

EMADLANGENI MUNICIPALITY

KZN253



MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

DRAFT BUDGET

2022/23 TO 2024/25

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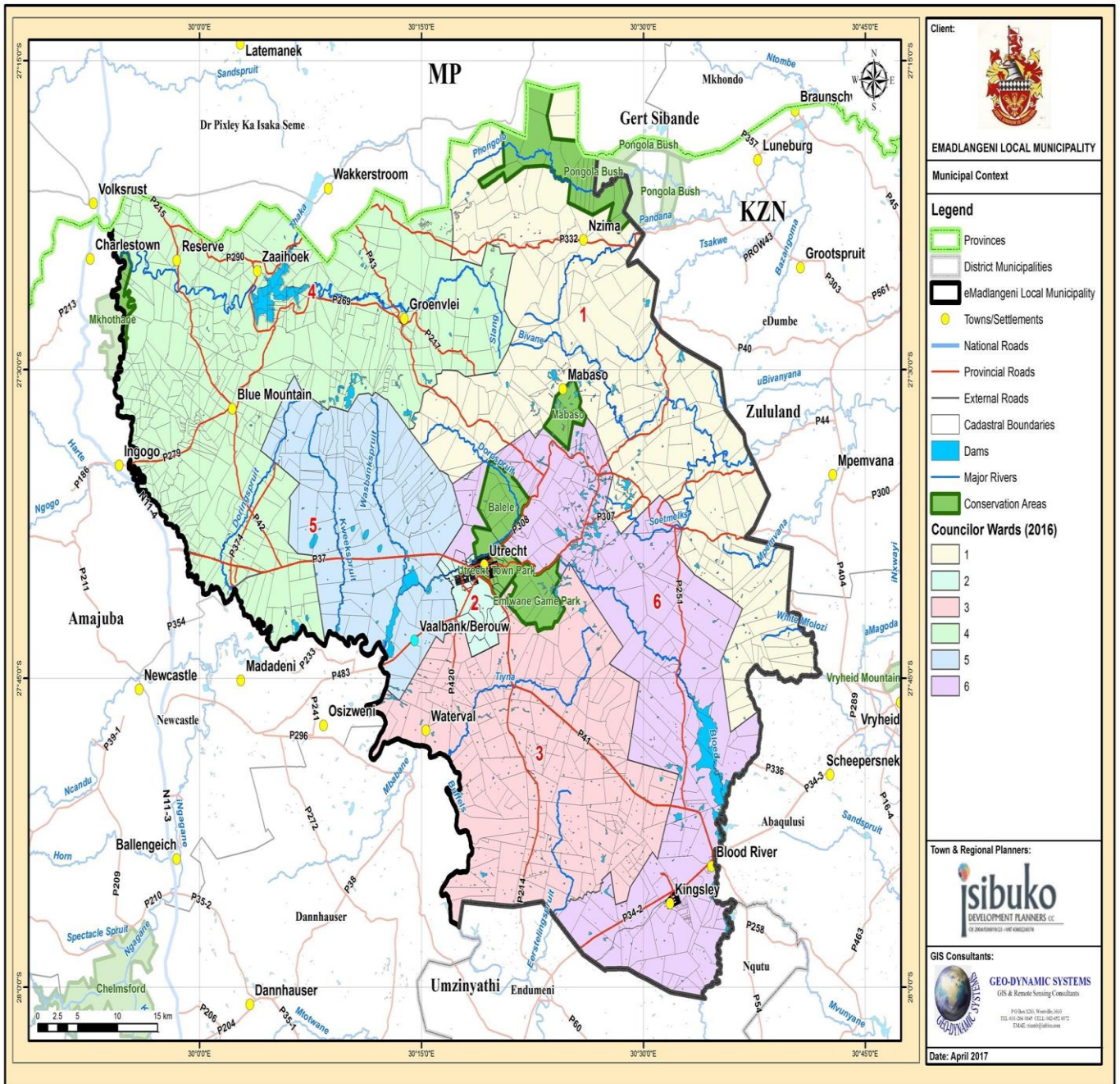
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SECTION DESCRIPTION

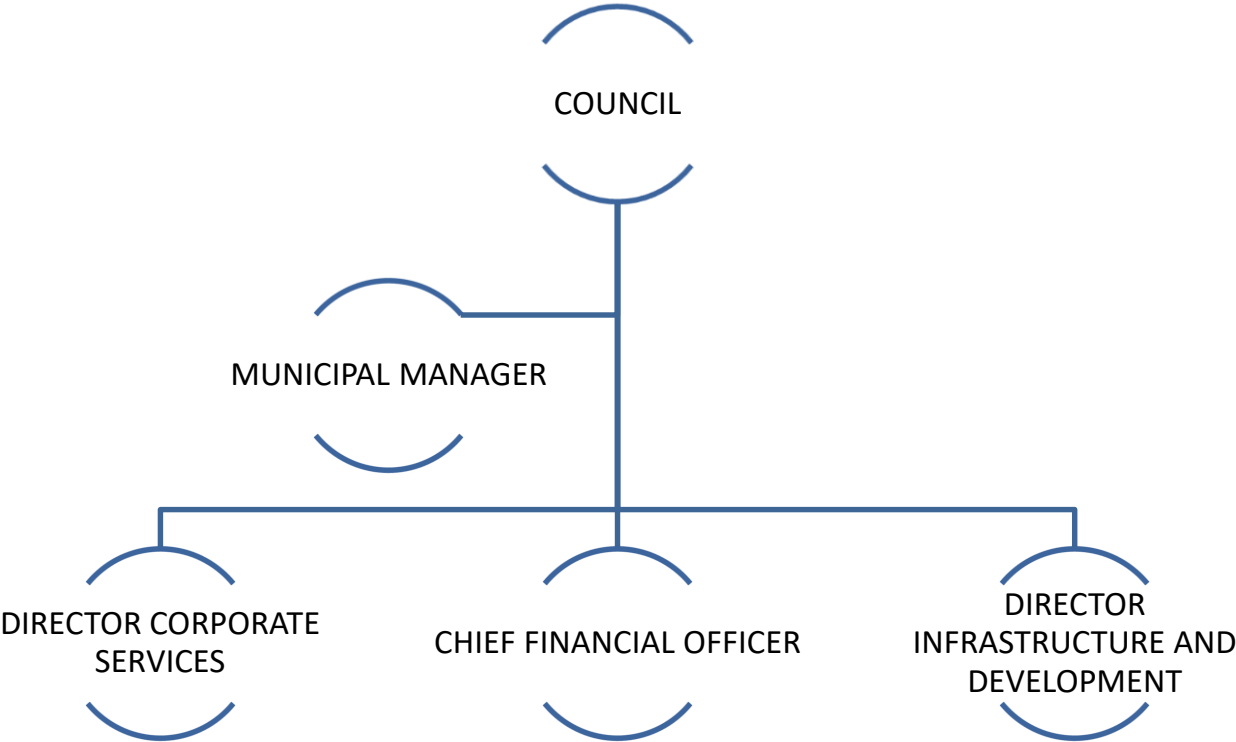
I. ABBREVIATIONS AND ACRONYMS

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DOHS	Department of Human Settlements
EE	Employment Equity
EMA	EMadlangeni Municipal Area
M	Mayor
FBS	Free Basic Services
GRAP	Generally Recognized Accounting Practice
GDP	Gross Domestic Product
GFS	Government Financial Statistics
HR	Human Resources
ICT	Information Communication Technology
IDP	Integrated Development Plan
INEP	Integrated National Electrification Programme
KPA	Key Performance Area
KPI	Key Performance Indicator
K/Wh	Kilo Watt Hours
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MSCOA	Municipal Standard Chart of Accounts
MSFM	Municipal Services Financial Model
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NT	National Treasury
NGO	Non-Governmental Organizations
NKPIs	National Key Performance Indicators
OP	Operational Plan
PMS	Performance Management System
PT	Provincial Treasury
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprise

II. MAP OF EMADLANGENI AREA



III. ORGANIZATIONAL STRUCTURE



IV. EMADLANGENI MUNICIPALITY PROFILE

OVERVIEW OF THE MUNICIPALITY

eMadlangeni Municipality is the largest municipality in the Amajuba District in terms of area; it covers 3 714 km² of the land. It consists of a vast rural in which there are approximately 1400 commercial farms and a low percentage of economic activity. eMadlangeni has an exceptionally low population density, which is 36 870 according to Community survey 2016 figures and made up of 6 wards

The Municipality is located in Utrecht. It is predominantly rural and is characterised by vast commercial farmlands with rural settlements concentrated in selected areas. The municipality is rich in heritage and forms part of the Battlefields tourism route in terms of tourism development and promotion in KwaZulu-Natal. The municipal area includes Balele Game Park.

Economic development is the biggest need. Diversification of the local economy requires immediate attention. Limited mining occurs while sectors making a notable contribution to the economy of the area include trade, finance and government services. Agriculture is the most important economic sector with excellent potential.

VISION OF THE MUNICIPALITY

By 2036 eMadlangeni Municipality will be a self-sustaining exemplary local municipality with a diverse thriving economy where people enjoy a high quality of life within a sustainable and resilient environment.

MISSION

The municipality pledges to its communities and stakeholders to the embodiment of good governance; deliver services in an efficient and effective manner; promote and facilitate sustainable socio-economic development; To create mutual trust and understanding between the municipality and the community. Promote tourism, agriculture and mining, and facilitate the development of urban hubs in support of these economic sectors and delivery of services. To apply good and transparent corporate governance in order to promote community development

ECONOMIC / SOCIAL DEVELOPMENT

Emadlangeni has a young population. This implies that most are in the economically active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of eMadlangeni further qualifies the fact that there are limited formal employment opportunities in the area. More than 70% of the population earn R1600 or less per month. The number of people with no income has also increased since the 2011 census to reach 41%.

The eMadlangeni is an agricultural area and is most wool producing area in KwaZulu Natal. It is also known for cattle and mixed-farming.

PART 1 – ANNUAL BUDGET

1. MAYORS REPORT

The Mayor LM Buthelezi to deliver the budget speech on March 2022. A copy of the speech to be circulated under separate cover at the Council Meeting.

The first review of the current new generation 5 year IDP and draft SDBIP will also be tabled during the Council meeting.

2. COUNCIL RESOLUTIONS

2.1 BUDGET RELATED RESOLUTIONS

- That the 2022/23- 2024/25 MTREF (Medium-Term Revenue and Expenditure Framework) of the eMadlangeni Municipality be approved by Council and also considered adjustment where necessary
- That the note be taken of the contents of the budget documentation circulated in accordance with the Municipal Finance Management Act, No.56 of 2003, MBRR and relevant MFMA circulars.

2.2 ESTIMATES OF INCOME AND EXPENDITURE

- i. That in terms of section 24 of the Municipal Finance Management Act, No.56 of 2003, the annual budget of the municipality for the financial year 2022/2023; and indicative allocations for the two outer years 2023/2024- 2024/2025; and the multi-year and single year capital appropriations are approved as set-out in the following tables of the budget document:
 - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) (**Table A2**)
 - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) (**Table A3**)
 - Budgeted Financial Performance (Revenue by Source and Expenditure by Type) (**Table A4**)
 - Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source (**Table A5**)
- ii. That the financial position, cash flow, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
 - Budgeted Financial Position (**Table 6**)
 - Budgeted Cash Flows (**Table 7**)
 - Asset Management (**Table 9**)
 - Basic Service Delivery Measurement (**Table 10**)

2.3 BUDGET RELATED POLICIES

- a. That the following budget related policies as per the **Annexure C** (Annual Budget and Medium Term Revenue and Expenditure Framework 2022/23- 2024/25) be submitted in terms of S7 of Municipal Budget and Reporting Regulations: -
- b. That the following draft policies be adopted by Council remain unchanged and are hereby approved
 - Asset Management policy
 - Bad Debt Write Off and Impairment of Debts policy
 - Cost Containment policy
 - Fleet Management policy
 - Leave policy
 - Budget policy
 - Cash and Investment policy
 - Petty Cash policy
 - Virement policy

- Rates policy
- SCM policy
- Indigent policy
- Debt Collection and Credit Control policy

2.4 TARIFFS

That the Council of eMadlangeni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **APPROVES AND ADOPTS** with effect from 1 July 2022 the draft tariffs as contained in **Annexure B**:

- The tariffs for electricity not yet received from NERSA
- The tariffs for solid waste services;
- The tariffs, rebates and exemptions for property rates for different categories and
- The tariffs for rendering other services of the municipality for different categories.

2.5 RECAPITULATION: VALUATION OF RATEABLE PROPERTY

That it be recorded that the recapitulation certificate summarizing the valuation of rateable property, As certified by the Municipal Valuer, is laid on the table.

The following resolutions, pertaining to property rates (items 2.1.4 to 2.1.9) and in conformity with the provisions of Section 14 of the Local Government: Municipality Property Rates Act 6 of 2004 and Sections 17(3) (a) (ii) and 24 (2) (c) (i) of the Local Government: Municipal Finance Management Act 56 of 2003, be adopted.

2.6 DETERMINATION OF RATES

In terms of Section 8 of the Local Government: Property Rates Act, 2004 read together with the Rates Policy, as amended, and to be adopted with the current budget, the Municipality may levy different Rates for different categories of Property.

That the rate randage for the said financial year for the eMadlangeni Municipality, be and is hereby assessed and levied for the following categories at:

Categories	2022/2023 Cents in the rand	2023/2024 Cents in the rand	2024/2025 Cents in the rand
Agriculture properties used for agricultural purposes	0.00162	0.00169	0.00176
Business/commercial/industrial purposes	0.04091	0.04271	0.04271
Industrial properties	0.04091	0.04271	0.04271
Mining properties	0.05204	0.05432	0.05676
Public service infrastructure	0	0	0
Residential properties	0.01520	0.01586	0.01657
Public Service Purpose	0.05891	0.06150	0.06426
Vacant land	0.11958	0.12484	0.13045
Vacant land zoned residential	0.09381	0.10241	0.10701

Multiple-Use Property will be dealt with in accordance with the Rates Policy

2.7 EXEMPTIONS, REBATES AND REDUCTIONS

That the following reductions on the market values of the property and rebates on rates payable, be and are hereby granted in accordance with the Rates Policy.

2.7.1 RESIDENTIAL PROPERTY

That in addition to the statutory reduction of R 15 000, a further reduction of R 35 000 be and is hereby approved for all residential properties.

2.7.2 PUBLIC BENEFIT ORGANISATIONS

That on application and approval, only Public Benefits Organizations listed in paragraph 11.5. of the Municipality's Draft Rates Policy 2022/2023 shall receive an exemption from rates.

2.7.3 VACANT LAND

That the rebate of R15 000 on the market value of Vacant land, as defined in the Rates Policy be granted.

2.7.4 MUNICIPAL PROPERTIES

All municipal owned properties are exempted from property rates, except for Trading Services.

2.8 DATE OF OPERATION OF DETERMINATION OF RATES

That this determination comes into operation on 01 July 2022.

2.9 ADMINISTRATION CHARGE ON ARREARS RATES

That the administration charge on arrear rates as referred to in Section 10.2 of the debt collection and credit control policy is determined at 1.5%. Collection of area rates is in accordance with the municipal policy.

2.9.1 Interest on Arrears

That the interest rate to be applied to arrear accounts, shall be interest rate as prescribed by regulation 9 of the Municipal Property Rates Regulations, 2006.

2.10 NEW FUNCTIONS/ SERVICES

That no new functions or service be introduce without specific approval thereto by the Council after full considerations of the effect thereof on the Council's Budget. New functions and services can only be approved in principle and thereafter would have to be prioritized in terms of the Integrated Development Plan together with all other submissions that have been received.

2.11 PARTICULARS OF INVESTMENTS

That in terms of Section 17(3) (k) of the Municipal Finance Management Act No. 26 of 2003, particulars of the Councils investments are reflected in **Table SA15 –SA16**.

2.12 RENUMERATION OF COUNCILLORS AND SENIOR OFFICIALS

That in terms of Section 17(3)(k) of the Municipal Finance Management Act No. 56 of 2003 that the proposed cost to Council of the salary, allowances and benefits of each political office bearer, councilor and senior officials of the municipality, is reflected in **Table SA23**.

3. EXECUTIVE SUMMARY

INTRODUCTION

The 2022/2023 Medium Term budget is a total budget of R 138.4 million which has been developed with an overall planning framework and includes programs and projects to achieve the strategic objectives of the IDP. This budget was set against the backdrop of slow economic growth where tough choices had to be made to achieve the development outcomes for the municipality.

Economic challenges will continue to pressurize municipal revenue generation and collections in 2022/2023, hence a conservative approach has been adopted when projecting expected revenues and receipts. Despite increasingly challenging circumstances, service delivery will continue to be sustained through this budget by re-prioritizing expenditure to ensure key objectives are achieved.

Provisions in this medium term budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure. This budget has been developed to contribute to the municipality achieving the strategic objectives of the IDP. The 2022/2023 MTREF is informed by the municipality's long-term financial strategy with emphasis on affordability and long-term sustainability. National Treasury's MFMA Circular No.108 was used to guide the compilation of the 2021/2022 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget.
- Major tariffs to be cost reflective, realistic and affordable.
- Need to ensure rates base growth to ensure sustainability of free basic services.
- Budget to contribute to achieving strategic objectives of the IDP.

The main CHALLENGES experienced during the compilation of the 2021/2022 MTREF can be summarized as follows:

- Huge backlogs on infrastructure projects;
- High unemployment which impacts on collection rates.
- National Treasury austerity measures with minimal growth or decline in grant allocations.
- Limited resources and minimal growth in the rates base & costs to unblock development.
- Aging and poorly maintained roads and electricity infrastructure;
- Increasing cost of bulk electricity;
- Revenue recovery from cost reflective core municipal services;
- Ensure a funded budget - The revenue collection from non-cash items such as depreciation, actuarial provisions, landfill sites etc. cannot fully be recovered from tariffs
- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

The following are some of the AUSTERITY MEASURES that need to be considered in the 2021/2022 medium term budget. In order to address the above challenges, ensure reasonable levels of tariffs and to conform to National Treasury cost containment guidelines.

- Productivity assessment and benchmarking of costs undertaken.
- Strategic approach to vacancies, analysis of vacancies carried out.
- Productivity analysis to include value for money and staff redeployment.
- Utilization of vehicles being closely monitored via the vehicle tracking system.
- Fuel, overtime and standby, travelling and accommodation, legal fees, security, catering, and consultants are some of the costs that are closely monitored by the Head of Departments.

4. OPERATING REVENUE FRAMEWORK

In order for eMadlangeni Local Municipality to continue improving the quality of services that is 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 have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines;
- Economic development growth with the municipal area;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases guidelines;
- Determining the tariff escalation rate of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the municipality.

While the municipality is optimistic about growth prospects in the next few year, there is no provision of such growth in the municipality's revenue budget. Ordinarily, the municipality is expected to reflect such growth in the revenue budget; however, the municipality chose to be cautious and conservative in this case. Taking into account, the MFMA provision that the budget must be funded from realistically anticipated revenue for collection, the municipality opted to use the current revenue base for the purposes of the MTREF but adjustments will be done in future when such growth in the revenue base materializes.

The following table is a summary of the 2022/2023 MTREF (classified by main revenue source):

Table A4 Financial Performance: Revenue

KZN253 Emadlangeni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	23,700	24,238	25,889	33,189	31,189	31,189	17,938	36,874	37,732	40,229
Service charges - electricity revenue	2	12,940	14,449	14,098	19,722	19,222	19,222	11,486	20,145	21,112	22,125
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	1,506	1,676	1,760	1,797	1,847	1,847	1,221	1,936	2,021	2,112
Rental of facilities and equipment		1,164	1,020	1,105	1,386	1,397	1,397	786	1,029	1,074	1,123
Interest earned - external investments		1,201	878	182	199	449	449	397	471	492	514
Interest earned - outstanding debtors		2,458	3,068	3,944	-	-	-	2,513	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		407	104	1	5,174	5,444	5,444	1	6,380	6,661	6,961
Licences and permits		1,073	940	1,484	1,725	1,375	1,375	837	1,617	1,688	1,114
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		37,337	35,821	44,734	38,176	38,176	38,176	31,543	42,004	42,922	45,010
Other revenue	2	639	785	413	5,472	923	923	146	1,263	1,318	1,377
Gains		2,521	756	(417)	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		84,945	83,735	93,194	106,840	100,023	100,023	66,866	111,718	115,019	120,564

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charges revenue comprise almost 49% (68.7 million) of the total revenue mix. In the 2022/2023 financial year, revenue from rates and services charges totaled to R59.0 million or 45 per cent. This increased in rates and service charges revenue to R60.9 million and R64.5 million for 2023/2024, and 2024/2025 respectively.

The table above excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Property rates are the second largest revenue source totaling 31 per cent (R36.9 million). Other revenue consists of various items such as fines, licenses and permits, rental of equipment, reconnection fees etc.

Operating grants (including capital) transfers total to R 68.7. million in the 2022/2023 financial year and increases to R 63.2 million by 2023/2024. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table SA19 Operating Transfers and Grant Receipts

KZN253 Emadlangeni - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
EXPENDITURE:										
Operating expenditure of Transfers and Grants										
National Government:		27,305	33,278	35,055	35,105	32,255	33,467	39,076	40,972	43,060
Local Government Equitable Share		27,305	30,478	32,255	32,255	32,255	33,467	36,076	37,972	40,060
		-	2,800	2,800	2,850			3,000	3,000	3,000
		-	-							
		-	-							
Other transfers/grants [insert description]										
Provincial Government:		771	1,035	1,614	1,768	1,768	1,768	1,950	1,950	1,950
Other transfers/grants [insert description]		771	1,035	1,614	1,768	1,768	1,768	1,950	1,950	1,950
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	978	-	-
[insert description]								978		
Total operating expenditure of Transfers and Grants		28,076	34,313	36,669	36,873	34,023	35,235	42,004	42,922	45,010
Capital expenditure of Transfers and Grants										
National Government:		12,251	15,247	9,342	9,310	17,385	15,310	26,202	20,250	17,821
		6,423	15,247	9,342	9,310	9,310	9,310	26,202	20,250	17,821
Other capital transfers/grants [insert desc]		5,828				8,075	6,000			
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		12,251	15,247	9,342	9,310	17,385	15,310	26,202	20,250	17,821
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		40,327	49,560	46,011	46,183	51,408	50,545	68,206	63,172	62,831

5. OPERATING EXPENDITURE FRAMEWORK

The Council expenditure framework for the 2022/2023 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue);
- Funding of the budget over the medium term as informed by section 18 and 19 of the MFMA;
- Funded capital programs as planned in the IDP.
- Strict adherence to the principle of no project plan no budget.

Table A4 Financial Performance: Expenditure

KZN253 Emadlangeni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Expenditure By Type											
Employee related costs	2	30,881	34,248	37,360	39,341	39,237	39,237	25,962	44,411	45,660	48,456
Remuneration of councillors		3,192	3,324	3,367	3,908	3,908	3,908	2,249	4,097	4,277	4,470
Debt impairment	3	-	-	-	1,676	1,676	1,676	-	1,756	1,833	1,916
Depreciation & asset impairment	2	10,466	9,014	9,645	8,990	8,990	8,990	9,923	9,422	9,836	10,291
Finance charges	2	2	48	34	18	288	288	249	131	115	120
Bulk purchases - electricity	2	12,365	13,580	14,679	17,617	17,617	17,617	10,482	20,182	21,070	22,018
Inventory consumed	8	-	-	-	4,247	3,368	3,368	1,251	4,147	4,571	4,770
Contracted services		8,257	14,032	13,514	16,475	14,332	14,332	5,887	15,967	15,195	15,899
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	12,481	25,261	17,573	9,226	9,543	9,543	2,498	10,419	12,609	13,036
Losses		2,183	97	-	-	-	-	-	-	-	-
Total Expenditure		79,828	99,604	96,173	101,497	98,958	98,958	58,501	110,532	115,168	120,977

5.1 Employee Related Costs: R44.4 million (40% Total Expenditure)

Employee Related Costs are expected to increase by an overall 4.8%. The municipality considered Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council set the salaries increases for 2022/2023 financial year. For the outer two years, employee related cost would be R45.7 million and R48.5 million.

5.2 Remuneration of Councillors: R4.1 million (3.7% Total Expenditure)

The cost associated with the remuneration of Councillor's 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 summary of the budgeted Councillors' allowances is reflected in tables SA22 and SA23 hereto.

5.3 Depreciation and Asset Impairment: R9.4 million (9% of Total Expenditure)

The 2022/2023 depreciation and asset impairment budget increased to R 9.4million from R8.9 million this increase of 4.8% from the full year forecast for 2021/2022 year. This line item is influenced by assessment reports produced professional at time of asset verification.

5.4 Debt Impairment: R1.8 million (2% of Total Expenditure)

Based on the audited financial statements, the contribution to impairment was increased by R 7.7 million from 2020 to 2021 financial year. The provision is a non-cash item.

5.5 Finance Charges: R131 thousand (0.1 of Total Expenditure)

An increase on contracted services is informed by consumer price index.

5.6 Bulk Purchases: R20.2 million (18% of Total Expenditure)

The budget for Electricity increased by 4.8% which is CPI still waiting for NERSA to issue the guideline.

5.7 Other Material : R4.1 million (3.8% of Total Expenditure)

The municipality has shifted the focus and decided to improve the maintenance of infrastructure; the high increase on material is due to anticipated high expenditure on roads and electricity maintenance.

5.8 Contracted Services : R16 million (14.4% of Total Expenditure)

An increase on contracted services is informed by consumer price index.

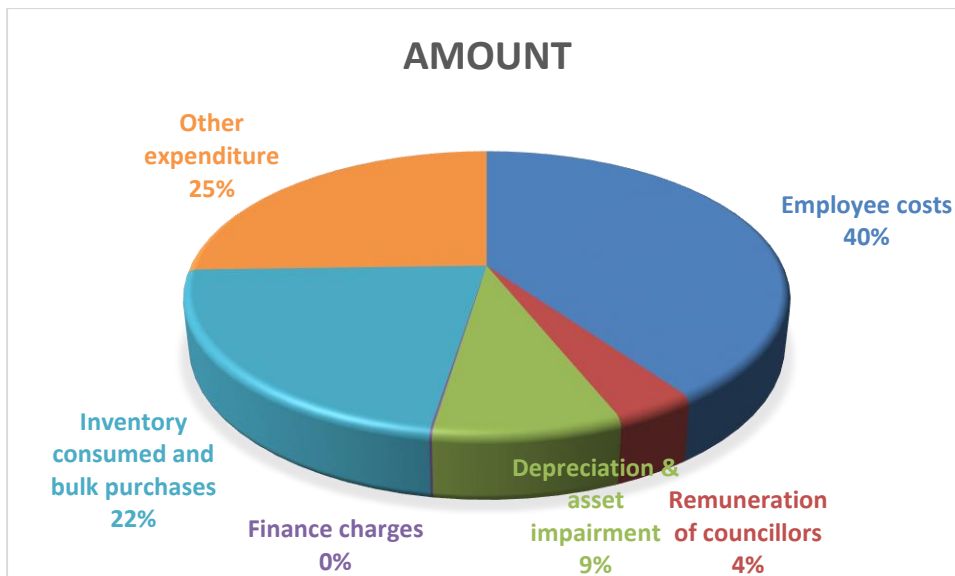
5.9 Other Expenditure : R10.4million (9.4% of Total Expenditure)

Other expenditure breakdown is provided in table SA1 of the budget. The increment is based on consumer price index.

5.9 Total Operating Expenditure R111 million

Total operating expenditure for the 2022/2023 financial year has been appropriated at **R111 million** when compared to **R 99 million** for the 2021/2022 Budget, operational expenditure has increase by **13%** for the outer years' operating expenditure has increased by **4.4%** an increased by **4.5%** respectively

The following pie chart gives a breakdown of the main expenditure categories for the 2022/2023 financial year.



6. CAPITAL EXPENDITURE

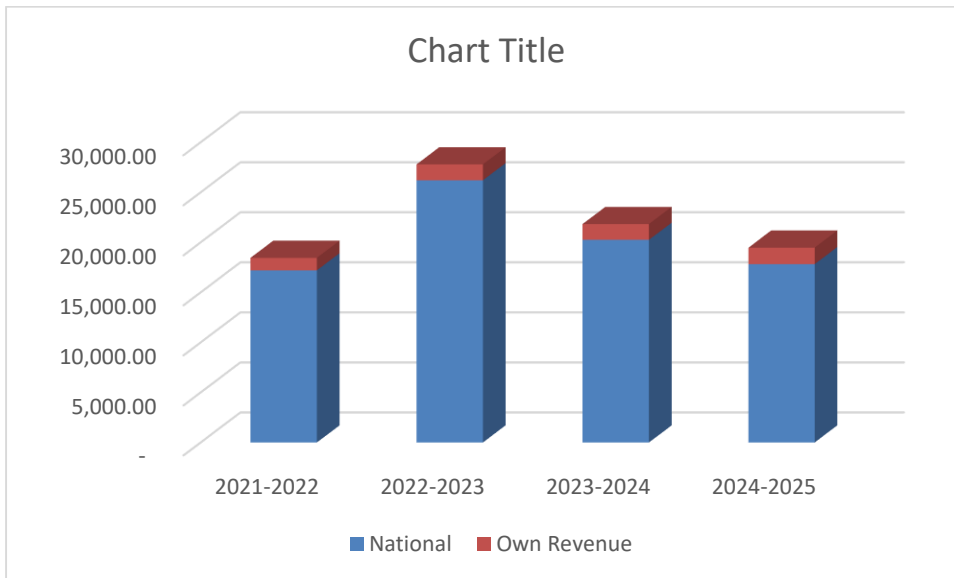
The capital budget totalled to R 27.8 million in 2022/2023. This was funded by National and Provincial grants in the amount of R26.2 and R1.6 million being funded from Council's internal sources.

Capital Budget Performance (Current Year)

The capital performance for current year and three outer years.

Description	2021/2022 Budget R'000	2022/2023 Adjustment Budget R'000	2023/2024 Budget R'000	2024/2025 Budget R'000
Total Capital Expenditure	18 700	27 788	21 827	19 469
Total Capital Financing	18 700	27 788	21 827	19 469

The following graph indicates the fluctuation of capital budget which might have negative impact on service delivery.



7. BUDGET TABLES

KZN253 Emadlangeni - Table A1 Budget Summary

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
R thousands										
Financial Performance										
Property rates	23,700	24,238	25,889	33,189	31,189	31,189	17,938	36,874	37,732	40,229
Service charges	14,446	16,125	15,858	21,519	21,069	21,069	12,707	22,081	23,133	24,237
Investment revenue	1,201	878	182	199	449	449	397	471	492	514
Transfers recognised - operational	37,337	35,821	44,734	38,176	38,176	38,176	31,543	42,004	42,922	45,010
Other own revenue	8,260	6,673	6,531	13,757	9,139	9,139	4,282	10,289	10,741	10,575
Total Revenue (excluding capital transfers and contributions)	84,945	83,735	93,194	106,840	100,023	100,023	66,866	111,718	115,019	120,564
Employee costs	30,881	34,248	37,360	39,341	39,237	39,237	25,962	44,411	45,660	48,456
Remuneration of councillors	3,192	3,324	3,367	3,908	3,908	3,908	2,249	4,097	4,277	4,470
Depreciation & asset impairment	10,466	9,014	9,645	8,990	8,990	8,990	9,923	9,422	9,836	10,291
Finance charges	2	48	34	18	288	288	249	131	115	120
Inventory consumed and bulk purchases	12,365	13,580	14,679	21,863	20,984	20,984	11,734	24,330	25,641	26,788
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	22,921	39,390	31,087	27,377	25,550	25,550	8,385	28,142	29,638	30,851
Total Expenditure	79,828	99,604	96,173	101,497	98,958	98,958	58,501	110,532	115,168	120,977
Surplus/(Deficit)	5,116	(15,869)	(2,978)	5,344	1,065	1,065	8,365	1,186	(149)	(412)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	9,247	9,342	14,310	17,682	17,682	17,682	1,517	26,703	20,250	17,821
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)	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409
Capital expenditure & funds sources										
Capital expenditure	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469
Transfers recognised - capital	48,672	58,026	52,106	17,202	17,452	17,452	57,664	26,202	20,250	17,821
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	76,932	77,209	79,350	1,785	1,248	1,248	80,506	1,586	1,577	1,648
Total sources of capital funds	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469
Financial position										
Total current assets	47,719	32,965	35,398	26,115	26,683	26,683	49,685	37,406	36,002	38,508
Total non current assets	162,356	168,173	174,346	328,532	342,201	342,201	354,493	255,172	259,529	267,867
Total current liabilities	38,589	45,185	49,803	19,948	19,948	19,948	(6,721)	39,913	41,669	43,544
Total non current liabilities	2,252	2,044	2,171	117	117	117	(2,091)	370	386	404
Community wealth/Equity	159,821	159,838	159,838	334,583	348,819	348,819	(283,876)	252,295	253,492	277,746
Cash flows										
Net cash from (used) operating	13,639	3,758	4,885	107,648	106,022	106,022	21,823	27,465	22,185	23,775
Net cash from (used) investing	-	-	-	-	-	-	-	(27,788)	(21,827)	(19,469)
Net cash from (used) financing	-	-	-	-	-	-	-	(117)	(66)	(70)
Cash/cash equivalents at the year end	13,639	3,758	4,885	107,648	106,022	106,022	21,823	4,511	4,802	9,038
Cash backing/surplus reconciliation										
Cash and investments available	13,512	3,963	4,971	4,819	5,386	5,386	22,229	4,511	4,802	9,038
Application of cash and investments	37,846	38,817	38,957	3,671	2,536	2,536	(931)	9,593	11,064	12,624
Balance - surplus (shortfall)	(24,334)	(34,854)	(33,987)	1,148	2,851	2,851	23,160	(5,082)	(6,262)	(3,586)
Asset management										
Asset register summary (WDV)	162,356	168,173	174,346	328,532	402,465	402,465	402,465	255,172	259,529	267,867
Depreciation	9,377	8,932	9,645	8,481	8,481	8,481	8,481	8,889	9,280	9,710
Renewal and Upgrading of Existing Assets	32,143	29,775	26,170	150	-	-	-	3,170	10,250	10,507
Repairs and Maintenance	1,197	829	840	2,526	1,401	1,401	1,401	2,116	2,209	2,309
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	(1,870)	(1,968)	(2,051)	4,090	4,090	4,090	4,222	4,222	5,175	4,610
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Table A1 is a budget summary

- It provides a concise overview of the Municipality’s budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- 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.
- The Cash backing/surplus reconciliation shows a slight decrease in cash over the MTREF.
- Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

KZN253 Emadlangeni - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue - Functional	1									
Governance and administration		53,878	59,216	66,282	80,085	74,615	74,615	83,082	86,150	91,070
Executive and council		27,305	30,478	36,702	33,467	33,467	33,467	36,076	37,972	40,060
Finance and administration		26,573	28,738	29,580	46,618	41,148	41,148	47,006	48,178	51,010
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		2,424	2,429	3,749	3,180	3,099	3,099	4,486	4,597	4,066
Community and social services		1,071	1,534	2,315	1,916	1,921	1,921	2,035	2,039	2,043
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		1,353	895	1,434	1,264	1,178	1,178	2,451	2,559	2,024
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		16,426	10,065	17,509	18,796	18,296	18,296	28,403	21,004	18,609
Planning and development		1,068	657	1,253	989	490	490	1,618	668	698
Road transport		15,358	9,408	16,255	17,807	17,807	17,807	26,785	20,336	17,910
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		14,444	16,125	15,858	21,519	21,069	21,069	22,081	23,133	24,237
Energy sources		12,938	14,449	14,098	19,722	19,222	19,222	20,145	21,112	22,125
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		1,506	1,676	1,760	1,797	1,847	1,847	1,936	2,021	2,112
Other	4	3,281	1,306	5	942	625	625	370	386	404
Total Revenue - Functional	2	90,452	89,141	103,402	124,522	117,705	117,705	138,421	135,269	138,385
Expenditure - Functional										
Governance and administration		32,177	49,006	42,670	44,034	44,338	44,338	48,316	51,869	54,403
Executive and council		10,106	8,418	7,967	10,564	10,793	10,793	11,548	12,034	12,576
Finance and administration		21,202	39,683	33,823	32,051	32,246	32,246	35,211	38,209	40,129
Internal audit		869	905	880	1,419	1,299	1,299	1,557	1,625	1,698
Community and public safety		14,337	15,788	16,308	20,234	19,396	19,396	21,500	22,843	23,697
Community and social services		5,176	5,256	4,835	8,326	7,001	7,001	7,927	8,608	8,889
Sport and recreation		1,740	1,944	1,943	2,090	2,080	2,080	2,099	2,192	2,290
Public safety		7,422	8,588	9,530	9,818	10,316	10,316	11,474	12,043	12,518
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		12,674	15,208	16,411	10,452	9,305	9,305	10,632	9,654	10,719
Planning and development		3,783	5,101	3,517	4,153	3,546	3,546	3,989	2,726	2,997
Road transport		8,891	10,106	12,895	6,299	5,759	5,759	6,643	6,928	7,722
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		18,800	20,936	19,686	23,489	22,787	22,787	26,549	27,718	28,965
Energy sources		15,263	16,737	17,861	21,426	20,925	20,925	24,375	25,448	26,593
Water management		105	-	-	-	-	-	-	-	-
Waste water management		61	127	-	-	-	-	-	-	-
Waste management		3,371	4,072	1,826	2,062	1,862	1,862	2,174	2,270	2,372
Other	4	1,691	3,011	3,270	3,288	3,132	3,132	3,535	3,691	3,860
Total Expenditure - Functional	3	79,680	103,948	98,345	101,497	98,958	98,958	110,533	115,774	121,644
Surplus/(Deficit) for the year		10,772	(14,807)	5,057	23,026	18,747	18,747	27,888	19,495	16,741

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification.

- The GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable National Treasury to compile ‘whole of government’ reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and does not balance to the operating revenue shown on Table A4.
- Note that as a general principle the revenues for the Trading Service should exceed their expenditures.

KZN253 Emadlangeni - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue by Vote	1									
Vote 1 - Executive And Council		27,305	30,478	36,702	33,467	33,467	33,467	36,076	37,972	40,060
Vote 2 - Finance Services		2,458	3,068	3,944	2	2	2	1	1	1
Vote 3 - Corporate Services		24,115	25,670	25,636	46,616	41,146	41,146	47,006	48,177	51,010
Vote 4 - Community and Social Services		2,577	3,210	4,075	3,713	3,768	3,768	3,971	4,060	4,154
Vote 5 - Technical Services		28,296	23,857	30,353	37,529	37,029	37,029	46,930	41,447	40,035
Vote 6 - Planning and Development		4,349	1,963	1,258	1,931	1,115	1,115	1,988	1,054	1,102
Vote 7 - Other		-	-	-	-	-	-	-	-	-
Vote 8 - Community and Social Services 2		1,353	895	1,434	1,264	1,178	1,178	2,451	2,559	2,024
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	90,452	89,141	103,402	124,522	117,705	117,705	138,421	135,269	138,385
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive And Council		10,976	9,323	8,847	11,983	12,092	12,092	13,105	13,660	14,273
Vote 2 - Finance Services		4,838	5,792	5,611	4,357	4,327	4,327	4,832	5,965	6,531
Vote 3 - Corporate Services		16,364	33,891	28,212	27,694	27,919	27,919	30,380	32,244	33,598
Vote 4 - Community and Social Services		8,604	9,670	8,814	12,900	11,495	11,495	13,171	14,083	14,611
Vote 5 - Technical Services		24,153	26,844	30,755	27,725	26,684	26,684	31,018	32,376	34,315
Vote 6 - Planning and Development		7,203	10,050	8,730	9,451	8,688	8,688	9,624	8,609	9,147
Vote 7 - Other		10	6	-	-	-	-	-	-	-
Vote 8 - Community and Social Services 2		7,374	8,372	7,377	7,386	7,754	7,754	8,404	8,838	9,168
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	79,523	103,948	98,345	101,497	98,958	98,958	110,533	115,774	121,644
Surplus/(Deficit) for the year	2	10,930	(14,807)	5,057	23,026	18,747	18,747	27,888	19,495	16,741

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 organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

KZN253 Emadlangeni - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	23,700	24,238	25,889	33,189	31,189	31,189	17,938	36,874	37,732	40,229
Service charges - electricity revenue	2	12,940	14,449	14,098	19,722	19,222	19,222	11,486	20,145	21,112	22,125
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	1,506	1,676	1,760	1,797	1,847	1,847	1,221	1,936	2,021	2,112
Rental of facilities and equipment		1,164	1,020	1,105	1,386	1,397	1,397	786	1,029	1,074	1,123
Interest earned - external investments		1,201	878	182	199	449	449	397	471	492	514
Interest earned - outstanding debtors		2,458	3,068	3,944	-	-	-	2,513	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		407	104	1	5,174	5,444	5,444	1	6,380	6,661	6,961
Licences and permits		1,073	940	1,484	1,725	1,375	1,375	837	1,617	1,688	1,114
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		37,337	35,821	44,734	38,176	38,176	38,176	31,543	42,004	42,922	45,010
Other revenue	2	639	785	413	5,472	923	923	146	1,263	1,318	1,377
Gains		2,521	756	(417)	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		84,945	83,735	93,194	106,840	100,023	100,023	66,866	111,718	115,019	120,564
Expenditure By Type											
Employee related costs	2	30,881	34,248	37,360	39,341	39,237	39,237	25,962	44,411	45,660	48,456
Remuneration of councillors		3,192	3,324	3,367	3,908	3,908	3,908	2,249	4,097	4,277	4,470
Debt impairment	3	-	-	-	1,676	1,676	1,676	-	1,756	1,833	1,916
Depreciation & asset impairment	2	10,466	9,014	9,645	8,990	8,990	8,990	9,923	9,422	9,836	10,291
Finance charges		2	48	34	18	288	288	249	131	115	120
Bulk purchases - electricity	2	12,365	13,580	14,679	17,617	17,617	17,617	10,482	20,182	21,070	22,018
Inventory consumed	8	-	-	-	4,247	3,368	3,368	1,251	4,147	4,571	4,770
Contracted services		8,257	14,032	13,514	16,475	14,332	14,332	5,887	15,967	15,195	15,899
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	12,481	25,261	17,573	9,226	9,543	9,543	2,498	10,419	12,609	13,036
Losses		2,183	97	-	-	-	-	-	-	-	-
Total Expenditure		79,828	99,604	96,173	101,497	98,958	98,958	58,501	110,532	115,168	120,977
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		5,116	(15,869)	(2,978)	5,344	1,065	1,065	8,365	1,186	(149)	(412)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	9,247	9,342	14,310	17,682	17,682	17,682	1,517	26,703	20,250	17,821
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		14,363	(6,527)	11,332	23,026	18,747	18,747	9,881	27,889	20,101	17,409

Table A4 provides explanatory summary of the operating revenue, operating expenditure and capital expenditure expected over the MTREF period. It distinguishes between operating revenue and capital revenue. Capital revenue is recognized as revenue in the Statement of Financial Position but it is utilized for capital funding and not for operations.

- Total operating revenue is R106.8 million in 2021/2022 and indicates an increase to R111.7 million in 2022/2023.
- Revenue to be generated from property rates is R33.2 million in the 2021/2022 financial year and increases to R36.9 million by 2022/2023 which represents 10.9 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
- The number of household billed for rates are **10 215**.
- Services charges relating to electricity and refuse removal form part of the revenue basket of the Municipality totaling to R21.6 million for the 2021/2022 financial year and indicates an increase of 2.6% which is totaling to R22.1 million in 2022/2023.

- The number of household billed for electricity is 1399 (prepaid and conventional meters) and refuse is 1323.
- Employee related costs and bulk purchases are the main cost drivers within the municipal operating expenditure budget.

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Capital Expenditure - Functional											
Governance and administration		76,627	76,091	76,447	375	475	475	76,472	626	575	601
Executive and council		1,408	1,134	1,274	-	-	-	1,274	75	-	-
Finance and administration		75,219	74,957	75,173	375	475	475	75,198	551	575	601
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		264	382	899	597	873	873	899	210	219	229
Community and social services		264	382	899	597	873	873	899	210	219	229
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		33,447	40,084	30,489	9,690	9,277	9,277	31,498	9,759	10,511	10,780
Planning and development		-	646	187	150	150	150	187	-	-	-
Road transport		33,447	39,438	30,302	9,540	9,127	9,127	31,311	9,759	10,511	10,780
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		15,225	18,588	23,369	8,325	8,075	8,075	29,049	17,193	10,522	7,859
Energy sources		15,225	18,588	23,369	8,325	8,075	8,075	29,049	17,193	10,522	7,859
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		42	90	252	-	-	-	252	-	-	-
Total Capital Expenditure - Functional	3	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469
Funded by:											
National Government		48,672	58,026	52,106	17,202	17,202	17,202	57,664	26,202	20,250	17,821
Provincial Government		-	-	-	-	250	250	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	48,672	58,026	52,106	17,202	17,452	17,452	57,664	26,202	20,250	17,821
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		76,932	77,209	79,350	1,785	1,248	1,248	80,506	1,586	1,577	1,648
Total Capital Funding	7	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469

Table A5 reflects the municipality capital programme in relation to capital expenditure by municipal vote (multi-year appropriations); capital expenditure by standard classifications; and the funding source is necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. Budget appropriations for the two outer years are indicative allocations based on departmental plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives of the municipality.

The capital programme is funded mainly from grants and transfers, and internal generated funds. Capital grants and receipts equates to 93.9 per cent of the total funding source which represents R26.2 million for the 2022/23 financial year and R1.6 million from internal generated fund.

KZN253 Emadlangeni - Table A6 Budgeted Financial Position											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
ASSETS											
Current assets											
Cash		5,738	2,322	4,373	4,384	4,951	4,951	10,537	4,060	4,259	8,460
Call investment deposits	1	7,775	1,641	598	435	435	435	11,692	451	543	577
Consumer debtors	1	23,795	14,363	12,997	14,764	14,764	14,764	13,678	23,200	21,079	18,894
Other debtors		10,412	14,639	17,430	6,532	6,532	6,532	13,778	9,695	10,121	10,577
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	-	-	-	-	-	-	-	-
Total current assets		47,719	32,965	35,398	26,115	26,683	26,683	49,685	37,406	36,002	38,508
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		(4,612)	(4,878)	(5,121)	44,092	44,092	44,092	(5,344)	18,944	19,778	20,668
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	162,785	168,002	175,055	279,973	293,642	293,642	355,871	231,544	234,548	241,762
Biological		2,521	3,277	2,860	3,277	3,277	3,277	2,860	2,860	2,986	3,120
Intangible		472	582	362	-	-	-	(85)	633	661	691
Other non-current assets		1,191	1,191	1,191	1,191	1,191	1,191	1,191	1,191	1,556	1,626
Total non current assets		162,356	168,173	174,346	328,532	342,201	342,201	354,493	255,172	259,529	267,867
TOTAL ASSETS		210,074	201,138	209,744	354,647	368,884	368,884	404,178	292,578	295,531	306,375
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	(36)	(35)	(57)	-	-	-	(4)	-	-	-
Consumer deposits		33	60	83	168	168	168	71	252	263	275
Trade and other payables	4	16,014	21,755	25,711	19,348	19,348	19,348	(30,537)	14,867	15,521	16,220
Provisions		22,578	23,405	24,066	432	432	432	23,749	24,794	25,885	27,049
Total current liabilities		38,589	45,185	49,803	19,948	19,948	19,948	(6,721)	39,913	41,669	43,544
Non current liabilities											
Borrowing		674	516	421	117	117	117	(370)	370	386	404
Provisions		1,578	1,528	1,750	-	-	-	(1,721)	-	-	-
Total non current liabilities		2,252	2,044	2,171	117	117	117	(2,091)	370	386	404
TOTAL LIABILITIES		40,841	47,229	51,974	20,065	20,065	20,065	(8,813)	40,283	42,055	43,948
NET ASSETS	5	169,234	153,910	157,770	334,583	348,819	348,819	412,990	252,295	253,476	262,427
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		159,821	159,838	159,838	334,583	348,819	348,819	(283,876)	252,295	253,492	277,746
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	159,821	159,838	159,838	334,583	348,819	348,819	(283,876)	252,295	253,492	277,746

Table A6 is consistent with international standards of good financial management practice, and improves understandability for those who make decision of the impact of the budget on the statement of financial position. This format of presenting the statement of financial position is aligned with GRAP 1, which is generally aligned to the international version which presents Assets Less Liabilities as “accounting “of Community Wealth. The order of items within each group illustrates items in order of liquidity i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table A6 is supported by an extensive table of notes (Supporting Table SA3) providing a detailed analysis of the major components of a number of items, including:

- Call investment deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current; and
- Change in net assets;
- The municipal equivalent of equity is Community Wealth/ Equity. The justification is the net assets of the municipality belong to the community.

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budget Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position

of the municipality and subsequently inform the level of cash and cash equivalents at year end, and will also impact on the provision for bad debt.

KZN253 Emadlangeni - Table A7 Budgeted Cash Flows											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	24,892	24,951	24,951	-	31,343	33,959	38,218
Service charges		-	-	2,175	18,381	17,909	17,909	3,101	17,664	19,663	21,813
Other revenue		182	188	9	8,517	6,855	6,855	9	7,593	8,398	9,169
Transfers and Subsidies - Operational	1	13,457	3,570	2,701	38,176	38,176	38,176	18,713	42,004	42,922	45,010
Transfers and Subsidies - Capital	1	-	-	-	17,682	17,682	17,682	-	26,703	20,250	17,821
Interest		-	-	-	-	449	449	-	471	492	514
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	-	-	-	-	-	(98,182)	(103,383)	(108,649)
Finance charges		-	-	-	-	-	-	-	(131)	(115)	(120)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		13,639	3,758	4,885	107,648	106,022	106,022	21,823	27,465	22,185	23,775
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	(27,788)	(21,827)	(19,469)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(27,788)	(21,827)	(19,469)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	-	-	-	(117)	(66)	(70)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(117)	(66)	(70)
NET INCREASE/ (DECREASE) IN CASH HELD		13,639	3,758	4,885	107,648	106,022	106,022	21,823	(440)	291	4,236
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	4,951	4,511	4,802
Cash/cash equivalents at the year end:	2	13,639	3,758	4,885	107,648	106,022	106,022	21,823	4,511	4,802	9,038

Table A7 is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus out-flow that is likely to result from the implementation of the budget. The 2022/2023 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term. Cash and cash equivalents totals R3.6 million as at the end of the 2022/2023 financial year and is projected to increase to R3.9 million by 2023/2024.

KZN253 Emadlangeni - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Cash and investments available											
Cash/cash equivalents at the year end	1	13,639	3,758	4,885	107,648	106,022	106,022	21,823	4,511	4,802	9,038
Other current investments > 90 days		(127)	205	86	(102,828)	(100,635)	(100,635)	406	-	-	-
Non-current assets - investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		13,512	3,963	4,971	4,819	5,386	5,386	22,229	4,511	4,802	9,038
Application of cash and investments											
Unspent conditional transfers		0	285	0	949	949	949	(8,363)	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	13,690	13,599	13,141	2,289	1,154	1,154	(14,596)	(15,201)	(14,820)	(14,425)
Other provisions		24,156	24,933	25,816	432	432	432	22,027	24,794	25,885	27,049
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		37,846	38,817	38,957	3,671	2,536	2,536	(931)	9,593	11,064	12,624
Surplus(shortfall)		(24,334)	(34,854)	(33,987)	1,148	2,851	2,851	23,160	(5,082)	(6,262)	(3,586)

Table A8 is aligned to the requirements of the MFMA circular 42. 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 commitments that exist.

The outcome of this exercise indicates a surplus. This shows that the cash and cash equivalents available exceed the applications of cash and investments, indicating compliance with the MFMA requirements that the municipality's budget is funded. A part of the budgeting and planning guidelines that informed the compilation of the 2022/2023 MTREF, the end objective of the medium-term framework was to ensure the budget is funded and aligned to Section 18 of the MFMA. From the table it can be seen that the budget is funded.

KZN253 Emadlangeni - Table A9 Asset Management

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
ASSET REGISTER SUMMARY - PPE (WDV)	5	162,356	168,173	174,346	328,532	402,465	402,465	255,172	259,529	267,867
<i>Roads Infrastructure</i>		101,258	105,996	115,845	272,426	346,646	346,646	141,519	148,068	154,527
<i>Storm water Infrastructure</i>		(327)	(455)	(455)	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		15,152	18,433	23,214	8,075	8,075	8,075	88,439	84,903	85,587
<i>Water Supply Infrastructure</i>		-	-	-	-	250	250	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		(143)	(2,066)	(8,367)	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	170	150	150	-	-	-
Infrastructure		115,940	121,909	130,237	280,671	355,121	355,121	229,958	232,971	240,114
Community Assets		11,636	10,934	10,304	(172)	(172)	(172)	-	-	-
Heritage Assets		1,191	1,191	1,191	1,191	1,191	1,191	1,191	1,556	1,626
Investment properties		(4,612)	(4,878)	(5,121)	44,092	44,092	44,092	18,944	19,778	20,668
Other Assets		6,851	6,384	6,083	-	-	-	75	-	-
Biological or Cultivated Assets		2,521	3,277	2,860	3,277	3,277	3,277	2,860	2,986	3,120
Intangible Assets		472	582	362	-	-	-	633	661	691
Computer Equipment		(877)	70	(257)	150	250	250	291	304	317
Furniture and Office Equipment		2,282	1,962	2,184	(88)	(101)	(101)	150	157	164
Machinery and Equipment		1,250	1,110	1,139	776	(128)	(128)	1,070	1,117	1,167
Transport Assets		2,087	2,018	1,749	(605)	(305)	(305)	-	-	-
Land		23,617	23,617	23,617	(760)	(760)	(760)	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	162,356	168,173	174,346	328,532	402,465	402,465	255,172	259,529	267,867

Table A9 provides an overview of municipal capital allocations to building new assets and renewal of existing assets, as well as spending on repairs and maintenance by asset class. National Treasury has recommended that municipalities should allocate at 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 still experiencing challenges in complying with the set threshold due to limited resources.

KZN253 Emadlangeni - Table A10 Basic service delivery measurement

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22			2022/23 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Household service targets	1									
Water:										
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>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:										
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>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Energy:										
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>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Refuse:										
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>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Households receiving Free Basic Service	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)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
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)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided										
Highest level of free service provided per household										
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)										
Revenue cost of subsidised services provided (R'000)	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		(1,869)	(1,968)	(2,051)	3,599	3,599	3,599	3,707	4,635	4,044
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)		(1)	-	-	470	470	470	493	516	541
Refuse (in excess of one removal a week for indigent households)		-	-	-	22	22	22	23	24	25
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	(1,870)	(1,968)	(2,051)	4,090	4,090	4,090	4,222	5,175	4,610

Table A10 provides an overview of service delivery levels, including backlogs for each of the main services.

It is anticipated that the cost of these Free Basic Services will amount to R4 million in 2022/23. This is covered by the municipality's equitable share allocation from national government. This continues to make a progress with the eradication of backlogs.

8. OVERVIEW OF ANNUAL BUDGET PROCESS

8.1 POLITICAL OVERSIGHT OF BUDGET PROCESS

The concept of political oversight over the budget process is of paramount importance and it is crucial to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

8.2 SCHEDULE OF KEY DEADLINES RELATING TO BUDGET PROCESS

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a balanced budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2022/2023 budget cycle was tabled to Council during 2021 in compliance with the MFMA.

The following is a detailed key deadlines relating to the budget process:

IDP/BUDGET PROCESS PLAN: 2022/2023

Date	IDP	PMS	BTO
JULY 2021	<ol style="list-style-type: none">1. Lodge advert to register on IDP Forum Database2. Publication and advertisement of the availability for comments of the Draft 2022/23 Process Plan for at least 14days.3. Ensuring alignment of the Section 57 Managers individual Scorecards with the IDP strategies4. Adoption of the Final Process Plan by end of July2021	<ol style="list-style-type: none">1. Signing of new performance contracts for Section 56/57 Managers and submission to EXCO (Section 69 of the MFMA and Section 56/57 of the MSA).2. Prepare Departmental Business Plans SDBIP (Component 3) for the next financial year.3. Previous year S56/57 Managers' Performance Assessments4. Adoption of 2022/2023 SDBIP	<ol style="list-style-type: none">1. IDP and Finance to discuss the 2022/2023 Budget planning issues2. Prepare budget process plan and timetable for the 2022/2023.3. Compile Section 71 Reports and present to the Mayor.4. Compile section 52 Report.

AUGUST 2021	<ol style="list-style-type: none"> 1. Publication/notification to the public of the adoption of the Final 2022/23 Process Plan 2. Director IDP and Public Participation to submit the Final IDP, PMS and Budget Process Plan to COGTA. 3. Receive MEC comments on previous year's IDP COGTA submission. 4. End of August 2021 IDP Project Steering Meeting (Extended MANCO) 	<ol style="list-style-type: none"> 1. Quarterly Project Implementation Report 2. Quarterly Audit Committee meeting 3. Performance evaluation panel 4. Start the process of the Drafting Annual Report 2022/2023 	<ol style="list-style-type: none"> 1. Obtain Council's approval for 2022/2023 Multi-year budget process and timetable (IDP Process Plan) 2. Review external mechanisms affecting the medium term budget forecasts. 3. Compile Section 71 Reports and present to the Mayor
SEPTEMBER 2021	<ol style="list-style-type: none"> 1. Formalise Council's Vision, Mission, Objectives and Strategies 2. Consultation with and alignment with Sector Departments. 3. Create template in relation to the scorecard (*Situational Analysis*) 4. Feedback to Steering Committee regarding MEC's assessment 5. Review and updating of Departmental Sector Plans 6. Ward Councillors and Ward committees to submit community needs for budget consideration 7. Revise prioritization in terms of performance 8. IDP Representative Forum on/by the end of September 2021. 		<ol style="list-style-type: none"> 1. Assess Council's 2020/2021 Financial Statements and current year's revised results and capacity, to determine the impact on future strategies and budgets 2. Assess the funding policies including the tariff structures. 3. Compile Section 71 Reports and present to the Mayor.
OCTOBER 2021	<ol style="list-style-type: none"> 1. Integration of information from adopted Sector Plans into the IDP Review 2. Review mission, vision and objectives 3. Cross border municipal alignment and Formulate Strategies 4. Feedback from Senior Managers on Priorities - Projects – as well as Budget inclusions 		<ol style="list-style-type: none"> 1. Complete first Quarter Section 52 Financial Performance Evaluation Report. 2. Discuss Findings and obtain input from management, BSC and Council. 3. Compile Section 71 Reports and

	5. Regional alignment (District Municipality)		present to the Mayor.
NOVEMBER 2021	1. November 2021 - IDP Steering Committee - Reviewing of strategies 2. November 2021 - Sector Alignment Workshop – COGTA	1. Quarterly Project Implementation Report (for first quarter) 2. Quarterly Audit Committee meeting (for the first quarter)	1. Compile Section 71 Reports and present to the Mayor.
DECEMBER 2021	1. Review KPI's and targets 2. IDP Best Practise Conference with COGTA 3. Amajuba District Municipality Planner's Forum 4. Review of Strategies 5. Alignment of Capital estimates to the IDP	1. Compile annual report (MFMA Sect 121)	1. Compile Section 71 Reports and present to Mayor. 2. Commence processes for Section 72 and adjustment budge
JANUARY 2022	1. Steering Committee in the month of January 2022 2. Send reminders 18-22 January 2021 requesting projects (with proposed budgets) 3. IDP Review integration phase 4. Projects/Send template by the end of January 2022	1. Mayor tables annual report MFM Sect 127 (2) 2. Make public annual report and invite community inputs into report (MFMA Sect 127 & MSA Sect 12a) 3. Sect 56/57 Managers' quarterly assessments (for second quarter) 4. Tabling of Midterm Report to Council by the 25th of January.	1. Submit the mid-year budget and performance assessment report to Council. Submit to National Treasury and Provincial Treasury both printed and electronic form the mid-year budget and performance assessment (Section 35). 2. Compile Section 71 Reports and present to Mayor.
FEBRUARY 2022	1. Consolidation of information and finalization of MEC Assessment issues 2. Meeting with COGTA IDP submission and assessment 3. Draft IDP & Budget – Prioritization and Budget Allocation 4. Conclusion of Sector Plans initiated and integration into the IDP Review report 5. Finalise	1. Quarterly Project Implementation Report (for second quarter implementation) 2. Quarterly performance audit committee meeting 3. Oversight process for the annual report and public participation. 4. Submit annual	1. Compile Section 71 Reports and present to Mayor. 2. Adjustment budget to be considered if necessary 3. Make public the adjustment budget and supporting documentation within 10 working days after being

	outstanding assessment issues	MEC	report to AG, Provincial & DTLGA (MFMA Sect 127). 5. Adjustment of the Organizational Scorecard targets tabled to Council with Adjustment budget.	approved by Council (Section 126). 4. Draft IDP & Budget – Prioritization and Budget Allocation 5. Review of the Mid-year visit Report by National Treasury and implementation of any recommendations. 6. Compile Section 71 Reports and present to Mayor.
MARCH 2022	1. IDP Representative Forum on/by mid March 2022 2. 22-26 March 2022 Adoption of Draft IDP 2022/23 financial year. 3. Submit 2022/23 Draft Multi-year budget, IDP and Service Delivery and Budget implementation plan in both printed and electronic format forwarded to Provincial COGTA, within 10 working days after being approved by Council.		1. Council to consider and adopt an oversight report [Due by 31 March 2022 MFMA Sec 129 (1)] 2. Set performance objectives for revenue for each budget vote (MFMA Sect 17) 3. Annual Customer Satisfaction survey (to be considered to annual report) MSA Sect 40. 4. Submit 2022/2023 Service Delivery and Budget Implementation Plans submitted to Executive Committee and Council for approval 5. Submit 2022/2023 Draft Multi-year and Service Delivery and Budget implementation plan in both printed and electronic	1. Submit 2022/2023 Draft Multi-year budget and IDP submitted to BSC and Council for consideration. 2. Submit 2022/2023 Draft Multi-year budget in both printed and electronic format forwarded to National and Provincial Governments, including National Treasury within 10 working days after being approved by Council. 3. All Income inputs by no later than 25th February. All Expenditure and Capital inputs by no later than 3rd March inputs to the Budget Office. 4. Make public the tabled draft budget and supporting documentation

		format forwarded to National and Provincial Governments, including National Treasury within 10 working days after being approved by Council. 6. Final approval and adoption of the 20/21 APR by Council by end of March.	within 10 working days after being approved by Council. 5. Compile Section 71 Reports and present to Mayor.
APRIL 2022	<ol style="list-style-type: none"> 1. Notice to publicize the draft IDP (21 days) 2. Incorporate comments – adjust the IDP & Budget where necessary 3. IDP Budget Roadshows. 4. Report back on the results of Assessment Feedback 5. Ward committee meeting highlighting involvement of members in the IDP and Budget Public Participation process 6. Possibly undertake a 2-week community consultation process of the budget. 7. Adjustment of Draft IDP from 15th of April 2022. 	<ol style="list-style-type: none"> 1. Strategies, objectives, KPA's, KPI's and targets and inclusion into IDP Review Report. 2. S56/57 Managers' Quarterly Performance Assessments 3. Publicise Annual Report [Due by 7 April MFMA Sec 129 (3)] 4. Submit Annual Report to Provincial Legislature/MEC Local Government (Due by 7 April MFMA Sec 132 (2)) 	<ol style="list-style-type: none"> 1. Revision of the budget and IDP from inputs received from the community, Government departments and National Treasury, if required 2. Compile Section 71 Reports and present to Mayor. 3. All consultation processes to be completed during April 2022. 4. All departmental feedback by no later than the end of April 2022
MAY 2022	<ol style="list-style-type: none"> 1. Adjustment of Draft IDP from the 1st – 15th May 2022 2. On/By 30 June 2021 Final 2022/23 IDP Adoption 	<ol style="list-style-type: none"> 1. Implementation Report (for third quarter) 2. Quarterly Audit Committee meeting 3. Annual review of organizational KPIs 4. Review annual organizational performance targets (MPPR Reg 	<ol style="list-style-type: none"> 1. Compile Section 71 Reports and present to Mayor. 2. Final Alignment sessions between IDP, PMS and Budget. 3. All final inputs and balancing of the budget and presentation to BSC by 5th May 2022. 4. Between the 5th and 19th May 2022 loading of budget

			and generating of mSCOA report and other Council required documentation. 5. Presentation of final Budget for adoption to Council.
JUNE 2022	<p>. Submit to MEC on or before 10 days after adoption.</p> <p>2. Prepare Draft IDP Process Plan for the 22/23 Financial Year.</p> <p>3. Publish Council's adopted FINAL IDP 2022/23 on the Municipal website and local Newspapers.</p>	<p>1. Submission of draft SDBIP to the mayor within 14 days of approval of the budget</p> <p>2. Establish and complete performance evaluations for functional outcomes based on operational plans and the IDP</p> <p>3. Approval of the SDBIP within 28 days after approval of the budget and completion of the annual performance contracts in accordance with S56/57 of MSA</p> <p>4. Make public the SDBIP within 10 working days after being approved by Council</p> <p>5. The Service Delivery and budget implementation plan in both printed and electronic format to be forwarded to national Treasury within 10 working days after being approved by Council</p>	<p>1. Compile Section 71 Reports and present to Mayor.</p> <p>2. Approved 2022/2023 Multi-year budget in both printed and electronic format forwarded to National Treasury within 10 working days after being approved by council</p> <p>3. Make public the approved budget and supporting documentation within 10 working days after being approved by Council.</p> <p>4. Publish Council's budget on the website and local Newspapers.</p>

9. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

An Integrated Development Plan (IDP) is a strategic plan for how the eMadlangeni municipality will allocate its resources for the next five years to address the priority needs of its communities. It is a plan to help us set our budget priorities, and to guide sector departments in compiling its Medium Term Expenditure Framework.

The IDP will therefore form an agreement with the Municipality and the community on what, how and when projects and programmes will be implemented and how it will be monitored.

It is a Plan for the entire municipal area and summarises the interventions of all spheres of government aligning our local plans with National and Provincial priorities. Whilst the needs identified by communities far exceeds the available resources, the attempts to inform the medium terms budget allocations and priorities to be funded from Nationally raised revenue.

The IDP therefore outlines key areas where we must intervene and focus our resources in order to achieve the developmental mandate of local government.

This strategic plan must also inform municipal decision making as well as business processes of the Municipality.

The IDP adopted in 202 remains the principle IDP document and it is of importance to note that the IDP, PMS and budget processes, (whilst these are distinct processes), are integrally linked processes which must be coordinated to ensure that the related policies and tabled budget are mutually consistent and credible.

The approach therefore of the Financial plan is to take into account the eMadlangeni Municipality's contribution to ensure that service delivery priorities as listed below take the following into account for the development of a realistic Capital Investment Program:

- Backlog eradication
- Rehabilitation of infrastructure
- Maintenance on assets
- New Infrastructure taking into account development demands and trends

This process will be finalised during May 2022.

How will our Progress be measured? Performance Management

The strategic objectives in the Integrated Development Plan (IDP) should inform the budget and the Performance Management System. This in turn unpacks into an SDBIP which give effect to the IDP and the budget. The SDBIP sets information on performance indicators, quarterly service delivery targets and monthly budget targets. Managers are required to report monthly and quarterly basis against the targets and Council can then monitor performance of the municipality against the quarterly targets on service delivery.

This is in line with the approved PMS Framework. Furthermore, the MSA and related regulations for Top management (section 56's) must have in place a performance agreement that is aligned to the IDP and PMS. The SDBIP usually is the basis for the development of a Performance plan for a section 56 employees and the monitoring and reporting and evaluation is carried out in terms of relevant regulations. A performance bonus may be paid on formal evaluation through a Panel constituted for this purpose – EVALUATION PANEL and only on adoption of the Annual Report for the year in question.

A PMS calendar has been developed to assist managers in measuring progress. It is also imperative that both the Council play an oversight role in this regard. Furthermore, it is necessary for public participation processes

to be streamlined to allow for community input into the performance management process to ensure that the goals as set in the IDP are achieved.

10. MEASURABLE PERFORMANCE OBJECTIVES

TABLE SA7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

10.1 KEY FINANCIAL RATIOS

10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, eMadlangeni Local Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The composition of the Municipality's debt is one annuity loan which was obtained to fund the Municipal Offices. The following financial performance indicators have formed part of the compilation of the 2022/2023 MTREF:

10.1.2 Borrowing to asset ratio

This ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the years, as repayments are made and there are no intentions of increasing the borrowing levels in the short term.

10.1.3 Capital charges to operating expenditure

This is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has been rather flat at less than 1% since 2009/2010, this is attributed to prudence of the municipality by living within its means, therefore, and limiting borrowings as the revenue streams of the municipality are limited.

10.1.4 Borrowing funding of own capital expenditure

Measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. As alluded to above, due to size and geographical location of the municipality its revenue sources are limited hence the ability to fund capital expenditure out of own revenue is very minimal.

10.1.5 Safety of Capital

10.1.5.1 The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. The municipality has one annuity loan and the level of borrowing is relatively negligible.

10.1.5.2 The gearing ratio is a measure of the total long term borrowings over funds and reserves. This ratio has been flat and immaterial as the municipality's debt level is very low.

10.1.6 Liquidity

10.1.6.1 Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2021/2022 MTREF the current ratio is 4.6 respectively for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

10.1.6.2 The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the previous financial years, the ratio was above the norm and as part of the financial planning strategy, in line with cash-

flow pressure, the ratio has declined over the years. This need to be monitored at all times, as meeting current obligations is critical for the municipality and service delivery.

10.2 Revenue Management

As part of the financial sustainability efforts, an aggressive revenue management framework is being implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the efforts is to enhance the cash flow position of the Municipality.

10.3 Creditors Management

The Municipality is doing its level best to ensure that creditors are settled within the legislated 30 days of invoice. The benefits which will accrued are a favourable impact on suppliers' perception of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders.

10.4 Other Indicators

The electricity distribution losses continue to be a perennial problem for the Municipality. With the expected electricity tariff hikes we envisage the losses to increase as electricity tariffs increase by **8.61%** in 2022/2023, which will hard hit the consumers' pockets. Nevertheless, efforts are being made to manage illegal connections and theft of electricity by exploring avenues of rolling out smart metering systems, including prepaid meters.

Employee costs as a percentage of operating revenue is below the threshold, it is currently 40% of the total operating budget. The ratio is now above expected norm of between 25% to 40%. It is increases to 44% including councillors' remunerations.

Repairs and maintenance as percentage of carrying amount of Property Plant and Equipment 2022/2023 is budgeted at 2.2 % and this indicate 1.2 movement from the current year 2021/2022. This is below the recommended 8% as guided by MFMA circular 66.

The financial benchmarks reflected in the table below indicate that the municipality continue to strive in ensuring that the institution remain financial viable.

KZN253 Emadlangeni - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.4%	0.2%	0.2%	0.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.1%	0.1%	0.0%	0.5%	0.5%	0.7%	0.4%	0.3%	0.3%
Borrowed funding of 'own n' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.2	0.7	0.7	1.3	1.3	1.3	(7.4)	0.9	0.9	0.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.2	0.7	0.7	1.3	1.3	1.3	(7.4)	0.9	0.9	0.9
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.1	0.1	0.2	0.3	0.3	(3.3)	0.1	0.1	0.2
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	5.2%	79.1%	82.0%	82.0%	10.1%	83.1%	88.1%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			0.0%	0.0%	5.2%	79.1%	82.0%	82.0%	10.1%	83.1%	88.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	40.3%	34.6%	32.6%	19.9%	21.3%	21.3%	41.1%	29.4%	27.1%	24.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		93.0%	347.3%	301.2%	17.1%	17.4%	17.4%	-50.8%	259.1%	254.1%	141.1%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	36.4%	40.9%	40.1%	36.8%	39.2%	39.2%	38.8%	39.8%	39.7%	40.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	40.1%	44.9%	43.7%	40.5%	43.1%	43.1%		43.4%	43.4%	43.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.4%	1.0%	0.9%	2.4%	1.4%	1.4%		1.9%	1.9%	1.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12.3%	10.8%	10.4%	8.4%	9.3%	9.3%	15.2%	8.6%	8.7%	8.6%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	-	152.8	152.8	152.8	60.1	125.0	123.5	129.4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	87.0%	70.1%	71.0%	38.0%	39.7%	39.7%	87.4%	54.8%	50.4%	44.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.7	0.6	0.8	15.3	15.5	15.5	5.7	0.6	0.6	1.1

11. OVERVIEW OF BUDGET RELATED POLICIES

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

11.1 DRAFT POLICIES FOR 2020/2021

11.1.1 Cost Containment policy

There were no amendments to cost containment policy

11.1.2 Bad Debt Write Off and Impairment of Debts policy

There were no amendments to the Leave Policy.

11.1.3 Fleet Management policy

There were no amendments.

11.1.4 Leave policy

There were no amendments to the Leave Policy.

11.1.5 Asset Management policy

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition, the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

11.2.1 Petty Cash policy

The primary objective is to regulate the use of Petty Cash Float within the municipality. Petty Cash Policy has been reviewed and amended; it is to be adopted with the current budget.

11.2.2 Virement policy

The primary objective of this policy is to ensure compliance with Section 28 of the MFMA, and the Municipal Budget and Reporting Regulations. It aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework.

11.2.3 Cash and Investment policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are prudently and adequately managed.

11.2.4 Debt Collection and Credit Control policy

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the debt collection and credit control policy.

11.2.5 Budget policy

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

11.2.6 Indigent policy

This policy is intended to guide and provide framework to Free Basic Services. The policy has been reviewed and amended and is to be adopted with the current budget

11.2.7 SCM policy

The policy reflects and represents the context of a specific government policy that finds expressions within the provisions of the Municipal Finance Management Act 56 of 2003. The principal objectives of the policy are to provide, promote, and implement theoretical guidelines, governing processes and procedures within supply chain management. The policy has been reviewed and amended and is to be adopted with the current budget.

11.2.8 Rates policy

The policy is designed to ensure equitable treatment by Council in the levying of rates as well as other persons who may become liable for the payment of rates. The policy has been reviewed and amended and is to be adopted with the current budget.

12. OVERVIEW OF BUDGET ASSUMPTIONS

12.1 EXTERNAL FACTORS

The effects of a technical recession are evident. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

12.2 GENERAL INFLATION OUTLOOK AND ITS IMPACT ON THE MUNICIPAL ACTIVITIES

There are five key factors that have been taken into consideration in the compilation of the 2022/2023 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 40 per cent of total operating expenditure in the 2022/2023 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

12.2.1 Guidelines

The following are some of the budget percentage increases and assumptions used in preparing 2022/2023 medium-term budget:

Item Description	2021/2022	2022/23	2024//2025
Assessment Rates	3.9 %	11.1 %	4.4%
Electricity tariffs	14.59%	4.8%	4.4%
Refuse tariffs	3.9%	4.8%	4.4%
Salaries and allowances	3.9%	4.8%	4.4%
Councillors Remuneration	3.9%	3.8%	4.4%
Electricity Bulk Purchases	17.8%	4.4%	4.4%
General Expenses	3.9%	4.8%	4.4%

12.3 DEBTORS AND CASHFLOW ASSUMPTIONS

Assumptions- Collection rates

- Property rates – Collection rate:80%
- Electricity Collection rate:80%
- Refuse collection rate:80%
- Other revenue collection: 80%

Debt impairment Assumptions

- 2022/23:40% of Gross Debtors Impaired.
- 2023/24:30% of Gross Debtors impaired
- 2024/25:25% of Debtors Impaired

Debt impairment is expected to decrease downwards as collection rates improve with time as By-laws have now been finalised to enforce robust debt and credit control policy.

12.4 LONG TERM LIABILITY

It is assumed that capital and interest repayments will be done twice a year in December and June every year.

12.5 TRADE AND OTHER PAYABLES AND CASHFLOW ASSUMPTIONS

- Payment rate –Creditors 100%
- Payment rate-Employee costs-100% (Except for third party deductions expected to pay in the following month.
- Finance Charges Payment rate- 100%
- Capital Expenditure Payment rate- 100%
- Grant expenditure payment rate-100%
- Bulk Purchases Payment rate-100%

12.6 GRANTS

It is assumed that the National and Provincial grants as per the Division of Revenue Bill (DORA Bill) which has been included in the budget will be received during the 2021/2022 financial year.

12.7 DEPRECIATION

Assets are depreciated on a straight line basis. The useful life varies between **7-50years**. Depreciation commences when the asset is ready for use.

12.8 PROPERTY RATES

It is assumed that there will be elective exemption granted to consumers based on their property market values

12.9 INDIGENT

It is assumed that the indigent subsidy will increase during the financial year, entitled consumers can apply for indigent subsidy and applications will be evaluated in terms of the approved indigent council policy.

12.10 BULK PURCHASES

It is assumed that electricity tariffs of Eskom will increase by 8.61% as from 1 April 2022.

12.11 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMMES

It is estimated that a spending rate of 95 per cent could be achieved on operating expenditure and 100 per cent on the capital programs for the 2021/22 MTREF.

12.12 IMPACT OF NATIONAL, PROVINCIAL AND LOCAL POLICIES

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

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

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

13. OVERVIEW BUDGET FUNDING

13.1 FISCAL OVERVIEW

The Municipality continues to display a sound financial profile which is mainly attributable to:

- Balanced budgets being funded from current financial year’s revenue.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.

In compliance with relevant statutory requirements, the Financial Plan (Medium Term Revenue and Expenditure Framework-MTREF) is reviewed and updated annually.

13.2 FUNDING OF CAPITAL BUDGET

The Capital budget is funded by the allocations made to the municipality by National and Provincial Government in the form of grants and internally generated funds.

Vote Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Capital Expenditure - Functional											
<i>Governance and administration</i>		76,627	76,091	76,447	375	475	475	76,472	626	575	601
Executive and council		1,408	1,134	1,274	-	-	-	1,274	75	-	-
Finance and administration		75,219	74,957	75,173	375	475	475	75,198	551	575	601
Internal audit		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		264	382	899	597	873	873	899	210	219	229
Community and social services		264	382	899	597	873	873	899	210	219	229
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		33,447	40,084	30,489	9,690	9,277	9,277	31,498	9,759	10,511	10,780
Planning and development		-	646	187	150	150	150	187	-	-	-
Road transport		33,447	39,438	30,302	9,540	9,127	9,127	31,311	9,759	10,511	10,780
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		15,225	18,588	23,369	8,325	8,075	8,075	29,049	17,193	10,522	7,859
Energy sources		15,225	18,588	23,369	8,325	8,075	8,075	29,049	17,193	10,522	7,859
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		42	90	252	-	-	-	252	-	-	-
Total Capital Expenditure - Functional	3	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469
Funded by:											
National Government		48,672	58,026	52,106	17,202	17,202	17,202	57,664	26,202	20,250	17,821
Provincial Government		-	-	-	-	250	250	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	48,672	58,026	52,106	17,202	17,452	17,452	57,664	26,202	20,250	17,821
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		76,932	77,209	79,350	1,785	1,248	1,248	80,506	1,586	1,577	1,648
Total Capital Funding	7	125,605	135,235	131,456	18,987	18,700	18,700	138,170	27,788	21,827	19,469

13.3 FUNDING OF OPERATING BUDGET

Funding is obtained from various sources, the major source being service charges, property rates, grants and subsidies received from National and Provincial government.

KZN253 Emadlangeni - Table A1 Budget Summary

Description	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Financial Performance										
Property rates	23,700	24,238	25,889	33,189	31,189	31,189	17,938	36,874	37,732	40,229
Service charges	14,446	16,125	15,858	21,519	21,069	21,069	12,707	22,081	23,133	24,237
Investment revenue	1,201	878	182	199	449	449	397	471	492	514
Transfers recognised - operational	37,337	35,821	44,734	38,176	38,176	38,176	31,543	42,004	42,922	45,010
Other own revenue	8,260	6,673	6,531	13,757	9,139	9,139	4,282	10,289	10,741	10,575
Total Revenue (excluding capital transfers and contributions)	84,945	83,735	93,194	106,840	100,023	100,023	66,866	111,718	115,019	120,564

13.4 SOURCES OF FUNDING

The municipality's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality. In addition, to the obvious need to grow the city's revenue by increasing its tax base.

13.5 VALUATION ROLL FLACTUATION

With the implementation of the new market value valuation after the required 4-year period, which was effective 1 July 2018, a project to identify and investigate unusually low or high valuations and exempt properties on the rates base has commenced to ensure that the property values have been correctly assessed and the revenue for rates is correctly levied on a property in terms of the actual use.

13.6 REVIEW OF COUNCIL OWNED PROPERTIES

The review of all Council owned residential property is being undertaken to assess if the rental is cost effective and market related so that revenue would increase. Tariff changes based on actual property use.

13.7 ELECTRICITY

The disconnection policy is being applied for non-payment and the long outstanding debts are being targeted.

13.8 CHALLENGES IN THE APPROPRIATION OF FUNDS FOR 2022/2023 BUDGET

13.8.1 Sustainability of municipality

The increase in electricity tariffs, which the municipality has no control over, may on the long run impact negatively on the sustainability of the municipality. This is a huge concern for the municipality.

13.8.2 Impact on rates and tariffs

The way that the budget is funded will ensure that tariff increases by 4.8% on certain services while electricity charge to customers will increase by __%, this will pose a financial strain on already struggling consumers and 8.61% increase in ESKOM bulk electricity tariffs is a concern, which the municipality has no control over, might have a negative impact on our revenue.

13.8.3 Internal generated fund (Reserves)

The accumulated surplus will be used to finance the depreciation on assets as the impact of the full provision for depreciation will make the tariffs not affordable to residents. The financing of the depreciation will be phased in over a medium to long term period.

13.8.4 Planned savings and efficiencies

The following areas were identified for possible savings after the efficiency of the usage of the assets / services has been evaluated: overtime, fuel usage and non-priority spending not linked to service delivery.

- **Salaries and Overtime:**
Tight controls need to be implemented within the Infrastructure and Planning Development and Corporate Services to limit overtime worked to 40 hours as required by the Basic Conditions of Employment Act, unless in the case of emergencies or natural disasters, where the Unit Head will pre-authorized and approved overtime exceeding 40 hours per week. A post implementation review will be conducted on overtime in both these Units.
- **Fuel usage**
Tracking system need to be closely monitored by Manager and generation of report on the monthly basic be submitted to Budget and Treasury unit for reconciliation.

14. GRANT ALLOCATIONS

Municipalities play a critical role in furthering government's objective of providing services to all. In support of local government, the National Treasury has gazetted grants through DORA, to assist the municipality in fulfilling the obligation. The grant allocations have been included in this medium term budget for 2021/2022.

GRANT	Government Sphere	2022/2023	2023/2024	2024/2025
Financial Management Grant	National	03 000 000	03 000 000	03 000 000
Equitable Share	National	36 076 000	37 972 000	40 060 000
Municipal Infrastructure Grant	National	10 010 000	10 250 000	10 507 000
Electrification Grant (INEP)	National	16 693 000	10 000 000	07 314 000
Library Grant	Provincial	01 950 000	01 950 000	01 950 000

GRANT ALLOCATIONS PROGRAMMES

In terms of the DORA 2021 the purpose of the grants which have been allocated to eMadlangeni municipality for the MTEF are:

14.1 Financial management Grant

The purpose of the FMG is to promote and support reforms in the Budget and Treasury Office building the capacity in the municipalities to implement the MFMA, with the following measurable outputs

- Improved and sustained skills development including an internship programme in the BTO
- Upgrading of the IT system to deliver reports which enhance and improve reporting and the quality of data
- Preparation and implementation of supply chain reforms, accounting reforms, producing quality and timely financial statements
- Preparation of financial recovery plans
- Progressive improvements in audit outcomes
- Improvements to internal and external reporting on budgets, finances, SDBIP and annual Reports
- Implementation of the MFMA

14.2 Municipal Infrastructure Grant

The purpose of the grant is intended for the provision of capital finance for basic municipal infrastructure for the poor households, micro enterprise and social institutions. It is also for provision for new rehabilitation and upgrading of municipal infrastructure, eradicate the bucket sanitation system

Measurable outputs

- Number of new households receiving basic services per annum
- Number of additional kilometres of roads constructed and developed
- Number of sporting facilities constructed and developed
- Number of jobs created using Expanded Public Works Programme (EPWP)
- Number of households where the bucket system has been replaced with an alternative System

14.3 Libraries

14.3.1 Provincial Libraries

The purpose of this grant is to address the constitutional mandate whereby public libraries are an exclusive provincial mandate. The funding will be for staffing costs in public libraries, currently administered by local authorities.

14.3.2 Community Libraries

The purpose of this grant is to provide access to modern day technology and information resources as well as to provide relevant collections of material in libraries which meet the needs of the communities.

14.4 EPWP Grant

The DORA indicated that there will be no EPWP grant for financial year 2021/2022. The MIG and Electrification Projects should create employment for EPWP in absence of the direct grant.

13.5 ELECTRIFICATION Grant

The DORA indicated that there will be an electrification grant for financial year 2021/2022. The municipality will continue to work to eradicate electrification backlogs.

15. LEGISLATION COMPLIANCE STATUS

15.1 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

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

15.2 BUDGET

This annual budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations, and National Treasury requirements into account. Budgets are being tabled and approved within the required Legislative timeframes.

15.3 INTERGRATED DEVELOPMENT PLAN

The 2021/2022 review process is complete.

15.4 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The detail SDBIP document is at a final stage and will be finalized after approval of the 2022/23 MTREF in June 2022 directly aligned and informed by the 2022/2023 MTREF.

15.5 ANNUAL REPORT

The 2021/2022 Annual Report has been developed taking into account the MFMA and National Treasury requirements.

15.6 IN-YEAR REPORTING

95 % compliance with regards to monthly, quarterly and annual reports to Council, Provincial and National Treasury.

15.7 BUDGET AND TREASURY OFFICES

A Budget and Treasury Office has been established in accordance with the MFMA and National Treasury Requirements.

15.8 AUDIT COMMITTEE

The Audit Committee, an independent external committee, and provides an oversight function over the financial and risk management and performance of the municipality.

15.9 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

This committee ensures that the administration is held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilization of council resources.

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16. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. The SDBIP provides a credible information management plan to ensure service delivery targets and other performance management indicators be achieved. The mechanism ensures that the IDP and Budget are aligned. The focus of the SDBIP is the creation of both financial and non-financial measurable performance objectives in the form of service delivery targets.

The SDBIP of eMadlangeni Municipality is developed according to the eight-point plan as set out in the Municipal IDP. It contains the Strategic Focus Areas, which is then drilled down into Programs and Projects. It reflects the quarterly and annual targets and the actual achievements/ non achievement of these targets are monitored on a quarterly basis. The ultimate aim of this monitoring is to ensure that the Municipality achieves its objectives. Where targets are not achieved, reasons for non-achievement and corrective action to be implemented are required. The municipality's strategic planning documents i.e. the IDP, Budget, and the SDBIP are all linked.

The SDBIP is not part of this budget. The document will be submitted to Mayor as per section 69 (3) (a) of the MFMA and it will be approved by Council as per section 53(1) (c) (ii) of the MFMA.

17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the Municipality's Supply Management Policy, no contracts are awarded beyond the medium – term revenue and expenditure framework (three years). It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years.

18. MUNICIPAL MANAGER’S QUALITY CERTIFICATE

I, Mrs GN Mavudla, Acting Municipal Manager of eMadlangeni Municipality, hereby certify that the final annual budget and supporting documentation of the 2022/2023 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : Mrs. GN Mavudla

Municipal Manager : EMADLANGENI MUNICIPALITY

Signature :

Date :

19. OTHER SUPPORTING TABLE: BUDGET (ANNEXURE A)
PART OF THE AGENDA.

20. TARIFFS (ANNEXURE B)

PART OF THE AGENDA

21. BUDGET RELATED POLICIES (ANNEXURE C)

PART OF THE AGENDA

22. TREASURY DRAFT BUDGET ASSESSMENT COMMENT (ANNEXURE D)
WILL BE ATTACHED ON THE COUNCIL AGENDA
