



2024/2025 DRAFT BUDGET OF UMUZIWABANTU MUNICIPALITY

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3.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 2027 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 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.

3.1 BUDGET SUMMARY

The total operating revenue is R308 million this indicates decrease by 8 per cent or R28 million for the 2024/2025 financial year when compared to the 2023/2024 Adjustments Budget.

Operational expenditure has decreased by 3 per cent in the 2024/2025 budget and increase by 4.6 and 4.5 per cents for each of the respective outer years of the MTREF. The Operational Budget has budgeted for deficit of R59 million which will

fund capital budget, further to that this includes budget for depreciation of R33,7 million and Debt impairment of 3.5 million which are non-cash items.

Total capital budget of R26 million for 2024/2025 has decreased by 44 per cent or R 20 million when compared to the 2023/2024 Adjustment Budget. The capital programme has increased by 4.6 percent, and 4.5 per cents for each of the respective outer years MTREF.

The budget also indicates that the municipality is highly dependent on grants as it has received R32 million and R123 million from equitable share.

The 2024/25 mSCOA Draft Annual Budget for Umuziwabantu Municipality is as follows:

Total Operational Revenue	R (249 015 500)
Total Capital Revenue	R (26 255 249)
Total Operating Expenditure	R 281 791 875
Total Capital Expenditure	R 26 255 249
(Surplus)/Deficit	R 59 031 622

The 59 million has been funded from the reserves / investments which is funding the Capital budget, operating budget such as Depreciation and Debt Impairment etc.

PROPOSED DRAFT BUDGET FOR THE YEAR 2024/2025						
	Proposed Adjustment Budget 2023/2024	Final Draft budget 2024/2025	Adjusted Budget: CAPEX 2023/2024	Final draft capex 2024/2025	Adjusted Budget Revenue 2023/2024	Draft budget revenue 2024/2025
Cemeteries	804,815.28	679,329.73	-		(7,016,116.00)	(7,386,777.51)
Community Halls	21,207,901.56	20,872,485.23	103,000.00		(6,940,537.00)	(7,307,495.14)
Parks & Gardens	6,173,648.00	5,902,671.38	-		(6,908,813.00)	(7,274,216.67)
Technical Services	7,181,984.00	7,529,432.01	4,691,231.75	5,143,728.65	(32,418,309.00)	(34,230,229.77)
Disaster	9,420,612.00	9,676,489.90	529,800.00		(20,470,817.00)	(7,274,216.67)
Electricity Distribution	60,053,594.00	65,839,633.88	1,355,000.00		(47,718,948.00)	(52,553,993.21)
Finance Services	65,680,032.00	72,909,346.13	400,000.00	500,000.00	(56,334,902.00)	(60,009,633.52)
Housing	497,553.60	534,123.79	-		(6,274,375.00)	(6,606,223.56)
Corporate Services	10,709,060.00	9,503,484.58	872,604.00	300,000.00	(7,045,601.00)	(7,417,707.28)
Human Resosurces	3,624,432.00	3,321,213.47	-		-	-
Information Technology	2,771,854.66	2,552,478.77	120,000.00		(6,908,813.00)	(7,274,216.67)
Libraries	2,739,120.56	3,195,871.75	-		(1,956,484.00)	(2,042,801.72)
Mayor & Cllr's office	21,546,683.21	16,709,055.43	-		(6,908,813.00)	(7,274,216.67)
Municipal Manager's Office	18,604,872.00	16,429,797.56	-		(6,908,813.00)	(7,274,216.67)
Traffic	11,256,680.00	11,736,891.49	70,000.00		(8,921,588.00)	(9,385,617.62)
Roads	15,905,604.00	10,454,980.37	38,666,566.20	20,311,521.25	(6,965,658.00)	(7,333,849.14)
Solid Waste	16,872,171.55	15,789,524.14	-		(10,279,888.00)	(11,095,879.32)
Planning & LED	11,386,296.00	8,155,065.56	-		(6,908,808.00)	(7,274,211.40)
	-	-	-		-	-
TOTAL	289,304,001.00	281,791,875.16	46,808,201.95	26,255,249.90	(246,887,283.00)	(249,015,502.52)
OPEX	289,304,001.00	281,791,875.16	-3%			
CAPEX	46,808,201.95	26,255,249.90	-44%			
TOTAL	336,112,202.95	308,047,125.06	-8%			
REVENUE	(246,887,283.00)	(249,015,502.52)	1%			
INTERNAL FUNDS	89,224,919.95	59,031,622.54	-34%			

REVENUE ENHANCEMENT STRATEGY

The ability of the municipality to collect outstanding debt has been considered when estimating the cash flows. **At the collection rate of 58 per cent** as the municipality will always closely monitor its performance in this regard. Our revenue enhancement strategy is currently being reviewed to improve revenue collection of the municipality.

We need to manage these challenges to avoid falling into financial distress and liquidity challenges. Therefore, we need to maximise revenue generating potential and collect what is due to us and concurrently, eliminate wasteful and non-core spending. We need to ensure that expenditure is limited to the maximum revenue collected and not spend on money that we don't have.

ELECTRICITY SUPPLY

Further consideration is the collection rate from the electricity in the area where we provide this service. Prepaid smart metering system has been fully implemented although other consumers have not fully converted to prepaid.

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 15.1 per cent in the 2023/24 municipal financial year. Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases.

In their Multi-Year Price Determination (MYPD 5) application Eskom requested approval for municipal bulk tariff increases of 12.7 per cent in 2024/25, 15.7 per cent in 2025/26 and 15.7 per cent in 2026/27.

DIVISION OF REVENUE BILL

Division of Revenue Bill, 2024: changes to local government allocations

Municipal Infrastructure Grant (MIG) – Over the 2024 MTEF, the Department of Cooperative Governance (DCoG) will introduce an indirect component to the MIG. This is to improve efficiency in grant expenditure to develop more and better-quality infrastructure. The conversion will be done in-year. The criteria as determined by DCoG includes indicators related to expenditure and reliability of infrastructure.

Local Government Financial Management (FMG) Grant – Over the 2024 MTEF, the grant framework for the FMG will make provision for the preparation of asset registers.

The 2024/2025 MTREF Division of revenue Bill has publicized the following allocations for the municipality. Further to that it should be noted that there is no allocation towards disaster relief grants as well as INEP grant for 2024/25 financial year.

THE REVENUE BUDGET AND TARIFF OF CHARGES

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality.

An increase of **4.9 per cent** is proposed to be affected on Rates Tariffs; **12.7 per cent** increase in proposed for electricity tariffs as per MFMA circular 126, Refuse and other sources of revenue have been aligned to the Consumer Price Index (CPI) inflation of **4.9 per cent**.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality.

The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 4 to 6 per cent target band; therefore, municipalities are required to justify all increases more than the projected inflation target for 2024/25 in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

The tariffs as attached and deemed to form part of this agenda are submitted for consideration and implementation with effect from 1 July 2025. All tariffs have now been consolidated and have been reviewed to be more market related.

THE FUNDING SOURCE

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2024/25 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures.
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82.
- Ensuring value for money through the procurement process.
- The affordability of providing free basic services to all households.
- Not taking on unfunded mandates.
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water.
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently, and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA,

read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

EMPLOYEE RELATED COSTS

The Salary and Wage Collective Agreement for the period 01 July 2024 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2024/25 MTREF.

Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

In terms of SALGA Circular 05/2024- Salary and Wage Increase for the period 1 July 2024 to 30 June 2023.

The **salary and wage increase** shall be four comma nine percent (7%) with effect from 1 July 2024 and any linked benefits or conditions of service shall increase by the same rate of 7% with effect from 1 July 2024.

In terms of section 13A of the Pension Funds Act, 1956 (Act No. 24 of 1956), an employer must pay contributions it collected from employees' salaries to the relevant pension fund by the 7th day after the end of the month in respect of which the contributions were payable.

According to the latest annual report by the Pension Fund Adjudicator (PFA), it is especially concerned about non-payment of contributions in the municipal sector, thereby putting members' benefits at risk for extended periods of time.

Over and above, there is interest on contributions that an employer is liable to pay if pension fund contributions are not paid over timeously. The Financial Services Laws General Amendment Act, 2013 (Act No. 45 of 2013) makes the employer's failure to pay contributions to a retirement fund a criminal offence. The amendment to this Act now provides for personal liability of persons who are entrusted with managing the overall financial affairs of the employer.

REMUNARATION OF COUNCILORS

Municipalities are advised to budget for the actual costs approved in accordance with

the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillor's contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councillor(s) concerned.

The municipality has budgeted for a proposed increase of 7 percent increase aligned with CPI while we are waiting for COGTA to issue Government Notice in relation to Councillors upper limits.

THE MEDIUM-TERM EXPENDITURE, REVENUE FRAMEWORK

The Medium-Term Expenditure Framework proposes a total budget of **R 308 million** for 2024/2025 financial year. It appropriates a total operating expenditure of **R 281 million** and capital expenditure of **R 26 million**.

4. Table 1 Consolidated Overview of the 2024/2025: Budget assumption

R Thousand	2023/2024 Adjusted Budget	2024/2025 Draft Budget	2025/2026 Proposed Budget	2026/2027 Proposed Budget
Total Operating Revenue	246 887	249 015	260 607	286 381
Total Operating Expenditure	289 304	281 792	300 975	321 787
Total Capital Expenditure	46 808	26 255	27 463	28 699
Surplus/Deficit	89 225	59 032	67 774	64 108

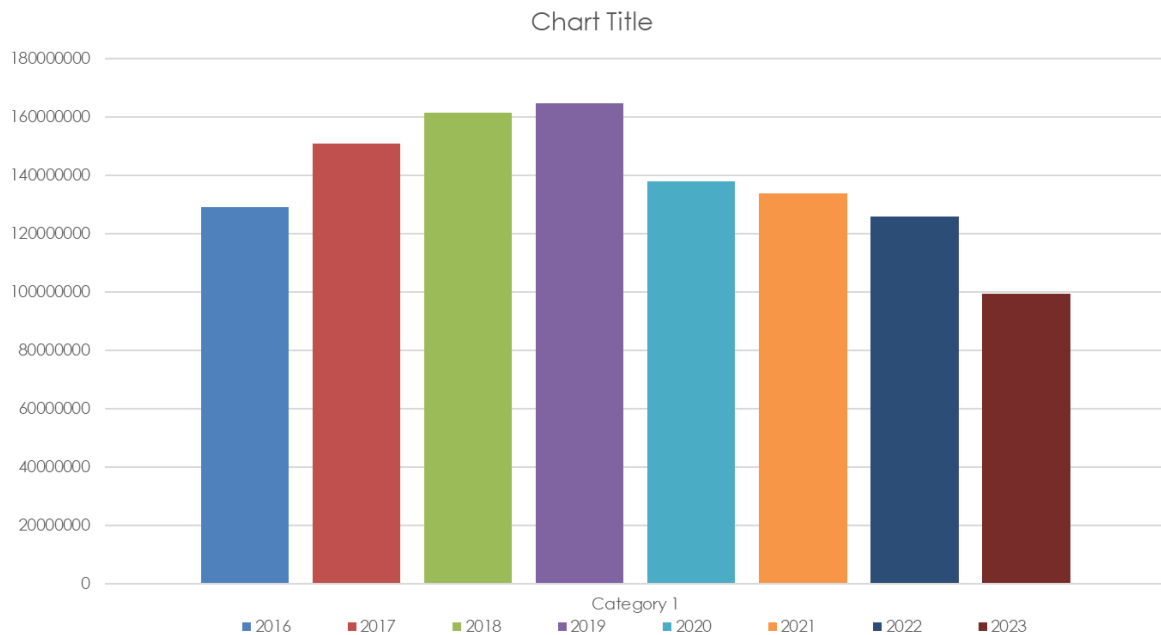
Total operating revenue has increased by 0.86 for the financial year of 2024/2025 when compared with 2023/2024 adjusted budget year, 4.6 percent and 9.8 percent for each of the respective outer years MTREF.

This is due to the limited revenue that we have received also the grants has been reduced, i.e. the municipality did not receive the Disaster grant as well as INEP grant, MIG and FMG grant has been massively reduced in gazetted allocation.

Total operating expenditure for the year 2024/2025 has been appropriated at R 281 million, when compared with 2024/2025 Adjusted Budget, an overall operational expenditure has increased by 3% instead of CPI, this is due to the cost cutting measures that has been applied as our resources are extremely limited. The Municipality has applied, 4.6, 4.5% increase for the outer years when compared to the adjusted budget for 2026/2027 financial year.

The Capital budget of R 26 million for the year 2024/2025 has decreased by 44% or R 20 million when compared with 2023/2024 adjusted budget. This decrease is due to the limited resources as well as control that the municipality is trying to implement i.e. refrain from funding the budget with reserves as it strains our financial status, as our cash backed funds are gradually decreasing on a yearly basis. Capital budget objectives is basically for assisting in rendering service delivery to assist the needy communities and help fighting against poverty which is affecting our communities at large. Capital projects are funded by Municipal Infrastructure grant (MIG) of R 25 million, as well as internally generated funds amount of R 800 000, which is from our cash backed reserves.

5. Financial Position-Cash and cash Equivalent for the municipality



As it can appear in this Revenue bar chart:

- 2018 the closing balance was R161 481 177 translating to an increase of R3.1 million increases in 2019.
- 2019 closing balance was R164 624 435
- 2020 From 2019 to 2020 we have dropped by R26.6 million.
C/B R137 942 429
- 2021 From 2020 to 2021 we have dropped by R4.1 million.
C/B R133 799 791
- 2022 From 2021 to 2022 we have dropped by R8.1 million.
C/B R125 694 586
- 2023 From 2022 to 2023 we have dropped by R26.3 million.
C/B R99 325 751

As illustrated above our cash is slowly going down as a municipality, we need to take a different approach when we are doing our budgeting for the municipality to have a healthy financial position. We must look at the different ways that can increase our revenue, be grant hunters, render best services to the communities etc.

The cash backing /surplus reconciliation is reflecting that the municipality is depending on reserves to have a funded budget. This place the municipality in a very vulnerable financial position, as the recent decline in revenue collection is shown by age analysis. Council needs to take a deliberate decision to ensure that the reserves are protected. This cannot be achieved in one financial year, but over the years, there will be a progressive improvement in the level of our reserves.

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 section of Cost of Free basic services shows that the amount of free basic services provided by the municipality continues to increase by CPI. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Operating Revenue Frameworks

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 never open again, some households has lost jobs.

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 2024/2025 Draft Revenue Budget (classified by main revenue source):

6.Municipal Revenue sources: Budget Funding

INCOME SOURCE	ADJ BUDGET	BUDGET	DIFFERENCE
	2023/2024	2024/2025	
EQUITABLE SHARE	117,131,000.00	123,326,000.00	6,195,000
FINANCIAL MANAGEMENT GRANT (FMG)	1,850,000.00	1,800,000.00	-50,000
ARTS AND CULTURE (PROVINCIAL LIBRARY)	1,950,000.00	2,036,000.00	86,000
EXPANDED PUBLIC WORKS PROGRAM	1,155,000.00	1,497,000.00	342,000
MUNICIPAL INFRASTRUCTURE GRANT	25,356,000.00	26,795,000.00	1,439,000
ELECTRIFICATION GRANT	640,000.00		-640,000
MUNICIPAL DISASTER GRANT	13,562,000.00		-13,562,000
RATES	26,690,609	27,904,039	1,213,430
ELECTRICITY	27,904,040	39,701,164	11,797,124
TRAFFIC LICENCING	1,200,952	1,259,799	58,847
REFUSE	2,121,328	2,225,273	103,945
INTEREST ON INVESTMENT	8,675,784	10,100,897	1,425,113
OTHER INCOME	18,650,562	12,370,330	-6,280,232
TOTAL GRANTS	161,644,000.00	155,454,000.00	(6,190,000.00)
OWN REVENUE	85,243,275.00	93,561,500.00	8,318,225.00
SUBTOTAL	246,887,275.00	249,015,500.00	2,128,225.00
RESERVES	89,224,919.00	59,031,622.54	30,193,296.46
TOTAL REVENUE	336,112,194.00	308,047,122.54	28,065,071.46

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 which is 4.9 percent as per the budget circular 126.

Revenue Analysis

- Equitable share has increased by R 6 million when compared with the adjustment budget.
- Financial Management Grant has decreased by R 50 000.00 when compared with the draft budget.
- Arts and Culture Library grant has increased by R 86 000 when compared with the draft budget.
- Municipal Infrastructure Grant has decreased by R 1.4 million when compared with the draft budget.
- There is no electrification received in this financial year.
- There is no Municipal Disaster Grant received this year.
- Service charges and other income has increased by 4.9% as per treasury circular no.126.

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 4.9%. The electricity charges have increased by 12.7% per the NERSA guideline.

Operating Expenditure Framework

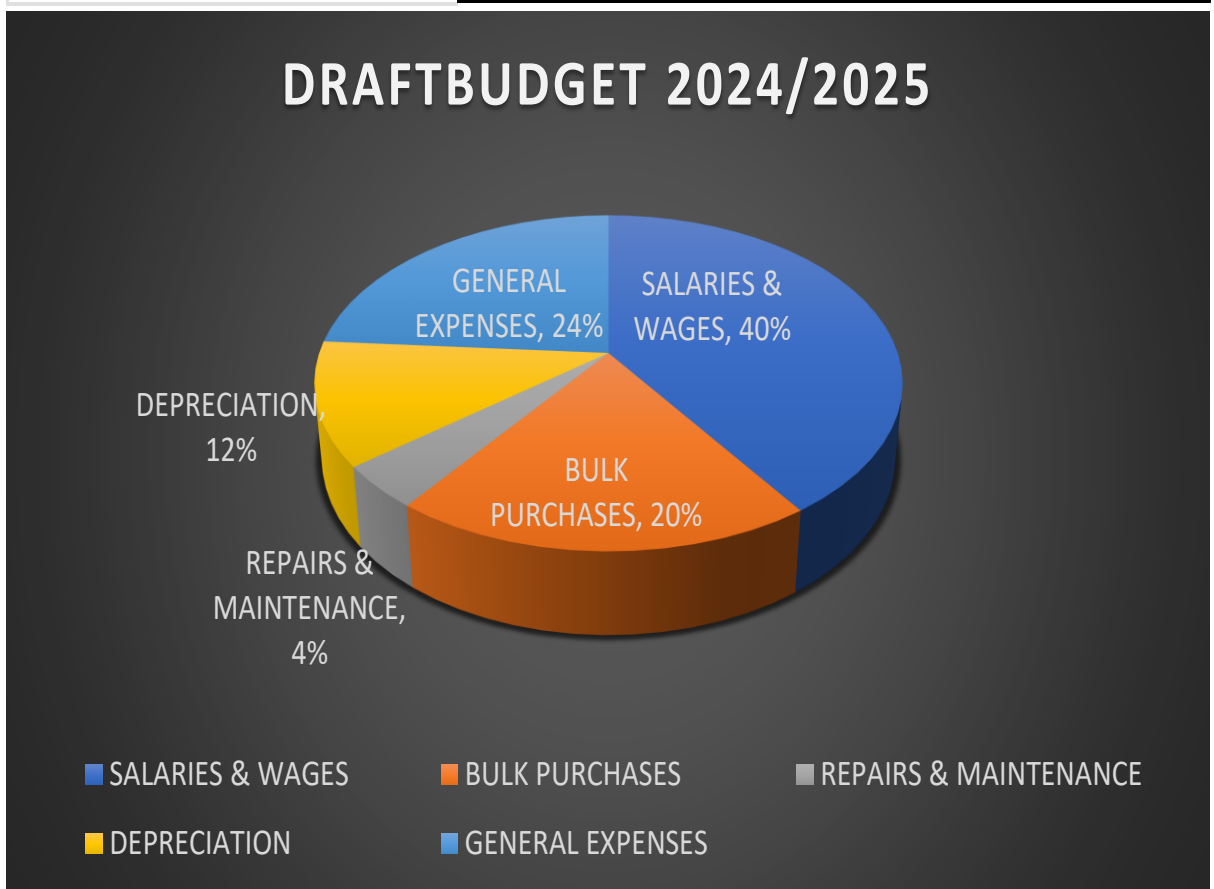
The expenditure framework for the 2024/2025 budget is informed by the following:

- 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.

7. EXPENDITURE ALLOCATIONS AND GRANTS PROGRAMMES

EXPENDITURE	ADJ BUDGET	DRAFT BUDGET	VARIANCE
	2023/2024	2024/2025	
SALARIES & WAGES	106,153,524	113,955,808	7,802,284
BULK PURCHASES	49,276,350	55,544,302	6,267,952
REPAIRS & MAINTENANCE	18,729,342	11,668,167	-7,061,175
DEPRECIATION	29,920,480	33,420,480	3,500,000
DEBT IMPAIRMENT	3,300,000	5,300,000	2,000,000
CAUCUS FUND	896,290	896,290	-
GENERAL EXPENSES	81,000,000	61,006,828	-19,993,172
TOTAL	289,275,986	281,791,875	-7,484,111



8.EMPLOYEE RELATED COSTS: COUNCILOR, BOARD MEMBER ALLOWANCES

The budgeted allocation for employee related cost for the 2024/2025 financial year amounts to R113.9 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 4.9 as per cpi plus 2.5% catered for the notch increase. 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).

The major increase /decrease in expenditure is mainly due to the following reasons:

- Employee related costs has increased by R 7.8 million when compared with the adjusted budget.
- Bulk purchases have increased by 12.5 percent or R 6 million as per the budget circular when compared with the adjustment budget.
- Debt impairment has increased by R 2. million when compared with the adjustment budget.
- Depreciation has increased by R 3.5 million when compared with the adjustment budget.
- General expenses have decreased by R 19.9 million when compared with the adjustment budget, as the municipality is trying to cut the cost.

DEPRECIATION AND DEBT IMPAIRMENT

The provision of debt impairment was determined based on an annual collection rate of debtors. For the financial year of 2024/2025 this amount equates to R5.3 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 33 million for 2024/2025 draft budget.

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, however in future the municipality will make sure that it meets 8% in terms of the repairs as well as 40% in terms of the infrastructure renewal. Asset maintenance is pivotal to prevent breakdowns of infrastructure assets and avoid interruptions to service delivery.

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.

9.SPECIAL PROGRAMS AND CAUCUS FUND

PROGRAMMES	ADJUSTED		Variance
	BUDGET 2023/24	DRAFT BUDGET 2024/25	
PEOPLE WITH DISABILITIES	379,616.00	151,846.00	(227,770.00)
GENDER	433,384.00	173,354.00	(260,030.00)
ART AND CULTURE	417,896.00	167,158.00	(250,738.00)
HIV AND AIDS	90,588.00	30,235.00	(60,353.00)
SENIOR CITIZENS	330,956.00	132,382.00	(198,574.00)
YOUTH, STUDY ASSISTANCE & BACK TO SCHOOL	1,483,353.00	593,341.00	(890,012.00)
MAYORAL & SALGA GAMES	788,471.00	315,389.00	(473,082.00)
HERITAGE & RELIGIOUS SUPPORT	334,840.00	133,937.00	(200,903.00)
RIGHTS OF A CHILD	64,532.00	25,813.00	(38,719.00)
LED PROJECTS	3,060,000.00	1,224,000.00	(1,836,000.00)
CAUCUS	896,290.00	896,290.00	-
SALGA GAMES	1,473,016.00	589,206.00	(883,810.00)
TOTAL	9,752,942.00	4,432,951.00	(5,319,991.00)

Special programs have decreased by R5.3 million when compared with the adjustment budget due to our turnaround strategy that we are trying to implement to safeguard our internal resources that are gradually decreasing.

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.

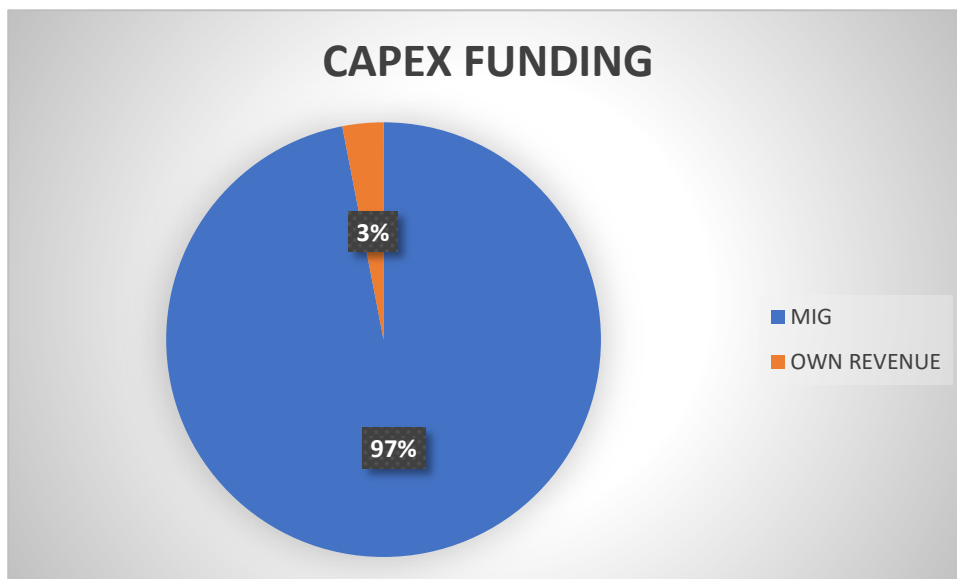
FREE BASIC SOCIAL SERVICES PACKAGES

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 every two years in terms of the Municipality's Indigent Policy.

10.CAPITAL BUDGET SUMMARY: CAPITAL EXPENDITURE DETAILS

Segment Desc	Adjustment budget 2023/2024	Draft Budget 2024/2025
DEPARTMENT: CORPORATE SERVICES (IT & HR)		
Acquisitions-Computers-EQS	100,000.00	300,000.00
Stores	300,000.00	500,000.00
TOTAL	778,000.00	800,000.00
Harding Sportfield - MIG	11,378,624.16	1,545,478.06
Comnstruction of Mazakhele comm Hall	4,632,431.78	5,143,728.65
Construction of Fantini Road	2,400,585.25	3,839,936.00
Upgrade field street(mig)	1,515,249.18	5,164,221.74
Enduvini and Edolophini access road(mig)	286,641.70	3,913,957.54
Emazibukweni to KwaShabane access road(mig)	677,798.25	789,501.31
Construction of Access Road C ward1(mig)	857,984.27	5,058,426.60
	44,957,797.95	25,455,249.90
	-	
OVERALL TOTAL CAPITAL BUDGET	45,935,597.95	26,255,249.90
CAPEX FUNDING SOURCE		
MIG	24,088,204.00	25,455,249.90
DISASTER	13,562,004.00	
INTERNAL	9,157,994.00	800,000.00
TOTAL	46,808,202.00	26,255,249.90



Our overall Capital Budget is R26 million, MIG funding is R25 million and internal generated funds of R 800 000.00 which is funded internally from our cash backed reserves. The total capital budget has decreased by 44% or R 20 million when compared with the adjusted budget, the contributing factors are due to cost cutting measures as well protecting our cash backed reserves as alluded previously, they started showing a decline when compared with the previous years.

The municipality did not budget for the renewal of the existing budget due to the limited resources however treasury guidelines is saying at least 40% of the total budget must cater for asset renewal. The municipality will prioritize this in future when resources became available. This will minimize distribution losses in terms of ageing of infrastructure i.e. electricity ageing condition of their infrastructure.

Budget Assumptions collection percentage applied.

- Rates =95%
- Service charges (refuse) =98%
- Service Charge (electricity) =98%

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.

11.1 Explanatory notes to MBRR Table A1-Budget Summary for 2024/2025 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.

11.2 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.

11.3 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.

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

- Total revenue is R249 million in 2024/2025 which excludes capital transfers as well as internal generated funding.
- Revenue to be generated from property rates is R 27 million in 2024/2025 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. Since we are only billing for services in one ward, other wards are in rural areas.

11.5 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.

11.6 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.

11.7 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 2024/2025 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 2024/2025 MTREF is funded.

11.8 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.

11.9 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 2024/2025 is expected to increase therefore entitled to receiving Free Basic Services, this is covered by municipality's equitable share.

Part 2 – Budget 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 2024/2025 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, 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 2024/2025 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 2024/2025 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 2023/2024 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 2024/2025 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 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 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 2024/25 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.