



2022/2023 FINAL BUDGET

**OF
UMUZIWABANTU MUNICIPALITY**

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3.1 EXECUTIVE SUMMARY

Introduction

The budget is prepared to meet the Integrated Development Plan (IDP) priorities as well as the strategic objectives of the Municipality. The Departments have been consulted to enhance the production of a credible balanced budget. The limited available funds require that priorities and strategic objectives should be carefully considered in the preparation and production of realistic credible balanced budget that is capable of being approved and implemented as tabled.

This 2023 to 2025 Tabled Medium Term Revenue and Expenditure Framework (MTREF) Budget Report deals with the operating budget and tariff proposals as well as the capital budget with funding sources proposal to ensure that the Municipality renders services to their local community in a financially sustainable manner.

Past performance

UMuziwabantu Municipality has maintained the unqualified audit report with few matters of emphasis, which is an improvement for the organization when compared to the matters of last year. The municipality is however putting stringent measures to improve back to the clean audit opinion.

Financial Sustainability

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

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

The Medium-Term Expenditure Framework proposes a total budget of **R 309 million** for 2022/2023 financial year. It appropriates a total operating expenditure of **R 253 million** and capital expenditure of **R 56 million**.

The following table is a consolidated overview of the proposed 2022/2023 Annual budget and medium-term revenue and expenditure framework:

Table 1 Consolidated Overview of the 2022/2023

R Thousand	2021/2022 Adjusted Budget	2022/2023 Final Budget	2023/2024 Proposed Budget	2024/2025 Proposed Budget
Total Operating Revenue	282 122	252 289	362 076	365 083
Total Operating Expenditure	234 923	253 203	306 419	307 977
Total Capital Expenditure	47 199	56 564	48 971	44 173

Total operating revenue has decreased by 11% for the financial year of 2022/2023 when compared to 2021/2022 adjusted budget. This due to an accounting treatment General Accounting Practice (GRAP) 109 that is affecting our housing grant since the municipality act as an Agent. For the two outer years, operational revenue has however increased by 4% and 4.5% when compared to 2021/2022 financial year including grant allocations that has been gazetted.

Total operating expenditure for the 2022/2023 financial year has been appropriated at R 253 million, when compared to the 2021/2022 Adjusted Budget, an overall operational expenditure has increased by 8%, the major contributing factor is due to COIDA, Rehabilitation of Landfill, the increase is also due to the Electricity Grant which is gazetted NERSA. There is an increase of 4% and 4.5% for the outer years when compared to the adjusted budget for 2021/2022 financial year.

The Capital budget of R 56 million for 2022/2023 has increased by 20% when compared to the 2021/2022 adjusted budget. This increase is due to the additions that is allocated for this new financial year ie corridor development grant, Low bed, Tipper Truck, vehicle and grader. Capital budget is for assisting in rendering service delivery to the needy communities to help fight poverty which is affecting communities at large. Capital projects are currently funded by Municipal Infrastructure grant (MIG), Corridor grant, FMG and internally generated funds, using our cash backed reserves.

Operating Revenue Framework

For the municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management and strategies is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. And the pandemic made matters worse, as the municipality has seen regression in revenue collection as most businesses has shut down and some households has lost jobs. The municipality has introduced new debt incentive schemes in helping with the forever increasing debtor's book, which also aims to motivate those who are financially challenged since the breakthrough of Covid-19 pandemic. The needs of the community however always exceed the available funding.

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

Income by major revenue source Table

INCOME SOURCE	ADJ BUDGET	BUDGET	DIFFERENCE
	2021/202	2022/2023	
EQUITABLE SHARE	100,390,040	110,541,000	10,150,960
FINANCIAL MANAGEMENT GRANT (FMG)	1,850,000	1,850,000	-
ARTS AND CULTURE (PROVINCIAL LIBRARY)	1,859,000	1,950,000	91,000
EXPANDED PUBLIC WORKS PROGRAM (EPWP)	980,000	981,000	1,000
MUNICIPAL INFRASTRUCTURE GRANT	32,464,000	26,163,000	-6,301,000
ELECTRIFICATION GRANT	5,000,000	15,919,000	10,919,000
HOUSING GRANT	5,000,000	-	-5,000,000
CORRIDOR DEVELOPMENT		4,600,000	4,600,000
RATES	23,621,256	24,589,727	968,471
ELECTRICITY	41,390,110	42,055,321	665,211
TRAFFIC LICENCING	2,369,232	2,464,001	94,769
REFUSE	2,736,096	2,845,540	109,444
INTEREST ON INVESTMENT	7,549,824	11,215,027	3,665,203
OTHER INCOME	8,001,102	7,115,418	-885,684

Transfer-recognised operational remains the largest revenue source, follows by electricity service charges, property rates being the third and fourth largest source is the interest on investments, followed by service charges on refuse removal. Municipality have been urged to review the tariffs of the items on the annual basis to ensure that they are cost reflective and market related. UMuziwabantu municipality has reviewed their tariffs charges as per the above table.

Operating transfers and grants receipts

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

National Treasury continues to encourage municipality to keep increases in rates, tariffs, and other charges as low as possible. Municipality must justify in their budget documentation all increases more than CPI upper boundary of the South African Reserve Bank's inflation rate, which is 4% for 2022/2023 financial year. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payments.

Property Rates

Property rates cover the costs of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process

National Treasury's MFMA Circular No.51, inter alia with the implementation of the Municipal Property Rates Act, with regulations issued by the Department of Co-operative Governance. These came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1

The following stipulations in the Property Rates are highlighted:

- The first R 15000 of the market value of property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA.
- 55% rebate will be granted to agriculture
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy
- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income.
- The applicant must submit proof of his/her age and identity and in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension
- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place
- The property must be categorized as residential

Overall impact of tariff increases on households

Note that the municipality has not increased property rates, due to the forever increasing of the debtor's book due to non-payments. The municipality has also introduced a rebate for Industrial (Rural) from 0%-55%, as well as a decrease on the monthly charge of interest on outstanding debtors from 18% to 11% (market related change).

Operating Expenditure Framework

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

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

EXPENDITURE	ADJ BUDGET	BUDGET	VARIANCE
	2021/2022	2022/2023	
SALARIES & WAGES	95,065,000	98,747,436	3,682,436
BULK PURCHASES	39,675,000	47,808,375	8,133,375
REPAIRS & MAINTENANCE	12,465,061	12,684,065	219,004
DEPRECIATION	18,801,000	20,000,000	1,199,000
ELECTRIFICATION	5,000,000	15,919,000	-10,919,000
HOUSING	5,000,000		5,000,000
CAUCUS FUND	300,032	414,032	-114,000
GENERAL EXPENSES	58,316,669	57,630,453	-1,141,537

PROGRAMS

PROGRAMMES	ADJ BUDGET 2021/2022	BUDGET 2022/2023
PEOPLE WITH DISABILITIES	70,572.00	70,572.00
GENDER	163,452.00	163,452.00
ARTS AND CULTURE	171,702.00	171,702.00
HIV/AIDS	119,040.00	119,040.00
SENIOR CITIZENS	114,060.00	114,060.00
YOUTH PROGRAMS	658,398.00	658,398.00
SPORTS DEVELOPMENT	212,400.00	212,400.00
HERITAGE SUPPORT	21,000.00	60,000.00
RELIGIOUS SUPPORT	35,841.00	35,841.00
LED SUPPORT	1,470,000.00	2,750,000.00



EMPLOYEE RELATED COSTS

The budgeted allocation for employee related cost for the 2022/2023 financial year amounts to R98 million. However, the municipality is still waiting for SALGA, to apply the correct percentage increase in salaries. Currently the increase on salaries is informed by a 4.1% general increase in inflation. The cost associated with the remuneration of councillors 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).

DEPRECIATION AND DEBT IMPAIRMENT

The provision of debt impairment was determined based on an annual collection rate of debtors. For the financial year of 2022/2023 this amount equates to R2.5 million. The

expenditure is non-cash item, it is informed by the cost associated with the rendering of services of the municipality, as well as the municipality’s realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. Depreciation is widely considered a proxy for the rate asset consumption. Budget appropriations in this regard for the depreciation totals to R20 million for 2022/2023 annual budget.

REPAIRS AND MAINTENANCE

The municipality is operating on a tight budget scale therefore it did not meet the required 8% as per Treasury norm or guidance.

In line with repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality’s infrastructure assets even though it’s sitting at a low rate due to the limited resources that the municipality have.

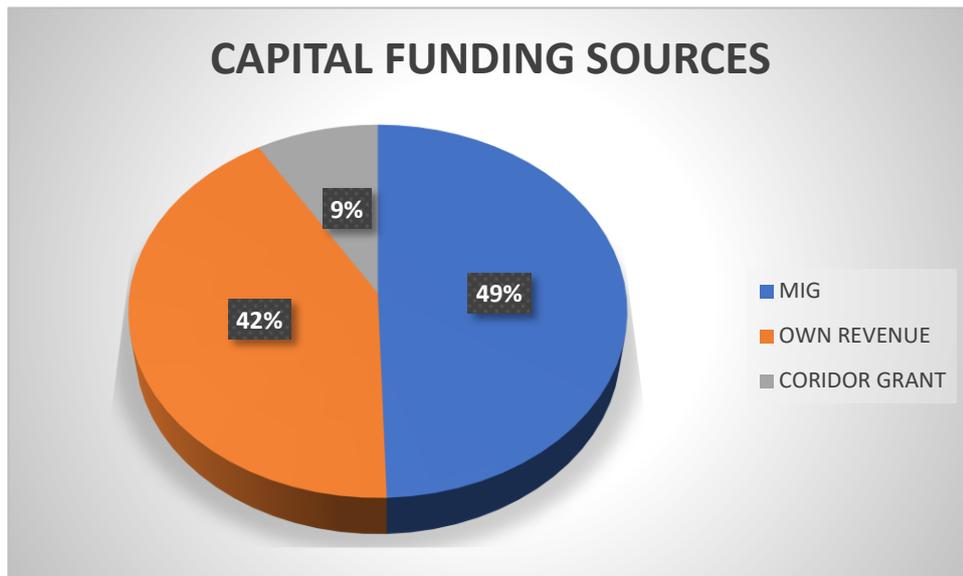
FREE BASIC SOCIAL SERVICES PACKAGES

The social package assists households that are poor or indigent who are limited in terms of being able to pay for services. To receive these free services the households are required to register on annual basis in terms of the Municipality’s Indigent Policy.

CAPITAL BUDGET SUMMARY

CAPITAL EXPENDITURE PER CATEGORY/BY ASSET CLASS

CAPITAL EXPENDITURE	BUDGET 2022/2023	BUDGET 2023/2024	BUDGET 2024/2025
Roads Infrastructure	19,609,290	12,302,364.00	12,855,972.00
Buildings (Municipal Buildings)	3,000,000	3,272,940.00	3,420,228.00
Community Facilities (Sportsfield, Cemetry, Community halls)	16,045,584	13,856,268.00	9,479,808.00
Electricity Infrastructure	600,000		
Computer & Office Furniture	3,639,996	3,971,160.00	4,149,876.00
Machinery and Equipment	6,169,992	7,385,940.00	7,718,304.00
Other assets	7,499,989	8,182,332.00	6,548,844.00
TOTAL	56,564,851	48,971,004	44,173,032



Capital expenditure is funded by MIG grant of R24.8 million, R4.6 million Corridor grant and internal generated funds of R22 million which is funded internally from our cash backed reserves.

Budget Assumptions

Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn
- Expediting spending on capital projects that are funded by conditional grants.
- Expediting spending on service delivery

In preparing the budget, the following priorities were considered:

- Deliver more and better services in a caring and efficient manner
- Hold political office bearers and public servants accountable

The challenge for the municipality is to do more within its existing little resource envelope

Over the next few years, the municipality must deliver more services- and deliver them more efficient-within a tight resource's envelope. Achieving this objective requires a new way of working:

- The budget has been reprioritized so that money is moved from low-priority programmes to high priority programmes.

INVESTMENTS

At present the Council does not have long term investments to fund the operating or capital expenditure. The investment portfolio for the Council is short term investments for conditional grants received from National Treasury and other organization of the state.

3.2.1 Explanatory notes to MBRR Table A1-Budget Summary for 2022/2023 Financial year.

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

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

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

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

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

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

- Total revenue is R 266 million in 2022/2023 which excludes capital transfers as well as internal generated funding.
- Revenue to be generated from property rates is R 27 million in 2022/2023 financial year and increases respectively in outer years. Therefore, property rates remain a significant funding source for the municipality. Transfers recognised includes the local government equitable share and other grants from national and provincial government remain the largest funding source for the municipality. Since we are only collecting in one ward, other wards are in rural areas.

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

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

3.6 Explanatory notes to Table A6-Budgeted Financial Position

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

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

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be funded
- As part of the budgeting and planning guidelines that informed the compilation of the 2022/2023 MTREF the end objective of the medium framework was to ensure the budget is funded aligned to section 18 of the MFMA.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2022/2023 MTREF is funded

3.8 Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of Property Plants and Equipment. The Municipality is working towards meeting both recommendations but the budget for UMuziwabantu is adequate to secure the ongoing health of the municipality's infrastructure.

3.9 Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services. The Municipality continues to make good progress with the eradication of backlogs:
- The number of households registered for indigent in 2022/2023 is expected to increase therefore entitled to receiving Free Basic Services, this is covered by municipality's equitable share.

Part 2 – Supporting Documentation

1. Budget Assumptions

Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn
- Expediting spending on capital projects that are funded by conditional grants.

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 UMuziwabantu residents and businesses.
- The impact of municipal cost drivers.

2. Overview of the annual budget process

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

The Budget Steering Committee consists of EXCO Members and Members of the Finance committee, the Municipal Manager, Senior Managers and Budget Manager of the municipality. It's chaired by the Madam Mayor.

The primary aim of the Budget Steering Committee is to ensure that.

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

3. IDP and Service Delivery and Budget Implementation Plan

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

- Registration of community needs; Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:
- Compilation of departmental business plans including key performance indicators and targets.
- Financial planning and budgeting process.
- Public participation process.
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

This plan links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

4. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2022/2023 MTREF, an extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2022/2023 MTREF:

- Local growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. Inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2021/2022 adjustment budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery

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

5. Overview of alignment of annual budget with IDP

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

6. Measurable performance objectives and indicators

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

7. Planning, budgeting, and reporting cycle

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

8.1 Performance indicators and benchmarks

a) Creditors Management

UMuziwabantu has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on suppliers' perceptions of risk of doing business with UMuziwabantu, which is expected to benefit the local community in the

form of more competitive pricing of tenders, as suppliers compete for the UMuziwabantu business

b) Free Basic Services: basic social services package for indigent households

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

9. Overview of budget related policies

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

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 UMuziwabantu residents and businesses.
- The impact of municipal cost drivers.
- The increase in the cost of remuneration of councilors and employee related costs is currently in line with general increase in inflation of 4.1%, any increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC that will be concluded with the municipal workers unions will be considered during the final budget.

10. Overview of budget funding

Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term: Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. UMuziwabantu derives most of its operational revenue from property rates, operating and capital grants from organs of the state and other minor charges (such as building plan fees and traffic fines etc.)

The future fiscal sustainability of the Council is not very positive. The following are contributing factors for this situation:

- The continued inability of consumers to settle outstanding accounts
- Government departments not paying their rates accounts
- Poor of revenue base on high rate of Indigent people around the municipal area
- The continued dependency on grant funding from the national government

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

- Growth in the local and economic development.
- Revenue management and enhancement.
- To achieve at least 88% annual collection rate for consumer debtors

11. Expenditure on allocations and grant programs

It is estimated that a spending rate of at least 100 per cent is achieved on the operating expenditure and 100 per cent on the capital programs for the 2022/23 MTREF of which performance has been factored into the cash flow budget.

12. Legislation compliance status

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

a. In year reporting

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

b. Internship programme

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

c. Budget and Treasury Office

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

d. Audit Committee

An Audit Committee has been established and is fully functional.

13. Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

A surplus would indicate the cash-backed accumulated surplus that was available