfill site equipment. The capital program increases to R49,9 million in the 2022/23 financial year due and then increases to R51,6 million in 2023/24. Currently a limited amount of funding for the capital budget will be funded from internally generated funds in each of the financial years of the MTREF. Capital from government grants and transfers amounts to R 38,9 million which is R2,7 million more than the 2020/21 financial year. Of the R3,3 million allocated to the Municipality from INEP an amount of R1,7 million has been allocated as capital projects for the Municipality, the remainder of the funds is for electrification in Eskom areas and the funds for that portion are shown under general expenses as the project does not become a capital item of the Municipality but is handed back to Eskom on completion.

TARIFFS

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

PROPERTY RATES

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the Municipality's budgeting process. In the 2020/2021 financial year there was no percentage increase for property rates due to the implementation of the new property rates register, however this year there will be a 4,1% increase. The rates revenue is expected to increase the current value from R82,8 million to R83,4 million. All households receive a rebate on the first R 15,000 and indigent residents a further R 115,000. All businesses receive a rebate on the first R300,000.

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

The following stipulations in the Property Rates Policy are highlighted:

- *The first R 15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).*
- *100 % rebate will be granted to registered indigents in terms of the Indigent Policy;*
- *For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 % (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:*
 - *The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;*
 - *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.*
- *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.*
- *All business properties will receive a R300,000 rebate*

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2021/22 financial year based on a 0,41% increase from 1 July 2021 is contained below:

TABLE 2 COMPARISON OF PROPOSED RATES TO BE LEVIED FOR THE 2021/22 FINANCIAL YEAR

Category	Current Tariff (1 July 2020)	Proposed tariff (from 1 July 2021)
Residential properties	0,0090245	0,0093945
State owned properties	0,0225613	0,0234863
Business & Commercial	0,0225613	0,0234863
Agricultural	0,0022563	0,0023488
Vacant land	0,0225613	0,0234863
Municipal rateable – Residential	0,0090245	0,0093945
Industrial	0,0225613	0,0234863
Non-permitted use/Illegal usage	0,0225613	0,0234863
Public benefit organisation properties	0,0022563	0,0023488
Special consent	0,0225613	0,0234863

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 increased from 48% in 2017/18 to 60% in 2018/19 and increased to 74% in 2019/20.

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.

A tariff increase between 4 and 6% from 1 July 2021 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.

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

TABLE 3 PROPOSED WATER TARIFFS

CATEGORY	CURRENT TARIFFS 2020/21	PROPOSED TARIFFS 2021/22
	Rand per kl	Rand per kl
RESIDENTIAL		
(i) 0 to 6 kl per 30-day period	11.58	12.04
(ii) 6.01 to 15 kl per 30-day period	11.58	12.04
(iii) 15.01 to 30 kl per 30-day period	11.58	12.16
(iv) 30.01 to 99 kl per 30-day period	12.64	13.34
(v) More than 99.01 per 30-day period	14.68	15.56
BUSINESS		
(i) 0 to 6 kl per 30-day period	11.58	12.04
(ii) 6.01 to 30 kl per 30-day period	11.58	12.04
(iii) 30.01 to 99 kl per 30-day period	11.58	12.16
(iv) 30.01 to 99 kl per 30-day period	12.64	13.34
(v) More than 99.01 per 30-day period	14.68	15.56

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

Table 4 Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
6	69.48	72.24	2.76	4.0%
10	115.80	120.40	4.60	4.0%
20	231.60	243.20	11.60	5.0%
30	347.40	364.80	17.40	5.0%
50	632.00	667.00	35.00	5.5%

Monthly Consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
80	1011.20	1067.20	56.00	5.5%
100	1468.00	1556.00	88.00	6.0%

The tariff structure for this financial year has changed to include another block tariff. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R15.00 per kilolitre for consumption in excess of 30kℓ per 30-day period.

SALE OF ELECTRICITY AND IMPACT OF TARIFF INCREASES

NERSA is responsible for price determination of the bulk costs for electricity. NERSA approved Eskom's Retail Tariff Structural Adjustment on 5 March 2021, which resulted in an increase of 17,8% to municipalities and an overall average increase of 15,06% to Eskom's standard consumers.

The Electricity Pricing Policy document seeks to obtain a balance between several competing objectives, which include affordable electricity for the low-income consumers and cost-reflective tariffs for all the other consumers. As a result, electricity prices should reflect efficient market signals, accurate cost of supply and associated price levels that will ensure financial viability of the electricity sector in its entirety.

Tariffs need to be set at a level that will not only ensure that the Municipality generates sufficient revenue to cover the full cost but also allow the Municipality to obtain reasonably priced funding. Due to the gap between the licensee's sustainability (cost reflectivity) and customer affordability NERSA has moved towards a cost-based approach when setting tariffs for municipalities.

The tariffs are being restructured and implemented in a manner that will not negatively impact the Municipality as has been in the past where the Municipality is not generating sufficient revenue to cover the cost of the Eskom account.

The Municipality will submit the request to NERSA for approval and the outcome will be tabled with the final document in May 2021.

An analysis of the Municipality's consumption patterns is currently being done to calculate more accurate tariffs and will be submitted to NERSA for approval. The draft tariff increase is between 14% and 20%. The Section is supposed to be ring fenced, but due to the theft of electricity due to tampering and bypassing of meters is not possible and again as in the past the shortfall of approximately R50 million must be funded from other revenue sources within the municipal revenue stream.

To assist the Municipality in addressing the additional costs charged by Eskom to the Municipality a new network capacity charge will be implemented for all consumers as well as high season tariffs for the 3 months (July, August and June) when the amount charged by Eskom to the Municipality increases more than double. If the Municipality does not implement these additional tariffs it will not be in a position to carry out much needed maintenance on the ageing infrastructure.

Registered indigents will again be granted 50 kWh per 30-day period free of charge and will not be required to pay the network demand capacity charge.

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

TABLE 5 COMPARISON BETWEEN CURRENT ELECTRICITY CHARGES AND INCREASES (DOMESTIC) `

Low Season			
Conventional			
Tariff blocks	c/kWh Current	c/kWh 2021/22	Increase
Block 1 (0-50) kWh	98.56	112.36	13.80
Block 2 (51-350) kWh	139.57	159.11	19.54
Block 3 (351-600) kWh	198.3	237.96	39.66
Block 4 (>600) kWh	234	280.80	46.80

High Season			
Conventional			
Tariff blocks	c/kWh Current	c/kWh 2021/22	Increase
Block 1 (0-50) kWh	98.56	112.36	13.80
Block 2 (51-350) kWh	139.57	167.48	27.91
Block 3 (351-600) kWh	198.3	257.79	59.49
Block 4 (>600) kWh	234	304.20	70.20

Low Season			
Prepaid			
Tariff blocks	c/kWh Current	c/kWh 2021/22	Increase
Block 1 (0-50) kWh	112.32	128.04	15.72
Block 2 (51-350) kWh	153.25	174.71	21.46
Block 3 (351-600) kWh	209	250.80	41.80
Block 4 (>600) kWh	262.55	315.06	52.51

High Season Prepaid			
Tariff blocks	c/kWh Current	c/kWh 2021/22	Increase
<i>Block 1 (0-50) kWh</i>	<i>112.32</i>	<i>128.04</i>	<i>15.72</i>
<i>Block 2 (51-350) kWh</i>	<i>153.25</i>	<i>183.90</i>	<i>30.65</i>
<i>Block 3 (351-600) kWh</i>	<i>209</i>	<i>271.70</i>	<i>62.70</i>
<i>Block 4 (>600) kWh</i>	<i>262.55</i>	<i>341.32</i>	<i>78.77</i>

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 reticulation network was designed or strengthened in the early 1980's with an expected 20-25-year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Electricity losses have decreased from 22% in 2017/18 to 19% in 2018/19 and for 2019/20 decreased to 17%.

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

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. It must be noted that ESKOM will receive an amount of R 27,4 million to perform electrification and this will then have to be maintained by the Municipality.

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

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

SANITATION AND IMPACT OF TARIFF INCREASES

A tariff increase of 4% for sanitation from 1 July 2021 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% (R6 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 6 COMPARISON BETWEEN CURRENT SANITATION CHARGES AND INCREASES

KZN263 AbaQulusi - Supporting Table SA13a Service Tariffs by category									
Description	Ref	Provide description of tariff structure where appropriate	2017/18	2018/19	2019/20	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
							Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<u>Waste water tariffs</u>									
Domestic									
Basic charge/fixed fee (Rands/month)					87.25	151.57	157.63	164.25	171.48
Service point - vacant land (Rands/month)					87.25	151.57	157.63	164.25	171.48
Waste water - flat rate tariff (c/kl)					87.25	151.57	157.63	164.25	171.48
Volumetric charge - Block 1 (c/kl)		0 - 30			11.03	11.58	12.04	12.55	13.10
Volumetric charge - Block 2 (c/kl)		30.01 - 99			11.03	11.58	12.04	12.55	13.10
Volumetric charge - Block 3 (c/kl)		99.01 - <			12.04	12.64	13.15	13.70	14.31
Volumetric charge - Block 4 (c/kl)		(fill in structure)							
Other	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 have a deficit. It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 4% increase in the waste removal tariff is proposed from 1 July 2021. Higher increases will not be viable in 2021/22 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.

An additional R27 has been added to the basic charge which will be utilised for the upgrading and maintaining of the landfill site

The following table compares current and proposed amounts payable from 1 July 2021:

TABLE 7 COMPARISON BETWEEN CURRENT WASTE REMOVAL FEES AND INCREASES

KZN263 AbaQulusi - Supporting Table SA13a Service Tariffs by category									
Description	Ref	Provide description of tariff structure where appropriate	2017/18	2018/19	2019/20	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
							Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Waste management tariffs									
Domestic									
Street cleaning charge									
Basic charge/fixed fee					103.76	108.95	140.00	145.88	152.30
80l bin - once a week					325.34	348.11	362.03	377.24	393.83
250l bin - once a week					3 806.29	4 072.73	4 235.65	4 413.55	4 607.74

EXPLANATION OF TARIFF INCREASES ON HOUSEHOLDS

MFMA Circular 108, attached as **Annexure F**, requires that all increases more than the inflation target of 3.9% for 2021/22 must be explained and justified

Property rates increases with 4.1%

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.

Included in the above increase is a new rebate of 18% for all businesses

The explanation for the **Electricity** increase was provided in the explanation of the tariff above

Water increases by 4%

Refuse increases by 4% with an additional increase of R27 added to the basic charge for the upgrade and maintenance of the landfill site

Sewerage increases by 4%

Sundry tariffs increase by 4% with the exception of Town Planning tariffs which increase by 10% to be more in line with other similar grade municipalities that have been benchmarked with.

Financial support provided to indigent households

AbaQulusi Municipality provides free basic services to poor households as a means of poverty alleviation. This support is to households who are unable to pay, or struggle to pay for their basic services.

Households with an income base below a determined threshold of less than R3,780 will receive on application a 100% subsidy. These consumers should apply to be registered as an indigent household as defined in the indigent policy of Council and will be included in the indigent register to obtain the benefit.

Indigent households will in 2021/22 receive free 50 electricity units per month, plus will be exempt from paying the R140 per month demand side management levy, water (6 kilolitres per month), free refuse removal and free sanitation based on a developed erf size of 250 square meters.

In respect of property rates, the first R130,000 value of the residential properties of indigents are exempted.

Child headed households are furthermore subsidised in the same manner as a 100% qualifying indigent household

Financial support to pensioners, physically disabled persons and mentally disabled persons

A special rebate on property rates is provided to the abovementioned based on their monthly income levels, which is indicated in the table below:

Monthly Income	% Rebate
Between R0 - R10,000	100%
Between R10,001 - R15,000	70%
Between R15,001 - R20,000	50%
Above R20,000	0%

OPERATING BUDGET

A summary of the operating budget is provided in the table below

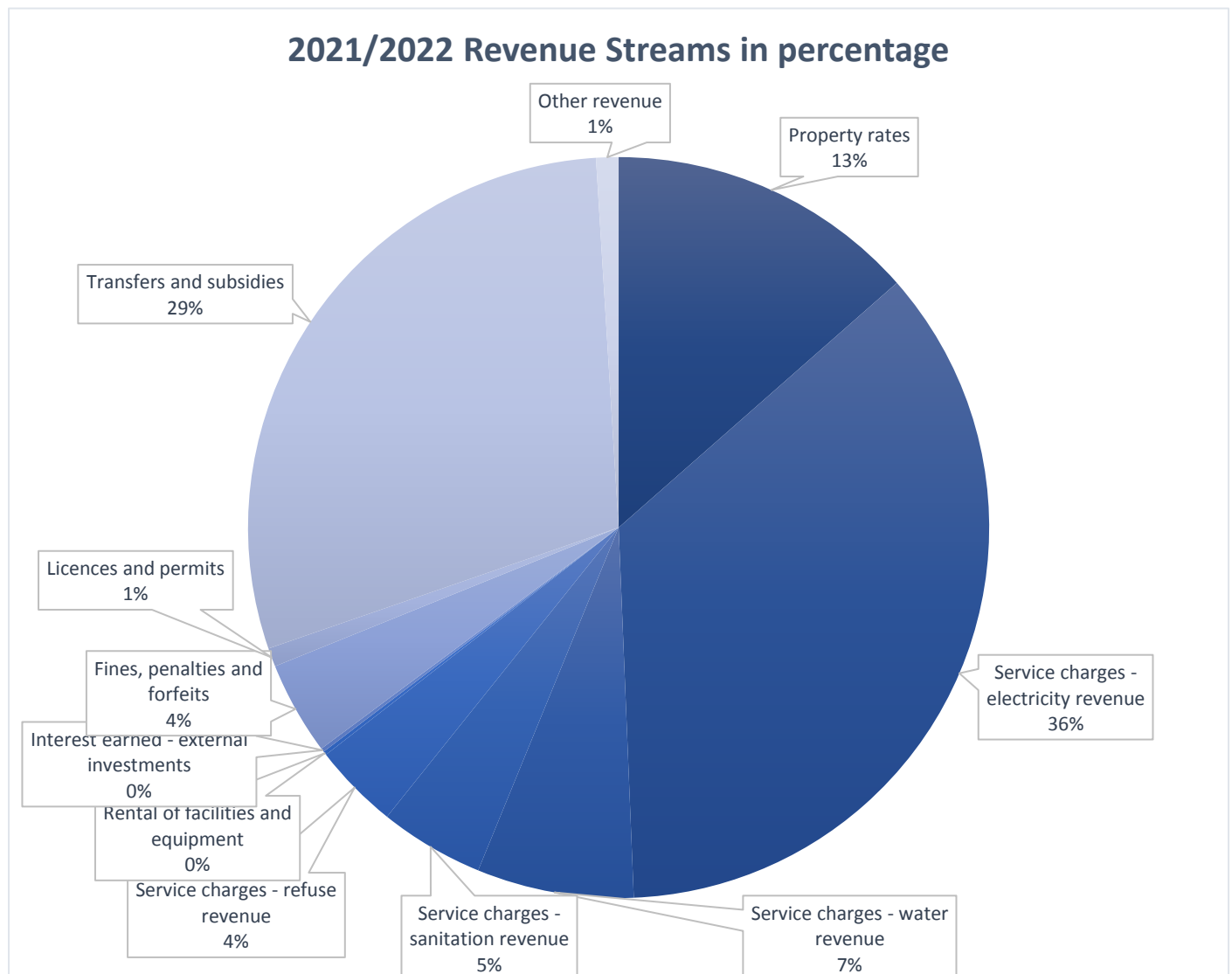
TABLE

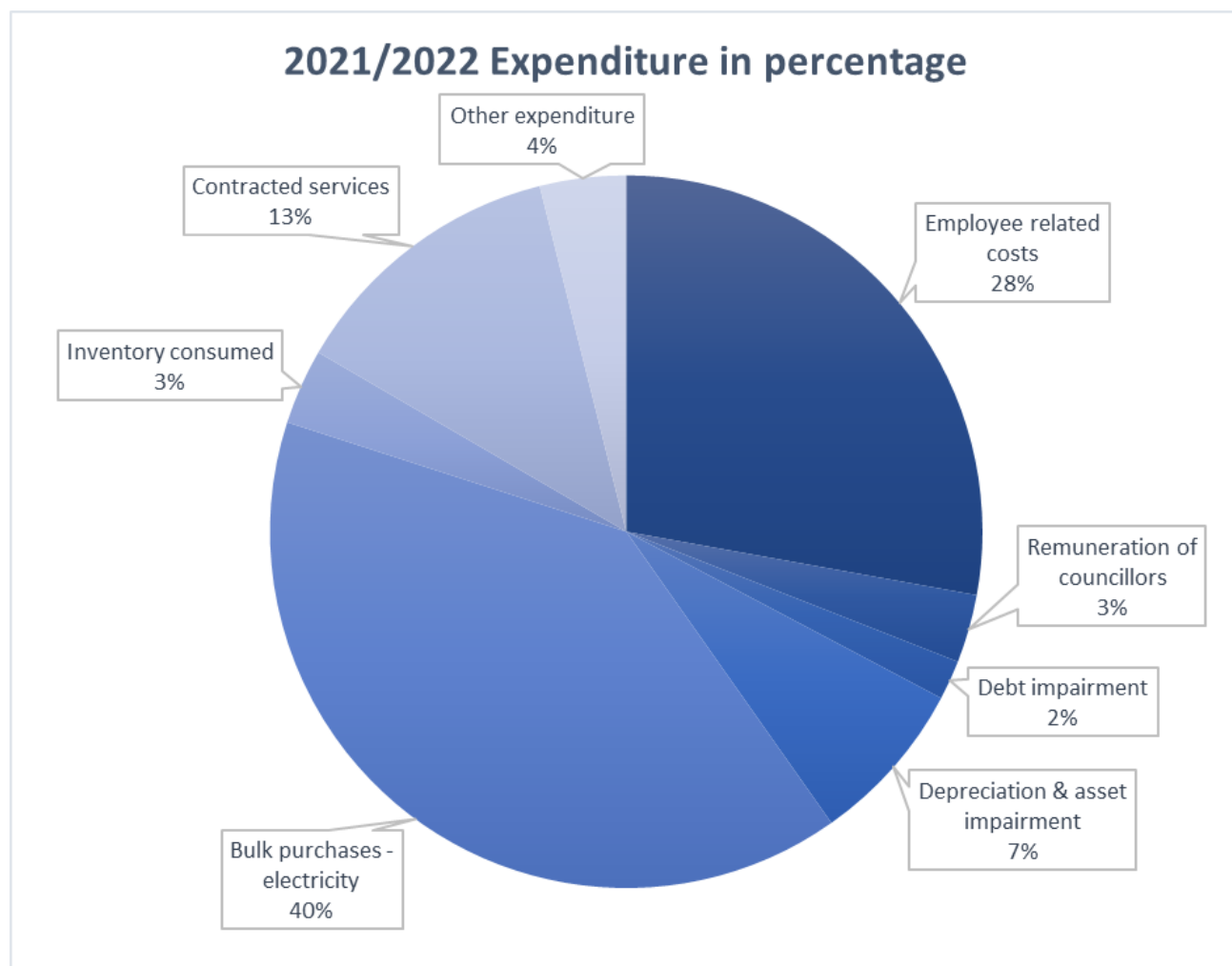
TABLE A4 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

Description	2019/20	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand						
<u>Revenue By Source</u>						

Property rates	94 550	84 063	82 863	83 493	86 832	90 306
Service charges - electricity revenue	182 861	186 503	184 503	219 846	228 639	237 785
Service charges - water revenue	34 542	39 317	39 317	41 679	43 346	43 567
Service charges - sanitation revenue	29 097	26 693	26 693	27 787	28 899	28 995
Service charges - refuse revenue	16 193	18 419	18 419	23 174	24 101	24 181
Rental of facilities and equipment	1 141	1 050	1 050	1 050	1 092	1 124
Interest earned - external investments	1 867	1 785	1 680	1 680	1 747	1 817
Interest earned - outstanding debtors	11 478	–	–	–	–	–
Dividends received	–	–	–	–	–	–
Fines, penalties and forfeits	11 195	24 254	24 254	24 773	25 764	26 349
Licences and permits	3 646	5 148	5 148	5 148	5 354	5 374
Agency services	–	–	–	–	–	–
Transfers and subsidies	179 986	176 689	207 388	179 728	188 044	185 623
Other revenue	968	1 472	3 772	5 576	1 119	1 156
Gains	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	567 524	565 393	595 087	613 934	634 938	646 276
Expenditure By Type						
Employee related costs	141 715	158 254	161 129	168 228	172 340	179 233
Remuneration of councillors	15 036	19 490	19 123	19 123	19 888	20 684
Debt impairment	17 343	5 612	23 052	6 730	12 240	12 730
Depreciation & asset impairment	48 544	45 754	45 754	42 666	47 584	49 487
Finance charges	1 227	–	–	–	–	–
Bulk purchases - electricity	215 715	191 904	206 800	240 000	253 355	263 489
Inventory consumed	13 880	28 293	19 028	25 828	21 557	22 419
Contracted services	74 764	65 074	80 432	85 660	65 362	67 861
Transfers and subsidies	12 316	1 831	–	–	–	–
Other expenditure	37 317	34 192	24 561	25 318	25 127	26 132
Losses	5 046	–	–	–	–	–
Total Expenditure	582 904	550 403	579 878	613 553	617 453	642 035
Surplus/(Deficit)	(15 381)	14 990	15 208	381	17 485	4 241
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 399	42 782	36 182	40 548	49 978	51 666
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)	1 721	–	–	–	–	–
	26 739	57 772	51 390	40 928	67 463	55 907
Surplus/(Deficit) after capital transfers & contributions						
Taxation	–	–	–	–	–	–
Surplus/(Deficit) after taxation	26 739	57 772	51 390	40 928	67 463	55 907
Attributable to minorities	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	26 739	57 772	51 390	40 928	67 463	55 907
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
Surplus/(Deficit) for the year	26 739	57 772	51 390	40 928	67 463	55 907

The main contributors to the operating revenue and expenditure of the 2021/22 financial year are indicated in the two graphs below

Operating Revenue Budget

Operating Expenditure Budget*Budgeted operating surplus/deficit*

The budgeted operating deficit or surplus for the 3-year 2021/22 MTREF period is R381 thousand (surplus), R17,4 million (surplus) and R4,2 million (surplus) respectively.

Capital budget – Infrastructure projects

National Treasury has urged municipalities to prioritize spending on infrastructure. The summary per category of infrastructure projects over the MTREF is listed in the table below.

Infrastructure projects comprise 87,4% of the total capital budget in 2021/22, 85% in 2022/23 and 85% in 2023/24

Infrastructure projects as 5,92% of total expenditure budget

Repairs and maintenance expenditure

The budget for repairs and maintenance for 2021/22, 2022/23 and 2023/24 is R25,8 million, R21,5 million and R22,4 million respectively.

The amounts reflected as repairs and maintenance only represents materials and contracted services. No labour and vehicle costs incurred by the Municipality is currently allocated to repairs and maintenance due to the absence of a full costing system. The real repairs and maintenance are therefore higher than the amount reflected in the budget documents.

	2020/21 Adjustment Budget	Budget 2021/22	Budget 2022/23	Budget 2023/24
<i>Repairs and maintenance</i>	19 028 000.00	25 828 000.00	21 557 316.00	22 419 216.00
<i>Movement from the previous year</i>	37.09%	8.93%	4%	4%
<i>As a % of operating expenditure</i>	3.28%	4.2%	3.51%	3.65%

Cost containment measures

The Municipality has implemented a cost containment policy in July 2019. Since Covid-19 the Municipality had to reduce its operating budget even more through a cost reduction of certain line items of operating expenditure.

Conclusion

Currently there are many economic uncertainties. Many households and businesses are in distress. We don't know the answers, but we put our trust in the Lord and in His word

PART 2 – SUPPORTING DOCUMENTATION*Overview of annual budget process*

The overview of the 2021/22 Budget and IDP process is provided in the table below

<i>Budget and IDP timetable approved by Council</i>	4 February 2021
<i>IDP public participation process</i>	2 – 10 December 2020
<i>Budget steering committee meetings</i>	2 – 4 March 2021
<i>Departments requested to budget in accordance with IDP needs</i>	2 – 4 March 2021
<i>Table Budget and IDP to Council</i>	24 March 2021

<i>Advertise Budget in the local newspaper</i>	<i>1 April 2021</i>
<i>Public Participation meetings</i>	
<i>Closing of comments and representations on the IDP and tabled budget</i>	<i>7 May 2021</i>
<i>Workshop with Council on budget related policies and public inputs</i>	<i>May 2021</i>
<i>Engagement with Provincial Treasury</i>	<i>12 May 2021</i>
<i>Consideration of final budget approval by Council</i>	<i>May 2021</i>

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 2021/22 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP STRATEGIC OBJECTIVES

Key Performance Area: Basic Service Delivery and Infrastructure Development

Goal: To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure.

Key Focus Area	IDP Ref. No.	Development Objectives	Development Strategies
1. Roads	1	Expand accessibility in various wards by 2022.	<ul style="list-style-type: none"> Constructing New Gravel Roads Constructing new tarred and paved roads Constructing new cause ways Spatially capture roads infrastructure
	2	Maintain existing Roads in rural & urban areas by 2022.	<ul style="list-style-type: none"> Upgrading of gravel roads to tar Re-gravelling of roads Resealing of Roads Rehabilitation of existing tar roads Blading of roads Spatially capture road infrastructure
2. Storm Water	3	Building and maintaining Storm Water Infrastructure by 2022.	<ul style="list-style-type: none"> Construction of new storm water drains Cleaning of storm water drains Spatially capture storm water infrastructure
3. Sanitation	4	Expand Sanitation accessibility in various wards by 2022.	<ul style="list-style-type: none"> Establishment of new sewer lines Provision of VIP in rural areas Constructing Public Ablutions Spatially capture sanitation infrastructure
	5	Maintain and replace existing Sanitation Infrastructure by 2022.	<ul style="list-style-type: none"> Replace old sanitation pipes Upgrading of sewer main lines Upgrade of the WWTW
4. Water	6	Expand water accessibility in various wards by 2022.	<ul style="list-style-type: none"> Installation of new water connections Upgrade of water main lines Spatially capture water infrastructure
	7	Maintain and replace existing Water Infrastructure by 2022.	<ul style="list-style-type: none"> Replace old water Pipes Repairs to water lines Repairs to existing water pumps Maintain purification treatment plants

Key Performance Area: Basic Service Delivery and Infrastructure Development

Goal: To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure.

Key Focus Area	IDP Ref. No.	Development Objectives	Development Strategies
5. Electricity	8	Expand electrical accessibility in various wards by 2022.	<ul style="list-style-type: none"> • Installation of New electrical connections
	9	Expand and Maintain existing network electricity in urban and rural areas by 2022. Provide alternative energy	<ul style="list-style-type: none"> • Installation of Electrical Meters • Installation and repairs of High Mast Lights • General Infrastructure- maintenance on mini and major substations • Upgrade existing transformers • Repairs to Robots • Provision of solar geysers and street lights • Provision of solar panels in urban and rural areas • Spatially capture electricity infrastructure • Master sector plans to be in place
6. Sport fields & Parks	10	Expand accessibility and maintenance of Sports fields and Parks in various wards by 2022.	<ul style="list-style-type: none"> • Construction and maintenance of new Sports fields and Parks in various wards • Upgrade and revamp existing Sports fields and Parks
7. Community Halls	11	Expand accessibility and maintenance of Community Halls in various wards by 2022.	<ul style="list-style-type: none"> • Construction and maintenance of New Community Halls • Upgrade and revamp existing Community Halls
8. Cemeteries	12	Expand accessibility and maintenance of Community Cemeteries in various wards by 2022.	<ul style="list-style-type: none"> • Construction and maintenance of Cemeteries • Upgrade and revamp existing Cemeteries • Fencing of all unused cemeteries • Identify and establish new cemeteries
9. Community Services Centres	13	Expand accessibility and maintenance of Community Services Centres in various wards by 2022.	<ul style="list-style-type: none"> • Upgrade and revamp existing Community Services Centres • Construction of New CSCs

Key Performance Area: Basic Service Delivery and Infrastructure Development

Goal: To reduce levels of infrastructure backlogs by providing Basic Services, Facilities and maintaining existing infrastructure.

Key Focus Area	IDP Ref. No.	Development Objectives	Development Strategies
10. Libraries	14	Expand accessibility and maintenance of Libraries in various wards by 2022.	<ul style="list-style-type: none"> • Construction of new Libraries • Upgrade and Maintain existing Libraries
11. Refuse Removal	15	Expand accessibility of Refuse Services in various wards by 2022.	<ul style="list-style-type: none"> • Identify new areas and settlements to offer Refuse Services • Integrated waste management plan
12. Human Settlements	16	To provide sustainable human settlements to the people of AbaQulusi by 2022	<ul style="list-style-type: none"> • Identify and Secure land prior to project approval • Ensure appointment of experienced and qualified implementing agents • Land disposal policy for public use • Strengthen Intergovernmental Relations • Land identification and release • facilitation of bulk service provision • Facilitate Land Release • Approval and implementation of the Housing Sector Plan • Set up housing consumer education programme • Linking of the HSP to SDF, IDP and Comprehensive CIF • Middle income housing development

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure integrated and sustainable provision of infrastructure that will lead to better living conditions for all our people.

National Development Plan identified the following primary challenges pertaining to this**KPA:**

- Infrastructure is poorly located, inadequate, and under- maintained;
- Public services are uneven and often of poor quality;
- Corruption levels are high; and

Cabinet Outcomes:

- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities with food security for all
- Sustainable human settlements and improved quality of households' life

KZN Provincial Growth and Development Plan/Strategy

- Human and Community Development
- Strategic Infrastructure

Back to Basics Program:

- Basic Services: Creating decent living conditions

Zululand District Growth and Development Plan

- Strategic Infrastructure

Batho Pele Principles:

- Service Standards
- Access
- Redress
- Value for money

AbaQulusi Municipality

The goal, focus areas, Action plans and eventual projects of the Municipality is all directly aligned with the broader governmental strategic documents to ensure the strategic use of scarce resources to provide new and maintain existing services in the Municipality. The compilation of a maintenance Plan as well as an infrastructure delivery plan will ensure transparency and the curbing of unrealistic expectations while striving towards reaching the Municipality's vision and giving effect to the national and provincial strategies.

The implementation of the Strategies for the 11 identified Focus Areas will ensure that the community of AbaQulusi Municipality enjoys an improved quality of life with the concomitant opportunities and that our places where we live, work and play are situated in an environment conducive to an ever-increasing quality of live.

Key Performance Area: Municipal Transformation and Institutional Development

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

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Human Resources Management	17	To ensure that the Municipality practice sound Human Resources management by 2022.	<ul style="list-style-type: none"> • Conduct Workshops on labour relations • Ensure functionality of Local Labour Forum • Formulate, review and adopt new and existing HR Policies. • Review and adopt Employment Equity plan • Review and adopt recruitment Plan and strategy • Review and adopt Retention strategy • Review and adopt organizational structure • Review Job descriptions • Fast track filling of critical vacant posts
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 June 2022.	<ul style="list-style-type: none"> • Develop/Review Workplace Skills Plan. • Develop/Review Induction Plan. • Ensure functionality of OHS Committee and other HRD related committees. • Develop/Review training policy • Develop/Review Wellness Programme. • Facilitate skills audit for municipal employees. • Facilitate skills audit for councillors • Facilitate Female councillors' empowerment • Continued professional development (CPD) for all professionals serving in the Municipality • MFMP training for Staff and Councillors

Key Performance Area: Municipal Transformation and Institutional Development

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

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
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 2022	<ul style="list-style-type: none"> • Develop and adopt Council Annual Programme • Monitoring and implementation of the Council Annual Programme • Monitoring the execution of Council resolutions • Provision of Administrative Support to Council and its Committees
4. Records Management	20	To ensure effective management of all internal and external records by 2022	<ul style="list-style-type: none"> • Implementation of Records Management Policy
5. Fleet Management	21	To ensure effective management of fleet by 2022	<ul style="list-style-type: none"> • Implementation of Fleet Management Policy
6. Information Technology	22	To provide a secure ICT infrastructure which delivers appropriate levels of Confidentiality, integrity, availability, stability and growth by 2022.	<ul style="list-style-type: none"> • Development and monitoring of ICT infrastructure and relevant security mechanisms with provision of reports. • Workshop of ICT Policies and Procedures to staff. • Development of Intranet to provide basic information on Email and Internet security standards for users. • Ensure ICT secure procedures are followed. • Ensure security mechanisms are in place to ensure confidentiality and integrity of data. • Upgrade, and maintain relevant equipment and infrastructure to ensure stability of ICT infrastructure • Providing ICT Tools of trade.

Key Performance Area: Municipal Transformation and Institutional Development

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

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
			<ul style="list-style-type: none"> • Upgrading to new technologies. • Updating/Upgrading to new software as part of the new technology drive forward. • Renewal and expansion of DR and Data Backup Systems • Develop compliance/Intranet calendar for staff on the Intranet as reference model to assist in providing staff with deadline dates for ALL reports. • Develop backup and replicate information for future reference • Procure CAD software for engineering drawings

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure that the internal institution is structured and operating in a way that ensure optimal service provision.

National Development Plan identified the following primary challenges pertaining to this

KPA:

- Public services are uneven and often of poor quality;
- Corruption levels are high; and
- South Africa remains a divided society.

Cabinet Outcomes:

- A skilled and capable workforce to support an inclusive growth path
- A responsive, accountable, effective and efficient local government system and inclusive citizenship

- An efficient, effective and development orientated public service and an empowered, fair

KZN Provincial Growth and Development Plan/Strategy

- Human Resource Development

Back to Basics Program:

- Good Governance
- Public Participation
- Institutional Capacity

Zululand District Growth and Development Plan

- Human Resource Development
- Human and Community Development
- Governance and Policy

Batho Pele Principles:

- 1: Consultation
- 2: Service Standards
- 3: Access
- 4: Courtesy
- 5: Information
- 8: Value for money
- 6: Openness and transparency

AbaQulusi Municipality

The goal, focus areas, development strategies and eventual projects of the Municipality are all directly aligned with the broader governmental strategic documents to ensure that the internal structure of the Municipality is established in such a way that the organization has the capacity to warrant optimised service delivery to the people in its area.

The focus of this KPA is to be a service provider to the organisation itself. The mandate of this KPA provides the responsible officials with the task to ensure effective, efficient, capable and qualified human and administrative resources that will see to it that the institution can effectively do its service delivery. The contribution of this KPA can make or break the organisation it therefore needs to be strong, capable and virtuous.

Key Performance Area: Financial Viability & Management

Goal: Ensure sound financial management and accountability

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Revenue	23	Ensure the Municipal Revenue Streams are optimised	<ul style="list-style-type: none"> • Conducting Daily control check and balances of cashiers and banking of cash • Conducting Monthly updating of valuation roll and financial system to secure correct billing of rates • Monitor Billing vs Payment system • Update Indigent Register • Visiting satellite offices regularly to verify and secure financial procedures and income • Implement Revenue enhancement committee resolutions • Amendment to the credit control policy • Timeous and accurate reading of meters • Handing over of long outstanding/selling of debtors • Ensure reconciliations are performed daily, weekly and monthly respectively
2. Expenditure	24	To ensure effective expenditure control	<ul style="list-style-type: none"> • Ensure payment of service providers within 30 days • Ensure reconciliations are performed daily, weekly and monthly respectively • Verification of all orders and invoices correctness before payment is done using check list and financial system and procedures • Timeous payment of salaries and third parties • Timeous submission of VAT and PAYE to SARS • Verification of correct allocation of orders

Key Performance Area: Financial Viability & Management

Goal: Ensure sound financial management and accountability

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
3. SCM	25	To strengthen the Supply Chain Unit and Processes	<ul style="list-style-type: none"> • Develop Municipal Procurement Plan • Implement supplier's database in line with National Treasury's Central Suppliers Database • Review SCM Policy • Submission of Irregular expenditure report to COGTA on a monthly basis • Provide training and skills development to officials involved in procurement processes • Verification of Service Providers
4. Assets	26	To Maintain Fixed Assets of the Municipality	<ul style="list-style-type: none"> • Maintain fixed assets register on a monthly basis • Updating of all purchases and spot check visits to offices • Maintaining the Fixed Assets Register in terms of the Fixed Assets Policy and GRAP 17 monthly • Quarterly verification of inventory • Ensure reconciliations are performed daily, weekly and monthly respectively •
5. Financial Reporting	27	Ensure that financial reporting conforms to all legal and institutional requirements	<ul style="list-style-type: none"> • Develop Draft Budget annually • Develop and Adopt Final Budget annually • Develop and adopt Final Budget Process Plan annually • Submission of Monthly Section 71, Quarterly Section 52 & Half Year Section 72 Report • Develop Adjustment budget in line with section 72 reports • Annual adoption of policies and procedures

Key Performance Area: Financial Viability & Management

Goal: Ensure sound financial management and accountability

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
			<ul style="list-style-type: none"> Ensure reconciliations are performed daily, weekly and monthly respectively

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure that the institution provides services to its personnel, consumers and suppliers.

National Development Plan identified the following primary challenges pertaining to this KPA:

- Public services are uneven and often of poor quality;
- Corruption levels are high; and

Cabinet Outcomes:

- An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship
- A responsive, accountable, effective and efficient local government system

KZN Provincial Growth and Development Plan/Strategy

- Governance and Policy

Back to Basics Program:

- Good Governance
- Financial Management
- Institutional Capacity

Zululand District Growth and Development Plan

- Governance and Policy

Batho Pele Principles:

- Consultation
- Service Standards
- Access
- Courtesy
- Information
- Value for money
- Openness and transparency

AbaQulusi Municipality

The goal, focus areas, development strategies and eventual projects of the Municipality are all directly aligned with the broader governmental strategic documents to ensure that the financial affairs of the Municipality confirms to legal requirements, strife towards an approved audit report and do all payment timeously.

The focus of this KPA is to be a service provider to the organisation itself as well as it's consumers and suppliers. The mandate of this KPA provides the responsible officials with the task to ensure the responsible, honest management of tax payers' money. This KPA is mainly targeted on legal compliance and need to be implemented with absolute accountability, skill and without any prejudice.

Key Performance Area: Good Governance and Community Participation			
Goal: To be a Responsible, accountable, effective and efficient developmental Municipality			
Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Communication and customer satisfaction	28	To revive and strengthen Communications by 2022	<ul style="list-style-type: none"> • Develop/adopt communication strategy • Review the Communication Strategy
	29	To engage and improve customer satisfaction by 2022	<ul style="list-style-type: none"> • Develop a customer care centre • Appoint a customer care committee • Conduct customer service satisfaction surveys on regular basis

Key Performance Area: Good Governance and Community Participation

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

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
			<ul style="list-style-type: none"> Establish “suggestion boxes’ at all municipal offices Utilisation of the municipal “hotline” system Establish additional municipal satellite offices
2. Internal Audit	30	To provide an assurance on the effectiveness of governance, risk management and internal control by 2022	<ul style="list-style-type: none"> Develop and implement the annual internal audit coverage plan Develop and implement quality assurance programmes to assess the effectiveness of internal audit unit Discuss and submit internal audit reports to Management, Audit Committee and MPAC Appoint audit steering committee Develop and implement the audit committee annual plan Develop and implement the audit committee assessment tool
3. Audit Committee	31	To ensure the effectiveness of the Audit Committee by 2022	<ul style="list-style-type: none"> Develop and implement the audit committee annual plan Develop and implement the audit committee assessment tool Submission of audit committee reports to Council on a quarterly basis Evaluate and track the implementation of audit committee resolutions
4. Risk Management	32	To improve the effectiveness of risk management within the organisation by 2022	<ul style="list-style-type: none"> Conduct the risk assessment and develop the risk register Appoint risk management committee and assess the functionality thereof

Key Performance Area: Good Governance and Community Participation

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

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
			<ul style="list-style-type: none"> • Incorporate risk action plans into departmental SDBIP • Monitor the implementation of risks mitigation plans by Department • Identify and assess new emerging risks throughout the period
5. Integrated Development Planning	33	To ensure effective decision-making, budgeting and management of resources	<ul style="list-style-type: none"> • Develop and implement the IDP/Budget process plan • Engage in Community Consultation Process (IDP Rep Forums, Road-shows, Izimbizos) • Develop, review and adopt IDP annually
6. Performance Management	34	To promote a system of transparency and accountability within the Municipality	<ul style="list-style-type: none"> • Review and adopt the PMS Framework • Cascading of PMS to all levels
7. Back to Basics	35	To Create an all-inclusive participatory developmental Municipality by 2022	<ul style="list-style-type: none"> • Regular reporting on the status of the Municipality to National and Provincial CoGTA
8. Batho Pele	36	To enhance service delivery through the improvement of public consultation and communications by 2022	<ul style="list-style-type: none"> • Develop and adopt Batho Pele Policy, procedural Manuel, Service Delivery Charter and Service Delivery Improvement Plan • Hosting of Batho Pele Campaigns

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure that the governance of the institution is legal complaint, corruption free and accountable.

National Development Plan identified the following primary challenges pertaining to this KPA:

- Public services are uneven and often of poor quality;
- Corruption levels are high; and

Cabinet Outcomes:

- An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship
- A responsive, accountable, effective and efficient local government system

KZN Provincial Growth and Development Plan/Strategy

- Governance and Policy

Back to Basics Program:

- Good Governance
- Financial Management
- Institutional Capacity

Zululand District Growth and Development Plan

- Governance and Policy

Batho Pele Principles:

- Consultation
- Service Standards
- Access
- Courtesy
- Information
- Value for money
- Openness and transparency

AbaQulusi Municipality

The goal, focus areas, development strategies and eventual projects of the Municipality are all directly aligned with the broader governmental strategic documents to ensure the Municipality functions optimum with the ambit of its developmental mandate. The Municipality must ensure the promoting of an active citizenry to strengthen development, democracy, and accountability and to be servants to the community.

Communities must actively partake in the local sphere of government through information sharing workshops, capacitation of ward structures and dissemination of important issues through various media platforms.

The mandate of this KPA as reflected in the Strategic plan is to make sure that the citizens are involved in governance and the organisation is accountable to them.

Key Performance Area: Local Economic Development and Social Development			
Goal: To promote socio-economic growth and job opportunities.			
Key Focus Area	IDP Ref No	Development Objective	Development Strategies
1. Agriculture	37	Unleashing agricultural potential in AbaQulusi by 2022	<ul style="list-style-type: none"> • Coordinate the establishment of agri-business forums, farmer's associations • Provide support to the agricultural production • Coordinate agricultural activities • Establish cooperatives in all areas • Assist in Developing Agri-processing Hub • Develop Agriculture Sector Plan
2. SMME's and Job Creation	38	Continuous assistance of entrepreneurship and job creation by 2022	<ul style="list-style-type: none"> • Train SMME's according to their needs to meet the standard • Coordinate intergovernmental programmes to create job opportunities
3. Poverty alleviation	39	Reduce poverty in all wards by 2022	<ul style="list-style-type: none"> • Train the vulnerable community on income generating project • Deliver poverty alleviation project in all wards to create business opportunities
4. Tourism	40	Promote and identify tourism opportunities by 2022	<ul style="list-style-type: none"> • Co-ordinate tourism events and awareness campaigns in the Municipality • Organise workshops and Road shows • Establish tourism industry and project focusing on tourism • Develop Tourism Sector Plan and Promote heritage route

Key Performance Area: Local Economic Development and Social Development

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

Key Focus Area	IDP Ref No	Development Objective	Development Strategies
			<ul style="list-style-type: none"> • Introduce historically disadvantaged people into tourism • Assisting Accommodation Establishments with their Tourism Grading
5. Economic growth	41	Promote economic development by 2022	<ul style="list-style-type: none"> • Develop commercial centres in the Municipality • Review, adopt and implement the LED strategy • Community empowerment on small business start-ups • To assist with business retention for existing businesses and provide incentives for new businesses
6. Real estate and Business Management	42	Proper Acquisition and disposal of real estate according to Municipality by-laws by 2022	<ul style="list-style-type: none"> • Develop and Implement Land Disposal Policy • Develop real estate by-laws • To enhance real estate capacity • Effective management of outdoor advertising • Business Licence Compliance
7. Sport and Recreation	43	Promote Sports and Recreation in AbaQulusi by 2022	<ul style="list-style-type: none"> • Establish Sport and recreation Committee (Sport Council) • Conduct sport talent promotion and competitions • Provide DSR with a platform to support federations and players in different sport codes
8. Youth programmes	44	Establish and promote youth development programmes by 2022	<ul style="list-style-type: none"> • Establish Youth Committee (Youth Council) • Conduct youth empowerment sessions

Key Performance Area: Local Economic Development and Social Development

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

Key Focus Area	IDP Ref No	Development Objective	Development Strategies
			<ul style="list-style-type: none"> Provide government departments and private sector with a platform to support the youth in their different developmental needs.
9. Arts and culture	45	Establish and promote cultural programmes by 2022	<ul style="list-style-type: none"> Establish Art & Culture Committee (art & Culture Council) Conduct artist' talent promotion and competitions Provide department of arts and culture with a platform to support artists in their different art codes.
10. Social welfare	46	Ensure availability of social services programmes to the community of AbaQulusi by 2022	<ul style="list-style-type: none"> Establish Social services stakeholder Committee Support DSD in out rolling social development programmes.
11. Health HIV/AIDS	47	Establish and promote healthy living and HIV/AIDS awareness programmes BY 2022	<ul style="list-style-type: none"> Establish health and HIV/AIDS Committee (AIDS Council) Conduct awareness programmes Provide department of health with a platform to support the community in their different health needs.
12. Special Programmes	48	Establish and promote community empowerment programmes for children, aged, disabled and vulnerable groups by 2022	<ul style="list-style-type: none"> Establish Special programmes Committee (Children, Gender, elderly and Disability Councils) Conduct empowerment sessions and awareness campaigns Support NGO'S by sourcing assistance from potential sponsors and funders
13. Safety and Security	49	Enhancing safety and security by 2022	<ul style="list-style-type: none"> Participate in the CPF and Neighbourhood watch meetings

Key Performance Area: Local Economic Development and Social Development

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

Key Focus Area	IDP Ref No	Development Objective	Development Strategies
			<ul style="list-style-type: none"> Conduct crime-awareness programmes in communities Review of Safety and Security Plan Installation of CCTV Cameras

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure that the institution complies with its mandate to promote an enabling environment for the economy to grow and to ensure social up-liftment by providing facilities and support.

National Development Plan identified the following primary challenges pertaining to this KPA:

- Bringing about faster economic growth, higher investment, and greater labour absorption; Focussing on key capabilities of people and the state;
- Building a capable and developmental state; and

Cabinet Outcomes:

- Decent employment through inclusive economic growth
- A skilled and capable workforce to support an inclusive growth path
- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities with food security for all
- Sustainable human settlements and improved quality of household's life
- Environmental assets and natural resources that is well protected and continually enhanced

KZN Provincial Growth and Development Plan/Strategy

- Job Creation

Back to Basics Program:

- Creating decent living conditions

Zululand District Growth and Development Plan

- Job Creation

Batho Pele Principles:

- Consultation
- Service Standards
- Access
- Courtesy
- Information
- Value for money
- Openness and transparency

AbaQulusi Municipality

The goal, focus areas, development strategies and eventual projects of the Municipality are all directly aligned with the broader governmental strategic documents to ensure the Municipality provides an enabling environment for its citizens that will lead to economic opportunities and social upliftment. The Municipality's action plans focus on equipping our community with the necessary skills and facilities to become actively involved in the socio-economic enhancement of individuals and groups.

Key Performance Area: Cross Cutting (Spatial, Environment and Disaster Management)
Goal: To redress the spatial imbalances and promote sustainable environmental planning.

Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
1. Town Planning	50	To ensure effective management of current and desirable land uses by 2022	<ul style="list-style-type: none"> • Review and implementation of the Spatial Development Framework • Implementation of SPLUMA and SPLUMA By-Law • Implementation of Precinct Plans • Preparation of the AbaQulusi wall-to-wall scheme and Land Audit in compliance with the Spatial Planning and land Use Management Act 2013 • Co-ordination of the Municipal Planning Tribunal • Facilitation of Township Establishment • Identification of developmental land • Conduct Information Workshops • Set up enforcement procedures
2. GIS	51	To have an effective and efficient GIS System by 2022	<ul style="list-style-type: none"> • Ensure GIS system is updated regularly • Integrate GIS System with other municipal departments
3. Building Inspectorate	52	To ensure the sustainability of the built environment by 2022	<ul style="list-style-type: none"> • Timeous Assessment of building plans • Workshop Built environment professionals • Training to current staff and peace officers • Deal effectively and efficiently with all contraventions
4. Fire & Disaster Management	53	Ensure Effective & Efficient response to community emergencies by 2022	<ul style="list-style-type: none"> • Strengthen stakeholder relations • Decentralisation of services by establishing disaster satellite offices • Establishment of Disaster Management Unit

Key Performance Area: Cross Cutting (Spatial, Environment and Disaster Management)			
Goal: To redress the spatial imbalances and promote sustainable environmental planning.			
Key Focus Area	IDP Ref. No.	Development Objective	Development Strategies
			<ul style="list-style-type: none"> Acquiring relevant and sufficient Disaster Equipment regularly
5. Environmental health	54	Establish and promote a healthy environment in AbaQulusi by 2022	<ul style="list-style-type: none"> Establish Environmental issues committee (Enviro Council) Conduct awareness programmes Provide department of environmental affairs with a platform to support the Municipality and the community in their different art environmental needs

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT STRATEGIC DOCUMENTS

This KPA is aligned with the following national, provincial and district strategies to ensure that the Municipality works in a way that is sustainable and provide a safe environment for its citizens.

National Development Plan identified the following primary challenges pertaining to this KPA:

- Spatial divides hobble inclusive development;
- Corruption levels are high

Cabinet Outcomes:

- All people in South Africa are and feel safe
- Vibrant, equitable and sustainable rural communities with food security for all
- Sustainable human settlements and improved quality of household's life enhanced
- Environmental assets and natural resources that are well protected and continually

KZN Provincial Growth and Development Plan/Strategy

- Human and Community Development
- Strategic Infrastructure
- Response to Climate Change

- Spatial Equity

Back to Basics Program:

- Creating decent living conditions

Zululand District Growth and Development Plan

- Environmental Sustainability
- Spatial Equity

Batho Pele Principles:

- Consultation
- Service Standards
- Access
- Courtesy
- Information
- Value for money
- Openness and transparency

AbaQulusi Municipality

The goal, focus areas, development strategies and eventual projects of the Municipality are all directly aligned with the broader governmental strategic documents to ensure the Municipality strive to safeguard a sustainable, safe and well-preserved environment for its current citizens and future generations.

The Municipality's integrated approach to provide an enabling and conducive environment where people enjoy better living conditions and a safe life are reflected in the action plans.

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:

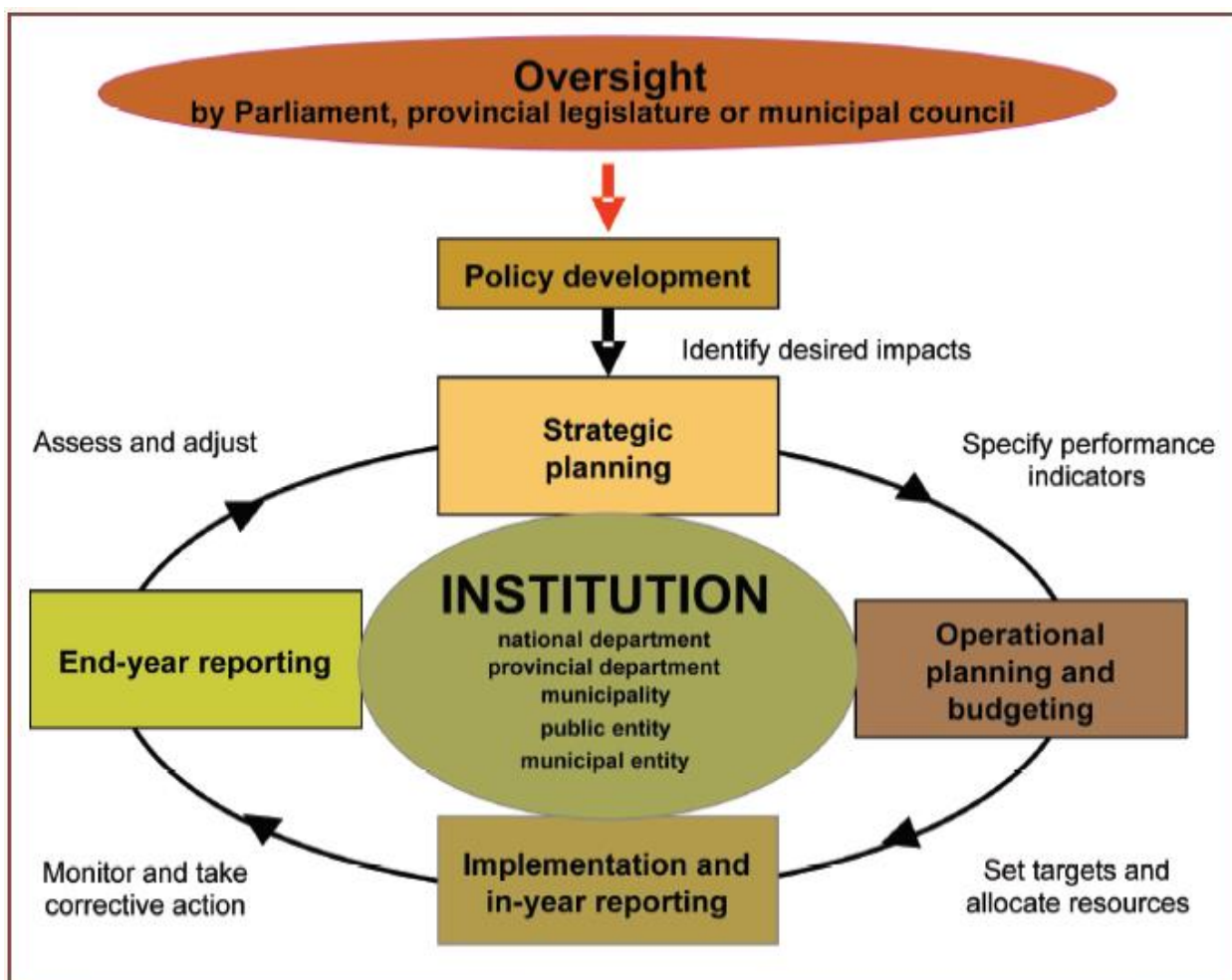


Figure 1 Planning, budgeting and reporting cycle

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:

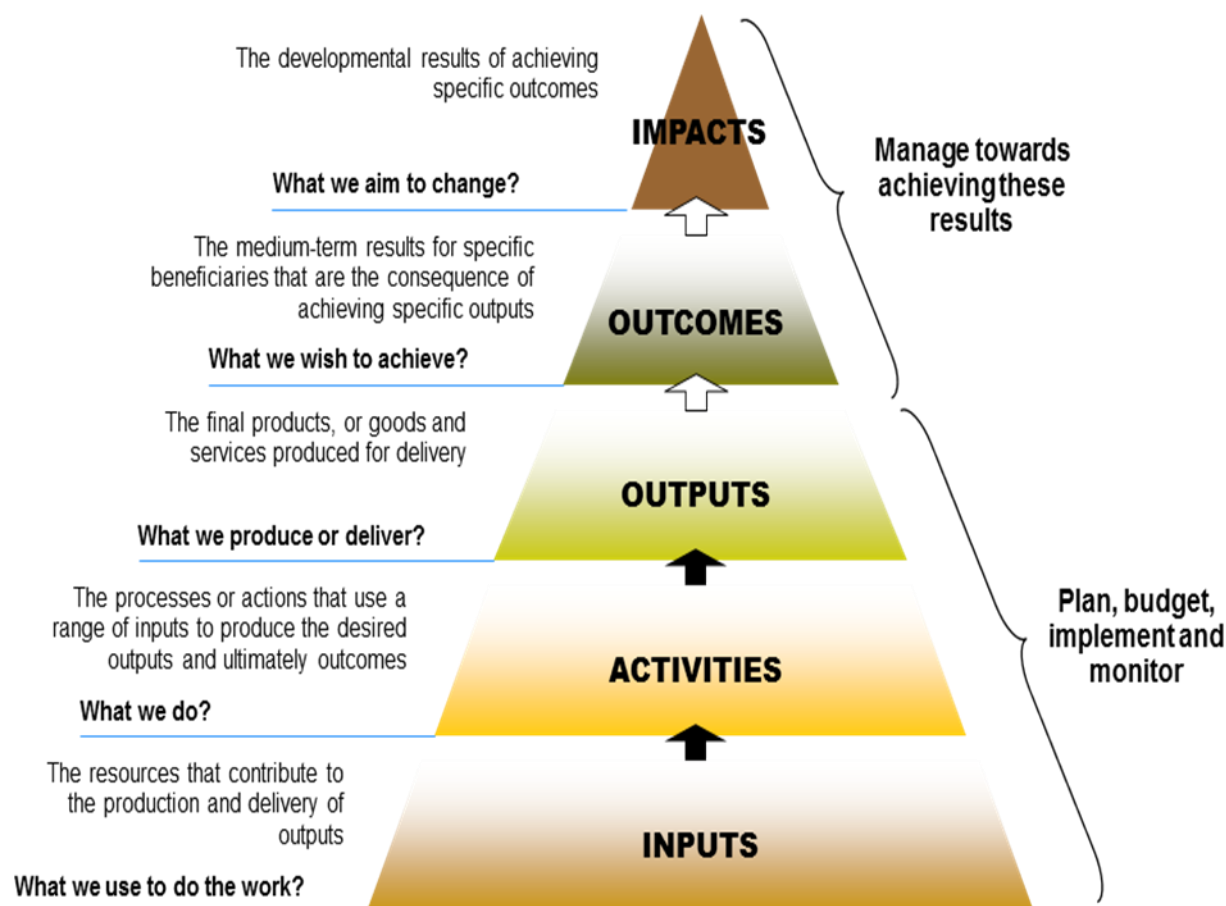


Figure 2 Definition of performance information concepts

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

Overview of budget related-policies

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

*The proposed amendments to the budget related policies are attached as **Annexure J***

Overview of budget assumptions

The following assumptions were used in the preparation of the budget:

Operating Revenue assumptions

- 1. The average estimated CPIX that was used to determine the tariff increases was 4% for 2021/22, 4,2% for 2022/23 and 4,4% for 2023/24 as guided by MFMA Circular 108. Refer to the section on Tariffs above for more information about the tariff increases*
- 2. Rates and tariffs are cost reflective in compiling a funded budget*
- 3. Indigent free basic services are financed from the Equitable Share. Refer above for more information on indigent subsidies.*
- 4. A debtor's payment rate of 90%*
- 5. National grants have been budgeted in accordance with the Division of Revenue Bill and gazetted allocations.*
- 6. Provincial grants have been budgeted in accordance with the Provincial Gazette.*
- 7. The EPWP grant was based on the DORA allocation of R2,515,000 for 2021/22.*
- 8. Electricity tariffs budgeted to increase between 14% and 20% for 2021/22, 4,2% for 2022/23 and 4,4% for 2023/24*

Operating Expenditure assumptions

- 1. The general CPIX rates that was used for the operating expenses for 2021/22 is 3,9%, for 2022/23 is 4,2% and for 2023/24 is 4,4%. All expenditure types however do not increase with the same percentage points.*
- 2. A Salary and Wage Collective Agreement to be implemented from effective 1 July 2021 has still not been concluded. As there is still uncertainty of how much the increase will be the Municipality has budgeted for an increase of CPI +1%. However, due to the strain on the budget no additional positions have been provided.*
- 3. The Municipality has made provision for an additional 50 positions within the service delivery at an EPWP rate to assist the departments.*
- 4. Departments were required to budget in terms of general cost containment measures.*
- 5. An increase of 17,8% was provided for the bulk electricity purchases in respect of 2021/22, 4,2% for 2022/23 and 4,4% for 2023/24.*

Capital Budget assumptions

1. The cash-backed depreciation of R42,6 million for 2021/22, R47,5 million for 2022/23 and R49,4 million for 2023/24 is budgeted
2. Capital budget funding from MIG amounts to R37,1 million
Capital budget funding from INEP amounts to R1,7 million
Capital budget funding from own funding amounts to R5,9 million

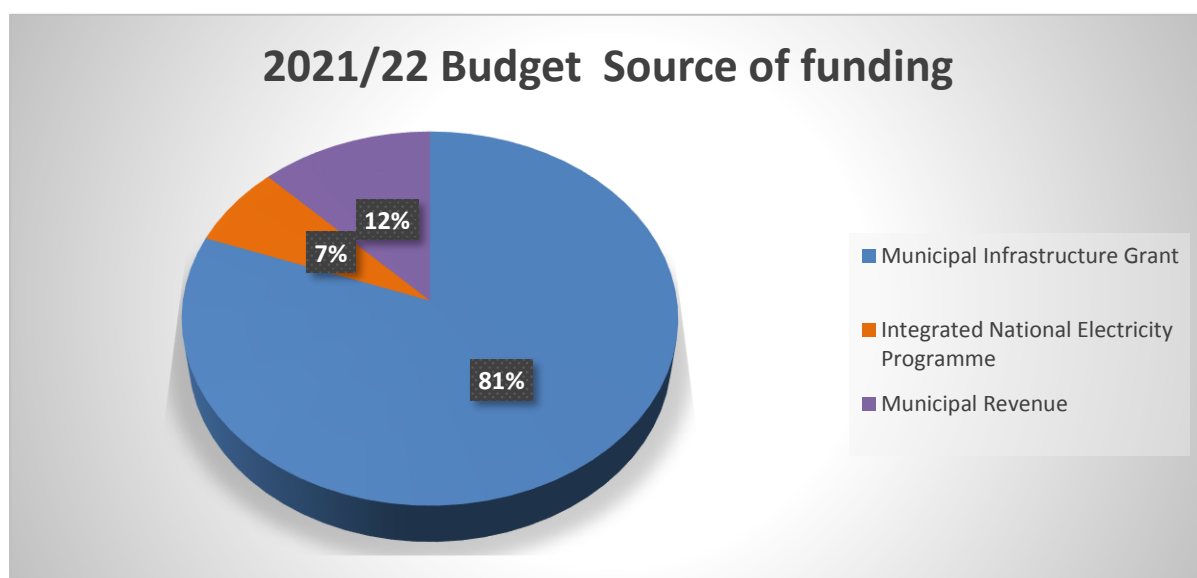
Overview of budget funding

The budget must be funded from actual revenue to be collected during the financial year and must be cost reflective. The Operating budget is funded from Revenue as indicated in the relevant "A" schedules attached.

The 3-year MTREF capital budget is R154,4 million. The capital budget is funded from various sources of which the funding from MIG is the biggest contributor.

A summary of the capital budget funding sources is provided in the table and graph below

Funding Source	2020/21 Adjustment Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Municipal Infrastructure Grant	35 058 800.00	39 107 000.00	42 082 000.00	43 859 000.00
Integrated National Electricity Programme		3 396 000.00	10 000 000.00	10 000 000.00
Municipal Revenue	7 146 200.00	5 980 000.00		
Total	42 205 000.00	48 483 000.00	52 082 000.00	53 859 000.00



Expenditure on allocations and grant programmes

The total National and Provincial grants to be received for 2021/22 comprises R247,7 million and for the two outer years are R270,6 million and R242,3 million respectively. The split between the various grants are listed below.

Grant Allocations					
	Classification	2020/21 Adjustment Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
National Allocations					
Finance Management Grant	Operating	2 600 000.00	2 650 000.00	3 000 000.00	3 000 000.00
Municipal Infrastructure Grant	Capital	28 458 800.00	37 151 650.00	39 977 900.00	41 666 050.00
Municipal Infrastructure Grant	Operating	1 845 200.00	1 955 350.00	2 104 100.00	2 192 950.00
Integrated National Electrification Programme	Operating	2 277 000.00			
Integrated National Electrification Programme	Capital	7 723 000.00	3 396 000.00	10 000 000.00	10 000 000.00
Expanded Public Works Programme	Operating	1 831 000.00	2 515 000.00		
Equitable Share	Operating	192 605 000.00	167 845 000.00	177 942 000.00	175 418 000.00
Total National DORA grants		237 340 000.00	215 513 000.00	233 024 000.00	232 277 000.00
Provincial Allocations					
Housing and Human Settlement	Operating	170 000.00			
Arts & Culture - Library	Operating	4 447 000.00	3 372 000.00	3 540 000.00	3 540 000.00
Arts & Culture - Community Library	Operating		1 166 000.00	1 223 000.00	1 223 000.00
Arts & Culture - Museum	Operating	213 000.00	225 000.00	235 000.00	249 000.00
Total Provincial grants		4 830 000.00	4 763 000.00	4 998 000.00	5 012 000.00
Other grants					
SETA	Operating	-	-	-	-
Total grants		-	-	-	-
Indirect grants					
Integrated National Electrification Programme	Capital		27 433 000.00	32 625 000.00	5 064 000.00
Total Indirect grants		-	27 433 000.00	32 625 000.00	5 064 000.00

Transfers and grants made by the Municipality

The total National & Provincial operational transfers and grants amount to R220.3 million in 2021/22, and R238 million and R237,2 million in the two outer years. See SA21 for a listing of these transfers and grants.

Councillor allowances and employee benefits

This is contained in supporting schedules table SA22 and SA23. A summary of the employee related cost, excluding councillors' salaries and allowances has been provided in the table below

Employee cost percentages			
Year	Salary Cost	Total Operating Expenditure	% of Total Operating Expenditure
2015/16 - Actual	131 178 743.00	549 906 018.00	23.85%
2016/17 - Actual	137 912 531.00	560 997 581.00	24.58%
2017/18 - Actual	157 190 884.00	518 407 525.00	30.32%
2018/19 - Actual	138 597 591.00	593 944 930.00	23.34%
2019/20 - Actual	150 344 419.00	583 547 595.00	25.76%
2020/21 - Adjustment Budget	161 129 040.00	579 878 440.00	27.79%
2021/22 - Budget	168 227 580.00	613 553 388.00	27.42%
2022/23 - Budget	173 543 347.00	617 628 972.00	28.10%
2023/24 - Budget	180 485 103.00	642 218 771.00	28.10%

Monthly targets for revenue and expenditure cash flows

This is contained in supporting schedules SA25 and SA30

Annual budgets and SDBIP

*The final service delivery and budget implementation plans (SDBIP) will be dealt with after the budget is finally approved to be submitted to the Mayor within 14 days after the approval of the budget and approved by the Mayor within 28 days after the approval of the budget. The draft Top Layer SDBIP is included as **Annexure L***

Contracts having future budgetary implications

It is required to disclose in the budget documentation any contracts that will impose financial obligations on the Municipality beyond the three years covered by the 2021/22 MTREF. The detail of this is included in supporting tables SA32 and SA33

Capital expenditure details

*Detailed capital information is included in Annexure **A, B, C and D**. More detail on the Capital Budget is also contained in Supporting tables SA34a, SA34b, SA34c, SA35 and SA36.*

The summary of the capital budgets per Main Vote, per Town and top 10 capital projects for 2021/22 is listed in the tables and figures below

Legislation compliance status

All relevant legislations and regulations have been implemented. The applicable legislation and circulars considered were:

- *Sections 15 – 33 of the MFMA*
- *MFMA Circulars 10, 12, 13, 14, 19, 28, 31, 45, 48, 51, 54, 58, 59, 64, 66, 67, 70, 72, 74, 75, 78, 79, 82, 85, 86, 89, 91, 93, 94, 98, 99, 107 and 108*
- *Municipal Budget and Reporting Regulations, 2009*
- *Municipal Regulations on Standard Chart of Accounts as per gazette notice no 37577, 22 April 2014*

*The most recent MFMA Budget Circulars 107 and 108 are included in the budget documentation as **Annexure G***

Other supporting documents**Service Level Standards**

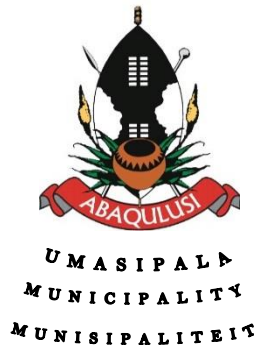
In terms of MFMA Circulars 72, 75, 78 and 79 the Municipality must adopt service standards as it provides transparency in understanding performance indicators. Local government is mostly service delivery orientated and as such need to be clear on what the public can expect from the Municipality as a service delivery standard.

*The service delivery standards are attached as **Annexure J** and must be approved by council.*

Our Ref.:

Your Ref.

Enquiries:



57, VRYHEID 3100

c/o, Mark & High Street



(034) 982-2133



Fax: (034) 982-1939

E-mail: finance@abaqulusi.gov.za

QUALITY CERTIFICATE

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

☐

The monthly budget statement

☐

Quarterly report on the implementation of the budget and financial state of affairs to the Municipality

☐

Mid-year budget and performance assessment

☒

Medium Term Budget

The Medium Term Budget for 2021/22 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

BE NTANZI**MUNICIPAL MANAGER****ABAQULUSI MUNICIPALITY****KZN263**

SIGNATURE: _____

DATE: _____

Annexure A

Budget Schedules

Annexure B

Capital Budget per Department

Annexure C

Capital Budget per Ward

Annexure D

Summary of Capital Budget

Annexure E

Tariffs

Annexure F

MFMA Budget Circulars

Annexure G

Provincial Circulars

Annexure H

Quality Certificate

Annexure I

Budget Related Policies

Annexure J

Service Standards

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table	
Description Standard	Service Level
Solid Waste Removal	
Premise based removal (Residential Frequency)	Weekly
Premise based removal (Business Frequency)	Daily
Bulk Removal (Frequency)	Weekly
Removal Bags provided (Yes/No)	No
Garden refuse removal Included (Yes/No)	No
Street Cleaning Frequency in CBD	Daily
Street Cleaning Frequency in areas excluding CBD	No
How soon are public areas cleaned after events (24hours/48hours/longer)	48 hours
Clearing of illegal dumping (24hours/48hours/longer)	Longer
Recycling or environmentally friendly practices (Yes/No)	No
Licensed landfill site (Yes/No)	Yes
Water Service	
Water Quality rating (Blue/Green/Brown/N0 drop)	No drop
Is free water available to all? (All/only to the indigent consumers)	Only to indigent consumers and consumers in ZDM areas who are not metered
Frequency of meter reading? (per month, per year)	Monthly
Are estimated consumption calculated on actual consumption over (two month's/three months/longer period)	Read on a monthly basis
On average for how long does the Municipality use estimates before reverting back to actual readings? (months)	N/A
Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)	
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
Electricity Service	
What is your electricity availability percentage on average per month?	100%
Do your Municipality have a ripple control in place that is operational? (Yes/No)	Yes
How much do you estimate is the cost saving in utilizing the ripple control system?	Via load control

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table	
Description Standard	Service Level
<i>What is the frequency of meters being read? (per month, per year)</i>	Monthly
<i>Are estimated consumption calculated at consumption over (two month's/three months/longer period)</i>	Read on a monthly basis
<i>On average for how long does the Municipality use estimates before reverting back to actual readings? (months)</i>	N/A
<i>Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)</i>	Immediately where possible
<i>Are accounts normally calculated on actual readings? (Yes/no)</i>	Yes
<i>Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)</i>	No
<i>How long does it take to replace faulty meters? (days)</i>	Within 30 days
<i>Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)</i>	Yes, tender has been drawn up
<i>How effective is the action plan in curbing line losses? (Good/Bad)</i>	Not in use at the moment
<i>How soon does the Municipality provide a quotation to a customer upon a written request? (days)</i>	Within 7 days
<i>How long does the Municipality takes to provide electricity service where existing infrastructure can be used? (working days)</i>	Within 10 days
<i>How long does the Municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)</i>	Within 10 days
<i>How long does the Municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)</i>	Within 30 days
Sewerage Service	
<i>Are your purification system effective enough to put water back in to the system after purification?</i>	Yes
<i>To what extend do you subsidize your indigent consumers?</i>	Indigent consumers get subsidized 100%
How long does it take to restore sewerage breakages on average	
<i>Severe overflow? (hours)</i>	24 hours
<i>Sewer blocked pipes: Large pipes? (Hours)</i>	4 hours
<i>Sewer blocked pipes: Small pipes? (Hours)</i>	1 hour
<i>Spillage clean-up? (hours)</i>	1 hour
<i>Replacement of manhole covers? (Hours)</i>	1 hour
Road Infrastructure Services	
<i>Time taken to repair a single pothole on a major road? (Hours)</i>	2 hours
<i>Time taken to repair a single pothole on a minor road? (Hours)</i>	1 hour
<i>Time taken to repair a road following an open trench service crossing? (Hours)</i>	8 hours
<i>Time taken to repair walkways? (Hours)</i>	4 hours
Property valuations	

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table	
Description	Service Level
Standard	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	One month
Do you have any special rating properties? (Yes/No)	No
Financial Management	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Yes, it is decreasing
Is the financial statement outsourced? (Yes/No)	AFS are compiled in conjunction with PWC
Are there Council adopted business process structuring the flow and management of documentation feeding to Trial Balance?	Yes
How long does it take for a Tax/Invoice to be paid from the date it has been received?	30 days
Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans?	No
Administration	
Reaction time on enquiries and requests?	7 working days
Time to respond to a verbal customer enquiry or request? (working days)	7 working days
Time to respond to a written customer enquiry or request? (working days)	7 working days
Time to resolve a customer enquiry or request? (working days)	7 working days
What percentage of calls are not answered? (5%, 10% or more)	5%
How long does it take to respond to voice mails? (hours)	N/A
Does the Municipality have control over locked enquiries? (Yes/No)	No
Is there a reduction in the number of complaints or not? (Yes/No)	Yes
How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	1 day
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	Not often
Community safety and licensing services	
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

Province: Municipality (KZN263) - Schedule of Service Delivery Standards Table	
Description	
Standard	Service Level
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A
Economic development	
How many economic development projects does the Municipality drive?	3
How many economic development programmes are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	5
What percentage of the projects have created sustainable job security?	5%
Does the Municipality have any incentive plans in place to create a conducive environment for economic development? (Yes/No)	No
Other Service delivery and communication	
Is an information package handed to the new customer? (Yes/No)	No
Does the Municipality have training or information sessions to inform the community? (Yes/No)	No
Are customers treated in a professional and humanly manner? (Yes/No)	Yes

Annexure K

Sector Department Projects

Annexure L

SDBIP

Annexure M

Procurement Plan

Annexure N
Public Consultation Inputs
& Responses

Annexure O

Assessment from Provincial Treasury