

# UBuhlebezwe Municipality Draft Budget 2023/2024

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## COUNCIL MEETING

### REPORT TO COUNCIL ON 2023/2024 DRAFT ANNUAL BUDGET

**Date** : 23 March 2023

**Levels** : 1<sup>st</sup> Level: Council

**1. Author(s)** : SS Sityata, (CFO )

#### **2. PURPOSE**

The purpose of this report is to seek approval from Council for the draft annual budget for 2023/2024 financial year.

#### **3. LEGAL / STATUTORY REQUIREMENTS**

- Municipal Finance Management Act
- Municipal Budget and Reporting Regulation

#### **4. AUTHORITY**

- Council

#### **5. BACKGROUND AND REASONING**

The Municipal Finance Management Act states that the mayor of the municipality must table draft budget to council 90 days before the start of the financial year.

The budget has been prepared in accordance with a legislation and is funded appropriately.

Furthermore, the municipality has prepared A Schedule (Vision 6.7) which is an MSCOA compliant budget.

The budget document is attached.

# UBuhlebezwe Municipality Draft Budget 2023/2024

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## **6. STAFF IMPLICATIONS**

The document was prepared by the staff in the BTO.

## **7. FINANCIAL IMPLICATIONS**

Budget will be implemented in the 2023/2024 financial year.

## **8. OTHER PARTIES CONSULTED**

Exco / Office of the Municipal Manager

## **9. RECOMMENDATIONS**

That Council approves the draft budget for 2023/2024 financial year for onward submission to National and Provincial Treasury as well as communities for comments.

# **UBUHLEBEZWE MUNICIPALITY**

## **2023/2024 DRAFT BUDGET**

**Copies of this document can be viewed:  
In the municipal buildings**

**Municipal library and the website**

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

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# MAYORAL BUDGET SPEECH

## Part 1 –Draft Annual Budget 2023/2024

### 1. MAYORAL BUDGET SPEECH

Honourable Speaker of Council, Cllr N.M.S Chiya,

Deputy Mayor

Members of the Executive Committee

Fellow Councillors

Ondabezitha

The entire Management led by the Municipal Manager, Mr M.E Mkhize

All distinguished guests present.

Honourable Speaker, this council gathered here in this Council Chamber on the 31<sup>st</sup> of August 2022 to adopt the 2023/24 Final IDP Budget, PMS, SDF Framework and Process Plan, as per the legislative requirements.

According to the Local Government: Municipal Systems Act no 32 of 2000:

- Each Municipal Council within a prescribed period after the start of its elected term, must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan.
- Municipality must through appropriate mechanism processes & procedures establish in terms of Chapter 4, consult the Local community before adopting the process.
- Municipality must give notice to the Local community for particulars of the processes it intends to follow.

The process plan had a clear section where it stipulates the community consultation which was on the 11<sup>th</sup> to the 13<sup>th</sup> of October 2022 across all our Stakeholders.

The consultation process goes according to the plan. The community vow their views and the report was consolidated and featured into our Integrated Development Plan.

Honourable Speaker, it is with that background that, we were able to craft this 2023,24 Draft Budget.

Please allow me to table to Draft Budget to this Council.

I thank you.

# UBuhlebezwe Municipality Draft Budget 2023/2024

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## SUMMARY OF THE BUDGET

Operational Budget	R 214 479 119.
Capital Budget	<u>R 55 207 600</u>
Total Budget	<u>R 269 686 719</u>

## Funding the budget – Conditional and Unconditional grants

Description	Allocation 2022/2023	Allocation 2023/2024	Variance	Increase/ Decrease
Equitable Share	R 131 712 000	R 139 317 000	R7 605 000	↑
Electrification	R 6 994 000	R 21 863 000	R 14 869 000	↑
Finance Management Grant	R 1 950 000	R 1 950 000	R 0	
EPWP	R 2 245 000	R 7 831 000	R5 586 000	↑
Library Grant	R 981 000	R 981 000	R 0	
Library Cyber	R 254 000	R 254 000	R 0	

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MIG	R 30 291 000	R 39 499 000	R 9 208 000	↑
LED Grant	R 2 000 000	R 2 000 000	R0	

Mr Speaker, the municipality must tighten its belt and strategically allocate the scarce resources to try to meet the service delivery needs of the people of UBuhlebezwe.

The budget that I am presenting today is only a draft and a final budget will be adopted by this council in May after taking into consideration comments from people of UBuhlebezwe.

Mr Speaker, Section 6(1) of the Municipal Systems Amendment Act states **“a municipality’s administration is governed by the democratic values and principles embodied in section 195(1) of the Constitution”**.

Section 6(2) (a) further requires each municipality **“to be responsive to the needs of local community and to facilitate a culture of public service and accountability amongst staff”**

The budget is presented in detail below as required by the MFMA and the Municipal Budget Regulations.

As council and management, it is our responsibility to ensure that the budget presented today is credible and implementable. It is through this kind of unity that the flag of UBuhlebezwe will be lifted. We are also not complacent and have put it upon ourselves to ensure that we “copy good things” from other institutions.

## 1.2 Council Resolutions

*The Council of UBuhlebezwe Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:*

- *That the annual budget of the municipality for the financial year 2023/2024; and indicative allocations for the two projected outer years 2024/2025 and 2025/2026 and related policies be approved, as set out in the following schedules and annexure:*

6.1	Budget summary	A1 Sum	
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# UBuhlebezwe Municipality Draft Budget 2023/2024

6.2	Budgeted financial performance (revenue and expenditure by standard classification)	A2 FinPerf	
6.3	Budgeted financial performance (revenue and expenditure by municipal vote)	A3 FinPerf	
6.4	Budgeted financial performance (revenue and expenditure)	A4 FinPerf	
6.5	Budgeted capital expenditure by vote, standard classification and funding	A5 CapEx	
6.6	Budgeted financial position	A6 FinPos	
6.7	Budgeted cash flows	A7 CFlow	
6.8	Cash backed reserves/accumulated surplus reconciliation	A8 ResRecon	
6.9	Asset management	A9 Asset	
6.10	Basic service delivery measurement	A10 SerDel	

## 1.3 EXECUTIVE SUMMARY

### 1.3.1 Introduction

This 2023 to 2024 Tabled Medium Term Revenue and Expenditure Framework (MTREF) Budget Report deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposal to ensure that UBuhlebezwe Municipality renders services to their local community in a financially sustainable manner.

### 1.3.2 Past performance

UBuhlebezwe Municipality has attained an unqualified with matters audit opinion for the past two years. We shall strive for a clean audit as we have done in the past. A good audit outcome is directly aligned to performance and service delivery. The good results positively reflect service delivery improvements as well as good financial management. Good performance reflects a positive image of UBuhlebezwe leadership in rendering its services, transparency and equally its ability to render services to the community at large.



# UBuhlebezwe Municipality Draft Budget 2023/2024

## 1.3.3 Financial Sustainability

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programs, both operating and capital, to ensure program sustainability and desired quality of services to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable rates and service charges to fund programs.

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

## 1.3.4 Budget Summary

The following table is a consolidated overview of the proposed 2023/2024 draft budget and medium-term revenue and expenditure framework:

**Table 1 Consolidated Overview of the 2023/2024**

0 - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	2 779	2 955	3 088	3 682	3 682	3 682	3 682	3 798	4 076	4 268
Sale of Goods and Rendering of Services		171	233	166	187	189	189	189	168	176	185
Agency services		731	-	1 337	1 886	2 086	2 086	2 086	2 202	2 310	2 419
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		11 107	7 569	8 555	10 000	11 500	11 500	11 500	12 000	12 588	13 180
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		851	896	1 151	800	1 102	1 102	1 102	1 157	1 213	1 270
Licence and permits		83	92	102	100	110	110	110	116	121	127
Operational Revenue		784	1 487	899	103	781	781	781	325	341	357
<b>Non-Exchange Revenue</b>											
Property rates	2	24 775	21 321	24 389	24 602	24 602	24 602	24 602	41 367	43 394	45 434
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		448	446	427	500	829	829	829	871	913	956
Licences or permits		2 056	4 475	2 498	3 337	3 337	3 337	3 337	3 338	3 502	3 667
Transfer and subsidies - Operational		115 582	143 912	127 372	139 082	139 082	139 082	139 082	152 333	161 055	168 624
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	145	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-
<b>Discontinued Operations</b>											
<b>Total Revenue (excluding capital transfers and cont</b>		<b>159 367</b>	<b>183 532</b>	<b>169 986</b>	<b>184 280</b>	<b>187 301</b>	<b>187 301</b>	<b>187 301</b>	<b>217 676</b>	<b>229 691</b>	<b>240 486</b>

Total operating revenue has increased by 16% or R30 375 000 for the 2023/24 financial year when compared to the 2022/2023 adjusted budget as per table A4. Budget summary for the two outer years' operational revenue will increase by 4.9% and 4.7% respectively. Integrated National Electrification Programme has significantly increased by R14 869 000 million compared to the adjusted budget 2022/23.

## 1.4 Operating Revenue Framework

# UBuhlebezwe Municipality Draft Budget 2023/2024

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For UBuhlebezwe Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is being reviewed for relevance and effectiveness. Revenue enhancement strategy and data cleansing is implemented and forms part of daily operations of the finance department and the municipality as a whole to ensure that revenues due to the municipality are received and timeously. The municipality has seen significant improvements on revenue collection for the months of January and February 2023 due to this exercise. The strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Introduction of decision Matrix Revenue strategy
- Efficient revenue management, which aims to ensure an 80 per cent annual collection rate for property rates and other key service charges,
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) MPRA,
- Increase ability to extend new services and recover costs.
- The municipality's Indigent Policy and rendering of free basic services and
- Tariff policies of the Municipality

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

# UBuhlebezwe Municipality Draft Budget 2023/2024

0 - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	2 779	2 955	3 088	3 682	3 682	3 682	3 682	3 798	4 076	4 268
Sale of Goods and Rendering of Services		171	233	166	187	189	189	189	168	176	185
Agency services		731	-	1 337	1 886	2 086	2 086	2 086	2 202	2 310	2 419
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		11 107	7 569	8 555	10 000	11 500	11 500	11 500	12 000	12 588	13 180
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		851	896	1 151	800	1 102	1 102	1 102	1 157	1 213	1 270
Licence and permits		83	92	102	100	110	110	110	116	121	127
Operational Revenue		784	1 487	899	103	781	781	781	325	341	357
<b>Non-Exchange Revenue</b>											
Property rates	2	24 775	21 321	24 389	24 602	24 602	24 602	24 602	41 367	43 394	45 434
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		448	446	427	500	829	829	829	871	913	956
Licences or permits		2 056	4 475	2 498	3 337	3 337	3 337	3 337	3 338	3 502	3 667
Transfer and subsidies - Operational		115 582	143 912	127 372	139 082	139 082	139 082	139 082	152 333	161 055	168 624
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	145	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-
<b>Discontinued Operations</b>											
Total Revenue (excluding capital transfers and cont		159 367	183 532	169 986	184 280	187 301	187 301	187 301	217 676	229 691	240 486

The total operating revenue for 2023/24 is R217 676 000

- Government Subsidies/ Grants**

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

The table below reflects all government grants categorised per function.

Description	Allocation 2023	Allocation 2024	Variance	Increase/Decrease
<b>CAPITAL GRANTS</b>				
MIG	R 30 291 000	R 39 499 000	R 9 208 000	↑
<b>TOTAL</b>	<b>R 30 291 000</b>	<b>R 39 499 000</b>	<b>R 9 208 000</b>	↑

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<b>OPERATIONAL GRANTS</b>				
Equitable Share	R 131 712 000	R 139 317 000	R 7 605 000	↑
Finance Management Grant	R 1 950 000	R 1 950 000	R 0	
EPWP	R 2 245 000	R 7 831 000	R 5 586 000	↑
Library Grant	R 981 000	R981 000	R0	
Library Cyber	R 254 000	R 254 000	R 0	
Electrification	R 6 994 000	R 21 863 000	R 14 869 000	↑
LED Grant	R2 000 000	R 2 000 000	R 0	
<b>TOTAL</b>	<b>R 146 136 000</b>	<b>R 174 196 000</b>	<b>R 28 060 000</b>	↑

- **Property Rates**

Property rates revenue is the second largest revenue source which increased from R24 602 146 to a total of R41 367 122 in the 2023/2024 financial year due to the increase in number of properties from 1904 to 3580 in the new valuation roll and also the change in tariffs both led to the increase in budget. Therefore, the municipality has estimated its property rates based on the latest valuation roll which resulted in an increase in the rates and service charges

# UBuhlebezwe Municipality Draft Budget 2023/2024

## Comparison of proposed rates to levied for the 2023/2024 financial year.

0 - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue											
Exchange Revenue											
Service charges - Waste Management	2	2 779	2 955	3 088	3 682	3 682	3 682	3 682	3 798	4 076	4 268
Non-Exchange Revenue											
Property rates	2	24 775	21 321	24 389	24 602	24 602	24 602	24 602	41 367	43 394	45 434

The amounts reflected above are after considering revenue forgone and rebates.

- **Refuse / Service Charges**

This refers to refuse removal income that the municipality collects as budgeted. The proposed budget for service charges amounted to R3 798 459.00 for 2023/2024.

- **Rental**

This refers to rental for municipal facilities, the municipality budgeted the amount of R1 157 000. The increment is based on the new lease agreements and a renewed lease.

- **Traffic Fines**

The municipality has increased Traffic Fines budget from R829 000 in 2022/2023 to R 870 810 in 2023/2024

- **Interest on Investments**

This refers to funds invested by the municipality on various institutions, for less than one year, we have budgeted an amount of R12 000 000.

- **Licence and Permit**

The Municipality has budgeted to collect R3 338 000 from Licence and Permit, this amount is informed by the declining revenue in the past two years.

- **Agency Services**

Following the same pattern as above for Licence and permits, the Municipality has budgeted to collect R2 200 000 from Agency Services.

- **Other revenue**

Other revenue has decreased from R781 000 to R325 000 for the financial year 203/2024.

## 1.5 Operating Expenditure Framework

# UBuhlebezwe Municipality Draft Budget 2023/2024

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The total operating expenditure for 2023/2024 financial year has been appropriated at R 214 479 119. The Municipality's expenditure framework for the 2023/24 budget is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the over the medium-term as informed by Section 18 and 19 of the MFMA,
- Strict adherence to the principle of no project plans no budget. If there is no business plan, no funding allocation can be made.

## **Expenditure by Source Table**

# UBuhlebezwe Municipality Draft Budget 2023/2024

0 - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
Exchange Revenue											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	2 779	2 955	3 088	3 682	3 682	3 682	3 682	3 798	4 076	4 268
Sale of Goods and Rendering of Services		171	233	166	187	189	189	189	168	176	185
Agency services		731	-	1 337	1 886	2 086	2 086	2 086	2 202	2 310	2 419
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		11 107	7 569	8 555	10 000	11 500	11 500	11 500	12 000	12 588	13 180
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		851	896	1 151	800	1 102	1 102	1 102	1 157	1 213	1 270
Licence and permits		83	92	102	100	110	110	110	116	121	127
Operational Revenue		784	1 487	899	103	781	781	781	325	341	357
<b>Non-Exchange Revenue</b>											
Property rates	2	24 775	21 321	24 389	24 602	24 602	24 602	24 602	41 367	43 394	45 434
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		448	446	427	500	829	829	829	871	913	956
Licences or permits		2 056	4 475	2 498	3 337	3 337	3 337	3 337	3 338	3 502	3 667
Transfer and subsidies - Operational		115 582	143 912	127 372	139 082	139 082	139 082	139 082	152 333	161 055	168 624
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	145	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-
<b>Discontinued Operations</b>											
Total Revenue (excluding capital transfers and contributions)		159 367	183 532	169 986	184 280	187 301	187 301	187 301	217 676	229 691	240 486
<b>Expenditure</b>											
Employee related costs	2	69 765	84 094	86 563	91 435	91 435	91 435	91 435	94 112	98 723	103 363
Remuneration of councillors		10 052	10 436	10 372	10 689	10 960	10 960	10 960	10 960	11 497	12 037
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	8	638	814	1 231	1 667	1 544	1 544	1 544	1 610	1 689	1 768
Debt impairment	3	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation		34 055	35 922	27 890	36 000	36 000	36 000	36 000	36 000	37 764	39 539
Interest		-	-	1	-	-	-	-	-	-	-
Contracted services		12 977	16 497	18 612	26 184	27 779	27 779	27 779	26 756	28 067	29 386
Transfers and subsidies		8 536	5 179	6 669	6 654	4 753	4 753	4 753	10 426	10 937	11 451
Irrecoverable debts written off		7 220	11 355	4 935	2 271	2 271	2 271	2 271	2 378	2 495	2 612
Operational costs		20 746	23 716	22 743	27 699	31 110	31 110	31 110	32 238	33 817	35 407
Losses on disposal of Assets		186	1 580	625	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-
Total Expenditure		164 176	189 593	179 642	202 600	205 852	205 852	205 852	214 479	224 989	235 563
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary)	6	(4 809)	(6 060)	(9 656)	(18 320)	(18 551)	(18 551)	(18 551)	3 197	4 702	4 923
Transfers and subsidies - capital (in-kind)	6	33 358	26 482	32 262	35 351	35 351	35 351	35 351	39 499	32 784	34 123
Surplus/(Deficit) after capital transfers & contributions		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Share of Surplus/Deficit attributable to Associates	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046

# UBuhlebezwe Municipality Draft Budget 2023/2024

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- **Employee Related Costs**

The proposed total cost to employer amount to R94 111 609. The amount of employee related costs also includes new position that were previously not funded in the budget but approved in the Municipality's organogram.

- **Remuneration of the councilors**

The cost associated with the remuneration of councilors is determined by the minister of co-operative governance and traditional affairs in accordance with the remuneration of public office bearers act 1998 (act 20 of 1998) the most recent proclamation in this regard has been taken into account in compiling the municipality's draft budget. The municipality has budgeted R10 959 521.00 for the financial year 2023/24

- **Provision for doubtful debts.**

The provision of debt impairment was determined based on an annual collection rate. For the 2023/2024 financial year this amount equates to R2 378 154. While this expenditure is considered as non-cash item, it informed the cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

- **Depreciation**

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the rate asset consumption. Budget appropriations in this regard total R36 000 000 for the 2023/2024 financial year.

- **Repairs and Maintenance**

In line with repairs and maintenance plan, this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure assets. The amount of R4 457 000 has been budgeted for 2023/2024.

- **Contracted Services**

The budget of R26 756 000 has been set aside for contracted services.

- **Other Expenditure**

General expenditure which incorporates operational expenditure for various programmes of the municipality and has an allocation of R32 237 817

- **Finance Charges**

Finance charges is not budgeted for as the municipality does not anticipate borrowing during the next financial year.



# UBuhlebezwe Municipality Draft Budget 2023/2024

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## 1.6 Capital expenditure

Capital expenditure funding is funded by grants which is an amount of R39 499 000 from MIG and Other expenditure of R 15 708 600 is funded from internally generated funds.

### Summary of Capital Expenditure

MIG	R 39 499 000
Internal Funded	R 15 708 600
<b>Total</b>	<b>R 55 207 600</b>

**NB: Breakdown of these projects are in the IDP.**

## 1.7 Annual Budget Tables-

### 1.7.1 Explanatory notes to MBRR Table A1-Budget Summary for 2023/2024 Financial year.

- Table A1 is a budget summary and provides a concise overview of UBuhlebezwe Local Municipality's budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasise the importance of the municipal budget being funded. The Budget Summary provides the key information in this regard;
  - Transfer recognised is reflected on the Financial Performance Budget
  - Internally generated funds are financed from a combination of the operating surplus and accumulated cash-backed surplus from previous years. The fact that the municipality's cash flow remains positive and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The municipality is committed to provide free basic services to the needy community. In addition, the municipality continues to make progress in addressing service delivery backlogs.

# UBuhlebezwe Municipality Draft Budget 2023/2024

## 1.7.2 Explanatory notes to MBRR Table A2-Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into its functional areas. Municipal revenue, operating expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

0 - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>	<b>1</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Full Year Forecast</b>	<b>Budget Year 2023/24</b>	<b>Budget Year +1 2024/25</b>	<b>Budget Year +2 2025/26</b>
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		138 419	-	-	168 425	171 450	171 450	195 895	206 757	204 166
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		138 419	-	-	168 425	171 450	171 450	195 895	206 757	204 166
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		11 910	-	-	10 142	10 138	10 138	15 903	16 677	17 458
Community and social services		3 377	-	-	4 348	3 804	3 804	9 405	9 860	10 321
Sport and recreation		29	-	-	-	-	-	-	-	-
Public safety		8 504	-	-	5 795	6 334	6 334	6 497	6 817	7 138
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		27 544	-	-	37 450	37 450	37 450	41 650	35 041	36 486
Planning and development		544	-	-	7 099	7 099	7 099	2 088	2 191	2 294
Road transport		27 000	-	-	30 351	30 351	30 351	39 562	32 850	34 192
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		2 779	-	-	3 614	3 614	3 614	3 727	4 000	4 188
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		2 779	-	-	3 614	3 614	3 614	3 727	4 000	4 188
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>2</b>	<b>180 651</b>	<b>-</b>	<b>-</b>	<b>219 631</b>	<b>222 652</b>	<b>222 652</b>	<b>257 175</b>	<b>262 475</b>	<b>262 298</b>
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		99 744	-	-	119 895	122 754	122 754	125 029	131 156	137 320
Executive and council		16 666	-	-	25 763	27 405	27 405	26 774	28 086	29 406
Finance and administration		82 956	-	-	94 132	95 349	95 349	98 235	103 049	107 892
Internal audit		123	-	-	-	-	-	20	21	22
<i>Community and public safety</i>		25 980	-	-	33 354	32 147	32 147	32 674	34 275	35 885
Community and social services		8 972	-	-	11 870	10 750	10 750	10 742	11 268	11 798
Sport and recreation		296	-	-	277	225	225	57	60	63
Public safety		15 475	-	-	18 971	18 922	18 922	19 530	20 487	21 449
Housing		1 236	-	-	2 236	2 251	2 251	2 344	2 459	2 575
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		24 182	-	-	35 432	36 914	36 914	41 926	43 980	46 047
Planning and development		12 859	-	-	19 364	21 076	21 076	19 263	20 206	21 156
Road transport		11 323	-	-	16 068	15 838	15 838	22 663	23 774	24 891
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14 177	-	-	13 758	13 873	13 873	14 513	15 224	15 940
Energy sources		2 968	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		11 209	-	-	13 758	13 873	13 873	14 513	15 224	15 940
<i>Other</i>	4	92	-	-	161	164	164	337	353	370
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>164 176</b>	<b>-</b>	<b>-</b>	<b>202 600</b>	<b>205 852</b>	<b>205 852</b>	<b>214 479</b>	<b>224 989</b>	<b>235 563</b>
<b>Surplus/(Deficit) for the year</b>		<b>16 475</b>	<b>-</b>	<b>-</b>	<b>17 031</b>	<b>16 800</b>	<b>16 800</b>	<b>42 696</b>	<b>37 486</b>	<b>26 734</b>

# UBuhlebezwe Municipality Draft Budget 2023/2024

## 1.7.3 Explanatory notes to MBRR Table A3-Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure. This means it is possible to present the operating surplus or deficit of a vote. The table shows the analysis of the surplus or deficit.

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

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue by Vote</b>										
Vote 1 - Executive & Council	1	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		138 419	163 454	150 926	156 501	159 527	159 527	195 895	206 757	204 166
Vote 3 - Community and Social Services		3 377	3 644	3 525	4 348	3 804	3 804	9 405	9 860	10 321
Vote 4 - Housing		-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		8 504	4 921	4 319	5 795	6 334	6 334	6 497	6 817	7 138
Vote 6 - Road Transport		27 000	26 524	32 364	30 351	30 351	30 351	39 562	32 850	34 192
Vote 7 - Waste Management		2 779	2 955	3 032	3 614	3 614	3 614	3 727	4 000	4 188
Vote 8 - Energy Services		-	-	-	-	-	-	-	-	-
Vote 9 - Planning & Development		544	99	1 046	7 099	7 099	7 099	2 088	2 191	2 294
Vote 10 - Sports & Recreation		29	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>180 651</b>	<b>201 597</b>	<b>195 213</b>	<b>207 707</b>	<b>210 728</b>	<b>210 728</b>	<b>257 175</b>	<b>262 475</b>	<b>262 298</b>
<b>Expenditure by Vote to be appropriated</b>										
Vote 1 - Executive & Council	1	16 788	28 136	28 260	25 783	27 425	27 425	26 815	28 129	29 451
Vote 2 - Finance and Admin		82 956	95 990	84 246	94 132	95 349	95 349	98 235	103 049	107 892
Vote 3 - Community and Social Services		9 082	8 321	9 990	11 870	10 775	10 775	10 768	11 296	11 827
Vote 4 - Housing		1 236	1 577	2 086	2 236	2 251	2 251	2 344	2 459	2 575
Vote 5 - Public Safety		15 475	17 975	17 301	18 971	18 922	18 922	19 530	20 487	21 449
Vote 6 - Road Transport		11 323	12 165	13 001	16 068	15 838	15 838	22 663	23 774	24 891
Vote 7 - Waste Management		11 209	11 085	12 589	13 758	13 873	13 873	14 513	15 224	15 940
Vote 8 - Energy Services		2 968	3 958	-	-	-	-	-	-	-
Vote 9 - Planning & Development		12 859	10 357	11 843	19 364	21 076	21 076	19 263	20 206	21 156
Vote 10 - Sports & Recreation		187	26	266	257	180	180	10	11	11
Vote 11 - Other		92	4	60	161	164	164	337	353	370
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>164 176</b>	<b>189 593</b>	<b>179 642</b>	<b>202 600</b>	<b>205 852</b>	<b>205 852</b>	<b>214 479</b>	<b>224 989</b>	<b>235 563</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>16 475</b>	<b>12 004</b>	<b>15 571</b>	<b>5 107</b>	<b>4 876</b>	<b>4 876</b>	<b>42 696</b>	<b>37 486</b>	<b>26 734</b>

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

Transfers recognised operating includes the FMG, EPWP, and equitable share from national and provincial government. It is noted that the grants remains a major and high funding source for the municipality.

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0 - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Revenue</b>											
<b>Exchange Revenue</b>											
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-
Service charges - Water	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	2	-	-	-	-	-	-	-	-	-	-
Service charges - Waste Management	2	2 779	2 955	3 088	3 682	3 682	3 682	3 682	3 798	4 076	4 268
Sale of Goods and Rendering of Services		171	233	166	187	189	189	189	168	176	185
Agency services		731	-	1 337	1 886	2 086	2 086	2 086	2 202	2 310	2 419
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		-	-	-	-	-	-	-	-	-	-
Interest earned from Current and Non Current Assets		11 107	7 569	8 555	10 000	11 500	11 500	11 500	12 000	12 588	13 180
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		851	896	1 151	800	1 102	1 102	1 102	1 157	1 213	1 270
Licence and permits		83	92	102	100	110	110	110	116	121	127
Operational Revenue		784	1 487	899	103	781	781	781	325	341	357
<b>Non-Exchange Revenue</b>											
Property rates	2	24 775	21 321	24 389	24 602	24 602	24 602	24 602	41 367	43 394	45 434
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		448	446	427	500	829	829	829	871	913	956
Licences or permits		2 056	4 475	2 498	3 337	3 337	3 337	3 337	3 338	3 502	3 667
Transfer and subsidies - Operational		115 582	143 912	127 372	139 082	139 082	139 082	139 082	152 333	161 055	168 624
Interest		-	-	-	-	-	-	-	-	-	-
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	145	-	-	-	-	-	-	-	-
Other Gains		-	-	-	-	-	-	-	-	-	-
<b>Discontinued Operations</b>											
Total Revenue (excluding capital transfers and contributions)		159 367	183 532	169 986	184 280	187 301	187 301	187 301	217 676	229 691	240 486
<b>Expenditure</b>											
Employee related costs	2	69 765	84 094	86 563	91 435	91 435	91 435	91 435	94 112	98 723	103 363
Remuneration of councillors		10 052	10 436	10 372	10 689	10 960	10 960	10 960	10 960	11 497	12 037
Bulk purchases - electricity	2	-	-	-	-	-	-	-	-	-	-
Inventory consumed	2	638	814	1 231	1 667	1 544	1 544	1 544	1 610	1 689	1 768
Debt impairment	3	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation		34 055	35 922	27 890	36 000	36 000	36 000	36 000	36 000	37 764	39 539
Interest		-	-	1	-	-	-	-	-	-	-
Contracted services		12 977	16 497	18 612	26 184	27 779	27 779	27 779	26 756	28 067	29 386
Transfers and subsidies		8 536	5 179	6 669	6 654	4 753	4 753	4 753	10 426	10 937	11 451
Irrecoverable debts written off		7 220	11 355	4 935	2 271	2 271	2 271	2 271	2 378	2 495	2 612
Operational costs		20 746	23 716	22 743	27 699	31 110	31 110	31 110	32 238	33 817	35 407
Losses on disposal of Assets		186	1 580	625	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-	-
Total Expenditure		164 176	189 593	179 642	202 600	205 852	205 852	205 852	214 479	224 989	235 563
<b>Surplus/(Deficit)</b>											
Transfers and subsidies - capital (monetary)	6	33 358	26 482	32 262	35 351	35 351	35 351	35 351	39 499	32 784	34 123
Transfers and subsidies - capital (in-kind)	6	930	-	4 018	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	29 479	20 422	26 624	17 031	16 800	16 800	16 800	42 696	37 486	39 046

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

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote, capital expenditure by standard classification, and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

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- The capital programme is funded by grants, donations where necessary and internally generated funds.
- UBuhlebezwe capital budget is mainly funded by grants with MIG and Internally generated revenue being the highest funders. It must also be noted that the electrification project is budgeted for under capital expenditure simply because whilst the project is still work in progress is becomes capital in nature; however as soon as the project is transferred to the homeowners, it then gets transferred to operational expenditure.

Vote Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>											
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 8 - Energy Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 10 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 11 - Other		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive & Council		1 158	1 878	2 110	-	-	-	-	750	787	824
Vote 2 - Finance and Admin		2 360	6 968	8 455	5 035	6 218	6 218	6 218	5 157	5 409	5 664
Vote 3 - Community and Social Services		1 485	3 495	17 141	9 242	10 210	10 210	10 210	8 877	9 312	9 750
Vote 4 - Housing		11 214	18 664	29 516	-	-	-	-	-	-	-
Vote 5 - Public Safety		13 252	15 745	17 250	110	110	110	110	1 400	1 469	1 538
Vote 6 - Road Transport		13 518	35 400	48 715	13 410	11 987	11 987	11 987	15 712	16 482	17 256
Vote 7 - Waste Management		302	3 095	3 465	886	1 057	1 057	1 057	72	76	79
Vote 8 - Energy Services		-	-	-	200	200	200	200	5 140	5 392	5 645
Vote 9 - Planning & Development		7 086	13 298	16 702	10 092	6 700	6 700	6 700	3 370	3 535	3 701
Vote 10 - Sports & Recreation		3 716	93	3 430	11 974	13 341	13 341	13 341	14 680	15 399	16 123
Vote 11 - Other		-	-	-	-	-	-	-	50	52	55
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - 0		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		54 091	98 635	146 785	50 949	49 822	49 822	49 822	55 208	57 913	60 635
<b>Total Capital Expenditure - Vote</b>		54 091	98 635	146 785	50 949	49 822	49 822	49 822	55 208	57 913	60 635
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		3 517	8 846	10 565	5 035	6 218	6 218	6 218	5 907	6 196	6 487
Executive and council		1 158	1 878	2 110	-	-	-	-	750	787	824
Finance and administration		2 360	6 968	8 455	5 035	6 218	6 218	6 218	5 157	5 409	5 664
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		29 667	37 996	67 337	21 326	23 661	23 661	23 661	24 957	26 180	27 410
Community and social services		1 485	3 495	17 141	9 242	10 210	10 210	10 210	8 877	9 312	9 750
Sport and recreation		3 716	93	3 430	11 974	13 341	13 341	13 341	14 680	15 399	16 123
Public safety		13 252	15 745	17 250	110	110	110	110	1 400	1 469	1 538
Housing		11 214	18 664	29 516	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		20 605	43 749	57 103	23 502	18 687	18 687	18 687	19 082	20 017	20 958
Planning and development		7 086	8 349	8 388	10 092	6 700	6 700	6 700	3 370	3 535	3 701
Road transport		13 518	35 400	48 715	13 410	11 987	11 987	11 987	15 712	16 482	17 256
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		302	8 044	11 779	1 086	1 257	1 257	1 257	5 212	5 467	5 724
Energy sources		-	4 949	8 314	200	200	200	200	5 140	5 392	5 645
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		302	3 095	3 465	886	1 057	1 057	1 057	72	76	79
<b>Other</b>		-	-	-	-	-	-	-	50	52	55
<b>Total Capital Expenditure - Functional</b>	3	54 091	98 635	146 785	50 949	49 822	49 822	49 822	55 208	57 913	60 635
<b>Funded by:</b>											
National Government		61 304	32 768	61 304	30 351	30 351	30 351	30 351	39 499	41 434	43 382
Provincial Government		9 425	9 386	9 425	5 000	5 000	5 000	5 000	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	70 729	42 154	70 729	35 351	35 351	35 351	35 351	39 499	41 434	43 382
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		76 056	56 481	76 056	15 598	14 471	14 471	14 471	15 709	16 478	17 253
<b>Total Capital Funding</b>	7	146 785	98 635	146 785	50 949	49 822	49 822	49 822	55 208	57 913	60 635

## 1.7.6 Explanatory notes to Table A6-Budgeted Financial Position

# UBuhlebezwe Municipality Draft Budget 2023/2024

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- Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet)
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version.
- Any movement on the budgeted financial performance or the capital budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end.
- Table SA3 provides a detailed analysis of the major components of a number of items, including:
  - Call investments deposits
  - Consumer debtors
  - Property, Plant and equipment
  - Trade and other payables
  - Provisions non-current
  - Change in net assets,
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets on the municipality belong to the community.

# UBuhlebezwe Municipality Draft Budget 2023/2024

0 - Table A6 Budgeted Financial Position

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents		148 854	160 472	166 415	123 190	162 180	162 180	162 180	191 705	201 114	210 566
Trade and other receivables from exchange transactions	1	9 068	5 517	6 603	13 517	7 221	7 221	7 221	9 014	9 456	9 900
Receivables from non-exchange transactions	1	31 979	21 915	20 069	33 006	27 011	27 011	27 011	44 307	46 478	48 662
Current portion of non-current receivables		118	-	-	-	-	-	-	-	-	-
Inventory	2	8 350	5 972	5 437	8 284	5 437	5 437	5 437	3 586	3 743	3 919
VAT		240	(3 643)	(2 135)	10 876	5 062	5 062	5 062	21 045	22 076	23 114
Other current assets		(127)	3	3	-	(23 000)	(23 000)	(23 000)	-	-	-
<b>Total current assets</b>		<b>198 483</b>	<b>190 235</b>	<b>196 392</b>	<b>188 872</b>	<b>183 912</b>	<b>183 912</b>	<b>183 912</b>	<b>269 657</b>	<b>282 867</b>	<b>296 161</b>
<b>Non current assets</b>											
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		23 033	22 874	22 715 868.00	23 129	23 090	23 090	23 090	22 851	23 971	25 098
Property, plant and equipment	3	290 540	320 520	340 890	368 912	385 104	385 104	385 104	355 138	372 540	390 050
Biological assets		-	-	-	-	-	-	-	-	-	-
Living and non-living resources		-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	4 809	4 809	4 809	4 809	4 809	5 044	5 282
Intangible assets		1 321	4 372	3 903	4 405	4 703	4 703	4 703	3 438	3 606	3 776
Trade and other receivables from exchange transactions		-	-	-	-	-	-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>314 894</b>	<b>347 767</b>	<b>367 509</b>	<b>401 255</b>	<b>417 706</b>	<b>417 706</b>	<b>417 706</b>	<b>386 236</b>	<b>405 162</b>	<b>424 205</b>
<b>TOTAL ASSETS</b>		<b>513 376</b>	<b>538 002</b>	<b>563 901</b>	<b>590 128</b>	<b>601 617</b>	<b>601 617</b>	<b>601 617</b>	<b>655 894</b>	<b>688 029</b>	<b>720 366</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft		-	-	-	-	-	-	-	-	-	-
Financial liabilities		-	-	-	-	-	-	-	-	-	-
Consumer deposits		(265)	(251)	(251)	-	-	-	-	-	-	-
Trade and other payables from exchange transactions	4	27 548	31 815	30 525	55 137	58 106	58 106	58 106	9 263	17 125	30 443
Trade and other payables from non-exchange transactions	5	1 125	3 826	2 020	1 992	(9 533)	(9 533)	(9 533)	14 587	15 302	16 021
Provision		-	-	-	-	-	-	-	-	-	-
VAT		(10 818)	(6 478)	(7 197)	-	-	-	-	1 711	1 704	1 784
Other current liabilities		-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>17 590</b>	<b>28 912</b>	<b>25 098</b>	<b>57 129</b>	<b>48 573</b>	<b>48 573</b>	<b>48 573</b>	<b>25 561</b>	<b>34 130</b>	<b>48 247</b>
<b>Non current liabilities</b>											
Financial liabilities	6	-	-	-	-	-	-	-	-	-	-
Provision	7	-	-	-	2 441	2 846	2 846	2 846	-	-	-
Long term portion of trade payables		-	-	-	-	-	-	-	-	-	-
Other non-current liabilities		4 644	8 709	11 306	8 709	11 306	11 306	11 306	14 153	14 846	15 544
<b>Total non current liabilities</b>		<b>4 644</b>	<b>8 709</b>	<b>11 306</b>	<b>8 709</b>	<b>11 306</b>	<b>11 306</b>	<b>11 306</b>	<b>14 153</b>	<b>14 846</b>	<b>15 544</b>
<b>TOTAL LIABILITIES</b>		<b>22 234</b>	<b>37 621</b>	<b>36 404</b>	<b>65 837</b>	<b>59 879</b>	<b>59 879</b>	<b>59 879</b>	<b>39 713</b>	<b>48 976</b>	<b>63 791</b>
<b>NET ASSETS</b>		<b>491 142</b>	<b>500 381</b>	<b>527 497</b>	<b>524 290</b>	<b>541 738</b>	<b>541 738</b>	<b>541 738</b>	<b>616 180</b>	<b>639 053</b>	<b>656 575</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated surplus/(deficit)	8	461 663	479 959	474 250	521 476	538 518	538 518	538 518	615 806	638 661	656 165
Reserves and funds	9	-	-	-	374	374	374	374	374	392	411
Other		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	10	<b>461 663</b>	<b>479 959</b>	<b>474 250</b>	<b>521 849</b>	<b>538 892</b>	<b>538 892</b>	<b>538 892</b>	<b>616 180</b>	<b>639 053</b>	<b>656 575</b>

## 1.7.7 Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

# UBuhlebezwe Municipality Draft Budget 2023/2024

0 - Table A7 Budgeted Cash Flows

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	-	-	18 692	18 692	18 692	18 692	33 094	34 715	36 347
Service charges		-	-	-	2 031	2 031	2 031	2 031	3 109	3 261	3 414
Other revenue		40 387	40 387	40 387	17 800	18 974	18 974	18 974	4 714	4 945	5 178
Transfers and Subsidies - Operational	1	6 500	125 827	253 289	229 112	229 112	229 112	229 112	152 333	159 797	167 308
Transfers and Subsidies - Capital	1	-	-	-	35 351	35 351	35 351	35 351	39 499	32 784	34 123
Interest		-	-	-	10 000	11 500	11 500	11 500	12 000	12 588	13 180
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(24 697)	(126 199)	(205 473)	(249 218)	(260 548)	(260 548)	(260 548)	(238 034)	(249 698)	(261 433)
Finance charges		-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	1	(1 365)	(2 496)	(3 673)	(6 654)	(4 753)	(4 753)	(4 753)	(10 426)	(10 937)	(11 451)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>20 824</b>	<b>37 518</b>	<b>84 530</b>	<b>57 115</b>	<b>50 359</b>	<b>50 359</b>	<b>50 359</b>	<b>(3 712)</b>	<b>(12 544)</b>	<b>(13 335)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	100	105	110
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		-	-	-	(50 949)	(49 822)	(49 822)	(49 822)	(55 208)	(49 262)	(51 376)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(50 949)</b>	<b>(49 822)</b>	<b>(49 822)</b>	<b>(49 822)</b>	<b>(55 108)</b>	<b>(49 157)</b>	<b>(51 266)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/financing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>20 824</b>	<b>37 518</b>	<b>84 530</b>	<b>6 166</b>	<b>537</b>	<b>537</b>	<b>537</b>	<b>(58 819)</b>	<b>(61 701)</b>	<b>(64 601)</b>
Cash/cash equivalents at the year begin:	2	230 406	229 903	353 778	128 788	165 152	165 152	165 152	208 350	149 531	87 829
Cash/cash equivalents at the year end:	2	251 230	267 421	438 307	134 953	165 688	165 688	165 688	149 531	87 829	23 228

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

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence, the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality’s budget must be funded.
- As part of the budgeting and planning guidelines that informed the compilation of the 2023/24 MTREF the end objective of the medium framework was to ensure the budget is funded aligned to section 18 of the MFMA.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2023/24 MTREF is funded.



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0 - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	273 978	284 886	438 307	134 953	165 688	165 688	165 688	129 290	128 232	121 745
Other current investments > 90 days		(125 124)	(124 413)	(271 892)	(11 764)	(3 508)	(3 508)	(3 508)	62 415	72 882	88 820
Investments - Property, plant and equipment	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>148 854</b>	<b>160 472</b>	<b>166 415</b>	<b>123 190</b>	<b>162 180</b>	<b>162 180</b>	<b>162 180</b>	<b>191 705</b>	<b>201 114</b>	<b>210 566</b>
<b>Application of cash and investments</b>											
Trade payables from Non-exchange transactions: Other		2 277	6 322	5 693	8 646	(9 780)	(9 780)	(9 780)	15 371	16 124	16 882
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	(23 016)	(18 155)	(17 344)	10 876	5 062	5 062	5 062	19 443	20 304	21 259
Other working capital requirements	3	(25 840)	(6 408)	(5 882)	(3 620)	20 199	20 199	20 199	(3 189)	4 083	16 788
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	374	374	374	374	374	392	411
<b>Total Application of cash and investments:</b>		<b>(46 578)</b>	<b>(18 242)</b>	<b>(17 533)</b>	<b>16 276</b>	<b>15 854</b>	<b>15 854</b>	<b>15 854</b>	<b>31 998</b>	<b>40 903</b>	<b>55 339</b>
<b>Surplus(shortfall)</b>		<b>195 433</b>	<b>178 714</b>	<b>183 948</b>	<b>106 914</b>	<b>146 326</b>	<b>146 326</b>	<b>146 326</b>	<b>159 707</b>	<b>160 211</b>	<b>155 227</b>

## 1.7.9 Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality is working towards meeting both recommendations but the budget for UBuhlebezwe is adequate to secure the ongoing health of the municipality's infrastructure.
- UBuhlebezwe municipality has resolved to utilize internal staff when renewing assets where feasible. This has also reduced the cost of renewal of assets whilst assets are still being renewed. This was done to ensure that assets are renewed whilst lesser budget is allocated towards renewal. The cost of renewal is therefore embedded in the salaries of staff members.



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

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services. The Municipality continues to make good progress with the eradication of backlogs:
- The number of households registered for indigent in 2023/2024 is expected to increase therefore entitled to receiving Free Basic Services, this is covered by municipality's equitable share.

# UBuhlebezwe Municipality Draft Budget 2023/2024

0 - Table A10 Basic service delivery measurement

Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23			2023/24 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/Sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>										
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>										
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<i>Informal Settlements</i>										
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>										
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>										
<b>Total cost of FBS provided</b>	8	-	-	-	-	-	-	-	-	-
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		(7 073)	(9 416)	(9 717)	(9 881)	(9 881)	(9 881)	(14 398)	(15 103)	(15 813)
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>	6	(7 073)	(9 416)	(9 717)	(9 881)	(9 881)	(9 881)	(14 398)	(15 103)	(15 813)

## PART 2

### 2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

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

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Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Executive Committee members, the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

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

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

## **2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTERGRATED DEVELOPMENT PLAN**

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation, which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the newly developed IDP includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and

- The review of the performance management and monitoring processes.  
The details of all revenue, operational expenditure and capital expenditure which are aligned to the goals and action plans in the Integrated Development Plan are outlined in the supporting documentation **S4 to S6**.

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

### ***Borrowing Management***

The municipality currently does not have external borrowings. The municipality's credit worthiness has not been assessed; however, there are no plans to utilize this facility in the next two financial years.

### ***Debtors and Creditor's Management***

Creditors are paid twice a month in order to cater for SMME's and in order to avoid late payments thereby incurring interests.

The Credit Control and Debt collection policy was adopted to tighten up debt collection. Furthermore, the municipality utilizes services of debt collectors to collect from all defaulting debtors.

## 2.4 OVERVIEW OF BUDGET RELATED-POLICIES

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

- Credit Control and debts Collection policies
- Asset Management Policy
- Budget Policy
- Supply Chain Management Policy
- Virement Policy
- Cash Management and Investment Policy
- Property Rate Policy
- Indigent Policy

All the above policies are available on the municipality's website.

## 2.5. OVERVIEW OF BUDGET ASSUMPTIONS

The Draft budget was prepared in accordance with guidelines and assumptions as outlined in Municipal Budget and Reporting Regulations, taking into consideration the following aspects:

- National budget assumptions, guidelines and projections;
- Alignment with national and provincial priorities;
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions with regards to grants allocation in terms of revised DORA.
- Anticipated own revenue from rates and services charges, sundry charges and other revenues and affordability of ratepayers and consumers services;
- The ability of municipality to collect revenue (payment level);
- Operating expenditure cost drivers and growth thereof;
- Capital budget funding model;
- Protecting the poor by ensuring access to basic services

## 2.6 OVERVIEW OF BUDGET FUNDING

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from grant funding. Other funding is derived from Property rates, driver's licences, investments, rentals and operating and capital grants and other minor charges (such as building plan fees, licenses and permits etc).

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

- Growth in the municipal area and economic development;
- Revenue management and enhancement;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels such as Town planning.

## 2.7 ANNUAL BUDGETS AND SDBIPs –INTERNAL DEPARTMENT

## 2.8 CONTRACTS HAVING BUDGETARY IMPLICATIONS

The municipality does not have contracts that go beyond the current Draft budget year and the two outer years.

In terms of the municipality's supply chain management policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the bid evaluation and adjustment committees must obtain formal financial comments from the Financial Management Division of the Budget and Treasury Office Department.

## 2.9 LEGISLATION COMPLIANCE STATUS

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

- **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

- **Budget and Treasury Office**

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

- **Audit Committee**

An Audit Committee has been established and is fully functional.

- **Annual Report**

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