



**2023/2024 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 2024 to 2026 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 obtained an unqualified audit opinion, which is a good reflection for the organization, however the Municipality is required to work even harder in order to achieve a clean audit opinion, stringent measures must be put in place.

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 318.6 million** for 2023/2024 financial year. It appropriates a total operating expenditure of **R 271.4 million** and capital expenditure of **R 47.1 million**.

Major movements when comparing draft budget with final budget.

- Road maintenance which has increased by R1.5 million to R 2.5 million
- Wet fuel under Road department has increased by R 800 000 to R 2 million
- Stafford street has increased by R 600 000 to R 1.6 million
- Electrification has increased by R 1 million to R 1.9 million
- Bulk electricity has decreased by R 1.5 million to R 49.2 million, due to the revised tariffs percentage by NERSA
- Cemetery recording system has been allocated R 550 000
- Landfill site maintenance has increased by R 2.3 million to R 8.2 million
- Rehabilitation of landfill site allocation of R 1 million has been removed.
- Interest on investments has been decreased by R 1 million to R 6.5 million due to the low interest rate that we are receiving from the banks.
- Caucus fund has increased by R 126 176 to R650 000.00

- Circuit breaker has increased by R 200 000 to R700 000

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

Table 1 Consolidated Overview of the 2023/2024

R Thousand	2022/2023 Adjusted Budget	2023/2024 Final Budget	2024/2025 Proposed Budget	2025/2026 Proposed Budget
Total Operating Revenue	206 683	204 177	229 057	232 519
Total Operating Expenditure	263 928	271 496	281 187	295 246
Surplus/Deficit	-57 245	-67 319	-52 130	-62 727
Total Capital Expenditure	56 913	47 122	40 000	38 000

Total operating revenue has decreased by R 2.5 million, for the financial year of 2023/2024 when compared with 2022/2023 adjusted budget year. This is due to the limited revenue that we have, as well as electrification grant that has been massively reduced the increase in allocation. The Municipality did not receive the Corridor grant this year which is also one of the contributing factors to reduced revenue. For the two outer years, operational revenue has been increased by 5% when with compared to 2022/2023 financial year including grant allocations that has been gazetted.

Total operating expenditure for the year 2023/2024 has been appropriated at R 271 million, when compared with 2022/2023 Adjusted Budget, an overall operational expenditure has increased by R 7.5 million, which equates to 3% increase, this is due to the cost cutting measures that has been applied as our resources are extremely limited. The Municipality has applied 5% increase for both outer years when compared to the adjusted budget for 2022/2023 financial year.

The Capital budget of R 47 million for the year 2023/2024 has decreased by 18% when compared with 2022/2023 adjusted budget. This decrease is due to the limited resources that is allocated for this new financial year as alluded above, as well as our cash backed funds which are gradually decreasing on a yearly basis. Capital budget is basically for assisting in rendering service delivery to the needy communities to help fight against poverty which is affecting our communities at large. Capital projects are funded by Municipal Infrastructure grant (MIG), Disaster grant as well as internally generated funds, which is our cash backed reserves.

Financial viability

In terms of the current budget the municipality is running at a deficit, which means for the municipal budget to be funded, however the municipality is funding the deficit by using reserve funds, which may affect the municipality's cashflow position in the future. Therefore, the municipality is encouraged to reduce the excessive use of reserves to fund the budget, to ensure the sustainable financial viability of the municipality.

Operating Revenue Frameworks

In order 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. 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 needs of the community however always exceed the available funding.

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

- National Treasury's guidelines and macroeconomic policy,
- Efficient revenue management, which aims to ensure a 100 per cent annual collection rate for property rates and other key service charges,
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service,
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) MPRA,
- Increase ability to extend new services and recover costs,
- The municipality's Indigent Policy and rendering of free basic services,
- Tariff policies of the Municipality and
- Revising the interest rates charged monthly on outstanding debts.

The following table is a summary of the 2023/2024 Revenue Budget (classified by main revenue source):

Municipal Revenue sources

INCOME	ADJ BUDGET	BUDGET	DIFFERENCE
	2022/2023	2023/2024	
EQUITABLE SHARE	110,540,993	117,131,000	6,590,007
FINANCIAL MANAGEMENT GRANT (FMG)	1,850,000	1,850,000	-
ARTS AND CULTURE (PROVINCIAL LIBRARY)	1,950,000	1,950,000	-
EXPANDED PUBLIC WORKS PROGRAM (EPWP)	981,000	1,155,000	174,000
MUNICIPAL INFRASTRUCTURE GRANT	26,163,000	27,173,000	1,010,000
ELECTRIFICATION GRANT	15,919,000	640,000	-15,279,000
DISASTER RECOVERY GRANT	-	13,562,000	13,562,000
CORRIDOR DEVELOPMENT	4,600,000		-4,600,000
RATES	26,382,326	27,713,348	1,331,022
ELECTRICITY	35,206,912	40,292,145	5,085,233
TRAFFIC LICENCING	1,481,028	1,555,079	74,051
REFUSE	2,804,901	2,945,146	140,245
INTEREST ON INVESTMENT	7,215,032	6,575,784	-639,248
OTHER INCOME	2,352,131	2,369,829	17,698
TOTAL	237,446,323	244,912,330	7,466,007

Transfer-recognised operational remains the largest revenue source, follows by electricity service charges, property rates, interest on investments followed by the refuse removal. Municipality have been urged to review the tariffs of charges per each line item on an annual basis to ensure that they are cost reflective, and market related. Umuziwabantu municipality has reviewed their tariffs charges as per the above table. Income has been increased by the CPI percentage.

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 increasing the 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 5% for 2023/2024 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 increased property rates and refuse charges by 5%. The electricity charges have increased by 15% per the NERSA guideline.

Operating Expenditure Framework

The expenditure framework for the 2023/2024 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
	2022/2023	2023/2024	
SALARIES & WAGES	98,747,000	106,154,000	7,407,000
BULK PURCHASES	42,849,000	49,276,350	6,427,350
REPAIRS & MAINTENANCE	12,477,256	17,692,944	5,215,688
DEPRECIATION	13,918,488	25,873,084	11,954,596
MAZAKHELE ELECTRIFICATION-INEP	15,919,000	640,000	-15,279,000
MAZAKHELE ELECTRIFICATION-INTERNAL		1,300,000	1,300,000
CAUCUS FUND	545,940	650,000	104,060
CONTRACTED SERVICES	47,761,000	41,810,000	-5,951,000
INVENTORY	1,083,000	1,083,000	-
FINANCE CHARGES	33,000	33,000	-
TRANSFERS AND SUBSIDY	255,000	255,000	-
OPERATING COSTS	19,614,316	26,902,886	7,288,570
TOTAL	253,203,000	271,670,264	-18,467,264

EMPLOYEE RELATED COSTS

The budgeted allocation for employee related cost for the 2023/2024 financial year amounts to R106 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 5 as per cpi plus 2.5% catered for the notch level movement. 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 2023/2024 this amount equates to R3.3 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 total to R 25.7 million for 2023/2024 final budget, however the municipality will adjust this line item during the adjustment budget being guided by the audited AFS.

REPAIRS AND MAINTENANCE

The municipality is operating on a tight budget scale therefore it could 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 we have.

SPECIAL PROGRAMS AND CAUCUS FUND

Column1	Column2	Column3	Column4
PROGRAMS	ADJ BUDGET 2022/2023	FINAL BUDGET 2023/2024	VARIANCE
PEOPLE WITH DISABILITIES	70,572.00	259,620.00	189,048.00
GENDER	163,452.00	298,800.00	135,348.00
ARTS AND CULTURE	171,702.00	212,892.00	41,190.00
HIV/AIDS	119,040.00	490,080.00	371,040.00
SENIOR CITIZENS	114,060.00	244,056.00	129,996.00
RIGHTS OF A CHILD	19,536.00	59,532.00	39,996.00
YOUTH PROGRAMS	1,911,980.00	2,005,608.00	93,628.00
SPORTS DEVELOPMENT	1,319,316.00	1,319,316.00	-
HERITAGE SUPPORT	60,000.00	110,004.00	50,004.00
RELIGIOUS SUPPORT	35,844.00	84,840.00	48,996.00
LED SUPPORT	2,749,992.00	2,400,000.00	-349,992.00
POPPER BURIAL		50,000.00	50,000.00

The attached are the programs that will continue to support Umuziwabantu community in terms of the capacity building as well as job creation i.e. LED projects.

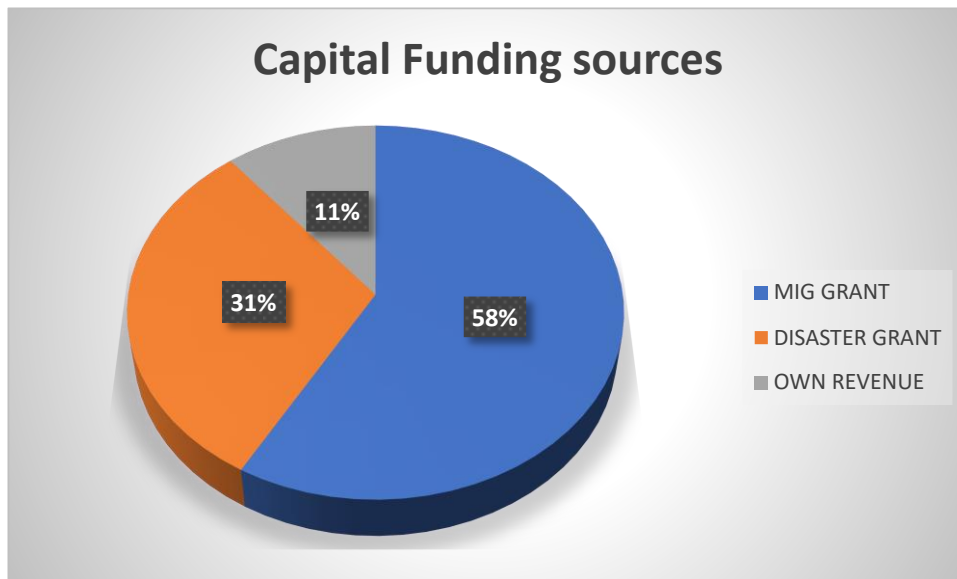
FREE BASIC SOCIAL SERVICES PACKAGES

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

CAPITAL BUDGET SUMMARY

CAPITAL EXPENDITURE PER CATEGORY/BY ASSET CLASS

CAPITAL BUDGET FOR THE YEAR 2023/2024	AMOUNT
Fire wall software	R 60,000.00
Generator 100 kva x 2	R 200,000.00
Upgrade microsoft-EQS	R 60,000.00
Mini fridge(comm)	R 3,000.00
Furniture and Office Equipment: Office furniture and equipment-EQS	R 65,000.00
Cemetry recording computer system	R 550,000.00
Lightning conductors	R 500,000.00
Knap sack*300	R 100,000.00
CBD Camera's	R 100,000.00
Cemetery notice board	R 15,000.00
Prolaser speedtiming	R 100,000.00
breathalyzers	R 30,000.00
handcuffs	R 10,000.00
Office chairs	R 15,000.00
Fence areodrome	R 50,000.00
Municipal Offices - INTERNAL	R 1,650,000.00
Circuit breaker	R 700,000.00
Excavator	R 2,500,000.00
Stafford Street - INTERNAL	R 1,600,000.00
Mhlwazini Access Bridge - MIG	R 1,022,104.26
Harding Sportfield - MIG	R 9,325,440.52
Comnstruction of Mazakhele comm Hall(mig)	R 9,775,824.77
Construction of Fantini Road(mig)	R 4,490,980.45
Upgrade field street-professional fees(mig)	R 300,000.00
Enduvini and Edolophini access road -professional fees(mig)	R 300,000.00
Emazibukweni to KwaShabane access road-professional fees(mig)	R 300,000.00
Construction of Access Road C ward1 (mig)	R 300,000.00
Dolopini-4(Disaster grant)	R 3,000,000.00
D908-Kwamayela-5(Disaster grant	R 3,000,000.00
Mangashuza-10(Disaster)	R 3,000,000.00
Hangwini-9(Disaster)	R 3,000,000.00
Consultant fees-Disaster	R 1,000,000.00
TOTAL CAPEX	R47,122,350.00



Our overall Capital Budget is R47 million, MIG funding is R25 million, Disaster grant of R13.5 million and internal generated funds of R 7.7 million which is funded internally from our cash backed reserves. The total capital budget decreased by 18%, the contributing factors are due to cost containment measures as well protecting our cash backed reserves, which has already shown a decline when compared with the previous years.

Budget Assumptions collection percentage applied.

- Rates =95%
- Service charges (refuse) =86%
- Service Charge (electricity) =97%

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 of conditional grants received from National Treasury and other organization of the state.

SUPPORTING TABLES

NB:SA4,SA5,SA6,SA7,SA9,SA11,SA12B,SA13A,SA13B,SA14,SA15,SA16,SA17,SA18,SA19,SA20,SA21,SA23,SA24,SA33,SA35,SA36,SA37 and SA38 was not populating into the system therefore we had to manual capture those line items using the old version.

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

- Table A1 is a budget summary and provides a concise overview of 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.
- Transfers 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 Government Finance Statistics (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 R204 million in 2023/2024 which excludes capital transfers as well as internal generated funding.
- Revenue to be generated from property rates is R 27 million in 2023/2024 financial year and increases respectively in outer years. There is no increase under property rates it is still the same as the adjusted budget. Therefore, property rates remain a significant funding source for the municipality. Transfers recognised-operating includes the local government equitable share and other grants from national and provincial government remain the largest funding source for the municipality. Due to the fact that we are only billing for services 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 programs 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 a number of items, including.
 - Call investments deposits
 - Consumer debtors
 - Property, plant and equipment
 - Trade and other payables

- Provisions non-current
- Change in net assets,
- Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets on the municipality belong to the community.

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 2023/2024 MTREF the end objective of the medium framework was to ensure the budget is funded aligned to section 18 of the MFMA.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2023/2024 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 of these 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 2023/2024 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 2023/2024 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 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, taking into account 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 2023/2024 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 2023/2024 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 2022/2023 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 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. 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 2023/2024 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%, 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 taken into account 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 83% 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

exporting 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.